

Let The Future Begin

Jean Charest's Plan
for Canada's Next Century



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Introduction

Achieving Canada's True Potential

Every federal election, Canadians face a choice between various parties and candidates, each with a list of campaign promises designed to get them elected.

I believe that what's missing from Canadian politics is a plan that goes further than the next election, the courage to reach beyond what may be politically expedient today, in order to achieve tomorrow's dreams.

When our country was born, it was people with vision who saw not only a beautiful wilderness, but the potential for a great country, and it was people with courage who took up the challenge of forging that country out of diversity, distance and determination.

As it was with previous governments, the decisions we make today have long-term consequences. Long-term economic growth and opportunity don't happen by accident. They are the result of vision, planning and deliberate choices.

Since being elected Leader of the Progressive Conservative Party of Canada three years ago, I have traveled over 300,000 kilometers and visited hundreds of communities. I have talked with thousands of Canadians about the Canada they want to live in and build. It is a Canada where hard work is rewarded, where families feel safe in their neighbourhoods, where compassion for the less fortunate is abundant and where the opportunity to learn, to grow and to succeed is available to all. This is the Canada we all strive to build each and every day.

Somewhere along the line, Canada has taken a detour from these goals. Our government and our economy have been slow to respond to the changes sweeping the globe. As a consequence, the opportunity to succeed seems out of reach for too many Canadians. It's time to change that--to chart a bold new course for Canada and to get back on the track to economic and social prosperity.

The plan outlined on the following pages honestly tackles some very difficult issues. It presents new and innovative solutions to long-standing problems. It takes responsibility for the long-range implications of the decisions a visionary government must make.

This plan is the culmination of three years of hard work and consultation with real Canadians in all parts of the country. It's a plan designed to achieve the goals that you have told me matter to you.

It is time to revive our sense of common purpose, to once again set our sights on the far horizon.

My ambition for Canada is not limited. I believe that we can be the best, and that the next generation of Canadians can be more prosperous, safer and more united.

All it will take is the vision to set the right goals, the courage to face the tough questions involved and the plan to meet these challenges.

In the following pages, I spell out precisely what we propose to do in order to accomplish our vision:

■ A 10% unemployment rate stands as proof that high taxes and the old methods of government job creation (like infrastructure spending) don't work in the new global economy. The steps proposed in this plan will result in the creation of over 1 million new jobs in each of the next two terms by dramatically improving the job creation climate of this country through lower taxes, deregulation and the breaking down of barriers to inter-provincial trade.

■ The current federal government's budget plans slash cash transfers to the provinces and territories for health care and post-secondary education by 40%. In our plan, we propose to reverse this trend, increasing support for these fundamental priorities and setting strict benchmarks for continuous improvement. Investments in these key areas cannot be achieved without making some tough choices on other spending. I am prepared to make these tough choices, so that we can properly fund health care, create jobs and balance the budget.

■ The Canada Pension Plan is effectively broke. The current government proposes a band-aid solution and a massive tax increase while the Reform Party proposes to renege on the CPP altogether. In this plan, we propose to ensure a fully funded CPP for the next generation without raising personal taxes.

■ Canada's education system is failing to make the grade and the current federal government is doing nothing about it. This lack of federal leadership is causing our children to fall behind in the race for success in the new global economy. In this plan, we propose asserting federal leadership by helping to establish common education standards and testing for results.

■ Canada faces serious internal threats to its future prosperity. At the same time many Canadians feel the federal system is not meeting their needs. These conditions threaten the stability necessary to attract investment and to support job creation and prosperity. This country needs leadership with the courage to renew and revitalize our federation to show Canadians that government can work for them. Restoring people's belief in public institutions will guarantee the stability and confidence we need to move forward.

Short-term thinking in Ottawa has jeopardized our job creation ability, our health care system and our retirement safety net. It will take time to fix the system we have today, but it must and can be done. In this plan we show exactly how we can find the waste in the federal government, and prioritize spending, to achieve a balanced budget, fully funded priorities (like health care and education) and ensure the lower taxes we need to fuel our job creation strategy. It won't be easy, but in the end it will be worth it.

This plan spans ten years. Why? Because if we are to truly make the 21st century "Canada's century" then we must embrace a long term vision.

I am optimistic about the future of our country. This plan will allow us to reach our enormous potential as one of the great countries of the world.

I urge you to read this plan, to ask tough questions of me, other leaders and yourselves. And then I urge you to join me in building a stronger, more prosperous and vibrant Canada.

Jean Charest, MP
March, 1997

Chapter One

Jobs and Prosperity for Canadians

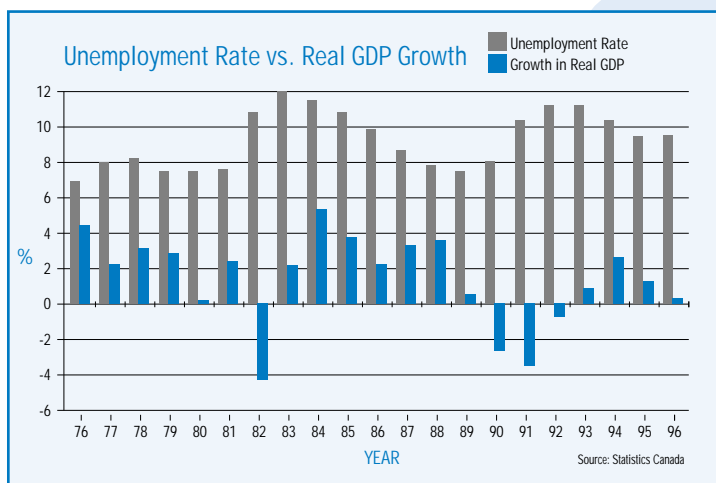
GIVING CANADIANS MORE JOBS AND A BRIGHTER FUTURE

OUR BENCHMARKS:

- At least a million new jobs in our first term
- At least a million more new jobs by 2005
- Faster economic growth than our global competitors
- Reduce personal taxes by at least 10% for all taxpayers
- Competitive tax rates on small business

Where Are The Jobs?

The current government tells us the recession is over, and that our economy is growing once again. But where are the jobs?



We are six years into what economists are calling a 'recovery', but it seems to be a jobless recovery with too many Canadians being left behind. Unemployment rates continue to hover around 10% and there are areas in every region of the country where high, chronic unemployment has now become the norm for a second generation of Canadians.

Understanding the New Global Economy

Around the world, the economy is in the middle of a major and permanent change. It is shifting from a manufacturing base with large numbers of stable jobs, to an economy based on services, information, competition and trade. For both individuals and

businesses in this new economy, competitiveness and flexibility are the order of the day.

THE GOVERNMENT TELLS US THE RECESSION IS OVER, BUT WHERE ARE THE JOBS?

These changes have had a far-reaching impact on the world of work. There are fewer jobs in traditional industries and those that remain are being transformed. Many jobs have been lost, while others are being created based on new skills and opportunities. We are all living in a period of intense adjustment.

The result of all this change is widespread personal insecurity. While thousands of Canadians have made the transition, too many others are fearful of their future. For some, careers that formerly spanned uninterrupted decades are being replaced by alternating periods of temporary employment and intensive job search and anxiety. Sequential part-time jobs, home-based businesses and "just-in-time" contract jobs are now the norm for many Canadians.

■ At least a million new jobs in our first term.

All of this is taking place in a time of changing attitudes about the role of government. While some continue to see government as the solution to all problems, a majority of Canadians now recognize that this approach does not work. They know that a government that does not live within its means will always have its hand in their pockets.

The fact is the unemployment rate has not changed significantly since 1993, despite low interest rates and massive infrastructure spending. This failure offers more evidence that quick fix, short-term election-style promises do nothing to address the long-range needs of Canadian workers. It is a powerful warning that future job creation strategies must be different.

Job creation today can only happen if government understands the new global economy and has a plan to create a positive investment climate. All the evidence indicates that in order to achieve long-term, sustainable job creation and economic growth, we must reduce overall levels of taxation, because high taxes kill jobs, stifle initiative and shrink personal income.

The current government has depressed consumer confidence by raising taxes for individual Canadians and for businesses. Their response to inter-provincial trade barriers has been unimaginative and weak, while their principle response to the jobs crisis facing Canadians has been to resort to an approach right out of the 1950s—throwing taxpayers' money at public works in the guise of "infrastructure."

Short term make work projects are not the answer to the long standing problems facing today's economy. The real solution is to create a competitive tax structure, eliminate barriers to trade, reduce the regulatory burden on business, and provide the means for a healthy, well-educated population.

Politicians and political parties must realize that the decisions they make today about fiscal and tax policies have consequences many years into the future. If the federal government does not lay the groundwork today for long-term job creation, joblessness and insecurity will continue. The federal government must begin to take a long-term approach to job creation that focuses on removing the barriers to growth.

For this reason, we have decided to take a different approach to the usual manner of preparing a policy platform. Instead of offering short term promises for election season, we have chosen to present a comprehensive plan that spans ten years.

According to an independent econometric analysis conducted using the FOCUS model of the Institute for Policy Analysis at the University of Toronto, the steps in this document will contribute to the creation of more than one million new jobs in our first term and another

million new jobs in our second term. With this plan, the Canadian economy can create more than two million new jobs over the next ten years and help Canada's economy become stronger than ever before. (This analysis is based on cautious and prudent assumptions. We believe that our plan will result in even better job creation numbers.)

REMOVING BARRIERS TO JOB CREATION

Canadians know that the federal government faces a huge debt resulting from years of excessive spending and a persistent yearly deficit, fueled by the need to make the interest payments on the accumulated debt. While progress has been made in lowering the deficit, it has come at the expense of jobs, through higher taxes, and at the cost of deep cuts to the very health care and educational programs Canadians value most.

Other political parties will tell you that this simply cannot be done--that Canadians must wait until the budget is balanced before taxes are cut.

They are wrong.

There is a better way. It is possible to reduce the deficit, protect critical social programs and make tax cuts to spur job creation and growth. All it takes is new thinking, a commitment to a long-term plan and the courage to restructure government, set priorities and make some tough choices on spending.

Canadians need jobs now, and we must therefore make the difficult decisions required to meet this need. Tax cuts now mean job creation now.

LOWERING PERSONAL TAX RATES

Higher consumer spending creates a greater demand for goods and services, which is critical to growth and job creation. For the past several years, consumer confidence and consumer spending have been at all-time lows.

There is good reason for this. Right now, Canadian families are working harder than ever, many needing two or three incomes just to make ends meet. Yet, working Canadians are falling further and further behind. Canadians have not experienced a real after tax pay raise since the 1980s. Indeed, personal disposable income has actually fallen by almost 6% since 1990. Canadians are paying more and more in taxes, but getting less and less in return. For the first time ever, a generation of Canadians are at risk of leaving their children a lower standard of living than their parents left them.

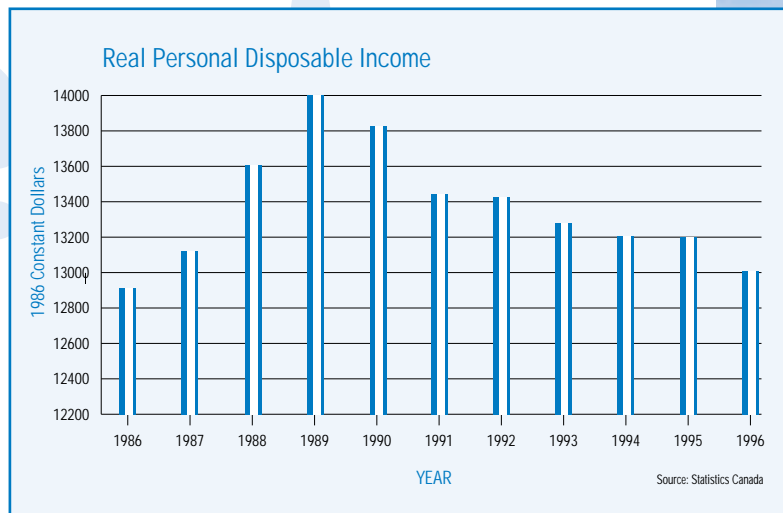
Low interest rates alone will not solve the problem. Without job security many Canadians are reluctant to spend or borrow to make major purchases. By giving people more hope for the future and more spending money in their pockets, we can re-build consumer confidence in Canada. With more people willing to spend and invest their money, we will have a stronger economy, more new jobs created and more job security.

The best way to put more money in people's pockets is for government to simply take less of people's pay cheques. That shouldn't be difficult, considering that the Liberals have raised federal taxes more than 40 times since 1993!

But, it's not just a question of increasing people's disposable income to encourage consumer spending and help create jobs. Carefully targeted tax cuts, combined with simpler, fairer deductions and tax rates, will encourage initiative and reward hard work. They will have the added effect of bringing our tax rates more in line with our major competitors from around the globe.

A Jean Charest government will use immediate tax reforms to restore consumer confidence and help to create more jobs by:

- Lowering personal income taxes by 10%, beginning with our first budget. Combined with the reduction in Employment Insurance (EI) premiums to be outlined below, working Canadians will enjoy a substantial increase in their personal disposable income for the first time in almost ten years.



CANADIAN FAMILIES ARE WORKING HARDER THAN EVER, BUT FALLING FURTHER BEHIND.

Our plan creates a climate for long term job creation by setting the stage for continued reform of the tax system. The steps we take in the first phase of this plan not only make an immediate contribution to job creation (unlike other parties), but as the deficit is eliminated, give Canada the financial strength to allow tax reductions in the second term by:

- Further lowering tax rates to provide an additional \$12 billion in net personal tax reductions by 2005;
- Moving to a simpler, fairer system of two tax rates – 15% on the first \$29,590 and 25% on all additional income;
- Ending the 3% income surtax that all taxpayers currently pay;
- Maintaining the separate 5% high-income surtax to ensure that the benefits from these reforms go primarily to lower and middle-income earners; and
- Increasing the basic income tax credit from \$6,459 to \$10,000, taking two million lower-income workers off the tax rolls and saving money for every taxpayer.

