

DOCUMENT: 850-8/ 023

18TH ANNUAL PREMIERS CONFERENCE

COMMUNIQUE

THE ECONOMY

(August 18, 1977)

St. Andrews, N.B.
August 18-19, 1977

The Provincial Premiers agreed that unemployment in Canada at its present level is unacceptable. Forecasts of continuing high unemployment rates for at least the next eighteen months were a source of grave concern. The Premiers deplored the waste of human talents and the economic loss to Canada resulting from high unemployment.

The Premiers emphasized that actions to combat unemployment in the short-term must not result in a worsening of Canada's longer term economic development prospects. Both short-term and long-term measures were agreed to be of immediate necessity if a significant reduction in unemployment rates is to be achieved.

For the short-run, the Premiers discussed a number of actions including:

1. Tax cuts to improve consumer purchasing power and utilize existing industrial capacity. Examples might include a general federal personal income tax cut, and related measures.
2. Action to ensure that housing construction is speeded up, either through tax measures, accelerated government procedures or increased funding.
3. Re-introduction of the federal forgivable capital loan fund.

The Premiers' discussions covered energy and transportation. They agreed that a Canadian energy situation that required immediate attention was the development of hydro resources. They felt strongly that it was in the national interest to encourage and speed up the development of hydro resources and agreed that such development must be given a very high priority by governments, federal and provincial, both with regard to the production of hydro (including tidal) electric power and its transmission to market. It was deemed critical that an immediate start be made on such developments given the long construction period required and the world oil shortage anticipated in the 1980's.

It was noted that Canada is fortunate in having abundant hydro resources which could be developed economically and which would have numerous favourable impacts on the nation including the conservation of non renewable energy forms such as oil and gas, a very favourable impact on the balance of payments, security of supply and economic growth particularly in low income and/or remote areas.

The Premiers expressed concern over the apparent Federal government indifference and low priority given to hydro electric development compared with other energy forms and urged that this anomalous situation be rectified without delay, while respecting provincial primacy over resource ownership.

Turning to the specific question of national transportation policy the Premiers endorsed the idea that in a country as large and diverse as Canada an efficient transportation system must be an essential tool for regional economic development. They agreed that a new transportation policy was necessary which could be used as a means to alleviate regional disparities. This principle should become the cornerstone of a revised national transportation policy. They were mindful that in developing and furthering this concept that projects and undertakings should not be pursued which could lead to inefficiencies in the transportation system thereby weakening the economy. They recognized that the principle of "user pay" should be subordinated to the objective of regional development.

The Premiers endorsed the principles and philosophies contained in the Hall Commission Report on Grain Handling and Transportation. They urged the federal government to act quickly on its implementation which they believe is in the public interest of the entire country. By doing so the federal government would demonstrate its support of and commitment to the principle of using the transportation system as a vehicle to foster regional economic development.

The Premiers reviewed the steps many of them have already taken individually to combat unemployment.

They recognize that the primary responsibility for dealing with the immediate unemployment problem must rest with the federal government in view of its greater fiscal capacity.

The Premiers discussed a number of longer-term structural economic problems which need to be addressed now. These included:

1. The need to improve the competitive position of the Canadian economy including comparative wages, salaries, capital costs and tax burdens. In this respect, the Premiers agreed that governments must set an example in practicing prioritization and restraint in government expenditures.
2. The need to improve the structure and climate of labour relations with particular emphasis on the public service. In anticipation of the termination of the anti-inflation controls in the country, the Premiers have affirmed the need to exercise careful control over public spending. As a result, the Premiers have agreed to establish a cooperative exchange of data and

information on a common basis providing inter-provincial comparisons of public sector wages and salaries as well as benefits.

The Premiers' objective will be to assure that, in controlling inflationary pressures, wage and salary settlements in the public sector should not exceed comparable settlements being made in the private sector.

3. The need for a more aggressive trade policy and improvements in the balance of payments situation. In particular, the Premiers stressed the need for a more co-ordinated approach to large borrowing actions. They also expressed their satisfaction with the convening of a federal-provincial meeting on Canada's position in the GATT negotiations.

The Premiers urged that the mechanisms for public and private economic policy consultation and planning be reviewed at the next Finance Ministers' Meeting.

Uncertainty caused by indecision as to the future of the controls program was identified by the Premiers as a serious concern. They believe that the Federal government would serve both the short and long-term economic interests of the country by announcing a definitive termination date for controls as soon as possible. The Premiers expressed concern about the period immediately following mandatory control and expressed their support for a form of monitoring agency for both incomes and prices. All sectors of the economy including government, management, professionals and labour are expected to exercise restraint cooperatively to minimize the effect of the removal of controls.

The measures set forth in this communiqué were considered by the Premiers as minimal steps to improve investor confidence in the country.