

HOUSE OF COMMONS

Thursday, March 8, 1984

The House met at 11 a.m.

● (1105)

GOVERNMENT ORDERS

[English]

BORROWING AUTHORITY ACT, 1984-85

MEASURE TO ESTABLISH

The House resumed from Wednesday, March 7, consideration of the motion of Mr. MacLaren that Bill C-21, an Act to provide borrowing authority, be read the second time and referred to the Standing Committee on Finance, Trade and Economic Affairs.

Hon. Herb Gray (President of the Treasury Board): Mr. Speaker, I am pleased to take part in the debate on Bill C-21, the Borrowing Authority Act, which follows the February 15 Budget introduced by my colleague the Minister of Finance (Mr. Lalonde) and which is supportive of the expenditure plan as well as the very important initiatives set out in that Budget.

The recent Budget presents a very clear and positive context for Bill C-21. It is a Budget which builds on the successes of several previous Budgets of the Government and it deals effectively with the problems created in large degree by international factors that have hindered the well-being of the economy.

[Translation]

Mr. Speaker, I would ask Hon. Members to think back to June 1982, when Canada was in the midst of a recession. At the time, double-digit inflation was hitting both industry and consumers, and interest rates were at a record high. Unsatisfactory productivity levels in this country, high salaries and increases in other costs were making it very difficult to maintain our position on international markets because our costs were not competitive. It was a combination of all these factors that caused our economy to decline.

[English]

In these circumstances the Government recognized that it had a prime responsibility to bring down inflation and, through this and other measures, to stimulate economic recovery. It took the decisive action required, beginning with the introduction of the six and five program in June, 1982. All sectors of the Canadian economy were encouraged to follow the federal Government's lead to restrain their demands on the economy so that our future economic well-being would be protected.

● (1110)

[Translation]

Generally speaking, Canadians met the 6 and 5 challenge very well and made the wage and price decisions that were necessary to make the plan a success.

[English]

Six and five has been a balanced program. It is a way of showing leadership and is a demonstration to other sectors. Wage rate increases of federal public sector employees have been held to 6 per cent and then 5 per cent for a two-year period. The prices of all goods and services provided by federal Government Departments, agencies, Crown corporations and the wholly-owned subsidiaries, as well as prices set by federal regulatory bodies, were limited to increases of 6 per cent and 5 per cent respectively for a two-year period following June 28, 1982. The Government also initiated an active consultation process with other sectors of the economy. All these steps helped broaden the impact of the six and five program on costs and prices generally in the economy.

When the Government launched the six and five program in June, 1982, the inflation rate was in excess of 11 per cent. By the end of last year it had dropped dramatically to 4.5 per cent. For the whole of 1983 the rate of inflation and what it means in terms of prices was 5.8 per cent, almost half what it had been in 1982 and lower than it had been in over 10 years. With this came a most welcome reduction in interest rates.

In the quarter ending June, 1982 the average compounded annual increase in the base wage rates in major new settlements without COLA clauses in both the Canadian private sector and the federal public sector were close to 12 per cent, but for the most recently recorded quarter the corresponding figure for both those sectors is about 5 per cent. I see by today's newspaper that figures recently released by the Department of Labour suggest a 4.9 per cent average for all of 1983.

The six and five program has made an important contribution to the improvement of Canada's inflation performance. Consequently, it was a major factor in the economic turnaround that resulted in the achievement of about 3 per cent real growth last year and about 400,000 jobs being created. Expanded labour productivity together with improved wage performance have resulted in a very significant improvement in Canada's cost performance. These are very encouraging signs but still we must be vigilant in our efforts not only to maintain our level of improved performance but also to strive by all reasonable means to enhance it further.