The measures in this legislation work to one clear goal. They will set us on the path to bring down the deficit to our interim target of 3 per cent of gross domestic product by 1996–97, as promised in the famous red book.

I note that members of the opposition delight in quoting from the red book. I am delighted to see that they have taken the time to read and study that work because as my colleagues know it represents a blueprint for action. Although it is a red book it is a blueprint for action by our government and one that we as candidates in the last election were proud to support. It represented, in my view, the standard by which all other parties' programs were judged and Canadians expressed a clear preference for the blueprint in the red book.

There should be no question about the government's ultimate objective, and that is to deliver a balanced budget. Equally important, over the next three years there will be $5 of spending cuts for every dollar of revenue increases on a net basis.

Under our budget plan, gross fiscal savings including the savings announced in previous budgets and secured by this legislation total $28.6 billion over the next three fiscal years. Net savings in that period after taking into account the cost of new economy boosting initiatives total $20.4 billion.

These measures will help shrink the deficit from $45.7 billion in the year just ending to $39.7 billion in 1994–95 and to $32.7 billion in the year thereafter. The measures announced in the budget will be supplemented with further initiatives next year as we reform major spending programs. The government is taking action now and will take action in the future to ensure that the deficit continues to decline steeply.

What I would like to do now, Mr. Speaker, is turn to the specific elements in the bill before us today.

First, the bill proposes amendments to the Unemployment Insurance Act. In making these changes the government had two goals in mind. First, it wanted to provide a concrete incentive to the private sector to create jobs and, second, it wanted to begin to deal in a fair way with the serious problem of dependency that the unemployment insurance system has created for many Canadians.

Payroll taxes are recognized as a significant barrier to job creation. To ease this burden the government will roll back the unemployment insurance premium rate for 1995 and 1996 to $3. As a result, by the end of 1996 the government expects there will be 40,000 more jobs in the economy than would be the case if the premiums were allowed to rise to $3.30. That is the level required by 1995 under existing legislation if the government takes no action.

This rollback must be done in a way that supports deficit reduction. That is why this legislation proposes measures to reduce unemployment insurance expenditures by $725 million in 1994–95 and $2.4 billion annually thereafter.

It must be stressed that we are taking these steps to encourage job creation while ensuring the financial integrity of the unemployment insurance program.

Members of the House can also be assured that the unemployment insurance changes in no way prejudge the social security form process announced by the Minister of Human Resources Development. Indeed, many of the provinces have undertaken their own work in this regard and of course the federal government will continue to work closely with the provinces to ensure stability for Canadians.

Second, the bill deals with the process of social security reform which will involve the federal government and the 10 provinces and the two territories.

• (1315)

The common goal of all will be to renew and revitalize Canada's social security system over the next two years. The government will preserve and protect those most in need in order to survive. The government will work to improve incentives for Canadians to work and the government will ensure that the social safety net remains affordable.

To help create a positive, co-operative climate for this challenging task the government is providing a two-year period of predictability and modest growth in social security transfers under the Canada assistance plan and established programs financing.

This means that in 1994–95 there will be no new restraint measures applied to either CAP or EPF transfers. The legislation before us today however will place a ceiling on subsequent CAP transfers to each province. As a result, these transfers will not exceed their 1994–95 levels. This ceiling will remain in place in 1995–96 pending social security reform in 1996–97.

Established programs financing transfers are not affected by this legislation. However existing restraints will be maintained. EPF will grow in line with the population in 1994–95 and then a GNP minus three percentage points for subsequent years.

[*Translation*]

The following part of this bill affects us all personally. It extends the present salary freeze for public servants, the Prime Minister, members of Parliament and senators, federal magistrates, the Canadian Armed Forces, the RCMP and other government workers for a two-year period. Also, pay increments will be suspended for two years.

We recognize that this measure will have repercussions. Some 391,000 people will be affected by this freeze. The need to take this action is explained by a simple inescapable reality: salary