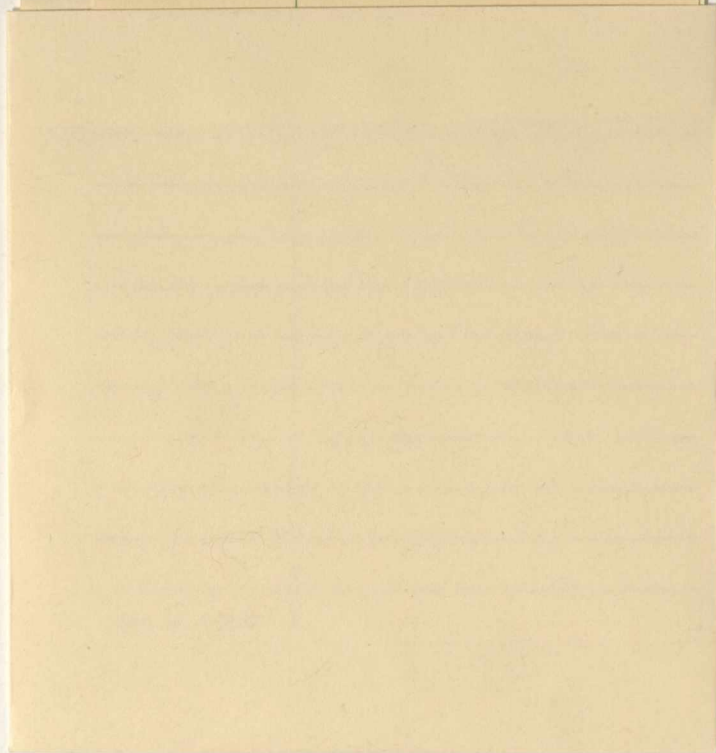






Canada. Parliament.  
Senate. Standing Committee  
on Health, Welfare and  
Science, 1973/74.  
1973/74 Proceedings.

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FIRST SESSION—TWENTY-NINTH PARLIAMENT

1973

THE SENATE OF CANADA  
PROCEEDINGS OF THE  
STANDING SENATE COMMITTEE ON  
**HEALTH, WELFARE  
AND SCIENCE**

The Honourable MAURICE LAMONTAGNE, P.C., *Chairman*

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No. 1

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THURSDAY, FEBRUARY 8, 1973

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**Complete Proceedings on Bill C-124,**

**“An Act to amend the Unemployment Insurance Act, 1971 (No. 1)”.**

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REPORT OF THE COMMITTEE

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(Witnesses:—See Minutes of Proceedings)





THIRTY-NINTH PARLIAMENT

THE STANDING SENATE COMMITTEE ON  
HEALTH, WELFARE AND SCIENCE

*Chairman:* The Honourable Maurice Lamontagne, P.C.

The Honourable Senators:

Beaubien	Goldenberg
Blois	Hastings
Bonnell	Inman
Bourget	Kinnear
Cameron	Lamontagne
Carter	McGrand
Croll	Smith
Denis	Sullivan
Fournier ( <i>de Lanaudière</i> )	Thompson
Fournier ( <i>Madawaska- Restigouche</i> )	van Roggen (20)

*Ex officio Members:* Flynn and Martin

(Quorum 5)

The Honourable MAURICE LAMONTAGNE, P.C., *Chairman*

No. 1

THURSDAY, FEBRUARY 8, 1973

Complete Proceedings on Bill C-124

"An Act to amend the Unemployment Insurance Act, 1971 (No. 1)"

REPORT OF THE COMMITTEE

(Witnesses—See Minutes of Proceedings)



# Order of Reference

Extract from the Minutes of the Proceedings of the Senate, Wednesday, February 7, 1973:

"Pursuant to the Order of the Day, the Honourable Senator Buckwold moved, seconded by the Honourable Senator Rowe, that the Bill C-124, intituled: "An Act to amend the Unemployment Insurance Act, 1971 (No. 1)", be read the second time.

After debate, and—  
The question being put on the motion, it was—  
Resolved in the affirmative, on division.

The Bill was then read the second time, on division.

The Honourable Senator Buckwold moved, seconded by the Honourable Senator Kinnear, that the Bill be referred to the Standing Senate Committee on Health, Welfare and Science.

The question being put on the motion, it was—  
Resolved in the affirmative."

Robert Fortier  
*Clerk of the Senate*

# Report of the Committee

February 8, 1973

The Standing Senate Committee on Health, Welfare and Science to which was referred Bill C-124, intituled: "An Act to amend the Unemployment Insurance Act, 1971 (No. 1)", has in obedience to the order of reference of February 7, 1973, examined the said Bill and now reports the same without amendment.

Respectfully submitted.

Maurice Lamontagne  
Chairman



# Minutes of Proceedings

Thursday, February 8, 1973  
(1)

Pursuant to adjournment and notice the Standing Senate Committee on Health, Welfare and Science met this day at 9.05 a.m.

*Present:* The Honourable Senators Lamontagne (*Chairman*), Beaubien, Blois, Bonnell, Bourget, Carter, Croll, Denis, Flynn, Goldenberg, Hastings, Inman, Kinnear, Martin, Thompson and van Roggen. (16)

*Present but not of the Committee:* The Honourable Senators Aird, Buckwold, Grosart, Haig, McElman, McLean, Phillips and Walker. (8)

*In attendance:* E. Russell Hopkins, Law Clerk and Parliamentary Counsel; and Pierre Godbout, Director of Committees.

On Motion of the Honourable Senator Denis, it was *Resolved* to print 800 copies in English and 300 copies in French of the proceedings of this Committee.

The Committee proceeded to the consideration of Bill C-124, "An Act to amend the Unemployment Insurance Act, 1971 (No. 1)".

The following witnesses were heard in explanation of the Bill:

The Honourable Robert Andras,  
Minister of Manpower and Immigration.  
From the *Unemployment Insurance Commission*:  
Mr. Guy Cousineau,  
Chairman.  
Mr. J. W. Douglas,  
Director of Legal Services.

On Motion duly put, it was *Resolved* to report the said Bill without amendment.

At 10.45 a.m. the Committee adjourned to the call of the Chair.

ATTEST:

Patrick J. Savoie  
Clerk of the Committee



# The Standing Senate Committee on Health, Welfare and Science Evidence

Ottawa, Thursday, February 8, 1973

The Standing Senate Committee on Health, Welfare and Science, to which was referred Bill C-124, to amend the Unemployment Insurance Act, 1971 (No. 1), met this day at 9.05 a.m. to give consideration to the bill.

**Hon. Maurice Lamontagne** (*Chairman*) in the Chair.

**The Chairman:** Honourable senators, we have with us this morning the Honourable Robert Andras, Minister of Manpower and Immigration, and Mr. Guy Cousineau, Chairman of the Unemployment Insurance Commission. I understand the minister and Mr. Cousineau are accompanied by several of their colleagues and associates.

The bill is relatively simple, and I would now entertain questions from honourable members of the committee, unless the minister wishes to make a statement first.

**The Honourable Robert Andras, Minister of Manpower and Immigration:** As you wish, Mr. Chairman.

Honourable senators, this is the first time I have had the opportunity of appearing before a Senate committee and I appreciate it. In fact, this is the first time I have been in this room, Mr. Chairman, which surprises me because I thought I had seen almost every nook and cranny of these buildings.

**Senator Bourget:** You may come back a little later.

**Hon. Mr. Andras:** The bill before us is extremely important, even though, as the Chairman has pointed out, it is brief in terms of its legal wording. Its purpose, as you know, is to remove the ceiling imposed on the advances to the unemployment insurance account, which amounted in the recently-amended act to \$800 million. There is urgency, of course, which I think in duty I must mention, because, until the ceiling is removed, under the present circumstances no further advances can be authorized to the unemployment insurance account, which means, bluntly, that unemployment insurance benefit payments ceased as of yesterday. Some 125,000 claimants would not have received their warrants or cheques, which they otherwise would have in the ordinary course of events. So I plead with honourable senators to give the matter their urgent attention.

Just looking at the clauses of the bill, clause 1 removes the ceiling. Clause 2 provides that the amounts that were authorized in supplementary estimates in vote L30a—which vote will ratify the payment of funds to the unemployment insurance account through the medium of Governor General's warrants—are to be deemed as advances and not appropriations, and this simply means and ensures that the funds are repayable, as are all advances

to the unemployment insurance account under the terms of the act.

I think, Mr. Chairman, that would probably lead to the value of an explanation of how the unemployment insurance account gets its revenue and, on the other hand, how it is financed.

The revenue to the unemployment insurance account comes from two sources: the first is employee-employer unemployment insurance premiums which are deducted at source, collected through the Department of National Revenue and remitted to the Unemployment Insurance Commission; and the second is the government cost of the payment of unemployment insurance benefits, and the government in this connection assumes costs related to payments above 4 per cent of unemployment nationally, and certain regional unemployment levels and certain other special benefits related to fishermen and some extended benefits that also come under the government share.

The premiums deducted through payroll and remitted through the Department of National Revenue are passed over to the unemployment insurance account on a regular basis, but in the early stages, which you have heard about, in 1972, they were passed over on an estimated basis. The facts are that the exact amount of premium deduction, and therefore premiums available to the unemployment insurance account, for the year 1972 will not be known until all the T-4 slips are in and calculated and analyzed. This, by our best estimate, will probably not be until mid-summer 1973.

In the meantime the Department of National Revenue and the Unemployment Insurance Commission have worked out an estimate of those premiums, and that is the amount that is remitted, on account, as it were, to the unemployment insurance account on a monthly basis, and has been calculated at about \$60 million a month. However, as I say, we will not know until mid-summer of 1973 exactly how much that is. In this case, that is mainly because of the newness of this vastly changed unemployment insurance program stemming from the revisions to the act in 1971.

The government's share of the cost of benefits paid, which I described a minute ago, also will not be known until after the fact, and they are not, in fact, payable to the unemployment insurance account until the end of the fiscal year following the calendar year in which the benefits were paid. That is to say that the government's share of the unemployment insurance benefits paid out in the calendar year 1972 will not be payable until after April 1, 1973. So, both in the employer-employee premium income and in the income arising from the government's share of the cost of the plan, we are, to a degree, flying



blind for the first year; and in the case of the advances from the government's share of the cost for about 15 months—that is to say, from January 1, 1972 to March 31, 1973.

In the meantime, there has to be a method of financing the operations of the commission, and that is where this particular bill comes into play. In other words, it is to provide funds in the absence of the payment—or at least recognizing the delay in actual payment—of the government's share of the cost for 15 months from the beginning of the calendar year.

Also, in the light of the imprecision of the calculation of employer-employee premiums which are being paid into the account, there has to be a method of financing the operations in the meantime. That, then, is the provision under section 137 of the act which says that the Minister of Finance will, in fact, advance funds to the unemployment insurance account to provide for payment of benefits.

I might also draw your attention to the fact that under section 135 of the act it is mandatory by statute that the government pay unemployment insurance benefits to people entitled to such.

Section 137 includes, of course,—and now with hindsight I say this quite frankly and quite candidly, to my regret and certainly that of my colleagues—a ceiling of \$800 million placed on the advances, at the time the act was revised rather drastically in 1971. I have indicated in the other place that we, as a government, have to take our lumps on two counts, and indeed we have been taking them: one on the imposition of the ceiling in the bill, in the first place, which I think was unfortunate, and I will go on to describe why in a minute; and the second because I do not think we get first prize in the estimates and forecasts we indulged in a year and a half ago when dealing with the act before the committee and in the house. But, in all fairness, I think it should be mentioned that there are many variables.

It is, and remains, a very difficult matter to forecast with any precision. There were changes and amendments to the act that were not contemplated in the white paper on which the calculation of cost was based. I will have to ask your indulgence to have the commission chairman interject here if I miss any of these figures. Certainly, the amendments to the act which took place after the government issued the calculations of cost in the white paper were valued at about \$290 million annually. The other errors—and it is still very difficult to get a handle on this—in future forecasting, arose from the fact that past history indicated that the length of time that claimants would be drawing benefits through being out of work led us to believe that that, in the new act, would be about 15 weeks maximum. In fact, it turned out to be about 17 weeks. The growth in the labour force was at a faster rate than anybody had calculated, including the Economic Council of Canada, and while our calculations of the benefits paid out were based on several different levels of unemployment, including one at 6.3 per cent which was what resulted in the end, the 6.3 per cent eventually applied to a larger labour force, and obviously threw out the calculation of the total number of unemployed in

1972 and, consequently, the number of people claiming unemployment insurance.

The major variation in cost, however, arose from the difference in the length of time—the 15 weeks calculated to 17 weeks actual—that the claimants were receiving benefit. I believe the cost of that is approximately \$480 million.

Then there was the question of higher earnings. As you know, benefits are based on 66⅔ of the employee's past weekly earnings—in some cases 75 per cent, but generally speaking 66⅔ per cent—and the amount of those weekly earnings went up faster in 1972 than had been estimated. The difference resulting from those higher earnings resulted in a cost of about \$130 million. The larger labour force I referred to boosted the cost of benefits by some \$24 million.

There was an offsetting saving from the original calculations of the cost of sickness benefits which cost less than estimated, by some \$40 million. Consequently, the total variations in these factors—the changes in the act, these amendments, the longer duration of benefit payments, the higher earnings and the higher labour force, less the savings on sickness benefits—produced an identifiable bulge from our original estimates of \$884 million.

The benefit payouts in 1972 amount to \$1,879 million. The calculated estimated cost of administration of the plan is now said to be approximately \$120 million. This would make a total cash requirement for 1972, the calendar year, of just under \$2 billion. Of that sum, \$1.01 billion is chargeable to the employer-employee premium account which looks after the benefits payable up to a level of 4 per cent, plus the cost of the administration of the plan. The balance of some \$890 million will represent the government's share of the cost, and it is that government's share of the cost, some \$890 million, which is not by law payable to the commission until April 1, 1973.

The employer-employee premium account started off at the beginning of 1972 with an overhang and a remaining balance from the old act, or the old program, of \$236 million. The premiums received by calculation—and, again, this will not be confirmed until mid-summer 1973 because of the nature of the method of receiving them through the Department of National Revenue—would indicate a shortfall in the employer-employee account of over \$400 million. Due to the starting balance—which, incidentally, was lower than had been expected in 1972 because of the run-out of the old act—there was a cash shortfall of about \$158 million. In fact, that \$158 million shortfall in the employer-employee premium account plus the government's share of the cost of the plan, due to these factors to which I have referred, had to be financed by advances. These advances are now in excess of the \$800 million ceiling.

Hindsight tells us that the \$800 million ceiling was not just politically—and here I will be quite candid with you—unfortunate, but it is an unwieldy and unworkable measure to place in a bill like this. This bill has, on the one hand, a mandatory requirement to pay benefits; this is not discretionary. I have had experience myself as the minister responsible for the National Housing Act, for instance, which places statutory ceilings on different



types of loans under different types of programs. This is quite legitimate and quite operable for the very reason that CMHC has the power to decline to make a loan. They can say, "We cannot make this loan because we are in excess of the statutory ceiling." On the one hand in the Unemployment Insurance Act is the contradiction that under section 135 you must make the payments; and I cannot visualize anybody deliberately not making payments to unemployed people, in this day and age, who are entitled to benefits. On the other hand, there is a ceiling placed on us. We are asking that this ceiling be removed.

We have looked at the possibility of another ceiling or of raising the ceiling; but it becomes a rather ridiculous exercise because either you have to set that ceiling at an amount which leaves no doubt that it will not be exceeded, in which case it does not offer the value which was intended—that is, some measure of control; or you have to come back to the House of Commons for an amendment to the act every year. That is about what it amounts to.

We do not think, on the other hand, that this does remove, as some people have suggested, the opportunity and power of Parliament to chastise the government or call them to task, or review the expenditures under the unemployment insurance plan, or do something about it. There are many remaining measures that permit the exercise of Parliament's prerogative.

The first one I would refer you to is the main estimates. That is to say, we must come before Parliament with the main estimates of the government's share of the cost of the plan and get approval of those estimates. This can give rise to discussions, debates and votes that Parliament would wish to have.

There are many other occasions on which the government can debate the issue: there is the annual report of the Unemployment Insurance Commission, required by the act, which must be tabled by September 30; there is the certification of the financial statements of the Unemployment Insurance Commission, the certification by the Auditor General, which has to be made available to Parliament regularly; there are the monthly statements by Statistics Canada of the benefit payments which provide a running record of what is taking place; there is the monthly financial operations statement of the Department of Finance; and there are yearly public accounts.

Honourable senators, perhaps I have gone on longer than you had expected. I hope it has given you some indication of the background leading to our request to you and to the members of the other house to proceed with this bill. I would be very happy to endeavour to respond to any questions you may have. If they are of an administrative or technical nature, we will have the officials of the Unemployment Insurance Commission deal with them.

**The Chairman:** Thank you very much, Mr. Minister.

**Senator Flynn:** Mr. Minister, this may not be the most important problem regarding this bill, but I was interested in the fact that you said it is only when all the T-4 slips are calculated later this year that you will know what

the amount of the premiums paid by the employers and employees will be.

**Hon. Mr. Andras:** With precision, that is correct.

**Senator Flynn:** Am I wrong in thinking that the employers send in their contributions monthly and that there must be some sort of tabulation made of these receipts monthly?

**Hon. Mr. Andras:** Yes, it is based on this experience that we operate the estimates which permit passage of money from the Department of National Revenue to the accounts. I am saying there may be a variation, but we do not anticipate it will be very much.

**Senator Flynn:** You know how much the Receiver-General receives for that account every month?

**Hon. Mr. Andras:** That is correct. But I would, with your indulgence, ask the commission chairman to comment, because the accuracy of this has been a worry to us, and it had to be verified two or three times during 1972.

**Mr. Guy Cousineau, Chairman, Unemployment Insurance Commission:** Honourable senators, when the act was introduced, in order to facilitate the employers' remittances, the employers remit one cheque to the Department of National Revenue which includes the Canada Pension Plan, income tax, and the UIC premiums. It is only at the end of the year, when the employers turn in their T-4 slips covering all the employees, and when these are tallied up, that you know exactly, or with some precision, how much is the share to CPP, to the income tax department, and to the UIC. So, the employer sends in one cheque, but for his own records, he shows on his tally, in order to reconcile his own books with the T-4 slips, how much applies to CPP, UIC, and the income tax. But from the standpoint of income tax it is only at the end of the year that it is reconciled.

**Senator Flynn:** In other words, the employer is not bound to send a detailed account of the manner in which the amount is calculated?

**Mr. Cousineau:** No, he sends one cheque.

**Senator Flynn:** This bulk amount includes contributions to income tax, to the Canada Pension Plan and UIC premiums?

**Mr. Cousineau:** That is right.

**Senator Goldenberg:** Is the T-4 form the one which is due on February 28? There is a form which the employer sends in, and gives to his employees, which is due on February 28.

**Mr. Cousineau:** That is right. These are the T-4 forms that will be remitted.

**Senator Flynn:** It is really surprising that the employer is not required to give some explanation of the amount he is forwarding. It is not required by the act? How is the requirement to pay premiums to the Receiver General worded?



**Mr. Cousineau:** Each employer has been supplied with CPP tables and income tax tables, but from the standpoint of income tax this is reconciled once a year. However, during the course of the year they have periodic audits, and it is on the premise of the employer that these are checked. However, a global check is done once a year.

**Senator Flynn:** Do you mean the tables supplied to the employers include unemployment insurance and income tax?

**Mr. Cousineau:** No, they are separate tables. There is a table for CPP.

**Senator Flynn:** The employer would be able to calculate how much he remits.

**Mr. Cousineau:** Yes.

**Senator Croll:** I sign some of these cheques, and when they are brought to me they indicate so much for unemployment insurance, so much for income tax, and so much for the other. When we send in the cheques we also indicate what it is for on the cheques. You say you do not receive that at all? We indicate what it is for and the total amount—\$17, \$20, \$40—and this adds up to so much on the cheque.

**Mr. Cousineau:** I will qualify that statement. The department of National Revenue deposits a cheque, but there is no further reconciliation as to the amounts that are shown by the employers until the end of the year.

**Senator Flynn:** National Revenue could do this, however.

**Mr. Cousineau:** Sir, it could be done; but many employers do not comply, as I understand, by giving that breakdown to National Revenue. At the end of the year National Revenue tells me their system of reconciliation is good enough and that if there is any shortage or overage this could be tackled immediately.

**Senator Croll:** But the form requires you to detail these amounts. Would you please ask your assistant? The form requires you to detail these amounts when you send it in. You do not merely send a cheque to them for any amount. It requires you to set it out, so the calculation must be there.

**Senator Flynn:** It is not very important, but I think improvement could be made in the calculation of the amount which is to be remitted to the UIC.

**Mr. Cousineau:** We can take that up with the Department of National Revenue. My understanding is that it has not been enforced.

**Hon. Mr. Andras:** I understand your comment, senator; it is a new facet to be explored.

**Senator Flynn:** Would you explain, Mr. Minister, exactly what the government share is?

**Hon. Mr. Andras:** Yes. The act provides that when the level of unemployment nationally exceeds 4 per cent, as

calculated each month on the labour force survey, then certain extended benefits are available to claimants. There is also a section of the act which provides that, where the regional—and there are sixteen regions in the country for this purpose—unemployment exceeds the national level by a certain percentage, the number of weeks of extended benefits increases or decreases as the excess over the national unemployment rate varies in a region. Added to this are the special payments of fishermen's benefits, plus certain of the extended benefits, such as sickness, maternity and extended benefit period. There is also the labour force attachment in the case of a major attachment to the labour force claimant, that is 20 weeks or more. There are certain extended benefits, but these are the factors that come into play.

The costs attributable to those special measures are payable by the government under the act. The remainder of the costs are chargeable to the employer-employee premium account, as is the cost of administration. This is a variation of the new act from the old act. In the old act the government paid 20 per cent of the combined cost, which is from the beginning.

**Senator Flynn:** What do you mean by the additional benefits when the rate of unemployment goes beyond 4 per cent? Do you mean that whenever 4 per cent of the labour force is unemployed there are some who can draw benefits that they could not draw when the unemployment rate was less than 4 per cent?

**Hon. Mr. Andras:** Yes. In essence, the assumption is that when unemployment exceeds that level it becomes more difficult for a person to find a job. It is not as much a personal factor, that he or she is or is not capable of finding a job. Some other, more general condition has entered the picture. Therefore the government is saying it will allow additional time. The amount of the benefits per week does not change, but the length of time during which unemployment insurance benefits can be drawn does increase if the national rate is in excess of 4 per cent, or if the regional rate is in excess of the national rate.

**Senator Flynn:** It seems to create a vicious circle though.

**Senator Carter:** Are these benefits paid, when the national unemployment exceeds 4 per cent, in a province where the rate is less than 4 per cent, where it is 3 per cent, for instance? Are these extra benefits, or the additional duration of payments, made in a place where the unemployment is below 4 per cent, below the national average?

**Hon. Mr. Andras:** The regional rate must be in excess of the national rate, and the national rate must be in excess of 4 per cent, so those in a province having a rate below that would not receive the extended benefit.

**Senator Carter:** By "region", do you mean one of five regions?

**Hon. Mr. Andras:** No, for this purpose we are speaking of sixteen regions. It is more decentralized than that.



**Senator Buckwold:** May I ask the minister a question relating to the deficit position, so-called, of the fund? We heard in our discussion that we are in fact in this very serious deficit position of—one remark was \$2 billion and the other \$1 billion. I wonder if the minister could indicate the actual deficit position? I know that you went through it a little earlier, but you might explain it a little further.

**Hon. Mr. Andras:** It really requires some definitions of the word. The only real deficit that exists in this situation is that in the employer-employee account itself. We started on January 1, 1972 with \$236 million in that account, which was the carry-over from the liquidation of the former account and the former program.

**Senator Beaubien:** That was a credit.

**Hon. Mr. Andras:** That was a credit of \$236 million cash chargeable in 1972 to the employer-employee account. That is the difference between the government's share of the pay-out and the administrative cost in 1972 of \$1.01 billion, plus a calculated estimated \$120 million of administrative costs of the program. So we have \$1,120 million chargeable to the employer-employee premium account. This was premium deductions.

There was received from the Department of National Revenue, on account of premium deductions for the current year 1972, \$715 million. That, plus the \$236 million, was available to meet the charges to that account. That is \$951 million, leaving a cash deficit in that of \$158 million. That is an accounting short-fall of \$394 million, but a cash deficit, because of the balance available at the beginning of the year, of \$158 million. That, Senator Buckwold, is the only deficit in the sense of the word.

**Senator Grosart:** In one sense of the word.

**Hon. Mr. Andras:** Well, the others are advances. It is simply advances to finance the operation until these other funds come in. So it is not a deficit at all; this is a deficit, I believe, in accounting terms. That possibility was anticipated in the act, and provision is made to adjust the employer-employee premium rate to meet that. There are two facets to this: in fact, the commission is required to establish the best possible forecast of the cost of the employer-employee account requirements, that is 4 per cent and under, for the following year, base their rate on that, make that change and implement it before January 1 so that the tax tables to which we referred can be printed and issued. That was the requirement under section 63 of the act, which caused the commission to announce the rate increase in December of last year. That rate increase is calculated to bring in an additional \$100 million in 1973. It is intended and it is only required that that rate increase provide for the following year.

Several factors will be brought to bear in this regard. First of all, in this first year of experience very many rather difficult to calculate developments are taking place. There are many new entrants to the scheme, because it was made almost universal with the exception of the self-employed. The new entrants were given a preferred benefit rate of 40 per cent during the first year, 60 per

cent for the next year, then 80 per cent, taking about four years in which they would climb to the 100 per cent point premium rate that those who had already been in the scheme would pay. The number of new entrants turned out to be quite different from the original calculation, perhaps related to the shifting nature of employment in this country, the fact that many have gone into public service in the various levels of government, and a whole series of things like that.

So this concession, as it were, to the new entrants, caused a reduction in the premium as calculated for that fund. But in 1973 the increase in that benefits special rate, preferred rate, for those new entrants goes from 40 per cent of the regular premium to 60 per cent of the regular premium. So there will be increased revenue from that source.

The increase in the premium rate itself, announced in December, from 90 cents for the employee to \$1 for the employee per \$100 of weekly earnings, which triggers the employer's contribution as well, will bring in about \$100 million; and there is, of course, the fact that all of this is applicable to an increased weekly wage, which the weekly wage index indicated had gone from \$150 to \$160 a week. That will bring in additional revenue.

So we calculate, to our best understanding, that in 1973 the employer-employee account premiums will look after the requirements in 1973. The deficit to which we referred a minute ago by the act will be picked up, must be picked up, by the end of 1975 or 1976. It was given a future. Recognizing the imprecision of the first year or so's experience, eventually that premium will be based on a three-year moving average. But we have only had one year's experience.

**Senator Buckwold:** In other words, what you are saying is that the cash shortfall is \$150, which in fact will be picked up by the employee-employer fund, and will not be paid by Canadian taxpayers. What Canadian taxpayers pay...

**Hon. Mr. Andras:** The government cost above 4 per cent.

**The Chairman:** There were many occasions in the past where advances were made by the government to the fund, and they have all been reimbursed.

**Hon. Mr. Andras:** In the past there have been advances to the fund. It was a different scheme. The government was paying 20 per cent of the cost as you went along from \$1. This plan for 4 per cent or under is totally borne by the employer-employee premium account, and it is made possible by the universality of coverage that was introduced into this new plan.

**Senator van Roggen:** So it is completely self-liquidating up to 4 per cent, and it is not costing the taxpayers anything. Beyond 4 per cent the taxpayers pay not the total amount for anybody unemployed over 4 per cent but the extended weekly benefits that result from that.

**Hon. Mr. Andras:** That is right. For accrued formula calculation, if the unemployment rate is 6.3 per cent—we all hope we shall not be talking about that sort of



thing in the future, but that is the unhappy fact of life in 1972—then a rough calculation would be a ratio of 6.3 to 4, and the excess of 2.3 of the cost of the plan would be borne by the government. This is a rough calculation.

**Senator van Roggen:** It would be only the additional weeks?

**Hon. Mr. Andras:** The 2.3 which is above the 4 per cent.

**Senator Flynn:** It means the same thing.

**Senator van Roggen:** I have always been under the impression, as a layman reading newspapers, that the government paid the total amount of the expenditures of the fund for all those people unemployed over and above the 4 per cent level.

**Senator Flynn:** No. Where would you draw the line? It means the same thing.

**Hon. Mr. Andras:** The government's share of the cost is that attributable to the benefit pay-outs that are attributable to unemployment in excess of 4 per cent. The 4 per cent is chargeable to the employer-employee premium account, and as the cost rises above that it is picked up by the government.

**Senator van Roggen:** Every penny?

**Hon. Mr. Andras:** Yes.

**Senator van Roggen:** I was left with the impression, from something you said earlier, that at 4 per cent you escalated the length of the benefit from 10 weeks to 15 weeks, or whatever it might be, an extended number of weeks, and that extended period was the only thing picked up.

**Senator Grosart:** Is it correct to say that the cost to the government, or the government's share, over and above the cost to the employer and the employee is \$890 million in this calendar year?

**Hon. Mr. Andras:** It was for the calendar year 1972. I must say approximately...

**Senator Grosart:** \$884 million is, I think, the latest figure.

**Senator van Roggen:** That would be for all payments to all of those people.

**Senator Grosart:** That is what the account will cost the government.

**The Chairman:** Let us have some order!

**Senator Croll:** Let me see if I can get some clarification from the minister.

**The Chairman:** We should direct our questions to the minister.

**Senator Croll:** The employer-employee pays up to 4 per cent.

**Hon. Mr. Andras:** Plus the cost of administration.

**Senator Croll:** Yes. Beyond that, whether it is extended or augmented, normally the government pays—is that correct?

**Hon. Mr. Andras:** That is correct. Under any circumstances, 4 per cent or less, the special arrangement for fishermen is paid for by the government, until we have a better arrangement.

**Senator Grosart:** In view of the fact that I was probably the one who said the fund went broke for \$1 billion, perhaps I should ask a few questions to substantiate that statement. You gave two deficit figures: the accounting deficit of \$394 million, and the actual cash deficit of \$158 million. I understand what those figures are. I then understood you to say that is all the deficit is. I am suggesting to you that you can define "deficit" in other ways. We have two kinds of deficit here, but in business a shortfall from your budget forecast—certainly is my business—is called a deficit from budget. I am suggesting to you that the deficit here is actually something in the neighbourhood of \$900 million, the shortfall from the anticipated result at the end of the year. The reason I say that is, it relates very directly, of course, to the \$800 million permissible advance. At some time in the forecasting of how this fund would operate, am I correct in saying that the assumption was that the income from the employer-employee premiums might be in the neighbourhood of \$715 million? There would then be some amount due from the government. Because the advance was set at \$800 million, the assumption was that the government's share would be somewhere between \$715 million and \$800 million. Is that not the reason the advance was set at \$800 million?

**Hon. Mr. Andras:** Yes, I believe so, with one other calculation—it is axiomatic but should be mentioned—and that is the calculation of what the benefits paid out would be.

**Senator Grosart:** I am not questioning for one moment that a lot of things happened through no fault of anyone in particular. There were all kinds of changes.

**Hon. Mr. Andras:** There is no doubt, senator, that the \$800 million, at the time it was set, was calculated to be beyond what was expected to be needed by about \$100 million. That was inaccurate—

**Senator Grosart:** Whether it was inaccurate or not, I am merely saying that that was the forecast; that was the justification for setting it at \$800 million. I am sure you recall—and I ask you if you recall, sir—the evidence of the officials to justify that figure of \$800 million. Did they not say, in effect, that they had taken the worst possible unemployment case and added a \$100 million or so? That was the evidence, was it not?

**Hon. Mr. Andras:** Yes, that was the evidence.

**Senator Grosart:** So the assumption was that in the worst possible case of unemployment, "Add \$100 million to that and you have \$800 million, which will handle it." What I am saying is that the justification for my general statement that the fund went broke for a billion was



the fact that there is another \$890 million due over and above that \$800 million.

**Hon. Mr. Andras:** I do not argue with you about the \$890 million. I would argue with you—and I suppose we would never reconcile it because of the difference of opinion—

**Senator Grosart:** Words.

**Hon. Mr. Andras:** —as to the fund going broke for a billion. The fund did not exist in that sense—

**Senator Grosart:** There is no fund to go broke; there is an account to go broke.

**Hon. Mr. Andras:** That is correct.

**Senator Grosart:** I wonder if I could ask another question, Mr. Chairman?

Mr. Minister, you said that one of the protections you saw, if the ceiling was removed, was the fact that some provision would be made in the main estimates and, presumably, in an appropriation bill, for whatever amount might be due during the year to the fund in the way of advances from the Minister of Finance.

**Hon. Mr. Andras:** I would put it in a slightly different way. There has to be the reconciliation of the government's share of the cost of the program. That has to be made into an appropriation at the proper time, and that is the main estimates. The government's share is not payable until the end of the fiscal year following the calendar year. That is the point at which you can say, "Horrors, we will not pass this appropriation!"

**Senator Grosart:** Could I ask this, then: If \$5 billion was needed, to take an exaggerated case, after the ceiling was removed, instead of, let us say, \$1 billion, at what point would it be mandatory for Parliament to be informed of that situation? Mandatory! I am not referring to it appearing some place in the way of estimation or implication. At what point would it be *mandatory* for the government to inform Parliament of that situation?

**Hon. Mr. Andras:** First of all, it is mandatory that these other points which you have discussed are tabled. They are required to be tabled in Parliament, so Parliament has access to them. It is mandatory, so that information flow would be there; it would be known.

As a consolidated statement in terms of an analysis and it being wrapped up and presented naked for everybody to see, the main estimates, I presume, would be the first situation under which that would develop. That would be, as I have said, after April 1.

**Senator Flynn:** The monthly payments made by the commission are published every month, are they not?

**Hon. Mr. Andras:** Yes. Also, the financial operation of the Minister of Finance is published every month, which includes this, and the Auditor General's certification of the financial statement has to be tabled, as does the annual report of the commission.

**Senator Grosart:** The annual report comes later. I am asking you at what stage it would become necessary for Parliament to be informed that an extraordinary situation had taken place.

**Hon. Mr. Andras:** I think the monthly statement indicates this, but certainly as an absolute story, the main estimates.

**Senator Grosart:** Let me go beyond that and ask you this: At what point would Parliament be given the opportunity to appropriate that additional money?

**Hon. Mr. Andras:** In the main estimates.

**Senator Grosart:** Let us say, to take an example, the main estimates made provision for \$2 billion and by June \$5 billion was required. In that instance would there be supplementary estimates, or what would happen? I am looking at this from the point of view of control.

**Hon. Mr. Andras:** It is a *post facto* reconciliation under those circumstances. The payment of benefits would go on under the requirement of section 135 of the Act. Mind you, every month Parliament is being informed of exactly what is taking place in terms of benefits paid out, both on an accumulated and monthly basis. This is very simple to calculate, and could be brought to the attention of all members on any one of a number of occasions. Insofar as the main estimates are concerned, they represent the approval, or otherwise, by Parliament of the amount that had been paid out the previous year attributable to the government's share.

**Senator Grosart:** But, surely, an item in the main estimates is a request to Parliament to provide this money by way of an appropriation act?

**Hon. Mr. Andras:** It is to provide it in an appropriation act to pay the government's share of the cost of the plan for the previous year. In the meantime, the advances had been made.

**Senator Flynn:** And if you go over that, you require supplementary estimates?

**Hon. Mr. Andras:** Yes, but you know exactly what the government's share is by that time, if you are referring to the previous calendar year.

**The Chairman:** It is a retroactive payment.

**Senator Flynn:** It may be that you would require Parliament to approve supplementary estimates with respect to the amount already spent by the commission, and Parliament would really be obliged to vote that. It would have no control whatsoever, over and above the main estimates, if additional money was required and you waited until the end to say, "Well, we did not have enough, so we poured in half a billion."

