

*The Budget—Mr. Loiselle*

This year, they will almost cover the increase in interest charges and leave the deficit at \$30.5 billion. Next year, the deficit will come down to \$28 billion. The debt to gross Domestic Product ratio will stabilize next year. The debt will stop growing faster than the economy, an important result. In five years the deficit will be reduced by 50 per cent.

Mr. Speaker, the replacement of the existing federal sales tax is a key component of this Government's strategy to maintain essential programs and strengthen the Canadian economy.

The existing tax is notorious for its basic weaknesses. The Budget once more stresses our determination to eliminate it and establish a new system.

The sales tax reform will lay a more stable foundation for the Government to maintain important public services and better tackle the Canadian debt problem. It will contribute to a more equitable tax system and will make the national sales tax more visible to consumers.

Finally, it will bring in as much as \$9 billion per year in revenues which will benefit all industries in every part of Canada.

With this new sales tax scheme, the Government wants to make sure that Canadian families earning less than \$30,000 a year will be better off after the sales tax reform than before. This new 9 per cent sales tax will bring in enough revenues to fund a new goods and services tax credit which will represent a major increase over the current sales tax credit. This credit will be refundable and paid quarterly, the first payment being made before the coming into force of the new tax.

Moreover, basic groceries, prescription drugs and medical devices will be exempted from this tax. Residential rents, day care services, legal aid services and most health and dental services and educational services will be also exempted.

Early this Summer, in a back ground paper the Government will provide technical details on the sales tax reform, and it will introduce the relevant legislation for study next Fall.

To conclude, Mr. Speaker, may I say that Canadians want a to be a nation which can protect and enhance the basic values which define our national identity.

They want and we want a compassionate Canada which is able to maintain the cultural and social programs as well as provide for the other major public

services Canadians need. Moreover, we want a Canada which is economically strong and totally competitive with other trading nations which continue to create rewarding jobs and open new opportunities for Canadians in the 1990's and beyond.

• (1610)

Mr. Speaker, we want a developing Canada which can meet such priorities as professional training and environmental protection. In short, a Canada which can guarantee a higher standard of living and a better quality of life for future generations.

Such is our responsibility as a Government. This should be our objectives, certainly as Canadians.

Mr. Speaker, the measures contemplated in the Budget will help us maintain the type of Canada we want to leave as a legacy to our children.

**Mr. Kindy:** Mr. Speaker, I have listened to the Minister's speech with interest. He made several interesting points. One of them is that the debt now amounts to some \$320 billion. It is huge. We need about a third of our revenues just to pay the interest on it.

I must add that, in 1984, the debt was \$180 billion. Only 20 per cent of our revenues was needed to service it. It means that the interest on the debt has grown from one fifth to one third of Government revenues.

Our Budget tries to reduce the debt but the deficit projected for next year will still amount to \$30.5 billion. It will add to the existing debt of \$320 billion for a total of \$350 billion and, the following year, it will be \$380 billion, then \$400 billion the year after that.

The debt will be extremely hard to reduce. Does the Minister think that our cuts, which are quite modest in proportion to the total Budget, are a step in the right direction? We made cut-backs, for example, in projects that had not yet come into existence like the acquisition of submarines. Those were not really cuts in expenditures since the projects had not started yet. That is one of my questions. Does the Minister think enough cuts have been made in the Budget?

I have another question with the regard to the sales tax. Will the administration of the sales tax require the hiring of additional employees? Studies done in the United States, which could apply to Canada, show that the implementation of the sales tax would require about 4,000 employees and \$200 million a year in administration costs alone. At the same time—