As this plan is implemented, and the federal government's financial needs decline, there will be scope for further reductions in taxes.

When fully implemented, these cuts will provide every Canadian with 10-to-20% in tax savings every year. This translates into billions of dollars a year being spent and invested by the people who earned it, increasing consumer demand, giving the economy a boost and helping to create jobs.

As part of these changes to the federal tax system, the provinces will be free to set their tax rates independent of the federal base rate, as Quebec currently does.

BREAKING DOWN INTER-PROVINCIAL TRADE BARRIERS

In some cases, it's now easier for small businesses in Canada to sell goods and services in Chile or Cuba than it is to sell them in Calgary or Charlottetown. This robs our economy of the opportunity to grow and robs Canadians of the opportunity for more jobs. A Canadian Chamber of Commerce study estimated that even a 10% increase in inter-provincial trade would result in 200,000 new jobs, with the money spent staying right here in Canada.

Every province and every Canadian stands to win if our internal trade barriers are broken down. Unfortunately, previous governments have lacked the vision and commitment to take effective action, and the current government has failed to provide courageous leadership on this issue.

The current trade agreement between the provinces is simply not good enough. It's full of loopholes and serious shortcomings. It requires every province to agree before trade

barriers come down, so one province can block progress and benefits for the others. There is no effective enforcement mechanism, and therefore it's almost impossible to challenge government trade actions. Provinces that wish to break the agreement do so without fear.



WHILE INTERNATIONAL TRADE HAS BEEN GROWING FAST, OUR TRADE WITHIN CANADA HAS FAILED TO KEEP PACE.

It's time to deal with this problem. The jobs at stake are simply too important to continue to sit on the sidelines.

We believe that free internal trade can be negotiated cooperatively with the provinces. However, we are prepared to take tough and effective steps to ensure that these barriers are broken down. The damage caused by trade barriers is too serious to allow political manipulation or special interests to delay action.

A Jean Charest Government will take direct action to break down trade barriers between provinces by:

- Establishing an Inter-Provincial Trade Commission (IPTC) to regulate and enforce the rules of inter-provincial trade and ensure that Canadians can grow their economy to its fullest potential. This will replace all other internal trade governance structures.

A one year negotiating deadline will be set with the provinces to develop the IPTC. If an agreement is not reached, a Charest government will use its constitutional trade and commerce powers to establish the Commission.

- Making internal trade a key component of the new Canadian Covenant (see Chapter 4), to be the focus of a First Minister's meeting within the first six months of taking office.

The First Ministers will be asked to set an aggressive timetable for establishing the IPTC and ensuring that Canadians are provided with:

- A legally enforceable dispute settlement mechanism, allowing individuals, businesses and governments to take legal action against trade barriers;
- Harmonization of provincial standards in areas such as corporate and business registration, and professional and occupational certification so that the costs of doing business in this country are reduced;
- The elimination of local residency requirements so that Canadians can work wherever they choose to live in Canada; and
- A strengthened agreement through extension of the transportation and procurement provisions.

Aggressive action to address the problem of inter-provincial trade barriers will inevitably raise the issue of various agricultural support programs and supply management boards. Several of these are already undergoing adjustment because of Canada's international trade obligations. The IPTC will need to take account of these ongoing changes to ensure a harmonious transition for Canada's agricultural producers.

EXPANDING OUR INTERNATIONAL TRADE

While trade within Canada represents an enormous untapped potential, our trade with other countries has been among the biggest sources of economic growth and job creation in recent years.

We must be able to sustain our high trade levels even when the dollar increases in value, or we will be in danger of losing many thousands of jobs across the country. In other words, Canada's foreign trade needs a firmer basis—one built on the growing competitive strength of our economy.

A Jean Charest government will encourage job creation through increased foreign trade by:

- Encouraging the development and export of world-leading Canadian products and expertise in emerging technology areas, such as environmental protection, transportation and communications;
- Expanding the use of modern communications technology such as the Internet to provide easier access to international market information for Canadian businesses; and

- Making greater use of non-government organizations and other institutions for information and research on international trends and emerging markets.

HELPING SMALL BUSINESS

The tax burden on small businesses, the real job creators in Canada, is higher than in most competing jurisdictions, making it very difficult for Canadian businesses to survive in today's global economy. That means fewer jobs and opportunities for Canadians.

Study after study from around the world has shown that high taxes kill jobs. Jurisdictions with low relative tax rates have high economic growth and strong job creation. Where taxes are high, growth is low and jobs are few.

Within Canada, our high payroll and corporate taxes form a barrier to jobs and growth by taxing businesses for every new job they create. (With the increases in CPP Premiums necessary to secure that plan, cuts to EI are needed more than ever). The current government has steadfastly refused to take the actions required to reduce job-killing EI premiums, despite the fact that the EI fund has an excessive surplus.

The real solution is to create the conditions under which job creation by the private sector is sustainable over the long term. While the current government refuses to cut these job killing taxes and other parties feel job creation can wait until the year 2000, we believe that there are immediate steps that can be taken to help create jobs.

A Jean Charest government will immediately:

- Reduce EI payroll taxes by nearly \$5 billion, taking the rate from the current \$2.90 per \$100 of payroll down to \$2.20 effective January 1998.

Careful management and a recognition of the future impacts of decisions made today will allow us to continue to reform the tax system in the second term by:

- Reducing small business tax rates from 12% to 8%; and
- Reducing corporate tax rates from 28% to 24%.

ACCESS TO CAPITAL

The changing economy has sparked an enormous increase in the number of small businesses in Canada. In fact, almost all of the job creation we have seen in recent years has come from individuals or small groups starting new ventures. To help make Canada a powerful engine of economic growth and job creation, we must ensure that these job-creating entrepreneurs have access to the capital they need to start and expand their businesses.

The availability of capital to finance investment and job creation is critical. Both our existing private banking system and new sources of loan capital must become efficient and understanding sources of financing for small business.

A Jean Charest government will help increase the access to capital for new and smaller businesses by:

- Requiring banks to publish detailed records on a regional basis, reporting on the amount of deposit capital taken from Canadian communities and the amount of small business loans made in those same communities. This will enable Canadians to compare the performance and commitment of their financial institutions to the creation of loan capital for new and small businesses; and
- Moving quickly to reform the Canadian Payments Association, which will increase the number of institutions able to offer financial services to consumers, and increase competition.

IMPROVING WORKER PROTECTION

Labour relations laws are supposed to protect the rights and safety of workers, while allowing their employers to run a profitable business that creates more jobs. However, current labour legislation fails to address many of the concerns of workers and employers.

This makes it more difficult for Canada to attract the domestic and international investment that will create the new jobs our citizens need. We need fair labour relations laws that take the concerns of ALL groups into account, putting the need for decent jobs first.

A Jean Charest government will strengthen worker protection under federal labour laws by:

- Giving workers more democratic power by requiring secret ballots in votes on union representation and decisions;
- Ensuring that the most vulnerable workers and their families are protected by giving them a higher priority during asset liquidation of bankrupt companies; and
- Requiring that unions make their audited accounts publicly available.

- Study after study shows that high taxes kill jobs.

INVESTING IN PEOPLE

Today's jobs demand more skills and knowledge than ever before and that trend will only grow in the future. If Canadians and their children are to share in tomorrow's opportunities, we must start preparing today. The most important jobs advantage we can give the next generation is the opportunity for advanced education and training.

Investing in people will make it possible for them to compete in the global marketplace, achieve their personal potential and build a better future for their families.

Our policies on achieving our benchmarks in education and training can be found in Chapter 3 of this plan.

Chapter Two

Protecting Our Social Safety Net

GUARANTEED FUNDING FOR CANADA'S FUTURE NEEDS

We live in one of the richest countries in the world and enjoy one of the best standards of living on the planet, yet Canadians are very worried about the future. For the first time in generations, too many people fear that the social safety net they've paid for will not be there for them when they need it.

There is good reason for us to be concerned. Our total federal debt has skyrocketed in recent years to nearly \$600 billion. As a result, the federal government is paying about \$46 billion a year in interest payments—that's more than \$5 million an hour. Every year that the government runs a deficit, those numbers get worse.

These billions of wasted dollars take away funding for health care, education and other important services, and threaten to push our taxes even higher. Canadians can never be assured of long-term funding for our social safety net until this money leak is stopped. Only when the budget is balanced, and we begin the long process of reducing our giant debt, can we be sure that the money will be there to meet today's needs and those of our children.

We all now know what runaway government spending, high deficits, waste and mismanagement can do to our social safety net. We are living through the consequences now, as yesterday's deficits become today's health care cuts and tax increases.

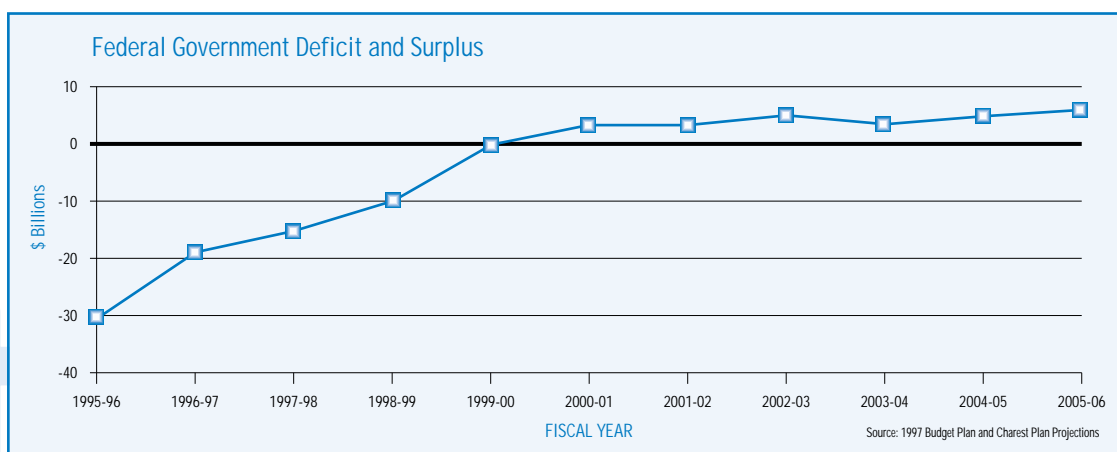
OUR BENCHMARKS:

- A Balanced Budget in the Year 2000
- Lower the Debt/GDP Ratio from 73% to 50%
- Continued Low Interest Rate Policy
- Falling Debt Interest Costs

In order to balance a budget, governments have two simple and stark choices--increase the amount of money coming in, or decrease the amount going out. Government revenues can grow in only two ways, through higher taxes or through greater economic activity. As we explained in the previous chapter, higher taxes are not an option. We need to cut our taxes in order to build a strong climate for job creation. At the same time, spending less money is critical to returning the federal government to financial health.

We cannot afford to make cuts at the expense of our most important services, such as health care and education. Priority investments like these need to be protected and enhanced. Instead, the federal budget must be balanced by setting priorities, spending smarter, cutting back on unnecessary spending and eliminating waste and duplication in the federal government.

We know that by making the tough decisions about our spending priorities and using the latest management techniques, we can reduce costs by billions of dollars a year.



WE CAN BALANCE THE BUDGET BY SETTING CLEAR PRIORITIES AND ELIMINATING WASTE AND DUPLICATION.

In order to balance the budget and put government finances back on track, a Jean Charest government will set clear priorities for spending, cut the waste in Ottawa, and end the duplication between the federal and provincial governments.

A CLEAR TARGET

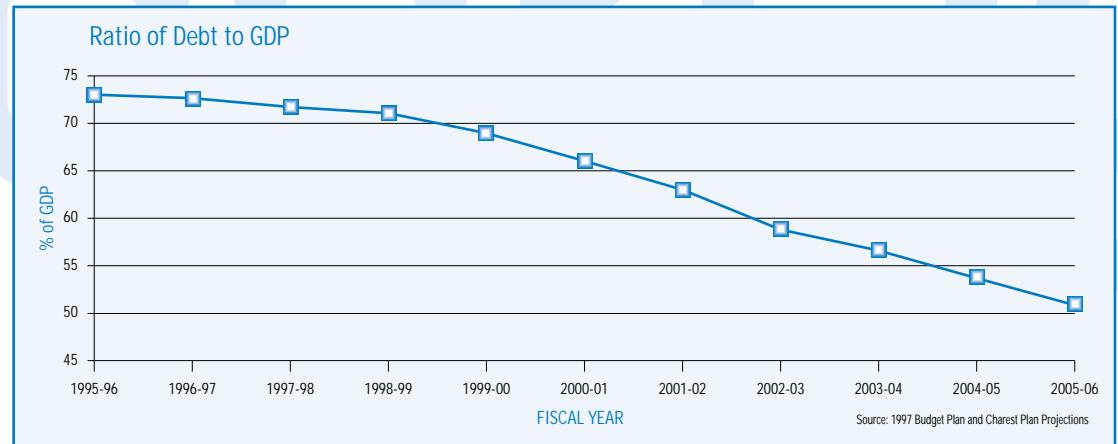
By setting clear priorities for government spending and, at the same time, removing the barriers to economic growth and job creation, we will balance the budget in the year 2000. But the job can't stop there. On behalf of generations yet to come, we have another obligation.

Once the budget is balanced, we must get to work on the long-term project of paying off the massive federal debt and freeing up the billions of dollars now wasted in interest payments every year, to secure our social safety net.

GETTING OUR HOUSE IN ORDER

Other industrialized countries are aiming to reduce their debts as well. They have set a target of keeping their total debts to 60% of their gross domestic products.

**REDUCING OUR
FEDERAL DEBT
WILL SAVE US
AND OUR
CHILDREN
BILLIONS OF
DOLLARS IN
INTEREST COSTS.**



To keep Canada competitive in the international investment marketplace, a Jean Charest government will meet or exceed the international standard for debt reduction. Our initial federal target is 50% and we intend to exceed it. Over time we will re-set that target to lower and lower percentages.

