debt so as to maintain our capacity to achieve our economic potential in the years ahead and to meet the social and cultural priorities of Canadians.

As most Canadians are aware, public debt charges are forecast at $39.4 billion for 1989-90. That is an increase of some $6.4 billion from the Estimates for 1988-89. This is an increase of nearly 20 per cent in only one year and reflects the recent surge in short-term interest rates both here in Canada and abroad.

This illustrates, as dramatically as any words, the extent to which our huge debt has left Canada exposed and why we must bring the debt under control. It will require all the debt control measures the Minister of Finance announced in the Budget, as tough as they are, to offset or almost offset the projected increase in debt costs. Taken together, our expenditure reductions and revenue increases will produce $5 billion this year and $9 billion next year. As a result, by next year the public debt will stop growing faster than the economy for the first time since the 1970s.

The second major category of spending comprises fiscal transfer payments to the provinces. The great bulk of those payments are made under the fiscal equalization program. This consists of the unconditional transfer payments made to ensure that provincial Governments have sufficient revenues to enable them to have reasonably comparable levels of public services at reasonably comparable levels of taxation.

Even with the tight spending controls dictated by the debt burden, this Government's support for a wide range of vital national services through these transfer payments is growing. Equalization transfers account for $7.3 billion in the 1989-90 Estimates.

This enabling legislation, Bill C-20, contains a number of important revenue raising measures, including increases in the existing federal sales tax rate and increases in the excise levies on tobacco products and gasoline.

Pending the implementation of sales tax reform, the existing rates of federal sales tax will be raised as follows: the 18 per cent rate on tobacco and alcohol increases to 19 per cent. The fiscal impact is to increase revenues because of this measure by $55 million in the 1989-90 fiscal year and by $70 million in the 1990-91 fiscal year.

A second measure is the 10 per cent rate on telecommunication and programming services will increase to 11 per cent. The fiscal impact will result in increased revenues of $80 million in 1989-90 and $110 million in 1990-91.

The 8 per cent rate on construction material and equipment for buildings will become effective January 1, 1990 and this increases to 9 per cent. As a result of this measure, the fiscal impact will be $40 million in 1989-90 and $255 million in 1990-91.

Finally, the 12 per cent general federal sales tax rate will increase to 13.5 per cent. The fiscal impact will increase revenues in 1989-90 by $1.140 billion and in 1990-91 by $1.6 billion.

Since the new goods and services tax will be implemented on January 1, 1991, the Government will not proceed with the interim measures proposed in the February 1988 Budget relating to the treatment of marketing and distribution costs and to wholesale licences. The fiscal impact on revenue measures will be a reduction in the estimated revenues, because of not proceeding with the interim measures, of $520 million in 1989-90 and $370 million in 1990-91.

In order to protect low income Canadians against the impact of these sales tax increases, the refundable sales tax credit for adults will be increased from $70 to $100 in 1989 and to $140 in 1990. The credit for children will be raised from $35 to $50 in 1989 and to $70 in 1990. For a family of four that will represent in 1990 a sales tax credit of $420.

The income threshold at which the credit begins to be phased out will be increased from $16,000 to $18,000 in 1990. As the refundable sales tax credit is paid through the personal income tax system, personal income tax revenues will be lowered by $135 million in 1989-90 and will be lowered by a further $465 million in 1990-91.

• (2030)

I would also add that further enhancements of the refundable sales tax credit will accompany the introduction of the goods and services tax reform in 1991. The following changes in excise levies are also proposed. In the area of fuel tax increases Bill C-20 implements increases in excise taxes on gasoline of one cent per litre effective April 28, 1989, and an additional one cent per litre as of January 1, 1990. These increases will yield $215