



# Bulletin

Vol. 24, No. 34

August 20, 1969

## EXPENDITURE GUIDE-LINES

*A statement by Mr. Pierre Elliot Trudeau, Prime Minister on August 13:*

This year the debate about inflation and the search for ways to combat it have reached a new intensity. Most Canadians – whether in government, business or labor – realize that if inflation continues unchecked they will suffer personally. But some people suffer more than others. Even a modest increase in general price levels causes anguish for pensioners, wage-earners with weak bargaining powers, the unemployed, persons on welfare and others who are unable to increase their incomes. Because these persons are often our lowest-income earners, inflation has serious implications for our goal of achieving an equitable distribution of incomes.

We have chosen an approach to combat inflation which we believe can produce better long-term results for the country and for Canadians. For success, it requires your support, and this is why I am speaking to you tonight.

Our fiscal and monetary policies are the first line of attack. During the past year we have taken the necessary steps to place our budget in a surplus position in the 1969-70 fiscal year... the first actual surplus in 13 years. This swing from a deficit of \$575 million last fiscal year to a surplus this year is of great help in fighting inflation in our economy.

Another important step in holding down costs of all governments in Canada was our refusal to turn over larger amounts of money to the provinces. The federal stand and the fruitful discussions held with the provinces before they brought in their budgets have resulted in most provinces making successful efforts to improve or maintain budgetary balance. I

## CONTENTS

|  |   |
|--|---|
| Expenditure Guide-Lines .....            | 1 |
| Sir Isaac Brock Stamp .....              | 3 |
| Visitors from Down-Under .....           | 3 |
| Montreal's Mass Marriage .....           | 3 |
| More Fun, Less Work .....                | 4 |
| Prisoners on Day Parole .....            | 4 |
| Health Manpower Conference .....         | 4 |
| Closing of Post Office Savings Bank .... | 5 |
| Lower Drug Prices Prescribed .....       | 5 |

hope they keep up the effort.

The Prices and Incomes Commission is still another important element in the process of reducing inflationary pressures. Last week, the Commission indicated the direction it proposes to take. This Government intends to co-operate to the fullest with the Commission in the development of a set of voluntary constraints on prices and incomes for 1970.

During the past year and a half, we have begun to feel the effectiveness of a new kind of expenditure forecasting – what the Treasury Board calls program planning and budgeting. PPB required official and department heads to maximize productivity *per man* at the lowest administrative cost to meet policy objectives. In effect, the improved management techniques of program planning and budgeting put private-sector cost-control methods into the public service. into the public service.

Tonight I want to talk about further steps we are taking to fight inflation. Very often, government spending is described as a major contributor to the problem of inflation, so today we want to put the whole subject of the Federal Government's expenditures before you in order to stimulate a discussion on '70-'71 expenditures well in advance of the usual date of publishing the estimates. A good discussion of our expenditures will help to remind us of the social purposes of government spending, and help in reviewing and reassessing the importance of the functions of government.

#### GROWTH OF FEDERAL SPENDING SINCE 1960

The nature and size of the financial difficulties that this Government began to face in June last year can best be appreciated by a study of federal spending levels over the past ten years. Between 1960 and now, total federal spending nearly doubled in dollar terms as it rose from \$6 billion to \$11 billion. Even taking into account rises in price, because governments are victims of inflation too, the rapid increase in spending-levels in some of the major sectors is astonishing:

Spending on general government services has more than doubled since 1960.

Spending on foreign affairs has doubled.

Spending on economic development has tripled.

Spending on health and welfare has almost doubled.

The federal share of the cost of post-secondary education has multiplied about 16 times since 1960.

#### OUTLOOK TO 1975 IF NO CHANGES ARE MADE

Suppose government revenue from current taxation levels were to rise in the next five years roughly at the same rate as the expected rise of the gross national product. Suppose also that no changes of any kind were made in the existing programs. Spending would very quickly outpace revenue. We should be on the road to financial disaster if nothing were done to bring spending under control:

Spending on *just the general government services that exist now* would go up another 50 per cent by 1975.

Spending on foreign affairs would double again in five years.

Spending on economic development would more than double again.

Spending on health and welfare would go from \$2.4 billion to \$4.3 billion.

The federal share of post-secondary education costs would quadruple.

Total spending by the Federal Government would go up to nearly \$17.5 billion in 1974-75; but revenues would go up to about \$15.75 billion — leaving a deficit that year of \$1.75 billion or a cumulative deficit over the next five years of \$7.5 billion. And I should add that these forecasts are in today's dollars, 1969 dollars, and do not reflect any additional increases that continued inflation would bring. And it should be repeated that this would result simply from a continuation of the existing programs. Any new programs — say in the area of pollution or regional economic expansion — would be over and above the spending levels I've mentioned.

