

The Budget

ciples which govern the distribution and the use of those transfers.

My experience at the local level has clearly demonstrated to me that much of the funds targeted for social programs are consumed by administration. The money directed to the poor is not reaching them because of the high cost of administration. With flexibility I am hopeful that the provinces will be in a position to lower administrative costs and get more money out of the hands of administrators and down to the people who need it. If properly managed, savings could even reach the 4.4 per cent of reductions in transfers.

Some provinces or provincial governments may try to characterize the cuts and transfers as a personal attack or downloading. I would remind those people that we have three levels of government, including the municipalities, but we only have one taxpayer. In the end, that one taxpayer does not draw any benefit from a provincial budget that is balanced by way of transfers from a debt ridden federal government.

Deficits and accumulated debts are common problems throughout the federation at all levels of government. We must learn to work together to solve them in the best interest of that one taxpayer.

As many of my colleagues have already mentioned, the budget is unprecedented in scope and comprehensiveness. It puts us on the right track for deficit reduction. For every \$1 of new revenues the budget will generate, there will be \$7 in cuts.

No government likes to cut but we were left with limited choices. We proceeded in what we believed to be a rational and fair way. We did not cut blindly. As I mentioned earlier, we began with non-priority areas and also sought to renew the role of the machinery of government to bring about significant savings of \$16.9 billion. We applied the principle of shared responsibility to the concept of deficit reduction. To protect the more vulnerable, we asked those who could afford it to shoulder a larger part of the burden.

For example, the budget sets out massive cuts to industrial programs, business subsidies, regional development agencies, transportation subsidies. There are also significant cuts to defence, natural resources and Canadian heritage. All in all, there were significant cuts in varying degrees in the vast majority of departments.

On the revenue side we have moved decisively to introduce new fairness into the tax system. We have sent a clear message to those able to pay that they will have to shoulder an increased responsibility for deficit reduction. For example, we have set temporary limits on RRSPs at \$13,500, affecting only those who earn in excess of \$75,000. There will be a new tax on investment income of private corporations. We will eliminate deferral of tax

on business income. We will limit some incentives. We will tax family trusts. We have increased tax on large corporations. There is a new corporation surtax. We have a new capital tax on banks. Finally, there is the gasoline tax.

• (1610)

Looking at the overall picture of the revenue side I am sure the majority of Canadians will agree that we have met the criteria of fairness. I am sure that in the future we will move again to close more loopholes.

I would like to take a few seconds to tell the House what the budget is not about. The government has demonstrated the courage to open the budget process to let Canadians in. Throughout the process we emphasized that we would use a balanced and fair approach.

The opposition has used this consultation process to falsely suggest that the government would impose additional taxes on the middle class. Members said we would overburden the middle class with the budget. We have not. They said that there would be a health tax. There is none. They said that there would be a dental benefit tax. There is none. They said there would be a tax on RRSPs. There is none. They said there would be a tax on lotteries. There is none. Finally, they said there would be income tax increases. There are none. I would also add that there are no increases in UI premiums.

In the end, I believe we have achieved a fair distribution of restraint among all Canadians in all regions of the country.

[*Translation*]

Madam Speaker, some individuals and groups tell us we have gone too far, while others say we have not gone far enough. I answer them by saying that we have done what we said we would: we have formulated a budget that will meet our objectives and targets for deficit reduction.

We have chosen the best route. Our budget is carefully balanced. It balances the need to control government expenditures with the need to provide the protection of social programs to our most vulnerable. Cutting too much in order to satisfy the financial circles would mean too great a cost to the disadvantaged and would weaken Canadian confidence in the economy. Cutting too little, on the other hand, would threaten our ability to pay our expenditures and make us more vulnerable to control by foreign markets.

In hard times, the provinces turn to the federal government for leadership. Unfortunately, during the last nine years, the provinces turned to the federal government for leadership, and the Mulroney government failed to provide it.

I would like to repeat the quote given by the Minister of Finance in his speech: "Government must not live in the past—Every day there are new needs to be met. If inflation is to be