



Chuck Mitchell, CP Laserphoto

Mr. MacEachen is applauded after delivering his budget speech in Parliament.

6 per cent over the coming year and 5 per cent over the following year. This program applies to ministers, members of Parliament, senators, judges, armed forces, Royal Canadian Mounted Police, the federal public service and Crown corporations.

In addition, a 6 per cent limit on increases in indexed social payments (with the exception of the Child Tax Credit, the Guaranteed Income Supplement and veterans' pensions) will become effective in January 1983. It will drop to 5 per cent in 1984. This limit also applies to persons receiving public service pensions. A 6 per cent limit on the indexing of personal income tax will apply for 1983 and a 5 per cent limit for 1984.

Federal agencies regulating prices of public transportation, public communications, foodstuffs and other goods and services are asked to adhere to the objectives of the government and to depart from them only in exceptional circumstances. The provinces will be asked to take similar actions.

All Canadians are being asked to lower their demands for income increases to 6 per cent during the 12 months ending in July 1983 and to 5 per cent in the following 12-month period. Businesses are urged to lower their price increases as costs go down and profit margins are restored over this two-year period. The government will seek consultations with business, labour and the provinces to determine the best ways of implementing this strategy.

The federal budget also introduced a number of immediate measures to create

jobs and sustain economic activity.

The government will allocate \$2.3 billion in 1982-83 and 1983-84 to new and expanded programs to create jobs, sustain activity and provide assistance to the sectors hard hit by the recession and high interest rates. Of that total, \$400 million will provide housing stimulus and mortgage assistance, and \$500 million to provide interest costs relief for small businesses, farmers and fishermen. Among the new programs are the following:

- effective immediately, the purchaser of a newly constructed home or a first-time purchaser buying an existing home can receive an outright grant of \$3 000; and
- effective immediately, the government will pay grants to reduce the interest rate by up to 4 percentage points for two years on loans taken out by small businesses to finance new investment and research development. Eligibility will parallel the previous small business development bond program, but loans to both incorporated and unincorporated small businesses can qualify. Farmers will also qualify for such loans.

#### Consultations on tax measures

Further consultations will be held with persons and businesses affected by the income tax changes proposed in the November 1981 budget but not yet enacted to ensure that changes do not have unintended effects. Many specific proposals will be modified or their implementation postponed.

Mr. MacEachen announced that new tax proposals for investment income

would be examined by a committee of prominent specialists. The proposals are for indexed term deposits and loans and for a registered shareholder investment plan. Also included in the budget is an extension for three years on the exemption from the non-resident withholding tax on interest paid abroad.

These tax measures, together with expenditure re-allocations will provide \$3 billion over the current and the next fiscal year, about \$800 million more than the new spending announced in the budget.

#### Foreign investment changes

The following changes will be made in the procedures of the Foreign Investment Review Agency (FIRA):

- FIRA's small business procedures for new investments or direct acquisitions in Canada now apply to companies with 200 employees and assets of \$5 million (formerly 100 employees and \$2 million);
- when a foreign-controlled Canadian company is acquired in the course of the acquisition of its parent by another foreign-controlled company, the small business procedures will apply to companies with up to 600 employees and \$15 million in assets;
- small business investments are no longer subject to the full review procedure except when they appear to raise important policy issues; and
- when investors are required to have a full review, new administrative procedures will contribute to greater clarity and speed of decision making.

The re-evaluation of FIRA review processes will continue, said Mr. MacEachen.

#### Energy

In the energy sector, the federal government does not intend to accelerate the pace of either private or public acquisition of foreign energy holdings in the immediate future since movement towards the goal of 50 per cent Canadian ownership by 1990 is running ahead of schedule.

Mr. MacEachen also announced that spending will be reduced by about \$175 million this year and \$200 million next year in the areas of foreign aid and defence. This is not expected to affect the fulfilment of Canada's commitments, as the amounts are no more than implied by the reduction in the inflation factor relevant to defence, and the reduction in nominal gross national product used as a reference point in setting the official development assistance levels.