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Canada

CONFRONTING CANADA'S DEFICIT CRISIS

Building Our Next Budget through Consultation

TENTH REPORT OF THE STANDING COMMITTEE ON FINANCE

December 1994

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CONFRONTING CANADA'S DEFICIT CRISIS

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CHAMBRE DES COMMUNES

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Le lundi 5 décembre 1994

Président: Jim Peterson

Minutes of Proceedings and Evidence of the Standing Committee on

Finance

Procès-verbaux et témoignages du Comité permanent des

Finances

RESPECTING:

Pursuant to Standing Order 83.1, study on the budgetary policy

Consideration of a draft report

INCLUDING:

Tenth Report to the House

CONCERNANT:

Conformément à l'article 83.1 du Règlement, étude des politiques budgétaires

Étude d'un projet de rapport

Y COMPRIS:

Dixième rapport à la Chambre

First Session of the Thirty-fifth Parliament, 1994

Première session de la trente-cinquième législature, 1994

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COMMITTEE MANDATE

Standing Order 83.1

Commencing on the first sitting day in September of each year, the Standing Committee on Finance shall be authorized to consider and make reports upon proposals regarding the budgetary policy of the government. Any report or reports thereon may be made no later than the tenth sitting day before the last normal sitting day in December, as set forth in Standing Order 28(2).

THE STANDING COMMITTEE ON FINANCE

has the honour to present its

TENTH REPORT

In accordance with its mandate under Standing Order 83.1, your Committee has studied proposals on the budgetary policy and has agreed to report the following:

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Chairman's Foreword

This Report is the product of the work done over an intense two-month period of unprecedented public involvement in the federal government's pre-budget process.

For the first time, Canadians — as individuals and representatives of organizations, in their personal and professional capacities — were provided with the best available information on the economic and fiscal assumptions being used by the Department of Finance *prior* to the tabling of a budget.

On very short notice, beginning on October 17 and 18 with the presentation to the Committee of the request by the Minister of Finance for public involvement, Canadians responded with 118 written submissions reflecting a multitude of perspectives and concerns about our economy and our future as a country. We also heard the testimony of 650 intervenors, some of whose views we specifically requested because of the perspective and expertise they would bring to bear on our task.

The Committee's consultations have had a discernible and positive impact on the budgetary process, not simply in terms of what Canadians believe should be done but also with respect to their support for actions required to restore Canada's fiscal health.

That influence extends far beyond the Committee room and the Report that follows. Extensive media coverage, including both live and delayed coverage of the hearings themselves, and the presence at the hearings of officials and experts with an interest in the views being expressed has ensured that the Committee's consultation process has fed directly into the government's budget process.

Ideas or interventions that do not appear in the Report, through either inadvertence or the need for brevity, have not been lost. They already form part of the written record, and will be considered and reconsidered in the coming weeks by the Committee and by those directly responsible for developing the budget, including the Minister of Finance.

There were serious constraints on the Committee, both in terms of how many Canadians we could hear and how extensive we could make our Report. Time was the most important of these constraints. The very breadth of the mandate assigned us was another. We were obliged to focus our efforts and put aside much we would have liked to do.

Thus, we have had to range wide, so we could not dig deep. As a result, our understanding of some of these issues is almost certainly incomplete and we trust that those who understand these issues better than we will not hesitate to correct us where we are wrong.

The Committee is prepared to conduct an additional round of consultations focussed on the discussion and recommendations contained in this Report. This will help ensure that Canadians are able to advise the Committee and the Minister of Finance on our approach and on specific measures *before* they are locked into a budget as government policy.

The Committee is taking this initiative because we do not believe a write-and-run approach to public consultation adequately addresses the urgent needs of the moment or the scope and complexity of the issues involved. We are prepared, in brief, to subject our own report to public review.

The Committee also sought to avoid duplicating the work already being done by other public committees and task forces on program reform and/or expenditure cuts. In addition to internal reviews of programs, other public consultations are on-going or have been recently concluded in areas such as Defence, Foreign Affairs and International Trade, Human Resource Development, and the mandate of the Canadian Broadcasting Corporation. This does not mean these areas are exempt from budget measures. We expect these activities or the spending envelopes within which they are located to bear their appropriate share of the burden of deficit reduction.

We fully expect that adjustments in our specifics, or substitutions of one policy measure for another, will be necessary to translate the recommendations we make into workable policies.

Time and events worked against the consultation process in another way. In the eight months between the Minister's budget of February 22 and his presentation to the Committee, interest rates varied significantly from the forecasts on which that budget was based. Undoubtedly, the four months or so between his presentation in October and his next budget will bring other changes that we cannot foresee.

This Report, however, reflects the best judgment of Committee members based on the evidence we received and the necessarily incomplete information we had to work with.

That said, the information this Committee had to work with was more complete than any Finance Committee has ever had before at this point in the budget cycle. To acknowledge that economic assumptions, by their very nature, are among the most perishable of commodities is not to diminish in the slightest the significant advance in budget building that the Minister's innovation represents. The process of pre-budget consultation and the public testing of assumptions before the government commits itself to specific budgetary measures is well worth repeating.

We hope these consultations and the Report that follows will help the Minister construct his next budget, a budget that we believe may well be among the most important of our generation.

Lastly, I would like to thank a number of people who worked under very tight deadlines to produce this report.

These individuals include the staff of the House of Commons Standing Committee on Finance, headed by the Committee Clerks, Martine Bresson, and Christine Trauttmansdorff; of the Library of Parliament, Richard Domingue, Terry Thomas, and Guy Beaumier; of my parliamentary office, Michael Barton, and Liz Yong-Lafleche and especially my legislative assistant Lou Riccoboni; and Michael Bryans and David Ablett who provided writing assistance and advice on the text of the Report.

I am grateful as well for the support of, and the diligence, sensitivity and energy with which Committee members of all parties tackled this formidable undertaking.

Jim Peterson,
Chairman.

1

Introduction

Each year for the last 20 years, without exception, budgets of successive federal governments have allowed a financial burden to accumulate that today places the national economy and the prosperity of individual Canadians at risk. Governments at all levels are at a crossroads, facing both danger and opportunity.

"...this is absolutely the best time to go after the deficit."

Fred Morley, Senior Policy Analyst; APEC, November 1, 1994, Lunenburg.

The danger is posed by the burden of combined national and provincial debt now approaching $700 billion and growing inexorably. Servicing this debt consumes an increasing proportion of our financial resources, reduces our options and constrains our economic sovereignty. In the absence of strong fiscal action, this debt burden will grow exponentially — despite an expanding economy.

"You have to communicate to the Canadian public that the deficit problem will be solved. It's either going to be solved by us or by our foreign bond holders. It will be solved. The only question is, do we want to control the situation or do we want to let other people control it."

Fred Smith, President, Saskatoon Chamber of Commerce November 2, 1994, Saskatoon.

Nevertheless, this expanding economy presents a window of opportunity. We have a period of strong economic growth we can use to slow, halt and reverse the compounding of our national debt, and begin the rebuilding of our national finances.

On October 18, the Minister of Finance asked the House of Commons Standing Committee on Finance to consult Canadians on this crisis in advance of the next federal budget. The Minister provided the Committee and Canadians with information on the assumptions he would use and the choices he would face in drawing up that budget. In their accessibility and detail, these documents are unprecedented as a basis for a public and parliamentary consultation.

"When I first considered the issue of money management, or finances in Canada, anger was the emotion that came most readily and began to grow. The many years of mismanagement and waste made me want to shout and holler at whoever I would meet. It has since turned into sadness. Sadness over the fact that Canada, which is a country so blessed, with abundant resources, is mired in such a deep debt. A debt that is unnecessary, one that should never have happened."

Eric Truijen, November 3, 1994, Selkirk.

The Minister asked that we test his planning assumptions with Canadians. He asked that Canadians indicate what they would do in terms of specific measures that would allow us to reassert control over our national finances. The Committee, in response, provided an opportunity

"You're sending the wrong message to Canadians. You're saying the problem is the debt and the deficit. It's not. The real problem is that we are unable to maintain our social safety net if we don't get our fiscal house in order."

Fred Smith, President,
Saskatoon Chamber of Commerce
November 2, 1994, Saskatoon.

"...I think this is important, that the Canadian public are generally aware of the issues and are prepared to become part of the solution..."

Gerard McDonald, President,
St. John's Board of Trade;
October 31, 1994, St. John's.

for Canadians to involve themselves in the budgetary process virtually until our tabling deadline. Their views are reflected in the pages that follow.

In addition to reviewing the Minister's assumptions and examining proposals for specific measures, we also asked Canadians more basic questions. Is there broad understanding among Canadians that there is, in fact, a crisis? Do they understand that change of a fundamental nature is required? Is there the will to change course and an equal willingness to share the burdens of this change?

The first and most important conclusion we can report is that Canadians comprehend the nature of the crisis we face. They expect the government in its next budget will build on the foundation for change laid out in last February's budget, and pursue the measures necessary for fundamental change. They wish to be kept informed of progress toward the 3 per cent target on a regular basis and in terms easily understood by the general public.

They are not, however, prepared to abandon the national values and goals that have made Canada the most desirable country in the world in which to live. Broadly speaking, they want to continue to protect those most vulnerable and most in need. They want to sustain and reinvigorate that partnership of individual initiative and public action that distinguishes Canada and has produced some of our most significant achievements. Notable among these is our national health system.

Canadians acknowledge the need to balance what they do as individuals and what, through governments and their associations and communities, they do together. They understand clearly that inaction or inadequate measures now will present even greater financial challenges later to the social, cultural and economic institutions they value.

More than a consensus for action, we found a powerful *expectation* of action. We believe Canadians will hold governments responsible if, during this time of opportunity, they fail to act to put Canada's fiscal house in order. This expectation provides the basis for a measure of optimism that we can in fact overcome our fiscal difficulties. Embarking on a new course for more challenging economic times can only proceed effectively on the basis of a broad national consensus underpinning the tough measures required. We believe that the necessary consensus for such action is in place.

However, it is also clear to the Committee that consensus does not yet exist on the details of the course ahead — the spending and taxing choices that must be made. This was the somewhat discouraging aspect of our consultations. Among many groups and interests we found traditional attitudes, rationales and justifications serving only to protect the recipients of the benefits government now delivers. Only rarely did an intervenor before the Committee go beyond self-interest to help us map the broader course the country should take. But such intervenors did exist and they stood out for their willingness to break with the pack and acknowledge that they, too, would have to assume a fair share of the burden.

We did, however, find many individuals willing to see beyond their own interests. In often compelling terms, they signalled their recognition of the crisis we face as a country, and their willingness to sacrifice a measure of private benefit for the national good. Because of these interventions, and despite our disappointment with the contributions of many organized groups and interests, we are confident that a course laid out by the government on the basis of this Committee's work would strike a powerful chord in the country. We are also confident that in time, many of those who came before the Committee to defend the interests of their constituencies and clients will ultimately recognize the importance of joining a national consensus for change.

Mandate of the Committee

The mandate of the Committee is set out in the *Agenda: Jobs and Growth* documents from the Minister of Finance — *A New Framework for Economic Policy* and *Creating a Healthy Fiscal Climate* — as well as in statements of the Minister to the Committee.

With regard to the next federal budget, the Minister requested that the Committee examine and ask Canadians to comment on:

- the appropriateness of his economic and fiscal assumptions;
- the appropriate balance between revenue and expenditure measures; and
- the specific actions the Committee would recommend to reduce spending or increase revenues.

Scope of the Report

"While certain fiscal measures in the area of social programs, for example, are likely to have undesirable impacts, which we would prefer to avoid, the reality is we feel that if we don't make the necessary changes now, we face the very real possibility that there will be nothing left to change. Our children and future generations of Canadians will suffer greatly from our lack of foresight and lack of action if we choose the easy route and continue to mortgage their futures, as we have consistently done in the past."

Gerard McDonald, President, St. John's Board of Trade; October 31, 1994, St. John's.

We have organized our Report around these three issues — the assumptions, the balance and the specific measures. Of the three, the specific measures proved the most difficult, for it is here that the most difficult choices must be made — decisions that are difficult for Members of Parliament as well as taxpayers. Members of the Standing Committee on Finance reside in and represent their communities and bring to this task a full understanding of the benefits government programs deliver to citizens. There is little pleasure, therefore, among Committee members in recommending specific actions that result in the reduction or elimination of programs that citizens value.

Nonetheless, given the magnitude of the changes ahead, the Committee was particularly sensitive to the needs of the most vulnerable Canadians. It is imperative that the burden of change be spread fairly among those able to contribute. However, there was also an acute awareness among Committee members that a failure to act now could well condemn these most vulnerable citizens to a far more difficult future.

"Nobody wants to take away, in this country, from those who need, genuinely need. In fact, I think most Canadians want to embellish for those in need. However, the programs need redesigning to be effective."

Maureen Farrow, Executive Vice-President, Director of Research, Loewen, Ondaatje, McCutcheon Ltd.; October 19, 1994, Ottawa.

An important limitation of this Report is the fact that our recommendations are directed to matters within the ambit of the federal government. The Minister asked that we be sensitive to the effect of our recommendations on provincial interests, and we were. However, just as provincial measures impact on the federal government, the provinces will inevitably be affected by these, and other initiatives underway. There are numerous mechanisms for federal-provincial consultation and cooperation on fiscal matters. We have no doubt that provincial governments will argue with great eloquence for the interests of their provinces and will fully apprise the Minister of the interconnected nature of Canada's economy and of the provinces' need to be protected from measures directed to reducing federal deficits.

Canadians recognize, however, that in addressing our common fiscal problem, the principle of fairness requires that there be a balance between changes to the federal benefits they receive directly from the federal government and those they receive indirectly through shared-cost and transfer programs administered by the provinces. If the beneficiaries of these shared federal-provincial programs do not assume a share of the burden, then an even greater penalty must fall on the beneficiaries of purely federal initiatives — programs such as assistance to the elderly, small business, aboriginal peoples, promotion of science and technology and the like.

In addition, the Committee was forcefully reminded that the fiscal challenge facing Canada comprises not only the federal debt, but accumulated provincial debt as well. It is for the provinces, not this Committee, to make the kind of choices they believe necessary in their particular circumstances. We trust the federal government will respect the difficulties provinces face in this regard and will seek, as we have, to avoid worsening them.

The Committee is nevertheless convinced that among the most important benefits the federal government can provide to provinces is the restoration of a financially healthy national balance sheet and a declining federal debt. Achieving that goal may require that provincial governments as well shoulder a fair share of the burden that the necessary changes entail.

2

The Nature Of Our Fiscal Crisis

Since 1975, federal governments have accumulated budgetary deficits in an uninterrupted string. Not once since 1974 has a Canadian government produced a budgetary surplus. Only once in that time has the growth in the public debt as a proportion of national economic output — Gross Domestic Product (GDP) — declined.

There are many causes for this, not all of them within the control of Canadians and some finding their roots not only in the decisions of long-gone governments but in the very origins of the country. Regardless of the specific justifications each government had for running a deficit, there are, as the Minister of Finance noted in his pre-budget paper, "Few people who look good in the harsh light of Canada's fiscal history". Thus, we are now compelled to examine every activity of government with an eye, not to determining how we got into this dilemma, but how we get out of it.

"It's time we dealt with this problem, that it's crippling our ability to feel a sense of being a nation. It's crippling our sense of fairness..."

George Anderson, President, Insurance Bureau of Canada; November 1, 1994, Lunenburg.

The current high level of debt does not reflect a lack of recognition by previous governments as to where accumulating deficits would ultimately take us. Almost every year since 1975, the government of the day has announced measures to halt the progression of deficits and reverse the rising tide of national debt. These measures, to the extent they succeeded at all, served to slow but not reverse the accelerating growth. It is also worthwhile noting that at various times, quite vigorous action was proposed and the governments who tried it were either defeated or dissuaded from action by voters or by the particular interests who felt most aggrieved. The inescapable result was that each new budget year found an increase in the proportion of government spending required simply to finance the national debt.

By 1984, and for the first time since the Second World War, the average interest rate on the national debt was higher than the rate of increase in the gross domestic product. The volume of debt began to grow more rapidly than the income base from which government raises revenue.

"The public is ready for the cutting of expenditures and the balancing of the budget. Indeed this Chamber believes that the public will be very unforgiving towards any government that does not eliminate deficits in very short order."

Philip Hughes, Greater Charlottetown Chamber of Commerce, November 2, 1994, Charlottetown. (brief)

In consequence, Canada began this fiscal year with a national debt of $508 billion. We will end this fiscal year, next March 31, with a public debt standing at approximately $548 billion. This will happen despite the government of Canada running a primary operating surplus (revenues minus expenditures not including debt charges) of $5 billion to $6 billion this year.

The fact of this surplus is not well known nor is its meaning clearly understood. Spending on federal programs, including all transfer payments, is lower today as a proportion of national output than it was in the mid-1970s when the debt began its inexorable climb. The difficulty for Canada and citizens is that the cost to service the interest on this accumulated debt is now so high that even though Canadians now receive far less than a dollar's worth of services for each dollar they pay in tax, we are as a country still living beyond our means. This grim fact points directly to the nature of the crisis we have created for ourselves.

Debt and Deficits

"If the trend continues there will be no money for anything else within 65 years from now. Repeat it. Within 65 years from now at the rate we're going, there will be no money for anything else no matter what any of us want to do. The only thing we'll be able to pay for is the interest on our debt."

Erwin Doak, St. Mary's University, November 1, 1994, Lunenburg.

While it was operating deficits — borrowing against future taxes for current consumption — that were the building blocks for our national debt load, the debt itself is now the principal source of annual deficits. In the 1993-94 fiscal year, $38 billion of the $42 billion deficit was composed of interest payments on earlier accumulated deficits. Debt and deficit are feeding each other at an accelerating pace.

The sheer size of the debt aside, it is the acceleration in the pace of its growth that is particularly dramatic and disquieting. As this Report is made public, interest costs on our federal debt alone are $86,000 per minute.

'The debt ratio in Canada has been rising through time and unless something is done to stop it, it's going to continue to rise through time until it reaches the upper limit which we don't know, but which is out there somewhere."

Bill Watson, Economist, Department of Economics, McGill University; November 4, 1994, Montreal.

The transformed nature of the present crisis cannot be avoided. Borrowing on the analogy used by several intervenors who came before the Committee, our crisis is no longer driven by our current credit card charges so much as it is by our unpaid balance. The national debt is compounding faster than the economy is growing. Economic growth and balanced budgets alone will not restore fiscal health. As a nation we are in a race to find a way to slow, halt and reverse the growth in our national debt before it consumes such remaining options as we have to preserve the best of what it means to be Canadian. Absent decisive action, we will lose that race.

Our dilemma is made all the more difficult because we do not have enough domestic savings to finance the total of our private and governmental borrowing. An increasing proportion of the Canadian debt is held by foreign lenders. Apart from the net drain on the current and future income this represents for Canadians, the sheer magnitude of our foreign-held debt makes us extremely vulnerable to the volatile opinions that characterize foreign exchange markets everywhere.

"We all know the little chart that shows compound interest and how it starts off slow and it turns into a exponential curve. We all know what happens to exponential curves. The magic is an illusion. It's a delusion. What happens, is that curve goes boom. What happens, is that there's a bubble and the bubble goes boom and a lot of people get hurt. The history of capitalism, is that history of boom and bust and boom and bust."

Robert Johansson
November 3, 1994,
Selkirk.

What kind of action is required? The Minister of Finance set out his broad goals as follows:

> Once a debt problem has become embedded, the first priority must be to boost the operating budget surplus as quickly as possible to counteract compound interest and stabilize the situation. The government's interim deficit target of 3 per cent of GDP by 1996-97 will require a large operating surplus and is forecast to halt the growth of the debt to GDP ratio in that year. But continued fiscal discipline will be needed so that the inevitable next recession will not simply cause the debt ratio to surge again, as it has in the past, making the problem even more difficult in future.[1]

The existing operating surplus, $5 billion to $6 billion, is inadequate to halt the growth of the defict-to-GDP ratio. To do that would require an operating surplus of $20 to $21 billion. To reach a point where our debt ratio is not rising would require us to have an annual operating surplus equivalent to the single largest expenditure of the government of Canada — the $20.6 billion expected to be spent this year on benefits to the elderly. This is the nature of the crisis we face.

"...we have the resources human and otherwise to deal with these problems collectively and come out on top."

Peter Wilde, Member, Taxation Committee of Nova Scotia Institute of Chartered Accountants;
November 1, 1994, Lunenburg.

"Now the first point is that the deficit is not an ideological issue; the deficit is now an arithmetic issue."

Bill Watson, Professor, McGill University; November 4, 1994,
Montreal.

— NOTE —

1. *A New Framework for Economic Policy*, October 1994, page 84.

3

Planning Assumptions of the Department of Finance

Within the federal government, the planning process for the next budget departs in important ways from past practices. In addition to this process being opened for the first time to public debate and consultation, the economic assumptions used to create the budget were not derived, as they have been in the past, solely from estimates by the government of what future economic conditions might hold. Rather, the government's assumptions are based on private sector forecasts which are then adjusted to reflect the government's requirement for prudence and forecasting credibility.

"This country is not going to get out of the mess it's in by getting lucky on economic growth or getting lucky on interest rates. It's going to get out of the mess it's in by politicians taking hard decisions about government spending and taxes."

David Laidler, Professor of Economics, University of Western Ontario; October 19, 1994, Ottawa.

The Department of Finance describes its new approach this way:

> It is essential that government make *prudent* assumptions to guide its economic and fiscal projections. Past experience has proven that missing fiscal targets destroys credibility and merely postpones the need for tougher measures into the future. Meeting targets, on the other hand, not only constitutes visible progress but also establishes and strengthens credibility for the future.[2]

In specific terms, the Minister of Finance asked the Committee to look at the government's budget planning assumptions on (1) interest rates (2) economic growth and (3) the adequacy of its contingency reserve.