As this chart shows, by taking at least one-third of each year's budgetary surplus beginning in 2000 and applying it directly to the debt, Canada will meet this target by the year 2005.

SETTING CLEAR SPENDING PRIORITIES

To ensure that Canada enters the 21st century with a balanced budget, competitive tax rates, appropriate spending on key priorities like health care and education, and the economic growth and job creation we need, government has to set priorities for spending.

Right now, those priorities seem to be backwards. According to Paul Martin's budget plans between 1995-96 and 1998-99, the current government will have cut its own program spending by under 2%, while cash transfers to the provinces for health and education will eventually be reduced by 40%.

It's time to shift the priorities back where they belong—to the services that Canadians need most. Just as every family has had to adjust to changing realities of the workplace and home, so too must the federal government finally make some adjustments in the way it operates.

Just as major Canadian companies were also forced to do in the 1980s and 1990s, our public sector must find these restructuring savings while at the same time improving products and services and cutting the cost of those products and services.

■ A balanced budget by the year 2000.

MAKING THE TOUGH DECISIONS

In order to meet our objectives of protecting key services, creating jobs and balancing the budget, we need to reduce the program spending of government by approximately 12%. We believe that through better management and more aggressive approaches to cutting government waste, this target is achievable.

Critical to our fiscal plan is the detailed analysis we have performed on the line-by-line expenditures of the current federal government. We are not proposing “across the board cuts”. Instead we are setting priorities, making tough decisions on spending and finding savings in non-priority areas.

We have found many programs that fail to give taxpayers their money’s worth, and could have their budgets trimmed without affecting the services we value most.

In total, we have identified \$12 billion in cost savings. These spending reductions, phased in over 3 years, will make it possible to support our tax cuts and increased health care funding, while still meeting our deficit elimination and debt repayment targets.

The full details of our cost savings and targeted reductions can be found in the appendix. The highlights are outlined below.

There is no more archaic relic of the old way of government than the Department of Public Works and Government Services. It will be eliminated entirely in the course of our restructuring initiatives. Essential elements will be spun off to ministries which offer similar services, and important central and common services will be coordinated by Treasury Board. Remaining services will be outsourced to the private sector. In this restructuring of the central services of the federal government, we plan to reduce spending by roughly \$1.4 billion, much of it on services better provided by the private sector.

We also recognize that many programs and services provided by the federal government are duplicated by the provinces and create overlap and waste. Areas like Agriculture and Agri-Food Transport and Natural Resources are where much of the overlap occurs. In order to streamline the services, we will disentangle the federal government from many of these areas, freeing up wasted tax dollars. The Departments of Agriculture and Agri-Food, Natural Resources, Fisheries and Oceans and Environment will be merged into a Department of Sustainable Development which will oversee many of the functions which the four previous departments controlled. By streamlining these services we will save taxpayers nearly \$1.1 billion. By creating a Department of Sustainable Development, we are making a commitment

to future generations of Canadians and to the world that we will manage our resources in a responsible manner.

We believe it is time once and for all for Canada to come to grips with the centuries-old questions surrounding our Aboriginal people. We believe the issue is about more than money, it is about dignity, self reliance and the right to self government. As Canada's Aboriginal people become more responsible for their own affairs, their dependency upon the federal government will decline.

Over the course of a Charest government much of what the Department of Indian and Northern Affairs does will cease to be required and as a consequence the Department will cease to exist. In direct contrast with the current government, we believe funding in this area should fall at least proportionately with reductions in other areas of public spending. Accordingly, the reforms we propose will see substantial reductions in direct federal funding over the period of our plan.

Today, Canadian taxpayers spend \$6.2 billion a year on native programs and infrastructure throughout several different departments. We anticipate a reduction through administrative savings from the effective elimination of the Department, as well as some downward adjustments in operating grants to native bands. While at the end of our first term funding for Aboriginal programs would be precisely the same proportion of total program spending as it is today, we do expect to save taxpayers over \$850 million by finally addressing the flawed approach past governments have taken in this area.

It is fundamental to our vision that we meet the fiscal targets set out in this plan. Huge unfocused departments such as Heritage Canada provide substantial opportunities to do so without significantly affecting the lives of Canadians.

We believe that we can save \$500 million through a variety of actions, detailed in the appendix. There will be no further cuts to the CBC programming budget.

The Departments of Finance and Revenue will also be merged. The new expanded Department of Finance will be merged with the Receiver General function of the disbanded Department of Public Works to centralize the major fiscal branches of the government. This will bring further efficiencies to the administration and day-to-day operation of government. By taking an innovative approach to this exercise, we are not merely trimming government spending; rather, we are addressing the intrinsic flaws of the present system and changing the way the federal government does business to the benefit of all taxpayers.

Today, the Government of Canada owns in excess of \$40 billion in real estate. As might be expected, the government currently manages these assets through various departments and agencies (including CMHC and Public Works and Government Services). The Canada Lands Company was created to dispose of federal real estate assets. Its failure to generate significant sales revenue for the government is directly attributable to the lack of leadership shown by the Minister of Public Works and Government Services and the bureaucracy of the CMHC.

As an early part of our restructuring initiative, all remaining federal real estate assets will be transferred to the Canada Lands Company which will report to the Minister of Finance. Our goal will be to sell at least \$3 billion worth of this surplus real estate over the course of our first term.

These and other reductions outlined in the appendix of this plan will enable us to restructure the government to better provide for the important priorities of job creation, health care, education and the protection of our social safety net.

When our entire plan of spending reductions and departmental re-organization and streamlining is complete, we will have eliminated two ministries and merged six others. Both Public Works and Government Services and Indian and Northern Affairs will be eliminated and their functions delivered in more sensible and cost-effective ways. Four of the remaining six Departments to undergo change (Environment, Agriculture and Agri-Food, Fisheries and Natural Resources) will be merged to produce the Department of Sustainable Development. This will centralize all environment-related functions of the government and allow us to eliminate the wasteful duplication of programs across levels of government, while at the same time providing enhanced environmental protection. Most of all, this will demonstrate a real commitment to managing our resources so that future generations of Canadians may benefit from them. The final two departments, Finance and Revenue, will be combined.

In addition to making these cuts, we will put more government resources into improving our most important services, such as health care and education.

PROTECTING TAXPAYERS

OUR BENCHMARKS:

- A Law Requiring a Balanced Budget
- A Law that Makes Politicians Personally Responsible for Controlling the Debt

It will take many years to climb back out of the debt hole that governments since the 1970s dug for our country. To make sure that future governments stay out of debt, Canadian taxpayers deserve a legal guarantee, enshrined in the law, against future deficits.

A Jean Charest government will:

- Make it the LAW that politicians have to balance the budget;
- Pass legislation that forces governments to meet their budgets, except in cases of wartime or economic crisis; and
- Pass legislation to cut the pay of the Prime Minister and Cabinet Ministers if they break the deficit ban.

PROTECTING YOUR RETIREMENT

OUR BENCHMARKS:

- Make the Canada Pension Plan Self-Financing
- More Than Offset CPP Premium Increases with Tax Cuts
- Encourage More RRSP savings

As our population ages and the “Baby Boom” generation nears retirement age, Canadians are understandably worried about the future of the Canada Pension Plan. The vast majority of people today believe the Plan will not be able to support them in their old age.

The CPP currently falls as much as \$600 billion short of meeting its future obligations to retiring Canadians. How did it get to be this way? The short answer is mismanagement over a period of decades. Promises were made and taxes levied to pay for them. But the money contributed wasn't invested the way Canadians believed. Instead, it was loaned to provincial governments at interest rates that were often below market rates. And as the “Baby Boom” generation ages, contribution rates did not come close to reflecting the cost of the Plan's promised payouts.

PRESERVING THE CPP

Some politicians believe that the only way to deal with this challenge is to abandon our obligation to retiring Canadians and eliminate the CPP. This is the policy proposed by Preston Manning's Reform Party.

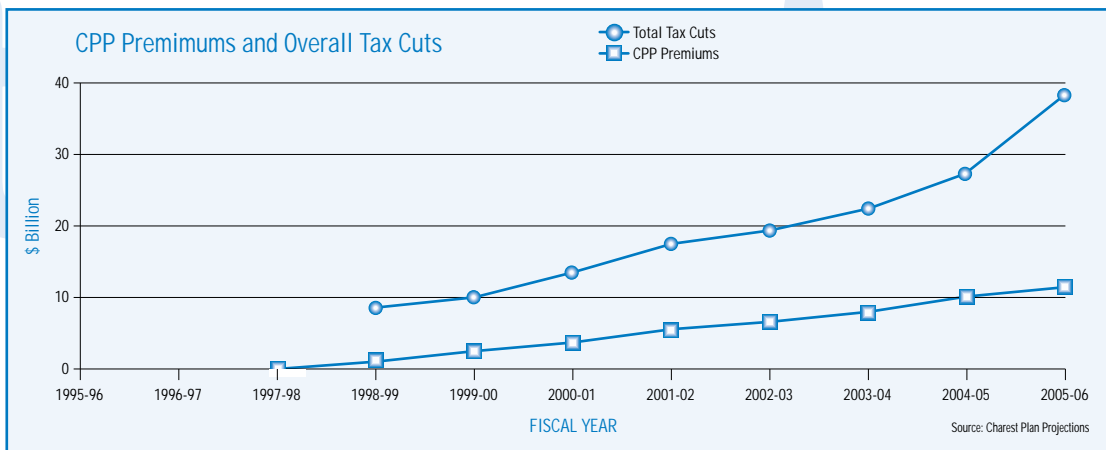
We reject this approach.

The CPP is a fundamental part of the Canadian social safety net, an obligation that government must honour. We also believe that there are sound ways of returning the CPP to financial viability and protecting the investment Canadians have already made in this plan.

WE DON'T NEED ANOTHER MASSIVE TAX HIKE

Most experts agree that the best solution is to make the CPP fully self-financing. In other words, direct enough new money into the Plan today to ensure that it can pay the benefits due to those who retire down the road.

One way would be to do what the current government plans to do, by imposing in excess of an \$11 billion tax hike on working Canadians over the next 7 years.



WE CAN SAVE THE CPP WITHOUT INCREASING THE TAX BURDEN ON WORKING CANADIANS.

The current government's solution is to ask you to put even more of your paycheck into their hands every year. We reject this notion. Canadians do not need a multi-billion dollar tax hike.

THERE IS A BETTER SOLUTION

We propose to increase CPP contribution rates to levels adequate to ensure the long term viability of the plan. But these increased contributions will be more than offset by the substantial reductions we propose in your personal tax rates. This means more money going into the Plan, without asking you to pick up the tab, and without creating more threats to job creation.

A Jean Charest government will:

- Ensure that the CPP gets the funding it needs without increasing your personal tax burden; and
- Finance the \$750 million extra cost per year of seniors benefits resulting from demographic change as part of our fiscal plan.

SMARTER INVESTMENTS

Canadians need to know that never again will their pension funds be mismanaged the way they have in the past. They also deserve a greater return on their investment. For this reason we will launch a complete restructuring of the financing of the CPP to secure it for the future.

A Jean Charest government will:

- Transfer all CPP funds to a separately managed Canada Pension Trust (as is already done in Quebec with the Caisse de Dépôts);
- Structure the Pension Trust to be completely independent of the government of the day; and
- Select the Canada Pension Trustees on a non-partisan basis, recruiting from experts in the financial, business and actuarial communities.

The mandate of the Canada Pension Trust and its trustees will be to advise the government on required contribution levels, and to select the best private sector managers to invest the fund's growing surplus for secure long-term returns. Only in this way can we guarantee inter-generational equity and a stable Canada Pension Plan for all Canadians.

IMPROVING RRSPs

It is essential that Canadians begin planning for retirement long before they expect to end their working lives. More and more Canadians are ensuring stronger financial security on retirement through Registered Retirement Savings Plans. However, the rules governing RRSPs are preventing Canadians from getting the maximum possible return on their investments. Indeed, the restrictions on foreign content prevent the range of investments required to minimize financial risk. The current government has significantly reduced the allowable yearly contribution limits and is moving ever closer to introducing new taxes on RRSP savings.

- Canadians need to know that never again will their pension funds be mismanaged.

A Jean Charest government will improve the security and returns on Registered Retirement Savings Plans for Canadians by:

- Guaranteeing that the increased value of sheltered funds will never be taxed while they remain in RRSPs; and
- Immediately increasing the allowable foreign content of RRSPs from the current limit of 20% to 50% and moving to zero restrictions by the year 2001.

We will also remove the foreign content rules on other retirement investments so that all retirees will be able to grow their investments as they choose.

Jeans Charest's Plan for Canada's Next Century

Chapter Three

The Canadian Advantage

THE BEST QUALITY OF LIFE IN THE WORLD

Most Canadians believe that we have the best country in the world in which to live. While many aspects of our society are examples to the rest of the world, there are other areas where we lag behind other countries.

There is no reason that Canada cannot be a world leader in every major measure of quality of life. In fact, given the amount of money that we spend on our social programs, there is no excuse for Canada being less than a world leader in every important area. But too often, governments and interest groups measure success in social programs by how much money is being spent, instead of by results.

By reaching for, and achieving, the best quality of life in the world, we can continue to build a stronger society for ourselves and our children. We will also build a better country which takes pride in its achievements and its identity, a country more united and more prosperous.

HEALTH CARE—THE FEDERAL BETRAYAL

Our health care system is viewed by many as the best in the world. It is one of the most important achievements in our history and a cornerstone of Canadian society. Preserving and improving health care is a top priority for Canadians, and must be just as important to every government. As our population ages, the demands on our health care system will grow. Our funding and planning for the future have to keep pace.

