

The Standing Senate Committee on Health, Welfare and Science

Evidence

Ottawa, Wednesday, September 12, 1973.

The Standing Senate Committee on Health, Welfare and Science, to which was referred Bill C-219, to amend the Old Age Security Act, met this day at 11.00 a.m. to give consideration to the bill.

Senator Chesley W. Carter (*Deputy Chairman*) in the Chair.

The Deputy Chairman: Honourable senators, we have before us Bill C-219, an Act to amend the Old Age Security Act. Appearing as witnesses are the Minister of National Health and Welfare, the Honourable Marc Lalonde, and Miss N. O'Brien, Director of Legislation and Policy Development and Review, Income Security Branch.

Mr. Minister, do you wish to make a preliminary statement?

Hon. Marc Lalonde, Minister of National Health and Welfare: It will be very short, Mr. Chairman. First of all, I thank the Senate for its invitation to appear before this committee today with respect to this particular bill. I am all the more thankful as this is the first opportunity I have had to appear before a Senate committee since being appointed minister. Unfortunately, I was unable to appear when previous amendments were made to the Old Age Security Act, on which occasion my Parliamentary Secretary attended the committee meeting.

The bill speaks for itself, if I may use that language. Maybe it speaks for itself in rather cumbersome language, but I believe the speakers for the Government in the Senate have explained the objective of the bill. Essentially it is to adjust quarterly payments to old age pension recipients rather than making the adjustments annually.

Those are all my opening remarks, Mr. Chairman.

The Deputy Chairman: We are now ready for questions.

Senator Flynn: I would like the minister to know that we are pleased to have him visit us. We understand that he may return with other legislation, some of which appears to have been improvised, because we had not heard of it until two weeks ago. The minister will recall that last April he pushed through the house another amendment to the Old Age Security Act, whereby the pension was raised to \$100 and adjusted according to the index of the cost of living on an annual basis. I wonder why at that time the minister did not see fit to authorize adjustments on a three-monthly basis, as is now provided.

[*Translation*]

Mr Lalonde: Senator Flynn, at the time, several reasons were justifying this decision. First, of course, an adjustment of this type would represent a rather substantial increase in administration costs. These would require an additional expenditure amounting to one and one half to

two million dollars for the speeding up of escalation alone, that is to do it once every three months rather than once a year. Moreover, I said myself at the time that I was very much in favour of a yearly adjustment escalation clause.

[*Text*]

Senator Smith: Mr. Chairman, I wonder if I might interrupt on a point of order. We are not getting a translation of what the minister is saying. I think it is quite important that we all understand.

The Deputy Chairman: We do not seem to have a translator in the booth.

Hon. Mr. Lalonde: I will switch to English. May I begin again and consider what I have already said as not having been said?

There were a couple of reasons why I objected to the idea of a quarterly or even monthly escalation last spring, which some were proposing at that particular time. First of all, as to a monthly escalation, it simply is not feasible. It would not make sense in terms of paper work, the cost involved, the adjustment for people on GIS, and so forth. Because of the paper work involved it was not feasible. However, the feasibility of a quarterly or semi-annual escalation, obviously, is much more of a possibility. The only question involved is that of the administrative cost. Escalation on a quarterly basis means an additional \$1½ million to \$2 million in administration costs because of the more frequent adjustments, contracts, in particular, with all of the people who are on GIS. At the time, I said, and I still maintain as a position of principle, that it is preferable to have an annual adjustment and an occasional adjustment in the basic rates, whether it be on the GIS or the OAS pensions, on a periodic basis, not only to bring the pensioners up to the adjustment in the consumer price index but also, if you wish, to allow them to share in the growth of the Canadian economy.

However, during the last six months, in particular, and even last spring, I had to recognize that the increases in the cost of living had certainly been much more substantial than I had expected them to be. I would have thought that if we were talking in terms of a 3 to 4 per cent increase in the cost of living, a quarterly escalation is not really worth the additional \$2 million for administrative costs and salaries to civil servants. But if you go into a period of very high increases in the cost of living, such as we have experienced in the last while, then, obviously, you have to balance out the increases in the cost of administration of the plan against the benefits that would accrue to the senior citizens. Because of the current situation, for instance, this particular increase is going to provide our senior citizens with an additional \$90 million to \$95 million. Therefore, it becomes a worthwhile propo-