



CANADA

# House of Commons Debates

---

VOLUME 135 • NUMBER 011 • 1st SESSION • 36th PARLIAMENT

---

OFFICIAL REPORT  
(HANSARD)

**Monday, October 6, 1997**

**Speaker: The Honourable Gilbert Parent**

## CONTENTS

(Table of Contents appears at back of this issue.)

The House of Commons Debates are also available on the  
Parliamentary Internet Parlementaire at the following address:

**<http://www.parl.gc.ca>**

# HOUSE OF COMMONS

Monday, October 6, 1997

The House met at 11 a.m.

---

*Prayers*

---

## GOVERNMENT ORDERS

• (1100)

[*English*]

### CANADA PENSION PLAN INVESTMENT BOARD

**Hon. Alfonso Gagliano (for the Minister of Finance)** moved that Bill C-2, an act to establish the Canada Pension Plan Investment Board and to amend the Canada Pension Plan and the Old Age Security Act and to make consequential amendments to other acts, be read the second time and referred to a committee.

**Mr. Tony Valeri (Parliamentary Secretary to Minister of Finance, Lib.):** Mr. Speaker, today it is my privilege to begin debate on Bill C-2, legislation that will secure the Canada pension plan for Canadians now and in the future.

This legislation will enact the joint federal-provincial agreement reached last February. It reflects a consensus for change and a shared commitment to ensure that the CPP is there, that it is sustainable and affordable for today's working Canadians and for our children.

As joint stewards of the Canada pension plan, the federal government and the provinces are squarely facing up to our collective responsibilities to deal now with an issue facing us down the road when the baby boom generation starts to retire.

In his February 1995 report, the chief actuary clearly showed that without modifications to the Canada pension plan, the CPP fund would be exhausted by 2015 and that contribution rates would have to soar to over 14 percent to cover the rapid growth in cost.

In public consultations held in every province and territory across this country last year, Canadians told their governments they want to be able to count on their CPP pensions. They told us they want the CPP fixed now and they want it fixed right. They did not want it privatized and they certainly did not want it scrapped. They told us to do this in a way that does not pass on an insupportable cost burden to younger generations.

A full report on the consultations was made public last year and Canadians were clear. They told their governments to preserve the CPP by strengthening its financing, by improving its investment practices and by moderating the growing costs of benefits.

The changes reflect just that. This legislation demonstrates that we are acting decisively to fulfil our commitment to secure this pillar of Canada's retirement income system.

What have we done to strengthen the plan's financing? When CPP was introduced in 1966 it was financed essentially on a pay as you go basis.

• (1105)

At that time, the prospects of rapid growth and real wages and labour force participation promised that the CPP could be sustained and remain affordable.

With low interest rates there was little value to be gained from building up large reserve funds. The pay as you go system made sense given these circumstances. Since then, the slowdown in wage and workforce growth and higher real interest rates have completely changed the circumstances in which the CPP must be financed.

The pay as you go financing is no longer fair and no longer appropriate. Building up a larger fund, or what has been recently called and referred to as fuller funding, and earning a higher rate of return through investment in the market are now necessary to help pay for the rapidly growing costs that will occur once the baby boomers begin to retire.

Accordingly, we have made a fundamental change in the financing of the Canada pension plan. The CPP will move from pay as you go financing with a small contingency reserve to fuller funding to build a substantially larger reserve fund.

The fund will grow in value from about two years of benefits currently to about four to five years of benefits. To do this beginning this year we will start accelerating the pace of contribution rate increases beyond what is currently legislated so that people begin to cover the cost of their own benefits and stop passing increasing shortfalls on to the next generation.

CPP contribution rates will increase in steps over the next six years until 2003, from the current legislated rate of 5.85 percent to 9.9 percent of contributory earnings, and then will remain there steady.

*Government Orders*

This 9.9 percent rate is projected to be sufficient to sustain the CPP with no further rate increases. It will pay for an individual's own benefits plus the unfunded liability. It is the fairest way to honour our commitments. The costs of pensions will be spread evenly and fairly across generations.

In 1997 the combined contribution rate for employees will increase from 5.85 percent of covered earnings to 6 percent. The increase for a worker at the average range will total no more than \$24.

We have all read the papers and watched the news so let me take this opportunity to address some of these erroneous headlines and some erroneous statements by some hon. members, some that I heard a few moments ago.

They claim that this is the biggest tax grab in history and that CPP rates will jump by 73 percent. We hear it here and I would ask that the hon. members would come very soon to provide the accurate information Canadians are asking for.

This is not a tax grab. Contributions to the Canada pension plan are a component of Canadians savings toward pensions.

I know it is difficult for members of the opposition to understand that. They go into a separate fund, not government revenues, and because of recent changes the Canadian people have suggested will now be invested like other pension plans.

Let us get the facts straight. Contributions will rise 73 percent over the next six years to 9.9 percent but they will not rise to the 14.2 percent that the chief actuary indicated would be necessary if we did not fix the Canada pension plan.

This 9.9 percent rate is also substantially lower than the Reform Party proposal to replace the CPP by a system of mandatory RRSPs. Under the Reform proposal, the next generation or two of Canadians would have to pay twice, once for their own pensions and again for pensions of those who are already retired.

• (1110)

Yes, 9.9 percent is a real cost and no one denies it. By paying that cost now we will save ourselves and our children from larger, more expensive hikes in the future. By moving now, premiums will not have to exceed 9.9 percent.

Under the existing legislation CPP contribution rates are already slated to go beyond 9.9 percent. They are scheduled to reach 10.1 percent in 2016.

The chief actuary has shown that if we do not move fast the CPP will be bankrupt in 2015 and the rates will have to soar to 14.2 percent by 2030. That is a 240 percent increase. Only if we act

responsibly now can we avoid bankruptcy and truly intolerable CPP rates later; a 73 percent increase now when a number of generations are sharing the burden or a 240 percent increase for our children's generation. I submit that we have made the right choice. Let us start paying our way. We owe it to our children and we owe it to our grandchildren.

Let me point out that the problems we are facing with our pension system are not unique to Canada. Many OECD countries are also making changes so that their pension systems are more sustainable. Some international organizations have recommended moving toward the increased funding of public plans and that is exactly what we are doing.

With this new fuller funding approach the CPP fund will grow substantially over the next two decades. A new investment policy therefore was necessary to improve the way CPP funds are invested and to secure the best possible return for plan members.

Up until now CPP contributions not needed to pay for benefits have been loaned mainly to the provinces at the federal government's interest rate on long term bonds. In this legislation, CPP funds will now be invested in a diversified portfolio of securities, prudently and at arm's length from government. This means that CPP funds could be invested in stocks, in bonds, including provincial bonds, and also in mortgages. Instead of being loaned in their entirety to the provinces, we are now in a position with the passing of this legislation to take our investment philosophy of the CPP and make it more market oriented. It is consistent with investment policies in most public and private pension plans in Canada.

Based on prudent assumptions the CPP can secure an average long run return of almost 4 percent a year above the rate of inflation. That compares with only 2.5 per cent assumed under the current policy by the chief actuary. These higher returns will be an important plus since members on this side of the House and on the other side clearly acknowledge that every dollar that is not earned in investment requires a contribution from Canadians. The higher returns will be an important plus since we know that working Canadians want to ensure that they contribute to a plan that provides an effective and efficient rate of return and is sustainable in the long run.

During the cross-Canada consultations Canadians told us they wanted the Canada pension plan to run like a private pension plan. Accordingly, the fund will be managed independently from government by a 12 member investment board. This investment board is accountable to Canadians and their governments through regular reports.

The board will be subject to investment rules similar to other public and private funds in Canada. Therefore the transparency for Canada pension plan of the future is that same transparency that is in private plans throughout the rest of Canada.

*Government Orders*

• (1115)

The foreign property limit for pension funds will strictly apply to the Canada pension plan, but there are some transitional issues that need to be addressed. To ensure the fund's smooth entry into the market, all of the board's domestic equity investments will be selected passively, mirroring broad market indices. This passive approach will be re-evaluated at the next Canada pension plan review scheduled to begin in 1999.

From now on—I am sure the members of the opposition will agree with this—whenever provincial governments borrow from the Canada pension plan they will pay the same rate of interest as they do on their market borrowings.

As a transitional measure reflecting historical arrangements, provinces will have the option of rolling over their existing CPP borrowings at maturity, and at market rates, for another 20-year term. For the first three years provinces will also have access to 50 percent of the new CPP funds that the board chooses to invest in bonds. But after this initial period new Canada pension plan funds offered to provinces at market rates will be in line with the proportion of provincial bonds held by pension funds in general. This will ensure that the funds invested in provincial securities is consistent with market practice.

In order to moderate rising CPP costs we have tightened the administration of benefits and changed the way some benefits are calculated. First, let me tell you what remains the same.

Anyone currently receiving Canada pension plan benefits, be it retirement pensions, disability benefits, or survivor benefits, can rest assured that they will not see these benefits affected in any way. All benefits, now and in the future, will remain fully indexed to inflation. The ages of early retirement, normal retirement, or late retirement all remain unchanged.

What has changed? Let me describe them.