#### WHAT CAN THE FEDERAL GOVERNMENT DO

Clearly, something must be done, and done at once; but in tackling this problem, we must realise that one of the realities of the federal form of government is the fact that there are two kinds of expenditures for which the Federal Government must budget.

First, there are the expenditures for which the Central or Federal Government has direct responsibility and therefore the direct ability to cancel or reduce or freeze or increase. These include such items as foreign affairs, defence, general government services and the like.

Second, there are the federal expenditures made — one way or another — to the provinces. These include equalization payments, shared-cost programs like hospital services, the Canada Assistance Plan, medicare, the operating costs of post-secondary education. They are the Federal Government expenditures for which the Federal Government does not have direct responsibility as to their annual magnitude. They are also the most rapidly increasing parts of the Federal Government's total spending program.

Under these circumstances, it is obvious that the provinces have to do their share in the fight against inflation even for the purposes of federal budgeting.

#### WHAT THE FEDERAL GOVERNMENT IS DOING

We are announcing today the set of expenditure guide-lines that have been agreed to in advance of the preparation of the 1970-1971 estimates. These guide-lines were designed primarily to introduce new efficiencies in government service, but they will also help to contain inflationary pressure by limiting or "capping" government spending-levels. At the same



United Press International Photo  
Prime Minister Trudeau uses a graph to explain budgetary expenditures.

## SIR ISAAC BROCK STAMP

Major-General Sir Isaac Brock, "Hero of Upper Canada", who died at Queenston Heights on October 13, 1812, leading his troops in the defence of Canada, is to be commemorated during the two-hundredth anniversary of the year of his birth by the release of a Canada Post Office stamp on September 12. Brock was born on the island of Guernsey on October 6, 1769.

The new issue, vertical in format, with dimensions of 24x40mm., was created by Professor Imre von Mosdossy of Agincourt, Ontario, whose previous designs for the Post Office include the popular 1968 John McCrae and hydro-logical commemorative stamps. The Brock issue has a brown base printed by the steel-engraving process, which is softened by the application of



two lithographic tints, red in the area of the portrait and yellow elsewhere. A stylized reproduction of the 190-foot Brock memorial column on Queenston Heights appears on the stamp slightly below the famous soldier's image. Thirty-five million Sir Isaac Brock stamps will be printed by the Canadian Bank Note Company, Ottawa.

## BROCK IN CANADA

It was with anything but elation that Brock received orders for the transfer of his regiment, the 49th, to Canada in 1802; the undeveloped land of some 300,000 people was regarded as out of the main stream of world events. In the following ten years, he devoted great energy to familiarizing himself with Upper and Lower Canada, using his fluent command of French to good advantage in the latter region.

In 1811 he received his appointment as president and administrator of the Government of Upper Canada. In the following year, upon the outbreak of war, he had some 1,450 British regulars under his command; organizing militia units to bolster his strength, he sought and won the co-operation of the Indians, particularly the Six Nations on the Grand River. His meeting with Tecumseh produced an immediate reciprocation of respect, and from that time on the famed Indian leader led his people in co-operation with the British. The morale of the defenders soared when one of Brock's first orders led to the fall of Detroit; later, the General's insight led him to believe an assault would be made across the turbulent Niagara River under the heights at Queenston. When

the attack came, Brock fell mortally wounded while leading his men to recapture a gun. Some 12 years after his death, Brock's remains were removed to a vault under a 135-foot monument on Queenston Heights; destroyed by an explosion in 1840, the memorial was replaced by the even more imposing column that stands today.

## VISITORS FROM DOWN-UNDER

A delegation of senior Australian and New Zealand officials arrived in Canada on August 8 to spend three weeks inspecting water-bombing techniques for forest-fire control.

This trade mission is sponsored by the Department of Industry, Trade and Commerce in co-operation with federal and provincial forestry services and representatives of aircraft and aircraft equipment companies.

Canada, which has devised successful techniques to prevent, control and combat forest fires, has refined a water-bombing technology in which a low-flying aircraft can drop as many as 90,000 gallons a day in a burning area. At present there are some 130 water-bombing aircraft in service in Canada.

Mission members are meeting forestry officials and manufacturers of aircraft and equipment for water-bombing; and are being briefed on fire-control techniques employed in Canada. They will fly over affected forest areas to observe practical water-bombing demonstrations under actual conditions.

Canadian water-bombers are now being exported - four of an order of 10 are in service in France and one is being used as a demonstrator in Spain. Markets are also being developed in the Far East, Africa, South America and the United States.

