

● (1750)

An hon. Member: He is a real Conservative.

Mr. McDermid: I am concerned about what is going on in the province of Quebec and I appeal to the people in Quebec to think very carefully before they cast their ballots on May 20 because this could shake the very foundation of our country for a long, long time.

We in Ontario, and I as a member from Ontario, are prepared to participate in constitutional change. There is no doubt we need it in this country. I think the premier of our province has made that very clear. He has also made it very clear that he will not, in any way, shape or form, discuss sovereignty-association. My constituents feel the same way. They are not prepared to see Canada break up and they are not prepared to discuss sovereignty-association.

Some hon. Members: Hear, hear!

Mr. McDermid: We can do it within our confederation—there is no question of it. So I plead in my language that those in Quebec vote no, and support all my colleagues in the House of Commons who feel the same way.

I would like, for just a moment, to talk about the economy of this country. I am concerned, as are a great number of people in my constituency from whom I have heard this weekend, that a budget is not being brought down by the Minister of Finance. Obviously he will make a few remarks tonight and I look forward to hearing what he has to say. But I ask him, on behalf of the small businessmen in my area, on behalf of the farmers in my area, and on behalf of those people who invest in Canada and make this country work: will he, for heaven's sake, bring in a budget so that they can do some financial planning and so that they know in which way this government is going to lead the country over the next four or five years?

The Speech from the Throne, if it is any indication, is not good news for the private sector. I am hoping that saner voices will be heard from the cabinet. However, I do have my doubts. I hope they will bring some common sense to the government and bring in a budget that will help the people of Canada. Why will you not bring in a mortgage program to help people with mortgages who are having problems right now? Come on; we promise not to yell flip-flop. Bring in a program to help the small businessman, not to create more Crown corporations. Bring in a program to help the farmer who, I will tell you right now—and I had the pleasure of sitting with the Minister of Agriculture (Mr. Whelan) today and listening to him speak—is in dire straits. The young farmer especially is walking away from his farm, and the banks are selling farms at auctions. So I plead that the Minister of Finance bring us some economic news and some guidelines as to what exactly they will do in the next year or so, because there is an uncertainty in this country within the business community that is frightening.

I should like to close by asking everyone in the House to co-operate by putting petty political judgments aside and thinking carefully of what is happening in Canada. I am

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concerned about what I am hearing in the west, about what I am hearing from Quebec and what I am hearing in my own province of Ontario. It frightens me greatly because I love my country, as I know everyone here in this chamber does. I ask that we put some of our petty differences aside and come together for the good of the country. This is one of the greatest countries in the world, a country which is respected wherever one goes. That respect must be maintained.

Mr. Speaker, with your permission, may I call it six o'clock?

The Acting Speaker (Mr. Ethier): Is it agreed that we call it six o'clock?

Some hon. Members: Agreed.

The Acting Speaker (Mr. Ethier): It being six o'clock, I do now leave the chair until eight o'clock this evening.

At 5.55 p.m. the House took recess.

● (2000)

AFTER RECESS

The House resumed at 8 p.m.

Mr. Deputy Speaker: The hon. Minister of Finance (Mr. MacEachen).

Some hon. Members: Hear, hear!

Mr. Crosbie: I rise on a point of order, Mr. Speaker, in connection with the statement planned to be made by the Minister of Finance (Mr. MacEachen). I want to say now that we object to this procedure. I want to reserve the right to bring before the House a question of privilege. We think that is the proper course of action, after the minister finishes his statement, or tomorrow. I want to give notice of that now. It was only on Friday that the minister mentioned casually to me—

Mr. Deputy Speaker: Order, please. If the hon. member wishes to raise a question of privilege, he is at liberty to do so at the appropriate time, and he knows the rules of the House.

Mr. Crosbie: I will make my question of privilege now if Your Honour wants me to do that. My question of privilege is that this is not the correct procedure. The minister is attempting to give, in effect, a budget speech in the debate on the Address in Reply to the Speech from the Throne.

An hon. Member: Smuggling it in.

Mr. Crosbie: Smuggling it in.

Mr. Deputy Speaker: Order. With all due respect, I am not aware of any matter that has been raised by the hon. member so far which falls within the scope of privilege.

An hon. Member: Why don't you let him finish?

Mr. Deputy Speaker: The Minister of Finance.

