

[Translation]

We must re-examine a number of programs, remove obstacles to growth, cut waste, improve effectiveness and make better use of limited resources. I am announcing today a number of specific program changes to achieve those objectives.

[English]

Transportation expenditures will be reduced by \$75 million this year and \$200 million next year. The operation of VIA Rail in the Windsor to Quebec City corridor will move toward full cost recovery.

In keeping with the philosophy of greater reliance on market incentives, the government is moving to reduce the use of grants and other subsidies. Industrial subsidies will be reduced by \$100 million this year and \$150 million next year. Agricultural expenditures will be lowered by \$50 million a year.

The projected increase for official development assistance will be reduced next year by \$50 million. This will not compromise the government's commitment to increase our foreign aid to 0.6 per cent of GNP by 1990. To assist the Canadian business community in actively pursuing third world projects of a developmental nature, the government will establish a new trade and development facility.

In energy, we will effect savings of more than \$150 million this year and \$900 million next year. The Petroleum Incentives Program will be phased out by December 31, 1987. Since the CANDU technology is now well established, federal funding for Atomic Energy of Canada Limited's R and D program will be reduced over a six-year period. The priority that AECL assigns to health and safety research will be maintained.

The heavy water plants in Glace Bay and Port Hawkesbury are recognized as striking symbols of government waste and mismanagement. They cost the taxpayers of this country more than \$100 million per year to produce a product for which there is no demand. We will move immediately to close the plants, but we will not abandon the people or the region of Cape Breton.

Workers at the plants will receive generous severance benefits and will be assisted in seeking new employment. Atomic Energy of Canada Limited will be announcing further details of these measures shortly.

To promote more productive, durable employment and development in Cape Breton, the government is taking two important steps.

We are introducing immediately an enriched tax incentive for new investment in Cape Breton. This will be achieved by significantly broadening the application of the existing 50-per cent investment tax credit to include a wide range of investments. This will mean that almost all new investment in Cape Breton will be free of corporate income tax for 10 years.

The Minister of Regional Industrial Expansion (Mr. Stevens) will soon announce the appointment of a private sector advisory committee to recommend new initiatives to the feder-

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al and provincial governments to promote economic development and productive employment in Cape Breton.

The approach we are following in Cape Breton reflects the basic philosophy of this government with respect to the problems of adjustment in both the private and public sectors. We simply cannot afford to continue supporting non-competitive economic activity. To do so drains resources and energy from more productive, job-creating activity. But we must ensure that adjustment takes place in a humane way.

[Translation]

This philosophy also underlies the approach the government is taking to assist individuals in isolated and remote communities. Tax relief for severance compensation will be offered, on a case-by-case basis, to employees affected by a company closure in isolated communities. Northern allowances are being reviewed and, after public consultation this summer, I will establish a permanent regime.

[English]

MORE EFFECTIVE SOCIAL AND CULTURAL PROGRAMS

When resources are increasingly limited, we must also adjust social programs so that benefits are targeted to those most in need and funds are freed for other social priorities. Nowhere is this more apparent than with regard to child benefits.

CHILD BENEFITS

I am announcing today a restructuring of benefits provided through the tax system to families with children. These changes respond to suggestions made by many individual Canadians, social groups and the Standing Committee on Health, Welfare and Social Affairs. Beginning in 1986, the child tax credit, which is delivered to low-income families, will be increased significantly and will reach a level of \$524 per child in 1988—an increase of \$140. The income level at which the child tax credit begins to phase out will be lowered. Starting in 1987, tax exemptions for children will be reduced over a three-year period so that the exemption for children under age 18 will equal the value of family allowances.

These changes achieve a number of important goals. The universal family allowance is maintained. Support to lower-income families will be increased and child benefits will be made more progressive. Our child benefit system will become more effective and fair but the changes will be implemented in a gradual way to ease the impact on those who will receive less.

IMPROVED PENSIONS

Adequate incentives and fairness in the structure of our private pension system are essential to ensuring that Canadians prepare for their retirement in a self-reliant manner.

After a decade of discussion about pension policy, I am proceeding to implement major reforms. These are far-reach-