

The Budget—Mr. MacEachen

It will cover more than 500,000 federal employees. However, only ministers, MPs and Senators will be subject to actual cuts in pay.

The details of the public sector compensation restraint program will be announced shortly by the President of the Treasury Board (Mr. Johnston), who will be responsible for its administration.

In addition to the leadership it will provide in our collective effort to bring down inflation, the pay restraint program will lower federal expenditures by some \$250 million this year, and \$550 million next year, relative to the provision in our fiscal plan. This will provide financial resources for reallocation to the high priority needs for direct assistance to other Canadians.

I would like to emphasize that in the government's view federal public sector employees are no more responsible for inflation than any other group in the society. They too have been trying to catch up with rising prices, but their incomes have risen no more, and often rather less, than those of employees in other sectors. This is not a punitive program. If other sectors follow our leadership, federal employees will fare as well as others. The government believes that it is reasonable to impose a limited measure of pay restraint in the federal public sector at a time when others are bearing a severe burden arising from unemployment, pay cuts and business losses.

Pay restraint is also needed in the provincial and local public sectors. Several provinces have already announced measures to limit the pay increases of some categories of public sector employees under their jurisdiction. The Prime Minister (Mr. Trudeau) will meet with the Premiers on Wednesday to urge that all provinces take similar actions.

[*Translation*]

LIMITING GOVERNMENT INDEXATION

The actions I am now about to announce are being taken only after the most careful consideration. The government is deeply committed to lifting the burden of inflation from those least able to protect themselves. But it is calling upon all Canadians to share in a determined effort to bring inflation down. It is calling upon all to reduce their income demands well below the present rate of inflation. It would be inconsistent with the government's determination to see income demands reduced to 6 per cent and 5 per cent not to ask taxpayers and recipients of some transfer payments also to carry part of the burden.

With regard to the income tax system, the indexing factor applicable to personal exemptions and tax brackets will therefore be limited to 6 per cent for the 1983 taxation year and to 5 per cent for the 1984 taxation year.

[*English*]

Effective January 1, 1983, indexation of the pensions paid to former Members of Parliament and public servants will be limited to 6 per cent. The indexing factor will be lowered to 5 per cent as of January 1, 1984.

Effective the same dates, the indexing factor applicable to family allowances and old age security will also be limited to 6 per cent and 5 per cent. To ensure that the limitation of the indexing factor does not hurt families with modest incomes, the child tax credit will be increased by \$50 for the 1982 taxation year and will continue to be fully indexed. The increase will raise the credit from \$293 to \$343 for each child.

Pensioners most in need must also be fully protected from the limitation on the indexing factor. The guaranteed income supplement for senior citizens with lower incomes will continue to be fully indexed. In addition, everyone receiving the GIS will get a supplement to the GIS payment offsetting fully the limitation on indexation of old age security payments.

Veterans' pensions will continue to be fully indexed.

ADMINISTERED PRICES

The government, while asking that a measure of protection against inflation be temporarily sacrificed by public servants, taxpayers and many recipients of transfer payments, is obligated to do all it can to ensure that prices established under federal jurisdiction are similarly restrained.

Accordingly, I am asking that federal agencies which regulate the prices for such vital goods and services as public transportation, public communications and foodstuffs, adhere to the objectives established tonight and depart from them only in exceptional circumstances.

The government will monitor the price decisions of the regulatory agencies within its jurisdiction and take appropriate actions where exceptional increases cannot be justified.

As well, the government will ask the provinces to take similar action in those areas of regulation within their jurisdiction.

Through these actions on earnings, on indexing, on administered prices, the government is providing leadership in a two-year national effort to break inflation. These are exceptional actions required by exceptional circumstances.

ACTIONS TO SHORE UP INVESTMENT AND CONFIDENCE

I now move to the second thrust of the government's action plan, which is the shoring-up of investment and confidence. Idle capacity, falling profits, heavy interest costs and expanding debt have combined to make businesses reluctant to expand. Consumers also hesitate to commit themselves to major purchases, particularly for housing. The government is therefore taking action to reduce uncertainty and boost confidence.