**Hon. Mr. Andras:** That is quite true. The alternative, of course, is to cut off unemployment insurance benefits.

**Senator Grosart:** That is not the alternative at all. There are more clever people than that around. Let me ask you this, then: What is the difference between that



situation and the warrant situation? I am not arguing at the moment whether you should have proceeded by way of warrants, or whether it was legal, or anything else. But you proceeded by way of warrants to obtain the money you required to implement the mandatory payments under section 135 of the act. No one worried at that point, however, about the other mandatory requirement in the act with respect to not exceeding the 800 million ceiling. That is just as mandatory as the other, but I will not argue that at the moment. You needed money and you got it by Governor General's warrant. Then, because there was a ceiling and because of certain requirements in respect of warrants, this had to come before Parliament within 15 days of Parliament sitting. This is an essential check and balance to maintain Parliament's authority over supply. Warrants are to be used in only an emergency situation. It is something that no one likes. The Public Accounts Committee in the other place said that this whole matter should be investigated because it causes trouble, controversy and political argument every time these warrants are used.

I am suggesting to you that you are now going to be in much the same position. Is the Minister of Finance going to have the authority to pay out any amount whatsoever—5 billion, 10 billion—without the authority of Parliament, with the only requirement being to report 15 months from the starting point of that pay-out period?

**Hon. Mr. Andras:** The first part of your statement is correct. I do not think the second part is correct. He would be required to report monthly in several forms. Inherent in this is the mandatory payments. You may disagree about the superiority of section 135 or—

**Senator Grosart:** I would not argue as to that, no.

**Hon. Mr. Andras:** Payments must be based upon the program as defined in the act; that is, to people who are qualified for reasons that are stated, at rates that are also stated in the act. The real control over what will be paid out, in terms of unemployment insurance benefits, surely must lie in the nature of the plan itself, because I just cannot visualize, ceiling or no ceiling, that you will abruptly renege on the commitment that is inherent in the act to Canadians who are unemployed.

**Senator Grosart:** I am not suggesting that for a minute.

**Hon. Mr. Andras:** The act has to be changed if you are going to control the amount that will be paid out under the act, or unemployment must be brought down, and all the other factors we have all heard about.

**Senator Grosart:** There are two different matters here. One is the obligation to pay out the money. There is no question of that. I am not questioning that. I am not suggesting the act should be changed in that respect, although the government is. The important thing, as far as parliamentary control is concerned, is the way that money is obtained. This is an entirely different matter, and is what the Financial Administration Act is all about, and what the traditional concept of parliamentary control of supply is all about.

What I am suggesting to you is that by this particular method you are setting up nothing but a series of

advances, with absolutely no limit to them. The normal way is to say, "We need to spend this money in this current fiscal year. Will you give us the authority to do so?" That is the main estimates. When you get into these advance situations you are going completely contrary to the main concept. You are saying, "We will spend the money and come back and ask you to approve it."

That is my question. Is those not some better way to make sure those payments are made without putting Parliament in a situation that is absolutely contrary to the basic concept of the main estimates and appropriation acts?

**Hon. Mr. Andras:** I do not know if you are asking me for an opinion.

**Senator Grosart:** I would be interested in your opinion.

**Hon. Mr. Andras:** I do not see a better way under these circumstances.

**Senator Croll:** Has it not been, for as long as you and I can remember, traditionally the practice to walk in with supplementary estimates at some time or another in order to obtain money that has already been spent? Wherein is there any distinction between what you are doing and what we have been doing traditionally for time immemorial?

**Hon. Mr. Andras:** The distinction is simply this, as Senator Grosart has made quite clear, and quite correctly. Under this scheme we do not place before Parliament estimates of future spending for approval. We place before Parliament the factual spending that took place the previous year and ask for its ratification. This is the whole scheme of the act as it was placed before and approved by Parliament a year and a half ago. The \$800 million ceiling, or \$1 billion ceiling, or \$1.2 billion ceiling, or \$1.6 billion ceiling, would really be a check after the fact as well. It would limit that, but it would be a check after the fact as well, and I submit at just about exactly the same time, within a month or so, as this would usually take place. If the ceiling had any sense or relevancy at all to the practical operations of this program, it would be within a month or so of the time you are examining the main estimates, which in fact has the same effect. There is the opportunity for Parliament to say, "Hey, stop the music! This plan is..." this or that. We are talking about a month or two's difference in time as to when that examination would probably take place.

I think we have to accept—at least I do, as the minister who has just been exposed to it for a month or two—that the first year's calculations left a lot to be desired. I more than ordinarily understand why now. With the intricacies, variations and many factors involved in forecasting, I would be very hesitant to make forecasts in this matter until we get more statistical experience under our belt. That is the way it stands.

**Senator Flynn:** Could there be a provision in the act to make it mandatory for the minister concerned, or the chairman of the commission, to forecast additional requirements of the application of the act above the



amount provided in the main estimates, and bring within a certain time a request for a supplementary estimate?

**Hon. Mr. Andras:** This would reverse the whole order.

**Senator Flynn:** I mean instead of waiting after the year. It sometimes means that we will approve expenses made twelve months before, if there is in the act a provision obliging the minister to ask for supplementary estimates on the basis of the chairman's forecast.

**Hon. Mr. Andras:** I am not arguing that this is technically possible. I am saying that it skirts the main control over this program. Whatever decision you arrived at, whether the supplementaries are approved in advance or approved retroactively, the control or influence over those amounts will be related to how you change that act, or how you affect the degree of unemployment. That is the fundamental issue at stake here.

**Senator Flynn:** I realize that.

**Hon. Mr. Andras:** When there is that check point of parliamentary examination or re-examination, how you implement any decisions arising from that examination has got to be in the nature of the changes made to the program, the unemployment rate or the unemployment insurance plan.

**Senator Grosart:** Mr. Minister, let me suggest to you that this applies to any statutory expenditure. It does not matter which act it is: if the act requires a certain expenditure, that expenditure has to be made. Surely, the whole essence of our system of estimates and appropriation bills is that we require the department to forecast the expenditures so that there can be an accounting against that forecast. If the suggestion now being followed makes sense, that in carrying out the statutory obligations of the Unemployment Insurance Commission under the act they would not be required to seek appropriation of the money until fifteen months after the beginning of the period, why cannot this then apply to any other act? That is my point.

If you look at the main estimates you find statutory expenditures, budgetary expenditures, and non-budgetary expenditures. This would now become a statutory expenditure. That is fine, but every other statutory expenditure I can think of is on the basis of an estimate. The most important book in parliamentary control is called the main estimates, and it is called that because Parliament has insisted that the cost of implementing an act be estimated and that every department should do this. I do not understand why, in this case, you are seeking to get out from under that. I do not understand why you cannot put in an estimate at the beginning of the year. You may have to seek more money, yes. Other departments do. Of supplementary estimates (A) only \$454 million of \$1.2 billion is yours, among many other departments. Sixteen other departments required supplementaries to their estimates. That is why I suggest to you, Mr. Minister—because I know you are concerned, and I have been very impressed with the evidence you have given, and the frankness of your evidence—in a completely non-political way, that I would like to see you and your officials sit

down and see if, in your ingenuity, you cannot come up with a better way than this *ex post facto* appropriation of moneys which may amount to \$2 billion to \$3 billion in a total budget of something like \$17 billion. It is a very large part of the budgetary estimate.

I suggest to you that in your ingenuity you can find a better way that seeking approval of the expenditures 15 months after the beginning of the pay-out period. I suggest to you that it goes contrary to the whole concept of parliamentary control and the system of Estimates, Program Planning, Budgeting (PPB), and so on, into which so much effort has been put. I suggest to you that it is going absolutely contrary to that for reasons only of administrative expediency. I understand the requirements of administrative expediency, but I do not think administrative expediency should ever have been allowed to take precedence over the concept of parliamentary control of money by vote before it is spent.

**Senator Phillips:** Senator Grosart has covered, probably more effectively than I am able to do, one of the points I wanted to make. The other one is based on the fact that Senator Buckwold said the taxpayer is not required to make up a certain portion of the unemployment insurance fund. At the end of each month, Mr. Minister, when I pay my nurse I must deduct unemployment insurance, I must make a contribution, I must deduct her income tax and so on. I would like to know how you make the distinction between that form of taxation and income tax. To me, it is all taxation.

**Hon. Mr. Andras:** I think this is a matter of opinion. It received a great deal of attention and discussion during the debates on the bill itself. I think I would agree with those who say it is not a form of taxation, that those who are paying into the plan are paying into an insurance scheme and they are entitled to the benefits of the insurance scheme. So I really believe, senator, with respect, that it is just a matter of disagreement between us as to whether "taxation" defines it or not. I know the point you are making.

**Senator Carter:** I would like to follow on Senator Grosart's questioning. This procedure of making advances after the fact and coming back to Parliament for approval after the payment is made, I understand is inherent in the act itself.

**Hon. Mr. Andras:** That is correct.

**Senator Carter:** The act does not leave any alternative but to do that?

**Hon. Mr. Andras:** That is correct.

**Senator Grosart:** As a supplementary—

**Hon. Mr. Andras:** The act would have to be amended.

**The Chairman:** Senator Carter.

**Senator Grosart:** I am questioning the answer, whether it is inherent in the act that it must be *ex post facto*.



**Hon. Mr. Andras:** I guess we need a definition of the words "inherent in the act." I sincerely believe it is very deeply imbedded in the act as it is now designed.

**Senator Grosart:** By implication.

**Senator Carter:** That being the case, the fact that an election intervened would not have altered the situation, except perhaps in the amount of the advances.

**Hon. Mr. Andras:** Yes, that is correct. Again, in a non-political sense, the timing of the election had nothing whatsoever to do with the determination of the amount required. It had nothing to do with it.

**Senator Flynn:** Surely, Mr. Minister, you are not accepting the statement of Senator Carter that more money was spent because there was an election?

**Senator Carter:** That was not my question.

**The Chairman:** That is not what he said, Senator Flynn.

**Senator Carter:** That is putting a wrong interpretation on my point.

**Senator Flynn:** It may be, but I am quite sure the minister does not want to accept that.

**Hon. Mr. Andras:** I can appreciate your deep concern over the matter of any trouble I might get into; but if there was any implication of that sort in the question, which I did not think there was, I join you in saying categorically "no"—no, no. That makes three times!

**Senator Carter:** Following on Senator Grosart's suggestion, the only other way you can overcome this problem is by having forecasts.

**Hon. Mr. Andras:** That is correct.

**Senator Carter:** If you are going to have forecasts, to be on the safe side you are going to request a very large amount. If you do that, are you not then creating a psychology in the nation that the government is expecting high unemployment; and you have this adverse impact on the whole economic system, that the government itself is budgeting for high unemployment?

**Hon. Mr. Andras:** Most certainly, one of the key factors in such a forecast would be the indication of a level of unemployment. If the amount were high, I suppose it would obviously give an expectation of high unemployment. I hasten to say that there are many other factors: there is the length of time people are going to be out of work and, therefore, claiming benefit; there is the wage rate; there are regional variations on this. Believe me, with respect to Senator Grosart, I have been searching this whole area and have been looking for better answers. I am impressed by the complications, the variations, and all the factors that would have to come into such a forecast.

Senator Carter, if I may just say this—and I think it might be useful to this discussion here—on the question, "Is it inherent or is it not inherent?" section 136 of the act clearly says that in each fiscal year, commencing

with the fiscal year 1973-74, there shall be credited to the unemployment insurance account an amount equal to the government cost of paying benefits for the immediately preceding calendar year, which amount shall be charged to the consolidated revenue fund. That is clearly the design of the financing, advances in the meantime, to cover that cost plus any shortfall in the premium account; and then it is tallied up and turned into an appropriation. It is certainly embedded in the act.

**Senator Grosart:** It is embedded in the act that you have advances. That is all.

**Hon. Mr. Andras:** It is embedded in the act that there shall be credited an amount equal to the government cost of paying the benefit, after the end of the fiscal year. That is section 136, not section 137 which covers the advances.

**Senator Grosart:** My point is that even if that is so, it does not affect my argument that you may be required to forecast what those amounts are likely to be, as every other department is so required. Every department is required to say, "We have to implement this act. Here is what we think it will cost. Judge us on our efficiency in forecasting."—which, in a sense, is an essential part of the assessment process of management. My point is that you are destroying the purposes, you are evading—I am not saying it is for any sinister purpose, but for administrative expediency—this very sensible requirement of the assessment of the forecasting and performance of management. We are concerned about it.

**Hon. Mr. Andras:** I am sorry about it.

**Senator Carter:** Can I continue? It is not you who are evading it. The act compels you to evade it, as I understand it.

**Hon. Mr. Andras:** Well, if it is in fact evasion, yes.

**Senator Croll:** It is not evasion; it is a course of action.

**Hon. Mr. Andras:** It is a course of action, yes.

**Senator Carter:** It is by the nature of the act and the procedure that you have to follow.

**Hon. Mr. Andras:** That is correct.

**Senator Carter:** I would like to come back to the employers. How are the employers required to make the remittances—quarterly, monthly or at the end of the tax year?

**Hon. Mr. Andras:** I believe it is a monthly payment in bulk for all the deductions, as the chairman of the commission was indicating. There is then a reconciliation of that amount by the tax department, when the corporate tax and personal income tax forms are filed and the T-4 slips are consolidated and analysed.

**Senator Carter:** Are there such things as delinquent employers?

**Hon. Mr. Andras:** The Department of National Revenue is totally responsible for the administration of that side



of it. I do not know whether we are knowledgeable on the delinquency of employers.

**Senator Carter:** That does not come under your purview?

**Hon. Mr. Andras:** No, it does not.

**Senator Carter:** Just one more point. I do not expect you to answer this now, but later on I would like you to give me something on paper about the extra payments regionally. I cannot quite visualize it on the basis of just a vague concept such as a region and an excess over 4 per cent. I should like to see how that really works out on paper, if you can give me a few regions and just what payments were made. I should like to take, for example, a place like Toronto, where the unemployment is probably lower than in the rest of the region. Assuming that the unemployment in Toronto was 3 per cent and the regional area including Toronto was a little over the national average, would the unemployed person in Toronto get the additional benefits simply because the region itself exceeded the average?

**Hon. Mr. Andras:** Yes, but there is, in fact, at the moment no regional benefit for Toronto, because its level of unemployment is below the average.

**Senator Carter:** It happens to be in a region that is below.

**Hon. Mr. Andras:** If there were a town, community or village within a region that was above, it is the regional characteristics that determine it.

**Senator Croll:** Use Ottawa instead of Toronto, and apply it.

**Hon. Mr. Andras:** If Ottawa is part of a larger region and the unemployment rating in that larger region makes the people within the whole region eligible for those benefits, those in Ottawa would get them too. I think probably what we are getting at is the size of the region by population. Toronto, for example, does not now enjoy those benefits.

**Senator Carter:** Is Toronto a separate region?

**Hon. Mr. Andras:** Toronto-Hamilton is a separate region, yes.

**Senator Flynn:** Haven't you got second thoughts about these additional benefits being paid in regions where there are more than 4 per cent unemployed? It seems to me that, first, this is welfare and, second, it would induce people to adopt an attitude where they would not try so hard to get a job if they were going to be getting benefits longer. It might induce some people in regions where they do not get the additional benefits to move into regions where they would get them. You have not any second thoughts about this scheme?

**Hon. Mr. Andras:** I personally do not, senator, no.

**Senator Flynn:** The experience is not long enough, I suppose, is it?

**Hon. Mr. Andras:** No, nor am I philosophically challenged by that myself. I agree with the regional scheme and the government acceptance of responsibility in this area above a certain level.

**Senator Flynn:** Don't you think it is close to welfare?

**Hon. Mr. Andras:** No, I do not.

**Senator Flynn:** It is close to welfare by providing additional benefits only because there are more unemployed in a given area.

**Hon. Mr. Andras:** No, I do not feel that that is a welfare plan.

**Senator Flynn:** Just leaving that point, when did you first realize that there was really a contradiction between subsection (4) of section 137 and the obligation in the act to make some payments?

**Hon. Mr. Andras:** When did I realize it?

**Senator Flynn:** Yes. The act is only two years old.

**Hon. Mr. Andras:** About thirty seconds after I took over the portfolio and realized that I was going to have to appear before committees like this and answer for it!

**Senator Flynn:** But no one in government had realized that before. Your predecessor had not realized it.

**Hon. Mr. Andras:** Oh, I think so, sir. This gets into the area of when did the government know that the ceiling might be bulged. I can restate the arguments we placed in evidence before other committees, if you wish. I really do honestly believe, looking back on this and having administered, as I say, the National Housing Act, where there are statutory limits to loans—

**Senator Flynn:** With discretionary disbursement.

**Hon. Mr. Andras:** Yes, you could make the loan or you could not make it because you were approaching your discretionary limit, but there is no damn way of turning off, nor would I be a party to turning off, unemployment insurance benefits payable under this act, under section 135. So the contradiction there is not capable of reconciliation, except that something has got to give; and I just do not think it is the unemployed people in this country—and I am not being a demagogue in saying that—that should have to give in this situation.

**Senator Flynn:** No, the act is there.

**Senator Thompson:** Mr. Chairman, on a more general question, thinking of Senator Grosart's question concerning methods of accountability at an earlier stage, I appreciate that there are other social insurance schemes in which premiums are paid, which are different from unemployment insurance, and I wonder if the minister would know if they have a similar sort of open-ended approach. I am thinking of medical insurance, for instance. Do they have the same problems that you have with respect to accountability?

**Hon. Mr. Andras:** I do not know if they forecast. I regret my lack of knowledge on that, and it is one of



the areas I want to examine. They most certainly have had, in the end effect of all this—through all the machinations of procedures and proceedings and everything else—the same difficulty of bulging the ceiling, and the cost of that has been greater than originally calculated. I suppose this is often the case. But whether anybody would turn the clock back on medicare because of that, I do not know. I, for one, would not.

**Senator Thompson:** This brings up the concern about the accountability to Parliament that is not only in this scheme but in many others as well.

**Hon. Mr. Andras:** Yes, that is right.

**Senator Buckwold:** Just carrying this a little further, you have all these open-ended schemes; you have arrangements, say, with the provinces, the federal government, in fact, having no control.

**Hon. Mr. Andras:** That is right.

**Senator Buckwold:** There are welfare grants, medical grants, post-secondary education grants.

**Hon. Mr. Andras:** There are equalization payments by formula. There is a whole series of them.

**Senator Buckwold:** Well, equalization perhaps is a different kind of ball game, but there are these other things over which, in fact, you have really no control. If suddenly—heaven forbid—half the population went on welfare, you would be tagged with 50 per cent of the costs of sharing it with the provinces. How are those expenditures controlled? I think that is Senator Thompson's question. You would have to pay by statutory requirement. Wouldn't the situation be basically the same?

**The Chairman:** I suppose that the President of the Treasury Board would perhaps be more qualified than the minister to answer that question. I do not want to say that the minister is not competent in any way, but it would be much more within the power and authority of Treasury Board to deal with those questions, I think.

**Senator Grosart:** I would suggest that the easier way would be to take a look at the main estimates. The answer is there very clearly. Over and over again there are instances in the same Supplementary Estimates (A) that we have been talking about where we find a request for an appropriation for unpredictable expenditures. For example, in the case of the new federal government Winter Capital Projects Fund there is a projection over 4½ years in the amount of \$350 million, and authorization is requested for \$350 million to pay out on this program that is quite uncontrollable, because it is winter works, and there is a "forgiveness" element, based on certain factors—largely on-job paylists—which will be only a small part, maybe 30 per cent. So the total cost to the federal government is completely unpredictable. But here, following the tradition of the estimates, the government comes before Parliament to say, "We anticipate this expenditure of \$350 million on this winter works program over 4½ years, and we want your authorization to commit ourselves to that."

**Senator Buckwold:** That does not answer the question, Mr. Chairman.

**Senator Grosart:** It does. It is the same with items from other departments. It is the same where you have open-ended agreements with the provinces: the department comes and says, "Here is our estimate of what this is going to cost."

**Senator Buckwold:** That is not the question. The question is this: When you reach the limit of the estimate and you are into an over-expenditure position, do you suddenly stop paying the welfare share?

**Senator Croll:** You go for supplementary estimates.

**Senator Buckwold:** That could be later.

**Senator Croll:** Mr. Chairman, in answer to Senator Flynn's question, when he asked you, I think, whether there was a fall in welfare across the country, I think you answered, Mr. Minister, that you were not aware of it.

**Hon. Mr. Andras:** No, I am sorry. I thought he asked if I considered the principle of paying unemployment insurance above 4 per cent or regionally to be a welfare scheme, and I said no, I did not. I certainly am aware that there is a drop in welfare, because the alternative would be that; but I do not agree that this necessarily says that the payment of unemployment insurance is a welfare proposition. I say this because people who are getting unemployment insurance have been paying into the insurance scheme which has certain features to it like any other insurance scheme. A life insurance scheme, for example, has certain features to it which can trigger a change in the premiums.

[Translation]

**Senator Flynn:** Would I be permitted to ask Mr. Cousineau a question? It has been stated that as from yesterday the Fund had been exhausted, is that right?

**Mr. Cousineau:** That is correct, yesterday we did not issue any warrants.

**Senator Flynn:** You did not issue any warrant yesterday, because there was not enough money left to cover the cheques?

**Mr. Cousineau:** That is, as far as yesterday is concerned, we tried to protect—today is the employees payday—after having provided for payday, there was not enough money left to cover the cheques.

**Senator Flynn:** Yesterday?

**Mr. Cousineau:** Yesterday. Some 124,000 people have to be paid.

**Senator Flynn:** Those cheques are ready, I presume?

**Mr. Cousineau:** I might say we have taken all procedures...

**Senator Flynn:** You mean precautions?

**Mr. Cousineau:** We have taken all necessary precautions and, if the bill had been approved yesterday evening...



**Senator Flynn:** You would have been able to mail the cheques this morning?

**Mr. Cousineau:** Sometime during the night.

**Senator Flynn:** If the bill gets third reading today, you will be able to mail them today?

**Mr. Cousineau:** This evening.

**Senator Flynn:** If the postal service is effective—it can be, at times—if it is more effective than on most other occasions, then the majority of those involved may not have to suffer at all because of the delay?

**Mr. Cousineau:** This I could certainly not guarantee.  
[Text]

**Senator Flynn:** I would rather blame the Post Office than the Senate.

**Senator Croll:** If there are no further questions, Mr. Chairman, may I move that the bill be reported?

**Senator Grosart:** Mr. Minister, earlier I understood you to say that if it was practical to forecast expenditures and write a ceiling into the act, this would mean—and I think this was your main objection to it—that you would have to come back to Parliament every year for an amendment to the act. Is that so bad?

**Hon. Mr. Andras:** What I am saying is this: In order to have a ceiling that would not require to have that, it would have to be set at such a large amount as to be meaningless in the sense of the purpose of a ceiling—that is, as some control on costs.

To come back to the question of asking Parliament to amend an act each year, while that situation applies to just one act, it is not a bad principle. But knowing the fight, as many of us here do, for parliamentary time, while this is an extremely important measure and an extremely important program, there are other important programs and measures which make demands on parliamentary time. If you knowingly have an act that is going to require frequent amendment, I really do not believe that this is efficient. In a new act I do not find myself in the position of having to express shame that we have to come back to Parliament for an amendment to refine a dramatically changed program a year later in the light of experience. I think that anybody who tackles that is simply saying, "Look at this horrible error we made!"—unless, of course, you have a person who is simply not prepared to take a chance and make changes in the first place. Knowingly to have to provide for an amendment to an act frequently, by reason of the provisions of the act, my personal opinion would be that that is not a good thing. I am not saying this because it means that you do not have to answer to Parliament, because, in fact, you do in other ways. I say it simply because the fight for parliamentary time for many worthy programs is such that this would be defeating its purpose.

**Senator Grosart:** I have to say that I find your attitude, Mr. Minister, very, very commendable, and I hope we will not find any \$1 items in your estimates in future. Other officials in other departments are not that concerned.

**Hon. Mr. Andras:** Well, I hope I will have another two or three years' experience in the portfolio; and I will then be able to come back and we can debate that.

**Senator Grosart:** A final question, if I may, Mr. Chairman. The second part or the second clause of the bill provides in effect, as I understand it, for parliamentary approval for calling the amounts obtained by the warrants an advance rather than an appropriation, which it would be under a strict interpretation of the Financial Administration Act. Is that correct?

**Hon. Mr. Andras:** The purpose is to ensure that it is deemed to be an advance and, therefore, repayable to fit into the whole scheme of the act.

**Senator Grosart:** I think you would agree, then, that this suggests that the warrant procedure was not entirely tailored to the circumstances.

**Hon. Mr. Andras:** No, I would not agree. And if we are going to get into that discussion, then I would ask our legal people to take over.

**Senator Grosart:** No, do not misunderstand me. I am not discussing the legal aspects of it. All I am saying is this: The procedure you took under warrant made this an appropriation under the terms of the Act. Now, for your purposes, you do not want it to be an appropriation; you want it to be an advance. Is that correct? You want it to be regarded as an advance so that it can be paid back.

**Hon. Mr. Andras:** For the purposes of the unemployment insurance scheme we want it absolutely understood that it is required to be paid back, as are other advances.

**Senator Grosart:** Yes, that is correct. All I am suggesting is that this very fact would indicate the warrant procedure was not tailored exactly to your requirements, because it would be an appropriation and you did not want an appropriation.

**Hon. Mr. Andras:** I think the President of the Treasury Board is much better qualified to answer that question, because we simply inform Treasury Board at a certain time, which has been publicly indicated, that there is an additional amount required over and above the \$800 million. How are we going to get it? The President of the Treasury Board and the Minister of Finance advised us that it would be by way of warrant, and the special warrant was issued pursuant to section 23 of the Financial Administration Act. This warrant reads, in part, as follows:

The Treasury Board is hereby authorized to pay advances in the aggregate of \$234 million for the purposes of the Unemployment Insurance Act, 1971, to be applied by the Unemployment Insurance Commission toward the payments of benefits and costs of administration under that act, such advances to be repaid in such a manner and on such terms and conditions as the Minister of Finance may prescribe.

This is an extract from the warrant itself.



**Senator Grosart:** Yes, I have read that, Mr. Minister. I will not carry the argument any further, except to say that while the warrant designates this as an advance, the authority for the warrant designates it as an appropriation. I understand that.

Is Mr. Douglas here today?

**Hon. Mr. Andras:** Yes.

**Senator Grosart:** I wonder if I could ask Mr. Douglas to explain this to me, and it is not a controversial question at all. I take it to be reported correctly. It appears in the Proceedings of the Miscellaneous Estimates Committee of the other place of January 25, 1973. This was in mid-August, when this matter was under discussion. At that time you said:

I remember that I advised at that time, there were three possibilities: a private bill, an item in the estimates or a warrant as the means of appropriation.

Would you explain those three alternatives as you saw them at that time? I am not asking you to get into a political argument about the elections or anything else, but just the mechanics of the three alternatives.

**Mr. J. W. Douglas, Director of Legal Services, Unemployment Insurance Commission:** I discussed the legal requirements with the solicitors of the Department of Finance and Treasury Board, and also with the Associate Deputy Minister. It was realized that additional money would be required. Under section 137 of the act the Minister of Finance was authorized to advance up to the ceiling, but additional money was required above that amount. It was necessary to go to Parliament for an appropriation of money. Other moneys which are authorized under our act are statutory appropriations; they are automatic appropriations. That is why it was permissible to go to that extent. However, to go beyond that, an appropriation, or authority of Parliament to spend additional money, was required. This could be obtained in the form of a private bill, such as you see before you today, C-124; or it could have been put in the estimates and, in that event, we would have needed a dollar amount, to which you object.

The other question we had was: Was Parliament in session or would it be in session when the money was required? There was an alternative, if it happened that we ran out of money or needed extra money when Parliament was not in session. At that time it might be necessary to use Governor General's warrants. These are the three ways of obtaining money.

**Senator Grosart:** Yes, but it is your use of the term "private bill" that threw me.

**Mr. Douglas:** I am sorry; I see your distinction. It would be a public bill, a government bill.

**Senator Grosart:** Yes. Those are my questions.

**Mr. Douglas:** I should have said, "a separate bill."

**Senator Buckwold:** I want to ask one final question, to get the record straight; but before I do so, I would like to say to the minister that he must have made

a fine impression on the committee. I have never heard Senator Grosart so benign in his cross-examination.

**Hon. Mr. Andras:** I hope you do not stimulate anyone.

**Senator Grosart:** You had better be careful, Sid!

**Hon. Mr. Andras:** I say, "Quit while you are ahead!"

**Senator Buckwold:** There was a statement made in the Senate yesterday that the Auditor General had nothing to do with the certification of these accounts. In your testimony earlier this morning you indicated there would be a certification by the Auditor General. I wanted to get that clear for the record.

**Hon. Mr. Andras:** That is correct. Mr. Cousineau could enlighten us in more detail as to when that certification by the Auditor General takes place.

**Mr. Cousineau:** Yes, I am trying to find this.

**Hon. Mr. Andras:** I do not quite understand whether he refused to, or whether, in the ordinary course of events—

**Senator Buckwold:** I gathered this would be beyond his jurisdiction.

**Hon. Mr. Andras:** The question of Governor General's warrants?

**Senator Buckwold:** No, the certification of the unemployment insurance account by the Auditor General.

**Hon. Mr. Andras:** No, he is required to do this by the act.

**Senator Buckwold:** I wanted to get that straight for the record.

**Hon. Mr. Andras:** On January 17 I tabled in the other place a financial statement by the Auditor General regarding the affairs of the Unemployment Insurance Commission.

**Mr. Cousineau:** Section 138 of the act indicates that the Auditor General must audit the account.

**The Chairman:** Is this the first time that advances have been made to the fund through Governor General's warrants?

**Hon. Mr. Andras:** I believe not. I think there was an advance in 1964, or 1963.

**Mr. Cousineau:** In April, 1963 we received \$20 million, and in May, 1963 \$15 million, so the total amount received was \$35 million.

**Senator Grosart:** Was this under a warrant?

**Mr. Cousineau:** It was not by way of Governor General's warrant. That is the first time we obtained a Governor General's warrant.

**Senator Grosart:** Was this the first time the fund became unbalanced?

**Hon. Mr. Andras:** In this era you would call it "bankrupt".



**Senator Grosart:** No, unbalanced on an actuarial basis.

**Hon. Mr. Andras:** There is a difference between "unbalanced" and "bankrupt". I suppose it depends on who is running it.

**Mr. Cousineau:** To put it another way, in 1957 the fund was up to \$874 million, and five or six years later it became nil.

**Senator Grosart:** The reason I mention this is because I remember Senator Martin's figures in the House of Commons at the time, and he thought it was a dreadful situation.

**Mr. Cousineau:** I may say the same thing happened in 1964, when loans were also required from the government.

**Senator Carter:** Has any calculation been made as to how much of the higher benefits paid out is recovered in additional revenue from income tax?

**Hon. Mr. Andras:** Since this is under the new act, all benefits are taxable in the hands of the recipient. We have made some calculations: 8 per cent, or approximately \$159 million, of tax revenue is recovered. Our calculation shows that it was 139 million federal and \$20 million provincial—that is the Province of Quebec—

tax recovered, for a total of tax revenue from unemployment insurance benefit payments of \$159 million in 1972.

**Senator Croll:** We have a motion.

**The Chairman:** Yes, we must proceed in the usual manner. Shall clause 1 carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall clause 2 carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall the title of the bill carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall I report the bill without amendment?

**Hon. Senators:** Agreed.

**Senator Grosart:** If I were a member of the committee I would say, "On division," but I am not a member.

**The Chairman:** I thought that with all your questions this morning you were a member of the committee!

The committee adjourned.

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FIRST SESSION—TWENTY-NINTH PARLIAMENT

1973

THE SENATE OF CANADA

PROCEEDINGS OF THE

STANDING SENATE COMMITTEE ON

**HEALTH, WELFARE  
AND SCIENCE**

The Honourable MAURICE LAMONTAGNE, P.C., *Chairman*

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No. 2

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WEDNESDAY, APRIL 4, 1973

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**Complete Proceedings on Bill C-148,**

**“An Act to amend the War Veterans Allowance Act”**

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REPORT OF THE COMMITTEE

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(Witnesses—See Minutes of Proceedings)



THE STANDING SENATE COMMITTEE ON  
HEALTH, WELFARE AND SCIENCE

*Chairman:* The Honourable Maurice Lamontagne, P.C.

The Honourable Senators:

Argue	Goldenberg
Blois	Hastings
Bonnell	Inman
Bourget	Lamontagne
Cameron	McGrand
Carter	Phillips
Croll	Smith
Denis	Sullivan
Fournier ( <i>de Lanaudière</i> )	Thompson
Fournier ( <i>Madawaska- Restigouche</i> )	van Roggen (20)

*Ex officio Members:* Flynn and Martin

(Quorum 5)



# Order of Reference

Extract from the Minutes of the Proceedings of the Senate,  
Thursday, March 29, 1973:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Lang, seconded by the Honourable Senator Giguere, for the second reading of the Bill C-148, intituled: "An Act to amend the War Veterans Allowance Act".

After debate, and—

The question being put on the motion, it was—  
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Lang moved, seconded by the Honourable Senator Cook, that the Bill be referred to the Standing Senate Committee on Health, Welfare and Science.

The question being put on the motion, it was—  
Resolved in the affirmative."

ROBERT FORTIER,  
*Clerk of the Senate.*



# Minutes of Proceedings

Wednesday, April 4, 1973.

(2)

Pursuant to adjournment and notice the Standing Senate Committee on Health, Welfare and Science met this day at 9.20 a.m.

*Present:* The Honourable Senators Carter (*Deputy Chairman*), Bonnell, Bourget, Cameron, Croll, Fournier (de Lanaudière), McGrand, Phillips, Smith and Thompson. (10)

*Present but not of the Committee:* The Honourable Senators Macdonald, Molgat, Petten, Welch and Yuzyk. (5)

*In attendance:* E. Russell Hopkins, Law Clerk and Parliamentary Counsel.

On Motion of the Honourable Senator Bonnell, it was *Resolved* that unless and until otherwise ordered by the Committee, 800 copies in English and 300 copies in French of its day-to-day proceedings be printed.

The Committee proceeded to the consideration of Bill C-148, "An Act to amend the War Veterans Allowance Act".

The following witnesses were heard in explanation of the Bill:

*From the Department of Veterans Affairs:*

Mr. J. S. Hodgson, Deputy Minister;

Mr. E. J. Rider, Director General, Welfare Service.

*From the War Veterans Allowance Board:*

Mr. D. M. Thompson, Chairman.

On Motion of the Honourable Senator Smith, it was *Resolved* to report the said Bill without amendment.

At 11.26 a.m. the Committee adjourned to the call of the Chair.

*ATTEST:*

Patrick J. Savoie,  
*Clerk of the Committee.*



# Report of the Committee

Wednesday, April 4, 1973.

The Standing Senate Committee on Health, Welfare and Science to which was referred Bill C-148, intituled: "An Act to amend the War Veterans Allowance Act", has in obedience to the order of reference of March 29, 1973, examined the said Bill and now reports the same without amendment.

Respectfully submitted.

C. W. Carter,  
Deputy Chairman.



# The Standing Senate Committee on Health, Welfare and Science

## Evidence

Ottawa, Wednesday, April 4, 1973

The Standing Senate Committee on Health, Welfare and Science, to which was referred Bill C-148, to amend the War Veterans Allowance Act, met this day at 9.20 a.m. to give consideration to the bill.

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

**The Deputy Chairman:** Honourable senators, we have with us this morning: Mr. J. S. Hodgson, Deputy Minister of Veterans Affairs; Mr. D. M. Thompson, Chairman of the War Veterans Allowance Board; Mr. John Rider, Director General, Welfare Services, Department of Veterans Affairs; and Mr. J. Dehler, Member, War Veterans Allowance Board.

Mr. Hodgson, do you have an opening statement?