Effective January 1, 1998 retirement pensions will be based on the average of the year's maximum pensionable earnings in the last five years prior to starting the pension. In the past they were based on a three-year average. The amount of the pension will continue to be dependent on how much and for how long a person contributes to the plan.

The administration of disability benefits will be further improved. The appeal process will be streamlined and the legislation will be applied more consistently.

The administration of disability benefits and the changes I have just proposed address concerns that have been raised about the rapidly escalating costs of the disability benefits.

To be eligible for disability benefits workers must show a greater attachment to the labour force. They must have made CPP contributions in four of the last six years prior to becoming disabled.

At present a person needs to make as little as two CPP contributions during the course of the three years prior to applying and qualifying for disability benefits.

During the consultation there was discussion—and Canadians have provided guidance to the government—that disability benefits should be removed from the Canada pension plan. That is not what Canadians have told their governments over the consultation period. They have said the government must keep disability as a part of the Canada pension plan, but they did call for consistency across the board in the administration of disability benefits and that in fact is what this legislation is proposing.

• (1120)

When disability benefits are converted into retirement pensions at age 65 in the future, they will be based on the year's maximum pensionable earnings at the time of disablement with subsequent price indexing rather than on the YMPE at age 65. This measure is consistent with how other CPP benefits are calculated and will apply only to people not yet age 65.

The rules for combining the survivor and disability benefits and the survivor and retirement benefits will be largely the same as those in existence before 1987. Changes will limit the extent to which these benefits can be added together.

As part of the CPP consultations and review there were discussions about eliminating the death benefit. The death benefit will continue to be equal to six months of retirement benefits, but up to a maximum of \$2,500 rather than the current \$3,580. The option to eliminate the death benefit was rejected by the federal and provincial governments. There are those who would purport to eliminate that benefit.

We listened to Canadians, we ensured fairness and balance in the review of the Canada pension plan and the legislation that is being put forward. I submit that the changes I have outlined propose moderate and balanced changes. We have minimized the impact of these changes on vulnerable Canadians. There is no one group that has been singled out or forced to shoulder an undue burden.

During the national consultations on the CPP, Canadians told their governments to go easy on changes to the benefits. There are those who would gut the benefits. That is not what Canadians have told us.

We have reduced the contribution rate to 9.9 percent from 14.2 percent. There are those in the House who would argue that 9.9 percent is too high. They are arguing in a vacuum. The chief actuary who has the responsibility of reviewing the Canada pension plan has clearly stated that we need to act now to ensure that the plan remains sustainable and affordable for future generations. We could sit back and do nothing and watch the premiums escalate as per the legislative timetable until we get to a point where we would experience a 240 percent increase. That is not tolerable. That is

*Government Orders*

certainly not what the government is prepared to do for future generations.

We will ensure that the Canada pension plan is there for future generations, that it is there at an affordable premium and that the benefits are guaranteed for those future generations. The result is that some 75 percent of the reduction has been made on the financing side and only 25 percent is on the benefit side.

I am quite positive the members in this House are very aware that consultation on the Canada pension plan has been ongoing for well over a year. Canadians have had input. They have given guidance to the government on this legislation. They have said very clearly to fix the Canada pension plan, ensure that it is sustainable and ensure that you do not gut the benefits at all costs.

• (1125)

What has been done? We have reflected on what Canadians have said. We have put forward legislation which breaks down like this: 75 percent is on the financing side and 25 percent is on the benefit side.

We are also acting to improve the stewardship of the Canada pension plan and to enhance public accountability. Once again Canadians have been consulted and Canadians have spoken.

Members across the way always talk about the transparency and the accountability that is required in legislation. I look forward to the interventions of the official opposition and other parties. I hope they will point to the fact that this legislation had input from Canadians. This legislation speaks to public accountability and transparency. It is what Canadians have asked for and it is what Canadians are getting. Let me make it perfectly clear that members of the government are determined that the Canada pension plan will not be put at risk again.

The changes in the legislation have been put forward so that Canadians do not have to suffer the uncertainty which has been purported by opposition members. Canadians will not have to ask the question "Will the Canada pension plan be there for me?" The Canada pension plan will be there for members of the House, for young people, for young workers, for my children, for my children's children.

The changes reflect what Canadians have asked for. We have not made those changes for the sake of making changes. We have made them to sustain the plan to ensure it will be there for future generations.

Let us talk about the accountability and transparency which will be part of the new legislation.

Canadians will start to receive regular statements on the pensions they are earning. We intend to provide annual statements to all contributors as soon as it is feasible. Canadians will receive an

annual statement which will show how the Canada pension plan is progressing.

Federal-provincial reviews will take place every three years, instead of every five. In fact, 1999 will be the beginning of the next set of consultations and review. The point of this change is to ensure that the Canada pension plan will be closely scrutinized. Canadians will have an opportunity to continue to monitor what is going on with their Canada pension plan.

The Canada pension plan investment board will provide quarterly financial statements and annual reports on the performance of the fund. I am sure that when the members of the official opposition speak they will point to this change and note that it is reflective of what Canadians have said and that it is a positive change.

• (1130)

Let me say this slowly. It is what Canadians have said. The CPP investment board will provide quarterly financial statements. It will hold public meetings at least every two years in each participating province: transparency and accountability. Members of the opposition, members of Parliament and Canadians at large will have opportunity to speak at those public meetings.

Annual reports will provide a more complete information package and will explain how administrative problems are being addressed. As with all plans, public and private plans, there are always administrative challenges. The annual report will list the challenge and state how the challenge is being dealt with: again transparency and accountability.

Canadians told us quite frankly to treat them like members of the pension plan. There is no denying that in the past Canadians have not been part of the changes to the Canada pension plan the way they will be in the future. We are doing exactly that. We are treating Canadians like members of the pension plan. The stewardship of the plan will be improved and public accountability will be strengthened.

There is no doubt Bill C-2 provides a strong and balanced package of changes that will restore the sustainability of the Canada pension plan and make it fairer and more affordable for future generations of Canadians. It will make it more affordable, sustainable and fairer not just for workers when they retire but equally for working Canadians and their families.

Without diminishing what we have achieved with the legislation I would like to point out some other ideas the federal and provincial governments will look at to ensure the structure of the Canada pension plan keeps up with changing times. It will evolve the way our society evolves. These particular issues were either beyond the scope of the latest CPP statutory review, or they may have been raised too late or after consultations were complete. It is our

intention to examine these issues over the course of the next two years.

What are the issues? It is important to get them on record so that Canadians know the consultation with respect to the CPP is just beginning and will be ongoing. As issues come forward and develop the consultation and the input of Canadians will be reflected in future legislation.

Some issues are reviewing survivor benefits to make sure they reflect changing realities in the needs of today's families and considering the mandatory splitting of pension credits between spouses during marriage. This is very interesting. It looks at the work to retirement transition including the possibility of providing partial CPP pensions to Canadians wanting to make a gradual transition to retirement. These issues are coming from Canadians, issues they want dealt with in the Canadian pension plan.

We will continue to examine the way in which people are receiving retirement income and employment insurance benefits. I am sure members of the official opposition will appreciate, given the fact that most of them are from the beautiful province of British Columbia, the review of the British Columbia proposal, which was actually made after the CPP consultations were complete. The proposal is to extend CPP coverage up the income scale by raising the limit on pensionable earnings.

I emphasize and hope for concurrence from the official opposition that any change to the Canada pension plan that needs to be considered will only be considered so that an increase in the steady rate of 9.9 percent will not be required.

• (1135)

Let me go further than that and state that any future benefit improvements to the Canada pension plan will be fully funded. I will repeat this very slowly. They will be fully funded. It is what Canadians asked for and it is what we will do.

Last February in the House of Commons the Minister of Finance tabled the first draft of the CPP legislation. In response to the comments received, further refinements were made to the legislation and revised draft legislation was released in July for further comment.

The measures proposed in the bill today will become law once the legislation is passed by parliament and supporting orders in council are received from the provinces that are party to last February's agreement. This will permit the changes to take effect on January 1, 1998.

It is an important milestone for Canadians. The changes to the plan will allow every Canadian to feel confident about the Canada pension plan once again. I continue to repeat that because it is important for Canadians in the galleries, for Canadians watching

### *Government Orders*

on TV and for Canadians in our constituencies. I encourage members of the House to communicate the message that the Canada pension plan is here and will be here when Canadians need it.

Let me assure hon. members the changes contained in Bill C-2 tackle the problems facing the Canada pension plan. In order to accomplish this, federal and provincial governments consulted extensively with Canadians from coast to coast to coast. It is legislation that reflects what Canadians said during the consultations and it is legislation that will ensure the continuity of the Canada pension plan.

I would also like to add that the federal government is currently engaged in broad based dialogue with a number of groups on other aspects of Canada's retirement income system. Not only are we listening to Canadians but we are also acting to ensure that our policy reflects their concerns.

With respect to the broad based dialogue, as I have been out talking with constituents in my riding and with Canadians right across the country the one message that continues to come back as a result of their experience with the broad based consultation on the Canada pension plan is that they want a broad based dialogue on the pillars of the retirement income system.

