

Last week I asked the government if, as part of its plan to reduce or eliminate the deficit, it was considering a new clawback of Old Age Security benefits based on household rather than individual income. As well, I asked if the government was considering raising the age at which Canadians begin to collect Old Age Security. While the government leader did again repeat that it is the government's goal to reduce the deficit, she did not answer my question.

However, on Monday, in *The Winnipeg Sun*, the Finance Minister's Parliamentary Secretary answered my question. The *Sun* reports that Mr. David Walker stated as follows:

We're not about to do that to Canadians. Everybody is so sensitive about their pensions that to now raise flags about clawing back benefits or changing the age just creates a negative feeling.

Honourable senators, I should like the minister to confirm, bearing in mind the clawback on the age credit now being debated in the other place, that Mr. Walker was speaking for the government? Can the minister also advise the Senate of what other options are being considered to eliminate the annual deficits with a view to reducing the federal government's massive debt? As well, could the minister put to rest rumours of a special tax on money in RRSPs, or reductions to the RRSP limits?

**Hon. Joyce Fairbairn (Leader of the Government):** Honourable senators, with respect to the reduction of the deficit, the government's intentions remain clear and firm: The deficit will be reduced to 3 per cent of GDP in three years. In our exchange of last week, I also added that the ultimate goal of this government is to eliminate the deficit.

I have indicated in this house that there is a study in progress on the question of pensions and how Canadians can honour their obligations in future years. The intention of that study, as stated by others, including the Prime Minister, is not one that would affect current pensioners.

However, I am aware of the senator's questions on clawbacks and on RRSPs, and I must say that I cannot, nor would I attempt to, read the mind of the Minister of Finance at this point. We must wait until the budget.

**Senator Jessiman:** Can the Leader of the Government please tell us whether or not David Walker was speaking for the government when he gave the answer that I quoted?

**Senator Fairbairn:** Senator Jessiman, I want to check the statement and refer back to my colleagues.

## NATIONAL DEFENCE

### PROPORTION OF NON-MILITARY ITEMS IN DEPARTMENTAL BUDGET—GOVERNMENT POSITION

**Hon. John Sylvain:** Honourable senators, my question is to the Leader of the Government in the Senate. It is not about what

is in the Auditor General's report but what is not, and should have been, in my opinion.

Representatives of the Auditor General's department appeared before the Special Joint Committee on Canada's Defence Policy and indicated that the defence budget contains a significant portion of non-military items devoted towards regional development. This led the representatives to describe the defence budget as "a defence budget plus". The reference is to pages 2719 to 2722 of the transcript of the testimony.

Will the Leader of the Government tell us what proportion of the defence budget this "plus" represents, and what it is spent on? In other words, leaving aside the amount for regional development, how much is actually spent on the military defence of this country?

**Hon. Joyce Fairbairn (Leader of the Government):** Honourable senators, I thank Senator Sylvain for his question. I will be pleased to pass on your question to the Minister of National Defence and return with an answer.

## REVENUE CANADA

### CHANGES TO EXCISE TAX ON TOBACCO PRODUCTS—INEQUALITY OF TREATMENT OF PROVINCES—GOVERNMENT POSITION

**Hon. Mira Spivak:** Honourable senators, when the government lowered the federal excise tax on tobacco products in February, it created a highly distorted and inequitable tax system. It not only lowered the federal tax by \$5 per carton throughout the country, it also told the provinces that it would match, dollar for dollar, any reduction in provincial tobacco taxes that the provinces chose to make, up to a maximum of \$10 per carton.

As a result, Canadians from the Manitoba-Ontario border west and in Newfoundland have been paying almost double the federal tax paid by those who purchase tobacco products in Ontario, Quebec or Prince Edward Island. For almost ten months now, smokers in Manitoba, for example, have paid \$10.85 in federal excise tax for a carton of cigarettes and a further \$2.80 GST, while consumers in Quebec have paid \$5.85 in excise tax and \$1.75 GST. Smokers in Ontario have paid a total of \$7.66 in federal taxes each time they purchased a carton of cigarettes, while those in B.C. have paid \$14.13.

The government justified this degree of inequity with the need to curb cigarette smuggling, largely in central Canada. In fact, smuggling has waned dramatically. With the passage of Bill C-11, the government is giving police forces the tools to combat a resurgence.

My question to the Leader of the Government in the Senate is this: Will the government act promptly to correct this imbalance by raising the excise tax levied in those provinces where it is far too low? When will the government act to remove what amounts to a perverse reward for smokers in those provinces where the bulk of contraband cigarettes were purchased?