

The Budget

The Treasury Board has been successful in applying cuts to almost every department of government and to many of the Crown corporations. These cuts will cause distress and disappointment to Canadians in all walks of life. But they are required if we are to demonstrate responsible fiscal restraint.

Reductions totalling \$100 million are being made to the planned capital expenditures of the Departments of Transport, Defence, Public Works, Environment and others.

Reductions totalling \$250 million are being made in the planned grants and contributions of the Departments of External Affairs, Industry, Trade and Commerce, the Secretary of State and others.

In the non-budgetary field, planned loans, investments, and advances will be reduced by about \$350 million, by cutting back on allocations and by deferring the start-up of some new enterprises. Crown corporations and agencies which will be affected include Petro-Canada, the Federal Business Development Bank, the Federal Mortgage Exchange Corporation and the Farm Credit Corporation.

Over and above these reductions, departments and agencies are being required to cut planned program expenditures by \$130 million, and ministers are now directing changes in their programs in line with their reduced resources. The Treasury Board is also directing departments to restrict expenditures on travel and consultants' fees.

The second element in the strategy relates to the growth of the public service. The Treasury Board is directing departments to restrict their salary budgets. The effect of this restriction will be to reduce the rate of increase in man-years in the public service this year from 4.1 per cent to 3.1 per cent, a rate that is down substantially from the levels of six to seven per cent in each of the two previous years.

One significant exception to this plan for restraining staff growth should be noted. The Office of the Auditor General has long acted on behalf of this House to monitor and report to it on the prudence and probity with which the government has implemented its programs. The government has always recognized the vital importance of the work of the Office of the Auditor General in assuring this House, and through it the people of Canada, that the operations of the government are being conducted properly and legally.

However, the increasing complexity of government operations and financial transactions demands major improvement in the capacity of that office to scrutinize objectively and thoroughly all financial transactions and systems. The most sophisticated technical and professional judgment must be available to carry out this work. The Auditor General has submitted that he needs additional staff at the most senior executive levels to fulfil these responsibilities. The government accepts this position, and has already increased his executive complement. It will now accept a further obligation to more than triple that senior executive complement to give the Auditor General the staff he needs to do his job.

The third element of our expenditure restraint strategy concerns the wage and salary policy of the federal govern-

[Mr. Turner (Ottawa-Carleton).]

ment as an employer. The policy of the government is to compensate its employees by way of pay and benefits comparable with those provided by other Canadian employers. The policy of comparability is a demonstrably fair one and will be adhered to strictly.

The vast majority of our public servants are represented by bargaining agents, and their salaries, benefits and conditions of work are established by collective bargaining. The government accepts and indeed initiated collective bargaining in the public service. This democratic process provides great protection against unfair or arbitrary treatment. An essential element is the legal right to strike in all but the most essential occupations. But the government is not prepared to grant increases that are unwarranted by any reasonable standard. This may lead to legal work stoppages. The resulting inconvenience to the public will have to be accepted.

Beyond this, the government cannot condone and will use every legal remedy within its power to deal with unlawful deprivation of service to the public.

The fourth element of our expenditure restraint strategy relates to the two main statutory programs in the health field—hospitals and medical care insurance. Honourable members are aware that the federal government pays about one-half of the costs of these important programs. The provinces pay the remaining half and administer the plans. Total costs this year will exceed \$6 billion.

These programs have been in effect for some time—hospital insurance since 1958 and medicare since 1968. The fundamental objective of providing comprehensive hospital and medical care services to all Canadians, regardless of income, has long since been met. But even after the development of these plans as mature systems, the annual increase in their cost has on average run well ahead of the growth of national income. These costs trends are due in part to the basic nature of health care; but the statutory rigidity of the programs, the lack of national standards, and the open-ended nature of cost-sharing arrangements with the provinces has made it almost impossible to achieve effective cost planning or control. Last year, for example, federal contributions to the provinces in respect of these two programs had to be increased by 19.8 per cent over the previous year.

For several years, the federal and provincial governments have worked hard to try to devise a more flexible and efficient system to provide better services at a lower cost. This applies particularly to hospital insurance, and intensive discussions are going forward to achieve this goal.

In anticipation of a successful conclusion to these ongoing discussions, it will be necessary to amend the existing Hospital Insurance and Diagnostic Services Act and cost-sharing agreements with the provinces. Under the act, the federal government must give five years' notice before the present agreements can be terminated and new arrangements undertaken. I therefore wish to announce that the government will give immediate notice of its formal intention to undertake these steps.

A second measure aimed at more effective cost control involves the establishment of a ceiling on the yearly rise in the contributions the federal government makes to the