Most provinces and territories do not rebate the payment to utilities or consumers. The majority retain it as general provincial revenue. Moreover, none of the provinces rebate its own provincial income taxes to these utilities.

The Standing Committee on Finance recommended that the federal government eliminate PUITTA transfers. Under the current fiscal circumstances, the continuation of PUITTA payments can no longer be justified. Therefore, the legislation proposes that PUITTA be terminated as of March 31, 1995. This measure is expected to reduce expenditures by an estimated $200 million in 1996–97 and $280 million in each of the two subsequent fiscal years.

The bill contains a final measure affecting transfers to provincial governments. It concerns the vocational rehabilitation of disabled persons Act or the VRDP. Under this act the federal government pays 50 per cent of the cost incurred by provinces in assisting disabled persons to become employable. As part of the government's reform of social programs, the maximum contributions to the provinces under the VRDP will not exceed the 1994–95 levels starting in 1995–96. VRDP entitlements are expected to be about $168 million in 1994–95. This measure will result in estimated savings of $4 million in 1995–96; $8 million in 1996–97 and $12 million the year after.

Let me turn now to another major area dealt with in today's bill, assistance to business. In the course of program review, departments across government took actions to reduce business subsidies. Such subsidies frequently fail to achieve their desired objectives. Many work counterproductively, discouraging adjustment and innovation. Overall the government is proposing to cut business subsidies by 60 per cent. This includes agriculture and transportation subsidies that were designed decades ago.

• (1030)

The bill proposes to repeal the Western Grain Transportation Act, WGTA, and to terminate the western grain transportation subsidy paid to railroads effective July 31, 1995. The reform of the WGTA will result in savings of $2.6 billion over the next five years.

However it is more than a deficit issue. The elimination of the subsidy will encourage the development of value added processing and the production of higher value goods. It will result in a more efficient grain handling and transportation system. It will help maintain our market access for grain sales in foreign countries and comply with our obligations under the agreement established with the World Trade Organization.

A number of further initiatives will facilitate the transition to the new system. They include a payment of $1.6 billion to owners of prairie farm land.

Mr. Taylor: That is not enough.

Mr. Walker: For the NDP it is never enough. The bill provides for the regulation of maximum freight rates that can be charged by railway companies to move grain from the prairies. The transition from these maximum regulated rates to commercial rates will take place over a five–year period.

The bill also proposes the elimination of the Atlantic freight subsidies under the Atlantic region freight assistance program, ARFAA, and the Maritime Freight Rates Act, MFRA. These measures to take effect July 1995 will save nearly $100 million a year.

The Atlantic freight subsidies have proved inefficient in reducing shipper costs. They have, moreover, encouraged companies to structure their investments and organizations to meet regulatory criteria rather than for sound business practice. The subsidies are of marginal and declining importance to regional economic activity since transportation services in the region are now much more competitive than they once were.

To help ensure that elimination of a subsidy contributes to a better transportation system, the budget announced a five–year $326 million transportation adjustment program. Provinces will be able to target assistance under the program to meet local shippers' needs and upgrade infrastructure. Among other things it should help modernize the highway system in Atlantic Canada and eastern Quebec.

A third area of concern is transfers to persons, particularly the veterans program. An initiative as sweeping as program review must inevitably touch upon some programs that provide payments to individual Canadians. When the Department of Veterans Affairs underwent review the decision was taken to preserve all essential programs and services for veterans who had served Canada. However the department took steps to control cost, eliminate overlap and duplication, and return programs to their original purpose.

Accordingly the bill proposes that the war veterans allowance be discontinued for former members of resistance forces and for allied veterans living abroad for more than six months within a calendar year. As well, new allied veterans will be ineligible for war veterans allowance unless they were pre–war residents of Canada.

Further, effective from budget day no new applicants will be accepted under the education assistance program because it duplicates other available programs. Also the veterans travel program will be restructured so that the benefits are rationalized.

A fourth area of concern is consular services. Not all departments offer the same scope for savings under program review. However each is contributing to the restructuring process. Cost recovery is one such step. The Department of Foreign Affairs,