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Mr. Crosbie: A question of privilege, Mr. Speaker.

Mr. Andre: Privilege.

Mr. MacEachen: Mr. Speaker—

Mr. Crosbie: I would like to be heard on my question of privilege.

Mr. Deputy Speaker: The hon. member for St. John's West (Mr. Crosbie) on a question of privilege.

Mr. Crosbie: I would like to have a chance to make a question of privilege before Your Honour rules on it. I am giving notice of it now, and I might want to elaborate on it later. My notice is that this is a budget speech being given here in the guise of a speech in the Address—

An hon. Member: How do you know?

Mr. Deputy Speaker: Order. The hon. member is out of order.

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Mr. Speaker, first of all I should like to take this opportunity to congratulate Your Honour on your selection as the Deputy Speaker and Chairman of our proceedings—

Some hon. Members: Oh, oh!

Mr. Crosbie: It is not in the notes, Allan.

Mr. MacEachen: —and also to express through you to Madam Speaker my compliments on her accession to the post of First Commoner. I certainly wish her well as she takes on these very important duties.

As Mr. Speaker knows, this is the first time that I have had an opportunity to speak to the House in a formal way since I have become the Minister of Finance. I want to take the opportunity of thanking so many members of the House on this side, and on the other side, for extending me congratulations on taking on this work. Some have joined their congratulations with commiserations, but nevertheless, I appreciate the good will which has animated their good wishes. At the same time I should like also to express my real satisfaction that the mover of the address in reply (Mrs. Côté), and the seconder (Mr. Frith), in their speeches have revealed to the House once again that new members come here with idealism and dedication, and in their first appearance are able to stir the House more deeply than members who have been here for many years.

An hon. Member: That is a great introduction.

Mr. MacEachen: I regret, in a way, that the hon. member for St. John's West (Mr. Crosbie) indicated that I am proceeding in an irregular way and, of course, I will debate that allegation with him later on. But my purpose in rising tonight is to clear up some unfinished business extending from the last two Parliaments, and to give the House background informa-

tion on the fiscal and economic situation which faces us as we consider the new business to which the Speech from the Throne referred.

The unfinished business concerns the status of tax measures which were introduced in the December 11, 1979, budget, and indeed of certain measures that still remain outstanding from the November 16, 1978, budget, measures which have not yet received parliamentary approval.

I would recall that roughly two months after the election of last May the then minister of finance issued a press release setting out his intentions with respect to tax and tariff measures which had been introduced by the former Liberal government. He, and the then president of the treasury board, also reported in some considerable detail on the fiscal and economic outlook at that time.

Mr. Knowles: In the House?

Mr. MacEachen: Had Parliament been in session, they would no doubt have chosen to make this information available directly to members of the House, and that is what I propose to do tonight.

Mr. Stevens: For five years?

Mr. MacEachen: I want to take advantage—

Mr. Clark: Demonstrate contempt for Parliament.

Mr. MacEachen: —of this early opportunity to end the uncertainty with respect to outstanding tax measures and to inform the House of the fiscal situation as I find it on taking over my responsibilities as Minister of Finance. Of course I shall also comment upon the current economic situation.

I shall start with the tax measures. Of course the government will not proceed with the increase of 18 cents a gallon in the excise tax on gasoline—

Some hon. Members: Hear, hear!

An hon. Member: You will tack it on somewhere.

Mr. MacEachen: —nor its extension to other transportation fuels proposed in December, nor will it reintroduce at this time the three measures affecting taxation on capital gains—the common stock investment plan changes in the treatment of capital gains, in Registered Retirement Savings Plans, and the provision for transfer of capital gains on farming assets to RRSPs.

● (2010)

Mr. Stevens: Shame.

Mr. MacEachen: I want to consider these and other measures in more detail, particularly in the light of a wide discussion about the role and importance of taxation on capital

gains. Therefore I will be bringing forward a discussion paper on this subject. As well, I will not be reintroducing the measures to provide special tax incentives for investors in Atlantic fishing vessels. I want to explore with my colleague, the Minister of Fisheries and Oceans (Mr. LeBlanc), the impact of various measures on the structure and ownership of the industry in the context of the ongoing review that is under way.

