own backyard—that is, everything except transfers to the provinces—which will be down 7.3 per cent by that same year".

The third advantage of launching the Canada social transfer lies in the date of ignition: not this year, but early in 1996–97, in other words, after the referendum. This point is revealing, unintentionally, of course, but revealing nonetheless. If this new program were so beneficial to the provinces, including Quebec, and if it really demonstrated the flexibility of Canadian federalism, should it not be operational by the start of the new fiscal year, that is by April 1? This way, Quebecers could examine the quality of the merchandise with their own eyes before making their historical choice in the referendum. In actual fact, there is no chance in the world this will happen. We will see why. All provinces are concerned.

[*English*]

All provinces are directly concerned about the impact of the new Canada social transfer. If one looks at the cash transfers that come with it on page 33 of the budget speech, one sees the unvarnished truth.

From 1994–95 to 1996–97 cash transfers from this program will fall from $17.3 billion to $12.9 billion, a $4.4 billion drop. One needs to take into account equalization grants, which increase from year to year, to obtain the global picture for transfer payments to provinces. When one does so there is still a drop of $3.6 billion in federal transfers to provinces over a two–year period. As a matter of fact this represents a real 14 per cent decline, not the theoretical 4.4 per cent the Minister of Finance would like us to believe, hence a more drastic decline than the one experienced by total federal program spending.

Who is going to be fooled by the pretence of such a program to define a more decentralized federal system when its sole motive is to cut federal spending? A last proof, if need be, that this is not a one–shot program but rather a constantly vanishing one. The global sum—fiscal and cash transfers—is available for the Canada transfer program in 1997–98 but not the cash transfer separately.

However, having both fiscal and cash transfers separately for each year from 1994–95 to 1996–97 makes it quite easy to produce a good estimate for the cash transfers part in 1997–98. It amounts to about $10.3 billion or $2.5 billion less than in 1996–97. Flexible federalism, maybe, but for whom?

This cut in the Canadian social transfer to the provinces represents more than 40 per cent of the reduction in federal program spending between 1994–95 and 1996–97. It allows the federal government to trumpet the achievement of a less than $25 billion deficit in that last year. It may or may not raise eyebrows in the money markets, but it is almost certain that many provinces will have to accept higher deficits in order to cope with the cold wind blowing from Ottawa.

● (1245)

[*Translation*]

For Quebec, there is more to come and there is worse still. Information on cash transfers both before and on implementation of the Canadian social transfer shows that Quebec will suffer a net loss of nearly $700 million in 1996–97 alone. For 1997–98, the loss will amount to nearly $2 billion. In view of this, the budget speech is rather comic if not somewhat ludicrous. I wondered how the finance minister could have kept from laughing when reading to this House the part of his speech praising the innovative approach the provinces could take from now on in managing their social programs.

His composure and self–control must have been seriously tested when he read the following passage, and I quote: "With the Canadian social transfer, provinces will now be able to design more innovative social programs—programs that respond to the needs of people today rather than to inflexible rules". And he continued, deadpan as ever, and I quote again: "However, flexibility does not mean a free–for–all". The federal government is creating a program which will take $2.5 billion from Quebec over three years, but wait, that is not all. There are still standards to be met. Big Brother is cutting and keeps on cutting, but is still issuing orders. Is this stupidity or sheer arrogance?

It takes a lot of nerve to speak to the provinces in such a tone, just before tying them up in a financial straitjacket. Good news, the minister tells them, I am cutting $7 billion but at the same time I am letting you use your imagination. The budget and the minister do not say so, but we know very well how provincial leaders will have to use their creativity. They will have to be creative in devising new cuts to services and racking their brains to prevent their deficits from ballooning out of control.

This will be a merciless process, with a domino effect causing one level of government to fall after another. But in the end, the taxpayer will bear the brunt of it all. For the unemployed, the poor, the sick, the minister's skilful manipulation of figures and evasion of responsibility will result in awfully concrete realities: a reduction in unemployment insurance benefits, the elimination of assistance programs, reduced health insurance coverage. That is without counting seniors, who will be informed of the results of the minister's review of their old age pensions next year, after the referendum. At the very least, seniors must be thinking that when a Minister of Finance reviews a social program, it is not to see whether he can increase funding.

Then, there is the more specific issue of fairness toward Quebec in the implementation of certain programs. I am thinking in particular about the farming sector. Quebec's dairy farmers have been hard hit by a 30 per cent cut in dairy subsidies. No compensation.