These three assumptions are closely interrelated, and it is on their validity that the adequacy of the specific expenditure and tax measures proposed will ultimately turn. The planning assumptions are used to calculate the size of budget adjustments (revenue increases and/or expenditure reductions) that must be made to achieve deficit reduction in

—NOTE—

2. Creating a Healthy Fiscal Climate, October 1994, page vii.

the next two fiscal years. In addition, the most fundamental of the government's assumptions — that its target for the deficit-to-GDP ratio is achievable and adequate — drew a great deal of attention.

The following section will briefly review the target question before turning to the interest rate, growth and contingency reserve issues.

Targets for Deficit Reduction

"The vicious circle of public debt is not a question of political etiquette, but a question of government survival, be it at the federal or provincial level."

Michel Audet, President, Chambre de commerce du Québec; November 4, 1994, Montreal.

The present government, prior to the 1993 election, committed itself to reduce the annual deficit from 5.2 per cent to 3 per cent of gross domestic product "in a manner consistent with putting Canadians back to work". Subsequently, the Minister of Finance, in his February 1994 budget, reaffirmed this target, again placing it in the context of "a strategy for jobs and growth". By then, however, the ratio had moved higher to nearly 6 per cent before the final deficit figures for the year came in at $42 billion, lower than expected.

In his presentation to the Committee on October 18, this linkage between jobs and growth was again drawn, and the target was again reaffirmed in Department of Finance documents as well as in the Minister's remarks. The commitment to the 3 per cent target is unequivocal, but it is not without controversy.

The fundamental questions implicit in the 3 per cent target are: how quickly should budgets be adjusted to reach it and is the government's target too ambitious or not ambitious enough? The government, as noted above, describes the target as "interim". In other words, it is an essential benchmark on the road to a balanced budget and to a restoration of a situation where the government's revenue base (the national economy) is growing faster than the volume of debt.

'Given the current rate at which governments accumulate debt, be they governments of the right or of the left, bankruptcy is inevitable, and therefore we have to drastically overhaul government services, including the most essential ones."

Michel Audet, President, Chambre de commerce du Québec; November 4, 1994, Montreal.

The Committee received two comprehensive interventions which cautioned against the government's approach. They were sharply opposed in their positions.

Pierre Fortin of the Université du Québec à Montréal, in his paper, *A Diversified Strategy for Deficit Control: Combining Faster Growth with Fiscal Discipline*, argued that cuts of nearly $10 billion were not needed to achieve the 3 per cent target, and that they would "run the risk of social and political unrest in the shortrun, and of non-trivial consequences for the Canadian identity and culture over the longer run".

Professor Fortin argued that milder expenditure cuts combined with an active campaign to reduce interest rates could achieve that goal. (We will return to the interest rate question below, which was also raised by other intervenors.) A number of other intervenors also argued against the reductions being contemplated.

"Everybody agrees the deficit is a mess. Everybody agrees that we are in trouble and we all know that."

Claudette Bradshaw, Executive Director, Moncton Headstart; November 3, 1994, Moncton.

Thomas Kierans and William Robson of the C.D. Howe Institute, in their submission to the Committee, *The Courage to Act: Fixing Canada's Budget and Social Policy Deficits*, argued, to the contrary, that expenditure reductions should be sufficient to move Canada past the 3 per cent target to a balanced budget within the next two fiscal years, ensuring that the dynamics of debt reduction would replace the dynamics of debt compounding in advance of the next downturn in the economy.

The Kierans-Robson paper was predicated on the assumption that the present strong growth in the economy represented an opportunity for decisive action that, if missed, would compound the difficulties in achieving essential reform. "If the prospect of fiscal and social policy reform is daunting in a boom, it is horrific in a slump. Putting off the pain is likely to magnify it."

"...the deficit to be... This is the main problem facing us today, one which is discussed frequently in the homes of Canadians."

Denis Lacroix, l'Association de planification fiscale et financière; November 4, 1994, Montreal.

Thus, we were confronted with opposing views: an assertion that making the budget adjustments to meet the 3 per cent target would damage the country versus the view that if the government did not take even stronger measures this too would damage the country.

It is the Committee's conclusion that reducing the deficit-to-GDP ratio from its present 5.9 per cent to the government's target of 3 per cent within two years would represent a significant achievement. It would give Canada a deficit-to-GDP ratio of 3 per cent for the first time since 1974, and would be the first major deficit reduction target a federal government has met in a number of years. The Committee is also cognizant of the vital importance of restoring confidence, among Canadian and foreign lenders, in the forecasts made by the Department of Finance. Increased credibility will, in itself, reduce the perceived risk in maintaining investments in Canada and in Canadian-dollar denominated instruments.

"...the deficit is a terrifying vice that is jeopardizing Canada's long-term survival. We must act nov."

Pierre Laflamme, President, Comité des finances publiques, Chambre de commerce du Montréal métropolitain; November 4, 1994, Montreal.

"The economy and society are created for persons, not the other way around. Often times when we begin looking at our pages of numbers, we can get that reversed. We are creating our structures in our society for the people, the people don't have to fit into some godless structure that we call the economy."

Elizabeth Reid, Social Justice Commission for the Roman Catholic Archdiocese of Edmonton, November 1, 1994, Edmonton.

"...each morning, we're playing "Russian roulette", with the Canadian economy..."

David Carmody, November 2, 1994, Charlottetown.

"...when the house is burning down you don't have time to pick and choose the furniture you want to save. Since the situation is dramatic, we need to resort to some rather drastic means."

Michel Audet, Chambre de commerce du Québec; November 4, 1994, Montreal.

As well, the Committee believes it is preferable that the government overshoot a target of this importance rather than undershoot it. The Committee, of course, would be pleased indeed if the more optimistic forecasts of the private sector prevailed over the "prudent forecast" approach of the Department and we emerged in two years with a deficit lower than 3 per cent of GDP. But we do not believe that gambling on a better result is worth the risk of failure.

Another issue injected into the debate over targets requires comment. This was the suggestion that the government extend its targets beyond two years to, say, five years. While this has some merit in an ideal context, we believe that a fundamental strength of the Minister of Finance's new approach is that short-term, achievable deadlines impose a measure of discipline that heretofore has been lacking. The need to make expenditure cuts within two years prevents decision-makers from "re-profiling" tough spending and staff decisions into the later, less urgent years of a multi-year plan. The Committee prefers the Minister's approach and believes it is more likely to achieve the sought-after fiscal results. The government should avoid the risk of jeopardizing its credibility with both financial markets and taxpayers by trying and failing to achieve a more ambitious goal.

Finally, the Committee is convinced that the government's stated target strikes the right balance between serious action requiring significant sacrifices from the broad spectrum of Canadian society and more drastic measures that would almost certainly impact on those Canadians least able to adjust to changing circumstances.

RECOMMENDATION

The Committee recommends that the government carry out its stated goal of reducing the annual deficit to 3 percent of GDP at the pace it has set, and on the basis of that experience, make subsequent adjustments to the pace of deficit and debt reduction.

We turn now to the main assumptions of the Department of Finance, on interest rates and growth, and on the adequacy of the contingency reserve.

Interest Rate Assumptions

The Department of Finance assumptions are based on the average of forecasts made within the private sector, with three scenarios being derived from that average:

1. A scenario based on the average of the private sector forecasts.

2. A "prudent" economic scenario based on the average of the private sector forecasts but with interest rates 50 basis points higher in both 1995 and 1996.

3. A scenario based on the average of private sector forecasts but with interest rates 100 basis points higher in both 1995 and 1996 and nominal income growth a half percentage point lower in both 1995 and 1996.

"The deficit is as if we used our MasterCard to pay off our Visa Bill."

Charles J. Caty, President and C.E.O., Investment Dealers' Association; November 14, 1994, Ottawa.

The Committee heard considerable discussion of the interest rate question, primarily by specialists in forecasting. Among these comments there were no expert interventions suggesting that the government's forecasting methods were unsound or that their approach (at least in technical terms) to planning for the next two budget cycles was inappropriate.

Nor was there serious questioning of the Department of Finance's preferred "prudent" scenario of basing its growth, revenue and other projections on the private sector average forecast plus 50 basis points. (We will return to this question, because the Committee believes that an even greater measure of prudence may be desirable.)

Interest Rates and Monetary Policy

A number of proposals were made to the Committee regarding the possibility of Canada deliberately reducing interest rates so as to lower the interest payment on our debt. A variation on this approach involved a proposal to repatriate Canada's foreign debt which some argued might free the Bank of Canada to pursue a lower interest rate policy within Canada.

As noted earlier, the rate of interest paid to holders of Canada's debt has a powerful impact on the size of our annual debt service charges — this past year approximately $38 billion. In the view of some appearing before the

Committee, the government should be attempting to limit the size of this expenditure by changing Canada's interest rate structure. The fact that there is linkage between interest rates and debt service charges logically directs attention to monetary policy in Canada. Most specifically, it focusses on the capacity or the willingness of Canadian monetary authorities — chiefly the Bank of Canada — to control these rates. The Committee heard from many experts, government officials and private sector economists, on the issue. And we conducted a special "round-table" discussion with the aim of educating ourselves and the public on the essentials.

An element of monetary policy that drew considerable attention before this Committee was the debate between those who assert that the Bank of Canada can and should alter its long-standing policies and proceed to mandate lower rates; and those who believe that the Bank's current policies are the right ones, and that deviating from them would be at best ineffective and at worst dangerous to the overall economy.

The proponents of a lower interest rate policy[3] regard the current monetary regime as part of the problem of debt and deficit. They see the Bank of Canada's strong anti-inflation policy as a block to economic growth and strongly criticize the Bank's approach to managing both debt and key interest rates as tools in setting the course of the economy. Lower rates, in their opinion, would both reduce debt charges, and lead to more vigorous and sustained economic growth. The result would be a fiscal situation in which expenditure cuts and/or tax increases could largely be avoided — now and in the future. Not surprisingly, this position is also subscribed to by a number of interest groups who caution against expenditure reduction as a solution to the debt problem.

Advocates of the existing monetary policy regime — including officials from the Bank of Canada, as well as academics and private bankers — dispute these proposals on several levels.

First, they contend that Canada, with its relatively "open" trading economy at a time of increasingly globalized capital flows, has only indirect influence over the interest rates which matter in the determination

— NOTE —

3. Pierre Fortin of the Université du Québec à Montréal and Michael McCracken of Informetrica made comprehensive suggestions to the Committee in support of a made-in-Canada interest rate policy.

of debt charges. These are the medium and long-term rates on capital markets where Canada sells its bonds. These rates, they assert, are subject to international economic trends and political events and, of course, the influences of much larger economies like those of the United States and Germany.

Secondly, adherents to the current policy believe that an attempt by Canada to unilaterally reduce rates would have exactly the opposite effect claimed by believers in a "made-in-Canada" policy. International capital markets would lose faith in Canada's currency and would demand a higher premium on Canadian debt than is currently the case. Medium and long-term interest rates would climb, and debt charges would rise not fall. In immediate terms, it would also run the risk of triggering a sell off in Canadian financial instruments and in the dollar itself by lenders both foreign and domestic.

Thirdly, critics of the lower rate theory say such a policy holds the potential for a devastating round of inflation, even hyper-inflation, with obvious disastrous consequences for the Canadian economy. These critics cited several historical examples in other countries to support their view.

Because of the importance of this topic, the Committee organized a final round table of experts in the beginning of December. The Chair opened the meeting by posing three questions dealing with the possibility of alleviating the deficit by (1) having the Bank of Canada lower interest rates (2) monetizing the debt and (3) repatriating the debt.

The experts at the table quickly dismissed the second and third possibilities. Given the size of the debt, any attempt to monetize a sizable portion of it would be inflationary; repatriation of the federal debt would simply push non-federal borrowers offshore and not lead to lower interest rates.

All Committee members would welcome a decrease in Canadian interest rates, especially because this would decrease the cost of servicing our debt, the single biggest expense of the government today. However, witnesses could not have differed more on how to achieve this. We again heard that the Bankof Canada should lead the way with lower short-term interest rates. Others said that any hint of inflation, a lower dollar or a lack of will to cut the deficit through fiscal measures would cause a loss of investor confidence and an immediate increase in our long-term rates, thereby exacerbating the deficit.

"There is an image of the Governor of the Bank of Canada being able to move Canadian interest rates around at will by pulling a lever. Nothing in our experience supports the view that printing more money and lowering overnight interest rates will drive down the cost of financing and rolling over Ottawa's debt. That cost could go up — especially if investors see the easier policy as putting the printing press at the service of the Minister of Finance and his financial problems."

Bill Robson, C.D. Howe Institute, December 5, 1994, Ottawa.

While the Committee wants to see lower interest rates, it is concerned that engineering a reduction through monetary measures runs the possible risk of appearing irresponsible, even if it were not, and of thereby worsening our deficit problems. Accordingly, it cannot recommend such a course.

Department of Finance Interest Rate Assumptions and Projections

To return, then, to the main question before the Committee, whether the interest rate assumptions proposed by the Department of Finance are adequate for the forthcoming budget, the Committee's view is as follows: We concur with the Department of Finance's opinion that the average of the private sector forecasts is not an appropriate assumption on which to base budgetary planning. There is about an equal chance the private forecast average would be too low as too high. Because interest rate swings can impact heavily on debt service charges, and thus the size of compensating budget measures needed to keep on track, and because budget measures may be slow to take effect, adopting the private sector average would not be prudent fiscal management.

"It seems to me there's no way we can grow out of the debt problem unless you believe that we'll never have a recession."
John McCallum, Senior Vice-President and Chief Economist, Royal Bank of Canada; October 19, 1994, Ottawa.

With regard to the second option — the use of the private sector average plus 50 basis points — this was generally accepted by those who addressed the issue as a more appropriate basis for budgetary planning. While this is a reasonable assumption for 1995-96, prudence requires leaving room for an even greater margin of error in the following fiscal year, 1996-97. The private sector forecast sees some easing of interest rates in that year, and we hope this will prove to be the case. However, interest rate forecasting is notoriously difficult and, the longer the time horizon, the more likely the forecast is to be significantly off the mark, particularly at economic turning points.

RECOMMENDATION

The Committee recommends, therefore, that for the second year of the target plan, the Department of Finance use the average private sector forecast plus a prudence factor of between 50 and 100 basis points, rather than 50. This has consequential effects on growth rates, revenues, expenditures and on the amount the Committee believes the government must find to reach the target of a 3 per cent deficit-to-GDP

ratio in 1996-97. These are dealt with below and in our section on expenditure and revenue measures necessary to meet the target.

Growth Assumptions

As with interest rate assumptions, the growth assumptions raised little controversy. The higher interest rate forecast suggested by the Committee for fiscal year 1996-97, however, has consequential effects on growth, reducing nominal income growth by up to half a percentage point.

As well, both higher interest costs and reduced growth would increase the deficit thus increasing the amount of expenditure and revenue measures necessary to maintain deficit reduction on track to the 3 per cent target. Compared to the $9.4 billion posited under an interest rate assumption of 50 basis points more than the private forecast average, it is the Committee's view that a more prudent approach would be to raise this figure by an additional $0.5 billion.

"As well, we believe that it is prudent to maintain a contingency reserve sufficient to cover lower revenues and higher expenditures that result when projections prove optimistic".

Daryl Bean, Public Service Alliance of Canada; November 17, 1994, Ottawa.

RECOMMENDATION

In setting out its proposals for specific expenditure reductions and revenue changes, therefore, the Committee has recommended measures totalling approximately $9.9 billion.

The Contingency Reserve

The proposed contingency reserve is primarily designed to cover risks arising from unavoidable inaccuracies in the models used to translate economic assumptions into detailed budget forecasts, and risks arising from unpredictable events. The reserve also provides a back-up to the other measures designed to protect against adverse errors in the economic forecast.

However, in contrast to the way reserves have been used in the past, the government's contingency reserve is not designed to be a source of funding for potential new initiatives. It is there in the event the government has been unable to spend less, not in the event it wishes to spend more.

In addition to questions about the size of the reserve, two other concerns were expressed about the contingency reserve as an instrument of fiscal management. The first was related to the worry on the part of some that the

"Your year-by-year, short-term specific annual deficit targets are the right objectives. Don't fall short. Get the three per cent as you plan to do, and don't stop then for the job will only be half done and must be completed... the Canadian Construction Association and its members are with you every step of the way, prepared to share pain with all Canadians as you perform essential life-saving surgery on our fiscal situation."

Don Whitmore, Chairman of the Board, Canadian Construction Association; November 15, 1994, Ottawa.

fund might be used for new initiatives. The Minister of Finance has made a commitment that it will not be so used. The second was a more generalized belief that the contingency reserve was, in fact, designed to guarantee that the government could demonstrate significantly better fiscal performance by using the fund to exceed its declared targets and, related to this, a view that the targets themselves are unduly easy to reach.

We do not accept the view that the targets will be easy to reach. Adjusting the existing federal budget by almost $10 billion through a combination of expenditure and tax measures will require significant sacrifices from Canadians. Nor, more fundamentally, do we accept that getting to the targets identified by the government is a sure thing. The essential goal is to reach the target for the deficit and, by doing so, blunt the exponential rise in the national debt and begin to drive that debt downward. A contingency reserve is a prudent instrument to help achieve that aim.

As to the size of the reserve, the Department of Finance assumes a contingency reserve of $2.5 billion for 1995-96 and $3.0 billion for 1996-97. The Committee regards these amounts as sound and heard no significant dissenting views from intervenors on this particular point.

The Appropriate Balance of Revenue and Expenditure Measures

"I think that the problem is difficult to the point of being a life or death issue for this country because we cannot write people off. We can't throw people away. We can't put them on a boat and send them off."

Roberta Bedard, Vice-President, Alberta Association of Retirement Planners, November 1, 1994, Edmonton.

This question has been one of the most vigorously debated of all the issues before the Committee. Assuming that a budget shortfall on the way to the 3 per cent target must be made up, should the gap be bridged with increased revenues, decreased expenditures or a combination of both — and in what proportion? It is clear to the Committee that, with the exception of certain intervenors' assertions that higher taxes on corporations and wealthy individuals could raise the revenue necessary to preserve existing programs, there was consensus against the use of taxes to deal with our fiscal problem.

In addition, the Committee has examined data and heard from expert witnesses on estimates of Canada's tax burden compared to other nations. While there is by no means unanimity, it is evident to the Committee that in the competition for international investment, Canada is very near the upper limit of its capacity to raise taxes levels without adverse consequences.

This too suggests that budget adjustments should be weighted on the expenditure side of the equation. This preference is shared by the Minister as evidenced in his pre-budget documents, and is reflected in the balance of expenditure and revenue measures recommended in the section that follows.

4

The Deficit Reduction Plan

In this chapter, the Committee will set out a package of specific proposals that will address the country's fiscal difficulties and are designed to set the national accounts along the path identified by the Minister of Finance. Before detailing specific proposals, however, it is important to articulate the Committee's underlying approach.

Budgeting is not just an accounting exercise, it is a way of setting priorities, of assigning relative value to a program or particular activity. The problem with debt the size of Canada's is that the deficits it generates displaces innovative projects and new ideas; in a budget, deficits are literally a paralyzing force. Debt leaves us with few resources to assist Canadians in adjusting to the new realities of "knowledge-based" work or find innovative ways to address problems such as poverty among children and family disintegration. Debt leaves Canada terribly vulnerable to international events and unpredictable economic forces, and severely limits Canada's capacity to take advantage of an increasingly globalized economy.

In order to sustain the prosperity Canadians have come to enjoy, we need to create new engines of economic growth. Yet, at the very time when nations and peoples need to adjust quickly to increasingly rapid changes in the world, Canada's economy is saddled with an enormous dead weight.

Unlike some who appeared before us, members of this Committee are convinced that, far from undermining social programs, serious attention to deficit reduction is the best way of preserving what it most valuable about such programs. Canadians, by and large, say they want to help the most vulnerable in our society, but unless significant actions are taken to alter the way government handles the resources entrusted to it by its citizens, much of what Canadians value will be at risk.

As noted earlier, the Committee heard from a broad spectrum of Canadians. On the main underlying assumption — debt is a problem — there was little disagreement. But on the issue of what to do about it, the advice we received ranged across the available set of options — including some intriguing and unlikely ones. From these written and oral presentations, we were able to derive a few core principles to help us identify specific actions for the government to take.

The Need to Work With Existing Circumstances

In a theoretical budget one can take the available resources, prioritize the program and services society decides it needs and then divide up the pie. But in the real world neither we nor the government can start with a clean slate. It took at least 20 years to build up the current debt; it cannot be made to disappear overnight. The government has committments and obligations that cannot simply be dropped.

As well, Canada is a major trading nation. We have an open economy and a stable, covertable currency. This status provides much of the prosperity we have enjoyed up to now, but it also means that decisions cannot be made in isolation from international circumstances. Some of the "made-in-Canada" solutions that were pressed upon us, we believe, pose a direct threat to the status of Canada in the global economy and to the prosperity Canadians derive from that role.

The proposals the Committee makes here should be seen in the light of these and other realities. They may be considered by some as far from ideal solutions, however, they represent, in our view, a reasonable approach to a debilitating problem.

"At the end of the day the government has to exercise leadership. That's what it's all about. In our estimation, leadership this time means getting on with the job this time and ending the endless drama of debt and deficit that's clouding the future for all Canadians.

George Anderson, President, Insurance Bureau of Canada, November 1, 1994, Lunenburg.

Responsible and Pro-active Management

The Committee agrees with the Minister of Finance's view of "across the board" expenditure cuts — that they should be avoided. For political leaders, the across the board approach has as its major attraction the fact that it obviates the need to make choices. While this may make politicians' lives comfortable, it is not good management. Our aim is not to cut the deficit for the sake of posting a smaller number. We want to reduce deficits, and ultimately the debt, so we can get better results from government and increase the economic well-being of all Canadians.

Prudence in Assumptions about the Economy

Too often in the past, budgets were rooted in rather "rosy" assumptions about the national and global economy that did not unfold as predicted. Neither Canadians nor their governments can assume that "good fortune" or a rising economic tide will let us all off the hook. We do need to take action, especially in the current buoyant economy.

