

*The Budget*

around 73 to 75 per cent, which means that we are not gaining any ground.

Yes, we are experiencing some pain as taxpayers. We are going to pay more to put gas in our cars. We are going to pay higher taxes and, yes, we are going to see some reduction in services. We are going to see it at the bottom. We are going to see 45,000 people cut from the civil service and very little cutting at the top. That means services to Canadians are going to be reduced.

We are going to see some pain. We are going to see some additional costs but we are not going to see any gain. We are not going to see any better future for our children in the long term.

Would the hon. member talk about the positive aspect of the Reform taxpayers' budget in that respect in light of the budget tabled by the minister yesterday?

**Mr. Manning:** Mr. Speaker, I thank the member for his intervention. He puts his finger on the core problem that has to be resolved in the House, I would hope in the course of the budget debate.

After the spending cuts that have been proposed by the minister the sad problem is that we still end up running a \$25 billion deficit at the end of 1997. The federal debt is over \$600 billion and the interest payments on that debt are over \$50 billion.

If members would work through the consequences of those higher interest costs on the rest of the social spending, particularly the social programs, they would find that does more damage to the social services network than virtually anything that has ever been proposed by anybody in terms of spending reductions.

The taxpayers' budget we presented endeavoured to get the deficit down more quickly so that the debt stops growing and this bleeding off of social program spending through interest payments ceases.

I honestly submit to the House that if people would compare those two, the pain of the cuts to get the deficit down more quickly versus the pain that will come if nothing is done and those programs are all eroded by higher interest costs, they would find it would be more advisable, more saleable to the electorate and more acceptable to Canadians to hit the Reform target of deficit elimination in three years rather than the minister's target of cut the deficit in half by 1997.

**Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry, Lib.):** Mr. Speaker, when the member for Calgary Southwest rose to his feet today he said that he would not be approaching the debate in a partisan way. Therefore I was rather surprised the leader of the Reform Party did not acknowledge the fact that there were no personal tax increases in the budget.

I read the Reform Party's budget. I realize that I cannot show it here because it is inappropriate. It would propose a flat tax idea. As members will know, this is something I personally believed in although I call it the single tax and it has a much more progressive design than the member is proposing.

In the proposal of the leader of the Reform Party for a flat tax it is absolutely inevitable under that system that many Canadians would pay more personal income tax. How does the leader of the Reform Party square that flat tax idea with his statement that there should be no more money taken out of the personal income tax envelope?

• (1155)

**Mr. Manning:** Mr. Speaker, I thank the member for his question and I will respond to it in two parts.

First, he implied that we should be thankful for the minister not increasing personal income tax. I remind the member of the fact he knows well that all these taxes come out of the pocket of the same taxpayer. Automobiles do not pay this fuel increase of 1.5 cents a litre on gasoline; people pay it. The tax increases of over a \$1 billion a year in the budget are going to be paid by real people. Ordinary taxpayers do not care much about where it is coming from. They end up having to pay it.

With respect to the member's second question on the implications of flat tax on the budgetary situation and the impact on taxpayers, I say it comes back to the concern about the total tax load. If we could get spending capped and then down to the point where we could offer tax relief, which is the whole aim of the taxpayers' budget, the total tax load on Canadians under a flat tax system or any other system would be lower than it is under the current system.

Our aim is to deliver genuine tax relief second through tax reform but first through getting the spending down, which is the root cause of high taxes.

[Translation]

**Mr. Roger Pomerleau (Anjou—Rivière-des-Prairies, BQ):** Mr. Speaker, I have only a brief comment and a question for the leader of the Reform Party. Among the measures affecting farmers in the east contained in this budget, there is a cut of \$32 million in funding for Quebec. Of course, the government has also made cuts affecting farmers in the west, for example the Crow rate, but it will also compensate farmers of that region to the tune of \$2.9 billion.

This measure typifies what Quebec has a problem with in this country. Money is taken from some areas and given to others, and Quebec gets none of it. Before asking my question, I cite the energy sector in Canada and Quebec as an example of this. We have three kinds of energy: petrochemical, nuclear and electric. The government made massive investments, billions of dollars