

Government Orders

Over the next three years the actions in the budget will deliver upward of \$7 or spending cuts for every \$1 of new tax revenue. By 1997-98 the deficit could be brought below \$19 billion if interest rates and income growth conform with the average private sector forecast rather than with our cautious assumptions.

After extensive review the budget overhauls how government works and what government does. We must redesign the role of government in the economy. We can no longer design programs with one hand in the taxpayer's pocket. The role of government should extend only to those things that government can do best, leaving the rest to those who can do it better.

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The budget puts our priorities into action. Between this fiscal year and 1997-98 annual spending will have decreased by \$25.3 billion in expenditure cuts. For example, annual spending will decrease by \$1.6 billion in defence, \$550 million in foreign assistance, \$1.4 billion in transport, \$600 million in natural resources, upward to \$900 million in human resources development, approximately \$200 million in fisheries, \$900 million within industry, and almost \$450 million in agriculture.

As a result of the cutback and reform of programs the public service will be reduced by 45,000 positions over the next three years, representing approximately 20 per cent of the total government workforce. This is not downsizing government. In my opinion it is right sizing government.

As mentioned, a key principle of the 1995 budget is to redesign the role of government in the economy. The decision to dramatically reduce subsidies to business shows that principle at work. The simple fact is that the subsidies often did more harm to businesses than help them as they fostered a relationship of dependence that had nothing to do with good business practices. That is why the budget cuts business subsidies by 60 per cent, from \$3.8 billion last year to \$1.5 billion by 1997-98.

Areas where subsidies will drop sharply include agriculture and transportation. We can no longer afford subsidies designed decades ago which today are actually restricting and restraining adaptation, diversification and competitiveness.

Western Grain Transportation Act subsidies are being eliminated for a savings of \$2.6 billion over five years. However there will be transition measures. We will make a one-time \$1.6 billion payment to prairie landowners and invest a further \$300 million to help establish a more efficient grain handling and transportation system. As well we will co-operate with provincial agriculture ministers to develop a national whole farm package. It will encourage innovation and diversification while producing a 30 per cent reduction in federal contributions to agricultural safety nets.

The Atlantic freight subsidies are also being eliminated for a five-year savings of \$500 million. This will be balanced by a five-year transition program, including help to modernize the highway system in Atlantic Canada and eastern Quebec.

Our cuts to subsidies extend far beyond the agriculture and transportation sectors. At Industry Canada subsidies will be cut in half, from \$525 million in 1994-95 to \$264 million in 1997-98. The remaining spending will focus on initiatives in high growth sectors in partnership with the private sector.

A new role for regional development agencies will see them focusing on small and medium size enterprises. However the assistance will rely on loans and repayable contributions rather than on direct subsidies. As a result subsidies from these agencies will drop from \$700 million to \$234 million over three years.

Subsidies to cultural industries are also being reduced, including an 8 per cent reduction to the postal subsidy. As well we are eliminating the Public Utilities Income Tax Transfer Act which returns to the provinces the taxes paid by privately owned utilities. As a result major energy subsidies will virtually disappear, dropping from \$410 million to \$8 million.

These subsidy cuts are vital components in restoring Canada's fiscal health. We also recognize that there are times and places where government can and should assist the private sector in today's fast changing global environment.

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Nowhere is this more evident than in agriculture and agri-food where the government is committed to a growing, competitive market oriented industry that is profitable and responds to the changing food and non-food needs of domestic and international customers.

In support of its vision for Canada's agriculture and agri-food sector the government will, besides the changes already noted, provide \$1 billion in credit guarantees for the export of grains and other agri-food products. The government will enhance trade and market development programs to support exporters and potential exporters through the creation of a new agri-food service, including the agri-food trade network, a new agri-food 2000 program, and the establishment of the agri-food marketing council.

As well it will streamline our research infrastructure and reallocate resources to matching investment initiatives up to \$70 million per year by the end of the decade. That is \$35 million from government and \$35 million from industry, a dollar for dollar match. The government will allocate \$60 million per year to enhance the sector's ability to respond effectively to an environment of new market opportunities and fewer subsidies.