This prudent approach also precludes apparent quick-fixes or magical solutions. One-time windfall revenues to government — even quite large ones — will have little impact on our deeply-rooted, "structural" deficit problem, nor will a major revamping of the rules and relationships between Parliament, government and the Bank of Canada. Dividends, such as they might be from such an undertaking, will have no impact on our immediate problem. What we must do is clear and inescapable: we must make budget adjustments on an on-going basis each and every year for the foreseeable future until the problem is beaten.

Fairness, Equity and Compassion

In addressing our fiscal problems, we must not replace national fiscal debt with national social debt. The effort to reduce debt and restructure the workings of government and its programs cannot be done on the backs of individuals least equipped to bear the social costs of change. Indeed, one of the prime dividends of reducing debt and deficits will be an increased ability to assist individuals to participate fully in the new global economy. The exercise of this principle precludes the use of "slash and burn" policies and economic shock therapies, the social costs of which would become quickly and painfully evident.

Think about the poor.

Angela Vautour, Federation for the Fredericton Coalition for Social Justice, November 3, 1994, Moncton.

The Need for a Long-range Strategy and a National Vision

Our fiscal problem will require diligent attention for the foreseeable future — long after the mandate of this government and the one after that. While the current focus is on debt and deficits, our ultimate purpose is to help ensure that Canada as a nation and Canadians as individuals are equipped to participate in the rapidly evolving and unpredictable global economy. To attempt to do less is to fail in our responsibility as elected representatives of the people.

The Need to Act Now

"...continuing to run the deficit is simply stealing from our kids. I think it's time we stopped stealing from our kids and our grandchildren."

Fred Smith, President, Saskatoon Chamber of Commerce, November 2, 1994, Saskatoon.

The Committee is convinced that the country has before it a unique opportunity to tackle the debt and deficit issue. Two factors have converged to give us this chance: an expanding economy and a broad consensus among citizens that the government must act. The Committee was told repeatedly that the dividends stemming from our growing economy — expanding employment, rising personal income and corporate profits, increased revenues for government — all provide a much easier path to deficit reduction. The political will to do what we must do, will be much harder to generate come the next recession. Deferring action now will only put the country in the position of having to take more drastic measures under less favourable circumstances later on.

The Way in which Government is not like a Business

"Like a business" or "like the family budget" are the easiest analogies to use when discussing the national problem, and many appearing before the Committee urged them on us. But such comparisons are only partly useful in helping us design fiscal measures that address the debt. Government is neither a business nor a household budget. The facts of nationhood and citizenship involve obligations and expectations quite unlike the family or the board room. In trimming or eliminating a program or service government cannot simply drop citizens like a business drops employees.

The Way in which Government is like a Business

"We can't depend on anybody else to do it for us. We're going to do it".

John McEwen, President, New Brunswick Federation of Labour, November 3, 1994, Moncton.

In the pages that follow, the Committee will make recommendations that will result in a smaller, more efficient and more effective government. But as in business, the benefits of "downsizing" take time to be realized. The Committee is concerned that savings from adjustments to and elimination of programs may yield little in the way of savings in the first year. In the private sector, it is common for the benefits of expenditure cuts to begin from a small base and expand into the future. This fact of economic life, combined with the need to take advantage of our rising economy, is the rationale for our "contingency" plan outlined at the end of this chapter. We do not believe resort to such a measure will be necessary, however, we also believe that the government's 3 per cent deficit-to-GDP target is of overriding importance. The country cannot afford the risk of finding itself falling short on its deficit reduction goals at the beginning of the next downturn in the business cycle.

With due consideration to the principles outlined above, therefore, the Committee has assembled a package of budget measures in which the ratio of spending cuts to tax increases is greater than the 5:1 ratio in the 1994 Budget. In the Committee's plan, each dollar in taxes is offset by eight dollars in expenditure reduction. The package is based on the assumption that meeting the Minister's deficit target requires a total of $9.889 billion in budget adjustments.

In broad outline, the Committee's plan consists of the following:

Expenditure Cuts:	**$8.749 billion**
Tax Measures:	**$1.14 billion**
Two-year total:	**$9.889 billion**
Ratio of cuts to taxes:	**7.7 to 1**

The Specifics of Deficit Reduction

The proposed cuts in programs and activities totalling $8.749 billion over fiscal years 1995-96 and 1996-97 will, when combined with the tax measures of $1.14 billion, exceed by nearly $500 million the amount requested by the Minister of Finance to restore the government to its deficit reduction track. The additional savings are needed because interest rates have increased more than was projected in last February's budget.

The Committee's recommendation to go beyond the $9.4 billion suggested by the Minister is based on its assessment that still more prudence about interest rate forecasts may be needed — especially in light of recent U.S. interest rate increases.

The Minister's interest rate forecast, as set out in departmental documents on which the Committee based its hearings, was drawn from the average interest rate forecast of private sector forecasters, plus a prudence factor of 50 basis points for 1995-96 and 1996-97. As noted earlier, the Committee is recommending a prudence factor somewhat higher than 50 basis points for 1996-97, with the actual number to be decided based on judgments made closer to the time of the budget. Our expenditure and revenue measures thus fall at the top end of the $9 billion to $10 billion range for which we believe the Minister should realistically plan.

Expenditure Measures

Cuts in forecast program spending of $9 billion represent approximately 8 percent of the government's $119 billion expected outlay. However, in approaching the task of recommending expenditure cuts, the Committee recognized early on that an across-the-board cut, while relatively simple to order up, is the most difficult, most costly and least effective measure to implement.

Essential programs are reduced by the same proportion as those that cry out for reform or outright elimination. Basic tasks of government — providing for future economic growth or protecting those who are most in need — are curtailed. Private sector businesses, when forced to cut back, rarely if ever do it by cutting all operations equally.

By contrast, an approach focussed on specific priorities and choices diverts fewer resources from the delivery of essential services, eliminates complete programs where necessary (and all the associated overhead costs) and preserves resources to ensure that core programs deliver maximum benefit to taxpayers.

However, constraints on the Committee's work — mainly lack of time — have made it impossible for us to examine every government program, a process which in any case is well advanced within the government under its program review. These factors led the Committee to examine specific cuts in the seven basic areas of government as set out by the Finance Department. The seven specific areas for cuts, the percentage of the overall spending in the program category and the dollar target amounts are as follows:

1. Government Operations

About 17 per cent of all program spending of $119 billion — $20.5 billion — comes under the category of "all other departmental spending" as outlined in Department of Finance pre-budget documents. This amount includes much of the cost of providing public services and almost $14 billion of it is spent on wages.

"If you stood on the tallest building in Moncton and threw some of the government dollars in hundred dollar bills out the window, not one would reach the ground".

John McEwen, President, New Brunswick Federation of Labour, November 3, 1994, Moncton.

RECOMMENDATION

The Committee believes strongly that leadership in deficit cutting must come from the top. Canadians cannot be asked to tighten their belts if their elected representatives fail to contribute to the task. Members of Parliament must lead by example. Therefore, the Committee recommends that the reform of MP's pension benefits precede all other deficit-cutting measures.

"To obtain the necessary commitment from the general "public to accept change, there must be a belief that the government is totally committed to the process and that everything is on the table. Start with your own House".

Christine Hollett, Executive Director, Advisory Council on the Economy, October 31, 1994. St. John's.

The Committee recognizes that the federal government needs to be a leaner and more adaptable organization. This can be achieved through cutting programs, services or both. It may involve privatization of some functions now carried out by government. And it may require giving greater flexibility to government managers in deploying human resources within the public service. Leaner government operations will require a decrease in the size of the public service. Some of this reduction might be achieved through attrition, however, we believe lay-offs will be necessary.

"Taxpayers will only be moved to believe that there is a serious fiscal problem in this country and that the federal government is serious about reducing that budget deficit and the national debt if restraint and sacrifice are first practised by parliament-arians and public servants within government itself."

Patricia Wagner, President, Federal Superannuates National Association, Regina Branch, November 2, 1994, Saskatoon.

RECOMMENDATION

The Committee recommends that the $20.5 billion expenditures in the category of government operations be cut by 12 per cent over the next two years, with overall economies of 15 per cent in the overall operation of Parliament and related expenditures.

2. Crown Corporations

RECOMMENDATION

The Committee recommends that the $1.3 billion currently spent on crown corporations be cut by at least 11 per cent, for a saving of $143 million.

"Business does not want any government money. The $3 billion that the federal government transfers directly into business support can in my view be taken and given to feed the poor."

John Granelli, Chair, Winnipeg Chamber of Commerce, November 3, 1994, Winnipeg.

"...business subsidies should be eliminated. Subsidies are artificial and ineffective. If a firm can't start up, grow up, and survive on its own strength, it should not get a government crutch."

Don Whitmore, Chairman of the Board, Canadian Construction Association, November 15, 1994, Ottawa.

"Subsidies are the worst possible animal that was ever created. They destroy, they take away incentives, they provide too much of a cushion."

John McEwen, President, New Brunswick Federation of Labour, November 3, 1994, Moncton.

3. Business Subsidies

It is the Committee's view that the government should move towards the elimination of all grants and contributions to business. Where a compelling case can be made for financial assistance to a business, it must only be by way of repayable loans with appropriate security. As well, the government should give consideration in such cases to acquiring some form of equity participation. It is not acceptable for taxpayers to bear the risk but enjoy none of the profits.

The Committee heard differing testimony on whether the regional development agencies whose budgets come under this area of government spending should be retained. Some concern was expressed that these organizations often pit one region against another instead of focussing on Canada's overall need to compete with the rest of the world. It is our view that much of the criticism of these agencies would dissipate if the grants and contributions they make to businesses were replaced by repayable loans, while at the same time their valuable contribution in providing expertise and technical assistance was preserved.

RECOMMENDATION

Estimated at $3.1 billion for next year, the Committee recommends that business subsidies be cut by 36 per cent over the next two years, and thereafter, as further analysis might determine.

4. Defence

RECOMMENDATION

The Committee recommends that defence spending, which has already been cut from $11.3 billion in 1993-94 to $10.5 billion for 1995-96, be further cut by a

total of at least $600 million for the years 1995-96 and 1996-97. The Committee recognizes that further cuts might be made in future years as our defence needs are more clearly defined.

5. Other Subsidies

The Committee recommends maintaining the infrastructure program at planned levels, but also recommends that the remaining $7.7 billion in the "other subsidies" category be cut by at least 10 percent for a saving of $770 million.

RECOMMENDATION

6. International Assistance

The Committee believes that expressed as a percentage of GDP, Canada's spending in this area could be brought more into line with those of other donor countries. As soon as budgetary circumstances permit, it is hoped that these expenditures might be increased. We look forward to the time when in a more robust fiscal climate, Canada can again resume leadership in the area of international development assistance.

The Committee recommends reluctantly that the $2.6 billion for international assistance be cut by 10 percent over two years for a saving of $260 million.

RECOMMENDATION

7. Social Security Programs

The Human Resources Development Committee is currently reviewing some $38.7 billion of social program expenditures. Without in any way wishing to pre-determine the outcome of their deliberations, for purposes of our deficit reduction measures, the Committee has assumed that the extensive re-design of these programs will result in savings to the government of 9 percent, or $3.4 billion over the next two years.

"Achieving a reasonable level for the deficit is an important goal. It reduces the level of money paid in debt charges, giving the federal government more resources to invest in public support and services. As stated earlier, however, budgets are about a lot more than debt and deficit."

The National Anti-Poverty Organization, November 18, 1994, Ottawa. (brief)

Tax Measures

RECOMMENDATION

In parallel with the expenditure measures outlined above, the Committee recommends that there should be a package of tax measures to produce approximately $1.1 billion in added revenue over the next two fiscal years. The tax package is designed to mitigate the impact of spending cuts on the most disadvantaged and add greater progressivity to the tax system.

"We do not suggest nor would we support a punitive tax. But our members and most Canadians read about growing corporation profits and good market conditions. Yet the revenue to government from corporations remains stable. All Canadians have been asked to contribute to solving our national debt problem. We ask that this committee ask Canada's corporations to contribute a fair share."

Guy Dumoulin, Executive Secretary, The Building and Construction Trades Union, November 15, 1994, Ottawa.

The tax measures include the following:

- A package of adjustments to corporate taxes including an increase in the Large Corporations Tax which is levied on the capital of corporations with $10 million or more in capital. The package will yield some $420 million in additional revenue.
- A tax on lottery and casino winnings (already taxed in the United States) designed so as to minimize the impact on the charitable sector which relies on lottery and gaming as an important source of funding for beneficial purposes.

The Committee believes that annual total winnings over $500 should be taxed, $500 being the current threshold below which scholarship earnings are not taxed. The Committee believes that the rewards of luck ought to be taxed at least at the same level as the rewards of hard work and application. The Committee is aware of the design and compliance challenges this new tax would represent, but is equally aware that this sector represents a growing source of potential tax revenue which the government has so far foregone.

The Committee also recognizes that this new source of revenue must be tapped in a manner that does not interfere with the effective operation of these activities by provincial governments, licensed operators and native peoples. This new tax would not involve the federal government in the operation of casinos but only in levying a fair tax on those who win. The Committee recommends that gaming losses be deductible only against winnings.

This new tax should be designed at the outset to contribute at least $200 million a year to federal revenues.

- A tax on gasoline of 1.5 cents a litre, producing an estimated $500 million a year in revenue. The Committee recommends against a tax on diesel fuel.

- In order to add progressivity to personal income taxes, a decrease of one percentage point in the surtax on the taxable income of low and middle income Canadians. The Committee estimates this would reduce government revenues by $550 million.

The combination of tax measures set out here would mean a net tax increase of $570 million a year or $1.14 billion over the two years. It would also add modestly greater progressivity to the tax system, while providing revenue needed to ensure the deficit-to-GDP target is met without unduly affecting the on-going competitiveness of Canada's corporate tax system in relation to other countries with which Canada competes for investment and market share.

While Canadian federal corporate tax rates are not unduly high in relation to most of the countries in the Group of Seven industrial countries — indeed, Canada's national corporate tax rate is the lowest in the G-7 — provincial corporate taxes on top of the federal levy together with other kinds of taxes, push us toward the competitive limits. Most important overall, Canadian tax rates are higher than U.S. rates, an important benchmark for companies considering North American investments. While taxes are not the only measure of competitiveness — Canada's health system is a significant positive factor in competing for investment, particularly in comparison with the U.S. — it is an important one.

"The public perception of tax expenditures may be a little out of date. No longer do we have a system ridden with loopholes, where those with means can, with impunity, eliminate their responsibility to support public services. There is not the fat in the tax system that the public seems to think."

David Perry, Canadian Tax Foundation, November 29, 1994, Toronto.

Overall, we do not believe the package of taxation measures is an onerous burden. It is a fair contribution from an economic sector that has been consistent in its urging of tough action against the deficit.

Other Recommended Measures

Based on testimony received, the Committee has identified additional measures the government should consider or questions that require serious study and inquiry. It is not possible to attach specific dollar values to each of these areas, but they do represent significant potential sources of revenue or savings. The Committee further recommends as follows:

1. *Taxation of Cigarettes*

The Committee cannot recommend an increase in the excise tax on cigarettes at this time, but does recommend that increases be made as quickly and by as much as possible when circumstances relating to smuggling permit. This is both a fiscal and a health issue.

2. *Overlap and Duplication*

Federal and provincial governments should work to identify and eliminate areas of duplication in programs and administration. This means "disentanglement" from certain programs by one or other level of government.

The Committee further recommends that the federal government pursue discussions on a urgent basis with the nine provinces concerned on ways in which provincial retail sales taxes and the GST can be replaced with a single, integrated national value-added tax under a single, more cost effective administration

3. *Tax Collection*

"...let's start collecting the taxes that are already due. Let's get serious about it both at the corporation and the individual level."

Elizabeth Reid, Social Justice Commission, Roman Catholic Archdiocese of Edmonton, November 1, 1994, Edmonton.

Enhanced efforts need to be made to collect the $6.6 billion in uncollected taxes. The collection target for the next two fiscal years should be at least $1 billion, with another $130 million being collected in unpaid taxes on an annual, on-going basis. As well, the government should consider the possibility of increased interest penalties for unpaid taxes that are not in dispute.

4. *The Underground Economy*

Enhanced efforts are required to address the underground economy. As well, the Finance Committee should undertake studies on how to better ensure that those who owe taxes pay their fair share, and are not unfairly competing with those who do comply with the law. As Canadians, we all need to become more aware that when we tolerate or participate in the underground economy, we are not only violating the law, we are forcing taxpayers who voluntarily comply with the law to shoulder an even greater tax burden.

5. *Public Utilities Income Tax Transfer Act (PUITTA)*

The federal government should consider cutting or eliminating the $249 million now rebated each year by it under the Public Utilities Income Tax Transfer Act to privately-owned public utilities. These rebates were originally intended to provide a measure of equality in the treatment of customers of provincially-owned and privately-owned utilities. These private utilities, however, which are under provincial jurisdiction, are fully taxed without rebates by provincial governments. The Committee believes the federal government should be able to tax them as well.

6. *Employer-provided Medical and Dental Benefits*

Some 9 million Canadians are members of employer-paid group medical and dental benefit plans. Including dependants, up to 20 million Canadians benefit from these plans. At present, premiums are deductible and no value or dollar cost is imputed for tax purposes to the benefit received by the subscriber to the plan. This creates a "tax-expenditure" estimated by government to be $830 million per year.

Some witnesses felt this tax was unfair to the some 8 or 9 million Canadians who are self-employed and cannot deduct the cost of premiums for enrolment in a private plan. Representatives of the industry said, however, that taxing the benefits would lead to a collapse of these plans, which are a valuable deliverer of medical and dental services, because many of the younger and healthier plan members would opt out.

The Committee recommends that the government monitor the impact of recent provincial measures to tax these benefits with a view to determining whether such opting out does in fact occur. The Committee recognizes the desirability of achieving parity in the tax system between individuals and those eligible for group coverage, but also recognizes that Canada's fiscal situation precludes the expenditure of additional government resources to achieve it. However, the Committee strongly urges the insurance industry to design and make available health insurance packages for individuals at a cost comparable to those for members of employer group plans.

7. *Inter-generational Fairness*

With deficits and the debt mounting for the past twenty years, some witnesses suggested that if those who have benefited from this spending could be identified, it is they who should bear the largest burden in solving the problem. Others pointed out that Canada and future generations will benefit greatly from the communications, transportation, health and educational infrastructure that has been built up as a legacy of this spending. While acknowledging this last point, the Committee believes it is important to remind all Canadians that a large proportion of money borrowed over recent decades went not to build bridges or hospitals, but instead took the form of direct transfers to individuals.

When it considered this useful and interesting debate, the Committee made the judgement that it is counter-productive to pit generations against one another over the issue of debt. The central problem is how to get out of debt as quickly as possible. Within this context, the Committee received a number of suggestions for addressing the debt problem from individuals who have benefited enormously from Canada's post-war prosperity. We believe these ideas warrant further consideration and public debate.

Inheritance Taxes: Inheritance taxes imposed on the estates of wealthy Canadians were suggested as one way of reducing the deficit. How such a tax might relate to the current taxation of capital gains on death, and whether anticipated revenues warrant the cost of collection, are among the issues that would have to be considered.

Debt Reduction Bonds: A number of witnesses put forward the proposition that, just as many Canadians were anxious to help the war effort during the 1940s by purchasing Victory Bonds, many would now be pleased to help with our current debt crisis by purchasing debt reduction bonds. Various approaches were suggested; these fall into two broad categories — those that are charitable in nature and those that are tax-driven.

In the charitable category was an instrument suggested by a witness appearing before the Committee in Edmonton, Bob Blair. Wealthy Canadians would be encouraged to buy interest-bearing bonds which would provide income during the holder's lifetime but would not be repayable after death — the principal would go for debt reduction. A variation on this theme is a zero-coupon or lower than market-rate interest bond with the principal remaining the property of the lender.

In the category of tax-assisted debt reduction instruments, it was suggested that Canadian residents could purchase tax-free government bonds paying a lower nominal rate — perhaps 60 percent of market interest rates. These funds could be used by government to redeem that portion of provincial and federal debt that is held by non-residents and is not now taxed in Canada. The alleged benefits from this patriation of debt is that the interest income would more likely be spent in Canada than elsewhere, and Canada would become less dependent on international capital markets.

An additional suggestion addressed RRSP investments and the idea that a portion of the assets of tax-assisted retirement savings plans of Canadians might go into bonds devoted to reduce the debt. Such a plan would have the effect of reducing retirement savings, however, and needs to be examined within the context the Committee sets out below for a reconsideration of retirement savings generally.

While recognizing the simple economic fact that savings directed towards debt reduction might well have an impact on the volume of savings available for other purposes in Canada, the Committee believes that suggestions regarding the need to create debt reduction instruments open to all Canadians deserve further consideration by the government.

8. *Other Expenditures*

The Committee, recognizing that the most disadvantaged in Canada must not suffer from expenditure reductions, recommends no reductions in spending for:

- veterans' pensions and allowances ($1.9 billion);
- Indians and Inuit ($3.6 billion); and
- transfers to the provinces for health care ($6.7 billion).

"Our research shows that funds for economic development have experienced a real decline of 70% over the past 11 years. Capital facilities and community services funding has decreased by more than 44%. Finally, housing expenditures declined some 70% in real terms since 1983-84."

Ovide Mercredi, National Chief, Assembly of First Nations, November 23, 1994, Ottawa.

The Committee recommends no reductions for the three granting councils, equalization payments or in transfers to the Territories. We do believe that expenditures for the Canadian Broadcasting Corporation and the Central Mortgage and Housing Corporation require further consideration by the government.

9. *Retirement Income*

The largest single federal program expenditure is $21.3 billion for seniors — an amount which includes Old Age Security and the Guaranteed Income Supplement. The Committee heard many witnesses on the issue of pension benefits and the Canada Pension Plan. It also received many representations on the so-called "tax expenditure" of $15 billion involving the provision of tax assistance for retirement savings, including RRSPs, as well as age and pension income tax credits of $1.6 billion and other tax allowances for seniors. Suggestions were made regarding the need to base seniors' benefits on family income, increasing the age at which benefits become payable, and the so-called "claw back."