I am also not making provisions for private corporations to be given tax contracts for investing in particular regions of the country. The Department of Regional Economic Expansion has considerable flexibility under existing legislation to support regional development. These mechanisms will naturally be under review prior to the expiry of the legislation next year.

My colleague, the Minister of Energy, Mines and Resources (Mr. Lalonde), and I have already announced that additional depletion allowances for oil and gas exploration in the frontier and offshore areas will not be continued, but will be replaced by a new incentive program to sustain the effort set in motion by the tax measure. I will, however, be introducing several of the other notices of ways and means motions tabled last December, including the measure providing for the deduction of salaries paid to spouses by persons carrying on an unincorporated business, and the temporary small business development bond provision enabling small businesses to obtain financing at lower interest rates.

Mr. Clark: Another broken promise.

Mr. MacEachen: This particular measure received special commendation from the Leader of the Opposition (Mr. Clark) in his speech, and I had his comments very much in mind as I considered whether I would bring back this particular measure.

To help offset the revenue loss associated with these measures and to help finance the increase in the guaranteed income supplement, I am reintroducing two of the tax measures. The increases in excise tax levies on alcohol and tobacco are to go into effect as of midnight tonight, and the two-year surtax of 5 per cent on federal corporate taxes effective January 1, 1980. I am also reintroducing other tax measures. Many are effective as of the dates originally proposed.

Mr. Clark: Budget measures.

Mr. MacEachen: These include tax relief for volunteer firemen—

Mr. Clark: Another broken promise.

Mr. MacEachen: —for temporary overseas employment—

Mr. Clark: Another broken promise.

Mr. MacEachen: —for employees who use aircraft in their work, and for certain situations where income taxes interact with family law. In addition, there are reduced write-offs for oil and gas properties, changes in the application of sales tax to cosmetics, extension of the sales tax to photo finishing, and

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tightening measures in the areas of deferred compensation plans and deductions for prepaid expenses. Details and dates of the application of these and other measures are contained in the notice of ways and means motions I am tabling tonight.

Mr. Clark: If you get that far.

Mr. MacEachen: For some measures, there are certain technical changes, often to reflect useful comments received from the business community and tax practitioners. The motions also include the commodity tax measures arising out of the November, 1978, budget. I would pause here to say that these changes are quite extensive. I will not detail them in the House tonight, but they were detailed by the former minister of finance last summer as he gave notice of his intention to reintroduce these measures emanating from the previous budget.

I also want to announce at this time that it is the government's intention to proceed with a number of changes to the income tax regulations as proposed in December. I recognize the difficulties that arise out of delays in enacting tax measures. It is my intention to introduce and proceed with the legislation implementing these tax changes as soon as possible. However, with respect to the changes to the Income Tax Act, I recognize the desirability of publishing draft amendments to the law so that those whose interests are affected can have an opportunity to assess the impact of technical changes and suggest modifications before the final legislation is introduced. It is my intention to proceed with draft law so that the legislation, when finally introduced, will have benefited from a careful analysis by specialists in the tax profession.

In concluding my statement on taxation measures, I would like, under the provisions of Standing Order 60, to table notice of ways and means motions in both official languages to amend the Income Tax Act.

Mr. Crosbie: There isn't unanimous consent.

Mr. MacEachen: Under Standing Order 60, Mr. Speaker, it is possible for a minister of the Crown to table ways and means motions at any time in the House of Commons. In doing that, I would also like to request that an order of the day be designated in the future to consider these ways and means motions.

I wish now to bring Parliament up to date with the preliminary information available to us on the fiscal outcome for 1979-80, along with a summary of the fiscal outlook for 1980-81 as it currently appears. I am thus tabling the standard summary figures on the fiscal position for these two years. The information on the current 1980-81 fiscal outlook will serve as a supplement to the main estimates which are to be tabled tomorrow.

The main estimates are those prepared by the former government and which were ready for printing when we took office. It was judged best not to attempt to revise this massive compilation of expenditure figures, but to table the existing material without delay as a basis on which interim supply

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could be sought. The expenditure figures in the fiscal forecast I am tabling are based upon the main estimates but contain, in addition, cost increases that have occurred since December in programs contained within those estimates, together with an allowance for the expanded guaranteed income supplement.

