expenditures. Of the remaining amount, approximately $69 billion is transfer payments made in accordance with existing legislation, and approximately $37.5 billion is expenditures on which Parliament is asked to vote.

It is these voted expenditures over which the Government has the most direct control. For the second year in a row, the rate of growth in these expenditures has been zero. That is the first time since the end of the Korean war that there has been such a low rate of growth for two years in a row.

Virtually all departments and agencies of Government have had budget reductions. For non-defence departments and agencies, total expenditures have been reduced by $400 million, to $14 billion. That is a 3 per cent reduction. Payments to Crown corporations have been reduced 8 per cent, which is some $366 million. Subsidies have been reduced by $1 billion, which is a 31 per cent reduction.

Let me give some examples of what this means. For instance, 15,000 positions are being eliminated from the Public Service by the end of the decade, including 5,000 in 1986-87. Diplomatic posts have been closed in foreign countries and programs, such as the Canadian Home Insulation Program, the Petroleum Incentives Program, the Petroleum Compensation Program, Katimavik and the Shipbuilding Industry Assistance Program have been eliminated. Subsidies to Via Rail, Canada Mortgage and Housing, CN Marine and CBC have been reduced. Crown corporations, including de Havilland, Northern Transportation and Canada Development Corporation, have been sold while Canagrex and others have been wound up. The salaries for senior public servants and equivalent political staff have been frozen until April, 1987.

The new President of Canada Post has been asked to submit a plan to make the Post Office self-sufficient by the end of 1986-87. The rate of growth of official development assistance spending wil be reduced by $83 million in 1986-87 and $205 million in 1987-88.

In other words, discretionary expenditures, those on which Parliament votes and the Government has direct control, excepting defence and foreign aid, are declining by an average of 4.2 per cent this year. This is a demonstration of the Government's commitment to increase efficiency and expenditure reduction.

However, this is not enough. We cannot make significant savings without examining transfer payments and social programs, which represent nearly one-half of total federal Government spending. Members of the House will recall the debate on Old Age Security benefits, which are currently almost $14 billion per year in total. Demonstrating its responsiveness to public input concerning senior citizens in this country, the Government has chosen to maintain these intact. Family allowances account for another $2.5 billion. Earlier this year, Parliament passed a Bill limiting the indexation of family allowances to inflation in excess of 3 per cent. As well, all Members of the House are aware of changes that have been made in the Unemployment Insurance Program and the fact that it is being currently reviewed by the Forget Commission.

This brings us to federal expenditures that we are discussing today in Bill C-96, which are transfer payments to other levels of Government. This year, those payments will amount to roughly $20 billion or 20 per cent of direct federal Government spending, and an additional $7 billion in tax transfers.

In his May, 1985 Budget speech, the Minister of Finance announced his intention in this area. He said, as reported at page 5020 of *Hansard* on May 23, 1985:

> To spread the burden of expenditure reduction fairly, the government will also be seeking to limit the rate of growth of transfers to provinces to yield annual savings of $2 billion by the end of the decade. There will be no absolute reduction in federal transfers.
>
> Even after this adjustment, federal transfers to provincial governments will grow signficantly over the balance of this decade. In 1990-91, they would represent about the same share of total program expenditures as they do today.

Following the Budget, the Minister consulted with provincial colleagues on how best to achieve this goal.

On December 13, 1985, at the First Ministers Conference in Halifax, the option selected was to amend the formula for the calculation of Established Programs Financing increments to a three year moving average of increases in nominal GNP less 2 per cent. This Bill implements that decision. Beginning April 1, 1986, EPF transfers will continue to grow as they do now, that is, according to the GNP and population, but at 2 percentage points less.

I should point out that Established Programs Financing is one of three major federal transfer programs to provinces and municipalities. Total transfers amount to approximately $27 billion, of which $20 billion will be in cash and an additional $7 billion in the form of tax transfers, whereby the federal Government reduces its tax rates so provincial governments may increase theirs by corresponding amounts. Of these transfers, EPF is the largest with $9 billion in cash and $6.3 billion in tax transfers, for a total of $15.3 billion. Equalization in the form of cash grants amounts to an additional $5 billion.

The fundamental goal of the equalization program is to ensure that provincial governments have the capacity to provide their residents with reasonably comparable levels of service at reasonably comparable levels of taxation. Furthermore, under the Canada Assistance Plan, the federal Government provides an additional $3.9 billion in cash and $400 million in tax transfers for a total of $4.3 billion. The Canada Assistance Plan is a cost-sharing program in which the federal Government shares 50 per cent of the cost incurred by provinces and municipalities to provide financial assistance and welfare service programs. There are a number of additional transfers amounting to some $2.3 billion in transfers, representing various other forms of cost-sharing arrangements.

Let me outline briefly the history of Established Programs Financing and what has happened over the past 10 years. The federal Government has been contributing to the financing of provincial hospital insurance programs since 1958. Federal transfers to provincial Governments for post-secondary