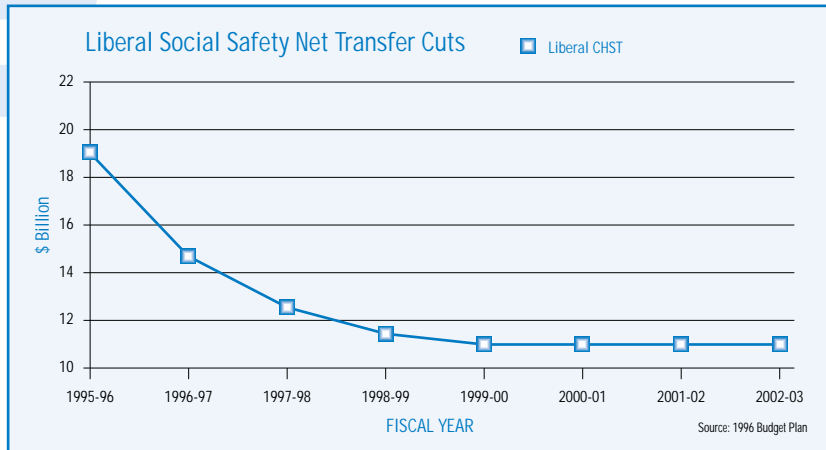
OUR BENCHMARKS:

- Health Care Funding that Meets Our Needs, Today and Tomorrow
- Equality and Accessibility of Care Across the Country, for all Canadians

Over the last three years, the current government has cut health care funding to every province and territory across the country. They have done so by slashing cash transfers to the provinces and territories by more than 40%. In the last three Paul Martin budgets, these federal transfers have been cut by more than \$6 billion. This has put extra pressure on provincial governments, health care institutions, health care providers and—most of all—on patients and their families.

As provincial and territorial governments struggle to absorb the federal spending cuts and communities see hospitals close, many Canadians fear that the health care system they have come to count on may not be there when they need it.

The federal government has so far escaped scrutiny and accountability, but it must bear the greatest responsibility for this betrayal.



THE CURRENT GOVERNMENT HAS CUT HEALTH CARE FUNDING BY BILLIONS OF DOLLARS ACROSS CANADA

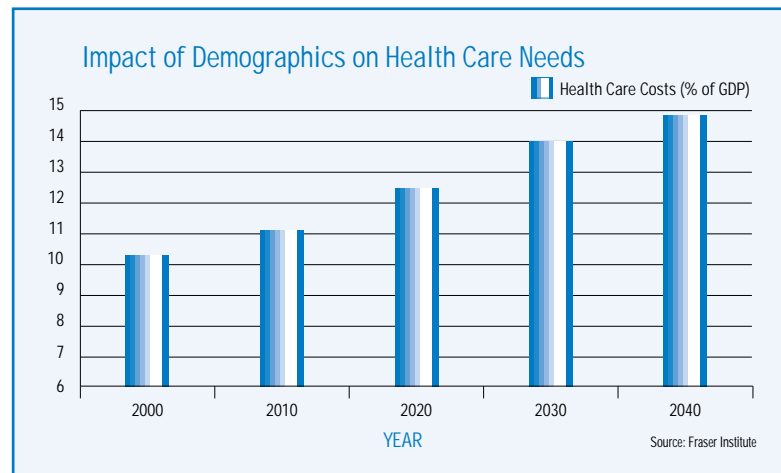
There is no doubt that federal spending can be substantially reduced in many areas. There is also no doubt that the federal government has lived beyond its means for too long. Today our government is structured to deliver many programs that Canadians no longer believe are priorities. It does so at the expense of the programs Canadians value most, like health care and education. One need only look at the most recent Budget to see just how mixed up the current government's priorities are. While they continue to make huge spending cuts on health care and education transfers, the Liberals will only cut their own program spending by under 2% between 1995-1999. While it might be politically easier for the federal government to cut provincial transfers rather than to restructure its own government, Canadians deserve more courageous leadership.

THE LIBERALS PLAN MORE HEALTH CARE CUTS

The threat to our health care system isn't over. The Finance Minister has already published his plans to cut another \$3.8 billion from the Canada Health and Social Transfer by the year 2000, and to keep spending essentially flat until at least 2003. This poses a serious risk to health care and significantly underestimates the needs of a growing and aging population. These cuts are being made for the worst of reasons—the Liberals know it is easier to push the problem off on someone else, rather than getting their own house in order. Meanwhile, the federal government can use the savings to reduce its deficit and pretend that it is being fiscally responsible. In fact, it is an ugly political game - a game that uses our health care system as the pawn.

THE JEAN CHAREST GUARANTEE: HIGHEST QUALITY HEALTH CARE

Jean Charest agrees that Ottawa needs to reduce its spending, but billions of dollars in health care cuts simply cannot be justified. Not when there are still costly and unnecessary programs and duplicated services that can be cut instead.



WE WILL NEED INCREASED FUNDING IN YEARS TO COME TO MEET THE HEALTH CARE NEEDS OF OUR AGING POPULATION

The provincial and territorial governments, the health care professionals and the people of Canada deserve certainty and stability in funding. We believe it's time to start setting priorities differently so that we can stop taking money out of health care and start putting more money back in.

A Jean Charest government will:

- Restore the level of the cash portion of federal funding for health care and education to \$12.5 billion, raising it from the \$11.1 billion planned under the current government; and
- Ensure future funding growth.

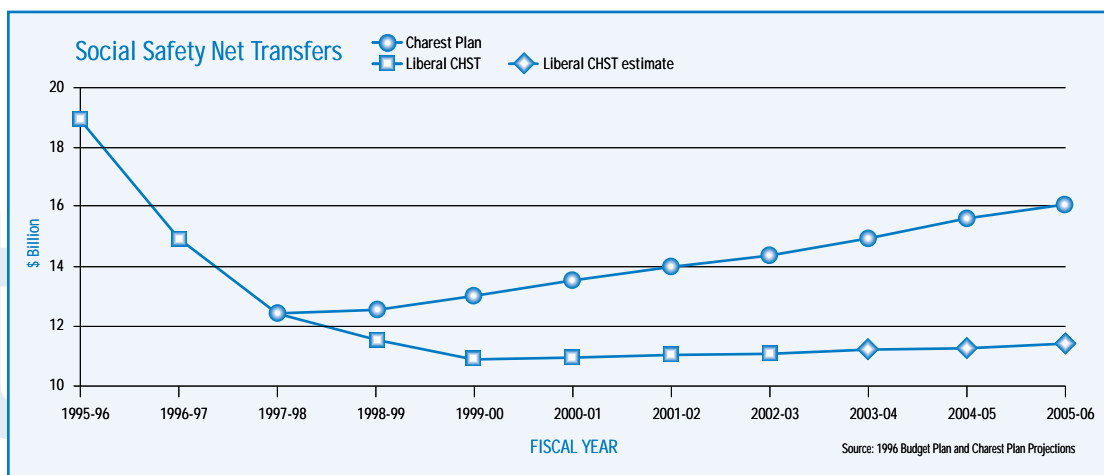
SECURING HEALTH CARE FUNDING INTO THE FUTURE

Providing adequate funding for vital health care services is the first step. Canadians want assurances that federal funding for health care and education cannot be cut again, and that funding levels will keep pace with our aging and growing population, instead of continually going down.

A Jean Charest government will:

- Replace the CHST by transferring tax points to the provinces and territories to ensure stability and certainty over health care and education funding

Moving to this type of funding will mean that the cuts provincial and territorial governments have suffered under the Liberals can never happen again. And, it will mean that federal funding for health care and education will climb every year, since tax points gain in value as the economy and population grow.



A JEAN CHAREST GOVERNMENT WILL ENSURE MORE FOR HEALTH CARE FUNDING.

On an annual basis, the transfer of tax points to the provinces and territories will mean that by the year 2001, they will have almost 3 billion a year more to support these essential services than is planned by the current government. (We expand on this in Chapter 4.) The long term implications of this are clear. By the end of our ten year plan, this increase will have grown to nearly \$5 billion a year, a 30% increase over the current cash funding plans.

Conversion of the CHST will also ensure that health care funding continues to rise in the future to meet the needs of our aging population. Because tax point transfers have different values for different provincial economies we will also guarantee, either through direct funding, or an increase in the equalization fund, comparable levels of service and quality of health care across Canada.

THE HIGHEST QUALITY HEALTH CARE

In addition to guaranteeing that health care is adequately funded, it is essential to guarantee that standards are set at the highest levels and that those standards are met.

Using a cooperative and collaborative approach, we will work with the provinces to establish a new “Canadian Health Care Guarantee”. This will be part of the new Canadian Covenant described in Chapter 4.

Together, the federal and provincial/territorial governments will agree on common standards for health care, commit to achieving those standards, and measure their performance. The basis of the Guarantee will be the principles currently in the Canada Health Act – portability, universality, accessibility, publicly administered, comprehensive – while at the same time allowing for the flexibility needed to guarantee that standards and principles identified can actually be achieved and exceeded.

While a Jean Charest government will work closely with the provinces to achieve mutual agreement on standards, the quality of health care will not be compromised. To ensure all parties live up to their agreements, the Guarantee will include a mutually agreed upon, practical and binding enforcement mechanism. If the federal and provincial/territorial governments cannot reach an agreement on common standards that guarantees uncompromised respect for the five existing principles of medicare, health care will not be part of the Canadian Covenant, and the existing Canadian Health and Social Transfer will continue in place.

HEALTH CARE FOR THE FUTURE: SMARTER SPENDING AND REINVESTMENT

Our health care system needs flexibility to continue adapting to new medical treatments, technologies and services being developed every day.

A Jean Charest government will invest \$200 million into a new Health Care Innovation Fund which will provide matching funding to provinces and territories which invest in:

- New pilot or experimental programs that provide Canadians with state of the art, cutting-edge services or treatments;
- New technology to improve the access to care in rural and remote areas of the country;
- Programs to test new integrated delivery systems aimed at providing health care based on the highest quality and best practices;
- The development and maintenance of a “Healthy Canada” World Wide Web site on the Internet to provide a variety of up-to-date health care information, including advice on prevention and treatment of illnesses, and to

help hospitals and researchers link their knowledge bases, and to assist health care givers and patients in remote communities; and

- Working closely with the provinces and territories to reduce unnecessary health care expenditures that result from duplication, and re-invest the savings back into the Fund.

We will create a National Institute for Health. With membership drawn from the health care field, this board will be co-chaired by the federal Health Minister and a provincial/territorial Minister of Health, the latter to be rotated among the provinces and territories on an annual basis. The Institute will have the following core objectives:

- To coordinate the gathering and distribution of information on research and new medical techniques with an emphasis on disease control, ensuring that Canadians benefit from the latest medical advances;
- To assist in the development and publication of national health care targets and goals on behalf of federal and provincial/territorial governments (through the Canadian Covenant Secretariat); and
- To measure, evaluate and publish progress towards achieving these targets.

SUCCEEDING IN THE KNOWLEDGE-BASED ECONOMY

OUR BENCHMARKS:

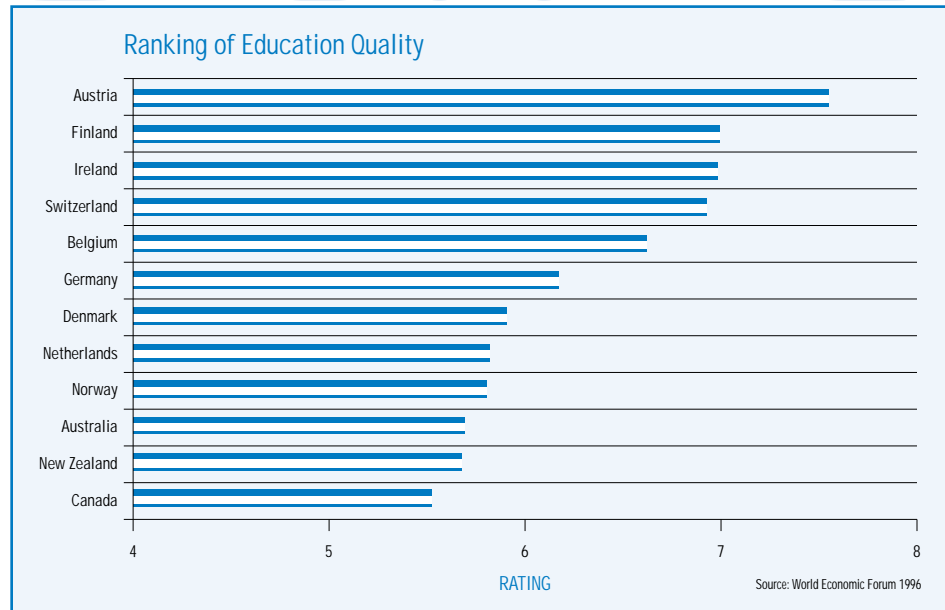
- A Country “Wired for Success”
- The Highest Standards in Our Schools
- Top Ten Placement in Math and Sciences
- Increased Accessibility to Universities
- Better Transition from Schools to the Workforce
- The Most Computer Literate Society

As we noted in Chapter One, the global economy is shifting away from manufacturing, and is increasingly based on services and information. These industries demand constant flexibility as new ideas and technologies keep emerging, and their employees must be prepared to keep learning new skills and acquiring more specialized knowledge every day. The experts call it “the knowledge economy” and agree that opportunity and prosperity in the future will depend on people’s learning opportunities and abilities.

Unfortunately, Canada today seems ill-prepared to meet these challenges. Canadian students place near the bottom in comparisons with other OECD countries in key areas such as mathematics and science. This knowledge gap threatens to rob our youth of their chance to compete

in the international marketplace of ideas and jobs. The problem does not appear to be a lack of money (we pay the most per capita for education of virtually any country in the world), but a lack of priorities and standards. We must stop measuring success by the amount of money spent, and measure instead by the results achieved.

**CANADIAN
STUDENTS TEST
LOWER THAN
OTHERS IN THE
KEY AREAS OF
MATHEMATICS
AND SCIENCE.**



While significant steps are being taken in some provinces to renew the emphasis on classroom teaching, fundamental skills and standards, there is a clear need for inter-provincial cooperation. Everyone with a stake in our future success, from students and parents to educators and business people, must be brought together to focus on making our students the best in the world.

