This bill reflects a balanced approach to spending restraint. It takes into consideration the needs of Canadians during this period of economic difficulty as we recover from the recession we have just weathered. At the same time, it allows us to keep our course of deficit control because we know it is the only way to build a stable, long lasting recovery. None of the steps we have taken will compromise the social programs that are a key characteristic of Canada's sharing society. Rather they ensure that we will have a strong economy that will be able to afford these programs in the future and provide opportunities for those in financial difficulty to find independence and self-respect.

I am sure that all rational observers will agree that Canada's deficit and debt represents a major threat to this country's social and economic well-being. They threaten our goal of sustainable economic growth and our ability and the ability of all governments across the country to provide the social services that we are so proud of as Canadians. Canada's more than $400 billion debt burden and the deficits that add to it is a national problem affecting all Canadians.

It results in higher taxes, inflationary pressure, increased interest rates and long-term uncertainty. Because interest costs are such a large share of the budget—about $43 billion, or 27 per cent of total expenditures—the debt consumes funds that might otherwise be used to assist Canadians in need and to support programs Canadians want.

To effectively deal with our debt we must get back on track to reducing the deficit. This is the threshold step to get the debt under control and on to a downward path. Deficit reduction requires spending restraint. That is why we brought forward this legislation. It is part of a broad program of spending control needed to establish a positive economic environment for this country.

National problems demand national solutions. For this government to live within its means, spending restraint must be shared with the provinces. Federal transfers to other levels of government are simply too large to ignore in the effort. The financial support provided by the federal government to the provinces represents a large and growing part of the budget. That support has grown significantly.

During the period 1984-85 to 1990-91 that support has grown by almost 6 per cent annually. That is a much higher rate of increase than the 3.7 per cent growth in over-all program spending over the same period. As a result of this growth, total federal expenditures or contributions to the provinces, both cash and tax transfers, will reach nearly $37 billion this fiscal year. The cash component of these transfers will represent about 20 cents of every federal revenue dollar. We simply cannot afford to let this spending grow without any limits.

Measures to control the growth in one major transfer, Established Programs Financing, have already been introduced with Bill C-20. That was passed by this House last year. Complementing this legislation, the bill before us today seeks to continue the ceiling on the growth in federal contributions under the Canada Assistance Plan to the three fiscally strongest provinces. Even with the measures we are proposing, growth in federal transfers is expected to run at 3.7 per cent annually between 1991-1992 and 1995-1996, in contrast to just 3 per cent for all federal programs over the same period.

• (1210)

The level of CAP spending and the rate of growth over the past few years have meant that we cannot ignore this program as we work to contain expenditures. Since 1984-1985, federal CAP contributions have grown at about 7 per cent annually from $4 billion to more than $6 billion last year. In contrast again, I remind the House that federal program spending has grown at only 3.7 per cent over that same period.

Simply put, the government would not be a responsible custodian of the taxpayers' money if we allowed these contributions to grow without any restraint. We cannot spend our way out of problems with money we do not have. Some would have the electorate believe that but it is just not true. We cannot borrow the funds. Let us face it. The more we borrow, interest rates rise. There is a very high price for us to pay today and of course for our children tomorrow.

I would like to assure members of this House and all Canadians that the limits on CAP growth do not put this nation's welfare system at risk.

The assistance provided under CAP by the federal government will continue to flow in every province. For seven provinces there is no gross ceiling on federal