They no longer want to see government reacting. They want to see government engaging Canadians with respect to the retirement income system. They want to see governments reflecting in their legislation what Canadians are saying through a consultation process. The first example is the Canada pension plan changes in Bill C-2 which is at second reading and will go to the Standing Committee on Finance.

Securing Canada's retirement income system is a priority. It is a priority for Canadians. It is a priority for all members of the House. It is a priority for members of the official opposition, members of other opposition parties and members of government.

Our approach was different. It was one where we consulted Canadians. We are taking a very balanced approach to ensure we are not just gutting the benefits for the sake of trying to achieve some objective out there that is sometimes reflected in the House. It is a priority of the government.

• (1140)

Let me say clearly to members of the opposition, to Canadians in the galleries and to Canadians watching TV that Canada's retirement income system remains at the top of the government's agenda.

**Mr. Preston Manning (Leader of the Opposition, Ref.):** Mr. Speaker, it is a privilege to participate in the debate on Bill C-2, an act to establish the Canada pension plan investment board and to

*Government Orders*

amend the Canada pension plan, the Old Age Security Act and their related acts.

I begin by commending the parliamentary secretary on his speech and the finance department on the enormous amount of background information it provided to members on this subject. It is a complex one and we appreciate the information.

I am also pleased to hear the parliamentary secretary attach great value to public consultations, certainly something that we on this side of the House value. To see a shift from pay as you go to a more fully funded plan is better late than never.

I heard the parliamentary secretary raise a number of straw men that he proceeded to knock down, which is not that difficult to do. He talked about people who wanted to gut the benefits to the plan. We heard no one advocate gutting the benefits of the Canada pension plan or other pillars of the Canadian pension system.

However I suggest this setting up of straw men is simply a way of disguising or trying to mask some of the more real defects of the bill. Those are the defects I would like to get into. Indeed it is the duty of the official opposition to point out these defects.

I want to point out a fundamental defect in the bill which characterizes most of the legislation brought by the government to the House, that is the absence of an appropriate preamble and a declaration of the intent of the bill.

The absence of a declaration of intent, precisely what is the intent of parliament in passing such a bill if it does so, concerns me for two reasons. The first is a legal reason. Every time parliament passes any statute which does not within itself make crystal clear the intent of parliament, we surrender power from the legislation arm to the judicial arm. This is something we ought not to do as a matter of principle.

The second reason for stating our intent is much more profound and down to earth. The bureaucrats who designed the bill, and perhaps the minister and parliamentary secretary themselves, will say that its principal intent is to establish and fund the Canada pension plan investment board. However that is only the narrow, technical, bureaucratic intent.

The real intent is or ought to be to care for Canadians in their retirement years, to provide adequate income for seniors as well as income for disabled persons. The ultimate intent of the bill therefore is not fiscal or technical. The ultimate intent is social and humane.

I remind other hon. members, as we get into the technical details of investment boards fiduciary responsibilities, rates of return, contribution rates and pensionable earnings, to keep upper most in their minds the people for whom CPP is intended. To help me do this I have written on my pad—and I urge other members to do

it—a few names of people whose lives will be profoundly affected by how the pension system is organized and to keep them in front of us as we debate the bill.

I know of people, for example, among my own relatives and certainly in my own riding which has a higher percentage of seniors than any other riding in Calgary for whom CPP and the old age security is their principal source of income.

When I look at the bill I am reminded that we are dealing with the principal source of income of people who are no longer in a position to add to their income. All of us know of middle aged and elderly women who invested most of their lives in raising children in the home and who entered the so-called official workplace, as if the home were not a workplace, late in life or not at all and therefore qualify for little or no CPP benefits.

• (1145)

I know the government says it addresses their needs through the seniors benefit but we all know this is often too little too late. We should keep the needs of these women uppermost as we consider pension reform.

Most of us have young people in our family—I have five children—who are working if they are fortunate enough to find work. Often they are working as hard as they possibly can. We know the skepticism with which young people view the Canada pension plan. They do not believe the minister's assurance that the contribution rates will be kept below 10 percent. They do not believe there will be a meaningful government pension for them at the end of the day.

A recent book entitled *Youthquake* by an up and coming young Canadian, Ezra Levant, cites a survey that shows over 30 percent of Canadians under 39 years of age do not believe they will receive a Canada pension plan pension at all despite the assurances from the government and from politicians.

In addition these young people do not consider \$8,800 a year a meaningful pension when investment of the same contributions in an RRSP over the same period of time would give them a pension of \$24,000 a year. They fear that the reform of the CPP is just another huge intergenerational transfer of wealth.

I suggest we write down on our pads the names of some of those young people and keep their concerns in mind when we analyse and review this bill. Let each of us also write down the names of several disabled persons in our families and constituencies who are absolutely dependent in many cases on the disability income provisions of CPP. Let us keep those people in mind as we debate the bill.

I think I have made my point that the ultimate intent of the bill before us though regrettably not stated is to care for people and to provide income to allow people to care for themselves. The

*Government Orders*

technical parts of the bill, essential as they are, are simply a means to that end.

Let me turn to another aspect of the bill, one of the most important ones and one of the ones completely neglected by the parliamentary secretary in his presentation. I am surprised that the finance department let the parliamentary secretary get away with this omission.

If this bill is adopted and if we accept even half of the minister's glowing predictions of its effects, there is no question it will distribute substantial benefits to Canadians. Those benefits and the impact of this bill upon them are listed in the CPP legislation briefing book issued on September 25, 1997 and I need not enumerate them here.

As the official opposition it is our duty to hold the government accountable for effects of its legislation which it may wish to ignore, or which it may wish the public to ignore because those effects are negative.

Frankly I find it astounding that a government which has said that its number one priority is jobs is putting forward a bill that affects the paycheques of most employees in this country and affects the payrolls of most employers in this country and has not offered a single substantive word on the real employment effects of the payroll tax hike required to fund the CPP investment board established by this bill.

We know the government's view on this subject has changed since it was in opposition. It has been repeated in the briefing book and was repeated by the parliamentary secretary this morning. I want to read it because it is amusing, that "CPP contributions are savings toward pensions. They are not a tax. They do not go into the government's revenues to be spent". The official opposition and most important most Canadians reject this view on three principal grounds.

First it is completely inconsistent with the previously stated position of the Liberal Party itself. When the Tory government raised CPP premiums six times from 3.6 percent to 5 percent over the period 1987 to 1993, the Liberals then in opposition labelled these increases as tax hikes. It cannot be said that CPP premium increases are a tax increase when Tories do it but not when Liberals do it. This is politically motivated nonsense.

Second the government's position that CPP contributions are not payroll taxes is completely inconsistent with the views of the employers and employees who make the CPP contributions. Unions, business organizations like the CFIB, in their discussions and representations to governments, finance committees and to members of the House, routinely refer to CPP contributions as payroll taxes. If the people who are making these payments feel it

is a tax, then it is a tax and should be regarded by this House as a tax, regardless of what government officials or its press officials now choose to call it.

• (1150)

Third the government's view that the 77 percent hike in CPP premiums proposed to fund the CPP investment fund is not a tax is flatly contradicted by previously published reports of the government itself, including the finance department and its advisers. Let me just read into the record some statements by government officials talking about what the CPP premium contributions are:

Joe Italiano of the economic analysis and forecasting division of the Department of Finance in a paper dated April 25, 1995: "Employer's contributions to CPP/QPP are part of compulsory payroll taxes. The share of all such taxes in voluntary labour income, a term which can be interpreted as an effective payroll tax rate" and he goes on and on.

In 1996 a study was done by Lin, Picot and Beach. Beach is a professor of economics at Queen's University; Picot and Lin are with the business and labour market analysis division of Statistics Canada. The study states: "Payroll taxes have four major components: UI premiums; workers compensation premiums; the provincial health and post-secondary education tax; and CPP/QPP premiums". Statistics Canada provides all the background information.

Another study by Department of Finance officials Lori Marchildon, Tim Sargent and Joe Ruggeri in March 1996 classified CPP premiums as payroll taxes and found that employer payroll taxes invariably lead to a rise in the employer's labour costs in the short run and a reduction in employment.

There is an article by Jack Mintz, chairman of the government's own technical committee on business taxation, Clifford Clark, visiting economist at the Department of Finance, and Mr. Chen of the University of Toronto, another economist. They write that the federal unemployment insurance and Canada pension plan payroll taxes are applied on businesses and individuals.

Jonathan Kesselman, professor of Economics at the University of British Columbia, in the *Canadian Tax Journal* in 1996, a journal which is often quoted by the Minister of Finance in the House writes that "the distinguishing trait of all payroll taxes is that they apply to a base of labour earnings only". Kesselman goes on to write that "Canada has perhaps the most diverse range of payroll taxes of any country. At the national level there are benefit linked contributions to social security in programs of unemployment insurance and the Canada pension plan".

In other words, in the opinion of people who advise the Department of Finance, this is a tax hike.