The Committee acknowledges that these are difficult issues and that further study is necessary to ensure that Canadian seniors can lead secure and dignified lives. However, the Committee also recognizes:

1. that too few Canadians are providing adequately for their own retirement and more people must be encouraged to do so. Higher savings now would decrease their future dependence on government;

2. that there should be equality in the tax treatment for those with employer pensions and those with RRSPs;

3. that there is a clear requirement for parity between public sector (at all levels of government) and private sector retirement programs.

Accordingly, the Committee recommends no changes to any of the above programs nor any fiscal measures affecting seniors or retirement income that do not take into consideration the three principles we have set out above, as well as the future needs of Canada's aging population for retirement income security.

"One of the oldest traditions of partnering in Canada is the relationship between government and the country's charitable community... This partnership has been an important asset for the not-for-profit sector and should be protected...All Canadians can and do find many benefits in this arrangement."

Canadian Society of Fund Raising Executives, November 24, 1994, Ottawa. (brief)

10. *Charitable Contributions*

Many witnesses impressed the Committee with the fact that without the generosity and commitment of the voluntary sector, even more responsibility and cost for services would fall on governments. In addition, government cutbacks in the future will necessarily cause greater responsibilities to fall to charities, non-profit organizations and the volunteer sector. The difficulties faced by such organizations in finding adequate revenues were brought to the attention of the Committee.

The Committee believes that the charitable donations tax credit should not be altered at the present time. However, we strongly urge the government to undertake a comprehensive study of the fiscal incentives for the charitable, voluntary, non-profit and cultural sectors when undertaking the valuable work they perform on behalf of all Canadians.

11. Other Linkages to Budget-Making

While the Committee has concentrated on how to achieve vital fiscal targets, several witnesses before the Committee noted that there were other dimensions to the budget. Some emphasized the social repercussions of fiscal policy, while others pointed to the important role of government fiscal policy for the health of the environment or fostering gender equality. The Committee welcomed these representations as part of its pre-budget consultations.

12. Incentive Program

The government should give consideration to an award program for individuals from both the public and private sectors who bring forth effective deficit reduction ideas.

13. Communicating Progress Towards Debt Reduction

The Committee believes that the government should build on the excellent communications material with which it supported this pre-budget consultation process and consider new ideas and instruments for informing Canadians regularly in clear, non-technical language on the progress the country is making toward its debt and deficit reduction targets.

Deficit Reduction Surtax

A Contingency Plan for Deficit Reduction

"Salvation for all of us, governed and governing, will rest with the degree of improvement evident in our financial condition in the years directly ahead. All concerned Canadians fervently hope that our political leaders will not blink at this point, in favour of misguided political expediency."

Robert Edy, November 11, 1994, London.

It is the Committee's hope that the package of proposals set out in this report — strongly oriented to spending cuts with relatively modest tax adjustments — will have the desired effect and permit the country to meet the fiscal objectives the government has set for it. However, against the possibility that achieving the 3 per cent deficit-to-GDP ratio proves for various reasons to be more difficult than currently assumed, the Committee believes the government should consider the following contingency measure — a Deficit Reduction Surtax.

It is often the case in both public and private sectors that benefits of expenditure reduction take some time to be realized. The purpose of this *temporary* tax measure would be to bridge any budget gap between the announcement of expenditure cuts and the time when the full effect of these cuts begins to show in the national accounts.

The Deficit Reduction Surtax would be a single-rate levy on all business and personal income. The legislation setting out the tax would contain "sunset" clauses to help prevent what the Committee intends as a bridging mechanism — not a replacement for expenditure reduction — becoming entrenched in our tax system. The tax would expire in one of two ways: when the target of a deficit-to-GDP ratio of 3 percent is reached, or at the end of three years, whichever comes earlier.

If the Deficit Reduction Surtax has not worked within three years — that is, if the full effect of the measures set out above by the Committee has not appeared in the government's deficit performance — the Surtax should under no circumstances become a permanent replacement for the expenditure reductions required. The government might also consider a progressive reduction in the tax as the deficit is reduced and cuts are realized. The Committee is mindful of the need to assure Canadians that the government is not gaining a tax windfall.

The Committee recognizes that a proposal of this kind runs counter to the preponderance of opinion which is against taxation as an instrument of debt reduction. We are also aware that government's credibility on "temporary" tax measures is not high when considered in light of another temporary tax, the personal income tax, introduced during the First World War. It is for these reasons that the Committee believes the tax must be clearly bound by sunset provisions in its implementing legislation.

In designing this contingency measure, the government may wish to introduce a measure of greater progressivity over the life of the surtax by removing the surtax on low and mid-range personal and business income brackets at the end of the first and second years respectively. Alternatively, the tax could be designed to be levied at different rates for the business and three personal income brackets.

It is the Committee's preference, however, that the Surtax be levied at the same rate on all Canadian business and personal income. Over the course of our consultations we have become acutely aware of the need to avoid revenue and expenditure measures which pit generations, regions or economic sectors against each other. If ever it became necessary, this contingent measure — the Deficit Reduction Surtax — would ensure that all Canadians are bearing the burden of deficit reduction based on their ability to pay.

If, however, the Committee's set of proposals, or any others, prove unacceptable, the Deficit Reduction Surtax set out here could form an efficient, stand-alone alternative. While we do not recommend this approach, the Committee has no hesitation in asserting that it is more important to the country's future to meet the deficit target than for the government to deny itself the use of this instrument, a temporary Deficit Reduction Surtax, or any other measure that will set the country on the path to fiscal health. A basic function of government is to protect the national interest and it is clearly in the national interest to reduce and eventually eliminate our national debt. The consultation exercise we have just completed, convinces us that Canadians want their government to exercise leadership on this issue.

PROPOSED DEFICIT REDUCTION MEASURES FOR TAX YEARS 1995-96 & 1996-97 (in billions of $)

SPENDING CUTS

		Spending Level	% Cut	
1.	Government Operations[1]	20.5	12	2.460
2.	Crown Corporations	1.3	11	.143
3.	Business subsidies	3.1	36	1.116
4.	Defence	10.5	6	.600
5.	Other Subsidies	7.7	10	.770
6.	International Assistance	2.6	10	.260
7.	Social Security Programs under review by HRD[2]	38.7	9	3.400
	TOTAL SPENDING CUTS			**$8.749**

TAX CHANGES

1.	Increase the tax on gasoline by 1.5 cents per litre	.500
2.	Increase corporate taxes including large corporation tax	.420
3.	Taxation of lottery winnings	.200
	Total Annual Tax Increase	**$1.120**
4.	Decrease surtax on low and middle income Canadians	.550
	NET TAX INCREASE PER YEAR	**.570**
	TOTAL TAX INCREASES FOR TWO YEARS	**$1.140**
	TOTAL OF DEFICIT REDUCTION MEASURES OVER TWO YEARS	**$9.889**

(1) Includes overall economies of 15% in the operation of Parliament and related expenditures

(2) Human Resources and Development Committee is currently reviewing the following social security programs: UI Regular Benefits ($12.4 B); Employment Programs: UI Developmental Uses ($1.9 B); Employment Programs: Consolidated Revenue Fund ($1.4 B); Vocational Rehabilitation for Disabled Persons ($0.2 B); Child Tax Benefit ($5.1 B); Canada Assistance Plan ($8.2 B); Canada Student Loans ($0.5 B); Post Secondary Education: Established Programs Financing ($6.1 B); UI Administration ($1.2 B); UI Maternity/Parental/Adoption and Sickness Benefits ($1.7 B)

APPENDIX A

List of witnesses

Associations and Individuals	Issue	Date
Department of Finance Peter DeVries, Director, Fiscal Policy Division, Fiscal Policy and Economic Analysis Branch Robert Henry, Senior Chief, Fiscal Policy Division, Fiscal Policy Division and Economic Analysis Branch	53	Tuesday, September 27, 1994
Hon. Paul Martin, Minister of Finance	57	Monday, October 17, 1994
Hon. Paul Martin, Minister of Finance	58	Tuesday, October 18, 1994
Coalition of National Voluntary Organizations (NVO) Rose Potvin, Executive Director	59	Wednesday, October 19, 1994
Canadian Chamber of Commerce Dale Orr, Chairman, Economic Policy Committee	59	Wednesday, October 19, 1994
University of Quebec in Montreal Pierre Fortin	59	Wednesday, October 19, 1994
National Anti-Poverty Organization Lynne Toupin, Executive Director	59	Wednesday, October 19, 1994
School of Policy Studies, Queen's University Dr. Thomas Courchene, Director	59	Wednesday, October 19, 1994
Loewen, Ondaatje, McCutcheon Ltd. Maureen Farrow, Executive Vice-President, Director of Research	59	Wednesday, October 19, 1994
National Action Committee on Status of Women Lorraine Michael	59	Wednesday, October 19, 1994
Informetrica Michael McCracken, Chairman and Chief Executive Officer	59	Wednesday, October 19, 1994
Canada West Foundation Dr. David Elton, President	59	Wednesday, October 19, 1994
University of Western Ontario David Laidler, Professor	59	Wednesday, October 19, 1994

Associations and Individuals	Issue	Date
Canadian Council of Social Development David Ross, Acting Executive Director	59	Wednesday, October 19, 1994
C.D. Howe Institute William Robson	59	Wednesday, October 19, 1994
Nesbitt Burns Corp David Rosenberg, Senior Economist	59	Wednesday, October 19, 1994
Royal Bank of Canada John McCallum, Senior Vice-President and Chief Economist	59	Wednesday, October 19, 1994
Bank of Canada Charles Freedman, Deputy Governor Paul Jenkins, Deputy Governor Tim Noël, Deputy Governor	60	Tuesday, October 25, 1994
Canadian Hospital Association Jim Saunders, Chairman, Board of Directors Carol Clemenhagen, President Michelle Albagli, Director Communications	60	Tuesday, October 25, 1994
Individual Presentation Jack Biddell, FCA	61	Thursday, October 27, 1994
Seaton Group Jordan B. Grant, President	61	Thursday, October 27, 1994
Business Council on National Issues Thomas d'Aquino, President and Chief Executive Officer George F. Skinner, Vice-President, Policy and Research Sam T. Boutziouvis, Senior Associate and Economist John R. Dillon, Senior Associate	61	Thursday, October 27, 1994
Coalition for Biomedical and Health Research Dr. Howard D. Dickson, Chair Dr. Robert Dugal Dr. Barry McLennan Dr. Clément Gauthier, Executive Director	61	Thursday, October 27, 1994
Fisheries Council of Canada Ron Bulmer, President Patrick McGuinness, Vice-President	61	Thursday, October 27, 1994

Associations and Individuals	Issue	Date
Canadian Federation of Agriculture Jack Wilkinson, President Sally Rutherford, Executive Director Yves Leduc, Policy Analyst	61	Thursday, October 27, 1994
Canadian Chemical Producers Association Jean M. Bélanger, President David W. Goffin, Secretary-Treasurer	62	Friday, October 28, 1994
Confederation of National Trade Unions Pierre Paquette, Secretary General Peter Bakbis, Assistant to Executive	62	Friday, October 28, 1994
Faculty of Business, Memorial University Alasdair Turnbull, Professor Andrea Warr, Student Ernest Wheeler, Student	63	Monday, October 31, 1994
House of Assembly Walter Noel, MHA	63	Monday, October 31, 1994
Fortis Inc. Dr. Angus Bruneau, President	63	Monday, October 31, 1994
Newfoundland Society for Physically Disabled Samuel J. Tibbo, Executive Director	63	Monday, October 31, 1994
Advisory Council on Economy Christine Hollett, Executive Director Robert Crosbie, Director	63	Monday, October 31, 1994
Chalker, Green and Rowe John O'Dea, Partner	63	Monday, October 31, 1994
Cabot College of Applied Arts, Technology and Continuing Education Edna Turpin-Downey	63	Monday, October 31, 1994
Newfoundland Ocean Industries Association Claude Sheppard, Legal Counsel	63	Monday, October 31, 1994
St. John's Board of Trade Gerard McDonald, President	63	Monday, October 31, 1994
Pippy Park Conservation Society Inc. J.C. Bear	63	Monday, October 31, 1994
Canadian Federation for Humanities Dr. John Scott, Executive Member	63	Monday, October 31, 1994
Individual Presentation J.J. Collins	63	Monday, October 31, 1994

Associations and Individuals	Issue	Date
Business Council of British Columbia Jerry L. Lampert, President and Chief Executive Officer Jock A. Finlayson, Vice-President	64	Monday, October 31, 1994
Great Canadian Railtour Company Ltd. Peter R.B. Armstrong, President and Chief Executive Officer	64	Monday, October 31, 1994
Fraser Institute Dr. Michael Walker, Director	64	Monday, October 31, 1994
Certified General Accountants' Association of Canada S. Anthony Toth, Vice-President, Public Affairs Lyle Handfield, Vice-President Professional Affairs	64	Monday, October 31, 1994
Greater Vancouver Gateway Council Robert V. Wilds, Chair and Chief Executive Officer, B.C. Maritime Employers Association David L. Emerson, Member of Gateway Council Board, President of Vancouver International Airport Authority	64	Monday, October 31, 1994
Individual Presentation Peter Robinson John Ellis, Q.C., LL.B.	64	Monday, October 31, 1994
Vancouver Board of Trade Darcy Rezac, Managing Director Dr. Owen Anderson, Principal J. Hansen	64	Monday, October 31, 1994
British Columbia Federation of Labour Angela Schira, Secretary-Treasurer	64	Monday, October 31, 1994
Canadian Federation of Humanities Carole Gerson, Department of English Simon Fraser University	64	Monday, October 31, 1994
Individual Presentation W.R. (Bill) Steen	64	Monday, October 31, 1994
Canadian Cattlemen's Association Ken Cameron, President	64	Monday, October 31, 1994
Senior Citizens Association of British Columbia Fred Olynyk	64	Monday, October 31, 1994
Downtown Granville Tenants Association Sherrill L. Gullickson	64	Monday, October 31, 1994

Associations and Individuals	Issue	Date
Western Canada Wilderness Committee Adriane Carr, Executive Director Paul George, Founding Director	64	Monday, October 31, 1994
Department of Anatomy, University of British Columbia Dr. Bernard H. Bressler, Professor and Head, Department of Anatomy and Medical Research Council of Canada Regional Director Dr. David F. Hardwick, Associate Dean Research and Planning, Faculty of Medicine	64	Monday, October 31, 1994
Department of Economics, University of British Columbia Dr. John Helliwell, Professor	64	Monday, October 31, 1994
International Centre for the Study of Public Debt Robin Richardson, Director	64	Monday, October 31, 1994
British Columbia Association for Community Living Dale Alexander, Executive Director Dave Vawter, Executive Director Judy Carter-Smith, Executive Director	64	Monday, October 31, 1994
Individual Presentation Harold C. Daykin	64	Monday, October 31, 1994
Urban Development Institute of Canada Fred Bucci	64	Monday, October 31, 1994
Industrial Wood and Allied Workers of Canada Clay Perry Phil Legg	64	Monday, October 31, 1994
Nova Scotia Federation of Labour Rick Clarke, President	65	Tuesday, November 1, 1994
Nova Scotia Confederation of University Faculty John D'Orsay, Executive Director	65	Tuesday, November 1, 1994
Canadian Pensioners Concerned Inc. Myrna Slater, National President	65	Tuesday, November 1, 1994
Forest Group Venture Association John Roblee	65	Tuesday, November 1, 1994
Federation of Canadian Municipalities Lawrence Mawhinney, Mayor of Lunenburg, President	65	Tuesday, November 1, 1994

Associations and Individuals	Issue	Date
Nova Scotia Voluntary Planning Board Robert Radchuck	65	Tuesday, November 1, 1994
National Sea Products Ltd. Kelley L. Nelson, C.A., Vice-President Finance and Administration	65	Tuesday, November 1, 1994
Lunenberg Industrial Foundry and Engineering Eddy Kinley, President	65	Tuesday, November 1, 1994
Nova Scotia Union of Public Employees Ronald Stockton, Business Agent	65	Tuesday, November 1, 1994
Nova Scotia Institute of Chartered Accountants Peter Wilde, Member of Taxation Committee	65	Tuesday, November 1, 1994
St. Mary's University Dr. Erwin Doak, Economist	65	Tuesday, November 1, 1994
Dalhousie University, Department of Political Science Dr. David M. Cameron, President	65	Tuesday, November 1, 1994
Chandler and Davis Chartered Accountants Harry Davis	65	Tuesday, November 1, 1994
Nova Scotia Advisory Council for Status of Women Katherine McDonald, President	65	Tuesday, November 1, 1994
Maritime Lumber Bureau Dianna Blenkhorn, President	65	Tuesday, November 1, 1994
Nova Scotia Federation of Agriculture Peter Wile, Member	65	Tuesday, November 1, 1994
Individual Presentation Duff Sweeny	65	Tuesday, November 1, 1994
Canadian Federation of Humanities Tom Sinclair-Faulkner	65	Tuesday, November 1, 1994
Clearwater Fine Foods Eric Roe, Director, Government Relations	65	Tuesday, November 1, 1994
Nova Scotia League for Equal Opportunities Linda Stiles, President Bill Crawford, Past President	65	Tuesday, November 1, 1994

Associations and Individuals	Issue	Date
Dalhousie Student Union Hal MacLean Beth Owen	65	Tuesday, November 1, 1994
Composites Atlantic Maurice Guitton, Executive Vice-President	65	Tuesday, November 1, 1994
CANEXEL Hardboard Division Tim Douglas, Vice-President, Finance and Operations	65	Tuesday, November 1, 1994
Bowater Mersey Paper Company Ltd. E. David Cross, Assistant Controller	65	Tuesday, November 1, 1994
Fish or Cutbait Productions Tom Burger, President	65	Tuesday, November 1, 1994
Insurance Bureau of Canada George Anderson, President Paul Kovacs, Vice-President	65	Tuesday, November 1, 1994
Atlantic Provinces Economic Council Jim Eisenhauer J. Fred Morley, Senior Policy Analyst	65	Tuesday, November 1, 1994
Social Justice Commission, Roman Catholic Archdiocese of Edmonton Elizabeth Reid	66	Tuesday, November 1, 1994
Edmonton Social Planning Council Jonathan Murphy, Executive Director	66	Tuesday, November 1, 1994
Northwest Territories Federation of Labour Jim Evoy, President	66	Tuesday, November 1, 1994
Individual Presentation Dr. Kanhaya Gupta, Professor of Economics, University of Alberta	66	Tuesday, November 1, 1994
Canadian Association of Retired Persons Al Opstad, P.Eng.	66	Tuesday, November 1, 1994
Coal Association of Canada Donald O. Downing, President Ernest F. Lalonde	66	Tuesday, November 1, 1994
Canadian Association of Petroleum Producers Verne G. Johnson, Chair, Fiscal Policy Committee Robert M. Feick, Vice-President, Crude Oil & Fiscal Policy	66	Tuesday, November 1, 1994

Associations and Individuals	Issue	Date
Edmonton Chamber of Commerce Martin Salloum, General Manager Colin Tulloch	66	Tuesday, November 1, 1994
Individual Presentation David G. Laughton	66	Tuesday, November 1, 1994
University of Alberta Students' Union Peter Cahill, Director Sean C. Andrew, Director	66	Tuesday, November 1, 1994
Calgary Chamber of Commerce Walter J. Litvinchuk, President Ray W. Huddlestone, Director	66	Tuesday, November 1, 1994
Canadian Taxpayers Federation Jason T. Kenney, National Director	66	Tuesday, November 1, 1994
Alberta Council on Aging C. Neil Reimer, President Hazel Wilson, Vice-President	66	Tuesday, November 1, 1994
Northwest Territories Housing David Akoak Gerald Cheezie	66	Tuesday, November 1, 1994
Canadian Pensioners Concerned Bill Daly, President, Alberta Section	66	Tuesday, November 1, 1994
Individual Presentation Greg Flanagan, Professor S. Robert Blair, President, NOVA	66	Tuesday, November 1, 1994
Alberta Federation of Labour Linda Karpowich, President	66	Tuesday, November 1, 1994
Alberta Chamber of Commerce Cheryl Knebel, Member — Executive Committee	66	Tuesday, November 1, 1994
University of Alberta Dr. Joel H. Weiner, Associate Dean Research	66	Tuesday, November 1, 1994
University of Calgary Dr. J. Hans Van De Sande, Associate Dean, Research	66	Tuesday, November 1, 1994
Borrowers' Advocate Larry Whaley, President Tim Madden	66	Tuesday, November 1, 1994

Associations and Individuals	Issue	Date
Employer Committee on Health Care Michael L. White, Principal Gil Heise, Manager, Benefits and Salary Administration Ron Sawatzky, Manager, Human Resources Allan Bonbernard, Advisor, Benefits and International	66	Tuesday, November 1, 1994
Alberta Association of Retirement Planners Wayne Taylor, President Roberta A. Bedard, Vice-President	66	Tuesday, November 1, 1994
Seniors Action and Liaison Team Con Duemler	66	Tuesday, November 1, 1994
Native Council of Canada Doris Ronnenberg, President, Alberta Sector	66	Tuesday, November 1, 1994
Alberta Association of Social Workers Margaret L. Duncan, President	66	Tuesday, November 1, 1994
Individual Presentation Eleanor Reynolds	67	Wednesday, November 2, 1994
YMCA Youth Kelly Redmond Penny Macleod Andrew Warren	67	Wednesday, November 2, 1994
Canadian Federation of Labour, P.E.I. Council Ted Crockett	67	Wednesday, November 2, 1994
Individual Presentation David Carmody	67	Wednesday, November 2, 1994
P.E.I. Real Estate Association Earl Arsenault, Executive Director	67	Wednesday, November 2, 1994
P.E.I. Union of Public Sector Employees Michael Butler	67	Wednesday, November 2, 1994
P.E.I. Federation of Agriculture Phillip Brown, President Barry Cudmore, Vice-President	67	Wednesday, November 2, 1994
Greater Summerside Chamber of Commerce William Callbeck, President Larry Bertrand, Education Director	67	Wednesday, November 2, 1994

