

Madam Speaker, the Senate made two recommendations with which I should like to deal briefly. The senators suggest that the income threshold be fully indexed to the cost of living, and that the OAS benefit repayment be reduced by \$75 for ten years.

Concerning the indexation of the threshold, the Minister of Finance did say that the decision will be monitored and changed as needed. This flexible approach has been used in other circumstances—I will get back to that later on—to soften the impact on individuals and households.

For instance, when the refundable sales tax credit was established the threshold for maximum benefit eligibility was \$15,000. It has since been raised twice, to \$16,000 in 1988 and to \$19,000 this year. Had it been fully indexed as suggested by the Senate, it would now be about \$17,800 instead of \$19,000. In other words, the government did better than full indexation when it chose to adjust the transfer payments.

Although it is indexed to the consumer price index less 3 per cent, the refundable child tax credit has been increased periodically and today it is \$575 per child, compared to \$474 if it had been fully indexed; in other words, the government has given over \$100 more than indexation. It is therefore obvious that a flexible approach is more beneficial than the automatic indexation proposed by the Senate.

[*English*]

The facts on the incomes of the elderly also suggest that there is little to fear from the fact that the threshold is only partially indexed. Just over 4 per cent of seniors have incomes in excess of \$50,000. However almost 90 per cent of them have incomes below \$30,000. Thus, even if a flexible approach were to result in no increases in the threshold, it would be many, many years before the vast majority of seniors would become subject to recovery.

Therefore, for those who are concerned at the eventual outcome of partial indexation, there are two assurances. First, this government's record, which I have just illustrated. These are facts again. Second, the fact that the threshold has been set at a level where very few seniors are affected now or are likely to be affected in the foreseeable future.

The second recommendation from the Senate is that the amount of OAS to be repaid should be reduced by

\$75. This is what the senators propose. This, they argue, recognizes that Canadians contributed to the old age security fund between 1952 and 1972.

Let us look at that. It is true that such a fund existed and earmarked taxes were paid. However during the period 1952 to 1972 old age security benefits were improved significantly, but the earmarked taxes were not increased to fund these increased benefits. As a result, the fund operated at a deficit on an annual basis so that when it was eventually wound up in 1976 the accumulated deficit was \$121 million. Thus, during this period, OAS did not operate like an insurance scheme where benefits were based directly on individual contributions.

Indeed the *Debates* of this House when the fund was introduced make it clear that the intention was simply to make the cost of OAS clearer to taxpayers, not to have an insurance program like the Canada-Quebec Pension Plan.

In summary, the flexible approach to indexation has actually resulted in a greater increase in benefits than if automatic indexation had been in place.

Consequently, I would argue that this government's record is a sufficient guarantee that the \$50,000 threshold will not erode over time.

In addition, the argument that the existence of an OAS fund at one time means that there is a moral obligation to recognize this in designing the recovery of OAS is based on a false premise. That premise is that the OAS fund operated like an insurance scheme. It would be very costly to these people to have to pay back this \$121 million. In fact it did not.

Finally I would like to point out one consequence of the way in which the amendment to clause 48 has been drafted. This is not without its importance.

The Senate version would split what is now found in Bill C-28 in proposed subsection 180.2 (1) of the Income Tax Act into two new subsections: subsection 180.2 (1) which would impose a tax to recover federal family allowances and subsection 100.2 (2) which would impose a tax to recover old age security payments. Consequently, the Senate amendments would apply the income test separately for family allowances and Old Age Security. By contrast, Bill C-28, as originally proposed, applies the income test against the total of family allowance payments and Old Age Security. As a result, the Senate