*Government Orders*

The increase in CPP premiums from 5.6 percent in 1996 to 9.9 percent in the year 2003 is not only a tax hike, it is a tax hike of monumental proportions, the biggest single tax hike in Canada's history. The maximum employee contribution will rise from \$893.20 in 1996 to \$1,635 in the year 2003, an increase of \$741.80 a year or 83 per cent. A person who started working and contributing to CPP in 1996 at age 20 and continues to work until age 65 earning the average industrial wage which we assume to grow at 2 percent per year before inflation, will pay out \$119,193 in CPP premiums over their lifetime.

Moreover in its own documents the government admits that there can never be absolute guarantees that the 9.9 percent rate is the highest the rate will ever go. Members will recall back in the 1960s and 1970s when this plan was put together, Liberal politicians stood in front of public audiences and swore that the contribution rates would never go over 5 percent. Of what value were those commitments? They were not worth the powder to blow them up.

The CPP increase represents a tax hike, to put it in other terms, of \$400 million in 1997, \$900 million in 1998, \$1.8 billion in 1999, \$5 billion in 2001, and as much as \$10 billion by the year 2005, all in constant 1997 dollars. The CPP premium increases are unquestionably a payroll tax hike.

• (1155)

That is not all the bad news. What is the principal negative effect of payroll tax increases? They kill jobs. This is not simply the view of the Reform Party. This is not simply the view of business people and workers, although that should be sufficient for the government to take heed. This is also the view of the Department of Finance and its advisers. Let me read into the record some of the evidence of that.

After discussing increases in CPP contribution rates, Joe Italiano whom I quoted a few moments ago wrote these words: "These increases have had and will continue to have a negative impact on the labour force. By 1993"—he was writing just before that period—"the rise in contributions by employers and employees had reduced employment and the participation rate in the economy by nearly 26,000 jobs and .12 percentage points respectively".

The 1996 Department of Finance study by Marchildon, Sargent and Ruggeri classified CPP premiums as payroll taxes and found that "employer payroll taxes invariably lead to a rise in employer's labour costs in the short run and a reduction in employment". The authors go on to state that employers will bear from 50 percent to as much as 100 percent of the tax, which implies a direct reduction in employment as a result of the payroll tax.

There is the Department of Finance paper entitled "Explaining the Jobless Recovery" by Cozier and Mang which was produced within the economic studies and policy analysis division. The authors found that the main cause of the jobless recovery has been excessively high wage growth. They continued by saying that large increases in payroll taxes, like UI premiums, CPP and QPP contributed to escalating labour costs over this period. Cozier and Mang wrote that payroll tax increases would therefore have lowered cumulative employment growth over the recovery by just under one percentage point. This represents just over 100,000 jobs that would have been created if payroll taxes had not been increased.

I do not want to bore the House but let me quote one more Department of Finance economist. F. Weldon from the economic studies and policy analysis division of the department wrote this in "The Rising Burden of Payroll Taxes in Canada" in 1993: "The long run effect of a one percentage point increase in the effective rate of payroll taxes is estimated to be a decline of nearly 1 percent in employment". A 1 percent decline in employment represents 140,000 jobs. Weldon wrote "These payroll tax increases can have a sizeable and permanent negative impact on the level of employment in the Canadian economy".

I do not know how much evidence the Department of Finance needs from its own officials to establish the connection that payroll taxes kill jobs and they kill them by the thousands. If this finance department official has found that a one percentage point increase in payroll taxes reduces employment by 1 percent which in current terms is about 140,000 jobs, how many jobs will be killed when total premiums are increased 4.1 percentage points?

The Department of Finance has access to econometric models of the Canadian economy that enable it to predict the employment effects of bills like this one and payroll tax increases. We insist that the finance department conduct those computer runs if it has not done so and that the minister table those results in the House so that members will know how many jobs are being killed by the payroll tax hike required to finance the provisions of this bill.

I turn to another fundamental question raised by the bill before us, one I do not believe the government has answered correctly. It has to do with the subject of ultimate accountability. I do not know where the parliamentary secretary gets the nerve to think he could get away with this. Perhaps he could get away with it in this House but certainly not in front of any financial audience or any audience of pensioners.

He lists off the things that are supposed to prove the accountability of the Canada pension plan investment board. What does he list? They are going to make regular reports. They are going to issue quarterly financial statements. They are going to issue annual statements.

*Government Orders*

• (1200)

These are simple things that are taken for granted by anyone who is part of a private pension plan. A pension plan cannot be operated without meeting these minimal requirements.

The parliamentary secretary is trying to make a silk purse out of a sow's ear if he thinks these things illustrate some profound level of accountability.

What does Bill C-2 do? It establishes a corporation to be known as the CPP investment board. The shares of the corporation are to be issued to the Minister of Finance, to be held on behalf of the crown by the Minister of Finance. The corporation is to be managed by a board of 12 directors to be appointed by the federal government on the recommendation of the Minister of Finance, who in turn is to be advised on these appointments by a committee of representatives to be designated by provincial finance ministers, whose primary interest in this whole scheme is not pensions but access to the capital to be managed by the board.

With respect to the characteristics and qualifications of these directors, the bill only specifies that they be representatives of various regions of Canada and have proven financial ability or experience.

We have a crown corporation, the shares of which are held by the government, run by directors appointed by the federal government and acceptable to provincial governments, which will be managing up to \$130 billion of investment capital within 10 years.

The question which needs to be asked, which was not answered by the parliamentary secretary, is to whom does the money invested and managed by this corporation really belong. It does not belong to the governments, although in the past they acted like it did. The federal government was lending the funds in the CPP back to the provinces at less than market rates. That is one of the reasons the fund is in trouble.

The money to be managed by the corporation established by the bill belongs to the workers and future pensioners of Canada who are putting up the money. If it belongs to the working people of Canada, who will also be the recipients of the CPP when they retire, we want to know what provision the minister intends to make to ensure that employee interest, employer interest and seniors interest are adequately represented on the board. How is the corporation to be accountable? By what mechanisms? What criteria are taken into account in the appointment of its directors?

It is their money. The bill should make it clear, which it does not, that the funds to be received and managed by the corporation are to be held and managed in trust for the workers and pensioners of this country.

My last point concerns an alternative framework for pension reform. We have numerous points to make with respect to the defects of the bill. We also have a number of proposals to make for

improving the retirement income prospects of Canadians beyond reliance on the CPP. These proposals also come from extensive consultation, long before the government even recognized that this was an issue. We trust that the government will be open to these ideas, as it says it is open to ideas, particularly if they bear the stamp of extensive public consultation.

Many of these points will be made by my colleagues, in particular the hon. member for Calgary—Nose Hill. However, allow me to conclude by providing a framework for pension reform which is broader, deeper and more future oriented than what we find in this bill.

The government refers in its briefing notes, as did the parliamentary secretary this morning, to the three pillar retirement income system which it seeks to preserve and enhance. The three pillars which the government sees are the Canada pension plan, the old age security and guaranteed income supplement, which will be replaced by the seniors benefit, and the registered retirement savings plan provision for tax assisted private savings. The government claims to be strengthening these three pillars by this and upcoming legislation.

What many Canadians see is the following. First, they see an erosion, not a strengthening, of the OAS/GIS senior benefit system by government tax policies that claw back an increasing proportion of seniors income.

• (1205)

To illustrate, the seniors benefit will go into effect on January 1, 2001. Current pensioners could have \$2,000 per year less in after tax income due to the elimination of the age and retirement income credits. Pension experts at William Mercer Ltd. estimate that the seniors benefit will raise the average tax bill of a retiree by \$3,000 to \$7,000 a year and increase their tax rates.

What the government proposes with respect to the seniors benefit is not a strengthening of that pillar. It is a chipping away at the bottom by tax increases.

Second, the public sees an erosion of the RRSP system by recent changes in government tax policy that restrict rather than expand the RRSP system. In the 1995 budget it reduced the RRSP limits. It reduced the RRSP over contribution allowances. It phased out retirement allowance rollovers and, incidentally, collected about \$160 million from seniors.

In the 1996 budget it froze the RRSP contribution levels. It eliminated the seven year limit on carrying forward unused RRSP room. It reduced the age limit for maturing RPPs, RRSPs and BPPs. It eliminated the deductions of RRSP and RRIF administration fees.

This is not strengthening the RRSP pillar of retirement income. This is chipping away at the bottom, again by the insatiable appetite for tax revenue.

*Government Orders*

Last, the public sees the government attempting to shore up the Canada pension plan, not by pension reform that better distributes the burden of retirement income across these three pillars but by the simple expedient of a massive increase in CPP premiums.

What Reform would like to propose to the House is the following. I submit this is a better, broader and a more far sighted framework for pension reform than anything we heard this morning. What we propose, first of all, is to add a fourth pillar to the retirement income system and a better distribution of the burden of retirement income across those four pillars. The fourth pillar we propose is broad based tax relief such as proposed in our 1997 federal election fresh start platform.

Through a combination of personal income tax relief measures, increases in personal and spousal exemptions, changes to the child care tax benefits, reductions in EI premiums, surtaxes and capital gains taxes, we can take about 1.3 million Canadians off the federal tax rolls altogether, including 300,000 seniors.