**Mr. J. S. Hodgson, Deputy Minister, Department of Veterans Affairs:** No, Mr. Chairman, I have no prepared statement. I might just mention that the bill proposes to do two things: firstly, to raise the WVA maximum rates and ceilings by the same amount as the increases proposed under the Old Age Security Act; and, secondly, to convert the long-standing means test for war veterans allowance purposes to a modified income test.

**The Deputy Chairman:** Mr. Thompson, do you have anything to add?

**Mr. D. M. Thompson, Chairman, War Veterans Allowance Board:** No, Mr. Chairman.

**The Deputy Chairman:** The meeting is open for questions. Senator Phillips?

**Senator Phillips:** I wish to follow up on my remarks in the Senate regarding the combination of the OAS and GIS. You will recall that I questioned the wisdom of combining the OAS, the GIS and the WVA. It is my understanding that when a veteran becomes 65 years of age he applies for GIS and it is automatically assumed by WVA that he receives this. Am I correct?

**Mr. Thompson:** When he is 64½ years old he is advised to make application, and then under the regulations, if otherwise eligible, he is deemed to be in receipt of the OAS and GIS to which he would be entitled on reaching age 65.

**Senator Phillips:** You say, "if otherwise eligible." What follow-up do you make in this regard? I know that you notify him, but do you follow up with the OAS and GIS to ensure that he has received these allowances?

**Mr. Thompson:** Yes, they do follow up. We use the term "if otherwise eligible" because there are some people who might not have the required residence, for instance, to be eligible under the Old Age Security Act. That is why we say "if otherwise eligible", but there is a check made to confirm the amount of OAS, GIS paid.

**Senator Phillips:** Is every case checked?

**Mr. Thompson:** Mr. Chairman, I could not categorically say that every case is checked. It is my understanding, however, that it is done; it is the procedure to do so.

**Senator Phillips:** I recently received correspondence from a branch of the Royal Canadian Legion which was endeavouring to resolve a particular case in which a veteran mistakenly reported his war veterans allowance as income, and consequently his application for OAS, GIS was rejected. I received the co-operation of the Department of National Health and Welfare, and was perhaps fortunate in turning to them rather than to the War Veterans Allowance Board in my efforts to assist in this matter. It was decided that he would receive back pay for approximately two years. Unfortunately, during the period of correspondence the veteran died. Such a procedural delay, in my opinion, places these individuals in unfortunate situations. I know that many of them received the brochure explaining the regulations, but many have great difficulty in interpreting it. This is due in some cases, perhaps, to an inborn resentment or fear of regulations.

I cannot perceive the wisdom of combining this. At the time the programs were combined I did not see a great deal of objection, but I do now. I wonder, Mr. Thompson, if you could justify or explain the thinking of the department in combining these two programs?

**Mr. Thompson:** I should point out that the government made the decision.

**Senator Phillips:** I accept your explanation that it is a governmental decision, rather than one of the Department of Veterans Affairs.

**Senator Thompson:** In connection with the means test, I wonder if a veteran qualifying for welfare in some provinces might do better than becoming a recipient of the war veterans allowance?



**Mr. Thompson:** Our act and regulations provide that moneys paid on behalf of dependent children from welfare or other sources are exempt income. Situations may exist in which a married man with children receives a supplementary payment from a welfare agency which is not regarded as income under the provisions of the War Veterans Act and Regulations. In the normal situation, a veteran is better off as a recipient of war veterans allowance than straight welfare.

**Senator Thompson:** You say "in the normal situation". Could you elaborate on that?

**Mr. Thompson:** A situation could arise in which a man might have a certain level of income which would leave a small margin of war veterans allowance payable. The veteran might have a very sick wife needing a great deal of medication, which would be provided under welfare. The veteran's medication would be provided under the treatment regulations for war veterans allowance recipients. There is no specific provision in the act for medication for the wife. A situation can arise, therefore, in which the war veterans allowance is relatively small due to other factors and, because of this cost of medication, he could be better off on welfare. Such cases are rare, but from time to time I have come across them in the files.

**Senator Thompson:** The fact that a man may do almost as well on welfare does not speak very well for the war veterans allowance. It raises the question of whether the means test is too rigid. As I understand it, the war veterans allowance was introduced to some extent as an acknowledgement of an individual's duty and service performed for his country. The fact that a person might do almost as well on welfare does not indicate to me that it is a great privilege to receive the allowance. Am I fair in saying that there is a very marginal difference between welfare payments in certain provinces and the war veterans allowance?

**Mr. Thompson:** This varies from province to province, and there are different situations in certain combinations of circumstances. In the normal course of events the veteran or veteran and wife will be better off financially as recipients of war veterans allowance than other forms of assistance.

**Senator Phillips:** I referred in my remarks in the Senate to the subject matter of Senator Thompson's question, observing that it is almost impossible to make a comparison. Has the board made a comparison between welfare payments and the war veterans allowance? As I pointed out, welfare recipients may receive emergency allowances for the payment of rent, the purchase of clothing for their family and just about anything, including dental treatment. On the other hand, recipients of war veterans allowance receive a fixed amount per month. At one time the benefit of medical treatment was available. Can you make a comparison in respect to various provinces? I know it varies from province to province, as you said, but has the board ever made such a comparison?

**Mr. Thompson:** Not directly in that respect, because another aspect enters this picture, which Mr. Rider is better able to speak to in detail. There is an assistance fund, and there are certain other

funds, such as the army benevolent fund, to which welfare services may refer applicants. This is not a direct function of the board, but of the welfare services.

**Senator Phillips:** Would you elaborate on the operation of your welfare services? It is my understanding, Mr. Thompson, that the investigation takes a considerable amount of time. The non-veteran welfare recipient can telephone his welfare worker on a telephone paid for by welfare funds and receive almost immediate attention. I understand it takes anywhere from six months to one year for your welfare applications to be processed.

**Mr. Thompson:** The welfare services are not a direct function of the board; therefore, I am not in a position to answer.

**The Deputy Chairman:** Mr. Rider, would you care to elaborate on this?

**Mr. E. J. Rider, Director General, Welfare Services, Department of Veterans Affairs:** Mr. Chairman, I do not have with me a comparison of benefits available from provincial social welfare agencies as opposed to those under the war veterans allowance. However, the assistance fund is available for those veterans in receipt of war veterans allowance whose income is lower than the ceiling stipulated in the War Veterans Allowance Act. The individual must, of course, be a recipient of the allowance residing in Canada. The determination of the supplementation is made through a budget deficit system and can be in the form of a lump-sum payment or monthly payments. Many of the lump sums are from benevolent and trust funds. As you are aware, each of the three forces the army, navy and air force has a benevolent fund, and we work very closely with those funds. If welfare officers of the welfare services, when travelling through their own territories, find a case where this would apply, they help the veteran to make an application; they make a report; and they recommend to the benevolent fund the action which they feel should be taken.

The time lag in the provision of welfare services is not quite six months to a year. Our normal backlog is 30 days. In other words, the cases that we have coming in are normally dealt with in 30 days. There are variations. For example, a welfare officer working his territory may have three different travel routes, and he cannot be in all places every week or every two weeks. But our case load normally is a backlog of 30 days.

**Senator Phillips:** May I ask what financing you have under your welfare fund? You mentioned the benevolent fund. I am familiar with that. Of course, I do not have to point out that it is not really federal money. What financing, other than the benevolent fund, do you have access to?

**Mr. Rider:** The assistance fund is approximately \$9 million a year. If you want some figures, I can gladly get them for you.

**Senator Phillips:** I would be most interested in them.

**The Deputy Chairman:** For the purposes of the record, can you tell us what legislation governs the assistance fund?



**Mr. Rider:** Yes. The assistance fund is paid under the authority of a regulation, an order in council which was originally passed in August, 1952. It is known as the Assistance Fund (War Veterans Allowance and Civilian War Allowances).

**Senator Bonnell:** A regulation under which act? Is it a regulation under this act?

**Mr. Rider:** No. It is a regulation that was passed under an appropriation act.

**Senator Bonnell:** So it has nothing to do with this bill?

**Mr. Rider:** No; it has a separate function. The regulation primarily establishes a committee which is responsible for the policies of the fund and makes certain stipulations.

As I mentioned, the individual must be a recipient, must be a resident of Canada; he must have income less than that permitted under the War Veterans Allowance Act, and there must be a demonstration of need. The money can be paid either as a monthly payment for continuing maintenance or as a single payment to meet emergencies.

At the present time there are 24,880 war veterans allowance recipients—when I say that, I include civilian war allowances—who have an income less than the ceiling. Of that 24,880, 75 per cent are in receipt of assistance from the assistance fund.

This varies in percentage from area to area. For example, in the Saskatoon district only 48 per cent apparently need this help; in Newfoundland it is 83 per cent; and in Montreal it is 85 per cent. So it varies across the country. Normally, usage is heaviest in the east—in Quebec and the Atlantic provinces.

The anticipated expenditures for 1972-73 will be \$9,100,000, and an amount of \$9,647,000 has been placed in the estimates for 1973-74. The average annual payment on the single grant basis is \$150, and the average monthly continuing payment on an annual basis is \$390.

**Senator Phillips:** You said the \$390 was on a monthly basis?

**Mr. Rider:** That is right, sir.

**Senator Phillips:** That is more than the war veterans allowance.

**Mr. Rider:** Oh yes. This is a supplement to the war veterans allowance. A number of people who receive assistance have the war veterans allowance. They may have some other income, a small pension, but there is still room for payment of war veterans allowance because they have not as yet reached their ceiling and they can show that they need more than a combination of the war veterans allowance and other income.

**The Deputy Chairman:** Mr. Rider, I think Senator Phillips thought that the \$390 was per month; but it is \$390 per year.

**Senator Phillips:** That is what I thought he said.

**Mr. Rider:** I said the payment was made on a monthly basis. The average is \$390. It will vary. We have people who receive assistance from the fund for the full difference between the WVAB rate and the ceiling that is, \$40 for a single man and \$70 for a married man. We have others who have other income and perhaps need the difference between that other income and the WVAB, which might be \$10 a month. If they show that there is need for that \$10 a month, they get it or whatever is shown. This is done on the budget deficit basis.

The expenditures have increased quite consistently. For example, in 1962-63 the figure was \$3,180,000; by 1965-66 it was \$5,700,000; and, as I mentioned, for this year it will be \$9,600,000.

**Senator Phillips:** Could you speak a little louder, please?

**Mr. Rider:** Expenditures have increased over the years to the point where between 1962-63 and 1973 they have trebled from \$3 million to over \$9 million.

In the determination of budget deficits, children are taken into consideration. They are not taken into consideration under the War Veterans Allowance Act. We have found that there are, in assistance fund families, more than 17,000 children. These vary in number according to age and the area in which they live. For example, while we have assistance fund families with two children some 1,583 families with 3,166 children—there are 22 families in which there are 10 children.—The determination of the amount paid includes the cost, particularly, of food for the children. Under the War Veterans Allowance Act, the allowance for children is exempt income; it is not considered as income. In this determination we must take the total income of the family, because we are dealing with the total need.

**Senator Cameron:** You say that the assistance is only paid in Canada. Are there any exceptions to that? I am thinking of a veteran in receipt of assistance who goes to the United States or to the Caribbean, or somewhere, for two or three months. Would the payments be continued under those circumstances?

**Mr. Rider:** No, senator, they would not. It is necessary to suspend those payments should the recipient go outside of Canada.

**Senator Bonnell:** If he notifies you. What happens if he does not notify you?

**Mr. Rider:** Then, senator, we cannot stop it. On the other hand, if we find out about it later, we have to make the appropriate adjustment.

**Senator Smith:** Is there not some minimum period that a man entitled to war veterans allowance can be absent from the country? Is there not some minimum period which you would not consider as an interruption of his residency?

**Mr. Rider:** Not really, senator. We pay the assistance payment for the month in which he leaves the country and also for the month in which he comes back. He is not eligible for payments for the period in between.



**Senator Smith:** But that means he can go for about a month, anyway.

**Mr. Rider:** Yes.

**Senator Bonnell:** He can go for two months less two days.

**Mr. Rider:** That is right. In other words, he can go on a visit.

**Senator Smith:** So he can go and visit Aunt Sarah down in California without any interruption in his payments.

**Mr. Rider:** Yes.

**Senator Fournier (De Lanaudière):** I should like to know how many Canadian veterans there are today, and how many are receiving benefits by way of pensions or allowances of any kind?

**The Deputy Chairman:** Do you mean under the War Veterans Allowance Act, Senator Fournier, or under the Pensions Act, or under all of the acts?

**Senator Fournier (De Lanaudière):** My question is a general one relating to the number of veterans covered by all of the acts.

**Mr. Hodgson:** There are in Canada today just under 900,000 veterans, many of whom, of course, have dependants. Of the 900,000 veterans, approximately one-quarter are receiving benefits under the Veterans Affairs portfolio in any year. They are not always the same people, but roughly one-quarter of the veterans in Canada are receiving benefits of one kind or another, be it a disability pension, war veterans allowance, payments under the assistance fund, treatment in our hospitals, or settlement under the Veterans' Land Act.

**Senator Fournier (De Lanaudière):** So, in round figures, that is about 225,000.

**Mr. Hodgson:** Yes, approximately.

**The Deputy Chairman:** Along those same lines, Mr. Hodgson, could you give us a breakdown of the recipients of war veterans allowance relating to World War I and those relating to World War II, and also the number who are receiving disability pensions?

**Mr. Thompson:** The total number of recipients under the War Veterans Allowance Act, at last count, is 78,750. The figures I am about to give you, Mr. Chairman, will add up to a slightly larger total than that, because I do not have the most recent breakdown. As at the end of December last year the figures were as follows: Northwest Field Force, 7; South African War, 269; World War I, 35,502; a combination of World War II and special force—this relates to Korean service—39,095; dual service—service in World War I and World War II in Canada only—1,122; civilian war allowances, 3,501. That total comes to 79,496, which, as I mentioned, is slightly larger than the figure of 78,750. It is scaled down slightly.

**The Deputy Chairman:** I did not quite understand the World War I—World War II figure.

**Senator Phillips:** I think Senator Carter wants the same figure that I am interested in. I should like to know the number of World War I veterans and the number of World War II veterans who are receiving war veterans allowances.

**Mr. Thompson:** The figure for World War I is 35,502, and for World War II, 39,095.

**The Deputy Chairman:** Could you also tell us how many of the 78,750 would also be in receipt of a disability pension under the Pensions Act?

**Mr. Thompson:** That figure, Mr. Chairman, is 9,532, and that includes 14 who are receiving a disability pension under the Civilian War Pensions and Allowances Act.

**The Deputy Chairman:** That is approximately 9,000 out of 78,750?

**Mr. Thompson:** That is correct, Mr. Chairman.

**Senator Phillips:** Mr. Chairman, I understood one of the witnesses to state that there are 24,880 receiving assistance from this rather vague and deficit fund. Are those all veterans, or does that number include families? I want to make a comparison between the roughly 25,000 figure quoted by the witness and the total number of recipients, which is roughly 79,000.

**Mr. Rider:** The figure of 24,880 was mentioned in relation to the number of recipients who would be entitled to the assistance fund. In other words, their income is less than the ceiling allowed under the War Veterans Allowance Act.

**Senator Phillips:** And you are quoting veterans on the same basis as did Mr. Thompson?

**Mr. Rider:** No, senator. This figure could include widows; the widow, too, is eligible for the assistance fund. Out of that 24,880, 18,600 are actually in receipt of benefits from the assistance fund, or 75 per cent, as I mentioned earlier.

**Senator Phillips:** In order to make my comparison, then, I should like the figures relating to the number of widows or other dependants; in other words, the total number of veterans, widows or dependants under the administration of the War Veterans Allowance Board.

**The Deputy Chairman:** Are you talking about the war veterans allowance or the assistance fund?

**Senator Phillips:** I want to make a comparison between the assistance fund and the war veterans allowance. In other words, I want to find out what percentage of recipients of the war veterans allowance receive this assistance. I am leading up to your comment, Mr. Chairman, if it is of any benefit to you, when you said that they were still below the poverty line. I am attempting to prove you right.



**Mr. Thompson:** The breakdown, as I understand the information Senator Phillips wants, in this. The information I gave you dealt with accounts arising out of service. I believe this is the information you wish to have. The veterans, apart from widows and orphans, in receipt of war veterans allowance total 43,119; under civilian war allowances the civilians number 2,509. I have the other figures for widows and orphans.

**The Deputy Chairman:** Would you put them on the record?

**Senator Phillips:** I would like to have the total figure compared with the figure given by Mr. Rider. I would like a comparison between the figure of roughly 25,000 given by Mr. Rider and a similar figure under the war veterans allowance. This includes recipients, widows and children.

**Mr. Thompson:** I think the corresponding figure would be the one I gave you earlier, 78,750. That is the overall caseload, the number of accounts. 43,119 would be veterans; the balance would be widows and orphans. Is that the information you want?

**Senator Phillips:** Yes. Then roughly one out of three recipients, 25,000 out of 78,000, require further assistance from the special welfare fund?

**Mr. Hodgson:** I think there is some misunderstanding here. The number receiving assistance from the assistance fund is not 25,000 but only 18,600.

**The Deputy Chairman:** It is 75 per cent of 24,880.

**Senator Bonnell:** There are 24,000 eligible and 18,600 actually receive it.

**Mr. Hodgson:** 24,000 would be eligible if they could prove need, but 18,600 are actually receiving it, and it is that figure of 18,600 that could be compared with the 78,000 figure that Mr. Thompson gave.

**Senator Phillips:** This is what I wanted to get as the actual figures for comparison. It is 18,000 as opposed to 78,750. I thank Mr. Hodgson for his explanation.

This raises a further question in my mind. I am intrigued by the fact that over 8,000 people who would be eligible are not receiving assistance. Can you tell me why they are not receiving assistance if they are eligible?

**Mr. Hodgson:** The 25,000 are those whose total income is less than the ceiling under the War Veterans Allowance Act. Some of these people can and do prove need, and therefore receive payments under the assistance fund regulations. Some are unable to prove need, and some, no doubt, do not attempt to prove need. These two explanations would account for the difference between the 18,600 and the 25,000.

**Senator Phillips:** I am not entirely satisfied with your answer. There are 7,000 people who you say could, if they attempted to,

prove need. What direction and assistance do they get from the department?

**Mr. Hodgson:** Some of the 7,000 might be single veterans who have either a low or only a nominal rent and are therefore able to manage, without too much difficulty, without supplementation. Others might have more stringent budgetary circumstances, or might, as Mr. Rider said, have a number of dependants, so that their situation would be much more severe, and they would then qualify.

**Senator Thompson:** How do the 7,000 or 8,000 who are eligible prove need? What steps are taken to prove need?

**Mr. Rider:** Their need is based on the requirements for receipt of the allowance. The order in council states that the allowance may be paid on a monthly basis where it can be established that the recipient's income is insufficient to meet the basic monthly costs of shelter, fuel, food, clothing, personal care, and any specific health needs.

**Senator Thompson:** Suppose a man is living on a sub-subsistence farm. You are reading out the requirements, but how does that man go about getting it? Does he hire a lawyer? What does he do to make an application? Does someone go out to him from your organization? There are 7,000 or 8,000 in need. How do you reach out to give them a hand so that they can fill out an application?

**Mr. Rider:** These people are seen by welfare officers. They are very often first of all seen when an application for war veterans allowance is taken.

**Senator Thompson:** Could I just interrupt? Who are the welfare officers? Are they provincial?

**Mr. Rider:** The welfare officers are the staff of the Welfare Services Branch.

**Senator Thompson:** Of what? Of your organization?

**Mr. Rider:** Of the Department of Veterans Affairs.

**Senator Thompson:** How many are there?

**Mr. Rider:** There are 200 who are operating as contact people with veterans. They work out of the district offices, of which there are 18 across the country, along with three sub-offices. The bulk of them work in defined geographic areas.

**Senator Thompson:** I am sorry to interrupt you again, but have the 200 welfare officers seen those 7,000 or 8,000 people?

**Mr. Rider:** Yes, sir.

**Senator Thompson:** They have all been interviewed by a welfare officer?

**Mr. Rider:** Yes, sir. They are all interviewed when an application is taken for war veterans allowance; and if at that time it is apparent



to the welfare officer they also need the assistance fund, he will check into these costs, and will then take an application for the assistance fund at the same time. These people are also seen occasionally when visited on what we call a review, which is a review to determine whether or not that individual should continue to receive war veterans allowance at the rate he is getting it, or maybe at a higher rate or at a lower rate, depending upon his circumstances. At that time they always look to see whether there is a need for the assistance fund.

**Senator Bonnell:** When you talk about need, do you mean real need or a set need? In other words, in some areas a man might live in an old house which is not insulated, so that the fuel cost is high. Do you have a set rate for fuel, or do you actually pay a man's bill?

**Mr. Rider:** No, sir. The cost of shelter—which includes things like rent, taxes, fire insurance, utilities, heat—is allowed at whatever it costs the veteran, whatever he actually pays for it.

**Senator Bonnell:** Does he have to show receipts for the payments?

**Mr. Rider:** Yes, he has to show receipts; he has to show the welfare officer that this is the case. Very often it is his word, that it costs him about \$200 or \$250 a year to heat his home. He does not ask to see the receipted bill for the fuel which has been purchased. There are also items like food and a number of small items added together. The cost of food is calculated at the cost to him in the area in which the individual lives, based upon surveys. We escalate these according to the consumer price index. Another item that is allowed is telephone, for example, as we consider this a basic need for these people. They are generally older people and therefore the formula takes into consideration the basic cost of the telephone. It does not provide for long distance calls, but for what it costs that veteran to have a telephone. That is allowed.

**Senator Thompson:** Are your terms more generous than those in any province in Canada, in connection with these welfare payments?

**Mr. Rider:** They are more generous than some provinces and perhaps less generous than others. Our formula is basically established on the excellent periodic reports put out by the Toronto Family Planning Bureau. One came out in 1973, which analyzed the cost of living for families. Most of the items are about the same; some of them are a little higher. In the case of some we allow more than that plan does; in the case of others we allow a little less; but in total they are comparable. It is considered that for a general breakdown this is a basis upon which we can work.

**The Deputy Chairman:** Could you put that formula on the record, or could you tell us what the current formula is?

**Mr. Rider:** It is the items I mentioned—shelter, fuel, and so on.

**The Deputy Chairman:** But you must have amounts attached to that?

**Mr. Rider:** No, sir. The amounts are basically according to the costs—for example, those items relating to shelter.

**The Deputy Chairman:** I thought you said it was based on a survey made by the Toronto Family Planning Bureau. Did I misunderstand you?

**Mr. Rider:** I do not have that here, sir. That is quite a book.

**The Deputy Chairman:** I was wondering how a formula based on a Toronto survey would apply, say, in Newfoundland.

**Mr. Rider:** In this case the food is based on a costing of items in Newfoundland.

**The Deputy Chairman:** Not on Toronto?

**Mr. Rider:** Not on Toronto. The types of items included follow the Toronto system. These items mentioned for Newfoundland were costed in Newfoundland, and they are adjusted according to the consumer price index annually.

**Senator Fournier (De Lanaudière):** Those 200 people visiting the veterans, are they what we may call qualified social workers?

**Mr. Rider:** No, sir. They are not qualified social workers; they are what we call welfare officers. They are not trained professionals, but they are fully capable of taking applications for benefits; they are trained in counselling; they are trained in the resources which are available, and they use all the resources available in the community. For example, if a welfare officer finds a case where there is a problem of family relations, he will determine the problem and, if there is an agency in that area which deals with family relations, he will refer the case to the agency. In other words, we do not try to duplicate the work of the agencies present in any area. He will counsel people about benefits which may be available to them through benevolent funds, trust funds, and so on. He will help them to establish a system of budgeting, for example, if one of their needs is to budget their money better. He is really an all-round welfare officer. His main job—as a matter of fact, he considers it really his primary job—is to assist the veteran.

**Senator Petten:** Would you say you have sufficient numbers of welfare officers, as you call them, to service this properly? What is the ratio between the officer and the veteran? How many people would he be looking after?

**Mr. Rider:** I think we have adequate numbers. One can always find a reason for wanting more people, but I think the numbers at the present time are adequate. The ratio of cases to a welfare officer varies quite greatly. For example, in a city area he can get to people very easily. The welfare officer who travels in a small district close to the district office can deal with more cases. The man who goes from Quebec City to the Gaspé Peninsula spends more time in travel and, therefore, he does not handle as many cases as the man who works in an area close to Quebec City. The boundaries of these areas are set and adjusted according to the numbers of cases and the other factors, like travel with which the welfare officer is involved. I cannot give you a figure, because it varies.



**Senator Petten:** I realize that you cannot give me a figure.

**Senator Fournier (De Lanaudière):** According to the figures you gave us a few minutes ago, 225,000 people receive benefits from the government. You have 200 visitors. That makes an average of 1,125 to each. Do you think this is sufficient?

**Mr. Rider:** I am sorry, sir, I must say that this statistical conclusion is not quite correct. That number includes many people under the Veterans Land Act, and they have their own staff. It also includes people in our hospitals and there are treatment services staff in the hospitals. If there is a welfare case in the hospital that needs the help of a welfare officer, there is either a welfare officer in the hospital or one on call in a district office who can go to work on that case.

**Mr. Hodgson:** The total staff in the Veterans Affairs portfolio—that is to say, including the department and the associated agencies—is just under 10,000, and all of them, of course, are trying to serve the client, the veteran.

**Senator Phillips:** Senator Petten and Senator Fournier have taken certain of my questions. I am disturbed by the ratio of the workers you have within the DVA, as opposed to the number of welfare recipients covered by a social worker within the Department of Welfare. I believe the more prosperous provinces attempt to have one worker for 40 families. Here you are completely out of line and, as much as I respect Dr. Hodgson, I do not accept his statement that there is someone available if a veteran goes into a hospital. I believe you said earlier that something like 80 per cent of the veterans in Newfoundland needed special assistance above and beyond war veterans allowance. Newfoundland has its transportation difficulties, as have a great many areas of the Atlantic provinces. How many veterans are there receiving welfare assistance in Newfoundland, and how many workers do you have to cover that territory?

**Mr. Rider:** There are nine welfare officers in Newfoundland, sir.

**Senator Phillips:** Yes?

**Mr. Rider:** Actually, the number receiving the assistance fund—is that what you mean?

**Senator Phillips:** No, I mean those receiving war veterans allowance.

**Mr. Rider:** Those receiving war veterans allowance number 4,088.

**Senator Phillips:** So 4,088 veterans are covered by nine welfare officers.

**Mr. Hodgson:** It will be appreciated that the 4,000 people are receiving war veterans allowance, and from month to month what they are looking for is a cheque, not a welfare officer. It is only the cases which are applications, really, or the cases being rechecked which may require the presence of a welfare officer.

**Senator Phillips:** That's very fine, Dr. Hodgson, but you are able to reduce the figure from 25,000 to 18,000. You must have some basis for doing that. You must be visiting these people or having contact with them, if you can reduce the figure from 25,000 to 18,000. You are leaving nine welfare workers in Newfoundland to look after 4,000 people.

**Mr. Hodgson:** The only point I was making was that a person who is already a recipient of war veterans allowance is normally one who has been dealt with. The nine welfare officers are dealing with people who are active applicants, and they are finding, as Mr. Rider said earlier, that they are able to handle cases, as a broad, general rule, within a 30-day period; and then, when they have dealt with them and obtained approval for war veterans allowance, there is no longer an active requirement.

**Senator Phillips:** I do not follow your explanation that once they have been granted war veterans allowance there is no further need of contact. If you have roughly 25,000 people out of a total number of recipients of 78,000, there must be the need of follow-up. That is one out of three. You can state that there is no need of any further follow-up once they are given their cheques, but I find that, if you will pardon me, a damn callous attitude and one I am very surprised at. You should have—you *must* have a follow-up on these people.

**Mr. Hodgson:** Perhaps I have again created a misunderstanding by my manner of expression. If so, I must say I regret it. The veterans' welfare officers are dedicated, as are the officials of the department generally, to the clients they serve. If a veteran has made an application for war veterans allowance or for assistance funds, he is dealt with as quickly as possible and in a most sympathetic and not callous manner. If afterwards there is some further requirement, the welfare officer, of course, is happy to call in again the next time he goes into that area to deal with that further requirement. The requirement might be simply a matter, as Mr. Rider was saying, of letting this veteran know—because after all the veteran is also a citizen—that he has other rights than those provided by the department. In other words, it can be a reference and information and counselling service. This is frequently done.

The only point that I was trying to make, really, was that comparing nine welfare officers with the number of 4,000 veterans on war veterans allowance could lead to a misleading conclusion that the 4,000 are the number of pending and active cases, which is not the situation.

**Senator Bonnell:** Mr. Chairman, perhaps we should get back to the War Veterans Allowance Act which is before us. We have had a good dissertation, I would think, with respect to assistance. Perhaps after we get this thing looked after, we should invite the department officials back to give us some information on how all the other acts in the department operate.

Perhaps then Senator Phillips, with his questioning, would be able to pull out the proper answers so that we can all become enlightened. But I think we have a very important bill here, and we had better get back to it.



These are the things that are important, and I realize that we are probably not familiar with all the things available to our veterans, and we should be. A good session here afterwards might be worthwhile. But first I should like to know whether there is anything in this bill that is going to remove the handicap of owning assets for people to qualify for war veterans allowance? Is this handicap of so many assets going to disqualify veterans, or has that been raised, lifted or changed in any way?

**Mr. Thompson:** This bill, in addition to increasing the rates and ceilings, will remove the limitations which now exist on assets which at the present time are restricted to \$1,250, single, and \$2,500, married. This bill proposes to remove completely the ceilings on personal property.

**Senator Bonnell:** Which section of the bill does that?

**The Chairman:** Clause 2 of the bill, which repeals section 8.

**Mr. Thompson:** Clause 2 of the bill repeals section 8 of the act, and section 8 of the act is the one which contains the personal property limitations.

**Senator Bonnell:** So, no longer will there be any restrictions on personal property assets to qualify for war veterans allowance, is that correct?

**Mr. Thompson:** That is correct.

**Senator Bonnell:** According to section 8, which is repealed by this bill?

**Mr. Thompson:** Correct.

**The Deputy Chairman:** Does that include the value of the home, the value of the car, and that sort of thing? Is that taken into consideration?

**Mr. Thompson:** That is right, Mr. Chairman, because cars and these sorts of things are all considered personal property. The value of the home is dealt with under another section of the act which says, in effect, that no assessment may be made on the value of a home up to \$10,000. The regulation that did exist, that put an assessment on the amount above \$10,000, was rescinded a few months ago, so that the act says that there shall be no assessment up to \$10,000, and the regulation that assessed it above \$10,000 has been removed, so that now there is no assessment on the value of the home.

**Senator Bonnell:** In the past, under the present legislation, many war veterans had to have a 5 per cent disability in order to qualify for war veterans allowance if they were not overseas. Has that been changed?

**Mr. Thompson:** There is what is known as a final payment under the Pension Act. A man may have been assessed at, let us say, 2 per cent, and they give him a final payment. That final payment is considered by the board to meet the requirements of the act. So,

there has been a change to that extent, but it is strictly a question of interpretation of the act; but the man must have had at least a final payment or service in a theatre of actual war.

**Senator Bonnell:** For a 5 per cent disability?

**Mr. Thompson:** Well, if he was assessed at 1 or 2 per cent and they gave him a cash payment, then that would be accepted as coming within the definition of being in receipt of a pension, so he would be eligible.

**Senator Bonnell:** Now under the War Veterans Allowance Act, as I understand it, if you are not a disability pensioner, you have to be either 60 years of age or disabled, unable to support yourself and your family, but when you are 60, as a man, you don't need the requirement of being unable to support yourself or your family, is that correct?

**Mr. Thompson:** That is correct.

**Senator Bonnell:** Provided that you qualify on other grounds—for example, that you are overseas?

**Mr. Thompson:** That is correct. And it is 55 in the case of a female veteran or a widow.

**Senator Bonnell:** Now under the term "unable to support yourself and your family", what are the criteria? How disabled do you have to be? Under the old Canada Disabled Act, administered by the Department of Welfare, you had to have one foot in the box and the other on a banana peel. Now, under the War Veterans Allowance Act I understand it is not quite that stringent. What is the requirement under the War Veterans Allowance Act for disability?

**Mr. Thompson:** Well, the act sets it forth in section 3. After dealing with age 60 or 55 it says:

(c) any veteran or widow who, in the opinion of the District Authority,

(i) is permanently unemployable because of physical or mental disability . . .

That means a question of medical assessment of unemployability, but a very important clause in that section says:

or

(ii) is, because of physical or mental disability or insufficiency combined with economic handicaps, incapable and unlikely to become capable of maintaining himself or herself . . .

You have there a combination of factors. A man may have a grade 6 or even a grade 5 education and he may have arthritis. If he were a college graduate, the arthritis might not be a factor; if he even had high school education or even a certain trade or skill, it might not be a factor; but because he is doing labouring work all his life, these things combined enable the board, in their discretion, to add these



all up and, considering where the man lives and the opportunities for employment within his capabilities, if in their opinion he meets the requirements, then he is ruled as eligible.

**Senator Bonnell:** So then education is a handicap to a war veteran?

**Mr. Thompson:** Perhaps I did not make it clear, but what I meant was that education can be an economic factor. The level of education a person is able to achieve can definitely have an influence on his ability to obtain employment.

**Senator Bonnell:** What about the ceiling in this war veterans allowance case? Has the ceiling been raised under this act? And here I am speaking of the amount that they are allowed to make.

**Mr. Thompson:** The ceiling has been raised to the same amount of dollars as the rate. The new ceiling, single, will be \$191.14 and married will be \$327.21. That retains the same difference between the rate and ceiling which existed before, where there was a \$40 difference in the rate and ceiling for a single man and \$70 between the rate and the ceiling for the married man.

**Senator Bonnell:** What do you mean in this bill by the "annual adjustment"? Without having the previous bill before us to see what the amendments mean—and there is no explanation in this bill as to what this means—I was wondering what was intended by this. It says it "is a rate equal to the product obtained by multiplying". But by multiplying what?

**Mr. Thompson:** Well, previously section 19(1) of the War Veterans Allowance Act, which was put in last year, was to provide for an automatic escalation on January 1 each year to reflect the consumer price index as at the end of September the previous year. That was to begin on January 1, 1972. What this amendment does is to update that and say that this escalation will reflect the increase based on the new rate being set, so that the increase that is included in the bill will be reflected in the base on which the calculation is made next year and succeeding years. If this had not been done, they would be tied to an escalation clause that was based on last year's base figure. So all that this does is incorporate the proposed increases into the base figure.

**Senator Bonnell:** How do you calculate a year for the purposes of war veterans allowances? Is it from October 31, December 31, March 31, or what? When is the end of your year in connection with income earned by veterans? If a veteran should earn too much money, for example, this year, when would his next year start so he could get into a new pension allowance?

**Mr. Thompson:** Let us suppose the date of his award is the 15th of the month, then his first war veterans allowance year will actually be a year plus 15 days. This then gets him on to a 12-month-year basis and from then on the end of his war veterans allowance year is each succeeding 12 months.

**Senator Bonnell:** So, every war veteran has a different year. In other words, yours is not a definite departmental end-of-year term whereby from then on you start a new income year?

**Mr. Thompson:** That is correct. Theoretically everybody could be different.

**Senator Smith:** Mr. Chairman, I hesitate to bring this matter up because I thought we were going to deal only with the War Veterans Allowance Act, but we have strayed somewhat from dealing with it.

In the first place, I want to say I think that the War Veterans Allowance Act should be relied on in more of a primary way than it is today when dealing with very difficult disability cases. I have several examples in mind, but I do not wish to spend a great deal of time on them.