The current forecast of the over-all fiscal position will also provide Parliament with background information for the consideration of new borrowing authority which I shall be seeking shortly. With respect to the outcome for fiscal 1979-80, preliminary information suggests that financial requirements, excluding foreign exchange transactions, were \$10.4 billion. That is \$500 million lower than in the preceding fiscal year. The total outlays are expected to amount to \$53.1 billion called for in the December, 1979, budget, although this estimate could still be subject to significant revision.

Revenues are lower than in the December forecast by some \$300 million. The various increases in that budget which were not put into effect would have boosted revenues by close to \$600 million. But corporation income tax revenue grew somewhat faster than expected in December and provided a partial offset. The projections for 1980-81 are based on economic assumptions for 1980 to which I shall refer shortly.

● (2020)

Revenues are projected to increase by 13 per cent after taking into account all the tax measures which I have just reintroduced. The expenditure projection includes the \$35 per month increase in the guaranteed income supplement to needy old age pensioners.

On the basis of these assumptions, total outlays in 1980-81 are projected to increase by 13.7 per cent to \$60.4 billion. This high projected growth in expenditures in 1980-81 is largely accounted for by the very high growth in the cost of two major existing expenditure programs, public debt charges and oil import compensation.

Mr. Andre: Surprise! Startling surprise!

Mr. MacEachen: Since the budget of December 11, 1979, increases in interest rates and the higher deficit now projected have resulted in an upward revision in public debt charges of the order of \$500 million. Higher international oil prices have raised the projected level of oil import compensation programs by some \$1.5 billion. While the December budget forecast contained some allowances for contingencies, the bulk of these revisions required additions to the forecast expenditure total. This fact, together with the increase in the guaranteed income supplement, basically accounts for the difference between the \$60.4 billion total outlays I am now projecting and the \$58.4 billion projected in the December budget.

Increases in the debt charges and oil import compensation costs would, of course, also have faced the previous government and almost certainly would have required it to allow expenditure growth to exceed the 10 per cent target it announced in December.

The projected increase in outlays of over 13.5 per cent is a good deal higher than I would like to see. The blended approach to oil pricing, which it is the government's intention to introduce, will allow a reduction in federal oil import compensation payments from the level assumed in deriving the \$60.4 billion estimate of total outlays.

Mr. Hnatyshyn: A fraud.

Mr. MacEachen: In addition, we will exercise very tight control over discretionary government spending.

Some hon. Members: Oh, oh!

Mr. MacEachen: Financial requirements, excluding foreign exchange transactions, are projected to be \$11.7 billion in 1980-81. This represents an increase of more than \$1 billion over 1979-80 and is substantially higher than the \$8.2 billion forecast in the December, 1979, budget. By far the largest factor in the difference vis-à-vis the December budget is the absence of the massive increase in the gasoline excise tax.

Some hon. Members: Hear, hear!

An hon. Member: We still pay for it.

Mr. Beatty: Just charge it, Allan.

Miss MacDonald: Borrow Broadbent's credit card.

Mr. MacEachen: Madam Speaker, I would like it well understood that these are projected expenditures—

Mr. Epp: And that will go up.

Mr. MacEachen: —and financial requirements as I assume my responsibilities as Minister of Finance. I have thought it important to provide the House with an early and accurate accounting of the current state of affairs.

Mr. Dick: Give us a budget.

Mr. MacEachen: I would further like it to be understood, however, that these projections do not in any way constitute the expenditure plan or the planned financial requirements of this government for fiscal year 1980-81.

Mr. Stevens: When do we see this?

Mr. MacEachen: Implementing blended oil pricing could alone reduce both expenditures and financial requirements by as much as \$1 billion.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. MacEachen: I shall consider what further expenditure and revenue changes may be necessary when I put together my budget.

Some hon. Members: Oh, oh!

An hon. Member: That's what you are giving us tonight.

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Mr. MacEachen: In framing my budget I shall be concerned to ensure that the rate of growth of government expenditures is tightly controlled.

An hon. Member: Oh, oh!

Mr. MacEachen: I shall be particularly concerned to ensure that government deficits and financial requirements diminish as economic growth resumes.

An hon. Member: Who is going to do it?

An hon. Member: You are blushing.