It is a very simple idea that we can help people's retirement income by simply leaving more money in their pockets when they retire. We propose tax relief, in particular tax relief for low income seniors, as the fourth pillar of retirement income.

We further propose the achievement of a better balance for the provision of retirement income between the Canada pension plan, RRSPs and the seniors benefit by means of the following pension and tax reforms. There are five of them.

First, a fairer targeting of the proposed seniors benefit to those most in need, with more generous RRSP provisions for middle and higher income pensioners.

Second, a guarantee to existing seniors with respect to CPP that every Canadian currently age 60 or above receives all the benefits to which he or she is entitled under the Canada pension plan. Surely the government cannot disagree with that, as it is moving in the same direction as what it proposed today.

Third, an improved survivor benefit. Currently the CPP provides only a small pension for surviving spouses of CPP contributors. The maximum pension entitlement of a surviving spouse is 60 percent of the pension entitlement of the deceased spouse. The maximum monthly payment in 1996 was \$436.25. To lessen poverty among surviving spouses, particularly elderly widows, 100 percent of the funds in the deceased individual's RRSP should be transferable to a surviving spouse tax free.

Fourth, the government claims to be looking at international experience with respect to moving toward more funded pension plans. Let it look at some of the more far reaching international experience and start looking at super RRSPs.

• (1210)

Reform proposes shifting younger and middle aged workers on to an expanded RRSP program with compulsory contributions like CPP which will provide higher benefits at lower cost than the Canada pension plan while maintaining intergenerational fairness. These super RRSPs would be mandatory. Individual RRSPs would be funded by means of employee and employer payroll deductions. Super RRSPs would supplement rather than replace the existing system of optional RRSPs. The savings in each Canadian super RRSP would be individually invested, managed by government approved financial institutions and would be the property of that Canadian.

This is an idea that is being explored elsewhere. Why the government is blind to it we cannot understand.

Fifth, transition mechanisms are required to ensure that working age Canadians receive pension benefits at par with those promised by the CPP. This can be done by a combination of existing CPP entitlements and new super RRSP benefits, the exact mechanisms to be determined by actuarial professionals and consultations with stakeholders.

If members opposite and the Department of Finance misses everything we have said today, get this one point. It is our intention that the combination of these four pillars, a reformed Canada pension plan, a targeted seniors benefit, an expanded RRSP system and tax relief, will deliver more retirement income for Canadians per dollar invested than the three pillar system proposed by the government, of which this bill is a part.

If our real concern is to care for Canadians in their retirement, or more correctly to provide the income to permit more Canadians to care for themselves in their retirement, I urge hon. members to consider these alternatives to the government's approach.

In particular, I urge non. members to support the following reasoned amendment: I move:

That all the words after the word "that" be deleted and the following substituted therefor:

this House declines to give second reading to Bill C-2, an act to establish the Canada pension plan investment board and to amend the Canada pension plan and the Old Age Security Act and to make consequential amendments to other acts since the principle of the bill, while attempting to address the failures of the Canada pension plan, is particularly unfair to young Canadians and fails to recognize the employment impacts of the CPP premium increases.

**The Deputy Speaker:** The Chair is satisfied that the amendment by the hon. Leader of the Opposition is in order.

**Mr. Paul Szabo:** Mr. Speaker, for my clarification, could the Speaker advise the House whether a motion which says "to decline" or a motion not to do something is in order. That would be

*Government Orders*

the vote, would it not? I ask the Chair to clarify whether this is a negative motion and technically if it is in order.

**The Deputy Speaker:** The Chair has ruled that the amendment is in order. It appears to be a reasoned amendment. It is giving reasons why the House would not proceed with the Bill. Accordingly, the Chair is satisfied that the amendment is in order.

• (1215)

[*Translation*]

**Mr. Pierre de Savoye (Portneuf, BQ):** Mr. Speaker, what we are debating here this morning is the reform of the Canada Pension Plan. On September 25, the Minister of Finance tabled Bill C-2 dealing with the Canada Pension Plan reform, among other things.

This reform has three main components. First, fuller funding. As you know, this is the amount that must remain available to meet commitments to those who are entitled to benefits. At present, there is enough money in the fund for two years. The minister's proposal is to increase this period to five years.

The minister also proposed the establishment of the Canada Pension Plan Investment Board to increase the plan's rate of return.

Finally, the minister proposed stricter eligibility criteria, particularly in the case of disability benefits.

I must point out right now that, on the whole, the Bloc Québécois agrees with the general principles of this reform. However, we have a number of concerns that I will address shortly.

Looking back, we will remember that a draft bill was presented in February 1997. This bill was followed by a revised bill, which was presented last July.

In addition, the changes put forward by the federal government have been well received by at least two thirds of the provinces representing two thirds of the Canadian population. All in all, eight provinces, including Quebec, have endorsed the proposed changes. To date, only British Columbia and Saskatchewan have not given their approval.

At any rate, these changes, this new set of measures will not take effect, first, until Parliament passes the legislation, and second, until the necessary orders are approved by two thirds of the provinces representing two thirds of the Canadian population. We understand that the government plans for the new measures to be in place by January 1998, if everything goes well.

Let me give you a brief overview of the current status of the Canada Pension Plan. As we know, it was absolutely necessary to review some aspects of the plan, since it had become unsustainable. At the rate things were going, there would have been no money left in the fund by the year 2015, at which time contribution rates to the

Canada Pension Plan would have had to be raised from 6 percent to 14 percent.

It is to be noted that Quebec, which has had its own plan for a few decades, would also have had to increase its rate from 6 percent to 13 percent. Indeed, the Quebec Pension Plan is also under review for the same reasons, even though it is in better financial shape than the CPP.

Therefore, the reform we are talking about today in this House concern Quebecers only in an indirect way. However, the Quebec and Canadian governments have always harmonized the main elements of the two plans, primarily because of a common desire to accommodate those who have contributed to both plans.

Over the years, some 1.73 million people have contributed to both plans during their career. By harmonizing their contribution rates, the two governments are also acting responsibly from an economic point of view.

• (1220)

I would like to take a moment and explain, for the benefit of those Quebecers who are listening to us, what is going on in Quebec and show how it relates to what we are discussing here today.

To ensure that the Quebec Pension Plan would fulfil its role, which is to pay benefits, the Quebec government tabled Bill 149 dealing with the Quebec Pension Plan and amending various legislative provisions. The bill went through second reading in June and should pass third reading soon after the National Assembly reconvenes for a new session.

The fact is that the CPP reform concerns Canadians more than Quebecers. In fact, less than half of 1 percent of residents of Quebec receive CPP benefits. Last August, the number was 12,882 people. Those Quebecers receiving CPP benefits are individuals residing in Quebec who have worked all their lives in another province and who, accordingly, have contributed only to the CPP. An example would be a resident of Hull who had worked all his or her life here in Ottawa.

Another example would be members of the Canadian Armed Forces and of the RCMP who live in Quebec but must still contribute to the CPP. To the extent that these people have contributed only to the CPP, they receive CPP benefits, even though they live in Quebec. Finally, there are those people receiving CPP benefits who then move to Quebec.

It is obvious, therefore, that the CPP must be able to meet its obligations to the Canadian public. I would take this opportunity to point out, however, that more than a new bill is required.

A plan, once in place, relies on the tools at its disposal, and nowadays the tools take the form of computers and, more broadly speaking, computer systems. It is known that the CPP falls short in

*Government Orders*

certain areas that have been criticized by the Auditor General and that we hope will soon be corrected, because it is a very large drain on the system not to be able to operate at peak efficiency.

I would also point out that the plan itself seems to be having trouble changing over to more efficient computer systems: \$350 billion has already been spent on this and there is still a problem.

I also want to point out that the Auditor General found a certain lack of rigour in the administration of the disability plan. The fact is that at the present time, the Canada Pension Plan does not do regular evaluations to ensure that people receiving disability benefits are still entitled to them, so that costs have spiralled dramatically in recent years.

I would like to consider another aspect of the bill put before us by the minister. This legislation would establish the Canada Pension Plan Investment Board. As you may have noticed, and I suppose everybody in this House has, it was largely inspired by the Caisse de dépôt et placement du Québec. However, unlike the Caisse, the federal board will have no economic mandate, only a mandate to obtain the best possible rate of return.

I would like to expand somewhat on this difference, because it intrigues and almost worries me.

• (1225)

We know that in Quebec the Caisse has been an unqualified success as an economic development tool for Quebecers. To a certain extent, I can only congratulate the Minister of Finance for taking his inspiration from a tried and true Quebec formula.

I think we all agree that sometimes it is nice to see others trying to emulate our own success, but I also understand why the Minister of Finance did not want to go beyond a simple mandate of getting the best possible rate of return.

After all, across this country, there are regions that sometimes feel neglected when they do not get the same investments or attention given other regions. I think the Canada Pension Plan Investment Board could be in trouble if some of its investments went to certain regions rather than others. The problem would become a political football in no time.

Fortunately, Quebec does not have to worry because it has set up its own system for contributing effectively toward its economic development.

I would like to say a few words about the government's reform objectives. Briefly, the government wants to make the system viable, affordable and equitable. First of all, the system's viability must be ensured for future generations. In fact, the objective is to guarantee that seniors and future generations will continue to enjoy their retirement benefits.