Associations and Individuals	Issue	Date
Atlantic Farmers' Association Gordon Sobey	67	Wednesday, November 2, 1994
National Farmers' Union Gordon Carter, Region Coordinator James Rodd	67	Wednesday, November 2, 1994
Construction Association of P.E.I. J. Francis Reid, Director General Ethan Garrett, Board Member Rodney Murray, President	67	Wednesday, November 2, 1994
P.E.I. Federation of Labour Sandy MacKay, President	67	Wednesday, November 2, 1994
Co-Operative Housing Federation of Canada, for P.E.I. Judith Bayliss, Member, Board of Directors	67	Wednesday, November 2, 1994
P.E.I. Chamber of Commerce Eric Ellsworth, President	67	Wednesday, November 2, 1994
P.E.I. Tourism Industry Association Jim Larkin Alfred Groom, President	67	Wednesday, November 2, 1994
Adventure Group Danielle Backman, Group Member Roy Larouche, Group Member	67	Wednesday, November 2, 1994
Greater Charlottetown Area Chamber of Commerce Wayne Hambly, President Phillip Hugues	67	Wednesday, November 2, 1994
Federation of P.E.I. Municipalities Cecil Murl, President Lisa Doyle-MacBain	67	Wednesday, November 2, 1994
Action Canada Network Mary Boyd	67	Wednesday, November 2, 1994
National Farmers Union Stuart A. Thiesson, Acting Executive Secretary	68	Wednesday, November 2, 1994
Meidl Honda Randy L. Meidl, President and General Manager	68	Wednesday, November 2, 1994
Citizens Concerned about Free Trade David Orchard, Chairman	68	Wednesday, November 2, 1994

Associations and Individuals	Issue	Date
Regina Branch Federal Superannuates National Association Patricia M. Wagner, President	68	Wednesday, November 2, 1994
Saskatoon Federation of Labour Don Anderson	68	Wednesday, November 2, 1994
Saskatoon Economic Development Association Jim Yuel, President	68	Wednesday, November 2, 1994
Saskatoon Chamber of Commerce Fred H. Smith, President	68	Wednesday, November 2, 1994
Saskatchewan Council for International Cooperation Christine Smillie, Executive Director John Vandenberg, Overseas Program Officer	68	Wednesday, November 2, 1994
Saskatchewan Motion Picture Association Stephen Onda Jack Walton	68	Wednesday, November 2, 1994
Meadow Lake Tribal Council Ray Ahenakew, Executive Director Roy Cheecham, Chief, Clearwater River Dene Nation	68	Wednesday, November 2, 1994
Horachek, Cannam, Joa and Partners Les Wall	68	Wednesday, November 2, 1994
Council of Canadians Murray Dobbin	68	Wednesday, November 2, 1994
Social Action Fairness Coalition Dr. John Bury Bob Fink Rajesh Sexena, PhD	68	Wednesday, November 2, 1994
Saskatchewan Chamber of Commerce Sonya E. Precesky, President Casey Davis	68	Wednesday, November 2, 1994
Federation of Workers of New Brunswick John McEwen, President Raoul Thériault, Project Director	69	Thursday, November 3, 1994
Aboriginal Peoples Council Frank Palmater	69	Thursday, November 3, 1994
New Brunswick Federation of Agriculture Dwayne Hicks, President	69	Thursday, November 3, 1994

Associations and Individuals	Issue	Date
Canadian Federation of Humanities James de Finney	69	Thursday, November 3, 1994
New Brunswick Forest Products Association Maxwell R. Cater, Executive Director	69	Thursday, November 3, 1994
Atlantic Provinces Chamber of Commerce Paul Daigle, President and CEO	69	Thursday, November 3, 1994
"Coalition pour la justice économique et sociale" Brian McIntosh Angella Vautour	69	Thursday, November 3, 1994
Association of Atlantic Women Business Owners Patricia Townsend	69	Thursday, November 3, 1994
New Brunswick Senior Citizens' Federation Steven Boyce	69	Thursday, November 3, 1994
Federation of Woodlot Owners Peter deMarsh	69	Thursday, November 3, 1994
Greenbelt Systems Co. Ltd. Bruce McFarlane	69	Thursday, November 3, 1994
Moncton Headstart Claudette Bradshaw, Executive Director	69	Thursday, November 3, 1994
Canada Labour Congress Normand LeBlanc	69	Thursday, November 3, 1994
Individual Presentation Eric Tobin David Burrell Fred Whalen Bill Belliveau Mal Johnson	69	Thursday, November 3, 1994
Insurance Brokers Association of Manitoba Reg Wyatt, President	70	Thursday, November 3, 1994
Individual Presentation Robert Johannson Eric Truijen	70	Thursday, November 3, 1994
Woodlot Association of Manitoba Bruce MacLeod, Former President Barry Campbell	70	Thursday, November 3, 1994

Associations and Individuals	Issue	Date
Individual Presentation Dave Lindsay	70	Thursday, November 3, 1994
Council of Canadians with Disabilities Laurie Beachell, National Coordinator	70	Thursday, November 3, 1994
Winnipeg Chamber of Commerce, Federal Finance Task Force John Granelli, President Larry Frostiak, Member	70	Thursday, November 3, 1994
International Institute for Sustainable Development Arthur J. Hansen, President	70	Thursday, November 3, 1994
Canadian Federation for the Humanities Linda Dietrick, Associate Professor Winnipeg University	70	Thursday, November 3, 1994
Manitoba Association of Friendship Jim Sinclair, Executive Director (Selkirk)	70	Thursday, November 3, 1994
Brandon Real Estate Board Bill Madder, Executif Officer	70	Thursday, November 3, 1994
Individual Presentation George Mulder	70	Thursday, November 3, 1994
Real Estate Association David Smith, President	70	Thursday, November 3, 1994
Manitoba Chamber of Commerce Norman S. Leach, Executive Vice-President	70	Thursday, November 3, 1994
Manitoba Fashion Institute Allan Finkel, Executive Director	70	Thursday, November 3, 1994
Keystone Agriculture Producers Allan Ransom, President Les Jacobson Duncan Broadfoot	70	Thursday, November 3, 1994
Canadians for a Better Canada Glenda Lagadi	70	Thursday, November 3, 1994
Dave Spence and Associates David Gardave, President	70	Thursday, November 3, 1994
Individual Presentation Keith Doan	70	Thursday, November 3, 1994
Manitoba Taxpayer Association Peter Holle, Provincial Director	70	Thursday, November 3, 1994
Individual Presentation Martha Owen	70	Thursday, November 3, 1994

Associations and Individuals	Issue	Date
Rural Municipalities of Lac du Bonnet Dave Marion	70	Thursday, November 3, 1994
Prairie Pools Inc. K. Edie	70	Thursday, November 3, 1994
United Grain Growers Ted Allan, President	70	Thursday, November 3, 1994
Great West Life Insurance Company Andrew Alleyne, Vice-President, Research and Investment Services	70	Thursday, November 3, 1994
Board of Trade of Metro Montreal Pierre Laflamme, Chairman, Public Finance Committee Denis Beauregard, Director, Research and Public Affairs	71	Friday, November 4, 1994
Mining Association of Canada C. George Miller, President Robert Keyes, Vice-President Daniel Tolgyesi, Director General	71	Friday, November 4, 1994
Canadian Advanced Technology Association Faraj M. Nakhleh, Executive Director	71	Friday, November 4, 1994
Caron, Bélanger, Ernst & Young Claude C. Bismuth, Associate Responsible for High Technology Quebec Manufacturing	71	Friday, November 4, 1994
Hellenic Board of Trade Kosta Andrikopoulos, President Bill Bakopanos, Member	71	Friday, November 4, 1994
Film and Television Producers Association André Link, President	71	Friday, November 4, 1994
"Conseil du patronat du Québec" Ghislain Dufour, President Jacques Garon, Director Socio-Economic Research	71	Friday, November 4, 1994
"Association de planification fiscale et financière" Yvon L. Caron, Chief Executive Officer Denis Lacroix, Chief Executive Officer	71	Friday, November 4, 1994
Canadian Council for Refugees Nancy Worsfold, Director	71	Friday, November 4, 1994

Associations and Individuals	Issue	Date
Quebec Chamber of Commerce Michel Audet, President	71	Friday, November 4, 1994
"Fédération des travailleurs(leuses) du Québec" (F.T.Q.) Henri Massé, General Secretary Jean-Guy Frenette, Policy Advisor	71	Friday, November 4, 1994
Direct Sellers' Association Ross Creber, President Nancy Carrell, Director, Legal and Government Affairs	71	Friday, November 4, 1994
McGill University Bill Watson, Economist	71	Friday, November 4, 1994
"Forum des citoyens âgés" Henri Hudon, President	71	Friday, November 4, 1994
"Mouvement action-chômage de Montréal" Guillaume Vaillancourt, Member of Board Françoise Laliberté, Responsible for Communications and policy planning	71	Friday, November 4, 1994
Canadian Pulp and Paper Association Lise Lachapelle, President	71	Friday, November 4, 1994
"Confédération des syndicats nationaux (C.S.N.)" Jean Charest, Union Advisor, Research Branch Arthur Sandborn, President, Council for Metropolitan Montreal	71	Friday, November 4, 1994
Positron: Montreal Electronics and Telecommunications Reginald Weiser, President	71	Friday, November 4, 1994
Individual Presentation Jean Lapierre, C.A. Danny Taurozzi Daniel Cyr Auguste Vincent	71	Friday, November 4, 1994
"Association MBA Québec" Claude Thibault, Member of Board	71	Friday, November 4, 1994
"Groupe Secor Ltée" Marcel Côté, President	71	Friday, November 4, 1994

Associations and Individuals	Issue	Date
University of Montreal Jean-Guy Loranger, Professor Development Economics Dr. Kimon Valaskakis	71	Friday, November 4, 1994
Citizens for Public Justice David Peters-Woods, Researcher Gerald Vanderzande, Director, Public Affairs	72	Friday, November 4, 1994
Ontario Dental Association Elizabeth MacSween, Vice-President Frank Bevilacqua, Director, Government Relations	72	Friday, November 4, 1994
Individual Presentation Frank Henry	72	Friday, November 4, 1994
Northumberland Coalition Against Poverty Richard Shapcott, Treasurer	72	Friday, November 4, 1994
Mississauga Board of Trade Charles Coles, Vice-President Government Affairs	72	Friday, November 4, 1994
Metropolitan Hamilton Real Estate Board Tamer Fahmi, Vice-President	72	Friday, November 4, 1994
Canadian Religious Conference — Ontario J. Dillon, Research Co-ordinator	72	Friday, November 4, 1994
Individual Presentation W.P. Baird Robert Byron	72	Friday, November 4, 1994
Board of Trade of Metropolitan Toronto John Bech-Hansen, Deputy Director Don McIver, Chief Economist	72	Friday, November 4, 1994
Ontario Secondary School Teachers' Federation Liz Barkley, President David Eaton, General Secretary Larry French, Director	72	Friday, November 4, 1994
Living Arts Centre in Mississauga Ruth Kitchen, Executive Director	72	Friday, November 4, 1994
2% Solution Network Ross Healy, President, Solvency Analysis Corporation Enrico Sgromo, Solvency Analysis Corporation	72	Friday, November 4, 1994

Associations and Individuals	Issue	Date
Financial Executives Institute of Canada Paulette Kennedy, Chairperson, Tax Committee Tom Gunn, Director, Toronto Chapter	72	Friday, November 4, 1994
Individual Presentation Ron Crawford Tony Crawford	72	Friday, November 4, 1994
Association of Canadian Pension Management Patrick Longhurst, Chairman	72	Friday, November 4, 1994
Information Technology Association of Canada Robert Crow, Vice-President, Policy André Gauthier, Director	72	Friday, November 4, 1994
Canadian Federation for the Humanities Evan Simpson	72	Friday, November 4, 1994
U.I. Work Group Consuelo Rubio, Chair Paul Rapsey, Secretary	72	Friday, November 4, 1994
Ontario Coalition of Senior Citizens' Organizations Dan Benedict, Co-Chair Hank Goldberg, Vice-President	72	Friday, November 4, 1994
Individual Presentation Ron J. LaMarre	72	Friday, November 4, 1994
Social Planning Council of Metropolitan Toronto Peter Clutterbuck, Executive Director Brigitte Kitchen, Board Member, Child Poverty Action Group A. Mitchell, Research Director	72	Friday, November 4, 1994
Native Canadian Centre of Toronto Gayle Mason	72	Friday, November 4, 1994
Canadian Centre for Philanthropy Gordon Floyd	72	Friday, November 4, 1994
Individual Presentation Peter Leigh Bell Ron Cirotto	72	Friday, November 4, 1994
Aboriginal Urban Alliance of Ontario Andrew Rickard Mes, President	72	Friday, November 4, 1994
Firan Foundation Craig Dowhaniuk	72	Friday, November 4, 1994

Associations and Individuals	Issue	Date
Labourers' International Union of North America Joe Mancinelli, Manager	72	Friday, November 4, 1994
Canadian Association of Family Enterprise Gordon Sharwood Llewellyn Smith	72	Friday, November 4, 1994
Steering Committee on Social Assistance Nancy Vander Plaats, Project Staff Person	72	Friday, November 4, 1994
Individual Presentation Kenneth R. Wilson Fred Whitbourn John Andrachuk	72	Friday, November 4, 1994
Hamilton and District Chamber of Commerce John W. Buschhausen, President	72	Friday, November 4, 1994
Aerospace Industries Association Peter R. Smith, President	73	Monday, November 7, 1994
TransAlta Utilities Corporation M.A. Pavey, Chief Financial Officer Gary K. Oickle, Vice-President and Chief Financial Officer, Nova Scotia Power Owen Edmondson, Treasurer, Canadian Utilities Limited Robert Westbury, Vice-President Government Affairs	73	Monday, November 7, 1994
Retirement Savings Alliance Daniel L. McCaw, Principal, William M. Mercer Limited Pierre Caron, Actuary, Wyatt Company Randy Dutka, Partner-in-Charge, KPMG Brian A.P. Fitzgerald, Towers Perrin	73	Monday, November 7, 1994
Individual Presentation Norman Loveland, Tax Lawyer	74	Monday, November 7, 1994
Canadian Manufacturers' Association David L. Burn, Vice-President, Taxation Northern Telecom, Chairman of CMA's Taxation and Financial Policy Committee Jayson Myers, Chief Economist Eric Owen, Director, Taxation and Financial Services	74	Monday, November 7, 1994

Associations and Individuals	Issue	Date
Canadian Film and TV Production Association Sandra MacDonald, President Kevin DeWalt, President	74	Monday, November 7, 1994
University of Toronto Jack Mintz, Associate Dean Faculty of Management	75	Tuesday, November 8, 1994
Automotive Industries Association Dean H. Wilson, President Wayne C. Matheson, Financial Consultant	75	Tuesday, November 8, 1994
Canadian Federation for Humanities J. Craig McNaughton, Executive Director Dale Schlitt, Rector, Saint-Paul University Yolande Grisé, Professor and Director Centre for Research on French Canadian Culture, University of Ottawa Denyse Maxwell, M.A. Student Department of Modern Languages and Literature, University of Ottawa Joanne Wilcox, President Multi-lingual Communication for Management (Manotick)	75	Tuesday, November 8, 1994
Canadian Foundation for Economic Education Gary Rabbior, President J. Laurent Thibault, Co-Chair, Canadian Labour Force Development Board	75	Tuesday, November 8, 1994
Individual Presentation Barbara J. Amsden	75	Tuesday, November 8, 1994
“Conseil canadien de la coopération” M. St-Pierre, President Jean Laflamme, “Responsable du développement” Sylvie St-Pierre Babin, Director General	76	Tuesday, November 8, 1994
William M. Mercer Limited Robert Weinerman Jack Marshall Paul Williams Margaret French Robert Proulx, Associate	76	Tuesday, November 8, 1994

Associations and Individuals	Issue	Date
Canadian Council for International Cooperation John Foster, Member of Board, National Secretary of Oxfam	76	Tuesday, November 8, 1994
National Council of Women Ruth Brown, President May Nickson	76	Tuesday, November 8, 1994
Conference for Advanced Life Underwriting Paul Bourbonnière, President John Humphries, Chairman Gary McLeod, Chairman Bill Strain, Chairman	76	Tuesday, November 8, 1994
Canadian Real Estate Association Gary Schnarr, President Pierre Beauchamp, Executive Vice-President Shirley Taylor, Manager Government/Industry Relations W. Paul McCrossan, Partner, Eckler Partners Ltd.	77	Wednesday, November 9, 1994
Social Science Federation Marshall Conley, Professor of Political Science, Acadia University and SSFC President	77	Wednesday, November 9, 1994
Coalition to Renew Canada's Infrastructure R.B. Erb, President John D. Redfern, Chairman	77	Wednesday, November 9, 1994
Communications, Energy and Paperworkers Union Keith Newman, Director of Research Robert Hatfield, Education Director	77	Wednesday, November 9, 1994
Haughton & Schoenfeld Moses Schoenfeld	77	Wednesday, November 9, 1994
Association of Canadian Distillers Ronald B. Veilleux, President Rick P. Fitzgerald, President and Chief Executive Officer, United Distillers Canada Inc. John D. Ellis, Director, Economic & Policy Analysis	78	Wednesday, November 9, 1994
Biosphere Bond Foundation Ted Cowan, President	78	Wednesday, November 9, 1994

Associations and Individuals	Issue	Date
Individual Presentation Henry Carter	78	Wednesday, November 9, 1994
Canadian Automobile Dealers Association Kenneth Graydon, President Murray Koch, Chairman, Koch Lincoln Mercury Ltd. David Lyng, Director of Finance Huw Williams, Director of Public Affairs	78	Wednesday, November 9, 1994
Canadian Federation of Municipalities Jae Eadie, President, Municipal Finance Committee, Housing and Constitutional Affairs Roger Mareschal, Vice-President Municipal infrastructures Committee Alderman, City of Aylmer Daniel McGregor, Senior Policy Analyst	78	Wednesday, November 9, 1994
Individual Presentation John Crispo, Professor, University of Toronto	78	Wednesday, November 9, 1994
Customs and Excise Union Mansel Legacy, National President Victor Dumesnil, Second National Vice-President Wayne Mercer, Fourth National Vice-President Perry Daschuk, Member of Board of National Council	78	Wednesday, November 9, 1994
Canadian Exporters' Association James Moore, Vice-President on Policy Kenneth C. Lucas, President, Agrodev Canada Inc. Robin Lefebvre, Lette Associates	78	Wednesday, November 9, 1994
Investment Dealers' Association of Canada Robert B. Schultz, President Ian C.W. Russell, Vice-President J. Charles Caty, President	79	Monday, November 14, 1994
Canadian Association of Mutual Insurance Companies Normand Lafrenière, Executive Director	79	Monday, November 14, 1994

Associations and Individuals	Issue	Date
Dairy Farmers of Canada Peter Oosterhoff, President Claude Rivard, First Vice-President Archie MacDonald, Director, Economics and Market Research Rick Phillips, Director of Policy and Government Relations	79	Monday, November 14, 1994
National Union of Public and General Employees James Clancy, National President Larry Brown, National Secretary-Treasurer Bob Dale, Chief Economist	79	Monday, November 14, 1994
University of Toronto Robert Prichard, President	79	Monday, November 14, 1994
Canadian Home Builders' Association Ted Bryk, President Bruce Clemmensen, Clemmensen & Associates Ltd. John K. Kenward, Chief Operating Officer	80	Monday, November 14, 1994
Canadian Chamber of Commerce Sharon Glover, Senior Vice-President Government Relations and Policy Dale Orr, Chairman, Economic Policy Committee	80	Monday, November 14, 1994
Canadian Restaurant and Food Services Association Don Sroka, Chairman of Board Doug Needham, President Michael Ferrabee, Vice-President Government Affairs +	80	Monday, November 14, 1994
Canadian Advisory Council on the Status of Women Glenda P. Simms, President Sarah Bélanger, Research Analyst Tina Head, Legal Analyst Richard Shillington, Economic and Social Policy Consultant	80	Monday, November 14, 1994
Canadian Industry Program for Energy Conservation Bent Larsen, Executive Director Malcolm Rowan, Policy Advisor Peter Torbet, Chairman, CPEC Task Force Council	80	Monday, November 14, 1994

Associations and Individuals	Issue	Date
Canadian Taxpayers Federation Jason T. Kenney, Executive Director (National) Paul Pagnuelo, Executive Director Ontario Taxpayers Federation	80	Monday, November 14, 1994
Canadian Conference of the Arts Keith Kelly, National Director	81	Tuesday, November 15, 1994
Canadian Council on Social Development David Ross, Director Ariella Hostetter, Treasurer, Board of Directors Richard Shillington, Research Associate	81	Tuesday, November 15, 1994
Canadian Institute of Chartered Accountants Salvatore M. Badali Robert J. Spindler	81	Tuesday, November 15, 1994
Employer Committee on Health Care — Ontario Gretchen van Riesen Greta Cusworth Laurie Harley John Silverthorn Vic Clive	81	Tuesday, November 15, 1994
Canadian Institute of Public Real Estate Companies Antony K. Stephens, Member of Executive Committee Donald F. Priddle, Chairman, Economic and Fiscal Policy Committee Ronald A. Daniel, Executive Director	82	Tuesday, November 15, 1994
Canadian Construction Association Don Whitmore, Chairman of Board Michael Atkinson, President Michael Makin, Senior Director of Public Affairs	82	Tuesday, November 15, 1994
Child Poverty Action Group (Social Planning Council, Ottawa-Carleton) Helen Saravanamuttoo, President Ann Clifford, Member of Committee	82	Tuesday, November 15, 1994

