

enough detail for us to be able to understand, the federal government's position respecting future increases in the price of oil and the relationship between that price and the price of natural gas. However, I would like to ask the minister what outstanding differences, or points of disagreement, remain to be resolved between the producing provinces, particularly Alberta, and the federal government.

**Senator de Cotret:** Honourable senators, the only outstanding point that is still unresolved is that concerning the specifics of the tax mechanism by which the federal government will recoup 50 per cent, or thereabouts, of the increase in the wellhead price of crude above \$2 per barrel per year. It is with regard to that matter that the discussions are going on.

I would like to re-emphasize what I said a few minutes ago to an earlier question. What we laid out in the budget last night in terms of the price of crude oil and the price of gas, in terms of the energy bank, in terms of the measures we would take with regard to conservation and with regard to substitution and enhancement of supply, is federal government policy. That will not change. What we are doing with the producing provinces is reaching agreement on that final specific mechanism by which we can ensure that the federal government receives approximately 50 per cent of the increase in the wellhead price of crude beyond the \$2 per barrel that was previously in place.

**Senator Olson:** Is it fair to say, then, that Alberta has agreed to the \$4 per barrel increase in 1980, and \$4.50 per year after 1980 until, I think, 1983?

**Senator de Cotret:** Honourable senators, as I believe I had said to Senator Olson on previous occasions, we had an agreement in principle on all of the elements of the energy package except that tax mechanism. When you look at an agreement you cannot say that everything is set "except this." It is a package. Obviously the package will either be accepted or it will not. What I am saying today is that what we laid out last night, in the budget presented by the Minister of Finance, was the federal policy in this matter. In principle we have an agreement with the producing provinces, and we are working out the mechanism that I referred to just now.

[Translation]

## THE BUDGET

### IMPACT ON THE ECONOMY

**Senator Marchand:** Honourable senators, there are two or three facts that I would like to place before you following the reading of the budget speech. I would like particularly to draw your attention to the appendices used as assumptions for the government's projections.

For example, I see on the one hand that about \$400 million will be eliminated from the government's books and be paid by employers and employees in respect of unemployment insurance. On the other hand, the consumer price index for 1980, 1981 and 1982 will rise about 30 per cent, or about 10 per cent a year. There will also be higher unemployment. I could quote

the figures I have before me saying there will be more unemployment.

I do not say those scenarios are wrong. I am not in a position to destroy them but the only thing I am trying to do is to assess the impact that will have on collective bargaining and the social climate in Canada.

In view of those figures and remembering the days when I was in the labour movement, I have serious apprehensions. According to the projections, wages will not keep up with rising consumer prices nor will the rate of unemployment decline. I do not know under what logic one can think that workers, regardless of productivity, are going to demand less than the consumer price increases. I have to say that makes me a bit fearful because it is an important factor in the debate between the labour movement and employers in Canada. There are considerable pressures on prices.

**Senator de Cotret:** These are no doubt very valid questions. Now, as far as the data go, I do not have the budget documents with me. Still, if my memory is correct, I would like to tell you at this point that the forecast for the increase in the rate of unemployment is for 1980, not 1981, 1982, 1983.

There will be a reduction in the rate of unemployment after a year, in 1980, which will be a difficult year. Indeed, I said on several occasions that was mainly due to the fact that the U.S. economy will be going through a recession and, in the technical sense, that means we cannot expect two quarters of negative growth in 1980. However, considering the weakness of the U.S. economy, we are still forecasting an acceptable rate of real growth in the economy of about 1 per cent, which is much lower than our potential.

The Minister of Finance indicated last night he was anticipating for 1980 an average rate of unemployment of about 8¼ per cent, if you look at subsequent years, depending on the document to which you refer—

**Senator Marchand:** This is one of your papers.

**Senator de Cotret:** Yes, it must be one of ours.

**Senator Marchand:** It is an appendix to the budget speech.

**Senator de Cotret:** I would ask you to refer to the last paragraph of the first page which contains a short note which is very important and also very interesting. It concerns the status quo projections that the government accepts, in a way, but which will influence the economic situation in the next few years.

As for the inflation rate, it will certainly be higher next year because of the energy price increases. This is inevitable and there is no way to hide the fact.

However, we believe that the Canadian population as a whole, in spite of the problems that may exist at the present time and realizing fully our economic potential for the years to come, will face the challenge reasonably without causing an undue acceleration of wage increases.

**Senator Marchand:** For the information of the honourable minister, I would like to note that unemployment has reached a level of 7.5 per cent in 1979. You were nearly right about the