We must also strike a balance between contributing generations by quickly establishing a stable long term contribution rate.

Finally, levels of contribution must parallel the growth of the economy, because we certainly need that.

For the benefit of those watching in Quebec, I would like to make a few cursory comparisons between the proposed reform of the Canada Pension Plan and that of the Quebec Pension Plan. There are similarities and there are differences. Let us look first at the similarities.

Contribution rates will rise rapidly. They will rise over the next six years, peaking at 9.9 percent in 2003. They will then remain stable. This is exactly what Quebec intends to do. In both cases, plan viability is what counts.

Another point is the new policy on Canada Pension Plan investments. As I mentioned a few moments ago, certain features of the investment board were taken from the Caisse de dépôt et placement du Québec. I repeat: Quebec is happy to have provided the example for Canada.

The plan is also periodically reviewed. The federal-provincial examination will be conducted every three years rather than every five. That is a good thing. It will mean no loss of control over changes to the plan and permit adjustments should problems or unforeseen circumstances arise.

We should also note the basic exemption under which no premiums will be collected on the first \$3,500 in earnings. This will remain unchanged in both Canada and Quebec.

Starting in 1998, the pensions of the newly retired will be calculated on the average of five years' rather than three years' maximum pensionable income. This represents a slight reduction for new recipients, because the average over five years, generally speaking, will be slightly less than that calculated over three years. It must be said, however, that Quebec too is intending to do likewise for the same reasons of good management.

• (1230)

It is to be noted that neither current beneficiaries—that is those who are collecting a survivor's pension, a disability pension or combined benefits—nor those people aged 65 or more on December 31, 1997, will be affected by the proposed changes. These changes will only come into effect on January 1, 1998. Benefits will not change for those who are currently collecting a pension and those who will start doing so before the end of this year.

All CPP benefits will remain fully indexed, as will QPP benefits. Retirement age, which is normally 65 but can be earlier at 60 or later at 70, will remain unchanged under the Canada Pension Plan and the Quebec Pension Plan.

*Government Orders*

The CPP fund, which currently has the equivalent of two years of contributions, will now have a reserve equivalent to five years of contributions. Quebec will make the same change to ensure the sustainability of its plan.

New rules of calculation will apply to combined benefits for those who are collecting both a disability and a survivor's pension, or retirement benefits and a survivor's pension. When these rules are tabled, a thorough review will have to be made to avoid any injustices. I can assure you that the Bloc Québécois will pay close attention to this all important consideration for those affected.

Not everything is the same between what is being proposed by the finance minister and what the Quebec government intends to do: there are differences too, which I will now discuss. First, let us take a look at the death benefit. What is a death benefit? It is a lump sum payment to help the close ones of a deceased contributor to pay for part of the funeral costs. The benefit is payable for any worker who contributed for at least one third of his or her contributory period, the minimum being three years.

In Quebec, the current system provides a death benefit equivalent to six times the monthly retirement benefit, up to a maximum of \$3,540 in 1996. The federal plan is currently identical to the QPP in that respect. The new program which Quebec intends to implement as of next year will provide for a standard amount of \$2,500, regardless of the contributor. This amount will be indexed. In the system proposed by the Minister of Finance, under the Canada Pension Plan, the death benefit will be equal to six times the monthly retirement benefit, with the maximum being set at \$2,500 a year instead of \$3,540.

As we can see, there is a difference. First, the Quebec Pension Plan will be more generous than the Canada Pension Plan because the fact is that funeral benefits are the same for all workers, regardless of how long they have lived. The Quebec Pension Plan recognizes this reality.

The second difference concerns disability benefits. The federal government is experiencing many difficulties in implementing its disability benefit. Last year, the auditor general sharply criticized the federal government for the uncalled for—and I would say exorbitant—increase in the cost of disability benefits, an increase caused mainly by regulations that are too lax and a follow-up, let us face it, that is non-existent. Indeed, as I like to say, when the auditor testified before the committee, he mentioned the Quebec Pension Plan as an example to follow.

• (1235)

At present, the federal disability benefit system is overspending. This is due to lax administration, whereby the federal government

considers more people eligible for a longer period because there is no periodical reassessment of the need for these benefits to be maintained.

Through the proposed changes to the disability pension under the plan laid before this House by the finance minister, the federal government intends to repeal the federal directive providing for any person to be declared disabled if unable to perform his or her own job even if he or she could perform another job, thereby making the administration of the plan much stricter.

There is another difference. Current federal requirements for disability benefits limit eligibility to those who have contributed to the plan for two of the past three years or for five of the past ten past years. The federal government, according to what the Minister of Finance proposes, intends to limit eligibility to those who have contributed for four out of the last six years, which should reduce eligibility considerably. In Quebec, those who have contributed for two out of the last three years, or five out of the last ten years, or for half of the contribution period, are eligible for disability benefits. This makes allowance for progressive diseases, which is very important. The Government of Quebec will therefore recognize, and quite rightly, a proportionately higher number of disabled people.

There is another rather complicated difference. It has to do with the way in which the Canada and Quebec pension plans are calculated. The difference is complex, as is the calculation. The Bloc Québécois intends to keep an eye on this issue to ensure that every citizen is treated fairly.

In conclusion, the Bloc Québécois is in agreement with the general objective of the reform, which is to preserve the viability of a public pension plan. This reform will ensure that future generations will also have access to a public pension plan. However, the Bloc Québécois demands—I repeat, demands—that administration of the CPP be rapidly modernized in order to meet the harsh criticism recently formulated by the auditor general with respect to this plan.

The Bloc Québécois will also ensure that the government's proposed reform does not depart from the principles of social justice so dear to all Canadians and all Quebecers.

[English]

**Mr. Lorne Nystrom (Qu'Appelle, NDP):** Mr. Speaker, I want to say a few words on the bill before the House.

We are beginning a debate on our pension policies and where we should be going. Bill C-2 is the first of two bills to come before the House. Bill C-2 deals with the increase in premiums to the Canada pension plan and the reduction in benefits to the plan.

*Government Orders*

• (1240)

The second bill that will come before the House very shortly will be on seniors benefits. This bill will abolish the current old age security pension, the guaranteed income supplement, the tax credit for pensioners and the age benefit. When the government abolishes that it will instead introduce a seniors benefit. I believe that will be very controversial legislation which will create a lot of interest right across the country. Part of the major debate that will go on in part two will be public pensions versus private pensions.

I want to begin today by giving a bit of the history of the Canada pension plan as we know it today. It was passed into law in 1966. Nine provinces are part of the Canada pension plan, while in Quebec has the Quebec pension plan which is very similar to the CPP. It is the Caisse de dépôt et placement du Québec.

The Canada pension plan is a pay as you go plan. It is a defined benefit plan and pays out around \$17 billion per year in benefits to Canadians, including the pension benefits, survivors benefits and disability benefits. The plan has reserves of about two years of funds which is around \$40 billion. That \$40 billion is, in large part, lent to the provinces at interest rates that are lower than they can achieve elsewhere for infrastructure, such as the building of schools, hospitals and universities.

The plan pays out a fully indexed pension to people 65 years and older. It provides survivor benefits, death benefits and disability benefits to people who are unable to work. It has also been a highly successful plan in meeting the objectives of 1966. If we look at seniors poverty in this country we will find that there are a lot fewer people living in poverty today than there were 30 years ago. In 1960 some 33.6 percent of seniors were living below the poverty line. In 1995 some 10.9 percent of seniors were living below the poverty line. When one compares that to any other category of Canadians, that is a very significant accomplishment over the last 30 years.

We do not have figures for poverty for the Canadian population in general or of child poverty or for other categories, but for seniors that has been a remarkable accomplishment over the last 30 years.

The whole philosophy behind the Canada pension plan is that it is a social program. Its purpose is to divert a share of the national economic output toward retired people each and every year so people can retire with dignity. At the inception of the plan in 1966 and even today there are many people who do not have adequate private pension plans through an RRSP that they build up for themselves. Their sole means of income, outside of the old age security pension or the GIS is the Canada pension plan. Therefore, the main philosophy behind the CPP is to divert part of today's national economic output into a decent retirement fund for people when they retire.

It is very similar to diverting a share of our national income to fund medical care in Canada, to make sure that regardless of one's financial means, we have universal accessibility to decent health care. It is similar to diverting a share of our national income toward education to ensure that we have an educated people.

To summarize this, it is diverting a share of our output toward the common good, to try to equalize the opportunities of condition in Canada, to try to have a more equal society where people do not have to worry about such fundamental needs as food, clothing, shelter and medical care. That is basically the philosophy behind the plan. That is why our party over the years has been a very strong supporter of the Canada pension plan, the Quebec pension plan and public pension plans in general.

We are now into a debate on private pension plans versus public pension plans. We are very much in favour of public pension plans as is the NDP government in Saskatchewan and British Columbia, the trade union movement and progressive people right across the country.

