

Madam Speaker, when we realize that since 1984 federal spending has increased 3 per cent annually and that the provinces increased their annual spending by 5 and 6 per cent, it is obvious that we will all have to bear our share of the burden.

Madam Speaker, we transfer \$35 billion annually to the provinces—that is for 1989–90—an increase of 6.5 per cent over 1984. The federal government, however, kept the increase in its own spending below 4 per cent.

So it was time, and I think it was the best possible choice for the Minister of Finance, to freeze federal spending, including transfers to the provinces, and I said freeze, not cut, Madam Speaker. If we look at annual interest costs for the federal government, these represent 35 cents on the dollar. The provinces, however, pay 12 cents on the dollar.

Madam Speaker, in this country we have to work together. We need the help of the provinces. We must not forget that there are two main components in provincial transfer payments. One is called established programs financing, under which the same amount of money per capita is given by the federal government to all provinces. All the provinces receive the same amount because it is a set amount per individual. This program was frozen in 1989–90.

There is another federal program which comes under provincial transfers and I am referring to equalization transfers. Equalization is for provinces with the lowest incomes, and these payments have not been reduced. This means that lower-income provinces, including Quebec, our native province, the beautiful province I represent here in the House of Commons, Madam Speaker, will receive more money in 1990–91 than in 1989–90. Established programs financing payments are frozen, but equalization payments have gone up—there is no freeze on this component. As a result, payments to the provinces will increase by \$1 billion between 1989–90 and 1990–91.

Madam Speaker, we give the provinces \$36 billion without any obligation to account for the way they spend that money. This is an important point. The federal government spends nearly 25 per cent of its budget on the ten provinces and has no idea what the provinces do with that money. Do they use it for hospitals, education or roads? We have no say in this whatsoever. You may recall the Auditor General made some comments in this respect.

Supply

Madam Speaker, I think we have a duty to support the latest Budget and so does the opposition, including the cuts in all federal spending, the freeze—no cutbacks but a freeze—on established programs financing payments to the provinces and the increase in equalization payments.

[*English*]

Mrs. Barbara Sparrow (Calgary Southwest): Madam Speaker, the current economic conditions in the north contrast sharply with those of the mid-1980s when the joint federal-territorial economic development program began under the economic development agreement.

In 1984 the economic indicators such as gross domestic product, value of production and employment, still demonstrated the effects of an earlier economic recession. Today these indicators show signs of growth. For example, in 1988 the gross domestic product increased by 10 per cent in the Yukon and 7.4 per cent in the Northwest Territories. We must, however, ensure that the improved situation today is sustained and that present growth which has occurred, thanks in part to policies and economic development programming of this government provided by this government, continues. It has provided such a tremendous input in incentives that we want to see this growth continue.

In particular, the government recognizes that Yukon and the Northwest Territories must continue to strengthen their leading sectors and also continue to diversify into other sectors if they are to achieve greater stability in the future and provide northerners with an adequate number and variety of economic opportunities.

This is not a quick step approach to economic development. We believe in concrete, sensible, co-operative mechanisms which meet the needs of northerners and creates the climate of economic opportunity and growth which was lacking under the previous government.

The government has undertaken a number of successful initiatives to help support economic development in the north and also to provide a stable planning framework. From a policy perspective it has provided greater certainty to northern developers by reaching agreements in principle with northern native groups on outstanding land claims, with territorial governments on the northern energy accord and by introducing a northern mineral policy. Through targeted economic development programming under the federal territorial economic development agreements, it has provided assistance to