The Budget Speech

The Honourable Paul Martin, P.C., M.P.
Minister of Finance

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For additional copies of this document please contact:

Distribution Centre
Department of Finance
300 Laurier Avenue West
Ottawa K1A 0G5

Tel: (613) 995-2855
Fax: (613) 996-0518
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KEEPING OUR COMMITMENT TO CANADIANS:
CREATING OPPORTUNITY

The budget being tabled today follows an unprecedented process of consultation with Canadians. The process is being opened up. The era of closed door budgets is over.

We have gained a great deal from listening to Canadians. But one thing stands out above all others. Canadians are fed-up with government inertia. They seek determined, fundamental change. They want their government to have a game plan and pursue it - a strategy for jobs, for growth.

Canadians know the kind of Canada they want.

Our goal is a Canada where every Canadian able to work can find a meaningful job.

A Canada with a system of training that lets our workers lead the economy, rather than being left behind.

A Canada that leads in technology, rather than leaning on the technology of others.

A Canada where government facilitates change rather than blocking it.

A Canada where our public finances are in order, not ruin.

The days of government simply nibbling at the edges are over. The practice of endless process without product are gone. Our task is to put an end to drift.

We need a new architecture - for government, for the economy. That won't happen by leaning on nostalgia. We are on the verge of a new century. There is no future in standing back. The only way to succeed is to lead.

This budget sets in motion the most comprehensive reform of government policy in decades.

We are putting in place a strategy for innovation in the new economy, a science and technology plan with real priorities that will lead to real results.

We are launching the development of a new strategy for small business, one where government knows both when it should stand aside and when it can lend a helping hand.
We are undertaking a major effort to build a responsible social security system that is fair, compassionate and affordable.

That means making fundamental changes to our unemployment insurance system.

It means overhauling the structure of federal-provincial transfers for social programs, leading to a more effective and efficient effort. It means doing so in a co-operative way, with predictability built in – setting aside old tactics of stealth and surprise.

The Cold War is over. But our defence posture remains largely as it was, not attuned to the needs of the 1990s. This budget sets out immediate actions that will be followed by a comprehensive review of Canada's defence policy.

To succeed we must get monetary and fiscal policy right. We have done the first. We are a low inflation country. We will stay that way. Low inflation means low interest rates. Low interest rates mean stronger growth. Stronger growth means more jobs for Canadians.

It is now time for government to get its fiscal house in order.

For years, governments have been promising more than they can deliver, and delivering more than they can afford. That has to end. We are ending it.

The actions taken in this budget will reduce the deficit from $45.7 billion this year to $39.7 billion in 1994-95 and $32.7 billion the year after.

This is a two-stage budget. Therefore, detailed fiscal projections are presented to 1995-96 only. However, that being said, in terms of deficit reduction, we are not waiting for the second stage. The decisions taken today by themselves set us on a clear path to achieving the government's deficit target of 3 per cent of GDP in 1996-97.

We will achieve this by using reasonable economic assumptions, not rosy forecasts. We believe it is more important to meet a target than declare an illusion and then fall far short.

Over the next three years, gross savings from expenditure and revenue measures will amount to $28.6 billion. Over that same period, the government will be investing $7.5 billion of those savings to provide new programs and tax reductions to create jobs and economic growth, as well as various social initiatives.
Canadians have told us that they want the deficit brought down by reducing government spending, not by raising taxes. We agree. The era of tax and spend government is gone. Of the net savings going to deficit reduction over the next three years, $17 billion comes from previously planned spending.

Over the next three years, for every one dollar raised in new revenues we will cut five dollars in government expenditures.

People told us we should freeze spending. We agree.

With the spending cuts in this budget, program spending in 1996-97 should be lower than in any year since 1991-92.

Surely today we are beyond pointless debates about whether government should do everything or do nothing.

Success does not lie in government shutting down and sitting on the sidelines. Success lies in careful and creative engagement in the economy. It is not the principle of industrial strategy that is wrong. It has been the practice.

This is a budget about jobs – about implementing a strategy and taking action that will lead to jobs for today and tomorrow.

The challenge today is not to rush. The challenge is to get things right.

But make no mistake. There will be change. This is a two-stage process, not a twenty-stage process. We are setting the stage this year for completion next year. There are due dates. There are deadlines. And there are firm fiscal targets to guide our reform.