I have discovered, to my shock and amazement, that a veteran with valiant service had lost his job with a law firm out in Calgary because he had a mental illness. His friends in Calgary spent so much time in trying to get him a disability pension that he had to come back home to a rural area in Nova Scotia and, you might say, live off his widowed mother. This was no way to treat this man's depression. It was by accident I heard of it. But within a very, very short time he was drawing his own war veterans allowance and it had a phenomenal effect on his recovery. He is back in Calgary now. He has regained his pride. He had felt guilty because he was imposing on his mother. Perhaps people were misguided in spending too much time in trying to get this man a disability pension, when the first thing that would come to my mind was that the man surely could get the war veterans allowance, which he did.

Another case I have in mind is a common one but is the most disturbing one I have ever heard of. It concerns a young man I have known all my life who had served in the second world war and who has been unable to work since January, 1972. That makes it a year and a quarter now. His friends—whether they are friends from the Legion or his supervisors, I don't know—spent all this time trying to get this fellow an increase in his present 20 per cent disability—10 per cent in each leg. But the trouble is not with his legs at all; he has a very crippling osteoarthritis. I saw him in the local hospital a year ago January. He has been in and out of hospital in Camp Hill ever since. They are still fighting his disability case. I doubt if he is ever going to receive more than the 20 per cent.

The point I am coming to is that it has taken two months to get the documentation from Ottawa down to the Camp Hill Hospital. It was around February 22 when they asked for the documentation, which has not yet arrived at the pensions advocate's office in Halifax. I was told that the other day. This is a bad situation for a man with three or four teenage children who are going to school and who has been without income since January, 1972. He is a man who has worked every day of his life since he came back from overseas. He was with the fisheries department at first and then he got a better job. How he is lying there worrying about his family, and all because this is the easiest access to adequate income until it is finally decided whether this is a war-related injury, or until the osteoarthritis people find a miraculous cure. He is in debt and is in a hell of a state. Surely, there is some easier way of dealing with these individual cases? This shows up a fault, not in the administration—I admire the administration—but in their attitudes in trying to solve a bad problem.

This man had too much pride to come to me or to go to anybody else. It was his local pastor who brought his case to my



attention a short time ago. I was horrified to discover that the man still was not able to get any assistance. He is going to lose his house unless something is done. This is the kind of case it is. They have been waiting two months for documentation, and when they get it I doubt that he will receive more than the 20 per cent he is now getting. Surely, with this 20 per cent and what is available to him under the welfare services, plus the war veterans allowance, this fellow will be able to pay his bills? What can I do as someone who endeavours to help people in these matters? Can I do what the Deputy Minister did this morning and use this as an example of the odd case which arises in an endeavour to get quick results in this particular case?

**Mr. Hodgson:** I must say I am glad that cases of this kind are, in our experience, very rare. They are most unfortunate cases where, quite clearly, something appears to have slipped.

In so far as the delay in the pension application is concerned, I should mention that the Canadian Pension Commission and the Bureau of Pensions Advocates are both facing unprecedented peak loads at the moment, so some degree of delay is inevitable. But, as Mr. Thompson pointed out earlier, there are a number of veterans who are in receipt of both a pension and a war veterans allowance. If the pensions advocate, in dealing with a pension application by a veteran, notes that the veteran is also in stringent economic circumstances, naturally it would be part of his normal course to refer that veteran to the welfare officer, who is probably in the same building, in order to determine whether an application for a war veterans allowance should also be submitted. Certainly, this would be the normal course.

**Senator Smith:** I judge this only on my contact with the department at various levels, including the pensions advocate in Halifax, Mr. MacFarlane, who tells me that it has been two months since he asked for the documentation. Neither Mr. MacFarlane nor anyone else has suggested that perhaps this man will be eligible for a war veterans allowance and that they will explore the matter. It was only when I found this on my desk on my return to the office this week that I found that no consideration has been given to the urgency of this matter. He is lying there with a bad neck and back, and he is going to be a hopeless cripple. And we make him wait for a year or so for some hope in life. He will commit suicide some day.

**Mr. Hodgson:** Dealing with the pension application side of the matter, every effort is being made to expedite all of them, but it is the great number of applications that is causing the delay.

However, I will undertake to suggest to the chairman of the Bureau of Pensions Advocates that he remind his people of the duties of the pensions advocates to refer people in appropriate cases to the welfare officer so their eligibility of WVA might also be considered.

**Senator Smith:** That would be very helpful, and I would expect no less from a person whose own career is so distinguished. All of us admire the way in which you operate your department. I know that you want to hear about these unusual cases. But let me say also that there is no mention made of these war veterans allowances and the pensions advocate himself does not complain.—it is not his job to

complain—but he has pointed out in very clear terms that he has been waiting for the documentation so that he can prepare his case. He cannot touch the case until he receives the documentation.

From my understanding of the nature of this man's trouble, I am satisfied that it is serious. I will give you the man's name and number so that you can endeavour to obtain help for him—that is all I ask. I am sorry if I appear to be a little passionate, but I know the family and you get close to people in these matters.

**Mr. Hodgson:** I will be glad to do whatever can be done in this case.

**Senator Bonnell:** We will hire you as the welfare officer in these cases!

**Senator Welch:** How do you feel about a war veteran who has never seen active service—he got as far as England and came back home—who is perfectly well in every respect and is drawing a war veterans allowance and has a government job? Is that man eligible for a pension? As I say, he has never seen service other than wearing a uniform as far as England.

**Mr. Hodgson:** I am not quite certain that I understand the question. But if the person in question is an ex-serviceman, and not a veteran, he could then be covered under the Pension Act for a disability he incurred which was directly attributable to his service, but not for any other disability that may have been incurred during his period in uniform. That is the basis difference between an ex-serviceman and a veteran.

Under the Pension Act a veteran is covered by what is known as the insurance principle. In other words, if the veteran had incurred a disability during his military service, regardless of whether or not it was attributable to his service, he would be covered under the Pension Act. But the serviceman who is not a veteran would only be covered for a disability which was directly attributable to his service.

**Senator Phillips:** The amendment removing the ceiling on assets is a very welcome one. I have had several cases during the last year where people have used their re-establishment credit to purchase a farm or a home, and because of the fact they are now ill and unable to farm or to maintain their home. The VLA required them to have more property than the average city lot but when they sold the property they were consequently eliminated from receiving their alms. Can you give me a figure as to the number of people who have been eliminated in this way during the last year?

**Mr. Thompson:** I am not sure I understand the question. How many people have been declined or ruled ineligible for a war veterans allowance because of excess personal property?

**Senator Phillips:** Yes.

**Mr. Thompson:** I do not have that figure, sir; it is not kept here and I am not certain that it is retained in the districts. Although I do not believe it is included in our statistical system, I will check.



**Senator Phillips:** Then how did you arrive at the decision to remove the ceiling on personal assets? You must have had a number of cases in mind, and I would like to know how many were affected.

**Mr. Thompson:** I will check, but I am quite certain that it was not built into the statistical system. This situation has been apparent for some time, and the decision was made to remove it.

**Senator Bonnell:** One could be rejected because he did not have sufficient war service, and another because of his assets, but you do not have the reasons for rejection?

**Mr. Thompson:** I would say off-hand that I do not believe that is built into the statistical system, but I could check.

**Senator Phillips:** Mr. Chairman, surely they must be in a position to tell us how many have been eliminated as recipients of war veterans allowance for various reasons?

**Mr. Thompson:** I have been informed that the districts do have the reasons for declining applications during the previous 12 months. It is not retained as a specific statistic, but declined applications are retained for a 12-month period. If the figure is important it can be obtained on a district-to-district basis.

**Senator Phillips:** Do you mean that the districts do not report to you the numbers that have been removed during the year?

**Mr. Thompson:** They are reported in the number of allowances that have been cancelled. Normally the statistics do not include the reason for cancellation.

**Senator Phillips:** I am not asking for the reasons, but the total number.

**Mr. Thompson:** I will endeavour to obtain it, but I am not certain that it is available. Is it the total numbers who have been declined?

**Senator Phillips:** No; it is those who have been in receipt of war veterans allowance which for some reason, such as the sale of property, has been discontinued.

**Mr. Thompson:** In other words, not those who were refused initially, but those who were in receipt of the allowance which was cancelled because of excess personal property?

**Senator Phillips:** Yes.

**Mr. Thompson:** We will endeavour to obtain that information.

**The Deputy Chairman:** Has an assessment been made of the number of veterans who could not qualify earlier, because of the property requirements, who might do so now that those requirements are listed?

**Mr. Thompson:** Taking into consideration the study of the income of the age group with which we are concerned in Canada,

the calculation indicated that possibly 3,440 would be eligible. Applications by three-quarters of that group would result in an increase of 2,580 and 50 per cent would be 1,720. It is a very difficult calculation, but the best figures available at that time resulted in those upper and lower limits of the bracket.

**Senator Phillips:** Mr. Chairman, I do not wish to enter into an argument with my colleague from the same province as myself. I felt our earlier discussion was very pertinent to the act.

I would now like to move into another aspect of war veterans allowance—hospitalization. Formerly, one of the benefits received by a recipient of war veterans allowance was hospitalization. This is now available to all, and I receive numerous complaints that recipients of war veterans allowance experience great difficulty when seeking admission to hospital. I shall refer later to specific cases, as Senator Smith did. Despite the fact that they are not covered by this act, I include pensioners who are not war veterans on allowance. What is the policy of the Department of Veterans Affairs in this regard, and how is priority provided for admission to hospital?

**Mr. Hodgson:** There has been no recent change in the veterans' treatment regulations governing this. Any veteran suffering from a pensionable disability is entitled to treatment at departmental expense for that disability. Any veteran who is a recipient of war veterans allowance, or who could be a recipient but for the fact that he is receiving old age security and guaranteed income supplement, is entitled to treatment for any condition at government expense. These rights are continuously observed in our own hospitals. Therefore, I see no reason for any veteran who for medical reasons needs hospitalization not receiving it at our institutions.

With regard to the institutions which we have transferred to other authorities—such as Sunnybrook Hospital in Toronto, Lancaster Hospital in Saint John, New Brunswick and Ste. Foy Hospital in Quebec City—we continue to maintain an entitlement staff within each to determine the entitlement of veterans. In each of those hospitals a number of priority beds are provided for veterans. This is stipulated in the transfer agreement with respect to the three hospitals. After the transfer of Sunnybrook Hospital there was a period during which there seemed to be some degree of unhappiness in connection with alleged non-admission of eligible veterans. This was years ago and in the last few years the complaints have been very few, and justified complaints even fewer.

If Senator Phillips is aware of particular cases, we would be very happy to investigate and ensure that the intent of the regulations is carried out.

**Senator Phillips:** Since you stated you would be happy to investigate specific cases, I will put this on the record and give names and dates after we adjourn. A particular individual I have in mind is 85 years of age, a veteran of World War I, in which he was gassed. In World War II he won the B.E.M. He became very ill in the morning and the family doctor, finding that no beds were available at the Civic Hospital, had an ambulance take the man to the National Defence Medical Centre. The hospital was 40 per cent occupied, and, as you know, they have a rule at that hospital that



there should not be more than 60 per cent occupancy, despite the fact that they have staff for 120 per cent occupancy. He meets this particular individual, Dr. Potvin, who tells him that he is not running a baby-sitting service and refuses to admit him; and it was only after the granddaughter phoned his Legion branch that he was admitted. Then, after being in there for a week, he was told to call a cab and go home. He arrived home in his pyjamas. His clothes were at home because he left home early in the morning in an ambulance.

I think this is pretty damn shoddy treatment for a veteran of two wars and 85 years of age. I was incensed when I heard about it two or three days ago. It is one that I do not intend to let go. I can assure you that I am going to be on your back on that one for some time, until you correct that situation.

**Mr. Hodgson:** I have no previous knowledge of this particular case. The National Defence Medical Centre is, of course, not an institution operated by the Department of Veterans Affairs; but if the senator will give me the name and particulars of this particular veteran, I shall be very pleased to look into it and see what could or should have been done.

**Senator Phillips:** It is my understanding that it is called the Rideau Terrace . . .

**Mr. Hodgson:** The Rideau Veterans Home?

**Senator Phillips:** Yes. It is right nextdoor to this hospital. When it was built as a tri-service hospital, it was supposed to look after war veterans. I should like to go into this aspect and clarify that before I start getting on your back on this.

**Mr. Hodgson:** It is true that the National Defence Medical Centre does provide beds for veterans in the Ottawa area under a special arrangement, and I will be very pleased to look into this case.

**Senator Thompson:** Mr. Chairman, in making my remarks, I join with other senators in saying that I appreciate the distinguished service of the deputy minister and his colleagues. I am sure we do not wish to imply in our questioning that we think you are inhuman. However, we may have questions with respect to limited aspects of the act.

I assume that one of the principles embodied in the War Veterans Allowances Act is that veterans, because of their war service and the emphasis on duty implied by their fighting for their country, are in a privileged position. If that is a principle embodied in the act, I should like to ask how you arrived at the maximum figures. Did you look at the maximum of welfare benefits given by each of our provinces, or at the poverty figures arising from the Poverty Committee investigation, and decide that "privilege" means that the amount of money will be at least above the maximum of welfare provided by any province, and above the poverty figures? On what basis did you arrive at the figures?

**Mr. Hodgson:** Mr. chairman, I think the record will show that one of the principles of the act is that the service of these people should be recognized and that they should be given economic support when needed. The actual amounts of rates and ceilings is a

subject which has been under continuous review for many years, and periodically the matter is reviewed by the government and a decision made. It will be appreciated that the decision made at any particular time is of itself a policy decision.

With respect to this bill, I think I can best say that the increases proposed in both the rates and the ceilings are identical with those proposed in the old age security bill for OAS and GIS recipients; in other words, that the two are being adjusted concurrently, not in relation to any third standard but in relation to each other.

**Senator Thompson:** But do you take, for example, the provincial welfare benefits that someone would receive in British Columbia or Ontario and say, "Recognizing that this is an act which gives privilege to veterans, in view of the welfare benefits paid by the provinces, we will see that a veteran gets as much as, if not more than, the welfare benefits provided by any province"? Have you looked at those figures?

**Mr. Hodgson:** The War Veterans Allowances Act and, indeed, the Pension Act have been escalated almost every two years for many years, and at these various times of review all of the other relevant statistics are taken into account by governments.

**Senator Thompson:** All provincial welfare benefits are taken into account?

**Mr. Hodgson:** Provincial, federal, and any other relevant figures are taken into account before a determination is made. The point I was trying to make earlier was that this bill, in a sense, could be regarded as being mechanical rather than fundamental. That is to say, what is happening is that the increase that is being instituted in war veterans allowances is simply the precise increase that is being proposed for old age security. It is not in relation to other criteria; it is simply in relation to the change that is happening in OAS. So the relativity of the two will remain unchanged.

**Senator Thompson:** I have two further questions. One is that under the war veterans allowances, am I to understand that a veteran who lives overseas cannot receive this?

**Mr. Thompson:** A veteran, to qualify as a recipient of the allowance, must live in Canada for 12 months before leaving the country. He must live in Canada for 12 months, and he must leave as a recipient. He can then go anywhere in the world and draw the war veterans allowance. But if he is living outside the country and applies, he cannot be granted the allowance initially.

**Senator Thompson:** Why is that? Can you give me a reason for that?

**Mr. Thompson:** Again, this has been a question of government policy. Initially it could not be paid under any circumstances outside the country. The act was then amended to permit it to be paid. The thought was expressed at that time that there were people whose families lived in other countries, and this would enable them to join them. It was felt also that some people, for reasons of health, should be allowed to go. So this part of the act was amended to



enable the people going out of the country to take the allowance with them. The act was not amended so that one could remain outside the country, apply for and receive benefits.

**Senator Thompson:** Yet, as I understand it, you can live outside the country and still receive your old age pension.

**Mr. Thompson:** I may be wrong in my understanding, but I do not believe you can send in for it. You can take it out with you, as you can under the War Veterans Allowance Act. You can receive the allowance here and, if you have been living in Canada for one year before your departure, you can take it out with you. However, initially, you cannot write in for it from abroad and receive it.

**Senator Thompson:** My third question relates to the formula for the assistance fund. Could I direct that question to you, Mr. Rider?

**Mr. Rider:** It is applied in a uniform manner in all district offices. There are 18 district offices where there is a district authority . . .

**Senator Thompson:** My question is at to how you arrive at the formula, not the manner in which it is applied. Is there uniform application across Canada?

**Mr. Rider:** Yes, senator.

**Senator Thompson:** In other words, in an area such as Toronto, where the cost of living is higher, the same basis is applied?

**Mr. Rider:** No. The same items are included in the formula, but not necessarily the same dollar amounts. For example, shelter costs—which include rent, taxes, utilities and fire insurance—are based on what the veteran pays wherever he happens to live in Canada. The food formula is a calculated amount, which varies according to the costs in the various parts of Canada. Items such as clothing and personal care are fixed costs, but the bulk of the items in the formula are either allowed at the actual costs to the individual or at an amount which is related to the local situation.

**The Deputy Chairman:** Does that not freeze the veteran at whatever level he is when he makes his application? In other words, if he is in poor circumstances when he makes his application he obviously is not going to have very high living costs, such as taxi bills, clothing bills, and his food bill might be somewhat skimpy, too. Is there any way of applying the formula so that he can better his standard of living? If you criteria are his costs at the time he makes his application, then I do not see how he can improve his standard of living.

**Mr. Rider:** The assistance fund cases are reviewed once a year, Mr. Chairman, and if costs have changed, then the welfare officers report this and a recalculation is made. If at that time there is some leeway, then the amount of assistance is increased. In other words, if the rent goes up at any time, the man can write in and tell us, and a recalculation will be made.

**The Deputy Chairman:** What if his food bill increases?

**Mr. Rider:** His food allowance is not based on what he says it costs; it is based on the formula, which is escalated annually according to the consumer price index.

**The Deputy Chairman:** But he is not eating any better; he is at the same level he was at when he applied for benefits. The only difference is that it is costing more, and because it costs more his allowance is increased, but his fare has not improved; his standard of living has not improved, as I understand it. I should like to have that point cleared up.

**Senator Phillips:** And he is still below the poverty line, as you pointed out.

**Mr. Rider:** That would be the case . . .

**The Deputy Chairman:** So that if a person is at a relatively low level as far as his standard of living is concerned when he comes in, then he is kept at that level. There is no way that he can improve his standard of living.

**Mr. Hodgson:** Mr. Chairman, I wonder if there is a misunderstanding. There seems to be the impression that a veteran who happens to be living frugally receives less in the way of food allowance from the assistance fund than one who is eating well, and that, therefore, the former of these two people might be suffering from year to year. This is not the case. The food allowance in both cases is the same.

**Mr. Rider:** That is right.

**The Deputy Chairman:** The same as what? I do not quite follow that.

**Mr. Hodgson:** It is the same allowance for both the frugal one and the less frugal one.

**Senator Bonnell:** The one eating hamburger and the one eating T-bone steak receive the same amount of money.

**Mr. Hodgson:** Yes, and that amount of money is escalated, as Mr. Rider said, each year, based on the consumer price index.

**The Deputy Chairman:** I understood him to say that it was based on the actual costs.

**Mr. Rider:** No, I said that the shelter costs are actual costs; the food allowance is a calculated amount.

**The Deputy Chairman:** Well, it is calculated on the basis of the standard for the area in which the veteran lives.

**Mr. Rider:** Yes.

**The Deputy Chairman:** So, if he is living in a poor community, then he is worse off than a veteran living in a more affluent community. That is what I am getting at.



**Mr. Rider:** For example, the same amount is allowed for food for all recipients in Newfoundland, which is a DVA district, and the calculations were made according to the 18 districts across the country. The allowance for food varies, depending on the part of the country the veteran lives in. For example, the amount allowed for food in Newfoundland is greater than that allowed in Charlottetown, Montreal, Hamilton or London, because the studies show that food costs are higher in Newfoundland than in those areas.

**The Deputy Chairman:** Yes, but that still does not answer my question. Does the veteran have to stay at the level he is at when he comes in? That is what I am trying to get at.

**Mr. Rider:** For example, if a single man comes on the assistance fund, he is allowed just about \$58 a month for food. The only time that amount changes is when it is escalated annually according to the consumer price index.

**The Deputy Chairman:** So that if he was paying \$58 a month before he came in, then he gets \$58 a month; and if he was paying \$65 a month for food when he came in, then he again will only get \$58 a month.

**Mr. Rider:** That is right, and if he was paying \$42 a month when he came in, he would receive \$58 a month.

**Senator Bonnell:** I has been so long since I indicated I wanted to ask a question that I have forgotten what my question was.

Somewhere along the line I believe the Deputy Minister said that certain people who were receiving war veterans allowance at one time in their lives might lose their allowance because they become eligible for old age security payments and are, therefore, no longer qualified for actual dollar payments under the War Veterans Allowance Act. However, these people, as I understood what the Deputy Minister said, would still be entitled to free drug treatments, free appliances, and so forth—in other words, war veterans allowance benefits as opposed to cash. In this the case for all war veterans allowance recipients who were previously eligible, with the only reason for their being disqualified being the fact that they are receiving old age security? Would they still be entitled to free drugs, free appliances, free glasses and so forth?

**Mr. Hodgson:** Any veteran who is a recipient of war veterans allowance, or could be a recipient of war veterans allowance but for the fact that he is receiving OAS or GIS, would have the full treatment rights under the treatment regulations.

**Senator Bonnell:** Would I be correct in thinking that a veteran aged 65, who had not up to that time applied for war veterans allowance because he was working and had an income, and who does not now qualify because he is eligible for old age security, could apply for free drugs and other benefits under the War Veterans Allowance Act?

**Mr. Hodgson:** If his income is in excess of the tests under the War Veterans Allowance Act, then he could not. However, he could be a recipient of WVA if he were not receiving OAS. Under those circumstances, he would have the treatment rights.

I do not believe I can explain that by giving you an example. However, any person who might have qualified for war veterans allowance, if he were not receiving the old age security payments, would be covered.

**Senator Bonnell:** So it is possible that a lot of people over the age of 65, who never applied because they were then in the work force and are now retired, are entitled to free drugs and free appliances, et cetera, if they make an application to the War Veterans Allowance Board for assistance, if their income from old age security is all that prevents them getting it?

**Mr. Hodgson:** If the only reason is the fact that they are receiving old age security or guaranteed income supplement, yes.

**Senator Bonnell:** There are people receiving war veterans allowance who eventually become so disabled that they are no longer able to look after themselves at home; they end up in nursing homes rather than in active treatment hospitals, or in some of the government institutions, where the rate to maintain them could be anywhere from \$15 to \$30 a day. The war veterans allowance certainly would not pay that rate; they would not have enough income. Is the assistance program broad enough so that the full rate of maintenance can be paid for in an institution, nursing home or somewhere else, at the actual cost of maintaining that veteran? In other words, if it costs \$15 a day to keep a veteran in a nursing home, will the assistance program under the welfare department pay that extra money?

**Mr. Hodgson:** I am afraid my answer will have to be tentative. We are getting a little distant from the subject of this bill. The entitlement to treatment under the veterans treatment regulations would apply in the case of either active treatment or chronic care. In either case it could be obtained for a war veterans allowance recipient, or somebody who except for receipt of OAS or GIS could be a war veterans recipient, at departmental expense. However, this does not apply to domiciliary care, a bed and board situation, where there is no hospital treatment at all. The reason I say my answer is tentative is because of the grey area that lies between domiciliary care, bed and board, on the one hand, and chronic care, which is a form of hospitalization, on the other.

**Senator Bonnell:** One becomes more or less a custodial welfare type of thing, and should therefore be paid for under the assistance program of welfare for veterans, rather than through the war veterans allowance. I can see that a man in hospital receiving chronic care is entitled to free medical benefits.

**Mr. Hodgson:** That is correct.

**Senator Bonnell:** That is the same as if he is in an active hospital. I am talking about the man who is beyond that; he has fought for his country, he is totally disabled, he is bedfast and needs care. Is he to rely on his neighbours and friends paying for him, or will the welfare department of the Veterans Affairs pay the actual cost in a maintenance home?

**Mr. Hodgson:** I will answer that question in part, and perhaps Mr. Rider will supplement what I say. In the departmental



institutions we accept veterans for domiciliary care, provided there are beds that are not required for chronic care or active treatment of veterans. In those instances we do take care of a certain number. I do not know the total number across Canada who might be involved in such domiciliary care, in the sense of bed and board; it would be something over 1,000 and less than 2,000—something of that order. In the case of a man who may be going into an institution other than ours, the only other resources we have are war veterans allowance and the assistance fund.

Mr. Rider, can you amplify that?

**Mr. Rider:** The assistance fund, of course, does not provide for a payment such as you mentioned, senator. In other words, the amount available from it, the difference between the war veterans allowance rate and the ceiling, would be inadequate to cover that. When a veteran is in, as you say, a nursing home, the war veterans allowance is paid, the assistance fund is paid to the maximum, and the community, I think through provincial funds, will often, when we are paying all we can, subsidize the veteran so that he can stay, and his way will be paid for in that home.

**Senator Bonnell:** The province pays?

**Mr. Rider:** Yes, sir.

**Senator Bonnell:** But the Department of Veterans Affairs does not pay for that veteran if he gets into a home?

**Mr. Rider:** We pay up to the ceiling of war veterans allowance through the war veterans allowance and the assistance fund, and then the province picks up the rest.

**Senator Bonnell:** In other words, you have a ceiling on the rent you pay?

**Mr. Rider:** That is right.

**Senator Bonnell:** You only pay rent up to so much per month?

**Mr. Rider:** We can provide only so much income a month to the man.

**Senator Bonnell:** But you said earlier you supplied his needs. Here is a man who can prove his needs, because he can give you the bill each month, how much it is costing him; but you do not really supply his needs, you only supply his needs provided he maintains himself in a home somewhere.

**Mr. Hodgson:** It will be recognized that this veteran is also a citizen, and as a citizen he is entitled to all the rights of other citizens. There are only certain things that arise from military service. For example, old age is not something which, of itself, will arise from military service, although premature old age certainly might.

**Senator Bonnell:** We have the Old Age Security Act, which takes care of that, plus the guaranteed income supplement and the Canada Pension Plan that help. We have all those things, but they take care

of all citizens. Here we are dealing with this special person, a veteran who has fought for his country, and so on. We hate to see him on the road depending on the neighbours to look after him in a home, and I think some consideration should be given to looking after these men in custodial type homes.

**Senator Phillips:** I support Senator Bonnell's viewpoint. As I pointed out earlier, one advantage the recipient of a war veterans allowance had over any other citizen was hospitalization. Once hospitalization was made general for everyone, he lost that advantage. Now, if he goes into a nursing home or an old people's home, under what terms does he go in? Most of the homes operated by the provinces or privately allow the old age recipient \$15 and the province pays the difference. What do you allow the recipient of a war veterans allowance?

**Mr. Rider:** He goes in under exactly the same conditions. His war veterans allowance is paid, his assistance fund is paid; the home allows him \$15, the same as it would anybody else, and it pays the balance.

**Senator Phillips:** In other words, it has been decided that at 65 he is no longer a veteran and has no advantage over anyone else.

**Mr. Rider:** No, sir. He is still a veteran and he is getting the benefits that Parliament has authorized the department to pay.

**Senator Phillips:** What are those benefits above age 65 that the ordinary old age recipient does not receive?

**Mr. Rider:** At age 65 he can have old age security, he can have the guaranteed income supplement from the Department of National Health and Welfare, and any income that is required to take that up to the ceiling of the War Veterans Allowance Act will be paid as war veterans allowance.

**Senator Phillips:** Every other citizen receives that.

**Mr. Rider:** No, sir, every other citizen does not receive war veterans allowance, because he must be a veteran.

**Senator Phillips:** But he receives equivalent benefits, the same items that you cited, Mr. Rider.

**Mr. Rider:** Some provinces subsidize old age security in guaranteed income supplements; some do not. This varies greatly between provinces.

**Senator Phillips:** The bill introduces a new term, "income". It also refers to the old term, "casual earnings". What is the distinction between "income" and "casual earnings"?

**Mr. Thompson:** Income is referred to in section 6 of the act in that it lists income which does not count as income; it lists the exempt income. The regulations list the things that are considered as income. The act says:

For the purpose of the act and these regulations "income" includes the net amount or value of all income, gratuities,



contributions and payments received whether in cash or kind, except . . .

Then it lists the exceptions. Among the exemptions that are provided for in the act are casual earnings. These casual earnings of the recipient are not defined in the act. They are defined in the regulations as being income that is not in excess of \$1,000 for a single recipient and \$1,500 for a married recipient. That was recently increased from \$800, single, and \$1,200, married, and it is now \$1,000 and \$1,500. So the difference is only in the fact that the act provides that casual earnings are not income, and the regulations define what casual earnings are, income from any employment up to \$1,000, single, or \$1,500 married. That is what makes the distinction between casual earnings and income.

**Senator Phillips:** For clarification, let us say an individual has income of a certain amount, say the maximum allowed under the act, from bank interest, bond coupons, and so on. Is he then allowed to make these casual earnings in addition to that?

Say that a war veteran receives the maximum for a married person or a single person and also has the maximum income. What casual earnings can he have in addition to his income plus his war veterans allowance?

**Mr. Thompson:** Actually a single man may have casual earnings of \$1,000 at any time during the twelve-month period. Earnings up to \$1,000 do not count as income; they start to count on the first dollar above \$1,000. He can also use up the \$40 a month to the total of the difference between the rate and the ceiling, to the extent of \$480 a year. So, in the absence of any other income except the war veterans allowance, he could earn up to \$1,480 a year without the amount of his allowance being altered.

**Senator Phillips:** I am still not satisfied that the interest from moneys derived from selling a home are not included in casual earnings.

**Mr. Thompson:** Under this bill, when a man sells his home the cash that he gets for it will not count against his allowance, but the interest from it will. The only interest that is exempted by the act is to the amount of \$50. Anything above that counts as income, but the cash itself will not work against him.

**Senator Phillips:** This particular individual receiving interest cannot have casual earnings in addition to the interest?

**Mr. Thompson:** This would depend on a combination of circumstances. The interest could become sufficient to make him ineligible for the allowance, depending on how large an amount of capital we are speaking of. If he is in fact receiving the allowance as a recipient, he is entitled to those basic casual earnings as casual earnings, not as interest income, without interfering with his allowance, up to the ceiling of \$1,000, single, and \$1,500 married. As long as he is a recipient, he is entitled to those casual earnings exemptions as casual earnings.

**Senator Phillips:** Let us say he receives \$500 a year in interest, then his casual earnings would be reduced by that amount?

**Mr. Thompson:** Actually, sir, because of the specific exemption of \$50, his casual earnings would not be reduced by that amount. His total income would be affected by this, but his casual earnings would not be. If he received \$500 in interest, \$50 of that is exempt by the act, so he has \$450 of income, and that \$450 of income—if I follow your figures correctly—would go against the \$480, which is the difference between the rate and the ceiling, which would leave him \$30, plus the \$1,000 casual earnings that he is permitted, so he would be permitted \$1,030, in the absence of any income other than that which you have specified.

**Senator Phillips:** Thank you.

**Senator Bonnell:** Under the old act, if a man sold his home, receiving \$500 or \$1,000 per year payment on that home until it was paid for, that was counted against him as income—is that correct?

**Mr. Thompson:** That is correct, unless there was a mortgage payable—in which case there is a regulation which says that he could offset the mortgage receivable against the mortgage payable; only the difference would count as income.

**Senator Bonnell:** Under the new act, that no longer counts as income?

**Mr. Thompson:** Under the new act—that is, under the act as it will be amended if this bill is passed—the interest portion of the mortgage receivable will count as income. The principal portion of the mortgage receivable will count as personal property, the return of assets, and will not count against him, but the interest would have to count against him the same as interest from bonds.

**Senator Bonnell:** But the capital part of the payment would not count as income after this act becomes law?

**Mr. Thompson:** The principal portion will not count as income.

**Senator Bonnell:** So there are quite a few veterans in that category whose payments will be adjusted?

**Mr. Thompson:** Yes, there will be a number that will be affected.

**The Deputy Chairman:** Mr. Thompson, could you tell us how many WVA recipients are under 60 years of age?

**Senator Bonnell:** Are you talking of women, as well—at age 55? the age specified in the act for women is 55.

**Mr. Thompson:** The figure is approximately 14,000. I can get you more precise figures.

**The Deputy Chairman:** Honourable senators, do you want to take the bill as a whole, or clause by clause?



Senator Smith: I move that we report the bill without amendment.

Hon. Senators: Agreed.

The Deputy Chairman: Motion carried.

Before adjourning, we wish to express our thanks to the witnesses who have come here today and who have assisted us so much in our work. Thank you very much.

The committee adjourned.

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THE SENATE OF CANADA

PROCEEDINGS OF THE  
STANDING SENATE COMMITTEE ON

HEALTH, WELFARE  
AND SCIENCE

The Honourable CHESLEY W. CARTER, *Deputy Chairman*

Issue No. 3

THURSDAY, APRIL 5, 1973

Complete Proceedings on Bill C-147

"An Act to amend the Old Age Security Act"

REPORT OF THE COMMITTEE

(Witnesses and Appendices—See Minutes of Proceedings)









FIRST SESSION—TWENTY-NINTH PARLIAMENT

1973

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THE STANDING SENATE COMMITTEE ON  
HEALTH, WELFARE AND SCIENCE

*Chairman:* The Honourable Maurice Lamontagne, P.C.

The Honourable Senators:

Argue	Goldenberg
Blois	Hastings
Bonnell	Inman
Bourget	Lamontagne
Cameron	McGrand
Carter	Phillips
Croll	Smith
Denis	Sullivan
Fournier ( <i>de Lanaudière</i> )	Thompson
Fournier ( <i>Madawaska- Restigouche</i> )	van Roggen (20)

*Ex officio Members:* Flynn and Martin  
(Quorum 5)

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# Order of Reference

# Minutes of Proceedings

Extract from the Minutes of Proceedings of the Senate,  
Wednesday, April 4, 1973:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Denis, P.C., seconded by the Honourable Senator Fournier (*de Lanaudière*), for the second reading of the Bill C-147, intituled: "An Act to amend the Old Age Security Act".

After debate, and—

The question being put on the motion, it was—  
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Denis, P.C., moved, seconded by the Honourable Senator Fournier (*de Lanaudière*), that the Bill be referred to the Standing Senate Committee on Health, Welfare and Science.

After debate, and—

The question being put on the motion, it was—  
Resolved in the affirmative."

ROBERT FORTIER,  
*Clerk of the Senate*



# Minutes of Proceedings

Thursday, April 5, 1973.

(3)

Pursuant to adjournment and notice the Standing Senate Committee on Health, Welfare and Science met this day at 10.05 a.m.

*Present:* The Honourable Senators Carter (*Deputy Chairman*), Argue, Bonnell, Cameron, Croll, Denis, Fournier (*de Lanaudière*), Martin and Smith. (9)

*Present but not of the Committee:* The Honourable Senators Fournier (*Restigouche-Gloucester*), McElman, McLean, Molgat, Petten, Welch and Yuzyk. (7)

*In Attendance:* E. Russell Hopkins, Law Clerk and Parliamentary Counsel.

The Committee proceeded to the consideration of Bill C-147, "An Act to amend the Old Age Security Act".

The following witnesses were heard in explanation of the Bill:

Norman A. Cafik, M.P.,  
Parliamentary Secretary to the  
Minister of National Health and Welfare.

Miss N. O'Brien,  
Director, Legislation and  
Policy Development and Review  
(Income Security Branch),  
Health and Welfare Canada.

During the discussion that followed, the officials of Health and Welfare Canada were requested to supply in writing additional information relating to Bill C-147, which was unavailable at the time of the meeting. It was *agreed* that this material would be printed as an appendix to today's proceedings. (*See Appendices A, B and C*)

On Motion of the Honourable Senator Croll, it was *Resolved* to report the said Bill without amendment.

At 11.35 a.m. the Committee adjourned to the call of the Chair.

ATTEST:

Patrick J. Savoie,  
*Clerk of the Committee.*



# Report of the Committee

Thursday, April 5, 1973.