Associations and Individuals	Issue	Date
Health Action Lobby Judith A. Oulton, Executive Director Canadian Nurses Association Léo-Paul Landry, Secretary General Canadian Medical Association Rosalie Daly-Todd, Executive Director Canadian Consumers' Association Pierre L.-J. Ritchie, Executive Director Canadian Register of Health Service Providers in Psychology	82	Tuesday, November 15, 1994
Building and Construction Trades Union Guy Dumoulin, Executive Secretary Joe Maloney, Assistant to Executive Secretary Phil Benson, Research Director	82	Tuesday, November 15, 1994
Canadian Labour Congress Robert White, President Andrew Jackson, Senior Economist Social and Economic Policy	83	Wednesday, November 16, 1994
Canadian Dental Association Robert Hicks, Chairman, Taxation Committee Jardine Neilson, Executive Director Bryun Sigfstead, President Daniel Pelland	83	Wednesday, November 16, 1994
Green Shield Canada Wayne T. Banwell, President and Chief Executive Officer Richard R. Walker, Past Chair of Board and Director	83	Wednesday, November 16, 1994
Inuit Tapirisat of Canada Rosemarie Kuptana, President Roger Gruben Vincent Teddy	83	Wednesday, November 16, 1994
Hotel Association of Canada David I. McMillan, Chairman of Board of Directors and Senior Vice-President Commonwealth Hospitality Limited Anthony P. Pollard, President	83	Wednesday, November 16, 1994
National Automobile, Aerospace, Transportation and General Workers Union of Canada (C.A.W.-Canada) Basil "Buzz" Hargrove, National President Jim Stanford, Economist Peggy Nash, Assistant	83	Wednesday, November 16, 1994

Associations and Individuals	Issue	Date
Association of Universities and Colleges of Canada Claude Lajeunesse, President Howard Tennant, Chairman Elect Robert Best, Director, Government Relations and Public Affairs	83	Wednesday, November 16, 1994
National Action Committee on Status of Women Sunera Thobani, President Janet Maher, Member, Social Policy Committee	83	Wednesday, November 16, 1994
Canadian Advanced Technology Association Shirley-Ann George, Executive Director Ottawa Ross Senior, Executive Director B.C. Doug Connell, Partner, Deloitte & Touche Chartered Accountants Peter Reid, Chief Financial Officer Fulcrum Technologies Inc.	84	Thursday, November 17, 1994
Public Service Alliance of Canada Daryl T. Bean, National President Nycole Turmel, Executive Vice-President Susan Giampietri, Executive Vice-President Steve Jelly, Assistant to Alliance Executive Committee	84	Thursday, November 17, 1994
One Voice, Canadian Seniors Network Gisèle Bérubé-Farmer, Board Member and Co-president, Quebec Coalition of Seniors Andrew Aitkens, Director of Research	84	Thursday, November 17, 1994
Coalition of National Voluntary Organizations Joan Howell, Chair Rose Potvin, Executive Director	84	Thursday, November 17, 1994
Canadian Association for Community Living Diane Richler, Executive Vice-President Paulette Berthiaume, President John Bartram, Committee Member	84	Thursday, November 17, 1994

Associations and Individuals	Issue	Date
Pension Investment Association of Canada R. Ian McKinnon, Chairman, Government Relations Committee and Director Pension Management, McGill University Gretchen Van Riesen, Assistant General Manager, Pensions and Benefits Canadian Imperial Bank of Commerce Claude Dalphond, Director of Pensions Montreal Transit Russel Hiscock, Manager of Investments CN Investment Division	85	Thursday, November 17, 1994
University of Toronto Tom Wilson, Professor of Economics	85	Thursday, November 17, 1994
Congress of Aboriginal Peoples Jim Sinclair, National President Daniel R. Ryan, Executive Director Diana Jardine, Director of Justice Consulate	85	Thursday, November 17, 1994
Canadian Co-operative Association Ed Klassen, President Lynden Hillier, Executive Director	85	Thursday, November 17, 1994
RRSP Alliance Léo-Paul Landry, Chair Robert McMechan, Chair of Working Group Marcel Théroux, Consultant deLotbinière Panet, QC, Consultant Dianne Parker-Taillon, Member	85	Thursday, November 17, 1994
Multi-Employer Benefit Plan Council of Canada William Anderson, President James E. Smith, General Executive Board Member, United Brotherhood of Carpenters and Joiners of America Michael Poirier, Coughlin & Associates Ltd. Darrell Brown, Koskie & Minsky	86	Friday, November 18, 1994

Associations and Individuals	Issue	Date
Canadian Life and Health Insurance Association Robert Astley, President and Chief Executive Officer, Mutual Life Assurance Company of Canada John McNeil, Chairman and Chief Executive Officer, Sun Life Assurance Company of Canada Mark Daniels, President, Canadian Life and Health Insurance Association	86	Friday, November 18, 1994
Canadian Association of University Teachers Dr. Alan Andrews, Past President Dr. Donald C. Savage, Executive Director	86	Friday, November 18, 1994
Association of Canadian Community Colleges Terry Anne Boyles, Vice-President National Services John Saso, President, Niagara College of Applied Arts and Technology	86	Friday, November 18, 1994
Canadian Federation of Independent Business John Bulloch, President Catherine Swift, Executive Vice-President Garth Whyte, Director, National Affairs Pierre Cléroux, Vice-President, Quebec	86	Friday, November 18, 1994
National Anti-Poverty Organization Lynne Toupin, Executive Director François Dumaine, Assistant Director	86	Friday, November 18, 1994
Canadian Housing and Renewal Association Judy Forrest, Vice-President Sharon Chisholm, Executive Director	87	Tuesday, November 22, 1994
Canadian Bureau for International Education Jim Fox, President Lorraine Bélisle, Vice-President, Research and Services	87	Tuesday, November 22, 1994
Individual Presentation Vic Perroni	87	Tuesday, November 22, 1994

Associations and Individuals	Issue	Date
Canadian National Institute for the Blind James W. Sanders, National Director Government Relations and International Services	87	Tuesday, November 22, 1994
Kingsway General Insurance Company William G. Star, President	87	Tuesday, November 22, 1994
Project Ploughshares Dan Hayward, Ottawa Representative	88	Tuesday, November 22, 1994
National Association of Friendship Centres Ivan Williams, Executive Vice-President Board of Directors Peter Dubois, Executive Secretary, Board of Directors Sylvia Maracle, Executive Director Ontario Federation of Indian Friendship Centres Marc Maracle, Executive Director	88	Tuesday, November 22, 1994
Canadian Association of Equipment Distributors Nancy Leu, Executive Director Carmon R. Fraser	88	Tuesday, November 22, 1994
Assembly of First Nations Ovide Mercredi, National Chief	89	Wednesday, November 23, 1994
University of Quebec in Montreal Francis Montreuil Léo-Paul Lauzon, Department of Accounting	89	Wednesday, November 23, 1994
Individual Presentation Jan Suurmond	89	Wednesday, November 23, 1994
In Kind Canada Darryl R. Peck, Founding Chairperson	89	Wednesday, November 23, 1994
Individual Presentation Keith Mahar	89	Wednesday, November 23, 1994
Individual Presentation George Vandenberg	90	Thursday, November 24, 1994
Canadian Finance and Leasing Association Gordon M. Thompson, President and Chief Operating Officer	90	Thursday, November 24, 1994

Associations and Individuals	Issue	Date
Retail Task Force Wilfred Posluns, Chairman and C.E.O. Dylex Limited George Kosich, President and C.E.O. Hudson's Bay Company	90	Thursday, November 24, 1994
National Campaign for Action on Tobacco David Mair, Lawyer, Canadian Council on Smoking and Health National David Sweanor, Senior Legal Counsel Non Smokers' Rights Association	90	Thursday, November 24, 1994
Alliance Quebec Margaret Lefebvre, Board of Directors and Chair, Economic Work Group Harold Chorney, Member, Economic Work Group	90	Thursday, November 24, 1994
Tourism Industry Association of Canada John Gow, Chairman Debra Ward, President	91	Thursday, November 24, 1994
Towers Perrin Fred Holmes, Consultant Rob Ruppel, Principal, Health & Welfare Business Leader for Canada	91	Thursday, November 24, 1994
B'Nai Brith Canada Thomas Gussman, Vice-President Rabbi Howard Finkelstein Rubin Friedman, Director of Government Relations	91	Thursday, November 24, 1994
National Association of Women and the Law Martha Jackman, Member	91	Thursday, November 24, 1994
Results Canada Jean-François Tardif Pierre Poulin, President—Hull Group Responsible for External Relations	91	Thursday, November 24, 1994

Associations and Individuals	Issue	Date
National Cancer Institute of Canada Dr. Robert A. Phillips, President Dr. Jacques Cantin, Past President Canadian Cancer Society Dr. James Friesen, Director, Research Institute, Hospital for Sick Children — Toronto Dr. Mark Poznansky, Director, John P. Robarts, Research Institute — London Dr. Antoine Hakim, Member of the Heart and Stroke Foundation of Canada's Health Science Policy Council — Ottawa	91	Thursday, November 24, 1994
Canadian Society of Fund Raising Executives Boyd McBride, Member Ellen Ewert Linda Eagen, Vice-President	91	Thursday, November 24, 1994
Price Waterhouse Robert Brown, Chairman and Senior Partner	92	Tuesday, November 29, 1994
Canadian Tax Foundation David Perry, Senior Research Associate	92	Tuesday, November 29, 1994
Greater Toronto Area Mayors Committee Hazel McCallion, Mayor City of Mississauga	92	Tuesday, November 29, 1994
Canada Trust Alan Wheable, Assistant Vice-President	92	Tuesday, November 29, 1994
Retail Council of Canada Alasdair McKichan, President Peter Woolford, Vice-President, Policy Robert Westlake, Tax Comptroller, Sears Canada Inc.	92	Tuesday, November 29, 1994
Ontario March of Dimes Wade Hampton, Director	92	Tuesday, November 29, 1994
Canadian Museum Association Michel V. Cheff, President John McAvity, Executive Director	92	Tuesday, November 29, 1994
C.D. Howe Institute William Robson, Senior Policy Analyst	93	Tuesday, November 29, 1994
General Motors of Canada Limited Robert Murray, Senior Tax Counsel	93	Tuesday, November 29, 1994

Associations and Individuals	Issue	Date
Minicom Data Corporation Michael Diamond, Chief Executive Officer	93	Tuesday, November 29, 1994
Daily Bread Food Bank Gerard Kennedy, Executive Director	93	Tuesday, November 29, 1994
Caledon Institute Sherri Torjman, Vice-President	93	Tuesday, November 29, 1994
Canadian Manufacturers' Association Jayson Myers, Chief Economist	93	Tuesday, November 29, 1994
Royal Bank of Canada John McCallum, Senior Vice-President and Chief Economist	93	Tuesday, November 29, 1994
Canadian Federation of Labour Jim McCambly, President	93	Tuesday, November 29, 1994
Federal Task Force on Economic Instruments and Disincentives to Sound Environment Management Dr. André Plourde, Chair of the Task Force, and Director of the Department of Economics, University of Ottawa	94	Thursday, December 1, 1994
University of Quebec in Montreal Pierre Fortin	96	Monday, December 5, 1994
Informetrica Ltd. Michael McCracken, Chairman and Chief Executive Officer	96	Monday, December 5, 1994
Nomura Leo de Bever	96	Monday, December 5, 1994
University of Western Ontario David Laidler, Professor	96	Monday, December 5, 1994
University of Toronto Tom Wilson, Professor of Economics	96	Monday, December 5, 1994
C.D. Howe Institute William Robson	96	Monday, December 5, 1994

APPENDIX B

SUBMISSIONS

Ad–Hoc Coalition on Canada's Charitable and Public Interest Sector

Air BC

Albchem Industries Ltd.

Alberta Bible College

Algoma Community Legal Clinic

Allard, Robert

Anishinabek

Ark Industries

Association of Treasurers of Religious Institutes

"Association québecoise des organismes de coopération internationale"

Barron, David

Bateman, M.

Binstock, Mark

Bladen, Philip

Bourgeois, Jean Yves

Boys and Girls Clubs of Ontario

British Columbia Association for Community Living

Burford, Malcolm

Burton, Stewart C.

Busky, Pauline

Cambridge Memorial Hospital Foundation

Canadian Association of the Deaf

Canadian Congress for Learning Opportunities for Women

Canadian Diabetes Association – Ontario Division

Canadian Gift and Tableware Association

Canadian Hardware & Housewares Manufacturers Association

Canadian Horticultural Council

Canadian Mental Health Association – Halifax Branch

Canadian Office Products Association

Canadian Professional Sales Association

Canadian Retail Building Supply Council

Canadian Society of Fund Raising Executives – Nova Scotia Chapter

Canadian Union of Public Employees CUPE

Capital Care Foundation

"Carrefour de solidarité internationale"

"Carrefour des cèdres"

Catikkas, Verena

Centaur Theatre Company

Centre for Women in Business — Mount Saint Vincent University

"Centre québecois de philanthropie inc."

Chimen, John M.

Chrysalis House Association

Chrysomilides, George

Coalition of Seniors for Social Equity

Conference of Mennonites in Canada

"Conseil diocésain de Mont-Laurier – Développement et Paix"

Consumers' Association of Canada

Cooperative Development Foundation

Cornberg, Joel

Crockett, J.M.

Davidson, Robert W., C.A.,

Davy, Bill

Dawson, Evelyn

Dellcrest Children's Centre

DeMeza, Norman

Devai, Edward

Dorosh, G.

Dorothy Ley Hospice

Dowdall, Vernon

Dunlop, M.

"École des hautes études commerciales"

Elliot Lake Palliative Care Program

Fisheries Council of British Columbia

Flindall, Robert

Gaul, John A.

Gdanski, Ronald

Georgian College of Applied Arts and Technology

Grey, Jim

Grossmann-Hensel, Lucie

Halfon, Efraim

Harling, Barbara

Harper, Stanley G.

Harrison, B.

Harrison, Marilyn

Hayward, Daniel

Heart and Stroke Foundation of Ontario

Hebron, George A.

Hemlock Aviation Services

Hinch, Paul

Hospice of All Saints

Hospice of Waterloo Region

Hospice Uxbridge Scugog

Hughes, John D.

Imagine – Edmonton Action Committee

International Association of Machinists and Aerospace Workers

Izaak Waalton Killam – Children's Hospital Foundation

Jackson, Harold

Jenkins, Glenna M., B.A.(Hons.), B.Ed., M.D.E.

Jensen, Jackie

"Jeune Chambre de commerce du Québec métro"

"Jeunes entreprises du Québec inc."

Kaye, John A

Keir, Eric

Learning Disabilities Association of Canada

Learning Disabilities Association of New Brunswick

Learning Disabilities Association of Quebec

Learning Disabilities Association of the Yukon Territory

Loranger, Pierre

Lorden, Peter J.

Lorge Parnas, David

Loyalist College

Luk, Daniel

Lum, Julie and Tom Li

MacDonald, Dettweiler & Associates

MacIsaac, Ralph M.

MacRae, Murdoch

Markham–Stouffville Hospice

McCormick, David H.

McGloin, Patrick

McGrath, Frank

Meloche, L. M.

Mississauga Hospital Foundation

Nanaimo & District Harbourfront Centre

Neptune Theatre

New Dimensions Contractors

Newfoundland and Labrador Hydro

Newyniak, A.

Niagara College Canada

North Saskatoon Business Association

Northumberland Lakeshore Hospice Association

Nova Scotia Advisory Council on the Status of Women

Nova Scotia Provincial Health Council

Nova Scotia Special Olympic Society

Nusgart, Paul

Ontario Arts Council

Ontario Association for Volunteer Administration

Ontario Federation of Agriculture

Ontario Special Olympics Inc.

Orchestra London

Osborne, Dennis

Palen, Wally

Palliative Care Volunteer Program

Parker, Barry F. W.

Peace Area Settlement Services Society for Immigrants (PASS)

Peers, Jim

Peterborough Region Coalition for Social Justice

Potter, Richard B., Q.C.,

Power Plant

Prosure Group

Public Policy Forum on Canada's Finances – Fredericton—York—Sunbury

Quebec Television and Film Producers Association

Ranson, Charles F.

Regional Hospice of Quinte Inc.

Rental Housing Council of B.C.

Rheaume, Earle B.

Ridley College

Ryan, Catherine

Schurman Construction

Shubenacadie Canal Commission

Silberg, S.D.

Skrypka, Russell

Sun Life Assurance Company of Canada

Switzer, Israel

Thomas, Ron

Thornton, Sande B.

Tiedtke, Herman

Tilson, H. M.

Todd, Ruby

Trinity Hospice Toronto

Tuck, Michael

Tweedle, Lloyd S.

United Church of Canada

United Way of Greater Toronto

Urban Development Institute of Canada

Urban Development Institute of Ontario

Urban Development Institute of Quebec

Velji, Azim M., M.D., C.C.F.P.,

Victoria General Hospital Foundation

VON Pembroke Branch

Wall, Wm.E.

Watt, H. J., M.D., F.R.C.P. (C),

Watt, Wm.

West Niagara Palliative Care Services – West Lincoln Memorial Hospital

Whitby General Hospital

Whole World Lottery Guide

Wiltshire, B.

Wingham & Area Palliative Care Services Inc.

WoodGreen Community Centre of Toronto

Word of Life Church

World Vision Canada

Wrathell, Malcolm

Yarmouth Association for Community Residential Options

Yee, Ernest

Youakim, P. R.

YWCA of Canada

A copy of the relevant Minutes of Proceedings and Evidence (Issues Nos. 53, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 96, and 97 which includes this Report) is tabled.

Respectfully submitted,

JIM PETERSON,
Chair.

Dissenting Opinion of the Bloc Québécois Members of the Committee

1– Canada's public finances

1.1 Canada's public finances: among the unhealthiest in the western world

The pre-budget consultations are taking place in a difficult financial context. Canada's public debt is, with that of Italy and of Belgium, the largest of all the members of the OECD (15 countries, including the G-7; in other words, countries for which data are available). The net public debt of all Canadian governments (relative to GDP and according to the National Accounts) is 54% higher than that of the OECD countries overall. These are symptoms of a serious problem with chronic deficits. In 1994 the OECD anticipates that the deficits of Canada's various governments (in relation to GDP) will still be 49% higher than that of the G-7 countries overall, and more than double that of the United States.

Looking at these trends we can only conclude that the situation of Canada's public finances is explosive. For too long our governments have with impunity accumulated deficits, year after year, indifferent to the consequences. From 1985 to 1993, the net debt (as a proportion of GDP) of the OECD members' governments went up by 22% while Canada's went up by 77%. The savings of all Quebeckers and all Canadians are not enough to fill this financial sink-hole. Our governments must borrow money abroad. Relatively speaking, Canada has the highest foreign debt of any industrialized nation. If we do not take appropriate corrective action at once, our children and our children's children will still be paying off our foreign debt.

Canada's repeated, chronic and massive deficits create a strong demand for capital. This demand keeps interest rates permanently inflated. Generally speaking, the more a country owes, the higher its interest rates. **These higher rates are helping to curb investment and hamstring job creation. Only a budget policy aimed at vigorously bringing the deficit down can eliminate the higher rates made necessary to counterbalance the risk posed by the deplorable state of Canada's public finances.**

Canadian taxpayers can no longer be counted on to pay the tab. They are increasingly evading the taxation system. The Minister of Finance himself said on November 26 that the value of the underground economy was well above $38 billion (5% of GDP), or the equivalent of $1,500 per capita. In his most recent report (1994), the Auditor General says that delinquent accounts are increasingly common and now represent $6.6 billion in the case of income tax and more than $1 billion in the case of the GST. In fact, the value of delinquent accounts is growing faster than total revenues from income tax. **To restore taxpayer confidence, the government must stop increasing the tax burden on the middle class and the poor. It must completely revise its taxation system to eliminate the inequities posed by loopholes available to wealthy taxpayers and big corporations.**

1.2 Why are Canada's public finances in this deplorable state?

The Liberals' report fails entirely to analyze the real causes of the federal deficit. It reduces the problem of public finance to a simple technical and mathematical question instead of identifying the underlying causes. Because it ignores these causes, its recommendations are ineffectual.

The deficit arises from two factors. One is that the Canadian economy is not performing at full capacity and the other consists of structural problems. According to the Department of Finance's own figures, in 1993 80% of the federal deficit was linked to structural problems and had nothing to do with the current economic downturn. To put it bluntly, even if the economy were performing at full capacity, which is far from the case, the federal government's deficit would be more than $30 billion. These structural problems are mirrored in the unemployment rate. The Department of Finance estimates that rate at 8.5%, and according to a recent OECD study Canada is in the group of countries that have glaring problems with structural unemployment.

We consider that the structural problems evident in Canada and in Quebec are linked to the fact that our institutions, within the federal system, do not have the flexibility required to adapt to the demands of international competitiveness. According to the most recent World Competitiveness Report, Canada fell from being the 4th-most competitive country in the OECD in 1989 to the 11th-most in 1993 and the 14th-most in 1994. The Report attributes this decline in part to the fact that government policies are slow to adapt to new economic realities and in part to the weakness of manpower and research and development policies. For example, the government of Quebec, which in the view of all concerned is in the best position to formulate employment policies, has no opportunity in the federal system of implementing an integrated manpower policy.

The federal government persists in interfering in areas of provincial jurisdiction, thereby multiplying expensive overlap and duplication. Ottawa's encroachment results in contradictory policies and rigidities that cost the taxpayers and the unemployed dearly. Lastly, the structural deficit is also tied to the ponderousness and bloatedness of the federal government machinery.

The Department of Finance estimates that the current economic situation is responsible for 20% of the total deficit. This figure is based on the fact that the Canadian economy is performing at 6.1% of GDP, below capacity. Inflationary pressures are thus very weak. The under-utilization of resources is to a great extent a reflection of the Bank of Canada's dogmatic anti-inflation monetary policy, which was so bitterly criticized by the Liberals as long as they were in opposition. Now that they form the government they have endorsed the policy holus bolus. But we should not forget that the Bank of Canada's restrictive policy explains why Canada went into recession before the United States did and why it is recovering so much less rapidly.