We believe there are three central challenges to be met. The first is to build a framework for economic renewal – to help business succeed and to turn innovation into a more effective engine of Canadian economic growth.

The second challenge is to construct responsible social programs – not only so that they are affordable but more importantly so that they become builders of jobs – not barriers.

And the third challenge is to restore fiscal sanity to government so that it can devote its full energy to helping Canadian workers and families adjust to a world of challenge and change.
ECONOMIC RENEWAL AND REVITALIZATION

Let me begin with the first challenge – jobs, training, innovation.

We are keeping our word.

The infrastructure program is in place. It has been signed by all provinces. It accomplishes what has been proposed before but rarely done – getting Canada's three levels of government working together for jobs.

We have restored full funding for literacy programs.

To support apprenticeship training, we are creating a new youth internship program in collaboration with the provinces and the private sector that will have as a priority getting high school students ready for the workplace.

Finally, the Youth Service Corps is being launched in the near future at up to 20 sites to give young Canadians meaningful work experience and to develop their personal skills.

The question then is, once trained, where are they going to find jobs?

Jobs and Small Business

The answer is that most will find jobs in Canadian small- and medium-sized businesses. They are today's vital vehicles for jobs.

The last thing business needs is another massive government program. What they do need is lower taxes – relief from taxes that stand in the way of hiring and growth. What they do need is access to capital so that they can grow and create jobs. What they do need is a government that gets off their backs, and stops burdening them with unnecessary regulations and red tape.

Payroll taxes are a burden on business and a barrier to jobs. They are a disincentive for business to go out and hire.

In 1995, without action, legislation would require that the unemployment insurance premium rate shoot up to $3.30 from its current rate of $3.07. We will not let that happen.

More importantly, after discussion with the Prime Minister and the Minister of Human Resources Development, I am pleased to announce today a roll-back of the 1995 unemployment insurance premium rate from $3.07 to $3.00.
This will save industry almost $300 million a year – money that we would expect to be re-invested in new jobs.

Furthermore, as reform of the social security system kicks in, and further significant savings in unemployment insurance are realized, more reductions in the unemployment insurance premium rate will be possible – and we will see to their implementation.

Small business must have access to adequate capital.

Changes in the Small Business Loans Act cannot, in themselves, solve this problem. New practices and attitudes on the part of the lending community are essential. That is particularly true with high-growth, knowledge-intensive firms.

To that end, a joint Industry-Finance task force has been set up to work with the banks and small business to address these issues. Their first task is to develop a code of conduct for small business lending. That code will ensure that the criteria for loan approvals are transparent and provide small business with an instrument to exercise complaints. The conclusions of the task force will be referred to a joint Finance-Industry sub-committee of this House for review.

In addition, the Minister of International Trade and I will be convening a meeting as soon as possible of the heads of the major Canadian banks and the Export Development Corporation to seek an enhanced means of furthering the capacity of small business to export.

This government is taking other steps to help small business grow.

- We will intensify and accelerate the effort to reform and remove regulations that create confusion and cost. We are putting in place a task force to provide, on a fast-track basis, a better regulatory regime, one that will not compromise compliance, but rather improve the competitiveness of business. We will work closely with our provincial counterparts in this area.

- We have accelerated the process for GST reform. The House Standing Committee on Finance will report by June of this year. The goal is a tax that is harmonized with the provinces and is fairer to consumers and less burdensome for business.

- One-stop shopping for government services will be expanded, so that there will be a Canada Business Services Centre in every province of Canada by next year. Those centres put
all government services in one place, making them more accessible and efficient. Business is enthusiastic about this program. It is a perfect example of how government can serve business to create growth.

- This summer, we will issue a declaration of quality service delivery standards for all government departments that will outline clearly to Canadians the quality of service they have a right to expect.

- Funding will be provided for a Business Networks Strategy to help small firms work together to achieve the critical mass needed to compete in the world.

- In order to improve the efficiency of surface freight transportation, on which many businesses depend, the Minister of Transport will explore improvements to that system with his provincial colleagues and stakeholders.

- The Residential Rehabilitation Assistance Program, a major contributor to the home renovation industry, is being re-instituted.

- The Home Buyers' Plan was introduced as a temporary measure and was to end on March 1. That plan encourages home ownership and helps the housing industry. In consultation with the Minister of Public Works and Government Services, the government is replacing the Home Buyers' Plan with a continuing program that will allow first-time home buyers to use RRSP funds to purchase a home.