The Standing Senate Committee on Health, Welfare and Science to which was referred Bill C-147, intituled: "An Act to amend the Old Age Security Act", has in obedience to the order of reference of April 4, 1973, examined the said Bill and now reports the same without amendment.

Respectfully submitted.

C. W. Carter,  
*Deputy Chairman.*



# The Standing Senate Committee on Health, Welfare and Science

## Evidence

Ottawa, Thursday, April 5, 1973

The Standing Senate Committee on Health, Welfare and Science, to which was referred Bill C-147, to amend the Old Age Security Act, met this day at 10.05 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-147, and with us is Mr. Norman Cafik, M.P., Parliamentary Secretary to the Minister of National Health and Welfare. I will ask him to introduce the departmental officials with him and to make an opening statement.

**Mr. Norman A. Cafik, M.P., Parliamentary Secretary to the Minister of National Health and Welfare:** Thank you very much, Mr. Chairman. I have with me today Miss N. O'Brien, Mr. B. W. Mellor and Mr. J. B. Bergevin, who will assist me. I would like to apologize for the minister's being unable to attend today. I am sure all senators know of the overall review of social policy in Canada leading up to a federal-provincial conference of welfare ministers which will take place during Easter week. The minister, by long-standing commitment, has spent this week visiting the representative ministers, province by province, to give them a fore-knowledge of what will be proposed at the federal-provincial conference. I will do whatever I can to explain the bill and to deal with questions which you may put forward.

By way of a brief opening statement, Bill C-147 is quite short and simple. Basically it is designed to achieve the following objectives.

Clause 1 is an amendment intended to increase the universal amount of the old age security payment to \$100 per month.

Clause 2 is a technical amendment required because last year the increases in old age security and guaranteed income supplement were retroactive to January 1. At that time it was necessary to amend the act to provide for such retroactive payment. This year we wish to regularize the situation by adopting the normal fiscal year end of March 31, rather than January 1. This amendment will return the provision to its original form.

Clause 3 is concerned with the calculation of guaranteed income supplements as it relates to the Canada Pension Plan. Previously, Canada Pension Plan income for the purpose of calculating guaranteed income supplement payments was projected into the current year, whereas income from all other sources was in relation to the

previous year. In order to correct that anomaly, this amendment is put forward so that income from the Canada Pension Plan will be treated as is any other form of income; it will be treated in terms of the preceding year rather than projected for the current year. This amendment will normalize that situation.

I could emphasize or try to underline the importance that we attach to the bill. As all honourable senators know, this is effective April 1. The cheques will be going out—hopefully, if it is given royal assent—for payment by the end of the current month; and in order to be able to do that it is important that we have royal assent as quickly as possible, to be able to meet that deadline, so that old age pensioners will, in fact, receive in the current month the benefits they will be entitled to under this act.

Thank you, Mr. Chairman.

**Senator Croll:** Let us assume for a moment an applicant who wants the guaranteed income in addition to the old age pension. Let us take a man from an outlying district—say, Williams Lake in British Columbia, a cove in Newfoundland, a small town, or a large city, or somewhere else. How do you deal with him, to find out what you want to know about him? A man writes to you. Take us through the procedures to show us what is common to the applicants or what is the difference between them, if there is a difference.

**Mr. Cafik:** You mean with respect to how he applies, and how he receives the guaranteed income supplement?

**Senator Croll:** Yes; that is what I want.

**Miss N. O'Brien, Director of Legislation and Policy Development and Review, Income Security Branch, Department of National Health and Welfare:** We send an application form to each pensioner who received the guaranteed income supplement in the previous year.

**Senator Croll:** Start with one who had never received it before and who writes to you and says, "I want the supplement."

**Miss O'Brien:** We send him an application form, which is as simple as possible, on which he gives us details of his name and so on, the name of his spouse, if any, his marital status, and his income from all sources for the previous year. There are a number of sources listed. We also send him a booklet which explains the program and is also a guide to completing the application form. If he has any problems in completing it, and lets us know, we will be happy to send someone out from the regional office to see him. If he is closer to an income tax office, and it is a question of how he



should declare his income, or what he has to declare, and he is not sure, he can look to them for help and it will be provided. In addition, if there is a Canada Pension Plan office nearby, he can go there. Certainly, he can come to us and explain his problem. If it is something which can be explained by correspondence, we will do that; if not, we will arrange to have one of our people go out to see him.

**Senator Croll:** When I speak of Williams Lake, I assume you know where that is.

**Miss O'Brien:** Yes.

**Senator Croll:** He sends in his application form. It may need some correction. Do you accept that, and do you deal with it at that time and say he is entitled either to the full or partial supplement?

**Miss O'Brien:** Yes, indeed.

**Senator Croll:** Do you ever check back?

**Miss O'Brien:** The income that anyone declares is subject to a check with National Revenue taxation. That is done, of course, after the fact. It is done because the National Revenue taxation records are not available for the previous year at the time the person may be applying; but subsequently a check can be made of the taxation records. Pensioners are informed of this, that they are subject to a check by National Revenue taxation.

**Senator Croll:** And National Revenue will give you the information for that purpose?

**Miss O'Brien:** We will provide them with what has been told to us by pensioners. They will tell us if there are discrepancies between their information and ours, and we will approach the pensioner.

**Senator Croll:** Will you give him his cheque immediately and check his case afterwards?

**Miss O'Brien:** That is right.

**Senator Croll:** Do you sometimes find an overpayment?

**Miss O'Brien:** Yes, sometimes. These have to be recovered from future payments. We try to assess the individual's circumstances and income, and we gear the amount of recovery, of what will be deducted from his future entitlement, to a level that will not cause hardship. We will spread it over quite a period.

**Senator Croll:** Compared with the man in Toronto or Ottawa, who can walk into an office and be attended to, it may take two months before a man living in an outlying district can get it. Will you pay him as of the date of application or as of the date that you reached your conclusion? When?

**Miss O'Brien:** Even before the date of application, if there is entitlement. There is provision in the law for going back 12 months; so, even if he was late, we would pay him retroactively. He applies each year for benefits for one fiscal year. Subsequently, each year

that same man would receive an application and he would apply for the new year. His entitlement would be based on his income for the previous year. He would give a statement of his income each year.

**Senator Croll:** What is the percentage of error over the year?

**Miss O'Brien:** I do not think we can give you an exact figure.

**Senator Croll:** I am not interested in an exact figure—an approximate one.

**Miss O'Brien:** It is not yet possible to check 100 per cent of the accounts with National Revenue. We will be computerizing the OAS program, but it has not been done yet.

**Senator Croll:** A man in an outlying district receives the same kind of treatment as one who lives in a large metropolitan area?

**Miss O'Brien:** Certainly.

**Senator Croll:** The same treatment?

**Miss O'Brien:** Certainly. If he cannot come to us, we will go to him.

**Senator Argue:** My question is perhaps outside the scope of the bill. A couple of months ago I was speaking to a lady who has been entitled to receive old age security for five years, but for reasons that I cannot understand she has never applied for it and does not receive it. She does not speak English very well, and she is terrified of becoming involved with the government. I didn't know there were any people like that! If she applied now, could she get her cheque backdated to when she became eligible, or does it apply for only one year?

**Miss O'Brien:** There is a limit of one year.

**Senator Argue:** We had an interesting discussion in the Senate yesterday. The suggestion was made that the old age security pension should be increased to \$200 a month. What would that increase cost the country?

**Senator Martin:** That would come under public assistance.

**Senator Argue:** It would reduce the guaranteed income supplement, but what would it cost the country if the pension of \$100 was increased to \$200?

**Senator Denis:** I have the figure for an increase to \$150. It is \$1.1 billion.

**Senator Croll:** \$1.1 billion more than it is now?

**Senator Denis:** Yes. For persons aged 65 and over, if the pension is increased to \$150 the increase would amount to \$1.1 billion.

**Mr. Cafik:** I have some tables in front of me. We have not multiplied them out, but at the moment, in 1972-73, the number of people receiving OAS benefits is 1,803,378. Your proposal, senator,



would be \$100 times that figure, which I think would be \$1.803 billion.

**The Deputy Chairman:** And if you doubled that?

**Senator Argue:** You would save a little on the guaranteed income supplement.

**Mr. Cafik:** I do not think there would be any effect on the GIS, because one is not related to the other; one is not considered as income in relation to the GIS.

**Senator Argue:** What if the eligible age were reduced to 60? I am sure you have had similar questions before in the House of Commons, but I thought that for purposes of third reading debate it might be interesting to have this information.

**Mr. Cafik:** In response to the question as to lowering the age, say, from 65 to 60, if that were to be done on an increment of one year at a time, which is being considered by many people, the effect for 1973-74 would be an increase in expenditures of \$191 million; for 1974-75, which would take the 63s and 64s into the system, the expenditure would be another \$413 million; for 1975-76, which would take in the 62s, 63s and 64s, the expenditure would be \$667 million; for 1976-77, which would take in 61 through to 64, it would be \$953 million; and for 1977-78, bringing us right down to age 60, the cost would be \$1.2758 billion.

I do not have the exact figure, but if we were to drop the eligibility age to 60 for the immediate current year in one swoop, I should think the cost would be in the area of \$1 billion or more.

**Senator Argue:** And if you were to drop the age to 60 for the spouse?

**Mr. Cafik:** On an annual increment basis for spouses only, the cost for the first year would be \$14.2 million; the second year, \$33.8 million; the third year \$50.2 million, the fourth year, \$68.4 million. The effect of adding spouses, if they are not in that age group normally entitled under the present act, for the whole five-year period, 1962 to 1965, would be \$86.3 million. (See appendix "C")

**The Deputy Chairman:** Are there any further questions?

**Senator Argue:** If no other senator has a question, I should like to get some information respecting the supplements paid to pensioners in nursing homes. I have some figures which show that as of a recent date the comfort allowances vary. Manitoba seems to be the lowest, at \$14.21 a month for a socially active person, going up to a projected increase April 1 in Quebec of \$50 a month. What efforts, if any, have been made to persuade the provinces to provide a more adequate comfort allowance? What efforts, if any, have been made to persuade the provinces and others to pass on the increase provided for in this legislation?

It is a terrible thing that the very groups of pensioners who need this increase most—and I think that these people are the ones who need it most—may not, in many provinces, as things transpire, get a

penny extra as a result of this legislation. I have had these people come to me personally and I can tell you that they literally weep. They hear on the radio or television that the federal government is increasing the old age security pension or the guaranteed income supplement, and are elated at the thought of getting another \$10 a month; and then they find out that all the satisfaction they get is signing over to the authorities a cheque of a larger amount than the last one. What has your department been doing in this respect?

**Mr. Cafik:** That is a very important question, senator, and one that is of considerable concern to the department. It goes without saying that the establishment of the comfort allowance is within provincial jurisdiction; the provinces determine what the comfort allowance is to be. We would certainly like to see the benefit of this increase go directly to the old age pensioners, but in the case of those living in provincial institutions and being cared for in that way there does not appear to be anything we can do directly from a jurisdictional standpoint. The only means we have is by way of persuasion in our discussions with the provinces in the hope that they will respond in what we consider a responsible way to see that those pensioners in the homes get at least some benefit from the increase provided for in this legislation. This is a difficult and tough problem with which to deal.

I alluded earlier to an overall review of social policy which is to take place during Easter week. Two days are set aside for the provincial ministers of welfare and for the Minister of National Health and Welfare in order that they can discuss the whole problem of social security in Canada. At that time we will be looking not only into the problems of the elderly in this country in relationship to old age security and guaranteed income supplement, but also into such problems as family allowances and, hopefully, comfort allowances. In other words, we will be looking at the whole range of programs which are designed to help those in need.

I think it is important to underline that in a conference held with those same ministers a month or two ago the provinces asked us to make sure that we did not make any basic changes in the present old age security legislation without giving them an opportunity to put forward their views. The provinces have certain social priorities as well. They were very insistent that we make no basic structural changes in this plan until we have had an opportunity to sit down and hammer things out with them so that they could be sure that all of the social problems were given the right kind of priority.

**Senator Argue:** What kind of basic things might you be thinking about?

**Mr. Cafik:** In terms of the overall social policy review?

**Senator Argue:** Yes. You stated that the provinces did not wish you to make any basic changes in the structure of the Old Age Security Act. Can you give us an example of a change which might be considered a change in the basic structure?

**Mr. Cafik:** The things talked about publicly which gave rise to some concern on the part of the provinces were, for example, the lowering of the age to 60 or adding the spouses of those who are



now of pensionable age. They were concerned about these things because they might involve the expenditure of enormous amounts of federal resources and therefore limit the flexibility the federal government had in zeroing in on other social areas of high priority. They wanted to make sure that we did not make any basic adjustment in the plan itself until such time as both the federal and provincial authorities had had an opportunity to participate in a review.

**Senator Argue:** But their very spokesmen from the same parties in the House of Commons are advocating that you lower the age and that you make other changes. Have they double voices?

**Mr. Cafik:** I would not be the least bit surprised, but I do not intend to make any comment in respect of that. I think there is often a clear distinction between what is said at the provincial level and what is said at the federal level by those of the same party. I think that would apply regardless of the party in office.

**Senator Argue:** I should like to get your comment as a private member of Parliament rather than as a spokesman for the Cabinet. Senator Croll headed up a special committee of the Senate which brought in a report on poverty in Canada. On my cursory reading of that report, the suggestion was made that 30 per cent of income should be for non-basic expenditures. Do you think that is a reasonable figure to apply—and it is not being applied—to the old age security and the guaranteed income supplement that should be paid as a comfort allowance to persons in these nursing homes who are socially active, to use a phrase I have come across? That would be \$50 a month. Surely, that is not a lot of money? I do not think it should be lower than that.

**Mr. Cafik:** I do not want to prejudge that particular point. I do not know the basis used for the determination of the 30 per cent figure in the Croll report. I presume that one would have to have some understanding of what the basic income was from which you were projecting 30 per cent for these other purposes. I do not know if the 30 per cent figure is too high or too low in relationship to the combined OAS and GIS payments.

**Senator Argue:** It would be \$50 a month.

**Mr. Cafik:** Yes, I realize that. It may well be an adequate or a worthwhile figure; I am not trying to prejudge that. I do know that we are concerned that the comfort allowance set by the provinces in some way reflect some of these increases.

**Senator Croll:** Surely, the department has a view of its own as to what is a reasonable comfort allowance? The department has the personnel who have the experience and the knowledge in this area. Surely, you must have some view. If it is policy or embarrassing, then I will not press it.

**Mr. Cafik:** It is not the least bit embarrassing, except for the fact that I do not know the answer, and I suppose that might be considered embarrassing. I know of no figure that has been projected as an adequate comfort allowance. The federal government does not control the establishment of comfort allowances. I know of no one who has in fact on our level calculated one. I am

sure you have seen the comfort allowance province by province now, and there is considerable variation. There does not appear to be much justification for the variation, ranging from \$10 a month up to a projection of \$50 a month in the province of Quebec. That would clearly indicate there is an area that needs to be studied, and needs to be corrected.

**Senator Martin:** What is Ontario?

**Mr. Cafik:** In the province of Ontario the comfort allowance is \$25.

**Senator McElman:** Could you run through the list?

**Mr. Cafik:** By all means, senator. Newfoundland, \$20; Prince Edward Island, \$15; Nova Scotia, \$20; New Brunswick, \$15; Quebec is presently \$40, and I think it is going up to \$50; Ontario, \$25; Manitoba, \$14.21 for the socially active, I think, and for the socially inactive \$5; Saskatchewan \$15; Alberta \$30; British Columbia \$23.60; Yukon \$20; and Northwest Territories \$10.

**Senator Bonnell:** It would be my understanding that the comfort allowance would be more in line coming in under the Canada Assistance Act rather than the Old Age Security Act. Maybe in the Canada Assistance Act, when it is amended, a section could be put in to say that the provinces would be allowed to give a comfort allowance in those institutions up to \$50, and then it would not interfere with the sharing of the federal government under the Canada Assistance Act. I think the place to put in that type of suggestion would be under the Canada Assistance Act rather than the Old Age Security Act.

I do not know whether this is a fact or not, but it has been suggested that the GIS received is based on last year's income, so that somebody who filled in a form stating how much money they made last year would have their pension based on that this year. It is my understanding, whether correctly or not, that that is not necessarily always the case, that if somebody said they are going to retire this year and signed a statement to that effect, or filled that in blank, they would be entitled to forget the income they had last year and base their income on this year, and they could therefore get a full pension.

**Miss O'Brien:** This is quite right.

**Mr. Cafik:** That is quite right. If there is a projected retirement they can base it on no income as opposed to the preceding year. I agree with the suggestion that the comfort allowance really more properly belongs in the Canada Assistance Plan. The Canada Assistance Plan contributes half of the money under an arrangement with the provinces for any comfort allowances. The proposal that we in fact tie a string to the Canada Assistance Plan payment by saying a province must pay \$50 comfort allowance is not, I feel, at the moment in keeping with the spirit of the Canada Assistance Plan, where they initiate the programs and we contribute half the price. It is supposedly to allow for flexibility from province to province, to meet localized needs and circumstances.

**Senator Croll:** You pay these people on the same basis, whether they live in Newfoundland or elsewhere; \$170 comes to them if



they are eligible. How can you differentiate on the allowance as between one province and another? Surely, there may be some variation? But there it is; everybody gets the same allowance, no matter where they live. How can you differentiate between provinces in the comfort allowance?

**Mr. Cafik:** This may not be a very adequate answer, but the OAS-GIS is a federal program and goes to everyone; that is certain. The comfort allowance is not related to the OAS-GIS legislation; it is related to the Canada Assistance Plan legislation.

**Senator Denis:** There is nothing that forbids any province paying any amount of money to old age pensioners.

**Mr. Cafik:** That is correct, and we would pay half.

**Senator Denis:** They could decide to pay \$70 instead of \$50 or \$40, and all we have to do is pay half of it.

**Mr. Cafik:** That is correct, provided it is comfort allowance.

**Senator Smith:** Isn't this one of the very items the minister may be talking about when he visits the provinces? I know he has been in my province of Nova Scotia and in Newfoundland; I do not know how far he has travelled. Is this not a package he is looking at with the ministers, to see where the faults are, where we should correct it jointly, who shall have the responsibility? I have no objection to the thinking behind Senator Argue's proposal. I can see that it is very difficult for us to tell a province what they should do with the comfort allowance. They are the ones who should tell us whether they will permit us to share these things, and I take strong objection to our interfering with the provinces. I think we have done enough of that.

**Mr. Cafik:** I agree wholeheartedly that the purpose of the overall review is to correct all the anomalies that exist in the social structure in Canada, of which this is one. I would hope that the overall review would take this kind of thing into account. I know the minister, at the time the increase was originally proposed in the House of Commons, expressed considerable concern about whether this money would in fact be passed on, in what way and in what amount. I am sure that this matter will be discussed pretty thoroughly with the provinces.

**Senator Fournier (De Lanaudière):** A few moments ago you used the expression "socially active". I would like to know the exact meaning of that expression. If I translate it into French, "socialement actif", it does not mean much.

**Mr. Cafik:** It is not a term that is used by the federal government. As far as I know, it is used only by the Province of Manitoba, and they make a distinction between the socially active and the socially inactive in terms of comfort allowance figures.

**Senator Argue:** If you cannot get out of bed you are socially inactive.

**Senator Fournier (De Lanaudière):** What does "socially active" mean?

**Mr. Cafik:** I could only offer my own interpretation, and I am sure that yours would be every bit as valid as mine.

**Senator Argue:** Don't be too ambitious.

**Senator Bonnell:** And don't be too ambiguous.

**Senator Fournier (De Lanaudière):** At the beginning of the bill there must be a definition of terms.

**Mr. Cafik:** But this is not in our bill, because we are not dividing elderly people into socially inactive and socially active persons. The Province of Manitoba has made the distinction between one who is socially active and one who is socially inactive and, depending on the position one finds oneself in, according to their definition you get a comfort allowance of \$14.21 or \$5.

**Senator Bonnell:** Maybe it means if you are a socialist or not!

**Senator Smith:** You are not inactive if you chase the nurses around!

**Senator Fournier (De Lanaudière):** We do not know; we are in the dark.

**Senator Cameron:** In response to questions Mr. Cafik said that in the discussions so far with the provinces there had been no suggested figure of what a uniform social allowance might be. When we look at the variation between \$10 and \$50, this disparity between the provinces is one more piece of evidence of the chaos in this whole field. It seems to me that the sooner we get down to Senator Croll's guaranteed annual income the better, because this kind of thing cannot go on, no matter how you look at it. Are you not meeting later this month with the provinces?

**Mr. Cafik:** Yes, we are.

**Senator Cameron:** Have you any hope that you may come up with a uniform standard, and or a new approach? I realize how hard it is to get a uniform standard.

**Mr. Cafik:** Yes, that is the whole purpose of the review. The federal government has obligated itself to prepare alternative models of structures for doing away with a lot of the repetition and red tape, to make the welfare delivery system more accessible to people, and to make it less difficult to evolve a system that will be universal, we hope, with provincial overtones, so that the provinces might be able to make varying adjustments to suit their own particular needs. It will cover the whole broad range of guaranteed incomes—which, by the way, we already have in Canada, as you know, with the elderly.

The thrust from the Speech from the Throne will be adequately taken into account when talking about guaranteed incomes for those who cannot work, rather than having them get piecemeal any assistance they can. There is a whole broad range of things we are presently preparing for presentation to the provinces. The provinces themselves have been asked to prepare models of what they think would be acceptable as an overall approach to this question.



We have asked for one principle to be recognized, at least on a temporary basis, by the provinces and by the federal government, and that is that we should pay no attention, at least in our preliminary deliberations, to the question of jurisdiction, because we feel that would only impede the possibility of getting a good overall social security program. So, what we want is for everyone to come forward with what they think is the ideal solution; and once we have come down on one side or another on a series of these questions, later on we can begin to look at the jurisdictional problems, as to who will implement it, who will pay for it, how it will be cost-shared, et cetera.

I know that the minister and, I think, the provincial ministers are putting a great deal of stock in the forthcoming conference. To say that that would be resolved quickly would be rather naïve, because it is a major problem involving all the provinces.

**Senator Cameron:** It is obvious, with the varying programs being applied federally and provincially, that there is a tremendous "bureaucracy"—to use that term in quotes. Have you done anything to anticipate what would happen if the guaranteed annual income were put in and everybody—or even a select group—were to start now getting that income? How many civil servants would be displaced? It is very hard to say, and I have not seen any figures, but this has been kicked around for quite a while. You might put in a guaranteed income but still have the same number of people. It does not make sense.

**Mr. Cafik:** I think one would have to realize that the civil servants probably most affected by a change of that nature would in all probability be provincial—that is a personal view—because most of the implementation of a large number of these programs, such as welfare itself, is administered largely by the municipalities, and there are many people involved.

If one were to develop a program where local municipal welfare offices no longer had the pressure on them and the work load they have, if it were handled by some either province-wide or nation-wide scheme, it would probably eliminate much of the repetitive work on the lower level. But it does not appear to me, at least on the surface, that there would be very much difference as far as the federal government is concerned. It would depend on how the pie was cut and who accepted responsibility for doing each job in relation to the new program.

**Senator Cameron:** This is part of the background information that should be compiled; and this would be very useful, in order to put it in its proper perspective.

**Mr. Cafik:** Yes, this is an important point. It should constitute part of the consideration in building up models of various alternatives to solve the problems, to eliminate duplication and red tape.

**Senator Croll:** The American study on this, which you must have seen indicates they would cut the administrative cost in personnel by two-thirds. That is their study. Both their first and second studies have indicated that. Of course, that is one of the reasons why we are getting opposition from behind the table, in that a great

number of civil servants see their jobs going out the window and perhaps their getting some other kind of job.

**Senator Denis:** If I understand Senator Argue's point, it relates to those pensioners in homes for the aged or in institutions of that kind. There could be old age pensioners who are not in homes or that kind of institution. It would not be fair to give a comfort allowance to people who are in homes and not to give the same comfort allowance to those who are living outside and have to look after themselves. Is there not any other way that the provinces could look after them, for example, in regard to preventing an increase in rent? I think rent is the most expensive part of it all.

I have in my hand a bill passed in the Province of Quebec, assented to on February 28, 1973, an act to prevent excessive increases of rent in 1973.

**Senator Argue:** Hear, hear.

**Senator Denis:** I would like to know from the departmental officials if other provinces have similar legislation.

**Mr. Cafik:** If I could answer that first, it is that the department has publicly indicated, in cases where we have some control, in the CMHC-operated establishments, and so on, that we will not allow rents to be increased because of this increase in the old age security pension. There are other areas that are strictly under provincial jurisdiction. I know of the Quebec case, but I do not know of any other. Some of the officials may know something in respect to this. I have heard that in British Columbia, where there is a Landlord and Tenant Act, under it the landlord can increase rents only on the anniversary date of a lease, not before, and only once every 12 months—but that does not mean much to me.

**Senator Denis:** Not much.

**Mr. Cafik:** I do not know. Do the officials know of anything?

**Miss O'Brien:** No, sir.

**Mr. Cafik:** We know of none, senator.

**Senator Denis:** It would be a good thing for the next federal-provincial conference, that other provinces should know about it and recommend that such a step be taken. I have read, in the debates in the other place, that the minister said he had contacted the provinces to the effect that the increase in the old age pension should not be offset by a reduction in any other means or pensions received from the province. I think the minister said that. I would like you to say if that suggestion has been made to the provinces, regarding the increase we are giving now, not to deduct it from other sources—for instance, from assistance payments.

**Mr. Cafik:** Yes, senator. As far as I know, the department has communicated with all the provinces, to ask them to bear in mind that the primary purpose of this increase is to be helpful directly to old age pensioners, not to landlords, et cetera. We hope they will respond in a favourable way, to prohibit the confiscation of this money by other individuals.



**Senator Bonnell:** In regard to the figures that were given out by the provinces, I would like to say that I do not think these figures mean a thing. In Prince Edward Island you get your \$15, but you also get your tobacco and your clothes; you get your drugs, your hairdos, your shaving lotion; you get your razor blades and shoeshines—you get the works. In some other provinces you might get \$50, but you pay for your hairdos, your other services, your taxi service, your rental service, and the dollar bills do not mean a thing. Therefore, I do not want to leave the impression that in Prince Edward Island we would do anything to make the comfort of a senior citizen any less than it might be in the great province of Ontario.

**Mr. Cafik:** I can respond that what the senator has said is quite right. These figures are not really that related, that one could draw a quick conclusion from them that one province is doing less for senior citizens than another, simply on the basis of these figures. I appreciate his bringing that point forward.

**Senator Bonnell:** The other thing I would like to mention is that under the present legislation, as I understand it, the people who will be retiring this year for the first time and receiving a pension for the first time, will get an extra benefit over those in the past, besides the extra income, in that their Canada Pension allowance, which they will be getting this year, will not be taken into consideration until next year, so they will get an extra year's benefit over and above other senior citizens in the past.

**Mr. Cafik:** That is quite right, Mr. Chairman.

**Senator Bonnell:** There is another thing I would like to find out. Since under the unemployment insurance bill a person after 70 years of age is no longer eligible for unemployment insurance—or at 65, I do not know which it is . . .

**Mr. Cafik:** If I recall correctly, they can opt out of the labour force at 65 and it is compulsory to do so at 70.

**Senator Bonnell:** The unemployment insurance benefits are now considered income for old age security purposes and for the GIS calculation. Take the GIS calculation figures for a man who has reached age 70; he is now going to retire, he has bought stamps over the 20 or 30 years, but he cannot draw now. How much do they allow that man for income purposes under the GIS? Is the \$300 paid out and do they say, okay, he is going to get the \$300 from the retirement fund or the unemployment insurance, or whatever method is going to be worked out? How do you calculate income for the next year under employment insurance?

**Mr. Cafik:** If I understood your question correctly, senator, you want to know what happens with the lump sum payment, when you opt out of the labour force, from the Unemployment Insurance Commission, and whether it is considered as income in relationship to the amount of GIS one can draw. Is that the question?

**Senator Bonnell:** Yes. How much is it and how do you arrive at a lump sum, or does everybody get a different amount?

**Miss O'Brien:** The person who has just retired, senator, is estimating his current year's income, because last year's income

would not reflect his present status. He would have to count in that estimate of his income for the current year the amount of the lump sum he was to receive from unemployment insurance; but the next year, no longer being in receipt of unemployment insurance, he would not have to declare any.

**Senator Bonnell:** How can he figure out what his lump sum would be in that year from the unemployment insurance? Do the unemployment insurance people know in advance how much he is going to get?

**Mr. Cafik:** I haven't the facts in front of me, but the lump sum payment on opting out of the labour force is \$150, if I recall correctly.

**Senator Bonnell:** It is the same for everybody?

**Mr. Cafik:** That is my understanding.

**Senator Bonnell:** Regardless of how big or how small their stamps are?

**Mr. Cafik:** That is my understanding, but I would have to check that out. If you like, I can communicate the precise answer and confirm that, but I believe it is a \$150 lump sum payment.

**Senator Bonnell:** Thank you.

**Senator McElman:** Mr. Chairman, the witness has suggested that it would be desirable to have provincial agencies rather than have the input entirely municipal. I should like to point out that there is at least one province in which the municipalities are no longer involved. I am referring to New Brunswick. In my opinion, that is highly desirable and is a much more workable situation.

The question I am concerned with, Mr. Cafik, is whether you know if any of the provincial legislatures have indicated that they are going to pass on the increase to the recipients.

**Mr. Cafik:** I have no information as to the consequence of representations made by the minister to the provincial governments.

**Senator McElman:** But are you aware if any of the legislatures up to this point in time have made commitments?

**Mr. Cafik:** I am not aware of any commitments in respect to that.

**Senator Croll:** Mr. Chairman, Senator McElman mentioned that New Brunswick deals with it at the provincial level. I just want to point out that Prince Edward Island does too.

**Senator Smith:** The province of Nova Scotia is in the same position.

**Mr. Cafik:** I did not intend to prejudice the whole question of taking welfare out of the hands of the municipalities. We are not saying that that ought to be done. We are saying that in the overall review all of these things have to be considered so that



the provinces can come forward with suggestions on how best to manage these questions, and so can we. It may well be that that might be the result of it.

**Senator Molgat:** Mr. Cafik, I have the impression that the government of Manitoba has made it clear that they would not be increasing rents. Has the province, in fact, indicated that, do you know?

**Mr. Cafik:** I have heard that, but I know nothing to back it up.

**Senator Molgat:** There has been no communication back to the federal government?

**Mr. Cafik:** Not that I am aware of.

**Senator Cameron:** There was something in last night's paper to that effect.

**Senator Molgat:** I was under the impression that the province had indicated that.

**Mr. Cafik:** I have that impression, too, senator, but I do not know.

**Senator Argue:** The minister might have heard.

**Mr. Cafik:** The minister, of course, has been travelling. He may know, but, unfortunately, he is not here today.

**Senator Molgat:** My question is in regard to the comfort allowances in the various provinces. If the figures are not comparable, can the department give us the other factors involved? If it is not a comparable figure, can we establish some kind of comparison so that we know if the treatment is reasonably equal?

**Mr. Cafik:** We do not have that information with us, but we could research it and provide it to you.

**Senator Molgat:** Thank you.

**Mr. Cafik:** We will do our best, senator, to provide the committee with that information. [See Appendix "B"]

**Senator Molgat:** Thank you.

**Senator Argue:** Mr. Chairman, so far as Saskatchewan is concerned, my information is that the comfort allowance does not include hair cuts, razor blades, taxi fares, shoe shines and some other complicated things. It does not include the cost of a curling game; it does not include the cost of a cup of coffee downtown; it does not include the \$1 gift to a niece at Christmastime; it does not include the \$2 gift to the church that a person belongs to.

They may give some clothes—God bless them in Saskatchewan—over and above the \$15, but I want to make it clear, without commenting on any other province, that in Saskatchewan the comfort allowance is for a whole raft of things that I would say any

Canadian citizen should have a right to obtain and should have a right to do, like giving a small gift to a relative or making a small donation to the church, or taking a friend out for a cup of coffee and a piece of pie. These things cannot be done in Saskatchewan and I think it is a disgrace that they cannot be done, and that is why I have been campaigning for this.

Now, it was suggested earlier that if you want to deal with comfort allowances amendments will have to be made to the Canada Assistance Plan. In my opinion, the Canada Assistance Plan already provides for comfort allowances. If the province increases the comfort allowance, Ottawa, out of its generosity and its foresight, comes through with half the money. So you do not have to amend the Canada Assistance Plan to provide for comfort allowances. It is already there. The only stumbling block to comfort allowances is that the provinces steal the increases in the old age security. That is exactly what they do. And I put it to the witness that what is happening is that, with respect to this increase of \$17 a month, in some provinces they are going to save an equivalent amount under the Canada Assistance Plan and the provincial treasuries are going to pocket \$8.50. That is the danger in this whole thing.

Sure, some of the homes will come in and take the money, but the provincial treasuries will hold their hands out too, and they can take \$8.50 which I suggest to you the people of Canada in fact intend to go the old age pensioners.

I do not think the people of this country, supporting the passage of this bill unanimously in our Canadian House of Commons and unanimously in the Senate, believe that the provinces should have the right to get in and take half of it.

I would appreciate your response to that. I am not saying they cannot take half, but I am saying that Parliament does not want them to take half.

**Mr. Cafik:** I would certainly agree that it is often difficult to judge the will of Parliament, but taking the risk of going on to that kind of thin ice, I know that when I voted for that bill as an individual I certainly did not intend to subsidize any province.

**Senator Argue:** Well, I am no constitutional lawyer; in fact, I am not a lawyer at all: I am just a backwoods farmer. I got a little land cleared and what doesn't have woods on it has rocks. Nevertheless, I think that the federal government has the right to say that since it is paying the old age security pension it can stipulate how this money can be divided, since it is federal money being paid to a Canadian citizen. Any consequence of the federal government's saying how the money could be divided is an ancillary consequence; it is something that happens outside of this particular thing. So I would argue that we have the jurisdiction to say how the old age pension, paid solely from Ottawa under this legislation, may be divided.

Now, I have had competent advice on this particular issue—and I realize that one may at times get competent advice on various issues that in itself may vary—but I believe that my competent advice is among the most competent advice available, and so I understand that this, apart from its merits, which in my view are excellent, is within the right of Parliament to do.



The suggested amendment—and here I just put it forward for information without moving it—is as follows:

Bill C-147 is amended by adding thereto the following, as clause 4:

4. Immediately after section 10 of the said Act insert the following heading and section:

“Comfort Allowance 10A. (1) in this section,

“supervisory care” means a level of care required by a pensioner who needs room, board and laundry service and who, because of frailty due to normal aging, or to minor physical or mental disability, requires some supervision in the activities of daily living; and

“limited personal care” means a level of care required by a pensioner who is slowing down in his physical or mental faculties and therefore requires continuing supervision and some assistance with the activities of daily living.

These words have been borrowed from the report of the federal task force on this subject and that is where the definition comes from. But these definitions are only suggested so that the meat of it could apply. Then we have:

(2) A pensioner, single or married, who is resident in a home for the aged or other such institution and who is receiving supervisory care or limited personal care, and who is in receipt of the whole or any part of the supplement, shall retain for his personal use a comfort allowance of not less than thirty percent of the total of his pension plus the full supplement to which he is entitled.”

This would mean a maximum supplement or a maximum comfort allowance of \$51. I suggest to you that it is within the jurisdiction of Parliament to consider this, and I suggest to you that it is eminently fair and is something we certainly should consider.

**The Deputy Chairman:** I would like to make it abundantly clear for the record, Senator Argue, that you are putting this forward as a suggestion at this stage and not as a formal motion.

**Senator Argue:** Not at this point.

**Mr. Cafik:** Personally I am very sympathetic to the spirit of what you are trying to do in respect to this suggestion, but in my view it poses certain difficulties.

