[*Translation*]

REINFORCING EXPENDITURE CONTROL

The expenditure control measures in this budget are tough. They reflect the fact that after several years of restraint, there are no painless ways to cut spending. The notion that spending can be substantially reduced without having a real impact outside of government simply does not fit with the reality of how government spends the taxpayers' dollars.

[*English*]

EXPENDITURE CONTROL PLAN

Our two-year expenditure control plan will have a major impact on program spending. All areas of program spending were reviewed and a wide range of programs is affected. In designing the measures, we were sensitive to the financial circumstances of individual Canadians as well as governments.

We have exempted major transfers to persons. These include elderly benefits, family allowances, veterans' pensions and allowances and unemployment insurance benefits. We have also exempted the equalization program and Canada Assistance Plan transfers to those provinces receiving equalization.

We have capped the growth of a number of programs at 5 per cent per year for the next two years. These include Canada Assistance Plan payments to the fiscally stronger provinces of Ontario, British Columbia and Alberta; and certain expenditures for science and technology, and Indian and Inuit programs. In the 1989 budget, defence and foreign aid expenditures were substantially reduced. In view of the tight fiscal situation, their growth will also be limited to 5 per cent from this lower expenditure base.

We have held a number of programs at their 1989-90 levels for the next two years. Total per capita cash and tax transfers to the provinces under Established Programs Financing will be held constant. These transfers will continue to grow with provincial populations.

We have reduced or eliminated a number of programs. In light of the economics of the project and the present fiscal environment, the government will not proceed with the offer of assistance for the construction of the OSLO oil sands project. The Canadian Exploration Incentives Program is cancelled effective midnight, February 19. The government will not proceed with the Polar 8 icebreaker project, due to significant increases in the estimated costs, delays which have contributed to these increases, and changes in the international environment.

We are taking a more businesslike approach to assistance to business. With limited exceptions, grants will be eliminated and financial assistance will be repayable on more rigorous terms. This will place the emphasis more clearly on investing in economic development rather than subsidizing the private sector.

[*Translation*]

We are implementing a wide range of other measures to increase efficiency and reduce the cost of government operations. These include the privatization and Crown corporation measures that I dealt with earlier. The 2-per-cent annual limit on the growth of government operations and maintenance budgets, which has been in effect since 1986-87, will continue until 1994-95.

• (1710)

[*English*]

It is clear that with these measures the federal government has tightened its belt; we have restrained our own costs and we will continue to do so.

Total expenditures on programs other than those that are exempt or capped will decline over the next year to a level $800 million below that of the current year. Total federal program spending will grow by 3 per cent next year, well below the expected rate of inflation. Total entitlements for the major federal-provincial transfer programs are expected to grow at about the same rate as federal program spending next year. They will average about 2.3 per cent for Ontario, Alberta and B.C. and 4 per cent for the Atlantic provinces. The lower-income provinces will continue to receive proportionately more federal support than the higher-income provinces.

The deficit is a national problem. It demands a national solution. If we are to restore health to the nation's finances, provincial governments must do their part, just as they too will reap the rewards of lower inflation, lower interest rates and sustained economic growth.

SUSTAINING FISCAL PROGRESS

These measures, with the expenditure restraint of previous years, have made it possible to restore the deficit to a downward path without increasing taxes in this budget. With the Expenditure Control Plan in this budget, we are taking the actions now to ensure that the