

Federal-Provincial Fiscal Arrangements Act

Let me sum up with some remarks today by saying that the fundamental principle of these transfers it is the importance of established programs financing, which lies in the provision of a firm and stable financial foundation on which we have built a system of health care and post-secondary education that is second to none in the world. This is true of its quality and its accessibility to all Canadians in every province. Truly the most important issue to all Canadians is that this firm and stable financial foundation be maintained in order to ensure the high quality of our health care and post-secondary education. The changes that are being made to federal transfers to provinces, and the innumerable measures encompassed in the May Budget, clearly indicate that this Government is strongly committed to maintaining such a stable financial foundation.

If we as a Government do not deal seriously and effectively with our current fiscal problems, if we do not begin to bring government expenditures into line with government revenues, if we do not begin to control the rate of growth of the federal deficit and debt in the near future, we may be faced with even more difficult and more extreme restraint measures.

In my own riding of Don Valley East most often I hear positive comments relating to our most recent Budget brought down by the Finance Minister (Mr. Wilson) in which the cuts were very substantial. However, many people, knowing the gravity of the situation in this country, wanted more cuts to be made, wanted us to get on a more stable financial track more quickly. I was very pleased when, right on the heels of the Budget, the Nielsen task force results were announced. Some 900 to 1,000 major programs and projects within Government had received a very thorough scrutiny over the period of a year. Now there are literally hundreds of options and recommendations that must be dealt with by the respective committees, and I am confident that the fresh look given by a number of men and women from the private sector is going to give the various committees and ministries a great amount of ammunition to work with in terms of streamlining operations and effecting savings. All that will work towards a more frugal use of the taxpayers' dollars.

When we as a Party were elected to government in September, 1984, time and time again what I certainly heard on the streets of my own riding was that people wanted change, they wanted that irresponsible spending to stop. They realized what level it was reaching. I can highlight a few figures here in a moment. It had just been totally out of control for a ten-year period.

In 1970-71, the first year of a significant deficit, it was \$500 million. That sounds like peanuts today. It took the former Government only three years to go over the billion-dollar mark in 1972-73. It took it three more years to go over the \$5 billion annual deficit in 1975-76. In two short years it zoomed through the \$10 billion level in 1977-78. Six years later, in 1982-83, it broke the ceiling and went through the \$20 billion level. In 1982-83, it was at \$23 billion. One year later, it roared through the \$30 billion level. Notwithstanding the fact that we were going through some rough economic times,

clearly spending was absolutely and totally out of the control of that previous Government which now sits as the Official Opposition. Who is left to deal in a frugal way with taxpayers' dollars? Who is left to get things under control gradually so that we do not pass that albatross of increasing debt down to future generations? We are in the situation now where a tremendous amount of our tax revenues goes just to service the cost of that debt. In terms of expenditures, a large chunk of our current tax revenues go just to service the debt. Our expenditures are a little over \$100 billion, and 23.5 per cent goes toward that interest payment. Statutory programs account for 44 per cent of our total expenditures and non-statutory expenses account for some 32.5 per cent. Those statutory programs, which account for 44 per cent of our expenditures, will increase by 5 per cent in 1986-87 and drop down to 2 per cent in 1987-88. Non-statutory spending, which accounts for 32.5 per cent, will increase by 0.7 per cent in 1986-87 and will drop to 0.5 per cent the following year.

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Since the November 1984 Economic Statement, the Minister of Finance has had ample consultation with the respective provincial Ministers about transfer payments. There have been four meetings since the May 1985 Budget. As a result of those meetings, the Government decided to increase the payment by approximately 5 per cent. When one takes into account the inflation rate of approximately 4 per cent, the increase in this category is 25 per cent more than inflation. The Opposition would have us increase this payment by 7 per cent, which would be 75 per cent over the inflation rate.

The fact is that we must establish financial control in Canada. I took the opportunity to record the track record of the previous Government, beginning in the early 1970s. At that time, our dollar was worth \$1.05 compared to the U.S. dollar. I do not think it is any coincidence that there is a definite correlation between the financial instability that set into this country and our falling dollar which has dropped to approximately 72 cents American. It is largely due to the irresponsibility of the Official Opposition when it was in government.

The Opposition continues to carp and criticize. I do not know where it thinks money comes from, but someone must be accountable for the restoration of financial stability in this country. That responsibility has fallen on our Government, and I want to commend the Minister of Finance, the Minister of State for Finance (Mrs. McDougall) and the Prime Minister (Mr. Mulroney) for having the intestinal fortitude to deal with very difficult problems.

No constituency is left unaffected when there are cut-backs in spending. It is no pleasure to take these steps, but we were left with the financial mess which I have described. We intend to take control of that financial situation in a meaningful and sensitive way.

For example, our spending on statutory programs will be 25 per cent more than the rate of inflation, which is almost double