First of all, comfort allowances, as I have indicated previously, do not find themselves in the bill, and certainly there is no suggestion of comfort allowances in the amendments to the bill which we presently have in front of us. For that reason I do not know whether I should be allowed to discuss these things, and I am somewhat nervous in dealing with this kind of thing. However, it seems to me that the suggestion is outside the framework of the limited amendments we have in front of us, and I would have certain reservations as to its acceptability from that standpoint. But, of course, the committee can deal with that.

Secondly, I pointed out that comfort allowances are a provincial matter—the provinces establish them, and we pay half of the cost

under the Canada Assistance Plan—and therefore it would seem to me—and I do not want to get myself in trouble here—that the spirit of the thing you are trying to do is to take the increases in the Old Age Security Act and to deem them as non-income for any other calculations. It seems to me that that is really what you are talking about, because at the present time they are income and are taken in for payment of room and board, and so on, in whatever provincial institutions might be involved, rather than declaring something about comfort allowances which are outside the terms of this. That is one point.

Thirdly, I would argue that if you are to talk about a comfort allowance in the specific kind of way in which you are talking, then you are really talking about a money matter, a ways and means matter, that would involve additional expenditures by Parliament because we are committed under the Canada Pension Plan to pay part of any comfort allowance. But that is subject to some debate.

**Senator Argue:** This is the division I would suggest with respect to something that is being paid. This would not cost five cents, in my opinion, under this legislation. It is merely dividing what you are going to pay anyway, or merely attaching some particulars to a part of it.

**Senator Smith:** Just for the record, Mr. Chairman, I am sure that Mr. Cafik meant to cite the Canada Assistance Plan and not the pension plan.

**Mr. Cafik:** I am sorry, that is right.

**Senator Croll:** The very important amendment we made to the Canada Assistance Act when we went over it in 1966 was to insert the word “need”, so that whatever need there is has to be met—whatever that may mean. But that is not the object of what I have to say at the moment.

First of all, might I ask Mr. Cafik if he could in some way, between now and tomorrow or the next day, indicate to the minister, who is out in the country, that here in the Senate—and perhaps this is because we are a little closer to the aged people than some of the others are—we are very seriously concerned about this matter and we would like it to be a matter of priority for him to discuss?

**Mr. Cafik:** I will undertake to do that, senator.

**Senator Croll:** Is there any way that you can provide for us a record of what is paid by each province to the nursing homes under the Hospitalization Act—which of the provinces have accepted nursing homes as part of the Hospitalization Act and the amount they are paid?

I realize you may not have this at your fingertips, but could you provide that to the chairman in the next day or two, so that it can go into the record?

[See appendix “A”]

**Mr. Cafik:** We will do that. We do not have the information at our fingertips, but we will do that.



**Senator Croll:** There are two questions in there: what the provinces provide and how much they pay.

**The Deputy Chairman:** Is it agreed that this information, when provided, form part of the record?

**Hon. Senators:** Agreed.

**Senator Croll:** One other point. Under the War Veterans Act—and I may stand correction here—we do make provision for a younger spouse. That is a matter of principle, and having recognized it for the War Veterans Act, all we are suggesting now is that, since the principle has been recognized, it might very well be applied here.

**Mr. Cafik:** You are talking about spouses who are not pensionable becoming pensionable by virtue of the fact that their spouse is pensionable?

**Senator Croll:** That is right.

**Mr. Cafik:** Just to clarify the matter, do you mean that this would apply to certain age limits, such as 60 to 65, or 55 to 65, or would it be right down the scale—anyone who is married to a pensioner?

**Senator Croll:** I think that in dealing with war veterans it provided for anyone, did it not? We dealt with that problem after the war when veterans were marrying young women and we had a serious problem.

**The Deputy Chairman:** There is no age limit with regard to the war veterans allowance, except for widows at age 55.

**Mr. Cafik:** I think there is quite a distinction between these two situations. If we make it universal, regardless of age, I think it is conceivable there could be some abuses. One does not have to stretch his imagination very much to know how this could occur. There could be a motive for doing this; and it may not be very responsible for the government to come forward with this legislation without having some kind of age limit.

The provinces, in previous negotiations with the minister, have discussed this whole question with regard to spouses and what should be done, as well as to whether the age limit should be reduced to 60. They have asked us to await further deliberations with them before making any decisions.

**Senator Fournier (De Lanaudière):** If we follow Senator Argue's reasoning, we will enter the field of provincial jurisdiction in social matters. A province can appeal to the Supreme Court of Canada for a decision such as an *ultra vires* decision, if that is the case. So everything will begin all over again because it will be defeated by the Supreme Court.

So, since it is within the jurisdiction of the provinces, I would suggest that someone suggest to the provinces at their next meeting that they come together at some level in order to avoid discrimination. It is nonsense that in one province a person receives \$10 and that another receives \$40. So I would ask the provinces to

come to a common decision and have the same amount for all Canadians, and then we will pay half of it. I am not prepared to expose myself to being defeated by the Supreme Court of Canada on this matter. So I will vote against this.

**Mr. Cafik:** Basically, I think I agree with you, although I cannot make a legal judgment. It seems to me that we are endeavouring to put some pressure on the provinces and then to leave it as their responsibility.

**Senator Denis:** This relates to other matters as well, such as the handicapped and deserted mothers; other people in need are in the same situation. So, if we do this for the old age pensioner and we do not do it for the disabled and handicapped it could be discrimination. As you said, it has to be studied as a global measure at the next conference.

Senator Croll talked about younger spouses having no pension. Spouses are no different from bachelors or spinsters who are 64 years of age; they are going to receive the minimum, and that is all. We would have to add spinsters and bachelors as well as younger spouses.

**Mr. Cafik:** There is one point I wish to make in relation to your first comment, and I intended to say this in response to Senator Argue. Inasmuch as I am personally sympathetic, and I think the department is sympathetic, with respect to the comfort allowance problem, I would like to point out something that may be useful to you. A person within a provincial institution who receives a comfort allowance has some amount of money that might be called disposable income for non-essentials. For those who are on old age security and GIS, who are living in their own little apartment and who are not in institutions, I do not know that anybody has determined what amount of disposable income they have available to them. They came forward with \$50 disposable income for personal comfort for someone within an institution. I think you might find that the person who is not in an institution does not fare as well. We have not looked into this matter, but I think we have to look at that relationship as well.

**Senator Argue:** I would argue for board and room. You can do this for \$120 a month, although I understand it depends where you are living. I was intrigued by your suggestion, and I wish you would define this more clearly so I can understand it. Your definition was that this increase would not be considered income for the purpose of something else, is that correct?

**Mr. Cafik:** That is a personal view.

**Senator Argue:** Would you give it to me again? I will not do anything with it; I am just curious.

**Mr. Cafik:** The only view I have with respect to this, and I do not say it is the right thing to do, but in terms of this particular act—and I have thought about this on numerous occasions—is that it seems to me that if there is an increase of \$18 a month, or whatever the figure may be, it is not deemed as income for any other calculation. That is with respect to rental increases or whatever; you do not have that to pay for it.



**Senator Argue:** In your interest as a private member, or in your private research outside the government, this kind of thing could be done if it were the desired thing to do.

**Mr. Cafik:** I am not saying it would be acceptable in constitutional or parliamentary terms, but it seems to me that it is at least addressing itself precisely to the point of the bill.

**Senator McElman:** I think I support the purpose of Senator Argue's point. It is a matter of mechanics as to how one arrives at the end result. I am sure this would be passed on to the minister, and if he knows that the feeling of the other house and the feeling of this committee is strongly in favour of negotiations with the provinces, in which course he is now involved, this is the chief purpose of the argument put forward by Senator Argue. In federal-provincial negotiations, sticks are not commonly used and I do not suggest that they should be. But for whatever value a comparison of figures might have as between the provinces, I think the minister should bear in mind that provinces which are at the lower scale are those very provinces which are receiving, under the federal-provincial taxation agreement, rather substantial sums of money, which have just been increased.

Going back a few years, the basic purpose of the change from federal authority to provincial authority with regard to grants and equalization payments was that this would provide an acceptable—and I stress the word “acceptable”—basic, minimum standard for every Canadian, irrespective of where they might live within the nation. It seems to me that to achieve this purpose the minister has a very strong hand in future negotiations, and I hope that the witness will stress this a little with the minister during his discussions as a consequence of this committee meeting.

**Mr. Cafik:** I am certainly fully cognizant of the depth of feeling and concern on the part of senators with respect to comforts and the amount of disposable income which recipients should retain as a result of these increases. This concern is shared in the other place and will be underscored with the minister as a result of this meeting.

In connection with the second point, which in effect underlines the powers we might have with respect to these negotiations with the provinces, I would simply say that from a strategic standpoint at the moment the federal government has appealed to the provinces to consider this matter in a completely open manner, without jurisdictional arguments, pressures and getting out the big stick, in the hope that we will maximize the potential effects to all Canadians. So it seems to me that your argument is well taken, but that at this particular juncture in these negotiations it would be an improper approach. We might well achieve more by proceeding in the fashion we are presently proposing, but it is an ultimate consideration which will have to be taken into account. There will clearly be a time when provincial governments and the federal government will harden their positions in some respects and there will be points of disagreement. We should therefore bear in mind the comments you put forward.

**Senator McElman:** I simply want the actual basis of provincial-federal grants to be kept in mind.

**Mr. Cafik:** I think that is the basis for it.

**Senator McElman:** Yes, acceptable minimum standards.

**Senator Smith:** Returning for a moment to the matter of spouses, I seem to run into rather nasty situations. I think of a man eligible for OAS and GIS, with a wife four or five years younger than himself. This is a case of hardship, of which we are all conscious. I realize also that the ultimate solution is the recommendation of the Senate committee under Senator Croll. Some day we will have a guaranteed income.

I wonder if there is not a better method of taking a small crack at this problem, rather than spending a great amount of money by making spouses eligible for OAS at almost any age, or even at 60 or 62 years of age. Is there not a method which would give consideration to providing that spouses receive an amount equal to the GIS supplement which they would in other circumstances receive if they were of the age of eligibility for OAS?

Could we obtain a figure which would indicate the cost of dealing with it in that fashion? It is not a very large item in comparison to the calculations. We are bothered by such cases as these. I am sure that more complaints are received by members of the House of Commons than by senators. Could you provide a figure for our record as soon as possible in connection with the cost of that approach?

**Mr. Cafik:** I am not entirely sure that I have a clear picture of what you have in mind. Are you only referring to GIS, as opposed to OAS?

**Senator Smith:** Yes.

**Mr. Cafik:** No, but one could presume that it would be considerably less than \$86 million. We could calculate some details and provide them to the committee simply on a GIS figure.

**Senator Smith:** Yes, I really think there should also be an age limit.

**Mr. Cafik:** It is extremely difficult because in calculating the cost of GIS we have to know the incomes and age groups of those involved.

**Senator Smith:** Could you let us have a rough figure?

**Mr. Cafik:** We could give you an extremely rounded figure, which I believe would be approximately \$25 million or \$30 million.

**Senator Denis:** The figure I have for spouses between the ages of 60 and 65 years is \$280 million.

**Senator Smith:** Excuse me; I was not referring to OAS, but only GIS.

**Senator Denis:** The OAS figure is \$100 and the GIS is \$70.

**Senator Smith:** It is a varying figure.



**Senator Denis:** It is seven-tenths.

**Senator Smith:** Not necessarily. It is a varying figure, according to the amount of the other income.

**Mr. Cafik:** The Speech from the Throne indicates that the government is committed to providing a guaranteed annual income to those who cannot work. It is pretty clear that there are many spouses in the age group between 60 and 65 years, or maybe even younger, who are not able to work. They may not have work experience or may not have been attached to the work force for a period of time. It seems to me that in our overall social review they would probably qualify for such a guaranteed annual income, which would eliminate the need for the consideration with which you are concerned at the moment.

**Senator Smith:** I am sure it would.

**Senator Croll:** Mr. Chairman, if I may tell Mr. Cafik something of which I am sure he is already aware, the Government of British Columbia, in an act announced yesterday, indicated they are making provision for the working poor. The example that appeared in this morning's *Globe and Mail* was a family on welfare receiving \$350 and a similar family with its head working and receiving \$320. The bill provides for making up the difference. So this is already being introduced by slow degrees by the provinces, which is the one thing we do not want.

**Mr. Cafik:** This is always the risk taken by the federal government in our system when provinces are brought into its confidence. All these matters are discussed and they are asked to come forward with positions they would propose for a national scheme. This, in effect, gives them an incentive to work on this, the risk being that they will come up with a good idea and jump the gun. It is a political situation.

**Senator Croll:** I protected you yesterday when speaking. I quoted your speech in the House of Commons and particularly in connection with that point, so I made sure the federal government was involved.

**Mr. Cafik:** Thank you very much, senator.

**Senator Denis:** I wish to correct my statement with regard to the amounts paid. I had in mind \$150, but I think it is a different figure for the cost of spouse between 60 and 65 years of age. I think the departmental officials have the correct figure for the cost of GIS.

**Mr. Cafik:** We have already presented the figures, but we have not made the distinction between GIS and OAS.

**Senator Argue:** If they are available, perhaps they could also be provided.

**Senator Bonnell:** Mr. Chairman, I would like to say a few words as far as comfort allowance is concerned. I agree with Senator Argue that it would be wonderful if we could arrange it. In my view, however, there are only so many dollars available for the welfare of

Canadians. We must consider the overall welfare problem, and I can think of many who are in much greater need than those in homes who receive all necessary care and perhaps have \$15 over for a donation to the church on Sunday and so forth. Some on welfare do not have sufficient food. Perhaps family allowances should be raised so as to provide for the children of large families. Consideration should be given from time to time to all priorities in the allocation of funds in connection with welfare schemes.

One of the things we should be thinking about in such provinces as Prince Edward Island, Newfoundland, Manitoba, Nova Scotia and, New Brunswick, is that we should not try to put out legislation and tell them that they have to pay out something when they have not got it themselves. It seems not just the right thing to be doing in the federal jurisdiction. Maybe what we could do in the federal jurisdiction is pay a greater percentage of the Canada Assistance Program. Instead of paying 50 per cent, maybe we could say, "Look, let us do the same kind of thing that we are doing in connection with equalization payments. In provinces that have a greater need, we will pay a greater percentage of the payment towards the welfare program." So, Newfoundland, instead of paying 50 per cent, might pay as high as 65 per cent. Perhaps Prince Edward Island, where they pay 70 per cent of hospital insurance, would pay 70 per cent of welfare. In this way these provinces would participate with the larger provinces, and perhaps all Canadians, wherever they live, would have equal rights and benefits, because the federal treasury would see that no one living in isolation received less than the same benefits as those living in other parts of the country.

Therefore, I would suggest, Mr. Chairman, that the minister might think about raising the percentages to those provinces in need in connection with the Canada Assistance Program. If a senior citizen needs extra help, he could get it from the Canada Assistance Program, and the federal government should participate 50, 75 or 80 per cent, as the need might be.

I would like to think that the sponsor will bring this to the attention of his minister, and suggests to him that at the next federal-provincial conference of ministers of welfare, he should have an open mind with a view to assisting those provinces requiring extra finance, and who wish to give equal rights to citizens, whether young or old, in all parts of this country.

**Senator Croll:** Hear, hear.

If there are no further questions, I move the adoption of the bill.

**Senator Argue:** I have one more question to ask.

**The Deputy Chairman:** I too have one question to ask of the witness.

Has any projection been made of what it would cost if other provinces followed the procedure adopted by British Columbia of raising the pension to \$200?

**Mr. Cafik:** We have figures for a pension of \$150, but not for one of \$200. However, I think we can provide that figure for the committee.



**Senator Argue:** Do we have to obtain royal assent this week? When do the cheques go out?

**Mr. Cafik:** It is important to the department, and to the Department of Supply and Services who have the responsibility for distributing these cheques, that we have royal assent as soon as possible. The mechanism is in place and work is going ahead on the presumption that the bill will be passed. Nothing can, in fact, be issued until royal assent is given. We are hopeful that if royal assent is received today we can ensure that all cheques are sent out for the current month.

**Senator Argue:** When are they normally dropped in the mail?

**Miss O'Brien:** They are put in the mail for delivery on the third-last banking day of each month, but they have to go to the post office several days before that for sorting.

**The Deputy Chairman:** Is the committee ready for the motion that we report the bill without amendment?

**Hon. Senators:** Agreed.

**Senator Croll:** On behalf of the committee, may I thank Mr. Cafik for the very fine presentation he has made here this morning?

**Hon. Senators:** Hear, hear.

The Committee adjourned.



Parliamentary Secretary to  
The Minister of National  
Health and Welfare

April 6, 1973

TO: Clerk, Standing Senate Committee on Health, Welfare and  
Science.

FROM: N. A. Cafik

RE: *Standing Senate Committee on Health, Welfare and Science*

At yesterday's meeting of the Standing Senate Committee on  
Health, Welfare and Science, I undertook the following:

a. to provide the Committee, for the record, with a  
statement concerning provincial payments under the Hos-  
pitalization Act;

b. to attempt to provide the Committee with information  
concerning the value of Comforts Allowances and Comforts  
in kind in the Provinces;

A statement covering this is attached at Appendix B.

c. To confirm my rough estimate of \$25 to \$30 million for  
payments to OAS spouses.

The statement confirming the figure at about \$32.4 million is  
at Appendix C.

N.A. Cafik, M.P.,  
Parliamentary Secretary to  
The Minister of National  
Health and Welfare.

WEDNESDAY

Category	Amount
Estimated Cost of Payment of GIS to Spouse (between ages 60 and 65) of OAS Pensioners in Receipt of GIS	\$ 20,000
Average monthly payment of GIS to present (12 recipients)	\$ 24.00
Average yearly payment (12 x 12)	\$ 288.00
Estimated total (288 x 100)	\$ 28,800
<b>Total</b>	<b>\$ 32.4 million</b>

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**APPENDIX "A"****Payments to Nursing Homes under  
the Hospitalization Act**

The following information is provided with respect to Senator Croll's request for a record of what is being paid by each province to nursing homes under the Hospitalization Act.

Two provinces (Alberta and Ontario) have introduced programs under which the cost of nursing home care to eligible residents is being defrayed in part through payments made under the provincial hospital insurance scheme. Three other provinces (B.C., Saskatchewan and Manitoba) have made recent policy announcements concerning the introduction of similar programs in those provinces.

*Alberta Nursing Homes Act (1964)*

This plan which is administered by the Alberta Hospital Services Commission provides that an eligible patient in an approved nursing home need only pay \$3.00 per day as a co-insurance payment for the cost of care. The balance, currently \$7.00 per day, is paid by the Hospital Services Commission.

The main conditions for receiving this benefit are that the resident:

- a. Requires nursing care in accordance with established medical criteria.
- b. Has resided in Alberta for the past three years.
- c. Pays the required co-insurance payment of \$3.00 per day.

*Ontario Extended Care Benefits (1972)*

Ontario introduced a plan in April 1972 which operates along lines similar to the Alberta Plan but with some administrative variations. Benefits are available not only in licensed participating nursing homes but in extended care units in municipal homes for the aged and charitable institutions.

Eligible residents are required to pay only \$3.50 per day and the balance, currently \$9.00, is paid by the province. With respect to licensed nursing homes this payment is administered by the Ontario Health Insurance Plan.

The main conditions of eligibility are that the resident:

- a. Meets the medical requirements for extended care.
- b. Has resided in Ontario for at least twelve months prior to admission.
- c. Is a member in good standing of Ontario Health Insurance Program.
- d. Pays the required co-payment of \$3.50 per day.

A common feature of the two programs is the limitation of costs to the individual resident.

**APPENDIX "B"****Comforts Allowances and Related Benefits**

With respect to Senator Molgat's question concerning comforts allowances and related benefits, there are marked variations from province to province and also within different classes of institutions in any particular province.

Prior to the federal cost-sharing agreements the provision of comforts allowances was not a matter of provincial policy in most provinces. It was left largely to the discretion of the individual homes whether personal comforts were to be provided in cash or in kind. Uniform practices have tended to develop initially in homes which are being operated directly by provincial or municipal authorities. Subsequently there has been a gradual extension of such policies to homes which are operated privately or by charitable organizations.

Because of the almost infinite variety of situations, it would be almost impossible to provide the kind of comparative statement envisaged. As a general observation it can be said that the trend towards increasing cash comforts allowances has been accompanied by a tendency to decrease the provision of comforts in kind. To the extent that residents are able to pay for their own cosmetics, newspapers, carfare, etc., the home administration is less obliged to provide such items.

**APPENDIX "C"**

Estimated Cost of Payment of GIS to Spouses (between ages 60 and 65) of OAS Pensioners in Receipt of GIS	
Estimated number of GIS pensioners with spouses aged 60 to 65	50,000
Average monthly payment of GIS to present GIS recipients	\$ 54.00
Average yearly payment (\$54 x 12)	\$648.00
Estimated cost (\$648 x 50,000)	\$ 32.4 million





FIRST SESSION—TWENTY-NINTH PARLIAMENT  
1973

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING SENATE COMMITTEE ON

**HEALTH, WELFARE  
AND SCIENCE**

The Honourable CHESLEY W. CARTER, *Deputy Chairman*

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**Issue No. 4**

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WEDNESDAY, JUNE 20, 1973

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**Complete Proceedings on Bill C-133**

**“An Act to amend the National Housing Act”**

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REPORT OF THE COMMITTEE

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(Witnesses and Appendices—See Minutes of Proceedings)



THE STANDING SENATE COMMITTEE ON  
HEALTH, WELFARE AND SCIENCE

The Honourable Maurice Lamontagne, P.C.,  
*Chairman*

The Honourable Chesley W. Carter, Deputy Chair-  
*man and*

The Honourable Senators:

Argue	Fournier
Blois	Goldenberg
Bonnell	Hastings
Bourget	Inman
Cameron	Langlois
Croll	*Martin
Denis	McGrand
*Flynn	Phillips
Fournier	Smith
(Lanaudière)	Sullivan
Fournier	Thompson
(Madawaska	van Roggen
Restigouche)	

\**Ex officio Members*  
20 MEMBERS

(Quorum 5)



# Order of Reference

Extract from the Minutes of Proceedings of the Senate,  
Tuesday, June 19, 1973:

"The Order of the Day being read,  
With leave of the Senate,

The Honourable Senator Bélisle resumed the debate  
on the motion of the Honourable Senator Bourget,  
P.C., seconded by the Honourable Senator Denis,  
P.C., for the second reading of the Bill C-133,  
intituled: "An Act to amend the National Housing  
Act".

After debate, and—  
The question being put on the motion it was—  
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Bourget, P.C., moved,  
seconded by the Honourable Senator Denis, P.C., that  
the Bill be referred to the Standing Senate Committee  
on Health, Welfare and Science.

The question being put on the motion, it was—  
Resolved in the affirmative."

Robert Fortier  
Clerk of the Senate



# Minutes of Proceedings

Wednesday, June 20, 1973  
(4)

Pursuant to adjournment and notice, the Standing Senate Committee on Health, Welfare and Science met this day at 2:30 p.m.

*Present:* The Honourable Senators Carter (Deputy Chairman), Bonnell, Bourget, Denis, Fournier (*Madawaska-Restigouche*), Inman, Langlois, Phillips, Smith. (9)

*Present but not of the Committee:* The Honourable Senators Heath, McElman, Walker (3).

The Committee proceeded to the consideration of Bill C-133, "An Act to amend the National Housing Act."

The following witness was heard in explanation of the Bill:

*Central Mortgage and Housing Corporation:*  
Mr. H. W. Hignett, President

During the discussion that followed, Mr. Hignett quoted figures from several documents he had in his possession. At the request of the Deputy Chairman, it was *Agreed* that two documents entitled: "Budget for Commitments under the New Legislation" and "1973 Capital Budget—Commitments" (Tables I and II), would be printed as appendices to today's proceedings. (See Appendices A, B and C.)

On motion of the Honourable Senator Bourget, it was *Resolved* to report the said Bill without amendment.

At 4:03 p.m., the Committee adjourned to the call of the Chair.

**ATTEST:**

Patrick J. Savoie  
*Clerk of the Committee*



# Report of the Committee

Wednesday, June 20, 1973.

The Standing Senate Committee on Health, Welfare and Science to which was referred Bill C-133, intituled: "An Act to amend the National Housing Act," has in obedience to the order of reference of June 19, 1973, examined the said Bill and now reports the same without amendment.

Respectfully submitted.

Chesley W. Carter,  
*Deputy Chairman.*



# The Standing Senate Committee on Health, Welfare and Science

## Evidence

Ottawa, Wednesday, June 20, 1973.

The Standing Senate Committee on Health, Welfare and Science, to which was referred Bill C-133, to amend the National Housing Act, met this day at 2.30 p.m. to give consideration to the bill.

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

**The Deputy Chairman:** Honourable senators, we have a quorum and before us is bill C-133. Mr. Hignett, President of CMHC, and certain of his colleagues are present as witnesses. I will ask Mr. Hignett to introduce the other officials and proceed with any opening statement he may care to make.

**Mr. H. W. Hignett, President, Central Mortgage and Housing Corporation:** Thank you, Mr. Chairman. If I may, I will introduce my colleagues from Central Mortgage and Housing Corporation who are with me. In the corner is Mr. R. T. Adamson, Executive Director of the corporation; sitting next to him, Mr. W. Wheatley, Assistant Director of our Secretariat; Mr. Marcel Sigouin, Executive Director in charge of Real Estate; Mr. Stewart Bourns, a member of our Policy Planning Division; Mr. John MacFarlane, a member of the Secretariat; and Mr. Ted Johnson, the Executive Assistant to the Honourable Ron Basford.

The bill you are considering is, in my opinion, the most important amendment to the National Housing Act of the last decade. It is intended to bring closer the goal of the Honourable Ron Basford of giving Canadians a right to good housing in a proper environment and in invigorating communities.

The bill was first introduced in the House of Commons more than one year ago. Since its introduction there have been at least two rounds of close consultation with each of the 10 provinces by both the minister and officials of Central Mortgage and Housing Corporation. These rounds of consultation led to improvements in the bill, and in this respect the bill that was submitted last January was an improved bill over the previous one. The bill was also considered and agreed upon at the federal-provincial meeting of ministers which took place in January of this year.

There has been a great deal of public discussion with respect to the bill. We have received representations from the housing industry, social agencies such as the Social Development Council, co-operative associations, other citizen's groups and individual citizens. All these led to further consideration of the bill and further amendments, both in committee and at third reading stage in the house.

The purpose of the legislation is to strengthen in many respects the housing aids for lower income families in Canada.

It seems to me, Mr. Chairman that no piece of legislation, at least relating to housing, has been better understood by provincial governments, municipalities and interested groups in all parts of the country than this bill. Its passage into law is eagerly anticipated by most.

The bill contains eight major programs, some of which are new and some of which are very substantial strengthening of existing programs. Four programs are perhaps not as important as the others, but are important in themselves. Finally, there are housekeeping amendments to the act, without which CMHC could not continue.

Dealing with the eight major programs in the act, not in the order of their importance but in the order of their appearance in the bill, the first is section 15.1 loans to non-profit corporations. Non-profit corporations have traditionally in Canada provided the bulk of housing for elderly persons and for low-income families. The non-profit section of the act has been widened to make it absolutely clear that non-profit corporations sponsored by charitable organizations, co-operative associations and municipalities qualify for assistance under this section. The section provides for loans of 100 per cent, which is the first time that 100 per cent loans have appeared in any section of the National Housing Act. It provides also for a grant of 10 per cent of the cost of the project upon its completion.

The second program is contained in section 27.1, the neighbourhood improvement program, which replaces the urban renewal program. The implementation of the urban renewal program resulted in the demolition of neighbourhoods and disruption of low-income families. Successive ministers and, indeed, members of both houses, felt that the program has been in many respects harmful, notwithstanding the good that it was intended to do. The neighbourhood improvement program replaces this. The essence of this program is to preserve neighbourhoods rather than destroy them and provides loans and a substantial level in grants for the acquisition of land for low-income housing. It also provides for grants for a construction of social amenities appropriate to neighbourhoods. A lesser level of grants is available for the provision of municipal services and the acquisition of land to be used for other purposes.

Part IV.1 of the act introduces for the first time loans and grants for the rehabilitation and conversion of existing housing. This program, initially at least, is closely associated with the neighbourhood improvement program. It provides that in addition to the aids available for



neighbourhood improvement, loans and grants will be available to homeowners within the neighbourhood for the repair and rehabilitation of their houses. Part of the reason that the rehabilitation section has been closely associated with the neighbourhood improvement program is the fact that a well-developed repair and rehabilitation industry does not exist in this country. There are no well-developed local by-laws for maintenance and occupancy, except in a few places. Nevertheless, the section is broadened so that, subject to federal-provincial agreement, the loans and grants for rehabilitation will be available in parts of cities, or in rural areas where neighbourhood improvement activities are not considered necessary or desirable by the municipality and province concerned.

Part IV.2 introduces assisted home ownership. This will not replace the public housing program, which will continue. It is intended to provide a wider range of choices to lower income families in search of housing. It is geared to income and provides for grants to individuals to assist them in making monthly payments of principal, interest and taxes. It is thought that in the low-cost areas of the country—that is, the small communities and some of the smaller cities—an assisted home ownership program will aid those with family incomes between \$5,500 and \$7,500 per annum. In the larger cities and the high-cost areas it will assist those with family incomes in the order of \$7,500 to \$9,000.

Section 34.18 deals with co-operative housing. This is the first time that a section of the National Housing Act has been devoted specifically to co-operatives. The purpose is to make it clear that co-operatives enjoy all the provisions of the National Housing Act, including the loan insurance sections and those relating to the activities of non-profit corporations, assisted home ownership and the rehabilitation of existing housing.

Clause 13 of the bill deals with experimental developmental projects undertaken by CMHC. This introduces the notion that CMHC should be authorized to assure part of the risk in highly innovative projects and those which might lead to important innovations in housing. The corporation is authorized to join with other governments, either provincial or municipal, or with industry in sharing the cost of innovative housing projects.

Section 42 of the act deals with land assembly, for which the loan arrangement in the National Housing Act expired a year ago last March. This is intended to improve and replace it. It improves it by widening the purposes for which land assembly loans can be made. The previous provision limited it to general housing purposes. The new program relates land assembly to general housing purposes and all uses incidental thereto. The loan arrangements are widened and the amortization period is lengthened to 25 years for land sold in fee simple and to 50 years for land leased.

The last of the new programs is the new communities program, which is intended for planned development of urban growth in Canadian cities in accordance with provincial growth strategy. It provides for a modest level of grants for the planning of new communities and for the acquisition of land for social amenities.

Other programs are introduced into the act. Section 8.1 of the act has been amended to extend the protection of the Mortgage Insurance Fund to homeowners who, by reason of failure of the builder to complete the house for

any reason, bankruptcy or otherwise, would be penalized. The Mortgage Insurance Fund can advance funds to the owner to complete the dwelling or pick up the liabilities of the owner due to the bankruptcy or failure to complete. This is the beginning of a complete warranty system that we hope will be introduced before the end of 1973.

Section 27.3 of the act deals with clearance projects of a minor nature following the disappearance of the urban renewal section. It has been brought to our attention by many cities that in some good neighbourhoods single buildings of non-conforming uses or obnoxious uses exist. Representations were made that the act should contain some method of dealing with these special circumstances, hence the inclusion of section 27.31, which allows this outside NIP areas.

Section 37.1 of the act deals with grants to non-profit corporations as startup funds. Many non-profit corporations in this country are well organized and sponsored by service clubs, churches, labour unions, municipalities, et cetera. Non-profit corporations of this type are well able to take advantage of the National Housing Act. Other non-profit corporations, such as those sponsored by Metis or low-income groups, require assistance even to make an application for a project. Section 37.1, therefore, provides startup funds to a maximum of \$10,000 per project to enable non-profit corporations to organize, obtain their charter, option land and develop their plans.

Section 59 of the act makes a change to the loans to Indians on reservations. The former section allowed CMHC to make loans to Indians on reservations for the construction of new housing. The new section allows the corporation to make loans on both new and existing housing and for the improvement of housing. This will ensure that the loans to Indians on reservations and, indeed, to the Metis enable them to enjoy all the provisions of the National Housing Act which are useful to them.

I will now discuss the housekeeping amendments. Section 21 is amended to increase the corporation's authority to make direct loans from \$8 billion to \$10 billion.

Section 12 is amended to raise CMHC's authority to insure loans made by the approved lenders from \$16 billion to \$19 billion.

Section 39.1 is amended to raise CMHC's authority for expenditure for the conduct of research into housing activities from \$15 million to \$25 million.

One or two other minor housekeeping amendments to the act are included, which we will come across as we go through the bill.

My colleagues and I will be happy to answer any questions that honourable senators may have.

**The Deputy Chairman:** Senator Bourget, do you have a statement to make?

**Senator Bourget:** I would like the other senators, who have been listening to me on two occasions being asked questions, to proceed with their questions. I may have questions to ask later on.

**Senator Bonnell:** We have seen, with CMHC and in connection with this legislation, reference to low-income housing, low-income people. What is meant by "low income?" Is it the same for all Canadians from one coast to the other? What is the figure and who sets it?



**Mr. Hignett:** Generally, when we speak of low-income people in CMHC, we are talking generally about those in the lower half of the income ranges of Canadians, and specifically those in the lower third.

**Senator Bonnell:** What is the lower half and the lower third?

**Mr. Hignett:** On a national basis, the lower half of family incomes in Canada is about \$10,000. The lower third is about \$7,500. This varies from province to province. Incomes in Ontario and B.C. are higher than those in other parts of Canada, and incomes in the Atlantic provinces tend to be lower than in the other parts of Canada. But it is surprising how narrow the spread really is among provinces. There are some groups within these, like the Indians and Métis, who are very low income people, and, of course, these are unusual, difficult and specific cases.

**Senator Bonnell:** Is every Canadian in that lower half, and lower third entitled to get a loan through CMHC, or does he first have to be rejected by two or three trust companies before he comes to CMHC?

**Mr. Hignett:** One of the activities that CMHC conducts is that we take the position that any Canadian who cannot get a loan from an approved lender is entitled to apply to CMHC. Now generally this means that CMHC tends to take care of Canadians who live in rural areas, in very small places, or in frontier places. But in conducting that activity we are very much in the same position as an approved lender. Until this act becomes law, we have no special aids to help families who cannot afford current housing costs and current mortgage rates.

**Senator Bonnell:** In other words, if somebody has a poor credit and is turned down by the trust companies, CMHC will take them on?

**Mr. Hignett:** He may be turned down by CMHC for precisely the same reason, if his credit is really bad.

**Senator Bonnell:** It seems to me that we should have a policy that if we are in a certain income field we should be entitled to the same benefit. It should not be determined by whether or not we are turned down by a trust company. If your credit is poor, you will end up with the CMHC. If your credit is good and you have paid your bills all your life, the trust companies will take you on and CMHC will not. Therefore you would have to pay a greater interest rate than you would with CMHC, is that correct?

**Mr. Hignett:** I do not think that is a serious problem. Generally speaking, the lending institutions, trust companies, life companies and the chartered banks, pick up the total demand in the cities of Canada, and where CMHC meets the requirements of Canadians tends to be in the very small towns, crossroads, frontiers and rural places. For example, CMHC has made many loans in Happy Valley, Labrador. Certainly no chartered bank has ever done that.

**Senator Bonnell:** I notice from this legislation that we are getting involved in remodelling, rebuilding and reconstructing old houses. For the lower income group, that is a good thing and is probably something worthwhile. Is there a limit on how much you will pay for an old house before it can be reconstructed? Can I go out and buy a

\$30,000 home in Ottawa and have CMHC help me finance the reconstruction of it, or are there limitations?

