

Government Orders

was involved in business for 18 years prior to being elected, I can say how confusing this tax system is.

We are competing in an international market-place. We are competing where products come in from outside the country. We are also competing with products that are built here in the country. We must ensure the opportunity for fairness, for the manufacturers to be successful not only in this country but to be able to compete on an international basis.

Another problem we faced was dealing with companies with tax licence numbers, whether they were sawmills or mines, at the end of the year. The auditors might suggest that the company can claim this case of paper towels because it is used on the production line. Revenue would end up getting a whole raft of invoices from individual companies stating "We believe that this should be clarified and be part of tax exemption". So, Revenue Canada, an accounting company and the individual company would have to try and resolve these problems. The new tax system will be easier and fairer for all Canadians. As we all know, no one likes to pay tax.

We are dealing with the same arguments we heard about the free trade agreement. Individuals are using scare tactics in order to enforce their political beliefs on individuals. They will know better once this tax system is in place and individuals earning under \$30,000 a year get their first cheque on or about December 15. They will realize it is a Christmas gift.

I was at home on the weekend and a constituent told me that after having the opportunity to read and understand the process, while he does not like to pay the tax but now can understand what we are dealing with.

The Economic Council of Canada stated that the free trade agreement will lead to the creation of 95,000 new jobs in Ontario. I know the opposition has a job to do, but the fact is that the stability of the country is a result of the actions of the government. As a result of these expenditure actions revenue measures, the deficit in 1989-90 has declined by almost \$8 billion from that of 1984-85 when it peaked at \$38.3 billion. This represents a reduction of 45 per cent in the deficit-to-GDP ratio.

The growth of the debt has slowed dramatically and is now roughly in line with the growth of the economy's output of goods and services. Behind these improve-

ments in the government's deficit there are even more significant changes in the ongoing structure of government spending and revenue.

The government now has a \$9 billion operating surplus. The cost of government programs is more than completely financed by ongoing government revenues.

With the annual deficit of \$30 billion, debt interest costs increase \$3 billion each year just to service the annual build-up in debt. This means that the operating surplus has to improve by \$3 billion each year just to keep the over-all deficit from rising. The problem is compounded by the vulnerability of the government's fiscal situation to increases in interest rates.

This exposure to interest rate developments was dramatically illustrated in late 1988 and through 1989. With the economy at capacity and inflation pressures mounting, higher than anticipated interest rates added about \$6.5 billion to public debt charges in 1989-90 relative to the fiscal framework projected in the February, 1988 budget.

In response, the April, 1989 budget introduced substantial expenditure reductions and revenue measures. With the actions in this budget, the government was able to set out a fiscal framework designed to deal with Canada's fiscal problems.

Since the April, 1989 budget, inflation pressures have proved to be more strongly entrenched than expected. This has resulted in interest rates remaining higher than expected. Further fiscal action has been necessary to hold the fiscal framework set out in the April, 1989 budget.

When we talk about that, we should mention the fact that there was a budget just brought down in the province of Ontario. It is quite interesting to read that the real growth is projected at 1.7 per cent but the planned spending increase is at 6.8 per cent. This indicates to me one of the greatest problems we are facing. We are trying our utmost to ensure that we have stability in this country and we are trying to do our utmost to ensure that we have a steady economy going. However, how can we do it when the province of Ontario will not try to curtail its increased spending but only ensure that we are going to have more pressure put onto our dollar, causing higher interest rates.