

Government Orders

If we look at what has happened with regard to the public debt charges during that period of time from 1994-95 to the budget of 1995-96, our debt charges in this country have increased from some \$42 billion to \$50 billion. They have increased for two very basic reasons. First, the deficit is not being dealt with by this government. It continues to add on to the accumulated debt of the country of some \$550 billion today. This is heading toward a major sum. From the government's own figures, it points out that the net public debt by the end of 1995-96 will be some \$578 billion and by 1996-97 it is projected to be over \$600 billion.

Because of that increased accumulated debt, the interest costs to the Government of Canada continue to increase. This has a major effect on the budget of Canada and the revenue available to administer and take care of the responsibilities that have been delegated to the federal government in this country.

That is certainly one of the factors, the fact that the deficit continues to add to the accumulated debt and that larger accumulated debt creates a larger base on which the interest costs are enormous.

The second factor, which is very obvious to all of us, is the increased interest costs that have occurred during the past year. For example, in the United States the Federal Reserve Bank has increased the interest rates over the last year seven times, and every time the interest rates have increased in the United States it has had a direct effect on the interest rates here in Canada. Over the year, we have had an increase of 3 per cent in interest rates, which has again affected the amount of interest we pay as a government annually.

It is seriously affecting the programs that are to be delivered by the federal government. I have already mentioned that for 1994-95 the cost of our debt charges from the cost of interest was in the \$42 billion range. Now in 1995-96 it is projected to be \$50 billion. We have had an additional \$8 billion of interest costs because of that 3 per cent interest rate increase and also the larger base of debt in this country.

What has that done? It means that in order to try to deal with the deficit we must in some way eliminate expenditures of some \$8 billion just to cancel that out. Well, that is not that easy to do. The government has come up with certain measures. For example, it has increased tax revenue by \$1.5 billion to \$2 billion. Well, that is only 25 per cent of the increased interest costs. Where does the other \$6 billion come from?

• (1540)

The government has attempted through other means to secure that expenditure reduction and at the same time in its budget is attempting to reduce the cost of program spending from \$118 billion down to \$114 billion, a reduction of \$4 billion.

If we could have maintained at least the base from which interest is calculated, if we could have stopped the accumulation

of debt by eliminating the deficit, we would have had more money to reduce the expenditures of government. There would have been more confidence in the Canadian economy and the interest rates would have been lower because we were balancing the budget or we had a plan to balance the budget.

Missing from the budget is the fact that the Liberal government has not put in place a plan to reduce the deficit from the projected deficit in 1996-97 of \$24.3 billion down to zero. It is afraid to take the next step and say to Canadians we are going to take the deficit to zero by this plan. The government is afraid to stick its neck out and make that commitment to Canadians. That is costing us billions of dollars in higher interest rates.

If we had at least held our interest costs in 1995-96 at \$42 billion, where they were in 1994-95, rather than the increase of \$8 billion I have talked about, we would not have had to reduce our expenditures by \$4 billion. We would have had an extra \$4 billion to work with. That is what the government should have been looking at.

We can go through all these amendments and all the items we are going to deal with in Bill C-76, but we must get back to the basic problem we are facing. That is, the Government of Canada has not declared to the people that it will balance the budget during the term of this Parliament. It has not clearly said that, and it is incumbent upon them to do so.

Moody's and the Dominion Bond Rating Service have told the Government of Canada clearly: "In order for us to give you a better credit rating, which reflects on interest rates, you must commit to a plan".

As we go through these amendments we must keep in mind the very first item on the agenda, which is dealing with the deficit and stopping the growth of debt, which is destroying the country.

Mr. David Walker (Parliamentary Secretary to Minister of Finance, Lib.): Mr. Speaker, I would like to deal with each of these four amendments in turn, because they hit on some of the essentials of what we are trying to do as a government to deal with the public service.

I extend my thanks to the critics from the official opposition and from the third party for their work in the finance committee under the chairmanship of the member for Willowdale. I thought it was an outstanding collegial example of how to deal with a very difficult and major piece of legislation. I describe the treatment of witnesses as exemplary by all members of Parliament.

With regard to the first motion, I would like to clarify what the intent of the legislation is. The surplus period is a notice period that the employee's job will end in six months. By definition the surplus employee will have a job for six months. I do not want the amendment to leave the impression that there is a system set