

The Budget

This reform deals with the requirement for a better functioning system of transfers. But equally we need a system that can be financially sustained.

Our major transfers to the provinces currently amount to \$37 billion in cash and tax points. The cash portion alone represents about 21 per cent of our total program spending.

Addressing our fiscal challenge simply does not allow us to leave that spending untouched. We must establish the fiscal parameters of a new system. However, as a matter of fairness and balance, we believe that the provinces should not be expected to bear more of the fiscal burden than we are prepared to impose on ourselves. This budget meets that test.

As we have said, no changes in major transfers are being made for next year, 1995-96, even though we are taking substantial action that year to reduce our own spending.

• (1720)

For the following year the new Canada social transfer will be \$26.9 billion, cash and tax points combined. This will be about \$2.5 billion less than the projected transfer would be under the present system.

This means that the total of all major federal transfers to the provinces in 1996-97 will be 4.4 per cent lower than they are today. That compares favourably with the reduction in spending in our own backyard, that is to say, everything except transfers to the provinces which will be down 7.3 per cent by that same year.

In 1997-98 the Canada social transfer will be \$25.1 billion or about \$4.5 billion less than what would have been transferred under the existing system. To keep that in perspective, such a reduction in transfers would equal about 3 per cent of aggregate provincial revenues.

To ensure that everyone shares in fiscal restraint it will also be necessary to subject territorial financing to reduced limits.

[Translation]

We believe these measures respond to the need for a more affordable and effective system of transfers. But our challenge and our commitment do not end here. With this budget, we are saying yes to the provinces' desire to sit down for a bottom-up review of the financing of both levels of government. If there are ideas to make the fiscal side of federalism more efficient, let's hear them. And if there are ways to make this federation function better, then by all means let's do it.

One of the greatest reforms ever introduced by a Canadian government has been the provision of decent support for elderly Canadians—who have given, and continue to give—so much to their families and to their country.

In recent weeks and months, there is probably no member of this House who has not received letters or had conversations with elderly Canadians who are worried that the protection their country has provided them will be eaten away.

Because of that, this government is absolutely committed to providing a fair and *sustainable* system of protection for Canada's seniors.

[English]

There are two pillars of the public pension system. One is the Canada and Quebec pension plans. The other is the old age security and the guaranteed income supplement.

Canadian seniors deserve to know that those public pensions will be there for them. That in turn requires reform to ensure that the pension system is sustainable in the long term.

Concerning the CPP the most recent actuarial report was released last week and it leaves no doubt that we will have to take steps to ensure that the plan continues to be sustainable. This we will do when we sit down this fall with the provinces to review the CPP.

Let me now turn to the second pillar, the OAS and the GIS. Clearly it is necessary to make these pensions sustainable as well.

To ensure that our approach to the public pension system is comprehensive, the Minister of Human Resources Development and I will be releasing later this year a paper on the changes required in both pillars of the public pension system to ensure its affordability. The focus will be on fairness and sustainability. Consultations will take place once the paper is released. It is our intention that the reforms be legislated to take effect in 1997.

• (1725)

In the meantime, we are announcing today a change in the method of payment of the OAS to high income seniors who are subject to the so-called clawback rules.

Beginning July 1996, monthly OAS payments will be calculated and paid with the clawback amount subtracted, based on the prior year's tax return. This will yield one-time savings of about \$300 million.

Finally, to ensure fairness, we will be requiring Canadians who are non-residents of this country to file a statement of their worldwide income in order to continue to receive OAS benefits.

Let me turn now to the question of revenues. There is not one solitary Canadian who likes taxes. As we speak millions of Canadians pay their fair share of taxes and do so on time. However there are those who do not.