

The Budget—Mr. Lalonde

My objective as Minister of Finance has been and remains straightforward: to keep the economy growing, so that Canadians who want to work can find productive and meaningful jobs. My policies have been consistently directed towards this end.

Securing growth and jobs depends on our success in four basic areas: reducing and controlling inflation; increases investment; reducing the government's deficit and improving our competitiveness and productivity. I want now to report the progress we have made on inflation, investment and the deficit, and our prospects for the coming years. I shall return later to competitiveness and productivity in more detail.

[Translation]

CONTAINING INFLATION

Canadians can be proud of our collective achievement in bringing inflation down from almost 12 per cent in June 1982 to 4.5 per cent at the end of last year.

The government's 6 and 5 Program has contributed substantially to this achievement. Restraint in federal wages and prices has helped to lead inflation down. Canadians were challenged to support the federal government's leadership in their own wage and price decisions. They have responded positively and enthusiastically. Inflation, after three years in double-digits, averaged 5.8 per cent in 1983, the lowest annual rate in a decade.

The 6 and 5 Program has been supported by responsible fiscal and monetary policies. These policies will continue to be directed at facilitating real growth, while resisting inflationary pressures.

The 6 and 5 Program, however, will begin to phase out at the end of June.

Over the course of the last few months, I have benefited from consultations with labour and business groups, with other associations, with Members of Parliament, and with my provincial counterparts. Canadians recognize that the program has been instrumental in moving from a 12-per-cent world of recession to a 5-per-cent world of recovery. They have urged the federal government to maintain strong leadership in the continuing battle to contain inflation. Most cautioned, however, that simply extending the program could create distortions that might do more harm than good.

[English]

I am confident that wage and price decisions in the private sector this year will not contribute to renewed inflationary pressure, and I am therefore not proposing a new guideline for the private sector. As well, effective January 1, 1985, Family Allowance payments, Old Age Security payments, public service pensions, and income tax brackets and deductions will again be adjusted on the basis of actual increases in the cost of living.

I recognize, however, that all levels of government have a fundamental responsibility to continue to exercise discipline in their own wage and price decisions.

The federal government will continue its leadership role. I am today affirming our commitment to continue wage and price restraint.

The existing policy of limiting price increases for goods and services sold by the federal government, Crown corporations and federally regulated industries will be extended for a third year. The price guideline will be reduced from 5 per cent to 4 per cent for this period.

Mandatory wage controls in the public sector will not be extended.

As urged upon us by the public sector unions and many others, the government is prepared to resume collective bargaining when the legislation expires. I want to say clearly that we shall bargain hard. We shall bargain responsibly. We shall bargain fairly. No catch-up payments will be allowed. And we shall observe four major principles in our negotiations.

Federal compensation settlements will contribute to reducing inflation and be fiscally responsible.

They will be based on total compensation comparisons with the private sector, that is, factors such as job security, pensions, hours of work and other benefits will all be considered.

They should not exceed the private sector in compensation for comparable jobs.

They will be designed to ensure that settlements encourage increased productivity and improved performance, and recognize relative job responsibilities.

Should it become apparent in specific cases that arbitration awards in the public sector or wage settlements in our Crown corporations are excessive, when measured against these principles, or that reasonable wage settlements cannot be obtained without lengthy and disruptive strikes damaging to the public interest, then the government will ask Parliament to legislate a wage settlement.

As well, my colleague, the President of the Treasury Board (Mr. Gray), will undertake consultations with labour and other interested groups on proposals to amend the Public Service Staff Relations Act. This Act establishes the framework for collective bargaining in the federal public service. It has not been updated since its introduction in 1967. Both the government and public sector unions will wish to consider changes to modernize it.

[Translation]

For 1984 as a whole, I expect inflation to average about 5 per cent, compared with 5.8 per cent in 1983. The economic projections I shall table with this budget suggest that further reductions in inflation will be made through the mid-1980s. The policies I have just announced will ensure that federal wage and price decisions contribute to this outcome. I expect other levels of government and the private sector to continue to do their part.