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FEDERAL-PROVINCIAL CONFERENCE

OTTAWA

FEBRUARY 16 and 17, 1970

STATEMENT OF CONCLUSIONS

General

The Prime Minister of Canada and the Prime Ministers and Premiers of the ten provinces met in Ottawa on February 16 and 17, 1970. They discussed the economic situation and related subjects, including inflation and the agricultural situation. They also considered the problem of pollution and received the Report of the Tax Structure Committee.



The Economic Situation

The Federal-Provincial Conference first discussed the economic situation, giving particular attention to the problem of inflation.

The Governor of the Bank of Canada gave the Conference his assessment of the economic and financial situation and outlook. The Governor expressed the view that while the restraints which have been at work throughout 1969 are beginning to affect the pace of economic activity, combatting inflation remains a most urgent task for all Canadians and a priority responsibility for governments.

The Chairman of the Prices and Incomes Commission reported to First Ministers on the results of the National Conference on Price Stability which was held in Ottawa on February 9th and 10th. He outlined anti-inflationary steps which the Commission proposed for consideration by the federal and provincial governments.

The Federal-Provincial Conference, with some reservations, expressed satisfaction with the results of the Conference on Price Stability, and commended the Canadian business community, and the other sectors of the economy who were represented at the Conference, for the willingness shown to exercise restraint in pricing policies during 1970. There were reservations expressed by Manitoba about the effectiveness of the proposed procedure that would be followed by the Prices and Incomes Commission whereby review would take place after, rather than before, price increases.

There was general agreement that continued inflation would seriously impair the future well-being of Canadians, in varying degrees in whichever region of the country they may live, and would dangerously alter the stability of Canadian

society. The Conference confirmed the determination of the federal and provincial governments to co-ordinate and renew efforts to bring back price stability and sustained economic growth and social progress throughout Canada.

At the same time, the Conference recognized that inflationary pressures were distributed unevenly across the country, and that some parts of Canada were suffering from unemployment or lack of development as well as from inflation. In view of this, it was recognized that anti-inflationary policies should be applied as far as possible in a way which would not add to the difficulties of regions which were experiencing high unemployment or economic problems. In this connection, some Premiers maintained that, at the same time as broad anti-inflationary measures are carried out, the federal government should take such actions as would offset any negative effects on the economies of slow growth areas, and which, with additional federal input, would further help the basic problems of regional imbalance of the Canadian economy.

Some provinces expressed the view that the federal government must give leadership in solving the inflationary situation, and British Columbia and Alberta suggested that the federal government should decrease or eliminate certain taxes, particularly the indirect sales tax and tariffs, to reduce some of the current pressures on prices in Canada.

Some First Ministers also stressed the importance of ensuring that governments do not over-react to inflation to an extent which could lead to widespread unemployment and recession, particularly since a number of economic indicators already point to the possibility of higher unemployment and slower growth in 1970. A concern was also expressed that emphasis needs to be given to continued and expanded productivity and economic growth.

With these qualifications, the Federal-Provincial Conference recorded its support for the efforts of the Prices and Incomes Commission, and to this end:

- (a) The Heads of Government endorsed the Commission's plan to call without delay upon business firms generally to follow the basic principle adopted by the National Conference on Price Stability, namely to reduce the number and size of price increases they would normally make in 1970 by ensuring that such price increases are clearly less than the amount needed to cover increases in costs. First Ministers urged all Canadians to co-operate actively in restraining price and income increases during 1970.
- (b) The federal government and the provincial governments undertook to observe the same principle in the prices or fees charged for goods and services offered for sale by government departments and agencies and publicly owned business enterprises, and provincial governments agreed to take such action as they deem appropriate with a view to having local governments observe the same basic principle in their pricing policies.
- (c) The First Ministers agreed that governments should exercise as much restraint in their spending, taxing and borrowing as was practicable, without damaging essential services or retarding economic development.
- (d) Provincial governments agreed to consider as a priority matter the possible establishment or strengthening of procedures for reviewing increases in rentals charged on existing self-contained residential accommodation in major urban centres during 1970, in keeping with the basic principle adopted by the National Conference on Price Stability.

- (e) The First Ministers agreed that, to the extent they were in a position to exert influence in this area, they would urge professional associations to postpone or limit increases in existing fee schedules for professional services during 1970. Some Premiers urged care, however, that such action should not result in the loss to a province of professional skills.
- (f) The Government of Canada and most provincial governments expressed the hope that government sanctions would not be required but agreed that if necessary they would use such means as are within their control to deal with cases of serious non-compliance with the pricing criteria as reported by the Commission. Some provinces pointed out that sanctions must be applied by all provinces to be effective and that action by any one province by itself would not be effective.

