

Government Orders

doing may not be welcome, but it is fair, necessary and reasonable.

And what, precisely, are we doing with the legislation under consideration today? Well, Mr. Speaker, we are giving force of law to four measures announced in the February budget. For 1990-91 and 1991-92, per capita Established Programs Financing, or EPF transfers will be held to the 1989-90 level. This means it will grow with the population increase of each province, or about 1 per cent nationally.

• (1200)

Federal cash transfers will be reduced by about \$870 million in 1990-91 and \$1.54 million in 1991-92. In 1992-93 EPF growth will resume at the rate of growth of GNP less three percentage points, consistent with the announcement in the April 1989 budget. This change to EPF represents less than 1.0 per cent of total provincial revenues in 1990-91 and just over 1.0 per cent in 1991-92.

In addition to EPF, the federal government also provides substantial additional assistance to the lower-income provinces to help them provide public services, including health care and post-secondary education, through the equalization program. Equalization transfers have grown strongly in recent years, from over \$5 billion in 1984-85 to close to \$8 billion in 1989-90. They exceed EPF as the largest form of federal support in the Atlantic provinces. Equalization transfers to the lower-income provinces are not affected by the Budget. They are expected to increase about 6 to 7 per cent annually over the next two years, roughly in line with the nominal growth of the economy. EPF and equalization transfers together are expected to amount to more than \$27 billion in 1990-91.

For the next two years, growth in transfers under the Canada Assistance Plan, or CAP, will be limited to five per cent a year in the fiscally stronger provinces of Ontario, Alberta and British Columbia. Other provinces—those receiving federal equalization payments—will be exempt from this ceiling on growth. They will continue to have open-ended access to federal dollars to meet any growth in expenditures eligible for cost-sharing under CAP. This measure will have a relatively small impact on the over-all support of \$5.5 billion offered to provinces, and will affect only the fiscally stronger

provinces. The \$3 billion flowing to those provinces will be allowed to grow by some \$150 million per year. As you know, Mr. Speaker, these amounts continue to represent a major federal commitment, and a major federal expenditure by any standard. Implementation of this measure provides for resumption of the present regime on April 1, 1992.

The Canadian Exploration Incentives Program, or CEIP was cancelled effective midnight, February 19, 1990. The termination and grandfathering rules are being implemented through amendments to the CEIP Act and Regulations. Termination of this program, the last remaining federal subsidy to business that was demand-driven and open-ended, is expected to result in savings of \$50 million in 1990-91 and \$125 million in 1991-92.

Transfers under the Public Utilities Income Tax Transfer Act for 1990-91 and 1991-92 will not exceed the 1989-90 level. This is expected to reduce projected expenditures under the Act by \$16 million in 1990-91 and \$34 million in 1991-92.

[English]

These are all moderate and necessary actions. The expenditure control plan affects a wide range of programs.

Transfers to provinces are too large not to be included. This plan will help get us over the hurdle and keep us on track to reduce the deficit from \$30.5 billion this year to \$28.5 billion next year, or \$26.7 billion if you exclude the start-up costs of the goods and services tax.

We will cut the deficit in half to \$14 billion in three more years and reduce it to \$10 billion in the year after that. This will mean that within five years the government will begin to buy back its bonds and treasury bills. The country will be on a clear path of substantially reducing its debt. The challenge we face in the current testing period for the Canadian economy is not to falter in dealing with the problems of debt and inflation.

Mr. Speaker, and hon. members, if we maintain our resolve, the prospect of lower inflation is within sight and we will have the deficit under control. By persevering we will attain greater control over our destiny and greater freedom to build the Canada we want for ourselves and future generations. Let us get on with it.