At this point I wish to make an announcement with respect to Canada's gold holdings. The great rise in the price of gold in the last three years, at a time when the other components of our official international reserves have been declining, has led to a substantial shift in the composition of our reserves portfolio. At the current market price the 22 million ounces of gold held by the Exchange Fund now constitute almost 75 per cent of our reserves. This is a far higher proportion than we have held in the past. It is also higher than the proportion now held by other industrial countries, with the exception of the United States which holds only small amounts of foreign currencies. From the standpoint of the efficient management of our reserve assets, I think it would be more appropriate if this proportion were reduced somewhat. This would provide a more balanced portfolio and allow us to invest more funds in interest-earning assets. Accordingly, I plan to sell up to one million ounces of gold in the relatively near future if the market for gold continues to be firm. Part of this may be purchased by the Mint in connection with its "Maple Leaf" coin program. The balance will be sold in the market.

LIMITING THE GROWTH OF GOVERNMENT EXPENDITURES

The 10 per cent planned expenditure growth rate is well below the nominal growth rate projected for the economy as a whole. It will mean that the ratio of federal government outlays to GNP will decline from 20.6 per cent in 1979-80 to 18.2 per cent in 1983-84. Relative to the size of the economy federal expenditures will be brought back to the level of the late 1960s.

An increasing portion of the fixed expenditure total will be devoted to new energy initiatives. Expenditure growth in all other areas combined will have to be restricted to about 9 per cent per year.

It is estimated that spending under existing major statutory programs will increase, on average, by 9.3 per cent over the next four years. The public debt charge component would be increasing much faster were it not for the reductions in deficit we are planning. Even so, public debt charges are expected to increase by 19.5 per cent or $1.7 billion next year. That is our legacy from our predecessors. Excluding this item, growth in outlays will be held to 8.1 per cent in 1980-81. Our commitment to provide substantial funds for new energy initiatives over the next several years, our desire to mount some new programs in other areas and our need to maintain reserves for contingencies mean that significant cuts will be required in existing programs. In general, new initiatives will have to be financed by reductions elsewhere. But the basic Progressive Conservative principle of support to less well off people and regions will be maintained, though programs will be re-examined and may have to be more selective.

In order to improve our control over expenditure, the government has put a new expenditure management system in place. This is described in a paper I tabled last week. I have also tabled an analysis of tax expenditures to draw attention to their importance and to the need for their control.

• (2040)

ENERGY POLICY

Mr. Speaker, energy has become an issue of fundamental concern to every Canadian. This government, under the leadership of the Prime Minister, has pursued extensive consultations with provinces on energy policy. Our objective is clear. It is to move Canada rapidly away from dependence on oil imports and towards self-sufficiency by 1990. Our goal is to achieve this in three ways:

—constrain demand for oil;

—encourage substitution from oil to other forms of energy; and

—bring on new oil supplies.

This reminds me of the Hibernia announcement today which is an example of bringing on new oil supplies.

In 1979 imports of oil will exceed our exports by about 50 million barrels a year and without new action this gap will widen rapidly. If no action is taken, by 1985 our net imports will be about 200 million barrels which valued even at today's prices would seriously undermine our balance of payments. These are the figures; these are the facts.

As long as Canada is so dependent on oil imports we will be vulnerable. Recent events in the Middle East have underlined that point for us. We must protect ourselves from international oil politics. If we do not, despite the fact that we are one of the few industrialized nations that has this potential, our children and our children's children would be right to scorn us for the desperate straits we had left them in.

We believe that the best way to begin to reach our goals is to establish realistic prices. Crude oil prices must ensure an adequate return to producers to finance needed exploration and development. Retail prices to consumers must encourage conservation. Both must be high enough to eliminate our oil trade deficit by 1990. Our own Canadian conventional oil reserves will be seriously diminished by the late 1980s. In the next 7, 8, 9 or 10 years they will be diminished and gone. We cannot wait for a cataclysm to occur.

As the Government of Canada we have a responsibility to all Canadians. The effects of more rapid increases in oil prices will be felt in every corner of the economy and by every Canadian. The Government of Canada must have the ability to soften the impact of higher prices where it is essential to do so. We want to take steps to ensure that those hardest hit by energy price increases are helped. There are interregional consequences to be addressed. The rights and aspirations of producing provinces must be respected. Industry must have an adequate cash flow. The federal government must have a fair share of the increased returns flowing from energy price increases to discharge our national responsibilities. These are the elements that we have balanced in developing an energy policy.

We are prepared, once full agreement is reached with the producing provinces, to permit oil prices to rise in stages, by $4 a barrel in 1980 and by $4.50 a year thereafter, subject to