Mr. MacEachen: This will mean that major new expenditure programs, if any, will be financed from increased revenues or they will not proceed. In coming to a judgment as to the appropriate stance in 1980-81, I shall wish to take into account both the cyclical weakness of the economy and the critical need to ensure a diminishing of inflationary expectations. I will consider measures that will distribute the burdens of both unemployment and inflation more equitably. The budget will recognize that the well-being of Canadians, the creation of jobs, and the easing of inflationary pressures all depend critically upon a continuing and growing strength of private investment.

May I turn to a brief review of the international and domestic economic outlook.

The international environment which we are facing is a very troubled one indeed. Since December, 1978, we have seen oil prices more than double. This has been a shock to the world economy comparable in relative terms, and roughly twice as large in current dollar terms, as that which occurred in 1974. The ability of OPEC to raise prices was enhanced by a high level of demand in world markets as consuming countries built up their stocks and as the world economy moved into its fourth year of cyclical expansion.

Miss MacDonald: Blame the world.

Mr. MacEachen: Strength of demand also contributed to a sharp rise in primary commodity prices. On top of the inflationary impetus from oil and other commodities, there has been a slowdown in productivity growth. These developments led to a renewed acceleration of prices throughout the world, and this in turn has brought about a significant tightening in the stance of policy in most countries. The pace of monetary growth has been slowed down; interest rates have been run up to record levels, and restrictive fiscal policies have been adopted.

The United States, of course, has experienced a stronger cyclical expansion since 1975 than most other countries. The continued strength of the United States economy until recently has puzzled many observers who have been calling for a recession for quite some time. The surprising drop in the savings rate to 3 per cent has maintained the economy's cyclical momentum.

Inflation in the United States has recently taken a large further jump. The persistence of high levels of demand has been a major factor. High oil prices resulting from decontrol and imports, and the upward spiral of housing costs and mortgage rates have also played important roles. Inflation in the United States now appears to be at a higher peak than in previous high inflation years.

● (2030)

I might mention in passing that we Canadians have perhaps been too quick to take comfort from our relatively better inflation performance in recent months. A substantial part of the difference merely reflects the different treatment of mortgage interest rates in the two countries consumer price indices. The faster approach to world oil prices in the United States is also important. The fact is that the underlying rates of inflation in the two countries are not very different. Canada is certainly not in a position where it could afford to let its guard down against inflation.

To counter inflation, the United States government has taken a number of tough policy decisions. Fiscal policy has been tightened, and interest rates have been pushed up to rein in money supply growth. Credit controls have been imposed. It now appears that the recession is under way. Indeed, there would now appear to be some risk that the recession could be deeper than the American authorities would wish. This is, of course, leading to some easing in the demand for funds and thus interest rates. The hope is that it will have an early and substantial impact on the rate of inflation.

It is obvious that Canada is not immune or insulated from these worldwide forces. Slow output growth abroad will translate into weaker demand for our exports. International inflation has been reflected in higher prices for the goods and services we import.

Canadian consumers would have suffered even more from higher import prices if we had not allowed our interest rates to rise and thereby checked the decline in the exchange rate for our dollar. At the same time the Canadian economy has a number of important underlying strengths. Our competitive position has been improved by the substantial discount at which the Canadian dollar has been traded.

Our merchandise trade surplus increased last year to a record \$4 billion, and our travel deficit has decreased. Strong business investment is providing us with more productive capacity which will enable us to take full advantage of the market opportunities open to us.

Another element of strength is our energy potential which is unique among industrial nations. We can benefit from the investment and jobs created in exploiting our country's energy resources. Also, our industry will have an advantage in competing on world markets because of its access to relatively low-cost sources of energy. However, in the immediate future we in Canada are going to feel the effects of slow world growth, rapid inflation, and high interest rates. The general view is that there will be little or no growth in Canada in 1980.

Mr. Stevens: Under the Liberals.

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Mr. MacEachen: Our latest forecast is that the economy will grow by only one half of one per cent.

Mr. Stevens: Under the Liberals.

Mr. MacEachen: Growth in output is thus expected to be marginally weaker than forecast by my predecessor in office.

Mr. Crosbie: Where is Herb Gray when he is needed?

Mr. MacEachen: This downward adjustment is common to most private sector forecasts and has occurred in spite of the fact that the economy is no longer faced with a massive tax increase.

An hon. Member: Not yet, but it is coming.

