

The Economy

virtually every region of the country. In addition to major construction activity and sourcing of materials in the western provinces, the railways' requirements for steel rail, locomotives, rolling stock and electronic equipment will provide major stimulus over the period to the manufacturing sector, particularly in central and eastern Canada. As a result of the direct railway expenditures, it is estimated that some 400,000 jobs will ultimately be generated.

• (1600)

But to get the full benefits from the plan and to speed national recovery it is imperative that we get an early start. The Government will therefore seek firm and specific undertakings from the railways to commit funds for the expansion and modernization of their facilities in the west. If I receive assurance from the Minister of Transport that these undertakings are satisfactory, I will be prepared to extend the special additional capital cost allowances on railway track and other rail assets provided under the Income Tax Act beyond December 31.

While I am addressing the issue of transportation, I would like to say a word about the current situation in the west coast ports. The Government of Canada and the people of Canada cannot pour hundreds of millions of dollars into the modernization of our transportation system and see that system close down for extended periods of time by labour-management disputes. Such a situation is even more outrageous at a time when the country is in its worst recession since the 1930s and when such an interruption paralyses one of our most active and dynamic sectors. The Government in its anti-inflation battle has relied on voluntary participation and called upon the sense of responsibility and of solidarity of both management and labour. Unfortunately, this does not seem to have worked yet in the west coast ports dispute.

I am pleased to note that talks are now planned to resume between the parties today in Vancouver. However, I am giving notice on behalf of the Government that it would be in the interests of both parties to resolve their dispute in the next few days. If the dispute is not settled by Monday at the latest, the Government will carry out its responsibilities on behalf of the Canadian people and take decisive action.

The measures I have announced are being financed by reallocations of existing expenditures amounting to \$1.1 billion. Consequently, they will not add to the deficit over the current and coming two fiscal years. I am pleased to confirm that this has been achieved without weakening in any way the social security system that is currently sheltering millions of Canadians from the full brunt of the recession.

From now through 1984-1985 some \$660 million will be freed up in the energy area by scaling back funds allocated to a number of programs. The existing allocations for the Petroleum Incentives Program will nevertheless be maintained.

Outlays in the areas of defence and official development assistance will be reduced by \$230 million and \$245 million respectively from the dollar levels previously allocated. These reductions, which have been made possible by lower rates of inflation and GNP growth, will take place without prejudice to

our ability to maintain our commitment to 3 per cent real annual growth in defence expenditures, or to achieve our aid commitment level of 0.5 per cent of GNP by 1985-1986. They will, however, require some adjustments in the nature of the programs we had planned to undertake.

Not only is the government freeing up funds for immediate new initiatives, but it is seeking to ensure that it will have the capacity to respond to contingencies likely to arise. Some reductions in other programs are therefore being made to provide for such contingencies and contribute to the financing of the new initiatives I have just announced.

This reallocation exercise has been very difficult. I want to thank all my colleagues for their co-operation in this regard. One billion dollars may not seem like very much in the context of total outlays of \$80 billion. But roughly 75 per cent of total Government outlays is made up of transfers to persons, Provinces and other countries, grants or capital assistance to industry, subsidies, loans and interest on the public debt. Of the 25 per cent or \$20 billion remaining, which accounts for the operating expenditures of the Federal Government inclusive of defence, some \$11 billion is made up of wages, salaries and other personnel costs, which have already been restrained by the six and five program.

It has not been easy to make deep cuts in Government spending without hurting some group of Canadians already reeling from the impact of recession. But the Government, having urged Canadians to restrain their incomes, had no choice but to revise and pare down federal expenditures. The President of the Treasury Board (Mr. Gray) has introduced over the past few months stringent restrictions on spending in the Public Service. The Government has asked him to look again at departmental expenditures to ensure that no fat is left in the system and, even beyond this, that outlays are being pared down to the lowest level compatible with maintenance of adequate service to the public. He will soon report to the House on this issue.

I am also announcing today the Government's decision to set employee and employer unemployment insurance premium rates for 1983 at levels significantly lower than would be required to prevent the deficit of the unemployment insurance account from rising further next year. In effect, the Government will limit the increase in premiums to about half what would be required to balance the operations of the account in 1983.

In so doing, the Government is accepting the recommendation of the Canada Employment and Immigration Commission, which includes representation from both business and labour, and a similar recommendation made by the Economic Council of Canada. Effective January 1, 1983 premium rates will be set at \$2.30 per \$100 of insurable earnings for employees, and at \$3.22 for employers.

[*Translation*]

Unemployment Insurance is the first line of defence of Canadians against temporary loss of income resulting from