More can be done. We need the help of the small business sector to plan well. Today, with this budget, the government is issuing a document that will serve as the basis of a dialogue with small business to determine how we can work better together.

**Innovation and the New Economy**

Innovation and ideas are essential for jobs today and in the future. Ideas are the new natural resources.

The federal government spends some $6 billion a year on science and technology. Our tax incentives for research and development are among the most generous in the world. Yet there are major shortcomings in Canada. Private sector performance must be improved. We need to do better at innovation and getting ideas to market. The transfer of technology to small- and medium-sized businesses must be
strengthened. After years of rhetoric and promises, the federal government will put in place a true strategy for R&D, one with real priorities, real direction, and a real review of results.

We will develop a new long-term space plan that is both affordable and which offers the best possibility of commercialization and the creation of jobs. We will concentrate on areas of Canadian advantage, such as satellite technology.

As part of the exercise of putting in place new priorities, and because of tight fiscal circumstances, we have made two decisions relating to current R&D programs.

First, we are withdrawing federal support for the KAON particle accelerator project, which has not been successful in securing international support.

Second, we have decided to negotiate an orderly withdrawal from current commitments to the International Space Station program.

In tight fiscal circumstances, we must focus our R&D spending on areas where Canada has an advantage – areas where jobs can be created, where a clear market exists.

To create jobs through better science and technology, the government is also taking the following specific measures.

- We will create a Canadian Technology Network to help small business get access to cutting edge technology that can win in world markets.
- A Technology Partnership Program will be put in place to help small- and medium-sized businesses get access to the results of research done in universities and government labs.
- A Canada Investment Fund will be created to provide innovative industries with the capital they need to grow.
- An Engineers and Scientists Program will be launched to help small businesses get the technological expertise they require.
- The councils and agencies that fund university research in science, engineering, medicine and the social sciences are being excluded from spending reductions contained in this budget, reflecting the priority we place on R&D.
- Funding for the National Research Council will be increased in 1994-95 after years of cuts.
This year, the Minister of Industry will develop and put forward a Canadian strategy for managing and developing the information highway.

Finally, in the weeks ahead, the Minister of Industry will be putting forward a paper on science and technology clearly stating the government's priorities. This will set the stage for an intense national dialogue leading to a new national science and technology strategy. Our challenge is to take existing resources and redirect them towards the creation of a national system of innovation.

We believe that respect for the environment and economic renewal go hand in hand. We are taking positive steps to address certain environmental concerns.

- In order to assist the establishment of mine reclamation funds – funds to clean up mining properties once mining has ceased – we are proposing changes to permit mining companies to deduct their contributions to these funds.

- We are also improving the tax treatment of certain types of energy conservation equipment and we are providing enhanced incentives for newer, clean technologies.

- Later this year, the Ministers of the Environment and Industry will put forward a strategy to encourage the growth of the environmental technology and services industry, an industry which is expected to double in size by the year 2000 and in which Canada can be a world leader.

This government is committed to sustainable development. Achieving this objective will require an examination of the way we do business now and a search for new ways of doing business in the future.

To do this, we are establishing a task force involving government, industry and environmental NGOs to identify barriers and disincentives to sound environmental practices and to find effective ways in which to use economic instruments to protect the environment. This is but the beginning.
TOWARDS RENEWED AND RESPONSIBLE SOCIAL PROGRAMS

Our social programs need to be made more responsible. That means measuring the success of programs by how well they work, not by how much money is spent. It also means ensuring that we can continue to pay for our programs. It means reforming the system so that it builds bridges to work – to independence, not dependence. And it means that as we reform, we must never put aside our obligation to help those in need.

Specific social initiatives we put forward to Canadians last fall are provided for in this budget.

In the Red Book we proposed a prenatal nutrition program. An Aboriginal Head Start program. A Centre of Excellence for Women’s Health. The restoration of the Court Challenges Program and the Law Reform Commission and proclamation of the Canadian Race Relations Foundation. This budget keeps our word.

Charities play an essential role in Canadian society. At a time when governments are being forced to withdraw from some activities, they play an increasingly important role. To encourage charitable donations, we are lowering the threshold for the 29 per cent credit rate from $250 to $200. We acknowledge this is a modest step, but we believe it goes in the right direction.