Mr. MacEachen: The impact of higher international and domestic interest rates, together with revisions in the United States outlook—

Mr. Deputy Speaker: Order, please. I regret to interrupt the hon. minister but the time allotted to him has expired. He may continue only with the unanimous consent of the House.

Mr. Baker (Nepean-Carleton): Mr. Speaker, I rise on a point of order. I just want to say to you, sir, and to the Minister of Finance (Mr. MacEachen) that what he is doing tonight is an abuse of Parliament and the process by trying to bootleg a budget address into the throne speech.

Mr. Deputy Speaker: With all due respect to the hon. member—

Mr. Baker (Nepean-Carleton): May I finish my point of order, Mr. Speaker?

We are prepared to allow the minister to complete his remarks notwithstanding the contempt which he has shown to Parliament. But I want to serve notice on you now, sir, that I intend tomorrow to raise a question of privilege with respect to what I think is a very questionable parliamentary practice.

Some hon. Members: Hear, hear!

Mr. Deputy Speaker: The hon. member for Nepean-Carleton (Mr. Baker) and the hon. member for St. John's West (Mr. Crosbie) have given notice of their intentions to raise questions of privilege. It seems to me that a question of privilege can only be raised at the appropriate time, that is, after the remarks of the Minister of Finance have been made to the House.

Some hon. Members: Oh, oh!

Mr. Deputy Speaker: The Minister of Finance has asked for unanimous consent to continue his remarks. Do I interpret the comment of the House leader for the opposition to indicate that unanimous consent is granted?

Mr. Baker (Nepean-Carleton): Yes, Mr. Speaker. That is what I said, on that condition.

Mr. Clark: That is what he said.

Mr. Trudeau: Getting tough there, Joe.

Mr. MacEachen: Mr. Speaker, I thank the hon. member for Nepean-Carleton (Mr. Baker) for permitting me to continue my remarks beyond the 30 minute expiry limit, but I would point out, merely to show that I contest his view, that there are ample parliamentary precedents for the course of action which I am following tonight, and that indeed I have to go back no further than the precedent of his colleague in office to justify my course of action tonight.

Some hon. Members: Hear, hear!

Mr. Deputy Speaker: Order, please. I believe there is unanimous consent for the minister to continue his remarks. I am not aware that there is a question of privilege before the House at this stage.

Mr. MacEachen: Mr. Speaker, may I continue my comments on the expected growth in the Canadian economy?

The hon. member for York-Simcoe (Mr. Stevens) has suggested that the slow growth forecast is due to the accession of a Liberal government.

Some hon. Members: Hear, hear!

Mr. MacEachen: The hon. member may have his own view on that, but I would like to remind him that the growth forecast which I am indicating tonight for the economy for 1980 is not much different. It is marginally lower than the forecast which was given to the House of Commons last December by his desk mate.

The impact of higher international and domestic interest rates, together with revisions to the United States outlook, especially in the housing sector on which Canadian exports depend heavily, have been the major factors leading to downward adjustment in most forecasts of the performance of the Canadian economy for 1980.

The unemployment rate is now expected to rise to an average of about 8 per cent. This figure is slightly lower than the forecast in the December budget, reflecting continued strength in employment growth over the past few months.

The consumer price index is projected to rise by 10 per cent. This, of course, is less than the forecast increase in the December budget because we are not subjecting Canadians to the heavy excise on gasoline.

Some hon. Members: Hear, hear!

An hon. Member: Saddle our children with the problem.

Mr. MacEachen: The increase in the price deflator for gross national expenditure is expected to be about 9.5 per cent. Taken together with an increase of one half of one per cent in real gross national expenditure, this will yield an increase in the nominal value of the GNE of around 10 per cent.

During 1980 the main areas of strength in aggregate demand will be in consumer expenditures and investment. The volume of consumer spending is projected to increase 2 per

cent. The cycle of investment expansion which began in 1979 is expected to continue through 1980 with a further increase of more than 7½ per cent in real terms. Other domestic sectors will show no change or will show a decline in 1980.

● (2040)

Government expenditures on goods and services will continue to be affected by policies of expenditure restraint. Residential construction is likely to decline as high interest rates and a large stock of completed but unoccupied new dwellings restrict the number of new starts. A major uncertainty in the outlook for 1980 is the likely pattern of inventories as businessmen shade down their sales expectation in response to lower output growth.