**Mr. Hignett:** There are about six million houses in Canada. About two-thirds of those have been built since World War II and about one-third were built prior to World War II. About one-third of our houses in the country are 40 years old or older. Some of them are 100 years old. These houses tend to be in the inside built-up neighbourhoods of cities. There are thousands to be seen in places like Montreal and Toronto. They tend to be lived in by low income families and they tend to be substandard. The intention here is that substandard housing be rehabilitated and that it be rehabilitated to the point where it meets the by-laws of the city in which the housing is located. The proposal is that there be loans and grants for this purpose. The grant is to be established by regulation, but at the moment the thought is that a grant by the federal government to a homeowner may be \$2,000. This can be built on by municipalities and provinces as they wish. Perhaps you know that the province of Quebec already has a law which allows them to make a grant of \$1,000. The city of Montreal has a law which allows them to make a grant of \$600. Together with this legislation, it is possible that grants for rehabilitation, federal, provincial and municipal, may run as high as \$4,000. But the intention is not to renovate relatively new housing, but to bring up to a decent standard those substandard houses in Canadian communities.

**Senator Bonnell:** If your house is not substandard, you cannot apply for this loan?

**Mr. Hignett:** If it is not substandard you go to the bank for a home improvement loan.

**Senator Bonnell:** Under CMHC, is it necessary that all lumber used in the construction of homes be approved by CMHC?

**Mr. Hignett:** Not by CMHC. Some years ago there was introduced into Canada a general system of lumber grading. Lumber is graded one, two, three, four, et cetera. I am by no means an expert on this subject, sir. The building standards require that only lumber of a certain grade be used and that all lumber used in housing be grade stamped, so that the quality of the lumber can be determined very quickly by the corporation's inspectors.

**Senator Bonnell:** Do you think this regulation puts the cost of housing up for a lot of people in the low income brackets and makes it a very expensive house; whereas in some of the rural areas of this country they could cut their own lumber and build their own houses, but because it is not stamped they have to go to Vancouver to get the lumber stamped, and the cost of their home goes up because of this regulation?

**Mr. Hignett:** In the beginning there was much discussion about this, because when lumber grading was first introduced into Canada it was introduced not by CMHC but by forestry and the lumbermen's organizations in the country. In some places it was difficult to have grading inspectors at mills, at the cutting sites, to grade lumber as it was produced. This has been in effect for some years and the difficulty has been largely overcome. I am not aware of any difficulties of this kind in the last few years.



**Senator Bonnell:** In the province of Prince Edward Island, where I happen to live, you do not have any graded lumber. All lumber consequently must be imported. We are surrounded by trees and we cannot use them, unless they are stamped. This might have changed in the last year. What about the interest rate charged on these loans? Is there any specific rate of interest, and is there any subsidization of interest for low income groups?

**Mr. Hignett:** You will notice that every program that is in this bill is at what we call in CMHC the beneficial interest rate. The beneficial interest rate is regarded as being the lowest interest rate is regarded as being the lowest interest that CMHC can charge, having in mind the cost of borrowing money from the federal government. It has been customary for CMHC to lend money at one-quarter to three-eighths above the rate at which it borrows money from the government. This helps to pay the cost of placing the loan, which is substantial, and the cost of administering the loan. One of the series of amendments made in this bill, to make sure that we stay honest, is to put a limit on the interest rate that CMHC can charge to borrowers. It is set in this bill, for almost every program, at not more than one-half of one per cent above the yield on long-term government bonds.

**Senator Bonnell:** It seems to me that you had at one time an almost subsidized interest rate for low-income people who become involved.

**Mr. Hignett:** The rate at the moment is seven and five-eighths. That is the lowest rate we can achieve. At the moment we are borrowing from the government at seven and five-eighths and lending at seven and five-eighths; so it is not a very profitable thing to do. But that is the present circumstances.

**Senator Inman:** Is there any time limit? What is the time limit on repayment of those loans?

**Mr. Hignett:** They vary a good deal. Generally for home ownership the act provides for loans of up to 40 years. In practice, amortization periods tend to be shorter than this. Certainly we advise borrowers within their capability not to extend the term too long, because this becomes quite expensive. The majority of loans made by the approved lenders are for 25-year terms. CMHC generally makes loans between 25 years and 35 years. That is for home ownership. For non-profit corporations and these kinds of institutional loans that develop, the term is generally 50 years.

**The Deputy Chairman:** What is your average loan in each province? Do you have a set-up by provinces? Can you give the average loan?

**Mr. Hignett:** I am sure one of my colleagues can get it for you. The maximum NHA loan for home ownership, that was passed by regulation last summer, is now \$30,000. So for a house that costs less than \$32,000 the loan is 95 per cent. For houses costing above \$32,000, the maximum NHA loan is \$30,000 and, of course, the equity is the difference between \$30,000 and the cost of the house.

As you know, there has emerged in this country private loan insurance corporations where loans made by lenders are insured by private companies. Their loan limits tend to be much higher than those of NHA. They run as high as \$60,000. But since our interest is in the kind of housing

required by lower and middle income people in the country, \$30,000 seems to us to be appropriate under the present circumstances, and it stops us from getting into the very expensive housing, and that we like.

**Senator Walker:** Mr. Chairman, may I ask the retiring president a question? Loans to non-profit corporations are dealt with on page 3 of the bill, clause 7, which is the new section 15.1. Not only do you make a loan equal to the total value of the project, but, in addition, you make a grant up to 10 per cent of the value of it under certain circumstances.

Firstly, are you not afraid that this is going to give the opportunity to the do-gooders to get aboard without putting up any money of their own; and, secondly, as opportunity for those who are inclined to make fraudulent deals? I think this would be a wonderful opportunity for that type of individual to get in there and make an easy buck, and put it all over you people. How are you going to police this type of provision where you are advancing the full amount of the lending value—and that, too, can be fraudulent—and, in addition to that, give them a 10 per cent grant, all in the guise of a charitable organization, of course? But that does not mean that you have to lend your money with any greater facility than you do under ordinary circumstances. Have you any safeguards in this respect?

**Mr. Hignett:** I think, mainly, good judgment, Senator Walker.

**Senator Walker:** Well, in my experience, good judgment has not been the greatest of all the attributes of all the personnel of all the departments of CMHC. That may be yours, of course.

**Mr. Hignett:** First of all, the function of the legislation is to take advantage of the strength and willingness of non-profit housing corporations to provide housing for the elderly people and low income families. It is a deliberate attempt to do just that. The legislation restricts us to dealing with charitable organizations, as defined in the Income Tax Act, and with municipalities, and with cooperative associations. Every one of these, with the possible exception of municipalities, will be required to obtain and present a provincial charter to form and operate a non-profit housing corporation. Unless they can get the provincial charter, we will not be prepared to deal with them.

**Senator Walker:** So you are passing the buck, then, to the provincial government?

**Mr. Hignett:** If they can get a provincial charter, we will be prepared to consider their proposal. But that is only one of the requirements. The legislation provides that the loan shall be 100 per cent of the lending value, and the lending value is determined by CMHC. I think we have sufficient experience, Senator Walker, to know when we are being taken on the difference between the fair lending value of the project and some costs that are being submitted to us. I think we are capable of doing that, and the legislation is careful enough to say that it is 100 per cent of the lending value, which is to be determined by CMHC. The 10 per cent grant is given to non-profit corporations once the project has been completed, and it is given by simply writing down the loan by 10 per cent.



**Senator Walker:** How much, then, would it cost, in percentages, a corporation performing all of the requirements here borrowing the full lending value of the building and then getting a 10 per cent grant? In other words, how much of its own money would it have to put into the project?

**Mr. Hignett:** The bill provides that the corporation be reimbursed for the 10 per cent grant that it makes to non-profit housing corporations. So in the corporations estimates each year, there will be a sum which represents the total grants made to non-profit housing corporations in that year, and that will have to be passed by Parliament through the corporations estimates.

**Senator Walker:** Clause 7, subclause (2), the last paragraph thereof, states:

... but in no case shall the amount of the contribution made by the Corporation exceed ten per cent of the capital costs of the project as determined by the Corporation.

Well, if you make a loan to the full lending value of the project and then make a grant, which is a contribution, will the charitable organization have to put up any money at all for this project, or will CMHC be financing the whole thing?

**Mr. Hignett:** In those projects where the cost of the project coincides with the lending value, it is quite possible, and it is intended, that the loan will finance the full cost of the project.

**Senator Walker:** In other words, you are letting somebody else use your money. That is a hard way to do business. You leave it to the judgment of others, spending no money of their own, to run your show. In other words, they will be running their charitable organizations with your money. That is what it amounts to, is it not?

**Mr. Hignett:** It amounts to a very substantial encouragement for non-profit housing corporations to get into the business.

**Senator Walker:** I appreciate that, but that is going to encourage all sorts of people to get a charter, is it not, and make an easy buck, if they are not entirely trustworthy?

**Mr. Hignett:** They are not allowed to make any profit in managing such a housing project, Senator Walker. There are strings. Their books are examined annually by auditors of the corporation to see that this does not happen and, of course, there are strings on the sale of the project. The project cannot be sold without the consent of CMHC.

**Senator Walker:** I appreciate that, but you also appreciate what I am talking about. This is a great invitation for fraud, in my opinion, and also it is an invitation to be careless. The charitable organization has no money invested in the project. What do they care? I should think you would be deluged with charitable organizations offering to build homes for you with your money. Do you not anticipate that?

**Mr. Hignett:** Well, we do anticipate—

**Senator Walker:** You will not be around, so it will not matter to you. Mr. Teron, without your experience, may have some problems.

**Senator Bourget:** Isn't the purpose of the grant to help tenants who are in the lower income brackets? It will be passed on to the tenants.

**Mr. Hignett:** That is right. There is no profit in an operation such as this. The rents charged are to be just enough to pay the amortization costs, taxes, and the operating of the project.

**Senator Bourget:** There may be some cases such as you raised, Senator Walker, but I think there will be close scrutiny on the part of the corporation to see that there is no profit derived from this. As a matter of fact, that is set out in the bill.

**Senator Walker:** I realize that, but, to take one alternative, supposing they are not honest. Even if they are honest they are usually stupid when it comes to spending money, particularly these do-gooders. When they get going on a charitable organization with your money, they feel they have wings. They have not put up a dime, but they are running it, all for the sake of charity. You would need ten auditors to supervise something like that.

**Mr. Hignett:** Do you think, Senator Walker, that the difference between a 95 per cent loan, as is provided for in the present legislation, and a 100 per cent loan, makes all that difference?

**Senator Walker:** Plus 10 per cent capital grant. I am not answering the questions; I am asking them.

**Senator Bourget:** Could you tell us what the experience of the corporation has been in this regard, Mr. Hignett, disregarding, of course, the 10 per cent grant, which is something new?

**Senator Walker:** Here is your defendant.

**Senator Bourget:** I am just trying to learn.

**Mr. Hignett:** Our experience with loans to non-profit corporations has been extraordinarily good. The non-profit corporations which we encounter at the moment are usually those sponsored by the service clubs, by the churches, by unions, by the Canadian Legion, by the municipalities. We have, over the years, built about 25,000 units of housing for elderly persons under this section, and we have not had a single failure.

**Senator McElman:** I have a supplementary, Mr. Chairman. How does the cost of construction completion for such units relate to the private sector and those handled by the service organizations? Let us take as an example, the Canadian Legion? How would the costs compare as between the private sector and the services sector?

**Mr. Hignett:** I think they compare very favourably. Certainly, housing built by non-profit corporations tend to be lower in costs than housing built entirely by the public, such as homes built under the public housing program. There are a number of reasons for this, one of which is that housing built by governments has to comply very closely with the various labour regulations, minimum wage laws, and so forth, in the country, and some provinces require, as well, that they be unionized. So the tendency is for non-profit housing, on a square footage basis, to cost somewhat less than publicly-sponsored housing, and it compares favourably with the ordinary



housing programs sponsored by private rental entrepreneurs.

**Senator McElman:** The reason I inquired about that is that in my part of the country some of the low cost housing for the aged, put up through the auspices of the Canadian Legion, for example, was done more efficiently and at a more reasonable cost than that by the other sectors.

**Mr. Hignett:** They are built with the purpose of maintaining the lowest possible rent. The rent is not aimed at a market other than the lowest that can be achieved, so these projects are generally put together with great care.

**Senator McElman:** So you consider that these organizations have a very useful input into the whole picture?

**Mr. Hignett:** Yes, I do, senator.

**The Deputy Chairman:** Are there any further questions?

**Senator Bourget:** Mr. Chairman, I should like to stress one point which I made in my remarks yesterday afternoon in the chamber, and that is with respect to the percentage of people who can afford to purchase a home under CMHC. I believe some real estate organization from Toronto stated that only 4 per cent of the people could purchase a home under CMHC. According to the information I have—and this is what I based my remark on yesterday afternoon in the chamber—it is between 20 and 25 per cent. Am I right in that respect, Mr. Hignett?

**Mr. Hignett:** Yes, you are right, Senator Bourget.

**The Deputy Chairman:** Does CMHC have an inventory of the housing in Canada broken down into the various categories?

**Mr. Hignett:** The only inventory we have, Mr. Chairman, at the moment, is that provided by the census from time to time. The census identifies every house in Canada, and identifies whether it is a single family dwelling, an apartment, or whatever form of housing it is. The census also provides a general idea as to what kind of equipment is in the house. For example, it tells us what percentage of houses are equipped with furnaces, bathrooms, running water, and so on, and what proportion of housing is in need of major repair.

These are rather crude statistics, but they are the only statistics we have at the moment. This is why at the Federal-Provincial Conference on Housing in January the ministers agreed that, arising out of the 1971 census, they would maintain on a community basis across Canada a housing inventory and update it annually. This results in much greater knowledge and much finer detail with regard to the quality and quantity of housing in Canadian communities. It suggests ways in which it can be used and additions made to the housing stock to the greatest benefit of the community. This work has been commenced.

**The Deputy Chairman:** You do not have an inventory broken down by value of houses. You said one-third of the houses were 40 years old, or older. Did you learn that from Statistics Canada?

**Mr. Hignett:** Yes.

**The Deputy Chairman:** But Statistics Canada does not tell you where these houses are?

**Mr. Hignett:** Yes, I think generally they do. For example, we know that housing in the urban communities of Canada generally tends to be in better shape than that in rural areas. We know the proportion of the housing in need of major repairs in rural areas and the proportion in urban Canada, but we do not know enough about it. We are much clearer in our understanding of the quality and quantity of housing in urban centres than in rural areas.

**The Deputy Chairman:** You mentioned research and innovation. Does the CMHC have any research program in effect now, and are you developing any new innovation with construction companies or other agencies?

**Mr. Hignett:** Part V of the National Housing Act enables the corporation to conduct research into housing and community planning. There is within the corporation a policy planning division. The responsibility of that division is to continuously review housing policy in Canada and make recommendations to the management of the corporation from time to time. In developing housing policy the corporation conducts what we term "directed research." That is, we seek people to carry out the type of research we think would be useful. That is one method in which housing research is carried out in Canada. Another method is through applications made to us by universities, industry and citizens' groups to conduct research into matters of interest in localities or universities. We finance research of that type also. The notion that CMHC could participate in innovative projects is something we have felt to be necessary for some time. In trying out anything new it is not often commercially viable in its pilot form and if it does not so prove it is very difficult to even test an innovative idea or material. Therefore the act has been changed to allow us to take part of the risk in purely innovative projects and the conduct of pilot projects.

**The Deputy Chairman:** Some years ago Alcan developed a type of house which I believe cost approximately \$10,000 or \$12,000. Judging by illustrations I saw, it seemed to be a very nice little home and could very well be the answer to many of our housing problems, particularly in the area of low incomes. That does not seem to have proved successful, however. I thought that CMHC was interested in it. Can you tell us why that scheme failed?

**Mr. Hignett:** I would not say that it has failed, Mr. Chairman. The manufactured home has certain advantages. It is created under factory conditions, seasonal weather does not affect its production and it generally can be built in closely controlled circumstances. The building industry in this country, however, is highly efficient and no manufacturer of homes, of which there are a good many, has yet been able to beat the building industry on the site. The house when built has to be delivered to the site, which has to be bought and serviced. A foundation must be prepared for the house. The home manufacturers such as those of the ALCAN house have an additional difficulty in that their product tends to be standard and not all communities in Canada have yet adopted the National Building Code as their local codes. Due to these differences in codes the manufactured house sometimes cannot find its place in certain communities unless manufactured specifically for that location. Therefore, generally speaking the manufactured home is really not competitive with the ordinary, on-site building practice, although more and more builders in Canada are turning to the manufactured home. They buy it and place it on their own subdivision



on sites which they have prepared themselves. They thus obtain a high-quality article, which is delivered to them in a complete form, which makes life much more easy for them.

**The Deputy Chairman:** It puzzles me that with housing costs so high that we cannot even begin to think about building for less than \$25,000 or \$30,000, we can drive eight or 10 miles from Ottawa and see beautiful little summer cottages with three bedrooms selling for approximately \$5,000 or \$6,000. Preparing a foundation for a house such as that and placing the house on it would be so much cheaper than the ordinary building of a home that it puzzles me why there should be such a spread between the costs. That type of house is much better than those lived in by many. Today they can be winterized and made habitable, yet only wealthy people who already have a home take advantage of moving such a building to a country site.

**Senator McElman:** Did you say \$5,000 or \$6,000, Mr. Chairman?

**The Deputy Chairman:** Yes.

**Senator Bonnell:** I have never travelled on that road.

**The Deputy Chairman:** Yes, you can buy bigger ones. You would be surprised.

**Senator McElman:** How big would that one for \$5,000 or \$6,000 be—nine by 12?

**The Deputy Chairman:** No, some have two or three bedrooms. It would be worth your while to drive around and see some of them on display. I do not know what the prices are today, but I saw them last year. You can also just read the advertisements in the newspapers and see them listed by Beaver Lumber and others.

**Mr. Hignett:** But they are generally "build-it-yourself" houses and the price is only for parts.

**Senator Heath:** My question relates to section 15 and may be rather hypothetical. When a non-profit organization builds, for instance, a condominium-type senior citizens' home, very often the community arranges for the land, which can be one of the greatest expenses for any type of building. The municipality may forgive the taxes, and make the land available at a very reasonable price and service it almost at cost. Local landscapers will donate their services. What would happen to the surrounding land values because of this type of operation taking place at extremely low cost, services being brought in and so on? Would this increase the surrounding land values, or would it decrease them because this is a non-profit type of housing development?

My question has a second part. I assume that CMHC is a mortgage company. If the building organization cannot continue with the running of the project, does the mortgage company foreclose and take possession? What happens in such a case to the total value of the very expensive development in view of such a large proportion of it being donated? What is its actual value and how is it disposed of?

**Mr. Hignett:** To begin with, support for non-profit housing corporations does take a number of forms, including those you have mentioned. For example, in British

Columbia any non-profit housing corporation building houses for the elderly obtains a grant from the province of one-third of the cost. This means that they only have to borrow two-thirds, which is the only part that is reflected in the rents, which are just sufficient to pay the cost of building and operating the project. The fact that some communities have provided and will continue, hopefully, to provide free or very low cost sites for housing projects sponsored by non-profit organizations has no effect, either upwards or downwards, on the value of the land surrounding the project. Occasionally we hear that the fact that low income groups live in an area has a downward effect on land values. I do not think anyone in the country can ever produce any evidence of this. So the housing built by non-profit corporations does tend to be neutral.

**Senator Heath:** Could it not have the opposite effect for land speculation? If services were brought in which could not be brought in otherwise, it would be very easy for the surrounding property then to be developed by a speculator who could go to the city council and tell them that as all these services are already there he wants to be hooked up to them. Could that happen and would it matter?

**Mr. Hignett:** No, I don't think so, because it would be unusual indeed for a municipality to carry services through any substantial acreage of unserviced land to the site of a non-profit project. When municipalities approve subdivisions they sometimes require that some part of them be held for public houses, non-profit housing, or housing for low income groups of one kind or another.

**The Deputy Chairman:** Are there further questions?

**Senator Denis:** What is the average rate of interest actually paid by those who borrow from the Central Mortgage and Housing Corporation at the present time?

**Mr. Hignett:** For all our programs, that is all of the programs in this bill, and public housing, student housing, sewage treatment, programs currently in the act, the rate of interest is a small mark-up on the yield on Government of Canada bonds. Currently it is 7 5/8 per cent. In the last 18 months it has varied between 7 1/4 per cent and 7 5/8 per cent. That is the general level at current Canada Bond votes in the market.

**Senator Denis:** If I understand you correctly, you do not lend money; you guarantee the loan.

**Mr. Hignett:** In the insured lending program, that interest rate is set by the market, and it relates to all other interest rates. It relates to Government of Canada bonds, to corporate bonds, to the conventional mortgage rate, the rate at which industries borrow, and the mortgage interest rate tends to find its place in the total capital market. We entered this year with the NHA interest rate being at about 9 per cent, or shading a little under it. Interest rates in the first half of the year have been rising and are now, I think, a little below 9 1/2 per cent.

**Senator Denis:** There are two ways of lending money for home purposes. In one instance you guarantee the money. You borrow from the bank or from another organization, or you make a loan directly with your own money. In what degree?



**Mr. Hignett:** The chartered banks, the life insurance companies and the trust companies make loans to builders, to rental entrepreneurs, and to individuals, for very large quantities of housing each year, and these loans are insured under the National Housing Act by the mortgage insurance fund. Those loans are made at market rates of interest which vary from time to time depending on the capital market. The direct loans made by CMHC in very large part are loans that would not be made by the private lending institutions under any circumstances. They are loans for highly special purposes directed mainly at older people and low income people in the country. Those are made at the lowest rate that can be achieved, having in mind the cost of borrowing money by the Government of Canada.

**Senator Denis:** There could be a difference of 2 per cent.

**Mr. Hignett:** At the moment there is a difference of about 2 per cent.

**Senator Inman:** Is there any difference between securing loans in the city and in rural parts of Canada? If a farmer want to borrow money to upgrade his holdings, would it be more difficult for him to get a loan than for someone living in town?

**Mr. Hignett:** It is rather easier for him, senator. The reason is that he has not only the National Housing Act, but more importantly he has the Farm Credit Corporation, and their deal is much better than ours. Very few farmers ever come to CMHC or ever take advantage of the National Housing Act, because the lending arrangements under the Farm Credit Corporation are much superior.

**The Deputy Chairman:** You mentioned earlier about grants to individuals for low-cost areas. How are these grants made? Is there a limit on the grants? Do you take security on the house? Is it an outright free grant? What criteria would you use in making a grant to an individual in a low-cost area?

**Mr. Hignett:** Well, in low-cost areas, at the beginning of this year at least, the cost of housing ranged from about \$15,000 to \$18,000. Now to own such a house would require the payment of principal, interest and taxes in a given amount, and there are many families who just cannot afford to pay that amount. So the idea is that for lower income families who are prepared to pay 22 per cent of their income for housing the actual monthly payments will be tailored to that income; and to the extent that the monthly payment that they can afford to pay is short of the monthly payment that is required to amortize the house, that short-fall will be forgiven, and written off the books of CMHC. The grant is made in that way. It is not made as a cash transaction as between the lender and borrower.

**Senator Denis:** It is dependent on his monthly payment?

**Mr. Hignett:** It has to do with his monthly payment, on whether he has the ability to pay.

**The deputy Chairman:** Only for new homes?

**Mr. Hignett:** Oh no. For single family dwellings, for condominiums, both new and existing.

**Senator Inman:** If the farm corporation refuses the loan, so would the CMHC.

**Mr. Hignett:** There are a number of reasons why an approved lender may decline to make loan. Approved lenders tend to have their mortgage offices in the big cities in the country. We are building, these years, about 250,000 houses a year. The approved lenders, one way or another, account for about 160,000 of these. So they are very active, and there is a strong demand for all of the money that they have available for investment in the cities and towns of Canada.

These companies do not generally maintain arrangements in very small places, in the rural areas or in the frontier places where new communities are developing, and they often decline to make loans in these areas mainly because they are in no position to service them. Not that they have any doubts about the ability of a borrower to pay, but because it is just too expensive for them to take it on. We take those happily. But if a borrower seems on the point of buying or building a house that he simply cannot afford, and they decline him for that reason, then we would talk to the borrower along the same lines and say, "You really cannot afford this house". We go over it with him very carefully to endeavour to show him what part of his income will be devoted to it. This sometimes leads to a more modest house.

There are other occasions where a borrower has incurred debts of a wide variety. There is just nothing left to let him borrow for a new house, and we have to decline for that reason, as would an approved lender.

**Senator Bourget:** A very important amendment has been brought into the bill which has to do with land assembly. Some people are raising doubts about the amount of money that is being put aside. The amount is \$100 million a year for the next five years. According to your experience, do you think that amount of money will be sufficient to meet the requests and demands that will be made by provinces or municipalities?

**Mr. Hignett:** I think Mr. Basford would be delighted if it proves not to be enough. Quite apart from the \$500 million to be used for this purpose over the next five years, there is also the loans and grants available under the sewage treatment facilities to build sewage treatment plants and trunk sewers to service new land assembly areas. Potentially this could also require \$500 million over the next five years.

Up to this moment in time, one way and another the land assembly provisions have been in the act for some years, although not the same and not as generous as these. We have not yet come anywhere near the \$100 million, despite the encouragement, the lobbying, the selling we have tried to do. Our best year has been about \$70 million. So, based on our experience in the past, we thought that \$100 million a year, at least in the first year or two, would prove to be optimistic. We hope this will not be the case.

**Senator Bourget:** I ask this question because doubts have been raised in many quarters, even in the two houses of parliament. For the record, this amount may be sufficient, but if not the minister said he is ready to make more money available to meet the needs and demands.

**Mr. Hignett:** Certainly it will be a much bigger program than we have been able to generate in the past.



**Senator Bonnell:** Under CMHC, what amounts of money are available for the different programs? In other words, we have hundreds of millions, say, for land assembly. How much have you got for the different programs? Is this amount of money divided up according to provinces? Is so much allocated to British Columbia, so much to Ontario and so much to the other provinces? If the total amount has not been used by Ontario, could British Columbia come in and pick up the remaining amount of the total allocated to the province?

**Mr. Hignett:** Yes. The capital budget of CMHC, the money that the government gives it to invest, has for the past two years been at the rate of \$1 billion a year. The minister has said to the provincial ministers that the government of Canada will undertake that the budget will not fall below \$1 billion a year in any of the next five years. So we can look forward to a budgeting level of not less than \$1 billion over the next five years. This is broken down by program and by provinces.

**Senator Bonnell:** I am interested in Prince Edward Island.

**Mr. Hignett:** At the moment, pending enactment of the next legislation, the corporation's budget for 1973 is \$974 million. On the day that this legislation is enacted it will become \$1.08 billion. If I could go through quickly, starting in the East, this has been allocated as follows: \$34.5 million to Newfoundland, \$7.5 million to P.E.I., \$50.5 million to Nova Scotia, \$31.5 million to New Brunswick, \$204 million to Quebec, \$342 million to Ontario, \$62.5 million to Manitoba, \$41 million to Saskatchewan, \$84.5 million to Alberta, \$116 million to B.C.

That is based on discussions that we have annually with the provinces, because the public housing program, the federal-provincial housing, non-profit housing, student housing, land assembly, sewage treatment, are generally projects that are sponsored by municipalities and provinces, and we are responding to demand. That is, the initiation is in other hands. These are the results of discussions with the provinces about the extent to which they will take advantage of NHA programs.

To go further with your question, it is quite true that if we find, for example, that the province of B.C., for some reason or other, by September of each year, when we review our budget and the way the budget is being invested, that B.C. is not likely to use its allocation, we are free then to transfer that allocation to any other province where their capacity is greater than was thought earlier in the year. This is done virtually every year.

**Senator Inman:** Or among any provinces?

**Mr. Hignett:** Or among any provinces, yes.

**Senator Bourget:** You do not have to go to Treasury Board?

**Mr. Hignett:** No, we do not have to go to Treasury Board. We only have to go back to Treasury Board when we need more money.

**Senator Bourget:** Yes.

**The Deputy Chairman:** I think, honourable senators, that it would be useful to have that table added as an appendix to the proceedings. Is that agreed?

**Hon. Senators:** Agreed.

**The Deputy Chairman:** You can make that available to us, can you, Mr. Hignett?

**Mr. Hignett:** Yes, Mr. Chairman.

**Senator Bourget:** Along with the information that Mr. Hignett has already given.

**The Deputy Chairman:** Yes, but there is more information in this table because it is broken down into sub-headings.

**Mr. Hignett:** Yes, it is broken down into sub-headings by program.

*(For tables, see appendices A, B and C)*

**Senator Bonnell:** Mr. Hignett, could you give us a breakdown of the \$7.5 million with respect to the province of Prince Edward Island? The others will probably compare.

**Mr. Hignett:** Yes. Prince Edward Island proposes to spend the following amounts: \$1 million on public housing; \$1.5 million on federal-provincial housing, which is another form of public housing; \$500,000 on a non-profit housing; \$2 million on loans for home ownership for new housing; \$500,000 for loans for home ownership on existing housing; \$1.5 million for sewage treatment, and \$500,000 for the assembly of land. That should come to \$7.5 million, senator, if I have given you the right figures.

**Senator Bonnell:** New communities are also covered in this bill. What percentage of the cost of a new community is available from CMHC? Is it 100 per cent?

**Mr. Hignett:** There are two ways of doing it, senator. The federal-provincial way is where the new community is acquired by federal-provincial partnership, in which case it is owned 75 per cent, 25 per cent by the federal and provincial governments, respectively. Title is held that way, the investment is made that way, and the participation in operating losses or surpluses would be the same. If the province wishes to go it alone, it may borrow 90 per cent of the cost from CMHC for the same purposes.

**Senator Bonnell:** And they take the profits and the losses?

**Mr. Hignett:** Yes.

**Senator Bonnell:** And that includes sewage, streets, lighting, water, hydro, and so forth?

**Mr. Hignett:** It includes the acquisition of the land and the complete servicing of the land within the boundaries. It does not include the services leading to the land.

**Senator Bonnell:** But where you are tearing down the old and building anew, you can get some assistance for services outside of the boundaries of the land? I believe you said you could get assistance to the extent of 25 per cent, or so. Is that what you said?

**Mr. Hignett:** As far as the neighbourhood improvement program is concerned, to the extent that municipal services have to be replaced because they are old and worn out, the legislation allows a federal contribution of 25 per cent of the cost of doing that and also enables the corporation to make a loan to the municipality of, I believe, two-thirds of the balance. In any event, we can also make



a loan to the municipality for a substantial proportion of its share of the costs.

**Senator Bonnell:** In any event, there is no clause in this amending bill governing the shell housing program, but I take it the shell housing program still exists?

**Mr. Hignett:** Yes, it still exists. It does not require any amendment to the act. It will, of course, be incorporated in the assisted home ownership program. The assisted home ownership program will be very effectively used in conjunction with the shell housing program. The shell housing program, in the Atlantic provinces, has been extraordinarily successful in large part. In the Atlantic provinces, where people tend to be good with their hands, a great many people can finish the house providing they have a good sturdily built structure that is completed on the outside. This allows them to finish the interior as they go along. This is a very substantial program in the Atlantic provinces, and in conjunction with the assisted home ownership program, it will be much better.

**The Deputy Chairman:** Are there any further questions?

**Senator Heath:** Does CMHC have any recourse against a builder where he has received an instalment payment and then leaves the job? What recourse does CMHC have in those circumstances against the builder?

**Mr. Hignett:** If there was any point to it, we could sue him. However, what usually happens is when the corporation makes advances, it only advances for the work in the place and endeavours to withhold the cost of completing the house. So theoretically, at least, if a builder goes bankrupt, there are sufficient funds in the mortgage account to finish the house. What happens is that in order for the builder to get his advances, the suppliers and the sub-trades often give the builder a waiver of liens, which deprive them of their future rights. When the builder does go bankrupt, the suppliers and tradesmen are badly hurt.

It is this kind of protection that we try to give the home purchaser who has bought a house and then finds his builder, for bankruptcy or other reasons, cannot complete the house. We want to ensure that he gets a completed house and is protected from liens or other difficulties that arises under such circumstances. This is by no means a complete warranty system. All it ensures the home owner is that he will get a complete house at the price that he undertook to pay, and that he will not find himself with many additional expenditures because of difficulties encountered by the builder.

**Senator Heath:** Can the corporation, then, protect itself by advising the prospective purchaser not to have such-and-such a builder undertake to build the home? Do you go that far to protect the corporation?

**Mr. Hignett:** Once a builder goes bankrupt, we watch him very carefully to see that he does not re-appear in the building industry under another name. We have to do this in order to protect ourselves as well.

**Senator Bonnell:** I should just like to say that I am one hundred per cent in favour of this bill. I think it is a wonderful thing. I think it is a great thing that the government of Canada can come up with a program which is so badly needed by Canadians from coast to coast. To think that a little province like Prince Edward Island, with a

population of 110,000 people, has a need for approximately 5,000 new homes every year. I believe that the housing program in Prince Edward Island has been magnificent in the last two years. I believe that we in the province of Prince Edward Island have made great strides in home ownership and home improvement programs. CMHC may have even gotten some of its ideas from the Prince Edward Island programs.

Co-operative housing programs, and so forth, again have added a big boon to our province in that they allow people of lower and middle incomes to purchase housing which they could not otherwise have afforded. The sewage treatment program, under CMHC, has been tremendous in cleaning up our rivers and streams in that province, and the first thing you know, with your help, we will have a pollution-free province, especially our rivers and streams. They are almost to that point now.

With respect to the community development program, I think you must have gotten that idea from Hillsborough Village, which is being stirred up out there; it is a new town being built near Charlottetown. This will be of tremendous support to them.

I think it is just great, and I want to congratulate the minister and CMHC for a good bill, which was badly needed by all Canadians who are waiting for us to get it through. Therefore, I want to support it.

**The Deputy Chairman:** Just before we move the adoption of the bill, I have one question for Mr. Hignett. Is lack of uniformity in by-laws and building codes a serious handicap to lowering the cost of housing?

**Mr. Hignett:** Not as serious as it used to be, Mr. Chairman. More and more Canadian cities are adopting the national building code. The national building code now has very wide coverage across the country. It is something that we urge municipalities to do, and is something that the minister talks about a great deal. Absolute uniformity of the building codes across the country would make it much more efficient, not only for the builders, but for the manufacturers of all materials that go into the building of a house. It is improving all the time.

**Senator McElman:** Mr. Chairman, I am simply amazed that Senator Bonnell, in speaking about Prince Edward Island, has omitted to say that Canadians are celebrating with Prince Edward Island their centennial year and that all Canadians, including members of the corporation, should go down and see the tremendous advances of the last three years through the auspices of CMHC.

**Senator Bonnell:** Even the Queen is coming to see that.

**Mr. Hignett:** I spent last Saturday and Sunday in Charlottetown. I did the proper things. I went to see "Green Gables," I went to Cavendish, and I had lobster at Montague in the lobster shack. The Island looks very well.

**Senator Bonnell:** You toured the Queen's route!

**Senator Inman:** Did you go to Brudenell?

**Mr. Hignett:** Yes, I did. That is where the golf course is.

**Senator Bonnell:** There is no CMHC money in that.

**The Deputy Chairman:** Do I have a motion to report the bill without amendment?



**Senator Bourget:** I so move, Mr. Chairman.

**The Deputy Chairman:** Is it agreed?

**Hon. Senators:** Agreed.

The committee adjourned.