This government is committed to creating opportunity for all Canadians. As part of the strategic initiatives on social reform, the Department of Human Resources Development will undertake a demonstration project in partnership with the government of Prince Edward Island and the Canadian Association for Community Living. This project will seek to achieve enhanced opportunities for persons who have an intellectual disability. It will have the potential for development in other jurisdictions and for application to persons with other disabilities.

It is often women who bear the brunt of social stress and economic dislocation. During our budget consultations, a number of issues were raised regarding disparities in the tax and income support systems.

This budget begins to address existing disparities by ensuring that low-income earners with dependants – most of which are single mothers – are more fairly treated by the changes to the unemployment insurance program.
Furthermore, the issue was raised of disparities that are perceived to exist in the tax treatment of child support payments, as well as the issue of their levels and enforcement. A federal-provincial family law committee has been examining that issue for two years and will report this summer. We will respond quickly to their recommendation.

As Canadians live longer and healthier lives, the roles and needs of seniors will change. In the months ahead, we will be releasing a paper that will look at what an aging society will need in terms of services; and what changes are required to the public pension system to ensure it is affordable. That paper will also look at the question of changes to the tax treatment currently in place for private saving for retirement. That will include the issue of Registered Pension Plans and Registered Retirement Savings Plans and the use to which funds invested are directed.

As announced in the Speech from the Throne, the Prime Minister will chair a National Forum on Health to foster a dialogue on the renewal of Canada’s health system. The Minister of Health will work closely with her provincial colleagues on this important challenge. No further changes in respect to EPF health transfers are contained in this budget, in order to set the stage for that discussion. Our commitment to maintain the principles of the Canada Health Act remains firm and unaltered.

Social Security Reform

The government has announced its intention to renew and revitalize Canada’s social security system within two years.

There are many ideas on how to reform and improve the system. Provinces have several proposals. This budget provides $800 million so that innovative approaches can be tried in co-operation with the provinces and territories. We believe this investment will eventually benefit millions of Canadians by identifying approaches that will work more effectively in the future.

Good public policy requires predictability and planning. Beyond May of this year, the previous government did not provide for any funding to assist those individuals whose livelihood depended on the Atlantic groundfish industry. This budget provides a five-year program, the Atlantic Groundfish Industry Renewal and Adjustment Strategy, costing $1.7 billion, for long-term adjustment. As part of that effort, the Minister of Fisheries and Oceans will, with others, develop innovative
approaches for creating long-lasting jobs. The results of that effort can make an important contribution to the reform of the overall social security system.

Today, we are advancing social security reform by taking specific actions relating to unemployment insurance and the federal transfers to the provinces that support social security.

**Unemployment insurance reform**

We have announced a major rollback in unemployment insurance premium rates, one that will increase incentives to hire, creating jobs.

This will require that we take immediate steps to begin unemployment insurance reform. These changes will reduce expenditures on unemployment insurance by $725 million in 1994-95 and $2.4 billion per year thereafter.

The maximum duration of unemployment insurance claims will be reduced for new claimants with weak attachment to the labour force.

The minimum entrance requirement will be increased from 10 weeks to 12.

The benefit rate will be reduced to 55 per cent, except for individuals with modest incomes who support children, an aged parent, or other dependants. For them, the benefit rate will be increased to 60 per cent.

To improve fairness, there will be amendments to the provisions governing workers who quit their jobs voluntarily or were fired for misconduct.

The focus of our changes to unemployment insurance is clear. Our goal is greater fairness, a system that reaches out to the most vulnerable in our society, one that is progressive and helps get Canadians back to work.

**A better system of transfers to the provinces and territories**

It is essential that social security reform leads to programs that are more affordable and work better for Canadians. To let us get on with the job of reform, all of us need to know what the limits on financial resources are.
For the federal government, transfers from the Canada Assistance Plan (CAP) and the post-secondary education component of Established Programs Financing (EPF) must be no higher after reform than they are now. That will save the federal government at least $1.5 billion in 1996-97, over and above savings from unemployment insurance reform. We believe a more effective and responsive system is possible while at the same time making it more affordable.

Our savings targets are firm. If reform fails to achieve at least those savings, other measures will be taken to achieve them.

We want this reform process to be a co-operative one. Federal action in the past left much to be desired. Predictability went out the window. Surprise was the tactic. Tensions with the provinces increased.

