

*Government Orders*

If my hon. friend checks, he will find that is correct.

We should know and we must realize that every time the government is called upon to provide new programs they can only be funded two ways, either through new taxes or through an increase in the deficit. There are really no other options. We all have to face that task because all of us are being judged on how we contain federal spending and whether we are good custodians of the public purse.

How a country's tax system operates is critical to the economic well-being and that is why tax reform is such an important part of our economic strategy. We all know that we have gone through a number of changes in the tax system since we became the government in 1984, seven years ago yesterday.

Hon. members will recall that in stage one of the tax reform, we lowered and simplified the personal income tax regime. We replaced many personal tax deductions with tax credits, eliminated others, and eliminated or reduced many special corporate tax breaks and introduced a corporations tax. Stage two of the tax reform process was sales tax reform, which is also an integral part of our economic plan to eliminate the deficit and reverse the growing debt problem that we face.

We believe the goods and services tax is key to strengthening the economy and managing our fiscal problems in a way that keeps Canada growing, producing jobs and better living standards for all Canadians. By increasing Canadian competitiveness and by removing other economic distortions, the GST will create a healthier economy. Real domestic output is expected to expand by as much as 1.4 per cent annually or by some \$9 billion in today's dollars as a result of replacing the old outdated federal sales tax with the GST. The old FST was commonly referred to as a silent killer of jobs.

This is an important structural change. It is an important structural change to make the tax system fairer and to enhance Canada's competitiveness. The Canadian Manufacturers' Association has spoken out in the last couple of days to criticize the federal government. It had called upon successive federal governments to overhaul the federal sales tax and put in place a better tax system that would make manufacturers more competitive so

that they could compete more effectively in the export market.

Obviously the ultimate design of the GST was a reflection of the extensive consultation that took place during the course of its development with business groups, Canadian Manufacturers' Association, trade associations, tax professionals, social groups, and ordinary Canadians to ensure that the new system put in place would be the fairest possible. It is a major, major undertaking to put in place a new tax system such as the GST.

As a result of this process we incorporated a number of special features in the design, for example the simplified accounting measures, the public sector rebates to municipalities, to universities, to schools, to colleges, to hospitals, the rebates to charities and non-profit organizations, the GST credit, the housing rebate, just to name a few. Now that the tax is being implemented, we are still making changes, fine tuning and ensuring that the tax is administered in a fair and equitable way. This is an ongoing process and will continue to be an ongoing process to ensure that the system works to the advantage of all concerned.

More recently we have been listening to many Canadians who are concerned that the revenues from the GST might be used to finance new spending programs instead of reducing the deficit. We know that during the course of the debate many Canadians said: "Look, I wouldn't mind the GST if I was assured that this money would be earmarked to pay down the debt or help defray the cost of carrying the debt". There was concern about the fact that it would generate more revenue than that which was projected. There were accusations it would be a cash cow.

In recognition of that fact the Prime Minister gave a commitment that the GST revenues would be used only to contribute to the deficit reduction rather than to provide the government with leeway to expand discretionary program spending. In this bill the debt servicing and reduction account delivers on that commitment.

To our critics who will maintain that the GST will provide the government with revenues to spend on unnecessary discretionary programs, I say this: The object of the government has been and continues to be to cut costs and control spending wherever possible so that the deficit can be reduced. The fiscal progress that we have achieved results in large part from a determined adherence to this objective.