In addition, the Conference discussed the matter of limitations on consumer credit as a possible means of strengthening action against inflation. It was noted that general credit restraints flowing from federal monetary policies, had recently resulted in containing the expansion of consumer credit.

The Western Agricultural Situation

The Premiers of the Prairie Provinces spoke to the Conference concerning the seriousness of the western agricultural situation, and urged that additional action by the federal government be undertaken to alleviate the crisis.

Various suggestions were made for possible measures to help western agriculture including acreage payments for diversion of wheat acreage or for withdrawal of land from production, farm storage payments, cash advances on stored grain, and repayments from first sales for provincial cash advances, a two-price system for agricultural produce, freight rate reductions, and more aggressive selling of Canadian agricultural products abroad.

Some other Premiers, while acknowledging that particular difficulties in the Prairies required special action, observed that the agricultural industry in other parts of the country was suffering from problems also.

The federal government agreed that while the wheat marketing situation was improving, further assistance to the agricultural industry was required. It was reported that several steps were now being taken to alleviate the problem, including an increase in the amount of advances available under the Farm Credit Corporation Act. The Conference was also informed that study of various other possible approaches to meet this problem was underway and it was hoped that further steps could be announced before Spring.

Pollution

The Federal-Provincial Conference examined government actions now underway and additional steps that could be taken in future to combat the problem of pollution.

The federal government made reference to the Canada Water Bill, currently before Parliament, and expressed the view that this would provide a practical vehicle for intergovernmental co-operation in dealing with management and pollution of water resources. Reference was made also to the importance of the federal government's role in the field of research and its function in seeking international agreements to control pollution.

Many provinces agreed with the objectives of the Canada Water Bill as an important step to facilitate anti-pollution action; some provinces expressed reservations that some provisions of the Bill raised jurisdictional problems. One province underlined that the Bill was unacceptable in its present form and proposed major modifications.

The provinces stated their intention of taking further extensive steps to control pollution, subject to the limitations of their current difficult financial situation. Some provincial First Ministers called for federal financial assistance or a transfer of fiscal resources to provincial governments to make more anti-pollution programmes possible at the provincial level. In particular, some provinces felt that additional funds should be made available by the federal government to assist municipalities in the construction of sewage systems. Also, some provinces felt that assistance should be made available to enable older industries to install anti-pollution facilities, while others felt that industry should bear this cost.

All First Ministers shared the view that pollution has become a serious problem in Canada and that additional steps must be taken to preserve the quality of Canada's natural environment. It was agreed that discussions should continue between governments before the adoption of the Bill to ensure close co-operation in the development of practical measures to meet the urgent problems that now exist.

Report of the Tax Structure Committee

The Prime Ministers and Premiers considered and agreed to publish a Report submitted by the Tax Structure Committee. The Report had been prepared in accordance with the conclusion of the Constitutional Conference, in February 1969, that the Tax Structure Committee should be reconvened to examine the occupancy of tax fields and arrangements concerning shared-cost programmes.

Occupancy of tax fields

The Conference discussed the fiscal review and outlook which had been prepared by the Tax Structure Committee, and which included data on the fiscal projections of the federal, provincial and municipal governments for the next two years. The data indicated that there is an immediate financial problem facing governments in Canada, since there would be an increasing deficit in respect of government operations as a whole, unless tax increases are introduced or strong curtailments in expenditure growth are achieved.

It was understood that the Ministers of Finance would continue to study these questions at their regular meetings.

Shared-cost programmes

The Conference also discussed the review of shared-cost programmes which had been carried out by the Tax Structure Committee. It was noted that a large part of the current fiscal pressure on governments can be attributed to rapid expenditure increases in four major joint programmes - hospital insurance, medical care, the Canada Assistance Plan and post-secondary education. The First Ministers agreed that every effort must be made to increase cost effectiveness in these programmes and to hold down the rate of cost increase.

With this purpose in mind, the Conference agreed that the federal and provincial Ministers responsible for these programmes, together with the Ministers of Finance and Provincial Treasurers, should jointly seek the best means for moderating the rate of expenditure increase in these programme areas. To this end, these Ministers, the President of the Federal Treasury Board and their officials should jointly undertake an analysis of studies already concluded by task forces on health and welfare programmes, and continue with further studies as appropriate.