APPENDIX "A"

THE POTENTIAL OF THE 1973 CAPITAL BUDGET FOR COMMITMENTS UNDER THE NEW LEGISLATION  
(\$ Millions)

NHA SECTION	Approved Capital Budget P.C. 1973-440 (22-2-73)	Amended Capital Budget on Passage of Bill	Non-Discretionary under existing legislation	Transferable to new legislation	Allocated Directly for new legislation	DESCRIPTION
43	271.0	248.0	248.0	○	○	Public Housing
40	43.0	40.0	40.0	○	○	
15 NP	82	80.0	○	○	80.0	Low Rental
15.1 COOP	209.0	2.0	○	○	2.0	
15 ENT	127	115.0	○	115.0	○	Assisted Home Ownership Rehabilitation
34.15 AHO	○	134.0	○	67.0	67.0	
34.1 REHAB	○	6.0	○	○	6.0*	*Initial funding level during start up
47	21.0	21.0	21.0	○	○	Student Housing
53 NEW	145	78.0	○	78.0	○	Residual Lending Lending on Existing Units
53 EXIST.	180.0	33.0	○	33.0	○	
25	8.0	8.0	8.0	○	○	Urban Renewal
55	8.0	8.0	6.0	○	2.0	Acquisition CMHC
53	134.0	134.0	134.0	○	○	Sewage Treatment
42	○	62.0	○	○	62.0	Land Assembly
40	100.0	38.0	○	○	38.0	
27.5 N.I.P.	○	1.0	○	○	1.0*	Neighbourhood Improvement Prgm
TOTAL	974.0	1003.0	457.0	293.0	258.0	*Initial funding level during start up
		100	45	29	26	



## APPENDIX "B"

## CENTRAL MORTGAGE AND HOUSING CORPORATION 1973 CAPITAL BUDGET - COMMITMENTS

(in millions of dollars)

Sec.	Programme Low-Income Housing	Nfld.	PEI	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.*	B.C.**	TOTAL
43	Public Housing	4.5	1.0	6.0	9.0	61.0	130.0	35.0	—	17.5	7.0	271.0
40	Fed./Prov. Housing	4.5	1.5	16.0	1.0	—	—	2.0	7.0	.5	10.5	43.0
15	Non-Profit	2.0	.5	5.0	2.0	23.0	10.0	7.0	4.0	10.5	18.0	82.0
15	Entrepreneur	4.0	—	8.5	2.5	36.0	35.0	4.0	4.0	15.5	17.5	127.0
	Sub-Total	15.0	3.0	35.5	14.5	120.0	175.0	48.0	15.0	44.0	53.0	523.0
Other Housing												
47	Student Housing	1.0	—	.5	1.5	2.0	7.0	1.0	1.0	2.0	5.0	21.0
58	Home Ownership - New	8.0	2.0	5.0	5.5	40.0	24.0	6.5	21.0	21.0	12.0	145.0
58	Home Ownership - Exist.	2.0	.5	1.0	1.0	11.0	8.5	1.0	1.5	6.5	2.0	35.0
	Sub-Total	11.0	2.5	6.5	8.0	53.0	39.5	8.5	23.5	29.5	19.0	201.0
Infra-Structure												
25	Urban Renewal	.5	—	.5	1.0	3.0	3.0	—	—	—	—	8.0
55	Direct Acquisition	—	—	—	—	3.0	3.5	—	—	—	1.5	8.0
53	Sewage Treatment	2.0	1.5	5.0	6.0	25.0	56.0	3.5	2.0	8.0	25.0	134.0
40	Fed./Prov. Land	6.0	.5	3.0	2.0	—	65.0	2.5	.5	3.0	17.5	100.0
	Sub-Total	8.5	2.0	8.5	9.0	31.0	127.5	6.0	2.5	11.0	44.0	250.0
	Total	34.5	7.5	50.5	31.5	204.0	342.0	62.5	41.0	84.5	116.0	974.0

\*Includes N.W.T.

\*\*Includes Yukon

December 29, 1972



## APPENDIX "C"

## CENTRAL MORTGAGE AND HOUSING CORPORATION 1973 CAPITAL BUDGET - COMMITMENTS NEW UNITS

Sec.	Programme Low-Income Housing	Nfld	PEI	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	TOTAL
43	Public Housing	325	75	450	750	4,500	8,800	2,700	-	1,400	500	19,500
40	Fed./Prov. Housing	375	125	1,350	100	-	-	175	575	50	950	3,700
15	Non-Profit	100	25	275	100	1,350	550	450	200	550	900	4,500
15	Entrepreneur	300	-	625	175	2,750	2,600	300	300	1,150	1,300	9,500
	Sub-Total	1,100	225	2,700	1,125	8,600	11,950	3,625	1,075	3,150	3,650	37,200
	Other Housing*											
58	Home Ownership - New	525	150	325	375	2,400	1,600	425	1,400	1,500	800	9,500
	Total Housing	1,625	375	3,025	1,500	11,000	13,550	4,050	2,475	4,650	4,450	46,700

NOTE: The Capital Budget would also finance 8,300 hostel places for elderly people and students

\*Include 4,500 low income housing for assisted homeownership (current programme)

December 29, 1972









FIRST SESSION—TWENTY-NINTH PARLIAMENT  
1973

THE SENATE OF CANADA

PROCEEDINGS OF THE

STANDING SENATE COMMITTEE ON

**HEALTH, WELFARE  
AND SCIENCE**

The Honourable CHESLEY W. CARTER, *Deputy Chairman*

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Issue No. 5

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WEDNESDAY, SEPTEMBER 12, 1973

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**Complete Proceedings on Bill C-219**

**“An Act to amend the Old Age Security Act”**

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REPORT OF THE COMMITTEE

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(Witnesses—See Minutes of Proceedings)



THE STANDING SENATE COMMITTEE ON  
HEALTH, WELFARE AND SCIENCE

The Honourable Maurice Lamontagne, P.C.,  
*Chairman*

The Honourable Chesley W. Carter, *Deputy Chairman*  
and

The Honourable Senators:

Argue	Goldenberg
Blois	Hastings
Bonnell	Inman
Bourget	Langlois
Cameron	*Martin
Croll	McGrand
Denis	Phillips
*Flynn	Smith
Fournier	Sullivan
( <i>de Lanaudière</i> )	van Roggen
Fournier	
( <i>Madawaska- Restigouche</i> )	

\**Ex officio* Members

20 MEMBERS

(Quorum 5)



# Order of Reference

Extract from the Minutes of Proceedings of the Senate,  
Tuesday, September 11, 1973:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Lapointe, seconded by the Honourable Senator Fournier (*Restigouche-Gloucester*), for the second reading of the Bill C-219, intituled: "An Act to amend the Old Age Security Act".

After debate, and—

The question being put on the motion, it was—  
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Lapointe moved, seconded by the Honourable Senator Fournier (*Restigouche-Gloucester*), that the Bill be referred to the Standing Senate Committee on Health, Welfare and Science.

The question being put on the motion, it was—  
Resolved in the affirmative."

ROBERT FORTIER  
*Clerk of the Senate*



# Minutes of Proceedings

Order of Reference

Wednesday, September 12, 1973.

(5)

Pursuant to adjournment and notice, the Standing Senate Committee on Health, Welfare and Science met this day at 11:00 a.m. The Deputy Chairman, the Honourable Senator Carter presided.

*Present:* The Honourable Senators Blois, Bourget, Cameron, Carter, Flynn, Goldenberg, Inman, Martin and Smith. (9)

*Present, but not of the Committee:* The Honourable Senators Benidickson, Laird, Lapointe, McElman, Molgat and Yuzyk. (6)

*In attendance:* Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel.

The Committee proceeded to the consideration of Bill C-219 "An Act to amend the Old Age Security Act".

The following witness was heard in explanation of the Bill:

From HEALTH AND WELFARE CANADA:

The Honourable Marc Lalonde, P.C., Minister.

On motion of the Honourable Senator Smith, it was *Resolved* to report the said Bill without amendment.

At 12 Noon, the Committee adjourned to the call of the Chair.

ATTEST:

PATRICK J. SAVOIE,  
*Clerk of the Committee.*

Extract from the Minutes of Proceedings of the Senate,  
Tuesday, September 11, 1973.  
Pursuant to the Order of the Day, the Senate  
resumed the debate on the Bill to amend the  
Senator Lapointe, seconded by the Honourable  
Senator Fourrier (Health, Welfare and Science),  
and secondarily on the Bill to amend the  
to amend the Old Age Security Act.  
After debate and—  
The question being put on the motion, it was  
resolved in the affirmative.  
The Bill was then read the second time.  
The Honourable Senator Lapointe moved, seconded  
by the Honourable Senator Fourrier (Health,  
Welfare and Science), that the Bill be referred to the  
Senate Committee on Health, Welfare and Science.  
The question being put on the motion, it was  
resolved in the affirmative.

ROBERT FOURRIER  
Clerk of the Senate



# Report of the Committee

Wednesday, September 12, 1973.

The Standing Senate Committee on Health, Welfare and Science to which was referred Bill C-219, intituled: "An Act to amend the Old Age Security Act", has in obedience to the order of reference of September 11, 1973, examined the said Bill and now reports the same without amendment.

Respectfully submitted.

Chesley W. Carter,  
*Deputy Chairman.*



# 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-



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. Were they 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.



**Senator Flynn:** Then the next adjustment will take place for January, 1974, and will take into account the increase from July 31 to when?

**Hon. Mr. Lalonde:** To the end of October. You always go back two months before the increase to see the period that it covers.

**Senator Flynn:** You mentioned that the cheques were already being printed.

**Hon. Mr. Lalonde:** The calculations are being made; the cheques are not being printed. I am advised that the printing of cheques will start at the end of September or early October, but the calculations have to be made for 1,800,000 cheques. On 700,000 or 800,000 it is pretty easy, because these are basic payments, but additional adjustments have to be made to all of the GIS payments, and this represents another 1.1 million cheques.

**Senator Flynn:** When are the cheques sent out?

**Hon. Mr. Lalonde:** For delivery on the third-last banking day of every month.

**Senator Flynn:** So the new amounts will be posted in the third week of October.

**Hon. Mr. Lalonde:** They will be posted a little before that. We want to make sure they can be cashed in the third week.

**Senator Flynn:** When we passed the amendment last spring to the Old Age Security Act, to provide for a pension of \$100 a month, I think the bill received royal assent on April 5, but it was in fact retroactive to April 1. If my memory serves me right, the cheques were sent in time on that occasion, and there was no delay in receipt by pensioners of their cheques.

**Hon. Mr. Lalonde:** We can check this matter, but I am advised by my officials that the adjustments were not ready to be included in the cheques in April.

**Senator Flynn:** The cheques for April included the increase provided in the amendment?

**Hon. Mr. Lalonde:** My officials advise me that they are not sure. I am told that their best recollection at the present time is that it was included in an adjustment made in May rather than in April. You might be right on this; I would not quarrel with that. We can find out, if you wish.

**Senator Flynn:** Would you let me know by letter if it is otherwise?

**Hon. Mr. Lalonde:** We will try to let you know before the end of this meeting.

**Senator Flynn:** Do I understand that the amount which will be distributed for the remainder of the year, or until the date when there will be an adjustment under the legislation as it stands now, is \$95 million?

**Hon. Mr. Lalonde:** I said that the additional amount being paid to senior citizens, because of quarterly adjustments between now and the end of the fiscal year, will be between \$90 million and \$95 million.

**Senator Flynn:** The adjustment will have been made only at the end of the fiscal year?

**Hon. Mr. Lalonde:** At the end of the fiscal year.

**Senator Flynn:** For April of next year?

**Hon. Mr. Lalonde:** For April of next year, and will have gone back only to October of this year. In April, 1974 we will have paid on the basis of the increase in the cost of living from October, 1972 to October, 1973 over October, 1971 to October, 1972, the year previous, so not only are we having the quarterly adjustment, but we are also gaining a good four months in terms of advancing the payments to senior citizens.

**Senator Flynn:** When you decide the amount of an increase like that, do you calculate the amount the government may receive by way of additional income tax?

**Hon. Mr. Lalonde:** The \$90 million to \$95 million is a net figure after income tax receipt.

**Senator Flynn:** You mean this is additional only; this is not the amount paid out?

**Hon. Mr. Lalonde:** That is right.

**Senator Flynn:** Is the net amount the offset of the additional tax?

**Hon. Mr. Lalonde:** That is right. You must remember that GIS is exempt from taxation, to begin with.

**Senator Flynn:** Of course.

**Hon. Mr. Lalonde:** So you have only the OAS portion. The level of taxation for senior citizens, dut to higher exemptions and so on, is comparatively low.

**Senator Flynn:** This figure has always been given as not the net disbursement but the gross disbursement provided by the act.

**Hon. Mr. Lalonde:** I am advised that this is the net figure. Usually we calculate those figures in terms of net figures.

**Senator Flynn:** What would be the gross figure?

**Hon. Mr. Lalonde:** I do not have it with me. I will try to get the figure for you before the end of the meeting. Again, the amount of recovery in income tax is comparatively small, because it applies only on the basic rate, the \$100 at the present time.

**Senator Flynn:** Usually in the estimates this is a gross figure.

**Hon. Mr. Lalonde:** Yes, but we were asked how much more it would cost for this particular program, and we usually give it in net figures.

**Senator Bourget:** Are the calculations made in your department or in the Department of National Revenue?

**Hon. Mr. Lalonde:** The calculations are usually made in our department, but in consultation with National Revenue and the Department of Finance, obviously.

**Senator Cameron:** Is it not true that if the forecast of the International Monetary Fund released a couple of days ago is true it is very fortunate that this amendment is being made now?



**Hon. Mr. Lalonde:** In part. Indeed, if I had come to the conclusion in my own mind that this was a very, very short-term move, a move of a few months in the consumer price index, we would probably not have done it that way; we would probably have made an adjustment to the basic benefit. Indeed, in the light of the information that seems to be coming out of official bodies for industrial countries all over the world, I think we have to assume or act as if this inflation is to carry on for at least a while.

**Senator Inman:** Has the minister in mind any limit of time or amount in which these adjustments will be made—say, five or ten years?

**Hon. Mr. Lalonde:** I am glad you assumed, senator, that I would still be minister in five or ten years. This is like any other act of Parliament: it is permanent for as long as Parliament decides it is to remain as it is. For as long as Parliament does not change this proposed legislation, we will continue to make adjustments every quarter. I cannot imagine any government being able to make adjustments on a more frequent basis; I think it is practically not feasible.

**Senator Benidickson:** Mr. Minister, as I read the debates in the other place in connection with this bill, I recollect that the thrust from the opposition there was directed probably to three areas. Several members suggested that the age of entitlement should be lowered to 60. There was another basic suggestion or criticism, that the amount payable should go from \$107, say, for a single recipient on a basic rate, to \$150 or \$200 a month. Several people suggested that a spouse under age 65 should be paid a pension if the other spouse was a pensioner. I thought those were the basic criticisms of the present bill.

I have read your speeches in the past and have heard some of your speeches personally. You have always indicated, particularly with respect to the cost involved in lowering the age of entitlement, that it was your view that you must always relate the resulting increased expenditure to the overall expenditure in other fields of social benefits; that there must be some limit and some necessity to see that there was a fair distribution in this respect in old age pensions, family allowances, assistance under the Canada Assistance Act and other benefits under your administration.

I wonder if you could give us an indication of the increased cost of some of these suggestions, if accepted; and how this would affect the overall percentage of take by senior citizens in relation to the total federal income.

I noticed the other day that you answered a question in the House of Commons with respect to family allowances. The question was asked as to the percentage of federal government income directed to family allowances, I think, at the time of the inauguration of the program, and the relationship with the percentage of tax revenues or income of government; and how that would relate to a recent time, perhaps last year.

I wondered if you could indicate to us, similarly, the percentage of either your departmental or the national tax revenue that is directed now to pensions for senior citizens, compared to that percentage, say, ten years

ago or something of that kind. I will leave it to you to select the figures that are of your knowledge.

**Hon. Mr. Lalonde:** I will try to keep my answer reasonably short, senator, on this particular problem that you raise. In the House of Commons there were indeed three main points, and I think you have identified them properly. One was the lowering of the age to 60. Secondly, the demand or request for payments has now gone from \$150 to \$200. The New Democratic Party has just joined the Creditistes in the \$200 camp, but I expect the Creditistes to come back next time with a demand for \$250. The third point was eligibility of a spouse under the age of 65.

I have taken the view on these matters that we have to look at the allocation of resources in the field of social security, not only at the federal level but also at the provincial level. That is why we undertook a global review of our social system with the provinces last April. This review is progressing. I have already had a conference with my colleagues; I have another one coming up in October; and we are due to meet every three months during the next two years to complete a systematical review. I have made a commitment to my provincial colleagues that there would be no substantive changes in the structure of the federal social security system without previous consultation and, if possible, the development of a consensus.

**Senator Benidickson:** Does that include a social development plan or social payment plan that would be paid solely by the federal treasury?

**Hon. Mr. Lalonde:** It does, because, really, when you are proceeding to a general review like this, there are only so many tax dollars available, and if you decide to gulp a large amount suddenly on your own, this is bound to have an effect on the social security system. We cannot ignore that.

I thought—I hoped I had a similar commitment from my colleagues. I begged them to give me a commitment. Most of them did, and it would be fair to assume that all of them said that that would be the case—except that I am afraid I have to recognize that we have not been able to get, from some of them, the same amount of commitment and the same amount of co-operation that the federal government has given them.

So, as far as the lowering of the age to 60 in the case of the spouse is concerned, these are matters which we are reviewing and discussing at present with the provinces.

This could be dealt with in many ways. Obviously, it could be dealt with by strictly lowering pensions, but it can also be dealt with by the introduction either of a form of guaranteed income or adjustments under the Canada Assistance Plan program and payments at the present time. Once you have lowered the age to 60, what do you do with the people of 59 and 58 who are in a similar situation? So lowering the age to 60 is no magic answer to the real problems that people are facing.

As far as the cost of lowering the age to 60 for everybody is concerned, if you were to take the payments we have now and lower the age to 60, that is, give \$100 to every citizen between 60 and 65 and add the guaranteed income supplement—and now we are talking about \$107



and \$179.50—it would be about another \$1 billion, just for that category.

If you were to pay only the GIS, that is, if you were to make the whole payment subject to the income test, that is, the whole \$170 being subject to income test rather than pay the basic \$100 without income test, then the cost would be lower, but the cost to the federal government would still be reasonably close to \$400 million.

In terms of the allocation of funds to old age security in this country, I do not have at hand the figures for making a comparison for ten years ago, but I will give you the figures between 1967 and now. In 1967 we were paying about \$1 billion in old age security. With this particular bill it is going to take us over the \$3 billion mark. So this country has in six years tripled the sums of money allocated to the social security of its senior citizens.

Well, we certainly have not yet done anything similar with respect to the other fields of social security, whether under family allowances or under the Canada Assistance Plan; we must not lose sight of the plight of the deserted mothers, the handicapped, the blind, and all the people who are on social assistance, for which the federal government pays 50 per cent at the present time.

I mentioned in my speech in the house that the payments we are presently making to senior citizens are higher in six out of ten provinces than the payments to a couple with two children, on social assistance.

**Senator Benidickson:** And much less for single people.

**Hon. Mr. Lalonde:** That is right. In fact, they are very substantially higher than what is being paid for a couple in any province. If I remember well, the highest amount in a province was something like \$250. We are going to be paying \$341. Some provinces are paying as low as \$200 a month, if I remember correctly.

Let's face it! Some provinces would find it very difficult to pay more than they are paying at the present time. There are others who could afford to pay more, but, as I say, there are some who would find it very difficult. So what we are doing, and, indeed, what we must do as a country, is to look at the total resources available in the field of social security and see that we are going to be fair in the distribution or redistribution of income to all levels of the community.

There has been a tendency on the part of some groups or parties to focus their entire attention on senior citizens, and every time it is suggested that something must be done in the field of social security the only thing they seem to have in mind is raising old age pensions. But there is more to it than that. Our effort, while being fair to the senior citizens and while certainly giving them what is really owed to them for what they have contributed to the country, should not at the same time leave by the wayside all those other groups who are in need, genuine need, and who at the present time are not receiving what one obviously would consider to be their fair share. So that is the situation.

Everything is possible. We could lower the age for old age pensions to 55. I even proposed that it be lowered to 44, myself!

**Senator Flynn:** You don't look that old, anyway.

**Hon. Mr. Lalonde:** But how much money is going to be left for the other people in need? That is the type of question we must ask ourselves more and more. I am afraid that we may not have been asking that question enough in this country.

**Senator Benidickson:** Mr. Minister, you referred to the range of payments to a couple entitled to welfare, either because they are unable to work or because they are disabled, or for other causes. The federal government will pay 50 per cent of those payments to the provinces. Is that right?

**Hon. Mr. Lalonde:** That is right.

**Senator Benidickson:** Is there a limit on the amount a province can pay under those circumstances and still receive the 50 per cent contribution from the federal government?

**Hon. Mr. Lalonde:** No, so long as they subject the claimants to the needs test provided under the Canada Assistance Plan there is no limit.

**Senator Benidickson:** That brings me to an article in the *Montreal Gazette* of this morning which indicates that it is proposed by the Parti Québécois leader, Mr. Lévesque, that there be a program in the province of Quebec with respect to family allowances which would increase from \$17 to \$45 the payment to a child. He compares that to the present \$12 a month that is proposed. He admits that the largest part of the money to pay for the program would be supplied by the federal government.

Under what legislation would the federal government be obligated to contribute what he says would be \$497 million out of a total expenditure of \$735 million in 1974 for allowances for persons up to 17, if his proposal were accepted?

**Hon. Mr. Lalonde:** First of all, there is no legislation that would allow for such payments of any sort at the present time. The only means whereby the federal government would contribute 50 per cent, as I say, is under the Canada Assistance Plan, and that is not for family allowances.

In the second place, obviously, if Mr. Lévesque were to be in charge of the province there would be no federal government to deal with, according to his own theory. So I do not see how he can argue that this money would come from the federal government.

But I cannot take these claims too seriously. I have seen some of the proposals of the Parti Québécois in Quebec in their so-called platform, and, you know, that reads even worse than a lot of the Social Credit proposals I have been reading about or hearing about in Quebec over the last few months. I cannot remember exactly the figures, but they were rather unbelievable, if you added them up and tried to find out who would finance them. So I cannot take those statements too seriously.

**Senator McElman:** It's easy to commit, when you do not have to produce.

**Hon. Mr. Lalonde:** That is right.

**Senator Cameron:** Mr. Chairman, the minister indicated that in 1967 the cost of the old age pensions was roughly \$1 billion and that in 1973 it will be \$3 billion.



I am not very good at mathematics, but it would seem that in 1967 \$1 billion was about 5 per cent of the GNP, while in 1973 the expenditure on old age pensions will be about 15 per cent. So, in effect, we are spending an increase of 10 per cent of the GNP in a period of six years.

**Hon. Mr. Lalonde:** That is right. It is a very substantial increase. It is \$3 billion of the total federal budget of about \$21 billion; so you can divide it out yourself very easily: it comes out to about one out of every seven federal dollars going to the old age pensioners at the present time. Mind you, that increase is due in part to the lowering of the pension age from 70 to 65 during that period: it is not just an increase to the same number of people; we cover a much wider range. But there it is: it is the payment for senior citizens. And it is quite proper to ask the question: What are we going to do for the other groups as well?

**Senator Flynn:** Mr. Chairman, I wish to ask the minister two questions. The first is with respect to the answers he gave to Senator Benidickson. Do I interpret the minister correctly in saying that his approach to the payments to our senior citizens is that they are at this time receiving perhaps a little more than their share of the amount which should be available to needy people in Canada; and that, in fact, the government is trying to resist the pressure of all of the political parties and give them only the minimum required to stay in office?

**Hon. Mr. Lalonde:** I would certainly qualify that as a very partisan point of view.

**Senator Flynn:** Partisan question?

**Hon. Mr. Lalonde:** Or partisan question, yes.

**Senator Flynn:** But the move would be, also.

**Hon. Mr. Lalonde:** No, what I said I think stands by itself, and quite clearly. Certainly, there is no intention by the government to reduce payments to senior citizens or to suggest that what has been done has been too much. Definitely not! At the same time, if in terms of social policy you asked me whether it would be sensible to treble the payments to senior citizens in this country over the next six years without a comparable adjustment for other groups in society, I would have to say that this country, the government and Parliament would have their priorities wrong. We are asking for a very large amount of trouble, not only with provincial governments, who also have demands made on them, but also with other groups in society. In order to attain a reasonably harmonious Canadian society we must endeavour to be fair to all groups. At the present time the federal government pays senior citizen couples approximately \$400 above the poverty level, as defined by the Economic Council and as adjusted to the cost of living increases during the recent past.

We may ask: Is this sufficient? I can assure you there are some who will say no, that it should be more. At the same time, however, we must consider other circumstances in the country. In my opinion, if there is a particular sector in which the next step or an increase should be provided, it may very well be the case of the single individual. Certainly, a couple is in a much better position than a single individual at the present time to cope

with their needs. There may be a need for special consideration in this area as a step in the future.

**Senator Flynn:** I am not in disagreement with your outlook, but I am attempting to analyze the decision made at this time by means of this legislation. Do you see the possibility of a decrease in the cost of living and, consequently, the application of the reduction rule to the amount now paid? If there were a decrease in the cost of living, the pension would be lower.

**Hon. Mr. Lalonde:** This bill provides that there will be no reduction due to a decrease in the cost of living. The payments will remain at the same level until there is an increase in the cost of living sufficient to raise the payment above the last period at which there was no increase.

**Senator Flynn:** The floor is the highest amount reached at a given point?

**Hon. Mr. Lalonde:** That is right, and we wait until the cost of living returns to a higher level than it was when that particular floor was reached before making an adjustment.

**Senator Flynn:** So there is pessimism in this legislation.

**Hon. Mr. Lalonde:** On the contrary. We wish to be fair to the senior citizens, but we foresee the possibility of the cost of living decreasing. For all I know, with the price of meat moving as it is these days, you may be surprised next October.

**Senator Flynn:** If the cost of living were to decrease, the income of the government would also decrease and it would represent possibly an unfair share of the expenditures.

**The Deputy Chairman:** Do honourable senators have further questions?

**Hon. Mr. Lalonde:** Mr. Chairman, I have an answer to the first question raised by Senator Flynn, and I will endeavour to obtain the answer to his second question at a later stage.

The adjustments last April were, indeed, included in the April cheques, so you were correct. Approximately three weeks is required for the printing and issuance of the cheques in order that they may be in the hands of the pensioners on the third-last banking day. There may, however, have been cheques received last April at a later date than usual, due to delays.

**Senator Flynn:** None was received by any, to my knowledge.

**Hon. Mr. Lalonde:** Maybe they write to their members of Parliament more than to their senators!

As far as the October cheques are concerned, this would mean approximately October 7 as the deadline for citizens to receive their cheques. There was a question in connection with the net and gross figures as related to the total amount.

**Senator Flynn:** That could be supplied later.

**Hon. Mr. Lalonde:** If I do not have that before the end of the meeting, I will supply it later.



**The Deputy Chairman:** The Special Senate Committee on Poverty carried out an investigation and found that the distribution of wealth in Canada was such that the top 20 per cent of income earners received approximately 38 to 40 per cent of the wealth produced, while the bottom 20 per cent received approximately 6 per cent. The figures I quote are for 1969 and had remained practically the same since 1954. You told us that within the last three years you have tripled the amount spent on old age pensions. Has any calculation been made to indicate the impact of that on the distribution of wealth?

**Hon. Mr. Lalonde:** Old age pensions still represent a comparatively small amount of the whole economy. The universal payment of \$100 goes to all and is taxable. It is not, however, progressive in terms of redistribution of income, as it would be if subject to an income test.

I must mention that the study by the Senate committee was made before the latest tax reform was approved by Parliament. Secondly, the figures do not take into account, as far as I know, the real income or, if you wish, the income received by individuals in terms of service. For instance, the introduction of Medicare and Hospital Insurance has no doubt been of substantial benefit to those in the low and lower-middle income groups.

**Senator Benedickson:** And those of advanced age.

**Hon. Mr. Lalonde:** And those of advanced age, obviously. If calculations are made strictly on the basis of the distribution of income based on income tax returns, they do not take into account those developments which have taken place over the last few years. Therefore, while not quarrelling with the figures as they are, which in my opinion are unquestionable, I believe that some caution must be exercised in considering them. There have been certain developments since, and we should and must take into account the services provided on a universal basis in Canadian society.

You raised the more general problem of the redistribution of income. In my opinion, it is really a genuine concern for all parties and politicians in this country that we have not been able to effect a greater degree of redistribution, or a fairer redistribution in our society. There has been in recent years, apart from tax reform, the unemployment insurance program which should contribute to some redistribution for workers and those on comparatively low income. In effect, in the lower income regions in which there is a high degree of unemployment, unemployment insurance has been a substantial benefit.

Then you have to take into account as well the forthcoming family allowance program. There again, I must point out that the family income supplement plan proposed by Mr. Munro—which ultimately did not go through the House of Commons, and was the cause of very much unrest and concern in the Canadian middle class and particularly the upper-middle class circles—was a very highly redistributive plan; but it was quite clear that there was a very high degree of resistance in the country to such a program. The program that I have brought forward is certainly a more generous plan, comparatively speaking, but it is also a more costly one, and I do not make the claim that this plan is more redistributive than the Munro plan. In that sense the Munro proposal—the latest government proposal—was meant to achieve a

greater degree of redistribution. We will probably put the same amount of money, or even more money, in the hands of the poorer people of this country, but only by putting very much more money in the whole pot, because at least we will finally make the family allowances subject to income tax, which will mean that we will recoup a portion of it. Nevertheless, the maximum to be recouped is the maximum tax rate you have in the Income Tax Act at the present time.

So, honourable senators, these are measures that have come into effect since the study made by the Senate Committee on Poverty, and I think we should continue monitoring this type of development to see what we are really achieving in terms of income redistribution.

This is one of the reasons why we have proposed also this social security review with the provinces, because the level of payments being made by the provinces is also a very significant factor in this respect. When you see comparatively wealthy provinces in Canada allocating a comparatively much smaller proportion of their personal income to social assistance, as compared to that of lower income provinces, then you realize that a greater effort could be made at least in some areas of this country. I refer, for instance, to table VII of the working paper on social security in Canada, where you can see that the percentages go all the way from 4.5 per cent in Newfoundland to 1.7 per cent in Ontario. These are the percentages of provincial personal income allocated to social assistance.

**The Deputy Chairman:** I gather the answer to the question that was asked earlier may be coming now, and we can have it read into the record as part of today's proceedings.

**Hon. Mr. Lalonde:** I had better read this into the record, Mr. Chairman, because I realize I might have given erroneous information to the committee, for which I wish to apologize.

The \$90 million to \$95 million I have mentioned does not take into account the returns from taxes, and I cannot find out at the present time the average tax rate for the pensioners. So, honourable senators, once again, I apologize for the erroneous information, and I thank Senator Flynn for having raised this question.

**The Deputy Chairman:** Thank you.

Are there any further questions?

If there are no further questions I shall ask Senator Goldenberg to express our thanks to the minister on behalf of the committee.

**Senator Goldenberg:** Mr. Chairman, I am pleased to thank the minister on behalf of the committee, and in doing so I want to add a personal note. Not too many years ago I had the privilege of being one of the examiners of the minister's thesis for his Master's degree at the University of Montreal. I gave him an A plus. I am very happy to see that on the basis of his appearance here today he has maintained that high standard.

**Hon. Mr. Lalonde:** Thank you.



**The Deputy Chairman:** Shall I report the bill without amendment, or do you wish to take it clause by clause?

I will take a motion then to report the bill.

**Senator Smith:** I so move.

**The Deputy Chairman:** Is it agreed that we report the bill without amendment?

**Hon. Senators:** Agreed.

The committee adjourned.

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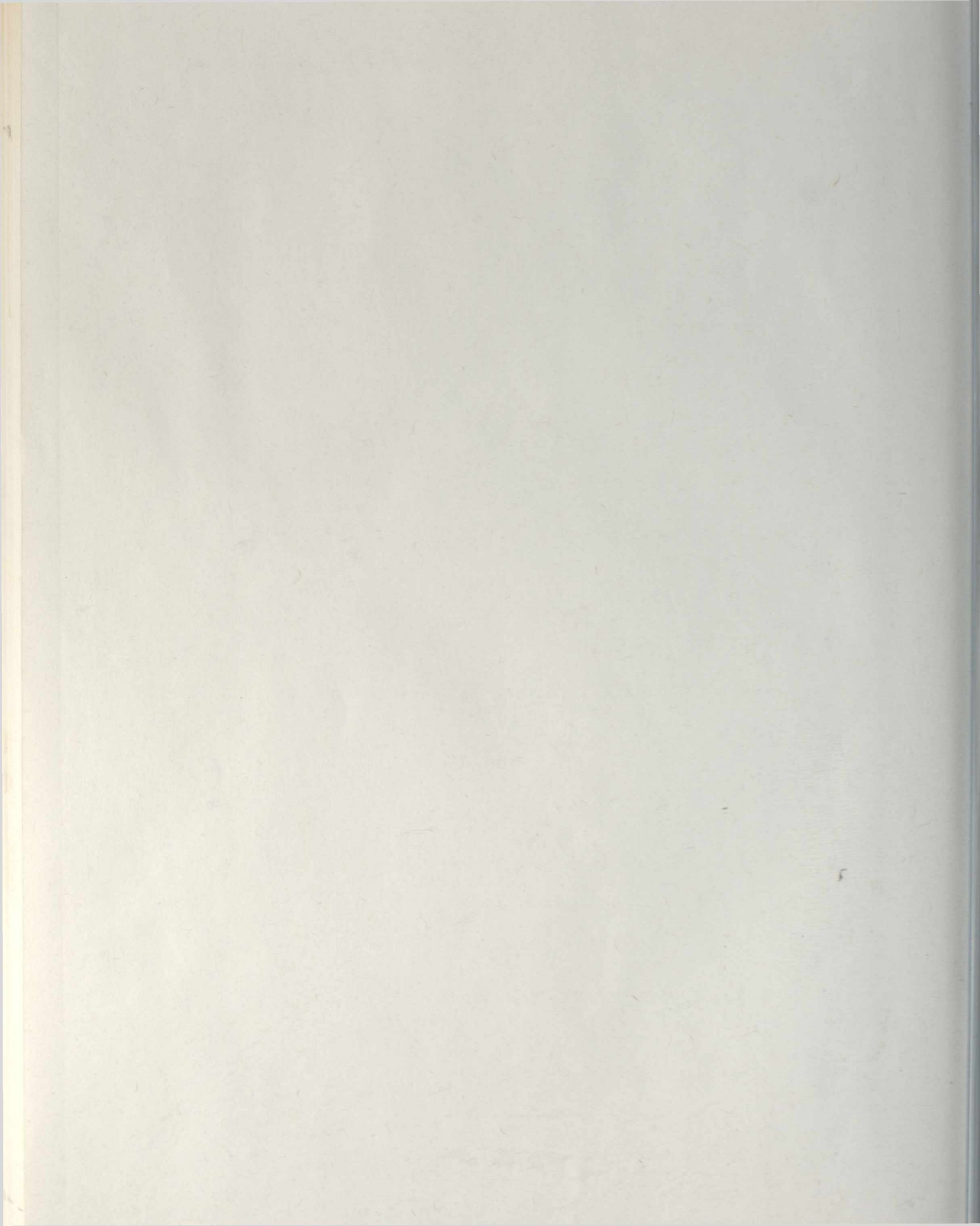
























First Session—Twenty-ninth Parliament

1973-1974

# THE SENATE OF CANADA

STANDING SENATE COMMITTEE

ON

# HEALTH, WELFARE AND SCIENCE

The Honourable MAURICE LAMONTAGNE, P.C., *Chairman*

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OF PROCEEDINGS

(Issues Nos. 1 to 5 inclusive)





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- Andras, Hon. Robert, Minister of Manpower and Immigration
- Cafik, Norman A., M.P., Parliamentary Secretary to Minister of National Health and Welfare
- Cousineau, Guy, Chairman, Unemployment Insurance Commission
- Douglas, J. W., Director of Legal Services, Unemployment Insurance Commission
- Hignett, H. W., President, Central Mortgage and Housing Corporation
- Hodgson, J. S., Deputy Minister, Dept. of Veterans Affairs
- Lalonde, Hon. Marc, Minister of National Health and Welfare
- O'Brien, Miss N., Director, Legislation and Policy Development and Review (Income Security Branch), Health and Welfare Dept.
- Rider, E. J., Director General, Welfare Service, Dept. of Veterans Affairs
- Thompson, D. M., Chairman, War Veterans Allowance Board

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