

that are now vacant will not be filled. For the coming year, the expenditure ceilings resulting from our hold-the-line guide-line will mean from 5,000 to 7,000 fewer people on the federal payroll than there are now.

Taken together, these reductions add up to 25,000 jobs – a 10 percent decrease from the 1968 authorized size of the public service.

This does not mean that 25,000 employees will lose their jobs. Normal attrition through retirement, resignation and the like amount to about 10 per cent of the work-force each year. This has greatly facilitated the adjustments required in the past year and will facilitate those that will have to be made in the coming months. There will be some layoffs. The number can only be determined as departments adjust their programs to these guide-lines. But we shall immediately start consultations with the various organizations which represent the Public Service employees.

Expressed in another way, we expect *this* guide-line – plus new cost-efficiency in government departments – will roll “normal” inflationary pressure back into the departments instead of passing it on to the taxpayer in the form of higher taxes. We are getting rid of the old idea that there has to be a “normal” annual increase in costs and numbers of people in order to meet “normal” annual increases in population and government service which means a “normal” increase in taxes. That idea is being replaced by improved management of human resources to obtain more productivity from the public service. They are being paid more now; the taxpayer has every right to expect more from them.

Another guide-line I'd like to deal with is the one concerning defence expenditures. For defence we believe most Canadians already know that the 1969-1970 level of spending is not to be exceeded for the next three years. There was a vigorous discussion of this particular federal function by the public and by Parliament. Canadians generally are satisfied with this decision. Stabilization of defence spending at this year's level means, of course, a realignment of defence activity, a gradual reduction of defence personnel – accompanied by rising operational productivity *per man* and improved equipment.

This afternoon, Mr. Cadieux, the Minister of Defence, announced to the people and to the communities involved, the closing of four defence establishments in Quebec and Ontario and the reducing of activities at a fifth. The closing of the base at Clinton and the logistics depots in London, and Cobourg in Ontario and Ville LaSalle in Quebec and the reducing of activities at St. Hubert will affect more than 1,000 civilian employees of the Department of National Defence and more than 1,000 of the military. It presents serious problems of retraining and relocation that will have to be solved over a period of some months. I am confident that the people in the Defence Department will do everything possible to reduce overheads and consolidate bases

with a minimum of personal inconvenience for the men and women concerned.

I have dealt at some length with the guide-lines concerning the size of the public service and defence expenditures. In the next few weeks, my colleagues will be announcing the effects of the nine other guide-lines on the operations of their departments. I'd like to make some brief general comment about these.

Our review of old and new programs and activities – and the reviewing process is still going on – invites the questions: Are they as relevant today as when they were introduced? Do they now serve their purpose? Should they be curtailed?...How do we “cut the pie” to make room for today's new priorities? These are questions whose answers will affect the nature of our expenditures. These are questions whose answers will determine the distribution of expenditures in years to come.

*Effects of the expenditure guide-lines for 1970-1971: Without these guide-lines, without improved cost efficiency in the public service, without the functional review of policies and programs, without any new programs, the 1970-1971 estimates would probably have reached a level of \$13.5 billion, a 14 percent increase over 1969-1970 expenditures. That's about \$1.7 billion more than this year.*

We could not tolerate a 14 percent increase in federal expenditures. If allowed to grow unchecked, our spending would eventually become so scattered that the real needs of our society would be missed. And to spend vast sums on welfare, education and other programs while allowing inflation to continue would merely place hundreds of thousands of Canadians on a treadmill from which they could not escape. Their economic gains would be eaten up almost before they received them. The better course, we believe, is to allow increased spending on those programs which help those who need it most. Our aim, therefore, is not to curtail essential government services for the people but rather to perform those services more efficiently and to institute a minimum of new priority programs for those Canadians and those regions of Canada in real need of social and economic help. We want to replace inefficient and outdated programs by new ones which will assist even more than now low-income and destitute Canadians. To do this, we must start by cutting the fat out of our expenditures.

We shall be able to control the Government's overall demand on the economy. This, coupled with our other measures, will help to reduce inflationary pressures. If other sectors of the economy can get together and impose similar restraints we can make some progress. I appeal here particularly to the unionized workers and to other levels of government, all of who exercise considerable influence on the course of our economy. I hope tonight to have demonstrated that we are doing our part of the job. I trust they will do the same. I can't think of a better way to serve the long-run and economic and social health of our country.