Although education is primarily a provincial responsibility, the interests of Canada's young people are Canada-wide interests. The federal and provincial governments must work together to ensure that young people are receiving the best education in the world. To make this happen, the federal government and all sectors of Canadian society must work closely together to achieve this common objective. Jean Charest will take a leadership role in making this happen.

BASIC LEARNING

Whether students are headed for post-secondary education or directly into the labour force, they need fundamental learning skills and basic knowledge. These are essential if they are to keep on learning, advance in their careers and achieve their personal goals. In short, the future of our youth and of our economy depends on whether today's students are being given a sound background in their primary and secondary schools.

■ Canada...a country "wired for success"

A Jean Charest government will help ensure that all Canadian youth receive the basic knowledge and skills they need for their futures by:

- Establishing a Canadian Education Excellence Fund. The 'CEEF' will provide matching funds to provinces and territories that participate in establishing interprovincial standards for Common Curricula based on the model currently being undertaken by the Western Provinces and the work of the Canadian Council of Ministers of Education (CCME);
- The Fund will also establish a National Testing Institute in cooperation with the provinces and territories academia and the private sector. The Institute would administer testing of students in grades 3, 8 and 12 across Canada;
- In those provinces that choose to participate, the Fund will match dollar for dollar the cost of testing through the Institute. In provinces that choose not to participate the Institute will conduct voluntary random testing; and
- All test results will be published and made available to parents in the case of individuals and the public in the case of school performance averages.

Our goal is to bring the federal leadership and coordination necessary to ensure that Canadian students have the highest quality education, benchmarked against our best educated competitors. The initial investment in this fund would be \$50 million.

WIRED FOR SUCCESS

The world is in the middle of an information revolution, with new technologies affecting every aspect of our lives. The people, companies and countries that are prospering today are the ones taking best advantage of the information age.

Our education system has to embrace the information age to prepare our young people to compete and win in the information economy. Canada has long been a world leader in telecommunications, so we have the expertise and experience required to help our schools and students connect with new technology and ideas.

What far too many Canadian communities lack is the information infrastructure – the actual, physical wiring – needed to connect our students to each other and the world through the information super-highway.

A Jean Charest government will lead the way in the creation of the information infrastructure that will wire Canada for success by:

- Providing a ten year free right-of-way on federal lands/highways and waiving the usual government and CRTC fees for the construction of new fibre-optic cables that will help connect our schools with the world;
- Working with all other levels of government to clear the barriers and remove the costs to building information infrastructure; and
- Establishing a Centre for Digital Convergence in partnership with the private sector. It will serve as a physical and virtual centre bringing together key players from the computing, content and telecommunications sectors.

COMPUTER LITERACY

Our students also need the knowledge and equipment to participate in this new world. While an increasing number of families now have home computers and many schools are providing them for students, we are still far short of universal access for our youth.

Students with computers and the skills to use them enjoy an enormous advantage. For example, Nova Scotia's Acadia University provides each student with a laptop computer for a fee and the entire campus is set up to involve students in exploring and mastering the latest information technologies.

We believe that every student in Canada deserves that same advantage. Our objective is to have the most computer literate country in the world.

A Jean Charest government will help provide all Canadian students with the computer equipment and knowledge they will need for success by:

- Offering loan guarantees for private sector firms to purchase and lease network computer systems to schools, providing a low-cost method for school boards to have modern, upgradeable computers in every single classroom;
- Offering similar loan guarantees to provide laptop computers to every university and college student who doesn't already have one; and

- Working with the provinces to develop a Canadian “On-Line University” that will offer access to higher learning through the Internet.

ADVANCED LEARNING, RESEARCH AND TECHNOLOGY

The transition to an information economy and the need for specialized skills are transforming the workforce of tomorrow. The new jobs of the future will almost all demand training beyond secondary school and require us to build a culture of life-long learning.

A Jean Charest government will help make it possible for more students to go to universities and colleges by:

- Starting a \$100 million Canadian merit scholarship program that will open the doors to higher education for 25,000 needy students with the top marks in a scholarship exam covering core subjects;
- Working with interested provinces to help coordinate and institute universal student assistance programs backed financially by the private sector. Assistance will be made available to EVERY student. Students will pay the loans back after graduation, with the payments determined by their personal level of income;
- Reinvigorating the federal “Centres of Excellence” program by working with government, private sector and academic experts to develop new partnerships for high-level teaching, research and development, investing an additional \$25 million in this vital program; and
- Giving provinces the flexibility and tools to properly fund post-secondary education through the tax points transfer (as discussed earlier and in Chapter 4).

WELL-TRAINED WORKERS

OUR BENCHMARKS:

- Ending Waste and Duplication in Training & Employment Programs
- Working with Provinces/Territories to Ensure Common Standards

As our changing world demands new and more specific skills from its workers, training has become more important than ever. Whether it is an unemployed person trying to find a job or a worker trying to keep up with changing labour market demands, training is often the key.

Canada's training and employment programs are scattered across all levels of government and through myriad ministries, departments and agencies in every part of the country. All of this duplication means that taxpayer money that should go to training people is being wasted on bureaucracy.

We agree with the long-standing demand of Canadian workers for training programs that are easier to access and more effective in helping land a new job. We also agree with the provinces and territories that they are the best-placed to understand the demands of the marketplace and the needs of their people, provided certain common standards can be met.

We propose to eliminate the layers of bureaucracy and duplication between these programs and free up resources to help people re-enter the workforce.

A Jean Charest government will give Canadians the best possible training and re-training by:

- Pooling the existing training and employment programs spread through out the government and transferring the funds for these programs to the provinces and territories for training and employment programs that respond directly to the needs of workers, the unemployed and the jobs marketplace.
- Negotiating with the provinces and territories common and practical standards of efficient management, effective program design and labour market sensitivity.

A YOUTH STRATEGY

Canadians have always believed in investing in the next generation. We need a new and different approach to how we manage the transition from school to work. We must base our actions on time-tested Canadian values—belief in the work ethic, self-reliance and personal responsibility.

Jean Charest believes that the Prime Minister of Canada should lead by using his office and his leadership to rally Canadians behind one clear objective for young Canadians—that every young person should be in school, in training, at work or contributing to their community. In other words, no young person should be able to choose to be idle and still receive full EI benefits.

To achieve this goal, a Jean Charest government will:

- Change the Employment Insurance system to reduce benefits for young people unless they are in training.

- Call together a national conference that will include all levels of government, the private sector, and non-government organizations to establish a plan in which all sectors of Canadian society use the tools at their disposal to support Stay in School programs, co-op education programs, apprenticeships and other transition from school to work programs.

It is important that this initiative not be seen as challenging the jurisdiction of any particular level of government. The fact is that the concerns of youth cut across all jurisdictions. Income support programs at the provincial level have a strong capacity to support and strengthen the motivation for education and training and the school to work transition.

SAFE COMMUNITIES

OUR BENCHMARKS:

- Lower Crime Rates
- Fewer Young Offenders
- Recognition of Victims' Rights
- Clear, Consistent Sentencing of Criminals

Canadians deserve safe communities. No one should have to worry about danger to themselves or their property. Yet people across the country are living with a growing fear of the effects of crime right in their own neighbourhoods. Between 1962 and 1992 instances of violent crime have quadrupled. Youth crime has risen faster in the years since the Young Offenders Act was introduced, than prior to its introduction.

The best solution to crime problems is a strong, growing economy that provides more jobs and opportunity. However, if Canada is to have the safest communities in the world, we must also make sure that criminals are caught and properly dealt with, that victims of crime are given the help and respect they deserve, and that everything possible is being done to prevent crime in the first place.

A TOUGH BUT REALISTIC APPROACH

Canadians have been saying for many years now that the justice system is too soft on criminals and too hard on victims. We agree. Our plan includes measures to ensure that criminals get the punishment they deserve and victims get the respect and treatment they deserve.

At the same time, we must be realistic in recognizing that an ounce of crime prevention is worth a pound of cure. Keeping young people in school, early intervention in the lives of young people in trouble, and education of young people in general about the consequences of crime, do more to prevent crime than any other kinds of action.

We are committed to using the most effective means possible to make Canada's communities safer—a tough but realistic approach that combines effective programs of crime prevention with a crackdown on criminals.

SAFER STREETS

Here are some of the highlights of the actions we will take under a 'Safer Streets' initiative to both prevent and punish crime:

Prevention

We will strengthen the laws against stalking and harassment (which often lead to serious assaults), allow courts to impose treatment or therapy and supervision of offenders beyond the period of sentencing, support and expand any programs shown to help teach young people to be good citizens and to lower youth crime, give judges more flexibility in using alternative sentencing for first-time, non-violent offenses, and develop rehabilitation programs for young offenders that put the emphasis on basic education and social skills, personal responsibility and community service.

Policing

We will provide more community policing in areas patrolled exclusively by the RCMP, increase the resources dedicated to helping all Canadian police forces share information and work together, and work with the provinces to ensure that police forces benefit directly from the sale of criminal assets seized by the courts.

Victims' Rights

We will introduce legislation to create a Victims' Bill of Rights that will give victims of crime more information and more involvement in their cases. It will include mandatory testing for sexually-transmitted diseases on criminals convicted of serious sexual assault and informing their victims of the results.

Sentencing

We will make it easier for multiple murderers and serial pedophiles to be kept behind bars for life, and set substantial minimum sentences for crimes against children. Section 745 of the Criminal Code, the "faint hope" provision that allows those convicted of first degree murder to seek parole, will be abolished. We will enable the courts to impose post release mandatory supervision for certain types of crimes.

Young Offenders

We will lower the age of application of the Young Offenders Act from 12 to 10, give judges more power to impose mandatory treatment or therapy on troubled youths, make it easier to transfer serious violent crime cases involving young offenders to adult courts, and enact a Parental Responsibility Act to make the parents of young offenders financially responsible for the criminal acts of their children.

■ We are committed to using the most effective means possible to make Canada's communities safer.

Gun Control

Canada needs gun control legislation that ensures that criminal use of firearms is prevented and punished, one that ensures safe firearm training, usage, storage and transportation. It does not need a law that treats law-abiding gun owners as criminals. **We will repeal the Firearms Act (Bill C-68).** Mandatory penalties on those convicted of using a firearm in the commission of a crime will be increased.

Jeans Charest's Plan for Canada's Next Century

Chapter Four

Redefining Government for the 21st Century

MAKING CANADA WORK BETTER FOR ALL CANADIANS

Canada's federal system isn't working as well as it should. Canadians believe it is failing to meet their needs—failing to protect their most important social services, failing to recognize the needs and character of their region or culture, failing to spend their tax money wisely and effectively, and failing to attract new jobs and opportunities.

More than any constitutional question, it is this apparent inability of our system of governance to work for people, on a practical, day-to-day level, that is leaving so many Canadians dissatisfied. For example, health care and education are top priorities for Canadians, yet the current government's plans cut the cash transfers for these vital programs by 40% while barely touching its own program spending.

That's the easy way out—avoiding the need for real change at the federal level. It's time that a federal government had the courage to change itself, and to restore balance in its relations with the provinces and the people of Canada.

TIMES HAVE CHANGED

Our federal system is also failing to keep pace with the changes our country, society and economy are facing. Our country is still governed in ways designed to meet the needs of the 1960s, not the 90s or beyond. As a result, programs don't meet their objectives, duplication and overlap persist, and taxes and the debt grow higher and higher.

The consequences of these problems have been compounded by the national unity and constitutional crises we have faced for the past thirty years. How many jobs have we lost because of political instability? The twentieth century was to have been Canada's, yet we have squandered opportunities while we engage in bitter and unproductive constitutional battles.

Much time and energy have been spent searching for the perfect phrase or the single deal that will somehow resolve all of these problems. There are no magic solutions.

Jean Charest believes the way to make Canada stronger and more united is by starting to make it work better for all Canadians. Building a better Canada—with a stronger health care system, a brighter future for our youth, a warmer climate for job creation, and a more open, efficient and responsive government—are objectives that can be achieved without delay.

A NEW BALANCE

This country began as an economic union, and this is the building block we must use to forge a new balance in our federation — a balance that respects the differences between our regions, that strengthens our economy and allows governments to better serve their people.

The federal government cannot abandon its responsibilities to Canadians by decentralizing all of its powers to the provinces. It must be capable of acting in the national interest, to protect important programs like health care and to show courage and leadership in addressing serious problems like inter-provincial trade. Nor can the federal government ignore the needs of various regions to have more say over their own affairs.

The Constitution's division of powers has been politicized and complicated beyond all recognition. Sadly, it is now better at passing the buck than serving the people. The answer is to return to the principles that were always the foundation of our governing system, that the level of government closest to the people should provide the more personal or local services, that the level of government that provides those services should be the one funding them and that issues of pan-Canadian interest be dealt with by the federal government, in a spirit of partnership.

A RENEWED FEDERATION

Renewing the Canadian federation does not have to be a public battle of wills or a private deal reached behind closed doors. It can be the result of honest political leadership by the Prime Minister—leadership that works day by day, issue by issue to build a better Canada.

The current Prime Minister's approach to the 1995 Quebec Referendum almost cost Canadians their country. The policy of staggering between making threats and hoping that ignoring the problem will make it go away hasn't worked. Canadians know better than that. They understand that the current leadership vacuum at the national level has in effect yielded the agenda to those who are dedicated to breaking up Canada. Sending yet another signal of uncertainty to international investors is not the way to attract capital and build confidence in Canada today or into the future. It is a strategy to kill jobs for Canadians.

OUR BENCHMARKS:

- A practical and achievable agenda to rebalance the federation, to create a more positive and productive relationship between the federal and provincial/territorial governments, to show that Canada works; and
- A renewed Canadian citizenship based on our shared values and a renewed sense of common purpose that continues the task of nation-building, committed to the original partnership that created Canada.

The issue of national unity must not be allowed to become a stumbling block to progress in revitalizing the Canadian federation. Progress in achieving this goal can be accomplished without formal constitutional negotiations.

