

*The Budget—Mr. Garneau*

We made it quite clear that we will not cut spending on medicare. In fact, my colleagues have said that we would increase the commitment that we have made to medicare. Referring to education, as I indicated in my remarks earlier, upgrading of our human resources, education, training and retraining are key priorities, so no, there would be no cuts there.

That was in March 1984. You will remember that Mr. Wilson did not keep his own word and refused to hand over to Quebec \$66 million as provisional equalization payment. Yet the Minister of State (Finance) (Mrs. McDougall) had stated in the House on April 18, 1985:

What the government is doing in this Bill is giving Manitoba, Quebec and Nova Scotia the benefit of this 95 per cent floor—

Quebec is the only province which did not benefit from such commitment that the Minister of State (Finance) (Mrs. McDougall) had officially reiterated in the House. Why the double standard? The shortfall for Quebec, if it was granted the 95 per cent floor promised by the Minister of State (Finance) in this House . . . those \$66 million should be paid. The federal government refuses. This is no doubt why the Quebec Minister of Finance is prosecuting the federal Minister of Finance to obtain what is due to his province.

You will also remember that more recently, the Minister of Finance decided to spread over a 2-year period the \$175 million of supplementary assistance which he had promised to provide in a single payment to the five provinces most seriously affected by the changes; contrary to his promises, he is spreading the payment over two years. And we know that the agreement on equalization will be renegotiated this year. I do not know what surprise the Minister is saving up for the provinces, but I hope that past events will not be repeated because the provinces will end up with a still higher deficit and this on account of the Mulroney government. In his negotiations with the provinces, the federal government must recognize a fact: the federal deficit is not caused by transfers to provinces. The size of those transfers as a percentage of the GNP has remained relatively and strikingly constant.

I urge the Minister of Finance (Mr. Wilson) to be fairer and to refrain from piling up his deficit on the back of the provinces.

• (1200)

[English]

I would also like to draw to your attention at this particular time, Mr. Speaker, the Government's shocking record with respect to the crucial area of adequate funding for research and development. In the Budget Speech of May, 1985, the Minister of Finance stated: "It is an ongoing priority of this Government to encourage a much improved research and development performance in Canada". That was the promise. Let us review the action. Since coming to power, the Conservatives have cut the budget of the National Research Council from \$520 million in 1984 to \$398 million in 1986. As announced in October, a further \$20 million in cuts will be taken from the National Research Council budget next year. So much for Tory priorities and promises.

Canadians know that a healthy Canadian economy in the next century will depend on a strong research and technological base, and thus we are calling upon the Government to reverse its short-sighted research and development policies. Surely we owe at least this much to future generations of Canadians.

I would like now to address another issue which is a very crucial one for all Canadians, that is, tax reform. In his Budget Speech of February 26, 1986, the Minister of Finance gave a clear indication that he would table at an early date a concrete proposal on tax reform, more precisely, on the concept of a business transfer tax. A year has gone by and we are still waiting for the White Paper on the business transfer tax. On October 23, 1986, the Minister made another promise to the House, and I quote:

As the next step in the tax reform process, I intend to issue specific directions for change at the time of my Budget.

The Minister's time is up. The Budget has been brought down. But all we were given on January 30, 1987, and repeated yesterday, was yet another postponement to a vague date later in the spring. However, if people believe that the tax reform will take effect this spring, it is a false hope because the Minister said there would be a long consultation process. How are we to take seriously today's proposals, if yesterday's promises are broken?

By again postponing comprehensive tax reform, the Minister has made a mockery of his budget commitment. It makes nonsense of detailed and prudent planning if taxes, and therefore incomes and expenditures, cannot be accurately predicted, not only for every Canadian in business but also for the operations of the Government of Canada. Worse, it creates a climate of uncertainty. The Minister has excused his waiting game by talking about consultation. Consultation on what, thin air? How can groups and companies offer intelligent opinions if they have no tax reform proposals to which to refer? How can they plan ahead if the Government cannot surmount the political courage to table concrete proposals? Instead of constructive consultation, we have confusion, which is certainly not contributing to a stable economic environment.

Let me outline some of my thoughts on tax reform. First, I believe that tax reform must, at the outset, be revenue neutral in its effect in such a way that taxpayers know their Government is not trying out another gimmick just to squeeze still more tax money out of them. The primary objective of any tax reform must be to design a fairer and more equitable tax system.

Second, tax reform must do away with the greatest possible number of tax shelters. This is not to say that all tax shelters are wrong. On the contrary, some are necessary to stimulate growth in those areas and sectors of the economy which most need it. For example, with respect to the mining industry, the flow-through share is a type of tax measure which can be implemented by a Government which wants to help the mining industry in some regions of Canada. That is why I would strongly support that this be kept in the tax reform, even