## MONTREAL'S MASS MARRIAGE

Thirty years ago, in an event unlike any other before or since, 105 couples were married simultaneously before some 25,000 relatives, friends and fellow members of the Jeunesse Ouvrière Catholique (Young Catholic Workers) at a baseball stadium in the east end of Montreal.

To mark the anniversary, the surviving couples were invited on August 10 to a celebration at Man and His World, Montreal's international exhibition. The celebrant was Msgr. Albert Sanschagrin, Bishop of St. Hyacinthe, who helped organize the 1939 event. He was assisted by Abbé M.G. Gendron, of the Pius X Institute of Quebec, and the Reverend Paul Bazinet, general chaplain of the Service de Préparation au Mariage, the JOC marriage course whose first graduating class included the 105 couples. After the mass a large picnic was held in Parc Notre Dame.

July 23, 1939 started with Holy Communion for the couples in St. James (now Mary Queen of the

World) Basilica. After the wedding breakfast the couples took part in a 110-car motorcade through the streets of Montreal to the stadium, past thousands of interested onlookers.

They had knelt before a special altar built for the occasion on the baseball diamond, each couple attended by two witnesses, and had been married by Coadjutor Archbishop Msgr. Georges Gauthier and 104 priests representing a number of different orders.

The couples had graduated from a unique course on matrimony, sponsored by the JOC, which was so successful that it since has been adopted as a model for happy marriage by a score of foreign nations.

## MORE FUN, LESS WORK

According to a study of census and other data since 1921, published by the Dominion Bureau of Statistics, on the changing pattern of Canada's labor force, fewer years of work and more years of leisure are in prospect for the Canadian male of today, compared to his predecessors of the past 40 years.

The publication *Working-Life Tables of Canadian Males* shows that longer life expectancy and earlier retirement have combined to increase the Canadian male worker's prospects of leisure years by almost 60 per cent since 1921.

Whereas life tables for 1921 showed that workers could then expect an average of 5.0 to 5.4 years of retirement, figures for 1961 indicate that this has now increased to a range of 8.2 to 8.5 years.

In the same 40-year period, life expectancies have increased by three years or more for Canadian male workers in the age group of 15 to 20, ranging downward from that point to a bare statistical six months for men of 50 and over.

Most notable changes in the labor force pattern for the past 40 years occur among the very young and the aged. In 1921, for example, 54 per cent of all boys aged 15 were in the labor force. In 1961, the figure had dropped to 18.4 per cent. The labor force percentage of 18-year-olds dropped from 82.7 per cent to 62.0 per cent in the same period.

Similarly, at the other end of the scale, 74.8 per cent of men aged 66 were still in the labor force in 1921, compared to 54 per cent in 1961. Also, in 1921, 53.2 per cent of men aged 71 were still working, while only 29.1 per cent were working in 1961.

## PRISONERS ON DAY PAROLE

Seventeen inmates of Alberta jails are attending schools or are employed outside prisons and penitentiaries under a "day parole" program instituted by the Alberta Attorney General's Department in cooperation with National Parole Board officials.

The National Parole Board program, which came into effect in the province this year, allows inmates to leave the prison in the morning to work or study

under supervision, then return to jail at night.

Of the 17 now on day parole, two are attending school and doing well. Acceptance of inmates by employers has not been a problem. The program is province-wide, although it is more difficult to administer where jails are located away from cities.

Only inmates who have been charged with federal offences are eligible. The pilot program, which is considered successful, is slated for further expansion.

Another new regulation assures that discharged inmates leave Alberta prisons with at least \$3 in their pockets. All prisoners receive \$1 a month during their sentence, which is given to them upon discharge. A prisoner who has served a term of less than 30 days and who has no money of his own must be given \$3 when he leaves. Those who have served more than 30 days but whose earnings and own money are less than \$5 may be given \$5 by the warden when discharged.

## HEALTH MANPOWER CONFERENCE

Representatives of Canadian professional health disciplines, universities and colleges, federal and provincial health planners and consumer groups will take part in a national health manpower conference to be held in Ottawa starting October 7.

"This national health manpower conference will be the first of its kind to be held in Canada," said National Health and Welfare Minister John Munro. "It has been sponsored jointly by the Association of Universities and Colleges of Canada and the Department of National Health and Welfare because of our common interest in developing a program for improving the human resources of Canada in the health and the health-related professions."

