

The Canada Pension Plan which began to operate on January 1, 1966, requiring every self-employed person residing in Canada between the ages of 18 and 70 who has self-employed earnings amounting to \$800 during the year, is certainly a milestone in Canada's social security program. I realize there have been a number of amendments and regulatory changes since that time. I have a list of them. However, in order to save time I will not go into them. Perhaps my case might best be presented by an actual illustration of an example I dealt with recently. The particular individual on whose behalf I have been working and will continue to work will be referred to as Mr. X.

In the year 1966, Mr. X's income was \$78.17. Consequently, his Canada Pension Plan payment was nil. His income in 1967 was \$664.34. Again, his contribution was nil. In 1968, his income was \$2,849.74. This qualified him to pay \$80.99 into the Canada Pension Plan. His income for 1969 was \$3,037.18 and his Canada Pension Plan contribution \$87.74. For the year 1970, his income was \$5,637.19 and his Canada Pension Plan contribution \$169.20. In 1971, his income was \$2,355.38 and his contribution to the plan was \$60.40. In 1972 he received interest income only of \$1,054.48; consequently, he was not permitted to contribute to the plan. In 1973, he received interest income only of \$905.65; therefore, he again was not eligible to contribute to the plan.

If you examine the foregoing closely, you will recognize the very real hardship illustrated for Mr. X. Because the averaging provision is not allowed, only four years of contributions were made. It is not the five-year qualifying period that I dispute but, rather, the absence of the averaging provision in the Canada Pension Plan Act. I could not let the opportunity pass while speaking on this particular case without making some reference to another difficulty, namely, that income of an investment nature such as dividends and, in Mr. X's case, interest on bonds, are excluded from self-employed earnings.

In 1971, Mr. X became seriously ill. He relies on a dialysis machine for survival and is confined strictly to a wheel-chair. Consequently, because of the present terms of the Canada Pension Plan he is unable to secure disability benefits from the plan. Numerous examples could be cited, particularly by those engaged in both the farming and fishing industries whose incomes for one year are below the minimum and indeed are above the maximum the very next year. I am certain that much could be said against the Income Tax Act, but that act does recognize this very problem and has a provision for averaging. If the government could develop some incentives, establish some stability and create some effective long-term programs and policies in these two basic and important food producing segments of our economy, this problem would be greatly overcome. Unfortunately, I do not see this happening.

I sincerely appreciate this opportunity to present my motion to the government. I earnestly request that the Minister of National Health and Welfare (Mr. Lalonde) and his colleagues give equally serious consideration, and some assurance, that at an early opportunity the Canada Pension Plan Act will be amended to overcome this inequity, in an effort to develop and improve the Canada

#### *Canada Pension Plan*

Pension Plan to the paramount position that not only the minister but all Canadians desire.

**Mr. D. M. Collenette (York East):** Mr. Speaker, some might be surprised that a member representing an urban constituency should wish to speak on a motion which appears to relate to the interests of rural and seafaring communities. Nevertheless, I assure the House that those of us who live in urban communities do recognize the difficulties which farmers have had to face. We acknowledge that the Minister of Agriculture (Mr. Whelan) was right when he said that Canadians have enjoyed good food at a cost lower than that which people in most of the other nations of the world have to pay.

● (1710)

**Mr. Baker (Grenville-Carleton):** The farmers have enjoyed the lowest incomes, too!

**Mr. Collenette:** In fact, I believe Canadians spend the smallest proportion of their disposable incomes on food. I am glad to speak on this motion for another reason. It has to do with the Canada Pension Plan, and in York East a large segment of the population is made up of people who have retired or who are nearing the age of retirement. Of course, they are interested in anything which has to do with the Canada Pension Plan or old age security.

Essentially, what this motion proposes is that self-employed farmers and fishermen be allowed to use the Income Tax Act's five-year averaging technique to determine their annual contribution under the Canada Pension Plan. The basic assumption, then, must be that what makes sense for the Income Tax Act also makes sense for the Canada Pension Plan. There are some serious flaws, though, in making such an assumption.

The Income Tax Act works in year-tight compartments and provides that the rate of tax depends directly on the amount of annual income. While the Income Tax Act does provide special averaging arrangements to modify tax inequities created by wide fluctuations in income, the application of the averaging arrangements does not change the one-year time dimension. The Canada Pension Plan, on the other hand, works on a career lifetime basis; that is to say, benefits are based on the contributor's earnings averaged over his entire working lifetime. In other words, the CPP is not based on one year of earnings, as with the Income Tax Act, nor even on a five-year average of income, but is upon earnings through the participant's whole career. This, of course, means a potential 47-year average; that is, from age 18 to age 65.

This averaging feature has been part of the plan since its inception and was specifically designed to smooth out wide differences in annual earnings and to produce a benefit which bears a relationship to career experience. Another significant point of difference between the two acts is that under the CPP fluctuating incomes do not affect the participant's rate of contribution. An example may demonstrate these points more clearly: an individual may have earnings in five successive years of \$1,600 in the first year, \$7,400 in the second, \$4,500 in the third, \$1,600 in the fourth and \$7,400 in the fifth. Tax payments can be very different if the earnings are taken as the average annual rate of \$4,500 rather than as the actual figures.