

This budget is no mere reaction to the dire fiscal situation which the government inherited a year and a half ago. However tempting it is for me to digress at this point and make partisan comments about the fact that during the previous administration the total amount of debt in Canada more than doubled, and to cite all kinds of statistics about the cause of the fiscal situation which we inherited, I will of course resist that temptation and deal much more directly with the positive aspects of the budget. I want to deal with its adaptability, its flexibility and the way it treats specific individuals. I also want to deal with the way it reflects today's fiscal reality, which is clearly a very important part of the budget.

This is a tough budget. It meets the fiscal targets which the government set during the last election campaign and also substantially constrains government expenditures. It proposes \$29 billion in cuts over the next three years. That figure, it is worth observing, is more than any other budget has proposed to cut since post-war demobilization.

Indeed, in two years, program spending will be \$10.4 billion less than it is today. Structural changes now under way will ensure that very significant reductions that begin in 1997-98 will extend into the indefinite future because of the way in which the organization of government is being changed.

Further, this budget delivers on the commitment of the government, made during the election campaign, to cut the deficit to 3 per cent of GDP in two years. The numbers given in the budget — and I hate to use this adjective, honourable senators — are very conservative estimates. They show that the deficit will fall to \$32.7 billion in 1995-96 and to \$24.3 billion the following year.

All of these numbers are based on conservative assumptions. They are based on protections built into the budget against further increases in interest rates. Consequently, honourable senators, there can be no doubt that these targets will be met because of the prudent way in which they have been forecast, and because of the contingency reserves that have been established. If necessary, that will be used to help the budget meet its targets.

It is important to note that this budget meets the fundamental targets which the economic community wanted and expected from this process; that is, it provided Canada with fiscal certainty into the indefinite future. Prudent economic assumptions and substantial contingency reserves of \$2.5 billion next year and \$3 billion the year after that ensure that Canada is on the right track.

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However, cautious forecasts, prudent planning and a comprehensive review of government functions under the program review are only one part of this budget. A second part, and in many respects the most critical part, has to do with the issue of the way government operates and the role of government in the 1990s. Under this budget some 45,000 public service positions will be eliminated over the next three years. To some people that sounds like a lot of jobs, while to others it sounds like very few. The reality is that if you look at the cuts in employment which have taken place in every other major institution, particularly private sector institutions in Canada and elsewhere in

the industrialized world, cuts in the order of magnitude such as this, 12 per cent to 13 per cent of the work force, are not unreasonable.

Similarly, government will cut substantially a number of the subsidy programs it has provided over the years, including subsidies to business, which will be cut by nearly two-thirds over the next three years.

Another big change in this budget has to do with modernizing federal-provincial fiscal relations in order to more clearly demarcate what responsibilities will rest with the federal government and what responsibilities will rest with the provincial government. As honourable senators know, that demarcation began many years ago when Established Programs Financing first replaced the Federal-Provincial Fiscal Relations Act in 1977. That was a measure undertaken by a Liberal administration. The changes proposed in this budget reflect a move to the Canada Social Transfer or CST, which will be a lump sum transfer to the provinces. The CST represents a significant change in terms of long-term, federal-provincial fiscal relations and an advancement in terms of disentanglement between the two levels of government.

This budget also takes strong measures to improve the fairness of the tax system without increasing personal income taxes, as Senator Roberge pointed out. Two examples of what I mean by increased fairness as a result of this budget are the elimination of tax advantages for family trusts and the temporary lowering of the upper limit on RRSP contributions so that benefits do not flow to people who earn more than two-and-a-half times the average wage in Canada.

To be sure, there are a few small tax increases. They are tax increases, however, that are overwhelmingly outweighed by expenditure reductions; expenditure reductions that deliver seven times what tax increases deliver in this budget. That is, for every new dollar of tax revenue, there are \$7 worth of expenditure reductions in this budget.

Moreover, to fulfil the objective of fairness, the tax increases in this budget have been targeted at those who can most afford to pay. There is a tax on large corporations and a tax on the capital of large deposit-taking institutions. This is a budget that attempts to bring a strong element of fairness to taxation. It is also a budget that attempts to put the government's house in order with respect to fiscal expenditure on programs. It starts Canada down the road of substantially revolutionizing the way in which programs and services are delivered to Canadians by the federal government. It also reduces the role of the federal government while simultaneously ensuring that the federal government will have the legislative power to establish national standards in those programs which are absolutely critical for Canadians.

It is therefore important to understand that in spite of the fact that there have been some reductions in terms of the number of civil servants who will be involved in various programs, the federal government has not in any way, shape or form abandoned its traditional role in terms of setting national standards. I say that because, frankly, national standards are fundamental to the nature of defining Canada. They are fundamental to how Canadians define themselves and what it is they hope and expect to get from their government. Therefore, in areas such as