"The health of Canadians depends upon the proper dispersion of health personnel. This is not just a function of overall quality and gross numbers — although these are important — but it also relates to geographic distribution and professional categories. After all, the finest system is useless unless it gets to the people. The health delivery system must be as efficient as possible, in order to make sure that all of our population has effective access to the health personnel they require, without any section of the population or any region of the country suffering in relation to more prosperous groups or areas. Therefore, we hope that this conference will aid in the attainment of the goal of equality in health care for all Canadians," Mr. Munro stated.

Conference organizers believe that the four-day meeting will bring together a representative selection of persons from health and related disciplines, as well as representatives from other areas, familiar with problems that exist in the health services field, so that suggestions can be formulated to develop a program for improving the human resources of Canada in the health and health-related professions. It is

hoped that agreement can be reached on guidelines for planning the delivery of total health services during the next decade; determining the numbers and quality of health manpower required for these services; and planning the education of the required manpower.

### CLOSING OF POST OFFICE SAVINGS BANK

Since Postmaster-General Eric Kierans announced last August that the Post Office Savings Bank would be closed on December 31, 1969, 34,000 accounts totalling \$11 million, have been closed, leaving some 256,000 accounts, worth \$6 million, still unclaimed. This amount may be reduced to \$4.5 million by January 1, 1970, at which time accounts of less than \$25 that have been inactive for 30 years or more will revert to the Crown and will not be recoverable. Accounts of \$25 and over will be held in perpetuity for the rightful owners but no interest will be earned after December 31, 1969.

The Post Office Savings Bank was inaugurated over 100 years ago on April 1, 1868, to encourage savings by people of low and medium incomes. Since then, Canadians from every walk of life have used the Bank and the balances on deposit increased from \$205,000 in 1868 to a record \$47,564,000 in 1908, then decreased to \$17,293,000 last August, when the decision was made to phase out the Savings Bank. As Mr. Kierans stated last year, the expanded services provided by other financial institutions had made the continued operation of the Post Office Savings Bank economically unjustifiable. During the Second World War a staff of 250 was required to process the accounts. As business decreased and automation was introduced, the staff declined to the present establishment of 20.

### LOWER DRUG PRICES PRESCRIBED

A new law designed to lower prescription-drug prices received royal assent recently and Consumer and Corporate Affairs Minister Ron Basford said that the Government was continuing its fight against high drug costs.

Describing the Act as one part of the Government's five-point program to reduce prescription-drug prices, Mr. Basford said the next step in the continuing fight against high drug costs was consultation with the provinces on how to cut drug costs at the retail level.

The Minister noted that, under the Patent Act, the owner of a new drug patent has exclusive production rights for 17 years. Under the Patent Act, with the amendments just approved, the Commissioner of Patents may give a licence to others to import as well as manufacture or sell the patented drug and, in this way, break the 17-year monopoly that the patent-holder has.

The purpose of the amendments is to create more competition in the pharmaceutical industry. By

allowing others to import, manufacture or sell patented drugs in competition with the patent-holder, it is expected that those now selling high-priced drugs will be forced to reduce their prices in the face of sharper competition. If no appreciable reduction occurs, others will be encouraged to supply consumers with less expensive substitutes.

The Government has already removed the 12 percent federal sales tax on drugs, reduced the tariff and made it easier to import some drugs without encountering a dumping duty. Parliament last year approved the Pharmaceutical Industry Development Assistance Program (PIDA) to make loans to small, Canadian-owned drug companies to put them in a stronger position to take advantage of the Patent Act amendments and to produce and market less expensive prescription drugs.

The fifth step in the Government's program is the development of an information service relating to the prices and characteristics of drugs for the use of doctors so that they may prescribe less expensive prescription drugs. Mr. John Munro, Minister of National Health and Welfare, expects this service to be available to doctors in the autumn.

### EXPENDITURE GUIDE-LINES

(Continued from P. 2)

time, they were also designed to recognize this Government's emerging set of priorities. For example, defence spending is frozen at \$1.8 billion for the next three years, but spending on programs related to the new Department of Regional Economic Expansion will get more money. Social programs for the disadvantaged people of our country will get more. For example, economic programs for the development of slow-growth areas, low-income housing, Indians and Eskimos assistance, will continue to get more money; but such functions as transportation and communications and general government services will have to be performed under severe budgetary limits.

The guide-line that is of greatest significance in the preparation to the 1970-1971 estimates is the one that freezes 1970-1971 expenditures at 1969-1970 dollar-levels. This guide-line governs all programs and activities that have not been specifically dealt with by the governments in the other guide-lines. Throughout these areas of the federal apparatus, all cost increases — including increases for salaries — must be made within the limit imposed by the 1969-1970 dollar-level. This will mean a sharp reduction in the size of the federal public service because most departments — in order to meet salary increases — will have to cut the size of their staffs in 1970-1971 to stay within the 1969-1970 dollar-limit.