We will not repeat those mistakes. Therefore, we are providing a two-year period of predictability and modest growth in social security transfers to provinces while reform goes on. As promised by the Prime Minister, we will build towards a five-year period of stability in transfers.

We recognize that over the next two years, these measures will not significantly alleviate the disparity which exists across the country in federal support for social assistance as a result of the existing limit on CAP transfers to better-off provinces. That is why one of our objectives in social security reform will be to restore greater fairness in federal support for the whole system throughout Canada.
RESTORING FISCAL RESPONSIBILITY

It is time to restore fiscal responsibility to the public finances of Canada.

During our pre-budget conferences, the point was made that the debt and the deficit burden pose much more than an economic challenge. This is a moral issue too. What right do we have to steal opportunity away from our children, to demand that they solve problems that we are too timid to face?

At one conference, a participant put it this way. "... if you have to cut ... begin with me, because I refuse to be part of the system that is robbing the wealth out of the mouths of my children, our children."

Stronger economic growth will reduce the deficit. Indeed, that is at the centre of our economic and fiscal strategy. But growth alone will not bring it down enough. Direct budgetary action is required.

Expenditure Reductions

Government operations

Following through on Creating Opportunity, the government will be reducing the operating budgets of government departments by $400 million in 1994-95, increasing to $620 million per year in 1995-96 and beyond.

In addition, we have taken measures to reduce the budgets of Ministers' offices by $13 million and are making proposals to reduce spending by Parliament.

We are looking at every government-appointed board, commission and agency. That review will focus on size, scope, composition and cost, including salaries paid to members. This review by the Minister responsible for Public Service Renewal will be completed in 1994 and action will be taken immediately.

The solution to the fiscal challenge facing Canada will not be without pain and all segments of the population must share the burden fairly. As part of our deficit reduction exercise, we need to save an additional $1.5 billion from the operations of government over the next three years.
We want to work with representatives of the public service in achieving those savings. Therefore, the President of the Treasury Board will immediately initiate discussions with the appropriate bargaining agents of the Public Service. It is our sincere hope that these difficult decisions can be taken collaboratively. It must be understood, however, that these savings are not a negotiating position, but a bottom line fiscal requirement.

To ensure they are obtained, the government is announcing a two-year legislated extension of the existing salary freeze and a two-year suspension of pay increments within grade. To the degree that those savings are secured through a review of government operations, leading to greater efficiency, the government will shorten or lift those freezes.

Total savings in government operations over the next three years will exceed $3 billion.

The Minister responsible for Public Service Renewal will review all departmental spending to identify where greater savings are possible through the elimination or reduction of low priority programs.

**Defence spending**

During the election, we made clear the need to reduce defence spending. The Minister of National Defence has taken this mandate and acted upon it decisively. In addition to cancelling the EH-101 helicopter program, defence spending will be cut by an additional $1.9 billion over the next three years. Those savings, which include professional services, will be secured through major improvements in efficiency and productivity. For years, defence infrastructure has exceeded any probable defence need. The result of these savings will be a more modern and effective Armed Forces.

With the end of the Cold War, and the pressing demands being placed on the men and women of our Armed Forces in the new world order, the Minister of National Defence has ordered a review of our defence policy. The government will report on the results of that review this fall.
International assistance
This government is committed to continuing our tradition of strong support for international development assistance. However, the fiscal challenge requires additional restraint in spending. Therefore, we will reduce spending on international development assistance by 2 per cent for 1994-95. Spending will be frozen at that level until 1996-97. International assistance spending will still amount to $2.6 billion annually. That compares favourably to that of other industrialized countries.

Subsidies to business
Together with reductions in tax breaks for business, this budget reduces subsidies to business in excess of the $225 million target contained in Creating Opportunity.

Grants and contributions to groups
Fiscal reality requires that the government review its policy on funding interest groups. Our goal is to encourage greater reliance on funding from other sources. To provide a period of transition, notification will be provided in advance and the full effects of this review will be seen in the 1995 budget.

Taxing Fairly
I now turn to the question of revenues and taxation.

The fundamental basis of a sound tax system is the reality and perception that everyone pays his or her fair share. When an increasing minority avoid doing so, the legitimacy of the tax system suffers. We will continue to take decisive action on tax compliance. We are strengthening enforcement and focusing on problem sectors of the economy. This will include joint initiatives with the provinces and the business community to deal with the underground economy and to improve taxpayer compliance. Specific measures will be announced by the Minister of National Revenue in the near future.

