

sition to spend an additional \$1½ million to \$2 million in additional administrative costs to permit this payment to our senior citizens.

If the inflationary trend is dampened and there is a substantial decrease in the rate of increase in the cost of living, we may find that escalation on a quarterly basis is not such a good idea. If we get back to the situation where there is an increase in the cost of living of 3 or 4 per cent a year, we would be making a 1 per cent adjustment on a quarterly basis while still incurring, as I said, an additional \$2 million in administrative costs. With good officials, we might even be able to reduce that additional cost as we go along.

So, in answer to your question, Senator Flynn, I have changed my views on this because the circumstances have changed. Fundamentally, I still maintain that my initial approach would be preferable. However, the circumstances are such that they have made it almost absolutely necessary for us to act in the way we have.

Senator Flynn: In other words, this is a short-term decision that you have made. You suggested that you might revert to the old scheme if there were a levelling of the cost of living.

Hon. M. Lalonde: I would not want what I have said to be interpreted in that way; I do not think that is what I said.

Senator Flynn: But there was some indication of that.

Hon. Mr. Lalonde: I should like to clarify that. Quite simply, the act is going to be amended and, until Parliament decides to change the act, we will operate on the basis of a quarterly escalation. The point I wanted to make was that once the rate of inflation levels off from what it is at the present time, we will find that quarterly escalation is not that meaningful a step in terms of the benefits to be paid to our senior citizens. That is all I am saying.

Senator Flynn: You said you reluctantly changed your mind because of the circumstances. Where are the economic circumstances or political circumstances?

Hon. Mr. Lalonde: They were most certainly economic circumstances. One has to look at the plight of senior citizens and the amount of money they are "losing" because of the fact that the escalation takes place only once a year.

Senator Flynn: The groans of Mr. Lewis did not influence you?

Hon. Mr. Lalonde: No. I could have taken another route, that being simply to increase the flat rate rather than have a quarterly escalation. We could have used that \$98 million to increase all payments by an average of \$5 or \$8. I do not have the precise figure, but it can easily be calculated. In other words, we could have made a single adjustment in the payment and carried on with the annual escalation.

Senator Flynn: Had this scheme been incorporated in the legislation which came before us last April, could you say what the increase would have been, let us say, for the month of July?

Hon. Mr. Lalonde: There could have been an adjustment for the month of July that would have gone from October

to April last. I am afraid I do not have the exact figure, but if you calculate the rate of increase in the cost of living, the consumer price index, between October and April, and multiply it by whatever is being paid, you will have the figure. It would be rather easy to calculate, but I cannot give you the exact figure offhand.

Senator Flynn: The \$100 was based on the index for the period from October, 1972 to July, 1973; is that it?

Hon. Mr. Lalonde: No. The \$100 increase included two things. First of all, it included an adjustment based on the increase in the cost of living between October, 1971 and October, 1972, over the period October, 1970 to October, 1971, which represented a little over \$4 all told at the time. Then there was an additional \$14 or \$15 added to the basic and more for the GIS payments. So the largest part of that increase in April was a straight increase in benefit payments to senior citizens. Only about a quarter of it, or less, represented an adjustment based on the consumer price index.

Senator Flynn: Although that was not provided in the law at that point; it had been erased from the scheme of the old age security pension. When you say that the \$4 was to compensate for the increase in the cost of living, you mean that this was an increase that had taken place since the previous adjustment?

Hon. Mr. Lalonde: Since the last adjustment which had taken place the previous April. It had been set at \$82.88 the year previous, and would have increased in accordance with the cost of living to \$86.61, if we had not made an additional adjustment to \$100.

Senator Flynn: But that had been frozen.

Hon. Mr. Lalonde: All these things are frozen only when Parliament wants them frozen.

Senator Flynn: It has been frozen. That is why I say it is afterthought when you say \$4 was to be accounted to the increase in the cost of living. The 5.3 per cent, which will be the adjustment provided in the present bill, is based on the increase in the cost of living for what period?

Hon. Mr. Lalonde: For the period October, 1972 to July, 1973, over the 10 months previous to October, 1972.

Senator Flynn: Ten months?

Hon. Mr. Lalonde: Yes. You have to compare the same periods if you want to have the increase; you compare 10 months with 10 months.

Senator Flynn: So this \$105.30 will cover the increase up to July 1 of this year or the end of July?

Hon. Mr. Lalonde: July 31. There is a two-month time lag on this program. For instance, in October we will not yet have the increase in the consumer price index for September, so we will not know what the figure is. Tomorrow we will have the figures for August, but we are already printing cheques for October, so it would be impossible to adjust this.

Senator Flynn: The cheques for October will be based on the index calculated at the end of July.

Hon. Mr. Lalonde: That is right.