• (1245)

On the other side are the supporters of private pension plans. Here we find the old allies, the Fraser Institute, the C.D. Howe Institute, the Canadian Taxpayers Association and of course their mouthpiece in Parliament, the Reform Party. These are people who would like to abolish altogether the Canada pension plan and replace it with sort of a super RRSP plan which would be a defined contribution plan.

The ultimate end of this would be to widen the gap between the rich and the poor, much of which would be done through tax funded support. RRSPs as tax write-off are a tremendous tax expenditure for the government. RRSPs cost Canadian taxpayers about \$17 billion in tax expenditures and the CPP benefits also cost about \$17 billion. There is equilibrium.

But under a totally private plan or the Reform Party private plan or the Fraser Institute plan the tax expenditures would escalate. People who are wealthy could take the greatest advantage of this. It would be sort of a Robin Hood in reverse where the poor are giving to the rich so that the rich can retire in comfort in condos in Florida and elsewhere around the world.

Bill C-2 moves us partially toward a private plan. It is really a transition toward a partially vested plan. It also has in it the privatization of the administration of the plan. I want to look at a few details of that this morning.

First, one of the major concerns I have about the changes to the Canada pension plan is the whole issue of premiums. Premiums will increase 73 percent over the next six years. The combined employer-employee premiums will increase from today's 5.85 percent of insurable earnings up to 9.9 percent, an increase of some

*Government Orders*

73 percent in six years. The maximum contribution will go from \$975 to about \$1,635.

I am really concerned about the rapid escalation of the premiums for a number of reasons. First, the burden of refinancing of CPP will fall mainly on low income people and women, because a disproportionate number of women receive low incomes. It will fall mainly on people who are least able to afford it. That is a very regressive way to try to salvage the Canadian pension plan.

Much of the burden will fall on small business. An increase of 73 percent for small business is a burden that many of them cannot afford. It is a burden that will drive some of them underground in how they conduct their business and whom they hire. That is a concern to us as well.

Finally, the major increase will be a particular burden for young people as much of what we are going to have in the CPP is going to be an intergenerational transfer of wealth or income from younger people to their parents or their grandparents. That is something we have to take a serious look at when this bill goes before the committee.

The other part about the premiums that worries me in terms of regressivity is that year's basic exemption which is now about \$3,500 a year under this bill will stop being indexed. As time goes on, without indexing the basic exemption, more and more of the burden will fall on low income people as the funding of CPP becomes less and less progressive. Again, that deviates from the original principle of the Canada pension plan which has tried to provide a pension for people when they retire but to do so on premiums that are progressive and affordable by low income people.

This brings me to another point. It is the whole question of the affordability of the Canada pension plan. If we listen to the Reform Party and its friends at the C.D. Howe Institute or the Fraser Institute, we would think that the CPP is going to be flat broke and that we cannot afford it, that it has to be abolished. I say that is rubbish.

Even the actuarial report that the government used in order to craft its changes shows that the CPP is affordable. The actuarial report in 1995 that the government used was based on some pretty low common denominator indicators. The figures used were based on a flat wage increase and a very high unemployment rate. The government tried to project this in a linear way for 30-odd years. It has now come up with all the figures for changing the Canada pension plan. It was a very pessimistic snapshot of what our country will look like economically in 30 years. Despite that, the plan is still affordable.

• (1250)

We do not pay more than other OECD countries for our public pension plans. In fact if old age security, the OAS and the CPP are

combined, in 1995 about 5.3 percent of the national income went into those two plans. This will rise to about 8 percent by the year 2030.

The World Bank said just recently that some 9.2 percent of the GDP of the OECD countries was spent on public pension plans. In 30 or 35 years Canada will be spending about the same or even less than what many OECD countries are spending today. I do not think there is any debate that Canadians cannot afford a public pension plan.

In addition to the rapid rise in premiums and how regressive the burden of these are going to be, we are also concerned about the reduction in benefits. Under the new plan benefits will be decreased by around 10 percent. People, particularly young people, will be paying more in premiums and then seeing a reduction in benefits. I am concerned about that and the political support a public pension plan will receive. You can only go on so long increasing premiums and reducing benefits before the political will is not there any longer to support the idea of the Canada pension plan. That should be of concern to us as parliamentarians as well.

Disability pensions will become more difficult to obtain. This is one of the better parts of CPP and it is one, I suppose, of the cases we get as members of Parliament most often. We hear about the problems people have applying for CPP disability benefits.

Under the current legislation a person has to be working for at least four of the last six years to qualify for CPP disability. Under the changes in the bill, that person must work for two of the last three years or five of the last ten years before qualifying for CPP disability allowances. It will be more difficult for some people who now qualify and will not qualify under changes to the legislation.

Another point is the whole question of survivors and death benefits. The maximum today is \$3,580 for someone collecting survivors' benefits. It will now be reduced to some \$2,500, again making it more difficult, particularly for women who are, more often than not, the recipient of those benefits.

These are some of the concerns we have as this bill goes on to the committee stage. Basically, the burden of the funding changes in CPP will fall most unfairly on low income people, on women. It will hurt disabled people. It will hurt getting young people to support the Canada pension plan.

At committee we have to come up with some amendments that will try to make this bill more progressive, that will lessen the burden for young people, lessen the burden for low income people and reinstate the death benefit and the disability benefit to where they are presently in the Canada pension plan.

I want to comment, very briefly, on the increase of the size of the reserve fund for CPP. Currently the reserve fund would cover CPP payments for over two years, about \$40 billion. Under the bill,

*Government Orders*

there is a plan to increase this to 3.8 years which would be about \$126 billion.

Under this new idea, which also includes an investment board appointed by the government from the private sector, we see the idea of a very serious transition in the philosophy of the CPP from a pay as you go plan to a partially vested plan. Under the partially vested plan, the provinces will no longer be able to borrow money at the same rate at which they borrow it now to invest in their infrastructure for schools, universities and hospitals.

That is a negative because the provinces, being able to borrow money at a lower rate, have built the country into a stronger place and have made investments for all of us across the board and helped strengthen the economy. That will be gone. That might not greatly affect provinces like British Columbia, Alberta or Ontario that have borrowing rates that are lower because their bond ratings are higher than the average. It will really hurt the four Atlantic provinces because their borrowing rates are more expensive. When that happens it will be more difficult for them to build schools and hospitals. It will create more inequity in the country once again.

• (1255)

This is a part of the bill that might not seem to be that important to the ordinary person on the street but it will really affect Newfoundland and the other Atlantic provinces and to a lesser degree places like Saskatchewan and Manitoba which from time to time do not have the same bond rating as an Alberta or British Columbia.

The other point that concerns me is that in the Quebec pension plan under the Caisse de dépôt et placement there is a regulation that says it has to invest in the domestic economy, to try to improve the economy of the province of Quebec in order to give that province a break. Again, in this bill there is no reference to trying to look at the economic priorities of the country and investing in the domestic economy in this new fund.

Eighty percent of the fund must be invested in Canada but again there are no guidelines. We should be looking at maximizing the creation of jobs or minimizing unemployment. It does not talk about what kinds of investments should be made but leaves that to the private board.

Another concern is that the Minister of Finance publicly indicated the 80 percent rule where 80 percent of pension moneys must be invested in the country is likely to be increased. My guess is that it will be increased in the next budget or the budget after that. That will also be a concern. What is being created here is a huge pension fund that will be \$126 billion in six years and up to over \$300 billion after nine or ten years. That will be a huge fund. That money should be invested in the main in this country.

Another thing to be noted is that while the premiums are more difficult for people to pay and the payouts will be less, there will be some job creation in this new bill. That will be basically for the banks, the stockbrokers and the bond dealers that will be investing this new fund of \$126 billion. The premiums are estimated by some to be around \$500 million for that work.

These are some of the concerns we have at second reading. They are concerns we would like to explore at the committee stage.

I am really concerned about the line the Reform Party is taking on totally privatizing the Canada pension plan and turning it into a system of super RRSPs. Reformers are talking about a mandatory plan—

**Mr. Jack Ramsay:** There would be a better return. It would come closer to your MP pension plan. Are you against that?

**Mr. Lorne Nystrom:** A Reform Party member is now starting to intervene by saying that it would be a better return. It would certainly be a better return for wealthy people but what about the ordinary citizens?

**Mr. Jack Ramsay:** Everyone would pay into it.

**Mr. Lorne Nystrom:** What about the ordinary citizens? Now everybody may pay into this plan but a low income person might not pay very much. I represent the inner city in Regina and people in the inner city in Regina cannot afford to put much into RRSPs. If we had the Reform Party plan, which would be a private open ended plan subsidized by the taxpayer through RRSPs and tax breaks, we would see wealthy people earning an awful lot more money. The gap between the rich and the poor would widen as we privatized the Canada pension plan. That is exactly what would happen.

That is the whole philosophy of the Reform Party. That is why in the House of Commons on Thursday Reform's official critic for revenue agreed that Conrad Black paid too much tax, that wealthy people in this country pay too much tax. That is the whole philosophy of the Reform Party. I oppose that and our party opposes that. Thank goodness the majority of the Canadian people oppose going off in that direction. It is the law of the jungle. That right wing extreme conservatism has done this country an awful lot of harm over the years and now the Reform Party wants to carry it even further by totally privatizing the Canada pension plan. I say we have to fight against that and we have to make sure that the Reform Party gets nowhere near the levers of power in Canada.

