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Government spending proposals cut in the fight against inflation

A \$1.5-billion cut in proposed government expenditures was announced by Prime Minister Pierre Trudeau on national television on December 18 as part of the battle of inflation which, he said, would "be tough on a lot of people".

Included in the restraints were the termination of government funding for Information Canada, the Company of Young Canadians, Opportunities for Youth, a restriction on the budget of the Local Initiatives Program and a one-year suspension of the cost-of-living adjustment to family allowances which will hold federal payment at \$22.08 a month for each child.

Detailed regulations governing the movement of prices and incomes were tabled earlier in the evening by Treasury Board President Jean Chrétien, who said that, despite restraints, government spending would rise "by several billions next year". Passages from the Prime Minister's address follow:

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Today the Government has asked Parliament for the authority to impose a special levy on export profits earned by Canadian companies which sell their products in foreign countries, at world prices. In this way, exporting companies will be subject to the same profit restraint as companies which sell all their products in Canada, at controlled prices. This levy has not been designed to increase government revenue, but rather to ensure the creation of more jobs for Canadians, and to ensure the fairness of the anti-inflation program.

We have also asked Parliament today for the authority to increase the income tax on the highest income earners in the country, through the imposition of a surtax. In general, the tax payable on all taxable income in excess of \$30,000 will increase by 10 per cent next year. We are requiring this as a contribution to our program of national restraint by those Canadians who are best able to carry the burden.

Board activities

The Anti-Inflation Board is organized and operating. It has already made its views known on issues relating to teachers, firemen, the aircraft-manufacturing and mining industries, and corporate dividends. It has ordered more than 100 of Canada's largest companies to give the Board 30 days' notice of planned price increases, so

that such increases can be prevented if they are found to be unjustified.

* * * *

Prices will be closely monitored, and increases will not be allowed to exceed net cost increases. Firms unable to allocate their costs to individual products will be required to limit price increases so as to achieve net pre-tax profits no higher than 95 per cent of the average of the last five years. But not all increased costs will be passed on to the consumer. The regulations contain a detailed list of non-allowable costs, such as capital losses, non-typical losses, and the reinvestment of profits.

* * * *

Some spending cuts will be tough on a lot of people. We will be forced to deny improvements in services which many people want. Every Canadian will feel the impact.

Let me now give you some examples of the way in which restraint is going to affect the way we live and work here in Ottawa, some examples of programs which are being eliminated entirely, and some examples of programs whose budgets are going to be held within strict limits.

High level salary cuts

The Government, with the support of the Liberal caucus, will ask Parliament tomorrow to cancel the 7 percent salary increase which members of par-

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