Since the start of the year, inflation has been very low. In October the rate was negative in terms of the consumer price index: less than 0.2%. If we exclude tobacco products (to allow for the elimination of tobacco taxes) it stood at 1.3%. In the United States, where the economy is performing virtually to capacity, the inflation rate is 2.6%. This inflation differential between Canada and the United States is increasing the gap between real American and Canadian interest rates.

2– The Liberals' anti-deficit plan: stalling and smokescreens

2.1 The Liberals have wasted a year

On October 17 and 18, the Minister of Finance appeared before the Finance Committee to table his Purple and Grey Papers. The Bloc Québécois deplores the fact that it took the Minister a year to realize the extent of the disaster in Canada's public finances. His first budget was a complete waste of time. Instead of taking urgent measures to correct the situation, the Liberal government chose to bring down a budget forecasting a deficit of $39.7 billion. The Minister himself concedes that without policy changes the deficit would have been $41.2 billion.

The Minister boasts of achieving his budget objective for this year, when he is in fact relying on a surplus in the Unemployment Insurance Account to do so. At the financial level, Ottawa has for the past four years been acting solely as a lender to the Account. Its deficits and surpluses have always had a direct effect on the federal government's budgetary balance. A deficit in the Account increases the government's deficit while a surplus diminishes it. As the Auditor General notes in his most recent report, the impact of the Account's balance on the deficit can guide the decisions the government makes as the Account's manager: "In the short term, this interaction " (between the Account balance and the federal deficit) "can influence the management of unemployment insurance" (p. 6-55). The government thus has all the latitude it needs to base its deficit reduction objectives on a reduction in unemployment insurance benefits, when in fact its only role is that of a lender.

The Bloc Québécois regards this interaction between the federal deficit and the Unemployment Insurance Account balance as unacceptable. A report from the Canadian Institute of Actuaries recommends that the government re-examine the accounting conventions used for the Account: "A deficit in unemployment insurance could be entered as an account receivable on the government's books, and in this way the results of the Unemployment Insurance Program would have no influence on the government's deficit. Any unemployment insurance deficit is automatically and entirely repaid by employers and workers." In support of its recommendation the CIA adds, "Since the Unemployment Insurance Program is self-financing, the current mechanism falsifies the government's accounts." (Canadian Institute of Actuaries, *Task Force on Unemployment Insurance*, p. 21)

The Unemployment Insurance Account balance has a major effect on the federal deficit. In 1993, the Account posted a deficit of $1.2 billion. The 1993-94 federal deficit was thus increased by $1.2 billion because of the loan the government made to the Account during that fiscal year. For 1994-95, the government anticipates a surplus in the Account of $2.7 billion, which will reduce the federal deficit by a roughly equivalent amount. (These figures are approximate, because the Account works on a calendar year rather than the government's fiscal year.) If we exclude the Account's effect on the deficit, the latter goes from $41 billion to $42 billion between 1993-94 and 1994-95.

The Bloc Québécois therefore recommends:

- **that the government take steps so that the Unemployment Insurance Account no longer has an impact on the federal deficit.**

2.2 The budget projections for 1995-96 and 1996-97: getting out of hand

Scarcely three months after the first Liberal budget, serious studies, including one by the C.D. Howe Institute, demonstrated that the current Finance Minister's budget plan was incapable of meeting its objective of reducing the deficit to $32.7 billion in 1995-96 and $25 billion in 1996-97. The Minister acknowledged this truth only in October 1994. And yet, on page 9 of his Grey Paper, he himself concedes, "If it is discovered close to the target deadline that the deficit is well above the objective, there may be insufficient time for corrective measures to take effect."

The report by the Liberal majority on the Committee estimates that over the next two years a further $9.9 billion will have to be cut to achieve the government's budgetary objectives. Spending is getting out of hand because for several months interest rates have been much higher than allowed for in the budget, and this is helping to drive up the cost of financing the debt and to slow down economic growth and thus government revenues. Not only has the Minister been slow to act, he underestimated the hike in American interest rates caused by the intervention of the American Federal Reserve Bank, which feared a resurgence of inflation.

The government's objective is a reduction of the deficit to 3% of GDP by 1996-97 and ultimately its complete elimination. **The Liberals' report, on the pretext of favouring short-term budgetary objectives, contains not a single recommendation on what would be an appropriate target date for eliminating the deficit. To convince Quebeckers and Canadians that he is really serious, the Minister of Finance must, starting with his 1995 budget, set forth clearly how he expects to achieve his 1996-97 budgetary objectives, and when and how he proposes to eliminate the deficit.**

3- The Liberal recommendations: blind cuts and lack of vision

3.1 The Liberals' budget plan depends on cuts to social programs

The main objective of the reform proposed by the Minister of Human Resources Development is to cut billions of dollars from social programs. In the Axworthy Green Paper are the words, "If further measures are needed to meet the target of deficit reduction, they will be included in the 1995 Budget." When he appeared before the Finance Committee on October 17, 1994, the Minister of Finance refused to deny the allegations that had appeared in the Toronto *Star* on October 5, to the effect that there would be additional cuts of some $7.5 billion in Canada's social programs. These cuts would be over and above the $7.5 billion announced in the last budget. We now know the reasons for the Minister's refusal, because the Liberals' report says, **"The Human Resources Development Committee is currently reviewing some $38.7 billion of social program expenditures. Without in any way wishing to dictate the outcome of their deliberations, for purposes of our deficit reduction measures the Committee has assumed cuts to these programs over the next two years of 9%, or $3.4 billion."**

This recommendation by the Liberal majority on the Finance Committee confirms the mean-spirited aim of the Axworthy reform: blithe cuts in the only means of support available to the unemployed, those on social assistance, students. The Liberals at the same time take cynicism to its extreme by asserting, "The Committee was particularly sensitive to the needs of the most vulnerable Canadians."

3.2 Manpower training and structural unemployment ignored

The absence of any real vocational training policy is to a great extent responsible for the high rate of structural unemployment in Canada, which the Department of Finance itself sets at 8.5%. It is impossible to eliminate the deficit without an integrated manpower policy to reduce structural unemployment, improve the economy's capacity and boost government revenues.

The Liberals want to coast on the strength of the economic recovery (for which they can take no credit at all) when what is really needed is an attack on structural unemployment so that government revenues can be given a lasting boost. The fight against structural unemployment demands that labour market needs and manpower needs be more closely matched. A recent OECD study states that the industrialized countries must improve the qualifications and training of their labour forces if the latter are to adapt to the highly specialized jobs that must be filled for the industrialized countries to continue to grow. Growth will in its turn reduce the deficit.

While all the stakeholders in Quebec endorse this analysis and the need for an integrated manpower policy, the federal government doggedly insists on centralizing, imposing national standards and multiplying expensive duplication. In a recent study, the OECD spelled out the need to adapt anti-unemployment policies to the specific needs of each country. The desire of Quebec stakeholders to have the powers relating to manpower policy-making transferred to Quebec fits into this OECD recommendation. How can a collaborative and effective manpower training policy be encouraged when two governments are both simultaneously defining different standards and ways of doing things? The Liberals' report leaves out this whole analysis, despite many representations made in the course of the Committee's proceedings.

3.3 Cuts to transfer payments to the provinces

When the February 1994 budget was tabled, the Minister of Finance set some of the budget parameters for the Axworthy reform by cutting $2 billion from transfer payments to the provinces. We now know that the reform of social programs is aimed at cutting the component of cash transfer payments that are paid to the provinces in order to fund part of their postsecondary education expenditures. The consequences of such a measure are devastating. Based on the 1994-95 year, Quebec alone would lose $324 million. **Elsewhere, the federal government would also attack Quebec's special abatement, a measure that would increase Quebec's shortfall from $324 million to $721 million. Quebec's special abatement is a transfer of income tax points, the result of several agreements that go back to Jean Lesage's government. For Quebec, an attack on this transfer of income tax points means abandoning years of battling for Quebec's tax independence.**

Under the Axworthy reform, the provinces that receive less money from the federal government would have to make cuts to university and college education programs, increase income taxes, or increase tuition fees. None of these options is acceptable. Limiting access to university will not stimulate learning, as Minister Axworthy claims.

On page 33, the Minister of Finance's Grey Paper states that, as part of the pre-budget consultations, all Canadians are being invited to answer the question, "Are there fiscal actions the federal government could take which would create scope for provincial governments to reduce their deficits as well?" **The best way for the federal government to avoid increasing the provinces' deficits is not make additional cuts to their transfer payments. The Liberal MPs on the Finance Committee do not seem to have understood this point, since they are proposing $3.4 billion in cuts to social programs, including transfer payments to the provinces, which are used to fund social assistance and education expenditures.**

The Minister of Finance must assume his responsibilities and not transfer the burden of the federal government's budget problems onto the backs of the provinces. He must make a commitment not to resort to cuts (whether in the form of a nominal freeze or a nominal cut, since either one results in a real cut if inflation is taken into account) in transfer payments to the provinces—with no compensation—in order to reach his budget objectives for the 1995-96, 1996-97 and following years. **The Bloc Québécois is simply asking the Minister of Finance to respect the Prime Minister's election promise concerning possible cuts to transfer payments to the provinces: "What we said in our platform, we said we don't intend to reduce the transfer payments. What I said in the program—and I intend to keep my word—is we don't intend to cut further."**

The Minister of Finance already violated that promise in his most recent budget by making cuts—in real terms—to transfer payments to the provinces. These cuts could mean that the credit ratings of several provincial governments will be lowered. As a result, as well as directly reducing provincial government revenue, these cuts could increase expenditures for servicing provincial governments' debts.

4. The Liberal vision of government operating expenditures

The Liberals feel that the only way to make substantial savings in government operating costs is to eliminate programs. The Grey Paper's comments on this subject are striking: on page 38, it states, "Significant operating cost reductions cannot be achieved if all of the current programs continue to be supported." According to this philosophy, when the Liberals propose reducing operating expenditures, they implicitly propose eliminating some government programs. Their report is strangely silent on this subject. Nowhere is there any indication of what programs would be targeted.

The Bloc Québécois considers that is possible to make substantial savings in government operating expenditures and still maintain equivalent services, particularly by eliminating duplication of services among the various governments and eliminating waste and poor management.

Lastly, aside from reiterating their proposal for a national sales tax, which would be a frontal attack on the provinces' tax independence, the Liberals make no concrete proposals aimed at eliminating duplication. Section 6 of this report presents the BQ's recommendation in this regard.

5. Door opened to an across-the-board income tax increase

Having wasted one year in battling the deficit, and now claiming that they may lack time, the Liberals state in their report that the measures they are proposing may not be enough to reach the goal of reducing the deficit to 3% of the GDP by fiscal 1996-97. As a result, the Liberals claim that "[. . .] the government should consider the following contingency measure—a Deficit Reduction Surtax. [. . .] The Deficit Reduction Surtax would be a single-rate levy on all business and personal income."

Quebec and Canadian citizens may well pay for the laxist approach demonstrated by the Finance Minister for an entire year. In fact, the Liberals are preparing the ground for a possible across-the-board increase in income taxes for Quebec and Canadian citizens—rich or poor—despite the Prime Minister's election promise not to do so.

The Liberals stress the temporary nature of such a possible measure. In the past, however, taxpayers have rarely seen a temporary tax increase. We are right to recall the example of income tax, introduced during World War I.

6. Liberals increase tax burden on the middle class

In their report, the Liberals want to make people believe that they are trying to reduce, or are avoiding increasing, the tax burden on the middle class. In a cosmetic statement, they even claim to offer, for each additional dollar in income taxes, over $7 in cuts to expenditures. They also state that they want to lighten the tax burden on middle-class taxpayers by $500 million. The Bloc Québécois denounces this deception, whose purpose is to mislead the public. Here is a list of the measures the Liberals are considering that will target the middle class.

– Tax on gasoline (1.5 cents per litre): Objective $500 million annually

The tax on gasoline is a regressive tax, aimed solely at making money fast for the government. The Liberals have a short memory and do not seem to have understood that excessive taxation of certain products encourages smugglers and consumers to make greater use of the underground economy. A fresh increase in the price of gasoline will only enhance the attractiveness of this product in the view of existing smuggling networks.

– Retirement plans (RRSPs and registered plans): Objective unknown

The possibility being considered by the Department of Finance of breaking into retirement funds, by taxing the amounts taxpayers have accumulated, worries a great many people. Despite the numerous presentations and demonstrations made by many different witnesses, the Liberals refuse to eliminate this possibility and are content to define principles that would form a framework for a possible tax measure of this nature.

In the opinion of the Bloc Québécois, such a tax, which targets many middle-class savers, is simply unacceptable. The low level of savings by Canadians is also a significant problem and, at a time when Statistics Canada tells us that the level of personal savings is at its lowest in 23 years, any measure aimed at discouraging individuals from carefully preparing for their retirement by means of RRSPs is irresponsible.

– Pensions: Objective unknown

Here again, the Liberals are deliberately leaving the door open to reducing or recovering Old Age Security pensions, the Guaranteed Income Supplement, and the Age Tax Credit. By defining only guidelines for possible changes, the Liberals are leaving a client group, which deserves to be spared budget cuts, in an unacceptable state of doubt.

The Bloc Québécois is opposed to cuts affecting senior citizens who have contributed much in the past to the development of Quebec and Canada. The Bloc Québécois also rejects the principle set out in the report that seeks to link benefits to family income.

– Employer-paid insurance plans: Objective unknown

The Liberals are keeping a watchful eye on taxing employer-paid benefits, particularly for dental and medical insurance, as a source of income. Here again, this is a measure aimed simply at increasing federal government revenue. The Liberals may talk about prudence, but it is clear that the Department of Finance fully intends to increase revenue by means of this measure.

This series of measures, combined with the so-called temporary across-the-board increase in income taxes being considered by the Liberals, demonstrates the Liberals' desire to seek more revenue in order to reach their financial goals. The operation intended to make citizens believe that for each additional dollar in income taxes, over $7 in cuts to expenditures will be made, is no more than a deceptive cosmetic claim. By avoiding putting figures to certain recommendations—while noting that their purpose is to increase government revenu—the Liberals are leaving the Minister full room to manoeuvre and thus showing a lack of courage and consideration in defending the interests of middle-class taxpayers.

7. Other unacceptable Liberal proposals

The Bloc Québécois criticizes the casualness and lack of judgment shown by the Liberal members in their recommendation aimed at reducing the budget allocated to international assistance by 10%, at the very time the Liberal MPs on the Special Joint Committee reviewing Canadian Foreign Policy are recommending that these budgets be maintained at the very least. Canada must recognize its obligations to the poorest countries, particularly since, in the mid-term, our own economic growth depends in part on improvement in the quality of life of three-quarters of the world's population.

Elsewhere, the Bloc Québécois criticizes the same arbitrariness that motivates the Liberals where measures applicable to Crown corporations are concerned. The Liberals propose reducing expenditures on Crown corporations by 11%, without specifying the nature of these reductions or the Crown corporations to which they might apply.

Lastly, the Bloc Québécois cannot comment on the measure proposed in the majority report to reduce subsidies under the "Other Subsidies" heading by 10%. The Liberal members of the Committee proved to be unable to define the nature of the subsidies in this category, or justify the level of reduction, and were still less able to identify which of these subsidies were the subject of this measure. The Bloc Québécois is angered by such a cynical attitude and by the arbitrariness that motivated these Liberal recommendations.

The Liberal MPs on the Finance Committee propose taxing all annual lottery and casino winnings over $500. The purpose of this measure would be to generate $200 million in additional revenue. The Bloc Québécois is opposed to such a measure, which is no more than another way of shovelling the deficit into the provinces' backyards. In Quebec, for example, this proposal would greatly reduce Loto-Québec and casino revenue, which would affect Quebec government revenue. In addition, this measure would prove to be costly and hard to implement and enforce.

8. The Bloc Québécois's 10 proposals

In light of the unacceptable nature of the Liberal budget strategy, based on billions of dollars in cuts to transfer payments to the provinces and to social programs, and on a possible across-the-board income tax increase, the Bloc Québécois makes 10 proposals to fight the deficit that also attack tax inequities.

– The Bloc Québécois considers that the federal deficit cannot be substantially reduced without a job creation policy that attacks structural unemployment. This policy, if it is to be effective, must ensure that there is co-operation among the unions, business, the government closest to workers and businesses, and the education sector, along with a better-run labour market. Labour training will have to be improved if it is to be better adapted to facing the new economy and international competition. It is widely acknowledged, particularly in Quebec, that the provincial governments are in a better position to effectively be responsible for policies affecting the labour market.

Therefore, the Bloc Québécois recommendations:

Recommendation 1:

that the federal government withdraw completely, providing compensation in areas of provincial jurisdiction. This proposal has two objectives. Firstly, it is aimed at putting an end to contradictory polices and allowing the provinces to develop integrated occupational training, education and job creation policies that are adapted to their specific needs. Secondly, this proposal allows provincial and federal governments to reduce their operating expenditures by eliminating some costly overlap and duplication of services and programs. In Quebec alone, the costs of duplication and overlap exceed $3 billion.

– On page 33, the Grey Paper recently tabled by the Minister of Finance states that, as part of the pre-budget consultation by the Finance Committee, all Canadians are being invited to answer the following question;

"What can or should be done to define the role of each level of government more clearly in order to address the issue of overlap of government services?"

The Bloc Québécois considers that any initiative to eliminate duplication is doomed to failure unless it proposes that the federal government withdraw completely from areas of provincial jurisdiction such as social assistance, education, occupational training, and health. Since Quebec citizens and those of other provinces pay income and other taxes to the federal government, it goes without saying that, in exchange for this withdrawal, the federal government will have to pay fair compensation to the provincial governments.

Therefore, the Bloc Québécois, now supported by the Government of Quebec, recommends:

Recommendation 2:

For each of the provinces separately, elimination of the GST and the transfer of this tax area to provinces wishing to have it, in exchange for fair compensation to the provinces, as was proposed in the Bloc Québécois minority report tabled in June 1994.

The Bloc Québécois prefers to use these methods in order to make substantial reductions in the sums earmarked for government operations, and does not suggest, as the Liberals do, that vague and irrational cuts should be made in the operating budget through the elimination of a number of government programs.

On this issue, the Bloc Québécois has nothing against reforms that would increase the efficiency of social programs – reforms that would reduce the administrative costs of social programs without reducing benefits. However, Bloc Québécois MPs are strongly opposed to the Axworthy reform package, with its primary objective of cutting out billions of dollars to the detriment of the poor and of centralizing even more power with the federal government.

The Bloc Québécois is proposing four rationalization measures that are designed to improve the management of public finances and reduce government spending.

– Regarding assistance to businesses, government intervention must yield to the undisputed fact of international competitiveness. Assistance to business must promote its development and access to the international marketplace. The Bloc Québécois is of the view that a substantial share of the $3.3 billion awarded in subsidies to business perpetuates an unhealthy dependency that is detrimental to the competitiveness of business. The subsidies make no contribution to the creation of wealth and, since more often than not they are discretionary, they should be eliminated. Liberal MPs on the Committee suggest cutting business subsidies by 36 per cent over the next two years. The Bloc Québécois feels that deeper cuts could be made as early as 1995-1996.

Therefore, the Bloc Québécois recommends:

Recommendation 3:

that most business subsidies – the ones considered unproductive and uncompetitive – be eliminated by 1995-1996.

– Liberal members on the Committee have suggested reducing Defence expenditures by $600 million over the next two years. These cuts are unquestionably inadequate. We recommend cuts of $1.6 million per year over two years, for a total expenditure reduction of $3.2 million.

Therefore, the Bloc Québécois recommends:

Recommendation 4:

that additional cuts of at least $1.6 million per year be made in the Defence budget. These cuts, in addition to those in the last budget, are consistent with our conviction that military spending should be cut by 25 per cent.

Since only 17.4 per cent of National Defence spending goes to Quebec, the Bloc Québécois demands that cuts be made in a manner that ensures that at the end of the line 25 per cent of National Defence spending will go to Quebec.

– In the opinion of most energy experts, the Hibernia project will never be profitable. In its most recent supplementary estimates, the federal government earmarked an additional $26 million in funding for Hibernia.

Therefore, the Bloc Québécois recommends:

Recommendation 5:

> **that the government withdraw immediately from the Hibernia project, or billions of dollars will be swallowed up.**

The Bloc Québécois is also proposing four measures that will have an impact on government earnings.

We recommend that the government proceed with a complete overhaul of the tax system that is based on the following two principles: 1) new tax measures must not increase the tax burden of the poor, the middle class, or SMEs, and 2) they must eliminate the tax loopholes that are of benefit to high-income taxpayers and big business.

– A number of tax experts who appeared before the Committee indicated that deferring the taxation of capital gains in family trusts resulted in an annual shortfall of hundreds of millions of dollars for the federal government. Recent studies, along with figures published by the Department of National Revenue, also discuss the scale of tax earnings the Canadian government is foregoing.

Therefore, the Bloc Québécois recommends:

Recommendation 6:

> **the elimination of undue privileges for family trusts that are used by rich Canadian families. The government must repeal the provisions that allow the taxation of capital gains earned in family trusts to be deferred until the death of the last beneficiary of the trust. The Bloc Québécois will table a more comprehensive report on this issue shortly.**

– According to a recent study by the accounting firm Samson Bélair, Canada is still considered one of 16 recognized tax havens under tax treaties designed to preclude double taxation of the profits of corporations doing business in two countries. According to this study, and according to the Auditor General, the existence of tax treaties with these countries makes it possible for hundreds of millions of dollars to elude the Canadian tax department.

Therefore, the Bloc Québécois recommends:

Recommendation 7:

> **that the government review all tax treaties entered into with countries considered tax havens and eliminate the possibility that some treaties do in fact constitute tax loopholes that allow hundreds of millions of dollars to evade taxation.**

– In the document entitled *Information for Decision-making*, published in October, the Minister of Finance acknowledged that there are profitable corporations that do not pay any income tax. The document states, "In cases where profitable corporations do not pay income tax, the main reason is the carry-over of losses from previous years." The Bloc Québécois is not questioning the right of such corporations to carry over losses suffered in previous years, but we feel that this provision should not mean that profitable corporations do not pay a cent of what they owe in income tax to Revenue Canada.