In sum, the world economy is going through a difficult period of adjustment as higher international oil prices are absorbed and as the always painful process of winding down inflation is pursued. As a result of certain important underlying strengths, the Canadian economy should be able to avoid a slowdown as severe as that which appears in store in the United States, but we cannot expect to insulate ourselves fully from that slowdown. This is especially the case given the substantial deficit which already exists on the current account of our balance of payments, and given the size of the federal government deficit which already exists.

Having provided this general overview in an effort to bring the House of Commons up to date on current economic indicators, I would like to say a word or two about the most immediate and visible problem that is confronting the Canadian economy in respect of high interest rates. I refer to the impact of high mortgage interest rates on the estimated 350,000 home owners who will be renegotiating the terms of their mortgage this year. Unquestionably, these people face substantial, unanticipated increases in their monthly mortgage payments.

In assessing the situation, however, it is important to bear a number of facts in mind. It is estimated that less than 10 per cent of these households will confront housing costs in excess of 30 per cent of their incomes upon renewal of their mortgages. This 30 per cent figure is frequently used by lenders and insurers in judging the mortgage payments a household can reasonably be expected to carry.

Given the growth in incomes, the majority of those renegotiating their mortgage will in fact face housing costs that, as a proportion of income, are lower than they were when the terms of the original mortgage were negotiated. Of the less than 10 per cent confronting shelter cost greater than 30 per cent, the majority will be able to rely on a number of means already available or being developed by private lending institutions to ease the transition to higher mortgage costs and help keep their cash outlays within reasonable limits.

I have already indicated in the House of Commons that it was the intention of the government to take steps which would assist those limited number of mortgage holders who are unable to carry the normal proportion of costs to income. My colleague, the minister responsible for CMHC, will be meeting

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with representatives from the lending institutions to review the general situation. We believe that lending institutions which are involved in this particular sector of the economy are equally concerned in assisting home owners to meet this particular crisis. We know that at the present time certain of these institutions are making special adjustments in order to meet the current situation.

We hope that through a discussion between the minister responsible for CMHC and the lending institutions we may be able to identify further areas in which assistance can be developed. If these discussions demonstrate that new arrangements are required in the limited number of cases to which I have referred, then the government will be able and willing to take action to assist, particularly, to avoid the risk of foreclosure for any of those mortgage holders who are facing this current critical situation.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. MacEachen: Members opposite ought to get their economic policy together. They expressed indignation at mention of the deficit as if it ought not to exist at all. When an analysis reveals that maybe a big financial program is not necessary, hon. members also then express their indignation. One is related to the other. At some time they might be able in the course of this Parliament to develop some consistency.

I want to tell hon. members opposite that it is the judgment of this government that any broad measure of assistance aimed at providing relief to what is, in the vast majority of cases, a short-term cash flow problem, would raise serious questions of equity with respect to those Canadians who are hurt in other ways by high interest rates and inflation. If we move with a big expenditure program now which we cannot afford in this housing sector, then in terms of equity we would be obliged to move in other directions as well. It would be a costly undertaking on the part of the government which would result in a more difficult situation, and which would make more difficult the attainment of an over-all reduction in inflation and interest rates. The gradual reduction of inflation and interest rates is the only viable solution to this problem in the long term. In that connection, I am sure hon. members have noticed and have welcomed, just as I have, the increasing evidence of a downturn in general interest rates, both in the United States and Canada.

An hon. Member: A quarter of a point.

Mr. MacEachen: Yes. It is a development. The decrease in the bank rate and the subsequent decrease in the prime rate of the banks is a welcome development. A continuation in that trend is the only viable solution to this particular problem.

I wanted to give the House my assessment tonight very early in my tenure as Minister of Finance of the situation that exists in the world and in Canada. I do not think it escapes any of us that we are facing a difficult situation in Canada and in the world as a whole. I am confident, however, that Canada, as a

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united country with Canadians working together, can confront and overcome these difficulties. But obviously our capacity to do so, and the welfare of us all, will be gravely affected if we are unable to meet the immediate challenge to our unity arising from the referendum in Quebec. For myself, I wish to affirm my conviction that only our federal system of government can provide the assurance that the interests of Canadians in Quebec and in all regions of Canada will be served best.

