

Canada Pension Plan

Mr. Speaker, let us note that the arguments put forward against the averaging principle are weak. If it is not allowed at the present time, it is above all for administrative reasons.

As I said before, the possibility of allowing gains averaging for the purpose of the Canada Pension Plan has always been and is still being looked into by the government. However, it would be fairer to grant all Canadians having earned an income the right to averaging; that right can be only granted to an individual group.

We have just reviewed the Income Tax Act in order to allow all Canadian taxpayers to apply some kind of averaging of income for income tax purposes. Should the Canada Pension Plan be amended to allow some kind of averaging, the same right should also be granted to all Canadians with earnings eligible for pension purposes.

Mr. Speaker, some people have thoroughly examined the Canada Pension Plan, especially the question of averaging. Although a certain form of averaging would seem possible it could not be implemented today without multiplying the red tape and costs of the plan. In addition, after a thorough examination it is not evident that such a provision would benefit people, including farmers, on low or medium incomes.

Farmers, for example, are already averaging their incomes in their books of earnings. The level of benefits is based for all contributors on 85 per cent of the highest earnings received during the years during which they paid contributions. Allowing a new averaging of earnings for pension purposes would be equivalent to averaging an average, which could have adverse effects on pensions which will be paid out to many contributors on low or medium incomes.

In fact, the provision concerning averaging would be likely to benefit only those who receive a relatively high and fluctuating income. For example, it would allow people who stay in the labour force for a limited number of years and receive very high earnings during those years to pay contributions for those years during which they are not working. Not only would averaging benefit the rich but it would violate the principle under which pensions are related to annual earnings up to a certain ceiling.

In addition, Mr. Speaker, contributions to the Canada Pension Plan are calculated on wages and salaries or business income under the Income Tax Act.

Under the Income Tax Act a farmer can average his income for tax purposes. If he does, his total average income is calculated, not only from the annual gains and losses of his farm, but also any wage or salary he has earned, the profits and losses of any other enterprises of his as well as income from rent and investments. The whole legislative context would have to be changed and special regulations made for the purposes of the Canada Pension Plan to establish what part of the average income, for each year of the period from which the average was calculated, was income for which contributions were payable under the plan, since the gains record for the calculation of benefits is based on gains in respect of which contributions are paid.

[Mr. Corriveau.]

Neither this nor the many other administrative considerations mean that the government has rejected the idea of calculating averages. The matter will be looked into again within the next two years, during the second stage of revisions to the Canada Pension Plan. If detailed study should show some form of calculating averages to be both fair and administratively feasible, then of course the government would do all in its power, after consultation with the provinces, to amend the act accordingly and give farmers the possibility of paying contributions.

• (1730)

[English]

Mr. Neil (Moose Jaw): Mr. Speaker, would the hon. member entertain a question?

[Translation]

The Acting Speaker (Mr. Laniel): Does the hon. parliamentary secretary agree to answer a question?

Mr. Corriveau: Yes, Mr. Speaker.

[English]

Mr. Neil (Moose Jaw): The hon. member mentioned subsidization. Could he advise me whether the Canada Pension Plan is actuarially sound?

[Translation]

Mr. Corriveau: No, Mr. Speaker.

[English]

Mr. Bill Knight (Assiniboia): Mr. Speaker, referring to the answer given to the hon. member for Moose Jaw (Mr. Neil), I assume there is more money in that plan than they would ever get around to using, according to the last reports I saw. I will not pursue that matter with the parliamentary secretary. In view of the fact that the motion of my hon. friend is of some significance, I wish to deal with it though my professional instincts give me an answer contrary to the one given by the parliamentary secretary. There is considerable merit in the motion, Mr. Speaker. The parliamentary secretary mentioned a conference to be held in April, 1973, when this particular matter and others relative to the Canada Pension Plan will be discussed. I think the House should support the motion and pass it on to that conference.

I receive many letters from producers relating to the instability of their income and their problems in trying to contribute to this plan and use it as a retirement plan. Those of us who represent prairie areas often say that the only thing a producer has for his retirement is the investment in his land. The options are extremely restrictive in terms of other means of contributing toward his retirement.

The bill to establish the Canada Pension Plan was passed in 1965 and came into force on January 1, 1966. Since then, in the years, 1966, 1967 and 1968 western producers were in a position to contribute to the plan, but in the years 1969, 1970 and 1971 many who would normally have contributed while they were still working would have been cut off because they would not have had sufficient net income to necessitate filing a tax return. The parliamentary secretary pointed out the problem common to many groups who wish to contribute to the plan volun-