At the same time, we cannot ignore the fact that there will be another Quebec Referendum, and depending on its outcome, Canada may face some very difficult choices. At the heart of these choices lies our collective history as a people and all of our tomorrows as a country.

The special historic, geographic, social, cultural and language circumstances of provinces and territories have always been a part of our federal system. All provinces entered the federation under different terms and conditions, and operate under different constitutional provisions.

Canada was created in 1867 as a deliberate and pragmatic partnership based not only on history but rooted in this country's constitutional evolution from colony to sovereign state. In fact, the Fathers of Confederation specifically opted for a federal system to accommodate our diversity and to "preserve the province of Quebec's exceptional and unique position on the North American continent."

(Sir Wilfrid Laurier, November 24, 1871)

These words speak to Canadians through 130 years of shared history. They challenge us to find the creativity and commitment to keep Canada together and achieve national reconciliation.

The greatest threat to job creation in Canada is the perceived risk that our country will break up. This threat affects international investment, but it does even more damage at home in terms of lost opportunity and jobs. Some politicians will try to use the issue of distinct society to drive Canadians apart for partisan reasons. But as they drive wedges between Canadians, they also drive jobs out of Canada. It is precisely this disharmony and disunity that has held Canada back through much of the last 30 years.

Some political parties believe that this is an issue on which to make political points and seek political gain. They deliberately use the term "distinct society" to sow dissension, to pull the country apart. But if we are to maintain Canada as a single and united country, and build a climate for prosperity and job creation into the future, then we must find a better way.

Whether we use the words distinct society or other words, the issue remains the same. If we are to move forward and build a more prosperous Canada we will need to find a way to recognize this reality within the Canadian context.

But it is vitally important that all Canadians understand exactly what this means and what it does not mean.

What this means is that Canadians commit to assisting the people of Quebec in protecting their unique culture, civil law and language in North America, much the same way we all strive as a country to keep Canada itself unique amidst a sea of American culture.

It does not and will not constitute special powers, privilege, preferential treatment or superiority. It is the simple recognition of a historic fact of more than two centuries.

GOVERNMENT FOR ALL CANADIANS

Practical action to create a new federation will give Canadians a system of government that is more responsive. It will be more open and accountable, more efficient and more democratic. Provincial and regional concerns will have a clearer voice. And all Canadians at last will find their country stronger and more united.

A CANADIAN COVENANT

Forging the new and lasting Federation will require a new level of cooperation between Ottawa and the provinces and territories to make our country work better for people. The changes required can be achieved through federal-provincial/territorial agreements, without constitutional amendments.

A Jean Charest government will enter into a Canadian Covenant with the provinces to create a framework for a healthy, well-educated people, a growing job market and a strengthened economic union.

The Canadian Covenant will cover the areas which Canadians feel are so important to their quality of life, and most likely to help our economy grow and create jobs:

- Health Care
- Post-Secondary Education
- Inter-Provincial Trade

A COOPERATIVE APPROACH

The Covenant will provide a more flexible system that recognizes the differences across Canada while maintaining common high standards for our most important services, so that all Canadians enjoy comparable service levels. To do this, the federal government needs to hear and understand the ideas and concerns of every province and territory, and work with them to establish standards that they can and will uphold.

The Covenant will be adopted in legislation by all provinces/territories and the federal government and will contain a workable enforcement and dispute resolution mechanism that will ensure all parties live up to their obligations.

A reasonable but firm deadline to reach an agreement will be established at the First Minister's Conference. The financial benefits to the provinces/territories and the economic benefits to the country as a whole are powerful incentives to move quickly.

FAIR, EFFICIENT FUNDING

A major part of the new Canadian Covenant will be a more fair and efficient way of funding our vital social services. Right now, taxpayers fund health care, education and training by paying taxes to as many as four different levels of government—municipal, regional, provincial and federal.

The federal government transfers its share of the money back to the provinces/territories, based on complex formulas. This means that provinces/territories, who actually deliver these services, are at the mercy of the federal government for funding. This provides little certainty and thus makes long range planning very difficult. This must change.

THE TAX POINT SOLUTION

A Jean Charest government will streamline the process and assure the provinces/territories and the public of fair and efficient funding by transferring equalized tax points. Transferring tax points simply means that the federal government will give up its ability to collect a portion of federal taxes to the provinces and territories. The total amount of tax Canadians pay doesn't change as a result. The difference is that provinces and territories will collect this money rather than the federal government, avoiding the risk that the federal government will reduce it before they pass it on.

This is a better system for several reasons. It gives the provinces and territories financial independence in providing social programs. Never again will a federal government be able to unilaterally slash health care spending by billions of dollars or to download its troubles onto the provinces and territories. This will mean greater accountability to the taxpayers who ultimately foot the bill, and greater input for Canadians who rely on the health care system.

A Jean Charest government will convert \$12.5 billion in cash to tax points (an increase of more than \$1 billion over the \$11.1 billion the current government would provide through the CHST in fiscal 1999-00).

This conversion will take place over two years, with \$6.0 billion being converted in 1998/99 (\$6.0 in tax points + \$6.5 billion in cash = \$12.5 billion) and the final \$6.5 billion in cash being converted in 1999/00. Should the agreement between the provinces/territories and the federal government take longer to achieve, the current CHST will remain in place until such time as the Canadian Covenant is ratified.

■ We all have special historic, geographic, social, cultural and language circumstances.

Finally, transferring tax points will increase the availability of funding to provinces and territories for these services. That's because the value of these equalized tax points will increase over time as the economy and population grow.

Recognizing that tax points grow in value differently for certain provinces, a Jean Charest government will guarantee, either through direct funding or an increase in the equalization fund, that these payments continue to assist all regions in a comparable manner.

KEEPING STANDARDS HIGH

A Jean Charest government will ensure high standards for our social services by establishing a Canadian Covenant Secretariat with both federal and provincial/territorial representation. It will be the mandate of the Secretariat to provide an ongoing forum for improvement and negotiation, and also to monitor and report publicly on the adherence of the participants to the agreements on access, portability, standards and quality of the programs covered by the Covenant. The Secretariat will report to the respective Legislatures and Parliament.

Once the Covenant is negotiated, the federal and provincial/territorial governments will respectively give it legal status through legislation, providing the opportunity for either side to seek redress through the courts.

A second responsibility of the Secretariat will be the Dispute Settlement and Enforcement Panel. This will be structured much in the same way as other dispute resolution panels, with one representative chosen by the provinces/territories, one by the federal government and a third chosen jointly. This Panel will make rulings on compliance and determine penalties for non-compliance.

While the details will be established through negotiations with the provinces and territories, there must be enforcement mechanisms.

This approach will require that the provinces and the federal government agree in advance to the dispute settlement and enforcement mechanisms. The result will be a more integrated and cooperative partnership.

This approach to resolving disputes is preferable to the federal government simply unilaterally exerting its spending power to enforce standards. The provinces and territories will be directly involved and jointly responsible with the federal government for ensuring compliance. This will have the effect of tightly binding the provinces together, and creating a more common approach across Canada to these important issues.

STRENGTHENING THE FEDERATION

Additional means are required to involve the provinces and territories more directly in decisions that affect them. In this way, our federal government can better reflect the diverse nature of our country and help to improve the bonds that unite us. Canada must take advantage of the strengths of its parts if it is to be strong as a whole.

A Jean Charest government will involve provinces and territories more directly in the running of the country by empowering the Canadian Covenant Secretariat with the responsibility of finding practical ways of making our economic, social and political unions work more effectively day to day.

In this respect, it would assess the activities of the partners in the federation and report to respective Parliaments, Assemblies and Legislatures on the steps necessary to maximize practical efficiencies, fiscal, economic and social equity and productivity. The objective is to develop a greater level of socio-economic cooperation and a process to facilitate such cooperation.

In addition, the provinces will be invited to recommend people for key national bodies, such as the Bank of Canada, trustees of the CPP Trust, key Crown Corporations, important regulatory agencies such as the National Energy Board, and the position of Lieutenant-Governor.

SENATE REFORM

The issue of Senate reform has long been a feature of the Canadian political landscape. While constitutional changes would be needed to accommodate significant changes to the Senate such as election of Senators, there are changes that can be made immediately.

A Jean Charest government will reform the Senate to improve its ability to represent the regions and people of Canada by:

- Inviting the provinces to nominate potential Senators (those nominees to be determined in any way the provinces and territories deem fit) and making appointments only after consultation; and
- Limiting Senators' terms to a maximum of ten years.

We will welcome discussions with the provinces for more comprehensive changes.

OPEN GOVERNMENT

For some time now Canadians have been losing confidence in their public institutions and especially in government. This is largely the result of two factors: politicians who don't listen and don't keep their promises, and big unresponsive bureaucracy that just doesn't seem to work for everyday citizens.

Canadians need to know that their federal government is truly working on their behalf and truly working well. Otherwise, people feel that both their votes and their taxes are wasted.

By opening up our government to more public scrutiny and by increasing the role of democratic decision-making, we can give Canadians a stronger sense of public control and identity with their public institutions.

A Jean Charest government will provide more open and democratic government by:

- Establishing an all-Party committee in the House of Commons to make recommendations on key appointments;

The committee will have powers to recommend appointments to positions that are too important to allow strictly partisan considerations to influence, such as the Governor-General, Commissioner of the RCMP, the head of CSIS, Chief Electoral Officer, Chief Justice of the Supreme Court, Chief of Defence Staff, key ambassadorial posts, trustees of the CPP Trust and key federal agency heads;
- Enacting a “Sunshine Law” prohibiting any parliamentary committee from meeting behind closed doors unless there are issues of federal security involved;
- Giving parliamentary committees greater powers to enforce the accountability of Cabinet Ministers and Deputy Ministers by requiring Ministers to attend all Committee hearings related to their legislation;
- Replacing the current pension plan enjoyed by MPs and Senators with a privatized plan like those used by other Canadians;
- Strengthening the mandate of the civilian review body for the RCMP to prevent situations where the force can investigate itself; and
- Revising the budget-making process to make it more open and understandable to the public.

BETTER GOVERNMENT AT LESS COST

Every business has known for years that to survive, it had to offer a better product or superior service for the lowest possible price. Today, the competitive pressures of the marketplace have caught up with government.

Providing the best possible government for the least possible cost will assist us in achieving our goals of balancing the budget, lowering the tax burden on Canadians and safeguarding key social programs. All of these build a better environment for job creation and prosperity.

Throughout this document, we have identified a number of ways of achieving this objective, such as prioritizing federal spending and ensuring that provinces have the financial resources to accommodate their program responsibilities.

The other major way to provide the “best for the least” is to end the waste and costly duplication, both inside the federal government and between it and the other levels of government. Canadians do not really care which level of government delivers their services, as long as those services are sensitive to local needs, efficient and cost-effective.

We believe that, in certain cases, devolving some of the responsibilities currently at the federal level to the provinces would result in better service at lower cost. Areas such as forestry, mining, agriculture, environment and training are fraught with wasteful, costly duplication between the levels of government.

Under a Jean Charest Government this will end. This is only a small part of the work that can be done to reduce the size and cost of government. In order to protect key services such as health care, we must work to restructure the federal government in other ways.

To this end a Jean Charest Government will:

- Initiate a comprehensive review of all government agencies, boards and commissions (ABCs). We will eliminate those that do not accomplish their goals, merge ABCs with similar mandates, reduce the compensation for appointees to these bodies to encourage greater volunteerism, and look for ways to replace many of these bodies with other, less costly forms of oversight.

To ensure that our reforms will give us the highest value/lowest cost government services system possible, a Jean Charest government will

- Introduce performance bonuses for public servants to reward results-oriented management; and

- Require full disclosure of senior public servant and political staff salaries and benefits, including termination compensation, to encourage greater accountability.

CUTTING RED TAPE

‘Red tape’ refers to government regulations or requirements whose costs outweigh their benefits and which form barriers to job creation or good public service.

Government regulations cost Canadian businesses tens of billions of dollars. The extra costs in time and money created by unnecessary red tape hurt everyone, forcing prices and taxes higher and reducing the quality and speed of government services.

Over-regulation also reduces job creation by building uncertainty about the future for businesses, which must negotiate their way through the maze. A business climate choked by red tape also discourages investors and businesses outside Canada from locating here. We should be making it easier for the private sector to grow and create more jobs, not building bureaucratic barriers.

A Jean Charest government will cut red tape to help build a stronger climate for job creation by:

- Within six months of taking office, initiating a review of all government regulations, with the goal of reducing and eliminating red tape;
- Including in every new regulation a so-called “sunset clause”, which sets a time limit for the regulation to be in effect. When the time expires, the regulation must be reviewed to see how well it has worked, whether it is still necessary, and if it should be revoked, amended or reconfirmed;
- Requiring every government department and agency to review its rules and regulations with an eye to reducing their number and costs of compliance, and to providing more flexibility to the parties affected by them;
- Creating a Waste Reduction Team, made up of MPs, public servants and experts to examine ways of further reducing waste, duplication and bureaucracy within the federal government; and
- Reviewing and making changes to the budget process to build incentives for savings into the system.

Chapter Five

Canada and The World

Canada has long been a country that sets examples for the rest of the world. Our commitments to helping keep the world at peace, providing aid to other countries, and working to help the oppressed and needy have won us respect around the globe.

The international scene today is characterized by a number of complex pressures. These include intense ethnic conflicts within and between countries, and shifting balances of power resulting from the Cold War. Canada's foreign and defence policies must reflect these global realities.

Canada's role in the world is by definition an expression of Canadian values and interests. Our commitments need to achieve the right balance with those values and interests. There must be a link between Canada's international relations, trade and aid policies and our economic interests. Canadians want the promotion of basic values such as human rights, individual freedoms and responsibilities to be at the heart of our foreign policy.

Canada's defence policy must reflect the global environment by balancing fiscal constraints with issues of collective security, participation in peacekeeping missions, and an appropriately structured military that is sustainable and sufficiently flexible to react to future needs.

