

*Income Tax Act*

for a very long time. That, to my mind, is a little far-fetched. The argument I developed is this: this provision is a fact, it exists. It is a tradition that is not necessarily conservative. I am convinced there are many traditions the hon. member holds dear, to which he clings, which he is not willing to brush away off-hand. Because he cares about those traditions, because he clings to them does not make a conservative out of him.

Clause 7 agreed to.

[English]

On Clause 8—

**Mr. Nielsen:** Mr. Chairman, I understand, as a result of the very vigorous and articulate representations made by the hon. member for Mississauga South and many others on this side that the government is very seriously considering an amendment to clause 8 of the bill which might well become the subject of a House order tomorrow. If that be the case, perhaps we might find disposition to stand Clause 8 until these representations in respect of extending the life of the Small Business Development Bond might find their way into a suitable amendment to be brought forward by the government tomorrow.

[Translation]

**Mr. Bussières:** Mr. Chairman, Clause 7 of the bill has been carried. The remarks of the hon. member for Yukon, the deputy leader of his party in the House, are accurate. I fully agree that the House should stand Clause 8 and proceed with Clause 9, with a view to coming back to it tomorrow with proposals that meet the wishes of all hon. members, more specifically the Minister of State for Small Businesses.

Clause 8 stood.

[English]

Clause 9 agreed to.

On Clause 10—

**Mr. Rae:** Mr. Chairman, I want to deal with subparagraph (a) which, reading from the ways and means motion, as I understand it, makes some changes in respect of deductibility of registered defined benefit pension plans. It is my understanding that employers make contributions to defined benefit pension plans on behalf of their employees, and these contributions are tax deductible. Special payments are made for past service, or when benefit levels are increased, in order to overcome the problem of underfunding. Normally the amount of these special payments is regulated so employers do not underfund and thus put pensioners' incomes into jeopardy. I would like to ask the minister whether the government is now proposing that the maximums on these special payments, in order to avoid the problem of underfunding, be eliminated? Is that what is being suggested?

I wonder if I might ask the minister a set of questions on this subject and perhaps he can then discuss the answer with his officials. The problem I am raising is obviously related to the impact the elimination of these maximums might have on the problem of underfunding of defined benefit pension plans.

I point out to the minister that 57 per cent of these plans, according to a recent study, are now in actuarial deficit. The minister would obviously appreciate the very serious problem this causes in bankruptcy proceedings when there is serious underfunding of these pension funds. In recent proceedings involving the bankruptcy of the White Motor Company, employees discovered to their horror that the pension fund had been vastly underfunded. This is now causing them very serious and real security problems; they are facing this difficulty.

• (2050)

What would the impact of such underfunding be, and why is the government removing the maximum payable and a special benefit payable, when this can clearly have an impact on the funding and on the solvency of these pension plans, many of which are currently underfunded?

[Translation]

**Mr. Bussières:** Mr. Chairman, this provision is intended to give greater flexibility in the matter of the contribution of an employer to a registered pension plan over and above \$3,500, which is the present limit for each employee. I should like to point out that the application of this provision on flexibility in the payments will be subject to the prior approval of the Minister of Revenue.

[English]

**Mr. Rae:** I am not attempting to delay this proceeding at all, but I am attempting to deal with the problem. It is my understanding—perhaps I have misunderstood—that the amount of the special payment that is made by the employer is currently regulated by the department just to avoid the problem of underfunding, which is already very serious. Is it not possible, if we decide to remove the maximums on an application from an employer because of difficulties that employer is facing, that the consequence of an application of that kind would be to aggravate the problem of underfunding rather than to solve it?

[Translation]

**Mr. Bussières:** Mr. Chairman, if I understand correctly the matter raised by the hon. member, I suggest there is no connection between the legislation and the problem he has raised, because increasing the amount of contributions over and above \$3,500 will certainly not worsen underfunding or funding below \$3,500. As a matter of fact, the purpose of this amendment is to make the ceiling the maximum, more flexible. I can find no connection between the matter raised by the hon. member and our efforts to make this legislation more flexible.

[English]

**Mr. Rae:** Can the minister tell us in what circumstances the government would be flexible in terms of the kind of funding which will be required, and will the employees, who are the potential beneficiaries of these plans, be informed when the