● (2050)

Mr. Baker (Nepean-Carleton): On a point of order, Mr. Speaker, having now heard the complete statement I wish to give notice that I will be raising a question of privilege tomorrow with respect to the statement and the process we have engaged in this evening.

Mr. Crosbie: Mr. Speaker—

Mr. Deputy Speaker: Is the hon. member rising on the same question of privilege? I assumed he was. I was about to recognize the hon. member for Winnipeg-St. James (Mr. Keeper) at this point.

Some hon. Members: Oh!

Mr. Deputy Speaker: I assume the hon. member for St. John's West (Mr. Crosbie) was rising to the same point as the hon. member for Nepean-Carleton (Mr. Baker). Otherwise the Chair will recognize the hon. member for Winnipeg-St. James.

Mr. Crosbie: I am rising on a point of order, Mr. Speaker. The point of order is this: It was agreed among the whips that I would follow the Minister of Finance. That is my point of order, and I should like the Chair to explain why a member on this side has not been called to follow the Minister of Finance.

Mr. Deputy Speaker: With due respect, the Chair has been following the procedure which has been general throughout this debate, that of recognizing members on one side and on the other side in a manner which reflects the numerical proportions of the House, and having heard three speakers from the official opposition the Chair recognizes the hon. member for Winnipeg-St. James.

Mr. Keeper: Thank you, Mr. Speaker—

Mr. Nielsen: On a point of order, I am sure that in a sense of fairness and in accordance with the time honoured practices and traditions of this House hon. members would wish to hear the spokesman for the opposition in response to this mini-budget which has been smuggled in. But if there is a desire to

test that matter, I should like to move, seconded by the hon. member for Nepean-Carleton (Mr. Baker):

That the hon. member for St. John's West (Mr. Crosbie) be now heard.

Mr. Deputy Speaker: The House heard the motion. Those in favour of the motion please say yea.

Some hon. Members: Yea.

Mr. Deputy Speaker: Those against will please say nay.

Some hon. Members: Nay.

Mr. Deputy Speaker: In my opinion the nays have it.

And more than five members having risen:

Mr. Deputy Speaker: Call in the members.

The House divided on the motion (Mr. Nielsen) which was agreed to on the following division:

● (2100)

(Division No. 3)

YEAS

Messrs.

Alexander	Domn	MacDonald
Allmand	Duclos	(Cardigan)
Althouse	Duquet	MacDonald (Miss)
Andre	Elzinga	(Kingston and the Islands)
Anguish	Epp	MacEachen
Axworthy	Erola (Mrs.)	MacGuigan
Bachand	Evans	Mackasey
Baker	Ferguson	MacLellan
(Nepean-Carleton)	Fleming	Malone
Beatty	Friesen	Maltais
Blaikie	Gamble	Manly
Blenkarn	Garant	Masters
Bloomfield	Gass	McDermid
Bockstaal	Gauthier	McKenzie
Bosley	Gimaiel	McKinnon
Broadbent	Gingras	McLean
Bujold	Greenaway	Miller
Bussières	Hamilton	Michell (Mrs.)
Caccia	(Swift Current-Maple Creek)	Munro
Campbell (Miss)	Harquail	(Esquimaux-Saanich)
(South West Nova)	Hawkes	Murphy
Cardiff	Henderson	Nickerson
Clark	Hnatyshyn	Nielsen
(Yellowhead)	Hovdebo	Nowlan
Collenette	Huntington	Nystrom
Comtois	Ittinuar	Ogle
Cook	Johnston	Orlikow
Cooper	Kaplan	Ostiguy
Cosgrove	Keeper	Parker
Cossitt	Kelly	Patterson
Cousineau	Kempling	Pelletier
Crosbie	King	Penner
(St. John's West)	Knowles	Pepin
Crouse	Kristiansen	Pinard
Cyr	Kushner	Portelance
Dantzer	Lang	Prud'homme
Darling	Lapierre	Regan
Deans	Lapointe	Reid
De Bané	(Charlevoix)	(St. Catharines)
de Corneille	Lapointe	(Kenora-Rainy River)
de Jong	(Beauce)	Riis
Dick	LeBlanc	Roberts
Dingwall	Leduc	Rose
Dion	Lewis	Roy
(Portneuf)	Lonsdale	Sargeant
Dionne	MacBain	Schellenberger
(Northumberland- Miramichi)		Schroder