Therefore, the Bloc Québécois recommends:

Recommendation 8:

> **that the government institute a true minimum tax on the annual profits of profitable corporations. The sole purpose of the tax would be to ensure that all profitable corporations pay a minimum of income tax and thereby make a contribution to the funding of government services.**

– In his most recent Annual Report, the Auditor General stated, "Despite improvements to Revenue Canada's collection operations over the years, key deficiencies remain." The Minister of Finance, in an interview granted to *La Presse* on November 26, 1994, described the new administrative procedures intended to improve tax collection by his colleague the Minister of National Revenue as a "modest solution". Other measures are required. The Liberals' report says, "Enhanced efforts need to be made to collect the $6.6 billion in due but uncollected taxes, with a target of at least $1 billion in the next two fiscal years." The Bloc Québécois is of the view that the government must ask more of the Department of National Revenue. The Department should implement the Auditor General's recommendations, with the objective of collecting the taxes that are still recoverable over the next two years.

The Auditor General recommends that the government learn from the private sector and adopt some of the methods private companies use to collect unpaid taxes. Since 25 per cent of overdue accounts make up 82 per cent of overdue tax, and the longer we wait before collecting the tax, the lower the chances that we will ever be able to (see the Auditor General's 1994 Report), the government must immediately set up an accelerated collection system for large accounts instead of focussing on the collection of small amounts.

Therefore, the Bloc Québécois recommends:

Recommendation 9:

> **that the government implement the recommendations of the Auditor General aimed at collecting the portion of the $6.6 billion in unpaid taxes that is still recoverable (83 per cent of the total, according to the Auditor General).**

– When the economy is not performing at its peak potential, monetary policy can stimulate growth by lowering real short-term interest rates and this will not be inflationary. During the federal election campaign, the Parliamentary Secretary for International Financial Institutions said, "It would take several years of 5 per cent to 6 per cent annual growth before inflation levels begin to rise significantly." In a recent study (August 1994), economist Pierre Fortin recommended that the government use the monetary policy to stimulate economic growth. According to Mr. Fortin, the government could do so without causing a significant acceleration of inflation. He wrote, "Then, in 1996, it will become apparent that there is still plenty of general economic slack for the economy to grow faster than its potential for two or three years, as the average opinion of business and academic economists present at this Conference has indicated." He went on to say, "The Bank [of Canada] itself may therefore consider in 1996 that there is still room for more non-inflationary growth to take place."

Meanwhile, obsessed by inflation, the Governor of the Bank of Canada, appointed by the federal government and John Crow's former right-hand man, is continuing with the upward trend in real short-term interest rates and the same dogmatic monetary policy as the one that was in force during the Conservative's reign. However, the Liberal's stated in their Red Book, "The Conservative's single-minded fight against inflation resulted in a deep recession, three years without growth, declining incomes [and] skyrocketing unemployment". Now that they are in power, the Liberals have made absolutely no change to the monetary policy. Moreover, the Bank of Canada is trying to justify tightening the monetary policy, and considers that Canada's economy is much closer to its full potential – and inflationary pressures are stronger – than most economists believe. In fact, economists are saying in general that the economy is operating below its potential by 8 per cent of GDP; the Bank of Canada sets that figure at 4 per cent.

Therefore, the Bloc Québécois recommends:

Recommendation 10:

that when inflation is almost non-existent and Canada's economy is not performing at its full potential, as is currently the case, the Bank of Canada must relax the monetary policy and promote economic recovery. Over the short term, the policy should focus on the elimination of cyclical unemployment by reducing real short-term interest rates. This would make it possible to eliminate the federal government's deficit. We must, however, be aware of the limitations of the monetary policy. For example, it has little effect on long-term interest rates. Only an in-depth consolidation can help bring down long-term interest rates. To prevent financial markets from taking a negative view of the more flexible monetary policy, it must be accompanied by a reduction in government spending. If the short-term easing of the monetary policy were accompanied by decreased spending and a reduction in the deficit, there is no reason to believe that the more flexible policy would result in higher long-term interest rates, as the Liberals claim. This is one of the reasons underlying five recommendations on spending cuts by the Bloc Québécois.

Pierre Brien, MP, Témiscamingue
Yvan Loubier, MP, St-Hyacinthe—Bagot
Louis Plamondon, MP, Richelieu

Ottawa, December 7, 1994

Reform Minority Report

On November 24, the Reform Party's two finance critics made a presentation to the Finance Committee in which they proposed an alternative to the government's present fiscal plan. This alternative proposal recommended eliminating the deficit by 1998, and outlined $10 billion dollars worth of specific expenditure reductions.

The proposal also emphasized that further tax increases are simply not an option. Therefore we recommended to the committee that the deficit be eliminated entirely through expenditure reductions.

This presentation will constitute the heart of our Minority Report. However, we have been provided an opportunity to review the Majority Report. In response, we would like to add the following remarks:

- ***Interest Rate Assumptions***

The Majority Report expresses doubt as to the acceptability of the Finance Minister's prudent interest rate forecasts.[1] In light of recent interest rate hikes in the United States, and due to a number of convincing presentations made over the final week of hearings, the Reform Party has come to share this concern. **We fully support the committee's recommendation to use more conservative interest rate projections.**

Reform recognizes that its pre-budget presentation did, in fact, base its calculations on this same prudent scenario that is now being questioned. Thus, it is possible that our Zero in Three deficit elimination plan could be thrown off track by higher than anticipated interest rates. However, our commitment to eliminating the deficit in three years remains firm. **Reform is prepared to make any additional expenditure reductions that are required to preserve the integrity of our Zero in Three Plan.**

- ***Tax Increases***

The Reform Party's position with respect to taxation has not changed. We believe that Canadians are already overtaxed, and that the only long-term solution to our deficit problem is to reduce expenditures. **The Reform Party is disappointed by the Committee's recommendation to increase the tax burden on Canadians by a further $1.14 billion dollars.**

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1 As outlined in Scenario 2 of *Creating a Healthy Fiscal Climate: The Economic and Fiscal Update*, p. 24.

- ***Expenditure Reductions***

The Majority Report recommends expenditure reductions totalling $8.75 billion dollars over the next two years. While we believe that these cuts are not adequate, we do wish to acknowledge the government members' courage in identifying where these reductions should come from.

While the government members ignored our recommendations in a number of areas, there are a number of other areas where the Majority Report has proposed cuts which mirror those set out in our pre-budget presentation. In one area, the committee actually went beyond our proposals by **recommending an additional $600 million dollars in Defence savings. The Reform Party is encouraged by this recommendation, and will support it provided that it is does not threaten the integrity of Canada's defence needs.**

- ***Final Observations***

The Reform Party has been consistent, vocal and strident in its opposition to the government's present fiscal agenda. We stated last February that the government's first budget does not do enough to restore balance to the nation's finances. Unfortunately, the government has consistently rejected our advice and has chosen to maintain its present listless approach to deficit reduction – one that will add another $97 billion dollars to the stock of federal debt over the first three years of the government's mandate. It was, and still is, our contention that if stronger action is not taken to eliminate the deficit within the life of this Parliament, then the prospects of a genuine fiscal crisis will increase exponentially (not unlike the manner in which interest is currently accumulating on our debt).

As the pre-budget consultations unfolded, we in the Reform Party became increasingly worried that the lack of specific deficit-reduction proposals being presented to the Finance Committee could be used to legitimate virtually any policy decisions taken by the government – effectively, the consultation process would provide the Minister of Finance with a blank cheque, which he could fill out and cash next February.

The Reform Party became convinced that if we were to have a legitimate voice in deciding what should or should not be included in the next budget, then we would have to propose a credible alternative to the government's present fiscal policy. This is what we did in our November 24th presentation.

In the week since we made this presentation, our position has not changed. We remain as convinced as ever that the government's deficit-reduction targets remain weak and are insufficient to deal with the looming fiscal crisis facing this nation. It is for these reasons that we cannot agree to sign the Majority Report.

A Contribution to the Pre-Budget Consultations for the 1995-96 Fiscal Year by the Reform Caucus:

The Reform Program Review

Presented to the Standing Committee on Finance on November 24 by Ray Speaker, Herb Grubel and Jim Abbott

EXECUTIVE SUMMARY

The Reform Party is deeply concerned that the government's stated intention of reducing the deficit to 3% of GDP by 1996-97 is not adequate to solve our current fiscal dilemma. The Reform Party believes that the federal deficit must be eliminated quickly and decisively over a three year period.

The time for action on the deficit is now, when the economy is experiencing robust growth. Failure to act decisively to eliminate the deficit quickly puts Canada at severe economic risk as we move through the current cycle.

This presentation contains specific recommendations outlining how the deficit (through reductions in spending) can be reduced by $10 billion dollars over the next three years. It represents the culmination of an exhaustive review of government operations conducted by the Reform Party critics and researchers (similar to the program review currently being carried out by the Minister for Public Service Renewal, the Hon. Marcel Massé).

The Reform Party believes the solution to our structural deficit problem must be found on the expenditure side, rather than the revenue side. Any changes in tax policy must be revenue neutral.

Has the Process Worked?

We have asked to make this presentation because we believe the role of an opposition party is not only to criticise government actions, but also to offer constructive alternatives.

> *"The House of Commons Finance Committee is being asked to solicit the views of Canadians on the appropriate actions to address the deficit problem.'*
> **Grey Book**

This is the first year that public pre-budget consultations have been held by the Finance Committee. To ensure that the Committee learns from the experience, the Reform Party would like to suggest two specific areas where changes need to be made:

- ☞ The government has failed to meet the deadlines established for a number of integral policy reviews, studies, and consultations. This has made it difficult for witnesses and committee members to propose substantive recommendations in this area. **As a result of these delays, Reform believes it is inappropriate to make specific recommendations with respect to areas affected by the Social Security Review and the Ageing Paper.**
- ☞ The failure to co-ordinate the Finance Committee's study with other departmental studies and reviews, in particular the Program Review being led by the Minister for Public Service Renewal, has created needless duplication of effort and has hindered the committee's ability to provide the detailed recommendations sought by the Minister of Finance.

3% is Not Enough

The Finance Minister has asked this committee to recommend ways of reducing the federal deficit by $6.3 billion dollars in 1996-97. We believe that Canadians are demanding less government. We in the Reform Party believe that deeper cuts should be made in order to balance the budget in three years.

> *"The vicious cycle of rising debt burdens must be broken."*
> **Grey Book**

This presentation contains specific recommendations outlining how the deficit can be reduced by $10 billion dollars over the next three years. It represents the culmination of an exhaustive review of government operations conducted by Reform Party critics and researchers (similar to the program review currently being carried out by the Minister of Public Service Renewal). To eliminate the deficit in three years, additional reductions in other areas of spending will be necessary.

The Reform Party is encouraged by the analysis of the Grey Book, since it signals the government's acceptance of the Reform fiscal/economic program. The Grey Book accepts that government debt is a leading cause of Canada's low growth, high taxes, high real interest rates, and high unemployment levels.

While we agree with the diagnosis of the Grey Book, we are disappointed with its prescription for the cure. **Reform is deeply concerned that the government's stated intention of reducing the deficit to 3% of GDP by 1996-97 is not strong enough medicine. The Reform Party believes that the federal deficit must be eliminated quickly and decisively, for the following reasons:**

☞ The government's current plan will leave Canadians a further $100 billion dollars in debt by the end of this Parliament.

☞ A window of opportunity is currently open, with our economy experiencing sufficiently strong economic growth to cushion the impact of deficit reduction actions.

☞ We feel that a sustained effort to eliminate the deficit would increase economic growth in Canada, primarily due to the beneficial effect of lower interest rates, which would fall as investor confidence in Canadian fiscal policy increases.

☞ Canadian businesses feel that the greatest barrier to the creation of jobs is the crushing burden which results from Canada's deficits and debts. (source: Canadian Chamber of Commerce's "Aim for a Million" survey).

☞ Many economists are predicting that if we enter the next economic downturn (which they warn could occur as early as 1997, based on indicators from the US) without eliminating the deficit, then the shock of that downturn will cause a return to unsustainable debt levels; it may even precipitate a fiscal crisis.

> *"The 3% target signals a lack of urgency. Some people question whether the government will seize the opportunity to get its finances in order at all."*
> **C.D. Howe Institute**

☞ The 3% target is ostensibly based on the Maastricht Treaty which specifies that ***net government deficits*** must be below 3% of GDP. In Canada this means that in order to satisfy this criteria, provincial deficits must be included. In addition, the Treaty specifies that ***net government debt*** must be below 60% of GDP. Canada's debt-to-GDP ratio presently exceeds 100%, a figure higher than that of every industrialised country but Italy.

☞ Concern has been expressed about how strong the government's resolve to ***eliminate*** the deficit will be after they have reached their interim targets, in light of the fact that they will only be two years away from the next election.

To reiterate: Reform advocates, as an alternative policy goal, balancing the budget within three fiscal years.

Prudent Assumptions: Economic Assumptions and Contingency Reserve

"What is the appropriate basis to select the planning assumptions, including both the economic assumptions and the magnitude of the contingency reserve?"
Grey Book

Reform believes the seriousness of our fiscal situation necessitates that the Finance Department err on the side of caution. We support the government's decision to base its economic assumptions on the Grey Book's *prudent scenario.* We would also support mid-term fiscal corrections if these projections proved to be substantially off the mark.

Reform does not object to the existence of a Contingency Reserve. However, to ensure the government can be held accountable for its use of the fund, Reform recommends that the purpose of the fund be established in the budget itself. A request to deviate from the original purpose must be debated and approved by Parliament; and the balance remaining in the fund at the end of each fiscal year be applied against the deficit.

The Contingency Reserve must not be permitted to become a "slush fund" for ***new*** discretionary spending.

No Increase in Taxation

"What is the appropriate balance between expenditure and revenue actions?"
Grey Book

Canadians have been unequivocal in expressing their opposition to further tax increases. We in the Reform Party have heard this message. **The bottom line for Reform is that the next federal budget must not increase the total tax burden on Canadians.**

The Reform Party does not object to the ***principle*** of eliminating inequities in the existing tax system. However, **Reform believes the solutions to our structural deficit problem must be found on the expenditure side, rather than the revenue side.**

Reform will only support recommended tax changes on condition that they be ***revenue neutral.***

Premises and General Objectives

"Which specific principles should be used in deciding where to reduce spending and where not to reduce?"
Grey Book

Elimination of the deficit in three years will require substantial measures. Assuming a deficit of approximately $40 billion dollars (based on the Finance Department's 1994-95 deficit forecast) and revenue growth in the range of $14-18 billion dollars (based on the Grey Book's *prudent scenario),* it becomes apparent that government expenditures must be reduced by $22-26 billion dollars. In this presentation Reform will outline reductions of nearly $10 billion dollars that have been identified by our Program Review. Further savings will be required in other areas.

Reform believes that expenditure reductions must be prioritised. With this in mind, some program areas will be asked to shoulder a relatively heavy proportion of total expenditure reductions while others will see their spending reduced by a proportionately lighter amount. However, the gravity of the fiscal situation necessitates that every dollar of government spending be reconsidered. No departments or programs can be considered "sacred".

A central objective of Reform's economic approach is to create a smaller, less intrusive, and more efficient federal government. Implicit in our specific recommendations is the assumption that these will result in a leaner federal civil service. Public sector compensation must be brought into line with that in the private sector.

The ongoing nature of the government's Social Security Review makes it inappropriate for Reform to recommend specific measures in this area.

Ten Billion Dollar Reduction to Government Operations

Deficit cutting is an exercise in setting priorities. To ensure that limited government resources are allocated to the programs which Canadians value most, Reform has evaluated every government program against five fundamental principles set down in the Party's original Zero-in-Three Plan. The expenditure reductions recommended here reflect the implicit priorities established by these principles.

"What specific expenditure and revenue options are most appropriate to pursue?"
Grey Book

1. *The people at the "top" of the government must be the first to make significant and visible sacrifices*

Canadians will not buy into any serious deficit-elimination program without a willingness on the part of their leaders to make sacrifices. Government must demonstrate a willingness to accept its proper share of the burden by:

☞ Reforming the MP pension plan

☞ Implementing across-the-board budgetary reductions of 15% to high-level government institutions, including the Governor General, the House of Commons, the Senate, the Privy Council, and the Prime Minister's Office

☞ Eliminating excessive travel of federal officials

☞ Reducing the number of Ministers of State and Associate Ministers

We believe that these recommendations, if implemented, will yield budgetary savings of at least $70 million dollars over the next three years.

2. Funding must be preserved for high priority items

Reformers believe that government spending in those areas Canadians deem most essential (for example, health, law enforcement, and protection of the environment) should bear the smallest proportion of expenditure reductions.

- ☞ No net reductions are proposed to the departments of Justice and Solicitor-General

3. Duplication and overlap between federal and provincial governments must be reduced. Some federal programs should be transferred to other levels of government or the private sector, or not offered at all.

Based on this principle, Reform believes savings of approximately $3.5 billion dollars can be realised by:

- ☞ Eliminating federal funding to multiculturalism ($22 million)
- ☞ Eliminating unnecessary funding to Official Languages programs ($310 million)
- ☞ Reducing government-to-government foreign aid and other international commitments ($1.3 billion)
- ☞ Reducing commitments to Department of Heritage, moving towards privatisation of film industry and reducing subsidies to national museums and galleries ($450 million)
- ☞ Privatising and winding down federal funding for airports and aviation ($350 million)
- ☞ Reducing budget of Department of National Defence, while following the Special Joint Committee's recommendation to increase land forces.[2] ($1 billion)

Reform believes additional savings of $640 million can be realised through serious downsizing of departments like Agriculture, Industry, Fisheries and Oceans, and Natural Resources.

4. The overhead costs of government should be reduced as part of a comprehensive restraint program.

All non-salary government overheads and contracted services such as professional and special services, rentals, materials, supplies, construction and acquisition of land should

[2] The expenditure reductions take into account the recommendations made by the Joint Committee on Defence, and reductions announced in the Government's 1994 budget.

be reduced by 15%, with larger reductions for departments which will be merged or significantly reduced in size. (Total savings: $1 billion)

5. A dollar in the hands of the taxpayer is more productive than in the hands of government. The federal government should not subsidise business or special interests.

Based on this principle, Reform recommends saving $2 billion dollars through the following actions:

- ☞ Elimination of Atlantic Canada Opportunities Agency ($386 million)
- ☞ Elimination of Western Economic Diversification Initiative ($452 million)
- ☞ Elimination of Federal Office of Regional Development-Quebec ($437 million)
- ☞ Elimination of other regional and sector-specific funding through the departments of Agriculture, Environment, Industry and Natural Resources ($690 million)

Reform believes an additional $2.7 billion dollars in spending reductions can be realised, based on the same principle, through measures such as the following:

- ☞ Reducing subsidy provided to Canadian Broadcasting Corporation ($365 million)
- ☞ Eliminating the annual appropriation for Hibernia once current contractual obligations expire in 1997 ($250 million)
- ☞ Reducing subsidy to Canada Mortgage and Housing Corporation, with a move to eventual full privatisation and / or sale of all assets ($525 million)
- ☞ Full privatisation and / or sale of VIA Rail ($330 million)
- ☞ Reduce and eliminate business subsidies through departments of Industry, Natural Resources and Transport ($750 million)
- ☞ Identifying and reducing tax concessions to business

"Are there government assets that should be considered candidates for privatisation?"
Grey Book

Reform also recommends a further reduction of $125 million dollars be realised by eliminating subsidies to special interest groups funded through the departments of Agriculture, Canadian Heritage, and Transport.

The results of this program-by-program review of the roughly $40 billion dollars in government spending not subject to the Social Security Review leads us to believe that

nearly $10 billion dollars in spending (approximately 25% of the total) can be eliminated in these spending envelopes over the next three years.

Concluding Remarks

Reform has made a genuine effort to provide the Finance Committee with constructive recommendations on how to eliminate the federal deficit. We hope these suggestions will aid the committee in making its recommendations to the Minister of Finance.

Reform cannot stress enough its belief that **the government must seize the present window of opportunity and go beyond its 3% deficit reduction target.**

Reform believes that deficit reduction must be accomplished through expenditure reductions, rather than revenue increases. **There can be no new taxes, and no increase in the overall level of taxation.**

Now is the time for decisive action. The Government of Canada must demonstrate a greater sense of urgency with respect to the elimination of the deficit.

MINUTES OF PROCEEDINGS

MONDAY, DECEMBER 5, 1994
(116)

[*Translation*]

The Standing Committee on Finance met *in camera* at 7:25 o'clock p.m. this day, in Room 112–N, Centre Block, the Chair, Jim Peterson, presiding.

Members of the Committee present: Pierre Brien, Barry Campbell, Herb Grubel, Yvan Loubier, Andy Mitchell, Jim Peterson, Gary Pillitteri, Brent St. Denis, Ray Speaker, Jane Stewart, David Walker.

Acting Member present: Paul Szabo for Ron Fewchuck.

In attendance: From the Research Branch of the Library of Parliament: Richard Domingue, Research Officer. *From the Committees and Parliamentary Associations Directorate:* Christine Trauttmansdorff.

In accordance with its mandate under Standing Order 83.1, the Committee resumed consideration of the budgetary policy (*See Minutes of Proceedings and Evidence, Tuesday, September 27, 1994, Issue No. 53*).

The Committee considered its draft report.

After debate, it was ordered,—That the Chair present the report, as amended, to the House, on December 8, 1994.

—That the Committee print 4,500 copies in English and 500 in French, of its Tenth Report.

—That the Chair be authorized to make the necessary editorial and typographical corrections without changing substance of the report.

After debate, it was agreed,—That the Committee authorize the printing of dissenting opinions of the Bloc Quebecois and the Reform Party as an appendix to this report, immediately following the signature of the Chair;

—That the dissenting opinions not exceed 20 pages;

—That the dissenting opinions be submitted to the Clerk no later that 7:00 o'clock p.m., on December 6, 1994; and

—That the dissenting opinions be submitted in either official language.

At 8:10 o'clock p.m., the Committee adjourned to the call of the Chair.

Martine Bresson
Clerk of the Committee