Resuming the debate on the motion of the Honourable Senator Bolduc, seconded by the Honourable Senator Ottenheimer, for the second reading of the Bill C-34, An Act to establish the Canadian Centre for Management Development and to amend certain Acts in consequence thereof.—(*Honourable Senator Frith*).

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, yesterday I mentioned that I did not intend to speak to this order but that I wanted to hold it simply to see whether anyone else wanted to speak to it. Evidently, no one is interested, at least at this stage. Therefore, I think we should give the bill second reading and refer it to committee. I believe that the last time this bill was dealt with in committee it was before the National Finance Committee.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

The Hon. the Speaker *pro tempore:* Honourable senators, when shall this bill be read the third time?

On motion of Senator Bolduc, bill referred to Standing Senate Committee on National Finance.

GOVERNMENT EXPENDITURES RESTRAINT BILL

SECOND READING—DEBATE ADJOURNED

Hon. Duff Roblin moved the second reading of Bill C-69, to amend certain statutes to enable restraint of government expenditures.

He said: Honourable senators, I would like to give an explanation for this interesting piece of legislation. I cannot resist the demand made by my honourable friend opposite, so I shall proceed.

Bill C-69 is one of a series of bills that includes Bill C-21 and Bill C-28, which give effect to the budget that was presented in the other place on February 20 of this year. All three bills have received the assent of the House of Commons, and all three of them are now before this chamber.

These bills together are part of the expenditure restraint program that the government has recommended to Parliament in its budget of last February. It is an effort to control and to reduce the growth of the federal deficit, with its consequent effect on the large sums of money that are required to support the public debt, and to try and bring federal expenditures closer to balance with respect to federal income. The net effect of this restraint effort recommended by the government is to reduce spending in the current fiscal year by some $3 billion, and spending in the next fiscal year by about $3.8 billion.

● (1530)

The restraint program is limited in time. It is a two-year program only, and it should be looked at in that light. Bill C-69 contributes to this policy under four different headings. There are four different spending programs which are affected: the Canada Assistance Plan; the Canadian Exploration Incentive Plan; the Established Program Financing Arrangement; and the privately-owned Public Utilities Income Tax Transfer Plan. I should like to deal briefly with the effect of the government policy on all four of these programs.

I start with the Canada Assistance Plan. I suppose that all members of the chamber are well familiar with what this program is all about and how it works. I simply make the observation that the expenditures under this plan are under the control of the provincial authorities. The federal government makes a contribution to whatever the provinces happen to spend, and it is called the Canada Assistance Plan

Under the provisions of this bill, three provinces which are benefiting under the Canada Assistance Plan will be affected. These provinces are Ontario, Alberta and British Columbia. They are affected because the money that will be made available to them is limited under the arrangements of this bill. The reason that they have been selected for this attention is the fact that these three provinces have incomes and economic growth above the equalization level that we apply to all the provinces of Canada. Of our ten provinces, seven receive equalization and three do not. They do not because they do not have the same need as the other seven. It is the three that do not receive equalization that are affected by a cap that has been placed on the Canada Assistance Plan.

The bill provides that the federal contribution to the plan for these three provinces will be limited. It will be limited to an increase of a maximum of 5 per cent during the present fiscal year and an additional limitation of 5 per cent, on a compound basis, on the annual growth for the next fiscal year as well. Regardless of the amount spent—and I repeat again that the provinces decide what is to be spent—the grant that will be available from the federal government will be increased by 5 per cent as a ceiling in the present fiscal year and, in the fiscal year following, by another 5 per cent, calculated on a compound basis. So there is a cap, and this cap is one that is to be kept in place for the two years that I have mentioned.

Now, I point out that the federal grants will be increasing by this 5 per cent amount as a maximum, and that after the two-year period has passed the current system is reinstated and the program comes to an end.

The Canadian Exploration Incentive Program is the second category that is affected by this bill. That program was terminated some time ago. It was an arrangement by which the share flow-through facility—which financiers may know all about but which I am afraid I do not—conveys a tax advantage to people who are exploring for minerals and oil and gas. The Canadian Exploration Incentive Program tax share flow-through facility is cancelled and has been cancelled as of February 19 of this year. However, certain grandfathering provisions were required because, if investors had entered into a program that took advantage of this arrangement before it was cancelled, and had made their plans on that basis, it was not thought proper—and I indeed think it is not proper—that they should be adversely affected because the government has changed the rules. So there is a grandfathering clause proposed in this bill so that those agreements that were entered into in writing before the calculation date that I have men-