One of the reasons for the growth of the underground economy is that Canadians believe that taxes are too high. We agree. We want Canadians to re-join the legitimate economy, not leave it. Our objective is to get growth up and get the deficit down so that in the years ahead, taxes can be reduced. Ultimately, the pay-off for getting the deficit down will be lower taxes.
But we're not there yet.

That is one reason why it is so essential to break the back of the deficit. We believe that attack requires that everyone bear part of the burden, that no one be exempted.

The bulk of the effort involves significant cuts in government spending. But part of it must also involve looking at the tax system to ensure that all Canadians are paying their fair share. For that reason, we are acting today to eliminate a number of tax breaks that don't meet the standard of fairness that Canadians expect.

**Business income tax**

Accordingly, we are introducing today the following business tax measures.

Large private corporations will no longer be eligible for certain tax preferences aimed at small business. Companies with capital of $15 million or more will no longer be entitled to the low small business tax rate.

Deductions and credits for meal and entertainment expenses will be reduced from 80 to 50 per cent. This will bring federal treatment into line with that already in place in Ontario and Quebec, as well as in the United States.

In addition, several regionally-based tax incentives have not proven cost-effective in stimulating new investment. Therefore, they are being reduced or eliminated, as part of our commitment to reduce subsidies to business.

Certain Canadian corporations are not paying an appropriate level of tax. Accordingly,

- We are taking measures to prevent Canadian-based companies from using foreign affiliates to avoid paying Canadian taxes.

- We are taking steps to ensure that the income of financial institutions is measured appropriately for tax purposes.

- We are also taking other measures to close loopholes in the corporate tax system.
Personal income tax

To reduce the deficit in the fairest possible way, we are announcing the following personal income tax measures.

The $100,000 capital gains exemption is being abolished, while allowing individuals to use their unused exemption for gains accrued up to today.

The $500,000 exemption for small business shares and farm property will remain. We believe, however, that as circumstances permit, a general lowering of the capital gains tax rate for small business and farmers could provide a greater incentive to entrepreneurship. For that reason, a special study of the taxation of capital gains as it applies to small business and farmers will be undertaken with their full participation.

The age credit for persons 65 years and older will be income tested, as is the case for certain other benefits. This will not affect 75 per cent of seniors.

The tax exemption for premiums related to the first $25,000 of coverage under employer-provided life insurance plans is being eliminated. For affected employees this will mean an additional cost of between $30 and $50 per year in federal and provincial taxes.

Finally, many Canadians including Members of this House, have expressed the view that the taxation of family trusts should be examined. This issue will be referred to the House of Commons Finance Committee for review.
AN OPEN BUDGET POLICY FOR CANADIANS

That, in summary, is the first budget in a two-stage program. It is also the first stage in opening up the budget process.

We are publishing a report today providing a response to the public consultations that have taken place. But we will open it even more in the future. We believe that a free people will only support fundamental change if they feel part of the decision-making process that led to it.

Next fall, in a major departure from the past, the government will release a comprehensive statement that will clearly lay out changes in the economic and fiscal outlook since the last budget. Economic scenarios for the future will be put forward. The government's economic and fiscal goals and broad proposals on how they might be achieved in the next budget will be made public. Discussion papers on specific options for action will be released.

This new step in the budget process represents major progress. It will get essential information out to the public and to Members of this House. It will provide the basis for a serious, open, national dialogue between the government and Canadians, furthering the process begun in the short period of time available to us this year.

Following the publication of these new documents, I will meet with my provincial colleagues. That meeting will provide a new opportunity to share information and perspectives. It will assist all governments in working towards common goals together, rather than at cross-purposes and apart.

Finally, and very importantly, the Finance Committee of this House will be asked to conduct public hearings involving Canadians to obtain their views on the direction for economic policy. The Committee will report before the end of the year, in time for inclusion in next year's budget.

As well, I will personally continue to openly consult with Canadians across the country.
CONCLUSION

The decisions outlined in this budget are about much more than the bottom line. They are about facing faultlines, and fixing them.

The faultline that is caused when the poor become poorer while the rich become richer.

The faultline that exists between this generation and the next, a drying up of hope that we simply cannot accept.

