

The Budget—Mr. Couture

Mr. Speaker, our Government has decided to take steps to end this mortgaging of our future by using available resources to reduce the annual deficit to less than \$15 billion by 1993.

This will contribute to a progressive reduction of the public debt. We have managed to reduce the growth rate of the debt, from 24 per cent as it was in 1984, to less than 10 per cent last year. In spite of this effort, the debt continues to grow faster than our national revenues. On April 1 this year, our national debt amounted to \$320 billion.

The recent rise in interest rates both in Canada and abroad illustrates the vulnerable situation in which this enormous debt is placing us. In only one year, the costs resulting from the interest on our debt have increased by over \$6 billion. This year, we are going to pay \$39 billion in interest. This has to stop, and the sooner the better.

In its Budget the Government proposes some concrete measures. In a climate of sustainable economic growth which is of major importance, the Government proposes to limit its expenditures and increase its revenues. It has decided not to purchase nuclear submarines. It has already closed seven military bases and will limit the activities of seven others, which will represent a saving of \$2.7 billion from 1989 to 1994. It has cut its subsidies to VIA Rail by at least \$100 million per year for the next four years. It has cut its subsidies to the CBC by \$10 million per year for the next five years. The total costs of the unemployment insurance program is now fully supported by both employees and employers.

However, in periods of extreme hardship, the Government would only support the fund if it faced a deficit thereby realizing a net saving of \$600 million.

The government will reduce the growth of transfer payments to the provinces beginning in 1990-91, but equalization payments to lower-income provinces will remain. These equalization payments totalled \$5.4 million in 1984-85. They will increase by 35 per cent in 1989-90 to \$7.3 million.

With regard to foreign aid, over a five-year period, the government will reduce the growth of its expenditures by about \$1.7 billion.

The government has also taken some steps to increase its revenues. These decisions are always hard to make, but are necessary given our present situation.

Taxes on gasoline and cigarettes are going up, bringing in an additional \$1.6 billion. Canada Post, now under a dynamic and healthy management, will be paying a dividend to the government. Taxes will be levied on corporate capital in excess of \$10 million. The surtax will increase by 2 per cent beginning July 1, 1989, and an additional surtax of 3 per cent will be applied to taxpayers with annual income in excess of \$70,000.

On January 1, 1991, the government will replace the existing federal sales tax with a Goods and Services Tax at a rate of 9 per cent. The existing sales tax suffers from three failings: it has been called a porous tax, because it is an increasingly unreliable source of revenues for the federal government; it is hidden from consumers; and is damaging to the Canadian economy, since it is limiting economic growth and job creation.

The new 9 per cent tax will be paid on most goods and services, except basic groceries, prescription drugs, medical devices, residential rents, loans, mortgages, life-insurance premiums, most health and dental services, including hospital and home services, daycare, legal aid and most educational services. Measures will be introduced to make implementation fair and simple.

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As for small businesses, the Government proposes to give them fees for collecting the tax. Over half a million small businesses won't have to collect this tax.

Charities and non-profit organizations funded to a large extent by the state will benefit from a generous reduction of the tax owing on their purchases.

Sales of food from farmers and fishermen will be tax-exempt. In addition, the Government will vote a special measure guaranteeing that the tax will not make new housing unaffordable and sales of existing homes will not be taxed. It will also give a partial discount to municipalities, universities, schools and hospitals, so that tax reform does not increase their tax burden.

The Government wants its new strategy to promote equity. That is why it is committed to ensuring that the new tax is more equitable to low-income Canadians than the present system. It will enhance the present sales tax credit by making it refundable, even if low-income taxpayers do not have any income tax to pay. Moreover, the credit will be paid four times a year. This new tax on goods and services will benefit people throughout the country.