

Family Allowances

[English]

Mr. Stevens: Mr. Chairman, what I am asking the minister for is at least an outline of the detail behind the statements which he has made. When the minister says that he takes the number of family allowances and calculates from there, can he tell us the actual numbers behind the \$810 million estimate he has given us?

Mr. Chrétien: Mr. Chairman, we made a model of certain family incomes that would be involved, and we processed that scientifically with the departments involved. I have explained the ingredients in the model. I cannot bring the model here because it is an IBM machine and there is no room in the House.

Mr. Stevens: The minister may jest, but I think it is a very important question. In the past we have found in many instances that government figures have been proven wrong, literally within six to 12 months. In this case we are being asked to accept an estimate of \$810 million as the net revenue loss for the fiscal year 1979-80. Would the minister give us back-up figures to substantiate his estimates?

Mr. Chrétien: Mr. Chairman, I think that it is one of the elements of the program. There is the refundable tax credit which will be a loss of revenue for that aspect, and we have said there will be an offsetting element, a net gain to the government of \$35 million.

Mr. Stevens: You are just dealing with one element.

Mr. Chrétien: It is the process of paying back the credit to the people who will qualify. There is also the reduction in the family allowance, the elimination of the \$50 tax credit per child, and there is the modification to exemptions for children age 16 and 17. These elements will offset the \$810 million for a net of \$35 million. Those are the ingredients which make up the model and enabled us to arrive at an estimate of \$810 million.

There are many things that can go into such a model. Can the hon. member provide, for example, the total number of children, the number of families earning under \$22,000 a year, their exemptions and so on? It is a complicated question, and we rely on the figures provided by the experts.

The hon. member made a statement to the effect that the government was seldom correct. I was pleased to report to a committee, where the hon. member for York-Simcoe and I seem to meet so often, that we do make errors, and that this year we underestimated our revenue and over-estimated expenditures. That kind of error pleases me.

Mr. Stevens: Mr. Chairman, I will not make any comment on the last little misrepresentation.

● (1612)

Mr. Chrétien: With the reduction of 16 and 17-year olds, 250,000 families will be affected. With the elimination of the

\$50 credit, 2.7 million families will be affected. The child tax credit that we are introducing will affect 2.5 million families.

Mr. Stevens: I think that is partly the information I was looking for, Mr. Speaker—2.5 million families will be affected as a result of the tax credit. How many children are involved?

Mr. Chrétien: About five million children.

Mr. Stevens: Let me go to the next stage. That is fiscal 1980 which, if we accept the minister's figures, indicates a loss of revenue of \$810 million. Could the minister give the House the estimate for fiscal 81-82?

[Translation]

Mr. Chrétien: Mr. Chairman, I must say that we do not make such estimates precisely because we do not prepare estimates five years in advance. To be able to give precise figures in this area it is necessary to make very difficult extrapolations because it would be necessary to know the exact income levels of Canadians in two, three and four years, as well as the exact level of inflation during the same years. The hon. member mentioned a few moments ago the difficulty of obtaining very precise figures for a single year and then he asks me for something which is almost impossible to give under the circumstances, namely to give him the figures with the same precision for the next five years.

[English]

We have a good idea that this program will not become more expensive to the government because the revenues it is based on have been indexed and the tax credit program has been indexed as well. They will move parallel. With the higher income and growth in the GNP, the program will move up on both sides of the ledger. The one forecast I can make without scientific information is that the number of children is going down, relatively speaking, so the impact will tend to diminish on the expenditure and revenue side of the government over a period of time. This is a phenomenon that has been in existence for many years. The family allowances program is taking less of government expenditures than before because families tend to be smaller.

Mr. Stevens: Mr. Chairman, the minister may say it is impossible to give these longer range projections, and he refers to five years. I think that was more than just a slip. He must know that in the United States at the present time all budgetary presentations are made on a five-year basis, showing two years of fairly definitive figures, and three years of forecasts. In the United Kingdom all budgetary calculations are based on a five-year period. If the minister is unaware of this I will be pleased to send him the last United States budget and the last United Kingdom budget. He can then see for himself that what he says is impossible is exactly what our two biggest trading partners have been doing for some time.

Mr. Chrétien: Mr. Chairman, I just want to explain to the hon. member again that this program is designed, in terms of expenditures and revenue, to be neutral because it will move