FOREIGN AFFAIRS

The pillars of Canada's foreign policy have traditionally been sovereignty, independence, collective security through participation in international organizations, democracy, human rights and foreign aid.

Canada has developed strong global links—as a trading nation and as a nation of immigrants—that have given this country an influential voice in the world. A Jean Charest government will seek a leadership role and voice for Canada in world affairs through serious engagement in issues and events that match our country's values and interests.

PROTECTING HUMAN RIGHTS

Canadians believe in the values of democracy and justice. They expect their government to respect and reflect those views in its international relations. It is not enough for Canada to pay lip service to ideals such as free elections, fair trials, and freedom from oppression on the international stage. We must back up our words with actions that encourage freedom and reject the abuse of human rights.

A Jean Charest government will act to protect human rights around the world by:

- Using diplomatic or economic pressure to encourage respect for human rights in other nations;

- Giving priority in foreign aid to countries which respect human rights, and to projects which promote self-sufficiency and human development; and
- Encouraging other countries, both directly and through organizations such as the United Nations and the Organization of American States, to follow Canada's example.

THE FAIREST IMMIGRATION AND REFUGEE SYSTEM

OUR BENCHMARKS:

- Welcome Those Who Will Help Build our Country
- Help Those Truly in Need
- Enforce Immigration Laws to Remove Criminals and False Applicants

Canada is internationally renowned for our generous commitments to immigration and to refugees. That reputation is quickly becoming tarnished as increasing numbers of those who seek to abuse our laws and flaunt our generosity enter our borders illegally. This in turn creates an atmosphere of distrust of immigrants and genuine refugees that we continue to welcome to Canada.

We want to help those truly in need and welcome the hard-working immigrants who like those before them will help build our country. At the same time, we must develop the tools to immediately turn back criminals, false refugee claimants and those who will make no meaningful contribution to our country.

Canada needs a balanced approach that does not punish legitimate applicants who seek to enter this country, while preventing the abusers from taking unfair advantage.

A Jean Charest government will set fair rules for dealing with immigrants and refugees by:

- Ending patronage appointments to the Immigration and Refugee Board and ensuring that unbiased and qualified people serve on the front line of our refugee determination system;
- Streamlining the Board's procedures to speed up the process so that legitimate refugees are quickly granted appropriate status, and those not in need of our protection are expeditiously removed from Canada; and
- Amending the Immigration Act to allow for the rapid deportation of criminals, false refugees and other illegal immigrants without allowing them to delay the process using exhaustive appeal mechanisms.

FOREIGN AID

Canada has a direct interest in helping less developed and developing nations strengthen their economies. As such countries develop, their potential as trade partners increases, opening

the door to increased trade with Canada and more jobs and opportunities for Canadians. This theory only works when our aid goes towards projects that encourage self-sufficiency and economic development, and when our money is not wasted in politically-driven projects or misdirected through a lack of accountability.

Just as in Canada, throwing money at massive infrastructure programs in other countries does not create lasting jobs or alleviate poverty. Human development requires investment in people not politicians.

A Jean Charest government will reduce and better target foreign aid dollars by:

- Limiting aid to projects that will encourage countries to become self-sufficient and open the door for trade and economic development for both Canada and the recipient country;
- Focusing aid on human development projects, including health care and education, with the aim of eliminating poverty and increasing a country's potential;
- Demanding a high degree of accountability in the planning and delivery of each foreign aid package;
- Channeling more resources through non-government organizations, universities and other associations, working in partnership with their counterparts in the recipient countries, to ensure maximum impact of our aid funds; and
- Giving priority to "in-kind" assistance, supplying commodities such as wheat, Canadian-made equipment and construction materials and technical expertise, rather than dollars.

This more focused and accountable approach will require less taxpayer funds while achieving more concrete results.

HUMANITARIAN AID

The same principles apply to emergency and humanitarian aid. All too often, lack of accountability or political considerations result in this aid being wasted or misdirected.

A Jean Charest government will ensure that humanitarian aid is used more effectively to help those in need by:

- Directing aid where it is most needed for temporary famine relief and to help those affected by natural disasters, NOT to discourage or displace self-sufficiency;

- Refusing to divert funds or give them directly to local politicians and/or local power groups; and
- Demanding a high degree of accountability from the recipient country or organization.

A PROFESSIONAL MILITARY

The military's role is to uphold and defend Canada's national interests in the world and ensure the protection of Canadian sovereignty and support for civil authorities, contribute to collective security and world peacekeeping, and support international obligations and allies.

OUR BENCHMARKS:

- Higher Morale
- More Resources for Front-Line Personnel
- Increased Cost-effectiveness

Canadians are proud of our armed forces and its long tradition of service at home and abroad. In the past, we have distinguished ourselves through our wartime participation in Europe and Asia, and have continued that service in peace time in concert with the United Nations and other multinational organizations. Our military's service in this capacity has earned Canada respect throughout the world.

Peace operations will continue to be an integral part of their mission. However, we also want our armed forces to retain the ability to defend our national interests and help other nations in times of need. The strength and integrity of our military is a critical element of our sovereignty.

In recent years, the world has changed far faster than our armed forces. The international security environment is characterized by regional conflicts within and between countries resulting from social dislocations, ethnic quarrels and the unsettled legacy of the Cold War. To ensure our military can meet the challenges of the next century, we must undertake significant reforms in our military now.

As we approach the 21st century, our armed forces will be asked to perform their jobs in three basic capacities. These are:

- Defence of Canadian sovereignty;
- Adherence to Canada's treaty obligations with our NATO partners; and
- Participation in peace operations throughout the world.

Our armed forces already perform these jobs on a daily basis. However, in recent years, some serious weaknesses have been exposed in the structure of the Canadian Forces. These weaknesses are symptomatic of larger problems within the Department of National Defence and

pose a serious threat to the morale of our troops and their ability to perform the tasks asked of them. In order to rectify these problems and ensure the Canadian Forces are well prepared for the challenges ahead, a new focus and fundamental reform is required immediately, particularly with respect to the army.

FOCUSSING OUR RESOURCES

We need to take stock of our armed forces and better target their resources. Because of their relatively small size, our goal will be to produce a cohesive, well trained rapid reaction force of Division size. Currently, such a Division exists on paper, but these forces train together infrequently and are inadequately equipped for rapid deployment.

A Division is a self-contained fighting force which possesses all the personnel needed for deployment from support to fighting soldiers. While Army divisions range in size throughout the world from 10,000 troops to 25,000 or more, we would propose one of 14,000 troops. When deployed in its entirety, this force would be clearly identified as Canadian and would not be broken down and diluted into other multi-national forces, thereby losing its identity.

The creation of this force is critical. Often, when our government asks soldiers to serve overseas, units are assembled on very short notice. With insufficient time to train as a cohesive force, we are putting our troops at a disadvantage even before they begin their job. Concentrating these troops at fewer locations would allow more time to train before deployment and would result in a unified and professional fighting force.

A Jean Charest government will:

- Make development of a Rapid Reaction Division central to the long-term strategy for our armed forces.

This Division will be the standard-bearer for Canada when overseas and would consist of our finest men and women in uniform. These troops would form the core of any peace operation or, if called upon in time of war, our fighting force.

In addition to changes in our land forces, we must strive to transform the air and sea elements of our armed forces into strong partners of the Army. Our goal is to reallocate existing resources and future equipment purchases to produce such a partnership. Unfortunately, we lack this capability at present. Often we must rely on our allies during peace operations to provide support in areas where we lack equipment or expertise.

When this working partnership is achieved, our forces will be self-sustaining whether they are charged with defence of Canadian sovereignty or sent overseas to assist in United Nations peace operations. Not only will this enhance our capability and reputation as peacekeepers, it will give Canada the capacity to provide a combat-ready, balanced joint force.

RESTORING MORALE

The importance of morale in our Armed Forces cannot be overstated. In recent years, the morale of our troops has been driven down to dangerous levels. Worse, many Canadians have lost respect for our armed forces. Many have felt that the bureaucratic distance between the Minister and the troops has harmed morale.

A Jean Charest government will immediately work to restore the morale of our soldiers and respect for the Armed Forces by:

- Streamlining its bureaucracy;
- Creating open channels of communication from the ground up through the chain of command to the Minister's office, by ensuring that the Minister is in the field on a regular basis; and
- Establishing an Inspector-General for the Armed Forces to act as an ombudsman to address concerns which cannot be dealt with in the routine chain of command.

REAL REFORM OF THE DEPARTMENT OF NATIONAL DEFENCE

Reform of the bureaucratic structure of the Department of National Defence (DND) is crucial. Over the past twenty years, Parliament has commissioned many reports and committees to look into reforming the armed forces. The time for study is over. It is time to begin the task of re-shaping our armed forces.

The present structure of the DND has produced a situation where there is significant confusion within the military as to the chain of command and as to who is ultimately in charge. This confusion stems from the intermingling of bureaucrats and officers in the military structure. Contrary to the requirements of the National Defence Act, these bodies have not remained distinct from each other and a disproportionately large amount of control has been assumed by bureaucrats. This has served to harm both the military structure and the morale of our troops.

The solution is to sever the military chain of command from the bureaucratic web at the DND.

A Jean Charest Government will:

- Reform the Armed Forces to establish an unobstructed military chain of command and a smaller DND with separate, clearly defined responsibilities for military and bureaucratic personnel.
- In conjunction with the restructuring of the DND, we will change the armed forces' costly and inefficient system of procurement. It costs too much, takes too long, is too complicated and too often leaves our troops ill-equipped. The average time the

procurement system takes to produce a finished product is about ten years. During that time technology and policies change, leaving our soldiers with outdated equipment which no longer serves their needs. This system is not only costly but dangerous.

- Adopt the principle of “off-the-shelf” procurement which will ensure that our troops have the equipment they need at a cost Canadians can afford, as recommended in the White Paper on National Defence.

As part of the effort to remove waste and inefficiency, the introduction of private sector competition and service must be accelerated in many areas of the Armed Forces. Property management, food services, and some maintenance services are just a few of the areas where private sector firms can help to bring down costs and streamline services. Efficiencies introduced by the private sector involvement will help to free up dollars which can be better used in equipping our front line troops.

Over the past number of years, the defence budget has been gradually shrinking. In this light, many have said that stable funding is an important component missing from the Canadian Forces. We believe that with the exception of the reforms proposed above, there is little additional room to reduce the budget of the Armed Forces.

A Jean Charest government will:

- Set funding for the military in five-year terms, once our initial reforms are completed.

With these changes and improvements, we believe the Canadian Forces will continue to be world-class. By refocusing our resources and reforming the bureaucracy, we will set the Canadian Forces on a stable footing for the future.

Conclusion

Sharing a Strong Vision of Canada's Future

More than a century after the founding of Canada, we can look with pride on the country we, our parents and grandparents have built – one of the most prosperous, safe and fair countries in the world.

However, we remain a country poised on the brink of greatness, a country that has yet to fully realize its enormous potential.

My vision of Canada's future is of a country that reaches that full potential, becoming a world leader in every respect.

It is a vision of a people united in pride and strength, knowing that we live, work and raise our families in a country that is unique.

This can be more than just a dream if we set higher goals and summon the courage and determination to make real changes for a better future.

We have the opportunity today to re-build and renew our country, reinforcing our strengths and filling the gaps where we are weak.

If we all share a strong vision of Canada's future, with courageous leadership, we can make that vision a reality.

If we want it, and if we work for it, the 21st century will belong to Canada.

- Jean Charest, MP



Appendix

THE COST SAVINGS

In order to ensure that Canada enters the 21st century with a balanced budget, competitive tax rates, adequate spending on key priorities like health care and education and the economic growth and job creation we need, it is imperative that we finally restructure Ottawa.

Our huge public sector, with its high administrative cost of programs, continued duplication of provincial services and high public service costs, cries out for restructuring. Just as the private sector was forced to do in the 1980s, our public sector must find these restructuring savings while at the same time improving products and services and cutting their cost.

A fully modernized and ultra-efficient civil service is a fundamental component of our vision. Our objective is to ensure that those who choose to work in Canada's public service are given the tools to deliver the highest value/lowest cost government services in the world.

In order to meet our objectives, we need to reduce the program spending of government by around 12%. We believe that through setting priorities, better management and more aggressive approaches to cutting government waste, this target is achievable.

We are not making "across the board cuts". To the contrary, we are setting priorities for spending and finding the savings in other non-priority areas. The details are spelled out below and are based on the federal government's budget estimates for fiscal 1998/99.

DEPARTMENT BY DEPARTMENT SAVINGS

Foreign Affairs and International Assistance

- Projected 1998 estimate: \$1.322 billion + \$1.912 billion
- Projected Savings: \$325 million + \$473 million

As a major nation on the world stage, it is critical that Canada be represented wherever our interests are affected. But we believe our Department of Foreign Affairs is currently over-extended. We will reduce the number of Canadian embassies and downgrade the level of representation we currently maintain in countries where Canada has minimal trade and cultural links. By hiring more local staff in foreign embassies and consulates, we can achieve significant savings by reducing the costs associated with lucrative diplomatic perks such as "overseas packages." We will also look for opportunities to share more representative functions with other countries.

As a major nation we also have an obligation to help poorer nations through foreign aid, particularly where natural disasters have led to short term crises in food supply. In too many cases, however, our ongoing aid programs are spent in countries where local elites are the major beneficiaries and where many decades of aid funding have resulted in little fundamental improvement in dysfunctional economies. There are also examples of Canadian taxpayers' foreign aid dollars being spent in countries where economic growth is extremely rapid and where there is no longer a demonstrable, genuine need.

We will continue to provide bilateral aid, focusing our aid on emergency assistance and small scale industrial cooperation. In order to achieve our savings objectives, we will be scaling back our foreign aid expenditures between 1998 and 2002. We remain committed to longer term foreign aid targets but will not allow foreign objectives to overshadow the urgent need to secure our domestic objectives first.

