

COMMUNIQUÉ

BUSINESS COUNCIL ON NATIONAL ISSUES · CONSEIL CANADIEN DES CHEFS D'ENTREPRISE

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BUSINESS LEADERS RESPOND TO FEDERAL BUDGET

In a preliminary assessment of the federal budget tabled in Ottawa today by Finance Minister Don Mazankowski, the President and Chief Executive of the Business Council on National Issues (BCNI), Thomas d'Aquino, stated that the budget reflects a "steady as she goes" approach to economic and fiscal management.

"Regrettably, the Finance Minister has missed the opportunity to effect major new spending cuts designed to significantly reduce the federal deficit over the next two years," Mr. d'Aquino said. "As a result, the deficit will remain above \$32 billion in 1993-94, and fall to only slightly below \$30 billion the following year. This represents inadequate progress in improving federal finances. But given the weak economy, the imminent Progressive Conservative leadership succession and the forthcoming federal election, we are not surprised that this course has been chosen," Mr. d'Aquino added.

The Business Council praised the Minister for resisting the temptation to increase taxes, particularly at a time when most provincial governments have been expanding taxes in their recent budgets. "Canadian individuals and businesses are rapidly approaching the limits of their ability to pay more taxes," Mr. d'Aquino commented. "Higher taxes will only dampen the economic recovery that is now gathering momentum and reverse the progress being made in strengthening Canada's competitiveness."

Turning to the economic assumptions underlying the budget, the Business Council endorsed the government's decision to base the budget on a realistic economic forecast for 1993 and 1994. "The budget's economic growth, interest rate and inflation assumptions for the next two years are generally in line with what private sector analysts and businesses are expecting," noted Mr. d'Aquino. "This gives the budgetary projections added credibility, particularly over the near term."

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In looking beyond 1993-94, the Business Council pointed to the continuing need for fiscal restraint as the economy moves into the recovery phase of the business cycle. "This budget dramatically underscores the severe deterioration in public finances which has occurred in Canada over the past several years," observed Mr. d'Aquino. "Restoring the federal government's finances to a healthy state and eliminating the annual deficit must remain the most important goals driving federal fiscal and economic policy over the balance of the decade."

Mr. d'Aquino concluded that while the budget re-affirms the federal government's commitment to the broad objectives of non-inflationary growth, competitiveness, liberalized trade, privatization, and smaller government, it acknowledges that a credible national deficit reduction program will succeed only when all governments in Canada are prepared to act in concert in dealing with this urgent problem. "That is why we in the Business Council have stepped up our efforts in recent months to get federal and provincial governments to commit to a national initiative that would quickly reduce the overall deficit from 8.5 percent of the economy to 5 percent," said d'Aquino. "Jobs, investor confidence, and long-term growth depend on success on this front."

The Business Council on National Issues is a non-partisan, not-for-profit organization composed of 150 chief executives of Canada's leading companies. Member companies employ approximately 1.5 million Canadians, manage assets of over \$1 trillion, generate a yearly turnover of close to \$400 billion, and are responsible for the vast majority of Canadian private sector investment and exports.

In addition to **Mr. d'Aquino**, the BCNI's Executive Committee is composed of **J. Edward Newall**, Chairman; and Vice-Chairmen, **Peter J. G. Bentley**, **David Morton**, **Guy Saint-Pierre**, **William W. Stinson**, and **Allan R. Taylor**. They are the chief executives, respectively, of NOVA Corporation of Alberta, Canfor Corporation, Alcan Aluminium Limited, The SNC Group, Canadian Pacific Limited, and the Royal Bank of Canada.

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Reference: Nancy Wallace
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