

The Budget—Hon. Michael Wilson

[Translation]

We will continue to set realistic and responsible expenditure targets and manage so that we can meet them.

[English]

Our fiscal situation in 1987-88 will continue to be affected by low prices for oil and grain. For example, additional support to grain farmers through ongoing federal programs will be \$1.5 billion higher than I anticipated in my February 1986 budget. Similarly, corporate income tax revenues will be substantially lower than forecast a year ago.

Government actions to provide additional assistance to farmers and to the oil and gas industry will also affect expenditures and revenues in 1987-88. In October of last year we eliminated the Petroleum and Gas Revenue Tax, thereby providing additional cash flow to the petroleum industry. We enhanced the fuel tax rebate for all farmers, effectively removing the tax on their farm fuel. And to further ease the current financial problems of Canadian grain farmers, we are providing a \$1 million Special Canadian Grains Program.

Some Hon. Members: Billion.

Mr. Wilson (Etobicoke Centre): One billion dollars. John Wise almost got me there!

In these changed economic circumstances, the prospective deficit for 1987-88 would have been higher than appropriate to maintain an acceptable rate of progress toward our medium-term goals. I am therefore proposing a combination of management initiatives and revenue increases to keep us on course. These measures will enable us to get the deficit down to \$29.3 billion in 1987-88.

[Translation]

MANAGEMENT INITIATIVES

Better management of government operations and public resources has played an important part in our renewal program. We have cut back overhead costs and operating and maintenance expenditures. We have increased cost recovery and asset sales. All of these initiatives will have ongoing fiscal impacts.

[English]

ACCELERATED REMITTANCE OF SOURCE DEDUCTIONS

We are actively pursuing areas where further cash management improvements can be made. One of these is the regularity with which employers remit to the government deductions they make for their employees on account of personal income taxes, and contributions to the Unemployment Insurance Fund and the Canada Pension Plan. These deductions are now remitted monthly.

For larger employers, I am proposing to move to twice-monthly remittances, effective January 1, 1988. This will not increase taxes paid by individuals.

Smaller businesses, those with average monthly remittances of less than \$15,000, will be excluded from this requirement.

NATIONAL DEFENCE

Over the last three years, we have allocated substantial resources to defence even while we have had to control overall expenditures. To help meet our fiscal objectives in the coming year, the Government will defer \$200 million from 1987-88 defence spending levels and restore this amount in 1988-89. The Minister of National Defence (Mr. Beatty) has confirmed that this action will not affect the rebuilding of our defence capability that is now under way. Annual defence spending in 1987-88 will be \$1.4 billion higher than when we took office. As a share of program expenditures, defence spending will have risen from 10.1 per cent in 1984-85 to 10.8 per cent in 1987-88.

This year the Government will release a White Paper which will provide Canadians with our view of the appropriate direction for defence policy to the end of the century. This White Paper will deal with program priorities and resource implications.

OFFICIAL DEVELOPMENT ASSISTANCE

Since taking office, this government has given strong support to developing countries. Canada's foreign aid expenditures next year will be \$450 million higher than in 1984-85, an increase of 21.8 per cent. We have also been acting to improve the quality of our aid and to manage these growing expenditures more effectively. For example, we are now providing all financial assistance in the form of grants rather than loans. We have taken measures in other areas too, such as in providing duty-free access to our market for a range of goods from Commonwealth Caribbean countries.

● (1700)

The Government is committed to achieving the objective of 0.5 per cent of GNP for official development assistance. We expect that through adjustments in cash management and in our international reporting practices we will be able to meet this commitment while contributing to fiscal restraint. This will result in cash savings of \$150 million in 1987-88.

AIR TRANSPORTATION COST RECOVERY

The air transportation tax recovers part of the cost of providing air transport facilities and services. In order to recover a greater proportion of these costs from those who benefit from the services, and to help provide enhanced levels of security at airports, I am proposing to increase this tax. Accordingly, on the recommendation of my colleague, the Minister of Transport (Mr. Crosbie), I am announcing that the air transportation tax will be increased by \$4 per ticket effective May 1, 1987 for tickets purchased in Canada and August 1 for tickets purchased abroad. The existing \$50 ceiling on the tax will continue to apply.

REVENUE MEASURES

I am announcing today a limited number of tax increases.

The excise tax on motor gasoline and diesel fuel will be increased by one cent per litre effective tonight. The rebate to