In this year's estimates the Government reduced authorized employment levels in the Public Service by about 9,000.

I am announcing tonight that the Government has decided that more than 10,000 authorized positions

that are now vacant will not be filled. For the coming year, the expenditure ceilings resulting from our hold-the-line guide-line will mean from 5,000 to 7,000 fewer people on the federal payroll than there are now.

Taken together, these reductions add up to 25,000 jobs – a 10 percent decrease from the 1968 authorized size of the public service.

This does not mean that 25,000 employees will lose their jobs. Normal attrition through retirement, resignation and the like amount to about 10 per cent of the work-force each year. This has greatly facilitated the adjustments required in the past year and will facilitate those that will have to be made in the coming months. There will be some layoffs. The number can only be determined as departments adjust their programs to these guide-lines. But we shall immediately start consultations with the various organizations which represent the Public Service employees.

Expressed in another way, we expect *this* guide-line – plus new cost-efficiency in government departments – will roll “normal” inflationary pressure back into the departments instead of passing it on to the taxpayer in the form of higher taxes. We are getting rid of the old idea that there has to be a “normal” annual increase in costs and numbers of people in order to meet “normal” annual increases in population and government service which means a “normal” increase in taxes. That idea is being replaced by improved management of human resources to obtain more productivity from the public service. They are being paid more now; the taxpayer has every right to expect more from them.

Another guide-line I'd like to deal with is the one concerning defence expenditures. For defence we believe most Canadians already know that the 1969-1970 level of spending is not to be exceeded for the next three years. There was a vigorous discussion of this particular federal function by the public and by Parliament. Canadians generally are satisfied with this decision. Stabilization of defence spending at this year's level means, of course, a realignment of defence activity, a gradual reduction of defence personnel – accompanied by rising operational productivity *per man* and improved equipment.

This afternoon, Mr. Cadieux, the Minister of Defence, announced to the people and to the communities involved, the closing of four defence establishments in Quebec and Ontario and the reducing of activities at a fifth. The closing of the base at Clinton and the logistics depots in London, and Cobourg in Ontario and Ville LaSalle in Quebec and the reducing of activities at St. Hubert will affect more than 1,000 civilian employees of the Department of National Defence and more than 1,000 of the military. It presents serious problems of retraining and relocation that will have to be solved over a period of some months. I am confident that the people in the Defence Department will do everything possible to reduce overheads and consolidate bases

with a minimum of personal inconvenience for the men and women concerned.

I have dealt at some length with the guide-lines concerning the size of the public service and defence expenditures. In the next few weeks, my colleagues will be announcing the effects of the nine other guide-lines on the operations of their departments. I'd like to make some brief general comment about these.

Our review of old and new programs and activities – and the reviewing process is still going on – invites the questions: Are they as relevant today as when they were introduced? Do they now serve their purpose? Should they be curtailed?...How do we “cut the pie” to make room for today's new priorities? These are questions whose answers will affect the nature of our expenditures. These are questions whose answers will determine the distribution of expenditures in years to come.

*Effects of the expenditure guide-lines for 1970-1971: Without these guide-lines, without improved cost efficiency in the public service, without the functional review of policies and programs, without any new programs, the 1970-1971 estimates would probably have reached a level of \$13.5 billion, a 14 percent increase over 1969-1970 expenditures. That's about \$1.7 billion more than this year.*

We could not tolerate a 14 percent increase in federal expenditures. If allowed to grow unchecked, our spending would eventually become so scattered that the real needs of our society would be missed. And to spend vast sums on welfare, education and other programs while allowing inflation to continue would merely place hundreds of thousands of Canadians on a treadmill from which they could not escape. Their economic gains would be eaten up almost before they received them. The better course, we believe, is to allow increased spending on those programs which help those who need it most. Our aim, therefore, is not to curtail essential government services for the people but rather to perform those services more efficiently and to institute a minimum of new priority programs for those Canadians and those regions of Canada in real need of social and economic help. We want to replace inefficient and outdated programs by new ones which will assist even more than now low-income and destitute Canadians. To do this, we must start by cutting the fat out of our expenditures.

We shall be able to control the Government's overall demand on the economy. This, coupled with our other measures, will help to reduce inflationary pressures. If other sectors of the economy can get together and impose similar restraints we can make some progress. I appeal here particularly to the unionized workers and to other levels of government, all of who exercise considerable influence on the course of our economy. I hope tonight to have demonstrated that we are doing our part of the job. I trust they will do the same. I can't think of a better way to serve the long-run and economic and social health of our country.