The faultline that exists in moving from the old economy towards the new.

The faultline that is caused by the growing gap between one class of Canadians with modern skills and another group of Canadians without.

And finally, the faultline that exists when governments spend more than the country can afford.

Fixing those faultlines is our challenge. And fixing them is our commitment to Canadians.

The path to renewal and to growth will not be easy. We cannot snap our fingers to erase the deficit. Nor can we put in place overnight a new framework for the Canadian economy. But neither can we delay getting on with the job any longer.

We are pursuing a balanced approach to fundamental reform – to create jobs, to continue to care for those in need, and to get the deficit down.

That requires a game plan, it requires firmness, fairness, and it requires being forthright with Canadians.

There will be those who say we have not done enough, and those who say we have done too much. That we have been too harsh on the deficit, or too soft.

But for those who would have us spend more, Canadians deserve to know where the money would come from. And for those who demand that we cut more, Canadians deserve to be told the extent to which that would hurt growth, hurt jobs, hurt the less fortunate.

Tough times test more than our patience and our pocket-books. They test our values and our worth.
Some believe that the success of Canada lies in leaving behind the values that have made us a great people. To put aside sharing. To put aside partnership. To put aside the common sense and compassion that define this country.

Now is not the time to move away from our values. Now is the time to return to them.


This budget builds on those values and seeks to make them more real. Despair has stalked this land too long. The time has come to bring back hope.

Yes, this country must change, but change has always been the Canadian way. We have not become what we are by sitting still. What has guided us are the values we share, and the vision we have chosen to pursue together.

And so it falls to us, this generation, in our time, to do what those who came before us did in theirs – that is to assume our responsibilities, to create opportunity today. And that is the standard by which we will be judged by those who come after us.
### Table 1
**Summary statement of transactions**

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<tr>
<td>Restructuring charges</td>
<td>-122.5</td>
<td>-121.8</td>
<td>-122.6</td>
<td>-122.7</td>
</tr>
<tr>
<td>(-0.7)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating balance</td>
<td>-1.1</td>
<td>-7.1</td>
<td>1.3</td>
<td>9.3</td>
</tr>
<tr>
<td>Public debt charges</td>
<td>-39.4</td>
<td>-38.5</td>
<td>-41.0</td>
<td>-42.0</td>
</tr>
<tr>
<td><strong>Budgetary deficit</strong></td>
<td>-40.5</td>
<td>-45.7</td>
<td>-39.7</td>
<td>-32.7</td>
</tr>
<tr>
<td><strong>Non-budgetary transactions</strong></td>
<td>6.0</td>
<td>12.0</td>
<td>9.5</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Financial requirements</strong></td>
<td>-34.5</td>
<td>-33.7</td>
<td>-30.2</td>
<td>-22.7</td>
</tr>
<tr>
<td>(excl. foreign exchange)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net public debt</strong></td>
<td>465.3</td>
<td>511.0</td>
<td>550.7</td>
<td>583.4</td>
</tr>
<tr>
<td><strong>Gross domestic product</strong></td>
<td>688.5</td>
<td>711.2</td>
<td>739.1</td>
<td>777.7</td>
</tr>
</tbody>
</table>

(%) indicates a net requirement for funds
(+) indicates a source of funds
Details may not add due to rounding.
Table 2
*Initiatives to support economic growth and create jobs*

<table>
<thead>
<tr>
<th>Initiative</th>
<th>1994-95 (millions of dollars)</th>
<th>1995-96 (millions of dollars)</th>
<th>1996-97 (millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating Opportunity initiatives</td>
<td>1,015</td>
<td>1,661</td>
<td>1,309</td>
</tr>
<tr>
<td>Innovative new approaches to social security and adjustment programs</td>
<td>500</td>
<td>800</td>
<td>700</td>
</tr>
<tr>
<td>Space Plan funding</td>
<td>14</td>
<td>88</td>
<td>120</td>
</tr>
<tr>
<td>Lowering unemployment insurance premium rates</td>
<td>125</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>First-time home buyers' plan</td>
<td>15</td>
<td>55</td>
<td>60</td>
</tr>
<tr>
<td>Charitable donations credit</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Mining reclamation funds</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Total new funding</td>
<td>1,684</td>
<td>3,134</td>
<td>2,719</td>
</tr>
</tbody>
</table>