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Prices and Incomes Commission

Commission des prix et des revenus

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Tentative Proposals re Governmental Support for the Commission's Restraint Program

(1) Government Expenditure, Taxation and Borrowing.

If meaningful co-operation is to be expected from private groups in a broad program of price and income restraint, they must be convinced that governments at all levels are prepared to lead the way by demonstrating firm restraint with respect to increases in their own spending programs, lending to the private sector and demands on the capital market. Governments should consider, therefore, how far they might be prepared to go in giving firm public undertakings to observe self-imposed limits in these areas of their financial operations during the 1970 calendar or fiscal year. It would also be helpful if governments were to make it clear that further increases in taxes might well be forthcoming if current efforts to restrain price and income increases fail to achieve sufficiently marked progress during the months ahead.

(2) Price Increases in the Public Sector.

Private business enterprises are being asked to ensure that any increases in their prices during 1970 are less than needed to cover increases in unit costs and do not



provide for any increase in profit margins per unit. Clearly it will be necessary for the federal and provincial governments to ensure that the enterprises they own or regulate observe similar criteria in the pricing of the goods and services they sell. Nothing would be more damaging to the credibility of the whole exercise than a large price increase announced by a public enterprise which was not aware of the criteria it was expected to observe. In cases where governments are attempting to recapture through increased charges a larger proportion of the cost of services provided to the public, progress in this direction during 1970 should be limited to the recouping of current cost increases.

(3) Rent Review Boards.

It would be very helpful if wage and salary earners could be shown that governments were prepared to take action to restrain unwarranted rent increases. Provincial governments should consider how far they might be prepared to go in taking the necessary legislative and administrative action to set up at least a limited form of review procedure to screen rent increases. It may be that useful steps could be taken in this direction without creating a large bureaucracy and with a minimum of adverse effects on the construction of new rental accommodation. In most provinces such action would require the passage of enabling legislation as a matter of priority in their legislative programs between now and the summer months - the period during which most leases expire or come up for renewal. One possibility would be to

establish rent review boards in major urban centers to examine rent increases on existing self-contained rental housing accommodation. This would avoid the complications which arise in the case of shared accommodation such as rooming houses, and concentrate on existing housing where the opportunity is greatest to raise rents beyond the level needed to cover cost increases. Rent increases might be regarded as justified to the extent that they covered increases in major operating costs such as municipal taxes and maintenance expenses. Landlords would not be permitted, however, simply to raise rents to match the levels established for newly completed housing. Provincial governments would have to consider whether such review boards should be administered at the provincial or at the local level. They would also have to consider whether the sanction in case of excessive rent increases would be limited to an adverse public finding against the landlord or would also guarantee the tenant the right of continued occupancy.

(4) Professional Fees.

The federal government has already taken the initiative in seeking the co-operation of provincial organizations of medical practitioners in deferring any increases in fee schedules during 1970. Provincial governments should consider what action they might be prepared to take along similar lines in the case of professional groups who presently set or are attempting to introduce common schedules of minimum fees for professional services.

Governments might examine what practices are being followed with respect to fee setting by groups such as doctors, dentists, lawyers, engineers, architects, accountants and nurses, and what powers they possess at present to control increases in fee schedules. In some cases provincial government approval of fee increases for particular professional groups is required under existing legislation. In cases where governments do not have such powers a direct approach to the professional groups concerned might be worth considering.

(5) Sanctions in Support of the Price Restraint Program.

The Prices and Incomes Commission is asking for the co-operation of all the major enterprises in the country in observing certain criteria in their pricing policies during 1970. These criteria will be spelled out somewhat differently to correspond with the pricing practices followed in different areas of business, but in principle firms will be asked to ensure that any increase in their domestic prices during this period is less than the increase in their unit costs and thus does not add to their profit per unit on a given volume of output or sales over their entire operations. Surveillance of the price behaviour of major firms and industries will be conducted by price review teams and the Commission will report publicly on its findings.

It is obviously essential that flagrant cases of non-compliance by particular firms or industries should be subject to some form of governmental sanction. Large

corporations are subject to federal or provincial government influence in a variety of ways over a wide range of their activities. Where the object is to exert leverage on the pricing policies of an entire industry, the federal government has the power to reduce or suspend tariffs or impose selective taxes (such as excise taxes) on particular classes of goods or services. Its regulatory powers in many areas might also be examined to see whether these could be used as a form of sanction in cases of non-compliance by a particular industry or firm. Where the target is a particular corporation, the federal government might be able in certain cases to direct its procurement elsewhere or to withdraw financial assistance extended under departmental programs. Provincial governments might be able to bring pressure to bear through such means as their regulatory powers over natural resource development, their procurement policies, or the levying of provincial fees. The publicly-stated willingness of governments to consider such forms of action in support of the price restraint program would greatly increase its potential effectiveness.