

The Budget—Mr. Larrivée

They will increase personal income tax revenues by 2.3 per cent or about \$1.2 billion in the first full year.

Federal sales tax rates will be increased in advance of sales tax reform. The general rate will rise 1.5 per cent and the rate in telecommunications, construction materials, alcohol and tobacco by 1 per cent. The increase for construction materials will not go into effect until January 1990.

[Translation]

The refundable sales tax credit for adults and children will be doubled to protect low-income Canadians. The income threshold will also be raised to \$18,000. That means a single person earning less than \$18,000 will get a \$140 credit next year, while a family of four will get a \$420 credit. That measure will be of substantial benefit to the most needy.

Another facet of our strategy to control the debt concerns the Unemployment Insurance Program. Changes announced recently, which will enhance the Program, increase training activities and improve equity, as well as the incentive provisions are designed to allow a reallocation of resources within the Program. At the same time, we will introduce changes to ensure that the financing of the Program supports our efforts to control the debt. Starting in 1990, the Unemployment Insurance Program will be totally financed by premiums paid by employers and employees. But the Government will continue to contribute to the unemployment insurance account if it runs a deficit in difficult economic times. The contribution rate will be set at \$2.25 per \$100 of insurable earnings for the next three years, higher than this year's rate but lower than those of the last four years.

Taken together, these measures represent over \$5 billion this year and \$9 billion next year. This year, they will compensate almost entirely for the rise in interest rates and maintain the deficit at \$30.5 billion. Next year, the size of the debt in relation to the economy will stabilize and the deficit will slide to \$28 billion. We will take up the challenge and, by following the financial strategy in the Budget, we will halve the deficit in five years.

A fundamental element of that strategy is the federal sales tax reform. A new tax on goods and services will replace the present system on January 1, 1991. Its base

will be wider and its implementation rate will be set at 9 per cent.

Reforming the federal sales tax has been discussed for a long time. The present tax is hidden, unfair and harmful to our economy. Although it has not been possible for the time being to implement a joint federal-provincial reform of the system, the importance of reform persuaded the federal Government to act.

At 9 per cent, the new tax will generate enough revenue to replace the present federal sales tax, reduce income tax for average-income households and finance new refundable sales tax credits. This credit will be paid four times a year, even before the new sales tax takes effect, and will leave families earning less than \$30,000 better off after sales tax reform.

The expenditure reductions and tax increases announced today and the sales tax reform to take effect in 1991 enable us to attack the debt problem with determination. The challenge is to stay the course year after year until the problem is eliminated. The Budget puts us on the right track by improving the nation's ability to bear its debt burden and by strengthening our ability to preserve essential social and cultural programs as well as other important public services.

That is why the Budget is intended to guarantee the future and not to mortgage it. That is why the Budget is tackling head-on a major obstacle that is keeping us from a better future: the growing debt problem. The Budget is meant to overcome this obstacle. The measures it contains are rigorous, because the challenge facing us demands it.

• (1620)

Mr. Assad: First of all, Mr. Speaker, I would be remiss if I did not commend the Hon. Member for Joliette (Mr. Larrivée) for his maiden speech. However a question popped into my mind during his speech. The Hon. Member mentioned the transfer payments to other provinces, so I would refer him to the remarks made yesterday by Québec Premier Bourassa who was in our region and said he is strongly opposed to the tax increases announced by the Government. He expressed the hope that the other provinces, particularly Ontario, will form a common front with Québec to argue against the new sales tax, the value added tax if you will. I believe the Québec Premier was an ardent supporter of the Hon. Member's political formation during the last