Citizenship and Immigration

- Projected 1998 estimate: \$615 million
- Projected Savings: \$177 million

Canada is a country of immigrants. It is equally important that we not forget the critical role immigration must play in ensuring that we continue to prosper into the next century. We do not believe that higher immigration levels will bring significant economic benefit until such time as the economy generates enough jobs to absorb our current rate of unemployment. We are also convinced that current immigration levels can be managed much more efficiently if we set stricter criteria for admission.

The most expensive element of the Citizenship and Immigration budget is settlement assistance. These costs could be substantially reduced by changing the criteria for new immigrants to place greater emphasis on the skills required to prosper in our modern economy. In particular, our new approach will place a greater premium on language skills. Proficiency in one of Canada's two official languages is an essential ingredient for recent immigrants seeking to integrate into our economy. It should be an equally essential ingredient in our selection criteria.

Our history as a nation of immigrants does not mean that we must turn a blind eye to those who might wish to take advantage of our generosity. Further savings can be found in tightening up refugee claims criteria. And our government will enforce sponsorship bonds (which enable the immigration of relatives).

CONSOLIDATING RESPONSIBILITIES

In cases such as agriculture and transportation, there is significant overlap between the provinces and the federal governments, with substantial duplication of services as a result. In the case of the environment, there are four federal departments responsible for elements of our environment. By merging the Departments of Agriculture and Agri-Food, Environment, Natural Resources and Fisheries and Oceans into a Department of Sustainable Development, we can ensure proper priority is placed on the inter-generational responsibilities we all bear for the preservation of our environment, while at the same time finding the savings we need to meet our other main objectives.

Agriculture and Agri-Food

- Projected 1998 estimate: \$1.452 billion
- Projected Savings: \$608 million

We intend to reform this Department with a view to aligning its objectives more closely with those of the large and well-funded provincial ministries of agriculture. Consistent with the trend in recent multilateral trade negotiations, we will be moving to reduce and eventually eliminate farm subsidy programs. Consistent with our commitment to freer markets, we will also accelerate the five year phase out in dairy subsidies.

The relationship between this Department and the private sector will also be changed. For example, we will broaden the scope for the transfer of research and development activities to the private sector. In exchange, we will be looking to increase cost-recovery for food inspection and regulatory oversight.

Environment

- Projected 1998 estimate: \$480 million
- Projected Savings: \$43 million

The tangle of regulatory controls over the environment is a barrier to job creation in this country. These are also an obstacle to effectively preserving and enhancing our environment. We will work with the provinces to fundamentally reform the field of regulations to ensure that a single point of contact is available and that a single approval is required. The savings from eliminating this area of duplication and administrative cost will be substantial. We will also move to increase the level of commercialization of environmental services. Today, Environment Canada responds to over 50 million requests a year for weather and other environmental information. With this high level of demand, there is clearly significant room for user pay/cost recovery mechanisms, if not broader privatization of services.

Natural Resources

- Projected 1998 estimate: \$592 million
- Projected Savings: \$400 million

Natural resources belong to the provinces and all provinces currently support significant ministries dealing with energy, mines and forests. We believe that a large component of the responsibilities of this Department properly belong at the provincial level.

Fisheries and Oceans

- Projected 1998 estimate: \$1.037 billion
- Projected Savings: \$78 million

The pressures felt by the fisheries on both coasts of Canada have been substantial over the last several years. We are convinced that Canadians share our sense of priorities and that they are willing to see reductions in other federal programs in order to preserve and enhance our health care and education systems. They share, as we do, a continued commitment to preserving and enhancing the fisheries both as an economically viable industry and as a way of life that is fundamental to our own nation's sense of identity. For that reason, we propose to reduce the \$1 billion Fisheries and Oceans budget by only 8%, a total we are highly confident can be secured through the greater administrative efficiencies achieved by the merger into the Department of Sustainable Development and without cuts to essential programs.

Industry Canada

- Projected 1998 estimate: \$2.052 billion
- Projected Savings: \$183 million

As we enter the age of the new global economy, some older institutions no longer can be argued to serve any real purpose. Industry Canada has traditionally focused on the political allocation of grants and subsidies to companies with effective lobbying capabilities. In the new economy, when more jobs are created by small business and when so many people are being asked to make sacrifices in order to balance our budget, cut taxes, protect health care and create a climate for sustainable new job generation, there can be no room for continued support of "corporate welfare".

We will assist Industry Canada to complete its transformation into the most effective national marketing organization in the world, selling the attributes of Canada's investment climate in every corner of the world. But at the same time, we will find substantial savings by reducing the number of "analysts" and "advisors" on payroll. We will also eliminate the anti-competitive grants and subsidies to business.

By realigning Industry Canada's operating structure with its new, more focused mandate, we anticipate substantial administrative efficiencies. We believe additional savings will be generated through the outsourcing of central services and management functions to the private sector.

Transport Canada

- Projected 1998 estimate: \$704 million
- Projected Savings: \$35 million

Transport Canada has already seen substantial reductions over the last ten years. We are confident, however, that an increased emphasis on public-private partnerships for infrastructure development, coupled with a more disciplined approach to administrative efficiency, will enable us to save the target amount.

Justice/Solicitor General

- Projected 1998 estimate: \$3.140 billion
- Projected Savings - \$83 million

We anticipate finding limited savings through administrative reforms in each of these two Ministries. Only 3% savings in

each will ensure that we meet our broader fiscal objectives while at the same time enabling us to maintain full support for necessary programs and initiatives.

Public Works and Government Services Canada and Related Expenses

- Projected 1998 estimate: \$3.979 billion
- Projected Savings - \$1.364 billion

As detailed in Chapter 2, the existing Department of Public Works and Government Services will be eliminated entirely in the course of our restructuring initiatives. Essential elements will be spun off to departments which offer similar services. Remaining services will be out sourced to the private sector. Examples of areas in which we are convinced that the private sector can deliver services more cost-effectively include property management, accommodation services, architectural and engineering services, supply services, information technology and communications services.

There will of course be a need for strict and publicly transparent management of the contract allocation process. This process will be managed by a newly structured Treasury Board. Treasury Board will also be responsible for ensuring that we provide public servants with the tools they need to meet the challenges set out in this plan.

As part of our restructuring, Revenue Canada (today a separate department) and the Receiver General (also a separate component of Public Works and Government Services) will be folded into the Department of Finance. This logical grouping of functions will not only enhance administrative efficiency, it will also enable us to find additional restructuring savings.

Regional Agencies

- Projected 1998 estimate: \$708 million
- Projected Savings: \$450 million

Regional economic development has long been the subject of rigorous academic debate. Many argue that it represents little more than a source for political pork-barreling. Others disagree, suggesting that the federal government must continue to play a role in helping disadvantaged provinces. Today, with economic growth in Western Canada leading the nation, there is no longer a viable rationale for the continuation of Western Economic Diversification. Only in Atlantic Canada is there still a clear basis for continued regional economic development support.

With the exception of the Atlantic Canada Opportunities Agency (ACOA), we will close down the regional development agencies. Promotional functions will be transferred to the refocused marketing arm of Industry Canada. ACOA itself will be thoroughly restructured to better serve its role in Atlantic Canada. A "firewall" will be erected to surround the business loan functions of ACOA to prevent political interference and the "pork-barrel" politics of years past. We will also turn an eye towards re-focusing the responsibilities of ACOA to attract new business investment to Atlantic Canada, and to market the region to a world-wide audience.

Canadian Heritage

- Projected 1998 estimate: \$2.051 billion
- Projected Savings: \$500 million

It is fundamental to our vision that we meet the fiscal targets set out in this plan. Huge unfocused departments such as Canadian Heritage provide substantial opportunities to find savings without significantly affecting the lives of Canadians. Economies will be found through extension of the principle of user pay in our national museums and parks, as well as in amateur sports. The budgets of organizations like the Canada Film Development Corporation offer further opportunities for efficiencies.

Over the last several years, Canadians have made it increasingly clear that they see the CBC to be a vital thread running through our national fabric. It is a thread that they do not want to see cut. We will restructure the CBC through the privatization of its substantial production facilities but there will be no further cuts to the CBC programming budget.

We will work with the leadership of the CBC to ensure a smooth transition into the next century with a re-affirmed national mandate to serve Canadians and a budget clearly sufficient to meet that mandate from coast to coast.

Department of National Defence

- Projected 1998 estimate: \$9.252 billion
- Projected Savings: \$650 million

Our vision for a modern world-class armed forces involves fundamental reform. While some of those reforms will require new investment, we do anticipate significant net savings. Reforms to the procurement process will ensure that taxpayers' purchases of military supplies are no longer needlessly and artificially inflated. Our restructuring of the Department of National Defence to separate bureaucratic and military roles and responsibilities will help to improve the ratio of officers-to-troops and substantially reduce the number of bureaucrats.

Department of Indian and Northern Affairs and Related Spending

- Projected 1998 estimate: \$6.2 billion
- Projected Savings: \$854 million

We believe it is time once and for all for Canada to come to grips with the centuries-old questions surrounding Aboriginal people. We believe the issue is about more than money. In direct contrast with the current government, we believe funding in this area should fall at least proportionately with reductions in other areas. Accordingly, the reforms we propose will see substantial reductions in direct federal funding over the period of our plan. Today, Canadian taxpayers spend \$6.2 billion a year on Native programs and infrastructure through several departments. We anticipate savings through increased administrative efficiencies from the effective elimination of the Department, as well as some downward adjustments in operating grants to Native bands.

It is important to note that at the end of our first term, this plan projects funding for Native people to be precisely the same proportion of total Departmental spending as it is today. We are convinced that as we finally move to recognize Canada's Aboriginal people as true equals in our society, it is not unreasonable to ask them to accept their fair share of the costs associated with returning Canada's fiscal state to balance.

ADMINISTRATIVE SAVINGS

Canada Lands Company

- Projected 1998 estimate: \$40 billion in assets
- Projected Savings: - \$3 billion from Canada Lands + \$181 million from CMHC

The Government of Canada owns in excess of \$40 billion in real estate. As is to be expected, the government currently manages these assets through various departments and agencies (including CMHC, Public Works and Government Services). Canada Lands Company was created to dispose of federal real estate assets.

As an early part of our restructuring initiative, all remaining federal real estate assets (including those held by the CMHC) will be transferred to the Canada Lands company. These will include certain Crown Corporations such as the Old Port of Montreal Corporation and Queen's Quay West Land Corporation. The CMHC will see a number of its other functions assumed by the private sector, including the outsourcing of its investment portfolio management and its mortgage insurance functions. Over time, we will investigate options for further distancing the government from any responsibility for "bricks and mortar".

Responsibility for administering the revitalized Canada Lands Company will be transferred to the Department of Finance. The revitalized Company will be given a mandate to dispose of assets on a commercial basis. In all cases, transactions will be transparent to the public. As part of the ongoing rationalization of government services, departments and agencies will be held accountable for office space and land they occupy. As the restructuring nears completion, an

asset management review will be conducted to ensure that staffing reductions are matched by corresponding reductions in real estate holdings.

If only 10% of the current holdings of the federal government are sold, taxpayers could realize as much as \$4 billion in sales revenues (although for the sake of conservative projections, we are only anticipating \$3 billion in the first term). Over time, it may be possible to realize even larger gains.

INVENTORY AND CASH MANAGEMENT

- Projected Savings - \$825 million

The federal government has never distinguished itself as an efficient manager of assets or cash. Today, Ottawa spends an estimated \$2.5 billion a year maintaining \$10 billion worth of warehoused inventory. In his 1996 report, the Auditor General suggested that taxpayers could save millions of dollars by eliminating unnecessary inventory. Phasing out petty cash floats and their replacement with corporate credit cards and retailer credit accounts were also projected to save substantial sums. The elimination of the Department of Public Works and Government Services, coupled with the outsourcing of supply services and a more aggressive approach to finding administrative and cash management efficiencies, will ensure these savings are found in our first term of office.

HUMAN RESOURCES DEVELOPMENT CANADA

- Projected 1998 Estimate - \$1.452 billion
- Projected Savings - \$150 million

The huge federal investment in manpower training is now being transferred to the provincial governments. As a result of the responsibility transfer, we estimate that we will be in a position to save substantial sums directly associated with the reduction in overload and duplication.

EMPLOYMENT INSURANCE

- Projected 1998 Estimate - \$10.284 billion
- Projected Savings - \$245 million

Canada spends more than \$10 billion on Employment Insurance today. All Canadians share a continued commitment to providing protection for those who temporarily lose their employment and corresponding income.

With the transfer of responsibilities for training to the provinces, and through the administrative reform measures that we are implementing government-wide, we anticipate \$245 million in savings that will have no impact on payments to those in need.

Technical Note

Economic and Fiscal Assumptions

The assumptions upon which the Jean Charest plan are based are more cautious and prudent than those used by the Reform Party, the government's budget plan, and the private sector consensus of economists.

This fiscal plan and its distributional impact have been independently verified using the FOCUS model of the Institute for Policy Analysis at the University of Toronto and the Statistics Canada SPSP/M model. The personal tax incidence impact was verified by a national accounting firm.

For projections purposes, nominal economic growth is assumed to be nearly one percent below the private sector consensus. We have accounted for the impact of a mild recession, which some economists predict. Our interest rates are higher than the consensus. We also expect less revenue for each point of economic growth than does the government. All of this means that the numbers in the plan add up correctly and are doable. These policies will not be thrown off-track by unexpected events.

Economic growth in current dollars is based on demographic population and labour force projections, productivity growth, and inflation. This nominal growth averages 4.2%, with real activity at 2.5% and inflation averaging 1.7%. Government revenues are calculated to grow at only 3.5% per year on average.

Public debt interest cost is based on government forecasts to fiscal year 1997/98, and 7% long-term refinancing rate thereafter. The period of deficit reduction incorporates a fiscal drag effect which lowers economic growth. No supply-side impact due to the tax cuts is incorporated in the analysis. All fiscal calculations are based on the government's national accounts data.

To further bolster the integrity of the plan, we will create a new Restructuring Fund equal to five percent of government revenues, used for one-off charges, severance, and unexpected contingencies.