

The Budget—Mr. Chrétien

unless drastic steps were taken to cut other planned outlays.

With this in mind, I looked at what we could cut out of the main estimates and what new expenditure decisions made since the main estimates could be reversed. Later, I will describe the expenditure reductions we did make in some detail. In summary, we first cut about \$380 million from budgetary expenditures in the main estimates and about \$220 million from loans approved in the main estimates. Second, we reversed about \$400 million in expenditure decisions not reflected in the main estimates, some of which have already been announced, and some of which have not. In the end, we have a revised forecast of total expenditures of about \$35.6 billion for 1975-76 for budgetary and non-budgetary items and for old age security. If I compare this \$35.6 billion with the actual expenditures for 1974-75, the percentage increase year over year is very much less than the 16 per cent I have set as a target. In reality, it is closer to 13 per cent.

In this new forecast for 1975-76, because of the offsetting expenditure reductions, I have been able to accommodate the cost overruns and the special employment and housing measures which together total \$1.175 billion. Finally, I still have a small reserve to meet as yet unknown new expenditure requirements which may be expected to arise. As President of the Treasury Board, it was my job to decide what cuts in expenditures could and should be made. The significance of these cuts must be judged in terms of the freedom of manoeuvre available to the government, that is, the degree of flexibility in the expenditure budget. The significance of the reduction must also be judged against the degree of restraint on expenditure growth which had already been applied in reaching the 1975-76 total.

Here again, I can assure hon. members that this has required very tough decisions for my colleagues and me. Indeed, treasury board presidents are as unlikely to win popularity contests as ministers of finance.

[*Translation*]

I would first refer to the flexibility, size, nature and make-up of the bulk of expenditures that were reduced. Off hand, it looks substantial at \$35.6 billion, including old age security. But on closer examination, one realizes the volume that can be reduced is much smaller. That \$35.6 billion figure includes, among others: \$4 billion for old age security and guaranteed income supplement; \$14 billion for other statutory expenditures as family allowances, transfer payments to provinces, health insurance and hospital insurance; \$3 billion for various expenditures under commitments or fixed contracts, as subsidies to municipalities in lieu of taxes, and manpower training; \$3 billion for the support of programs where the federal government is the main or sole source of help, from compensation payments for oil products to various research subsidies; and \$2.5 billion for the defence program where restrictions have been applied over the last three years. Therefore, there is a total of over \$25 billion of expenditures, concerning which the government has little or no leeway.

The remaining \$10.1 billion leaves scarcely more possibilities. Crown corporations for instance account for \$4 billion in the form of capital loans or deficit payments. Departmental regular equipment programs represent somewhere around \$1 billion. So we have only about \$5.1

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billion left for all government services, including the Post Office, airports, federal police services, tax collection, prisons, food inspection and many subsidy programs for a large number of organizations.

Furthermore, it was only after an examination of the economic situation at the beginning of the current fiscal year that cutbacks in expenditures were decided. Many contracts had already been awarded and a great many operations were too advanced to be stopped, which further complicated the situation.

The scope of a cutback of \$1 billion can also be assessed by examining the nature of the growth of public expenditures in recent years both at the federal and provincial levels. To illustrate what I mean I will take the changes that occurred between 1969 and 1974 and use the national accounts since they allow comparisons that are now needed.

In 1969 all governments in Canada spent 34.1 per cent of the gross national product. In 1974, that percentage went up to 39.1 per cent, a difference of five points. That figure includes all public expenditures, whether direct or indirect or in the forms of transfers to individuals. Family allowances and old age security are two significant examples. Apart from transfers to individuals and other governments we see that from 1969 to 1974 the portion of the gross national product spent by the federal government went from 9 per cent to 9.9 per cent, that of provincial governments going from 6 per cent to 8.3 per cent during the same period.

I want to add, Madam Speaker, that without the implementation of the oil product compensation payments program in 1974 the percentage of the federal government that year would have been about the same as in 1969. The difference is, as you are very well aware, that last year we went into a very expensive subsidy program for oil prices to counter the effect of the sharp increase that resulted in foreign oil producing countries raising oil prices fourfold. In fact, in terms of goods and services, and capital only, that is for salaries, materials and supplies as well as capital programs of all its departments the federal government spent 5.9 per cent of the gross national product in 1969 and 5.9 per cent in 1974. So, in terms of percentage of the gross national product, there was no change.

On the other hand, Madam Speaker, provincial governments increased the cost of their operations by about one third in real terms over the same period. Their expenditures increased from 5 per cent in 1969 to 6.7 per cent in 1974. I stress these figures to show how the increase in federal administration expenditures has been checked. With regard to reducing our expenditures by \$1 billion in 1975-76, we therefore find ourselves on a tightrope.

In the context of compulsory expenditures in most cases, and almost zero increase in reducible costs, I found \$1 billion to cut back. Certain commitments had to be cancelled, others postponed till a later date. Some capital expenditures also had to be postponed, important investments deferred, subsidies reduced, human resources foreseen for the civil service put off, and defence expenditures further restricted.

In short, the maximum impact of decreases had to be diluted by spreading it over all fields of federal responsi-