

COMMUNIQUÉ

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

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THE FEDERAL BUDGET

BUSINESS LEADERS WELCOME POLICY REFORMS BUT WARN OF TOUGH DEFICIT STRUGGLE AHEAD

In a preliminary response to the first budget of the recently-elected federal government, Canada's senior business organization, the Business Council on National Issues (BCNI), welcomed initiatives aimed at tackling some long overdue policy reforms but warned that the country's steadily rising debt represents a ticking time bomb.

"Saddled with a deficit for the current fiscal year in excess of \$45 billion (close to an astounding \$13 billion higher than was projected in the Mazankowski budget of April 1993), Finance Minister Paul Martin has chosen caution rather than boldness in setting his deficit target for next year," said BCNI President and Chief Executive, Thomas d'Aquino. "While the 1994-1995 target of \$39.7 billion is directionally positive, we would have preferred that he be bolder, particularly at a time when the country's business cycle is on the upswing."

The BCNI President expressed satisfaction with the conservative economic assumptions contained in the budget -- assumptions that in many past budgets had proven to be too optimistic.

Mr. d'Aquino also lauded the launching of reforms to the country's deeply-troubled system of unemployment insurance -- "a system which is now widely condemned as hopelessly inappropriate to the needs of the Canadian labour market and economy."

"One of the most positive decisions arising from this budget," Mr. d'Aquino pointed out, "is the roll-back of unemployment insurance premiums to 1993 levels. At a time when business is severely handicapped by payroll taxes which have risen dramatically in recent years (the single-most serious impediment to job creation), lower unemployment premiums will help."

* The budget papers indicate that in the absence of any action on the part of the government, the deficit would stand at \$41.2 billion -- only slightly higher than \$39.7 billion.

**BUSINESS COUNCIL ON NATIONAL ISSUES
WEDNESDAY, FEBRUARY 23, 1994
PAGE 2**

Mindful of the BCNI's long-standing support of an effective Canadian defence capability, Mr. d'Aquino acknowledged that efficiencies clearly can be achieved and that the government is moving in the right direction in tackling the costs of both personnel and defence bases.

Turning to the issue of so-called "tax base broadening," the BCNI President expressed concern that some of the initiatives were driven less by economic good sense than by politics. "The BCNI is on record many times over supporting the elimination of certain tax exemptions in favour of a correspondingly lower tax rate. Clearly this trade-off has not been made in this budget," Mr. d'Aquino said.

"Finally, we welcome the reductions in subsidies to business contained in this budget," the Council President said. "The government is acting on the recommendations of the BCNI and other business organizations. Not only is this fiscally responsible -- but it makes good business sense too."

In summing up his preliminary assessment of Finance Minister Paul Martin's first budget, Mr. d'Aquino said: "The single-most urgent challenge facing the country now is to get our public finances in order and to reduce the impediments to job creation that are represented by the collective burdens of taxation and regulation. Relieved of some of the weight of these burdens, businesses in Canada can and will again generate high levels of investment and jobs." Mr. d'Aquino reiterated once again the BCNI's long-standing recommendation for a national anti-deficit and tax harmonization plan that would have the strong support of all levels of government.

The BCNI is a non-partisan, not-for-profit organization composed of the 150 chief executives of the country's leading enterprises. Member companies represent all major sectors of the Canadian economy, administer in excess of \$1 trillion in assets, and have an annual turnover of approximately \$400 billion. BCNI member companies also are responsible for a significant majority of Canada's total private sector investment, exports, training, and research and development. The Council's Chairman is J. Edward Newall, President and Chief Executive Officer, NOVA Corporation of Alberta.