

In respect to investment, Dr. Slater stated that: "All the evidence now at hand leads me to believe that Canada faces an investment decade of unprecedented size." Energy, capital accumulation and innovation will require greatly increased levels of investment. Therefore, he argues that more emphasis should be put on decreasing deficits and increasing Canadian savings and investment. "We cannot both expand our consumption rapidly and expand the investment rapidly." This investment may be crucial to increasing Canadian productivity, and meeting Canada's energy challenges and opportunities. More specifically, Dr. Slater recommended:

There is a lot to be said for us to look at our business taxation to see if we could not have a less gimmicky kind of arrangement, something that would be a better encouragement to investment, which... is a significant factor in improving our growth in the medium term.

#### TAX EXPENDITURES

Honourable senators should be aware that under the new expenditure management system, tax expenditures, which do not appear in the Main Estimates, are accounted for as expenditures within the envelopes. Policy committees may make the choice between funding programs in the normal fashion or allowing delivery under the tax system; however, the total expenditure limits, including tax and cash expenditures, on the envelopes will still apply.

In this regard we must emphasize the need for government to define clearly the term "tax expenditure" in order to avoid

Policy Committee	Envelope	1979-80	1980-81	1981-82	Growth Rate %	1982-83	1983-84
(\$millions)							
Economic Development	(Energy) (Economic Development)	2,362 5,371	3,717 5,727	3,231 6,873	-13 +20	3,514 7,879	4,103 8,732
Social Development	(Social affairs) (Justice and legal)	22,690 1,037	24,825 1,225	27,545 1,399	+10.9 +14.2	29,435 1,469	31,556 1,620
Foreign and Defence Policy	(External affairs) (Defence)	1,404 4,389	1,519 5,068	1,723 5,907	+13.4 +16.5	2,048 6,652	2,376 7,445
Government Operations	(Parliament) (Services to govt.)	99 3,451	119 4,020	140 4,651	+17.6 +15.6	153 4,967	166 5,399
Priorities and Planning	(Public debt) (Fiscal arrangements)	8,524 3,635	10,400 3,802	12,350 4,010	+18.7 + .05	14,375 4,473	16,200 4,937
Total envelopes		52,962	60,422	67,829	+12.2	74,965	82,534
Plus: Reserves for adjustments to statutory programs		N/A	474	860		960	1,070
Less: Lapse		N/A	-946	-1,064		-1,200	-1,329
Total outlays		52,962	59,950	67,625	+12.8	74,725	82,275
Total outlays excluding public debt		44,438	49,550	55,275	+11.5	60,350	66,075

Source: 1981-82 Estimates, Part I: The Government Expenditure Plan, p. 8

#### NEW ESTIMATES PRESENTATION

We would like to compliment the President of the Treasury Board and his colleagues on the new look of the Main Estimates. The purpose of the expenditures and the policy objectives are clearly set out in the Expenditure Plan, and the projected four-year plans should assist the public and private

confusion with measures that are really tax incentives, tax allowances or subsidies. We believe that further study in this regard is necessary. In addition, we recommend that where envelope levels are affected by the use of the tax system to deliver programs, some reference to this should be included in the estimates presented to Parliament.

#### OIL IMPORT COMPENSATION FUND ACCOUNTING

We would like to draw to the attention of this House a change in accounting practices as a result of a new subsidy program for imported oil. In 1980, the Petroleum Compensation Program was created to replace the Oil Import Compensation Program and the Petroleum Compensation Revolving Fund. In conjunction with the blended oil pricing system which the government adopted, the new program allows for levies against all refiners to be used to offset the subsidies paid by government on imported oil and domestically-produced synthetic oil. Only the difference between the levies and the subsidies is included in the cash outlays. This change, we were told, results in a decrease of \$2.5 billion in the estimates as compared to 1980-81.

#### EXPENDITURE PLAN

The Committee wishes to bring to the attention of our colleagues the expenditure levels and growth rates proposed by the government for 1981-82. For convenience, we have set out the amounts by policy committee and by envelope:

sectors alike. We consider the President's statement of February 1981, as well as the background notes on the proposed revisions, to be a succinct and informative description of the three parts to the new presentation; therefore, we have appended the statement and notes to our report.

In November 1980, this Committee recommended the inclusion of brief, summary analyses indicating the relative, region-