

The Budget—Mr. Wahn

I realize that no increase can be made in the escalation rate under the Canada Pension Plan unless at the same time a corresponding increase is made in the escalation rate—the same 2 per cent—under the Quebec pension plan. The two plans are tied together, and parallel changes must be made in co-operation between the two governments. Admittedly, the problems are complex, but just as it was essential that full escalation be provided for our veterans and those in receipt of old age security payments, so it is essential, and only consistent with justice, that full escalation be provided under the Canada Pension Plan and the Quebec Pension Plan. The present 2 per cent escalation is just not sufficient. People who have been working all their lives and expect to get a reasonable pension on retirement are finding that by the time they retire, or a few years after they have retired, the \$400 or \$500 a month they were expecting to receive under their pension plan is worth much less, perhaps only \$300 to \$400 a month, in terms of purchasing power. Therefore, it seems to me quite clear that, until such time as we can establish a non-inflationary economy, it is essential that those who have retired on fixed incomes and cannot protect themselves against rises in the cost of living should have full escalation of their pensions. I hope the minister will assure the House that this problem is being considered very carefully, and that in due course provisions will be agreed upon to provide for full escalation under both the Canada Pension Plan and the Quebec Pension Plan.

• (1530)

There is another point perhaps of equal importance in connection with the escalation of pensions. A very large number of people are covered by private pension plans provided by the corporation or employer for whom they work. Probably these private pension plans are at least as important as those under the Canada Pension Plan and the Quebec Pension Plan. To be eligible for income tax deductions, these private pension plans must be registered with the Department of National Revenue. In that way, therefore, our federal government does have control over the provisions contained in the eligible pension plans established by private employers and corporations.

A few months ago I was amazed to learn, after writing to the Department of National Revenue, that under the present procedures of the department a private pension plan will not be accepted for income tax deductibility if it provides an escalation rate of more than 2 per cent. In other words, if an enlightened employer or corporation wants to establish a pension plan which will provide for full escalation so as to protect the income of the employees when they retire against an increase in the cost of living, the income tax department, under existing regulations and procedures, will refuse to accept it. If the income tax department refuses to register a plan, that means that the contributions made by the employee into that pension plan are not deductible from the employee's income for tax purposes. It also means the contributions made by the employer to the pension plan will not be deductible for income tax purposes. Obviously, the result will be that an employer will not adopt that type of pension plan.

It seems incredible that the federal government would adopt deliberately regulations to prevent enlightened

[Mr. Wahn.]

employers from providing pension plans which fully protect the purchasing power of pensions built up by employees over a period of years, yet apparently this is what is being done at the present time. I think possibly one reason may be that the department wishes to protect its revenues. Obviously, if there is to be full protection against escalation a pension plan will cost more than if there is only partial protection. Therefore, in limiting the amount of the escalation to 2 per cent, as we have done in the case of the Canada and Quebec Pension Plans, the Department of National Revenue ensures that deductions from income tax will be lower and that federal government revenues will be higher.

This does not seem to me to be a good reason for this procedure. I hope that the Minister of Finance in co-operation with the Minister of National Revenue (Mr. Gray), will review this situation, and before too long will be able to announce to this House that this particular provision will be changed, and that instead of preventing employers from providing full escalation in private pension plans, the federal government will do its best to encourage employers to set up plans which have full escalation provisions. I hope that ultimately the federal government will go further and will insist, as a condition of registering for tax deductibility, that every private pension plan must include provisions to guarantee full protection against increases in the cost of living.

From my recollection of the budget speech of the Minister of Finance, I believe he indicated a hope that the increase in the cost of living would be kept to a minimum, and we would be able to curb inflation. Of course, this would be an ideal situation. However, assuming we do not have a breakdown in the monetary system which would lead to deflationary conditions throughout the world, and no one wants that to happen, I see no reason to believe—and I think there are many economists who hold this view—that we will have anything but a continuing and very substantial percentage increase in the cost of living each year. Therefore, until such time as we do devise the economic methods which will permit us to maintain stability of prices with high employment, it is essential that throughout the entire spectrum of Canadian life regulations should be adopted and legislation should be introduced to protect the purchasing power of people who are retired, people on fixed incomes and with savings, who are in no position to protect themselves by insisting upon increased wages or salaries.

One provision which does help to protect Canadians at the present time, and one I certainly wish to commend most highly, is that provision pursuant to which the basic exemption for those over 65 will be raised from \$650 to \$1,000. This provision does help to protect the purchasing power of people who are retired.

Mr. Peters: Its adoption is fairly belated.

Mr. Wahn: It may be belated, but welcome nevertheless, and I am delighted to see it in this particular budget.

I turn now to another important provision in the budget, that which relates to the reduction of tax of manufacturing and processing businesses, including small businesses, and the related provisions for depreciation and fast write-offs for machinery and equipment required by manufac-