The Reform Party is very much against government programs that help ordinary people, but it is certainly in favour of spending billions and billions of dollars to subsidize the wealthy. Reformers are calling for a super RRSP plan where billions of dollars will be spent to subsidize the rich as they fatten their bankbooks with a very healthy pension plan. We have to fight against that. That is

one reason I am concerned that this plan is moving in that direction.

• (1300)

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, I listened to the member's comments and I certainly appreciate the way he laid out the issues. It is clear there are some important issues.

I agree wholeheartedly with his comments about the Reform proposals. The opposition leader in his speech said that we have to make the survivor benefits fairer and that there should be a fairer distribution to middle and high income Canadians. It is absolutely outrageous that he should be fighting for high and middle income Canadians when we have people living in poverty. The Reform Party has no social conscience.

During the public consultation forums one of my constituents, Mr. Phil Connell, appeared before the panel. He wanted to share his numbers with us. He has been retired for seven years.

During his employment he contributed \$18,607. He computed the interest and found that his share was about \$9,300. In the seven years of receiving the Canada pension plan his total receipts to date are \$54,287. My constituent, a senior who is getting very generous benefits, \$5 out for every \$1 that he put in, said that this is scandalous and must be changed.

The hon. member for Qu'Appelle laid out comments about each of the initiatives the government is proposing to deal with the need to get the cost of the CPP down. He said we should have retained the disability benefits and the survivor benefits. He said we should not shift the burden of the price to the youth coming along in the future. He suggested there should be absolutely no change.

We cannot have it both ways. Can the member please advise the House, if he is going to protect everything that is there already, how does he propose to save the Canada pension plan?

**Mr. Lorne Nystrom:** Mr. Speaker, I did make a brief comment in answer to that question earlier. Perhaps the member missed it.

The actuarial report on which the changes are based, in the opinion of some economists, which I happen to share, contains very pessimistic projections. They are based on high unemployment rates and the very flat wage increases we have seen over the past few years. They have taken these forward for 30 years, in a linear way, and made projections which are very pessimistic.

I believe the economy will be in better shape than that, as do many economists. We do not have to have a decrease in disability benefits or in survivor benefits. As a matter of fact, those are a very small part of the payout of the CPP right now. The biggest payout is in the pension plan.

### *Government Orders*

I do not believe we should penalize disabled people. We do not have to do that based on the present economy.

**Ms. Marlene Catterall (Ottawa West—Nepean, Lib.):** Mr. Speaker, the member spoke about things he is concerned about in the plan. He spoke about making it more progressive. I am sure he is aware that any changes in the plan, as contained in the legislation or changes which will be made due to subsequent consideration, require the approval of the provinces. I would like to ask him how he intends to proceed on that with the NDP Government of Saskatchewan.

He spoke as well about the relatively low retirement income of Canadian women and their much higher rate of poverty in retirement.

He may be aware that during the negotiations between the federal and provincial governments there was a proposal on the table from the Manitoba government, supported by our government, which would have seen mandatory credit splitting between spouses as CPP income is earned. That would have gone a long way toward ensuring that future generations of retired women will not be penalized as they are today.

The NDP Government of Saskatchewan chose not to support that proposal. It is one provincial government which allows women to sign away their entitlement to CPP benefits.

• (1305)

I wonder if the member agrees that those income credits earned during the working life belong equally to both partners in a marriage or common law union and what measures he is prepared to take to ensure that the NDP supports that and will do its best to persuade the NDP governments in B.C. and Saskatchewan that they should also support it.

**Mr. Lorne Nystrom:** Mr. Speaker, I agree with the hon. member that the credits earned by both partners should be theirs and there should be total equality. I will do whatever I can to push that idea.

I am not privy to the negotiations that took place between the provinces and the federal government. The member will know that two thirds of the provinces representing two thirds of the population must agree to any changes along with the federal government. Saskatchewan and B.C. are the two provinces that do not agree, primarily because they see this as a regressive way of increasing the premiums. I am not privy to all the details, of course, because I was not there.

**Mr. Dick Harris (Prince George—Bulkley Valley, Ref.):** Mr. Speaker, I certainly do not want to defend the Liberal Party on its proposals for reforming the CPP.

I would like to ask the member from the NDP a question. He appears to believe that this plan can go on indefinitely without some sort of a restructuring of how to finance it. He spoke about what is wrong with the government plan and that it is using pessimistic figures. I am really quite surprised. Usually when

*Government Orders*

forecasting revenue and doing a business plan, one usually uses some very conservative numbers. If conservative numbers are used, then it is usually safer ground if things happen to not be as bright as one would hope.

A good example is that when the plan was brought in in 1965, the government could see nothing but a bright future for the Canada pension plan. In reality it should have been looking at it more pessimistically given the input it got from its own financial actuaries who said that under the Canada pension plan structure it was doomed to failure by the end of this century.

Is the member suggesting that we should continue with a blindfold on in the fervent hope that things will be so bright that we will be able to offer all kinds of benefits and provisions under the Canada pension plan and nobody is really going to have to pay for it?

**Mr. Lorne Nystrom:** Mr. Speaker, of course not. I never suggested that. There has to be a restructuring of the plan.

My argument this morning is that the restructuring of the plan in terms of the increase in premiums is regressive, too much of a burden on low income people. That is the main thrust of the argument I am making.

I am sure the Reform Party would not understand that because it wants to abolish the Canada pension plan and replace it with a totally private plan that will benefit the wealthy people and say to hell with the ordinary people in this country.

That is where I differ from Reform Party members. They are willing to take the write-offs for RRSP, increase the limits radically so that wealthy people can make a lot more money and let the poor wander around all by themselves. That is why I oppose it. Under their plan the gap between the rich and the poor will widen, not narrow. I want the gap between the rich and the poor narrowed. That is why we need public pension and social plans to help create an equality position. But the Reform Party would not understand that.

**Mr. Jack Ramsay (Crowfoot, Ref.):** Mr. Speaker, I listened to what our socialist friend has said. I wonder, inasmuch as the plan is going to require a contribution increase of 73 percent but the benefits are not going to change, that they will stay somewhere in the area of \$8,800 a year, if he would address that.

The increase is going to incur in terms of contribution but the benefits are not going to increase. We hear it is going to be indexed and that is a hopeful sign. But when he talks about the rich and the poor, I wonder if he would care to share with the House, although he was eligible for the 3.5 years that he was not in the House to take his own MP pension, whether he did that. How would he compare that plan to the \$8,800 which our seniors are getting now and will

continue to get despite the 73 percent increase in the contributions that young and old, poor and wealthy are going to have to pay into this system?

• (1310)

**Mr. Lorne Nystrom:** Mr. Speaker, my response to my capitalist friend from Crowfoot is I understand the new Reform members of Parliament are part of the pension plan as well. They were campaigning that they would not be part of that plan. I think they are trying to use smoke and mirrors.

I also remember the leader of the Reform Party saying that he would never move into Stornoway. Where does he live? He is in Stornoway. That kind of integrity and dishonesty are a discredit to politics in this country.

**Hon. Jean J. Charest:** Mr. Speaker, I am very concerned about the issue of CPP reform, as are a number of Canadians. If there is one thing I have learned over the last four years it is how Canadians are concerned about a few key issues which relate to their future.

Health care is very much an area of concern for Canadians, especially as our population grows older. Education and training are important issues, but so are pensions and planning for our retirement. They all have one specific thing in common, that the demographics of our country are changing very rapidly to the point where if we want to understand the full impact of this issue we also have to start by understanding and recognizing that in this country today, for every person who is of retirement age there are five people who are working. In 20 years there will be only four people working for every person who retires.

As I look at the pages in front of me, I think of their retirement, which may seem like a few years away for them. They should know, as they plan for their future, that there will be only three people working for every person retiring. We will go from five to four to three in a short period of 40 years. Given that dynamic, it requires extraordinary effort from governments in Canada to plan, to think ahead, to think these changes through, especially given the added elements in our economy. We have a \$600 billion debt and high taxation levels. This is a key question in our future and how we are going to deal with it.

[*Translation*]

In my experience, and I think I know the Canadian public very well, people feel this public pension system is very important, both as a policy and a program.

Of course the Government of Quebec has a different plan. The Quebec pension plan administers a similar plan, but the fact remains that both in Quebec and elsewhere, Canadians believe that this plan is very important for their future. People want govern-

ments to plan ahead so we will know exactly how to deal with these rapid demographic changes that will occur.

[*English*]

The CPP over the last few years has been jeopardized by inadequate contribution levels and inefficient plan management. We have known that for some time. People in the House will equally know that the plan is administered with provincial governments. The federal government is not alone in deciding what direction we have to take. This is very much a plan that requires a joint effort.

• (1315)

We also know, for instance, that the money in plan was lent to the provinces at rates the same as 20 year bonds. This was way below the rates that could have been obtained in the marketplace. It certainly was not the kind of policy that would allow the plan to garnish surpluses; quite to the contrary. It was certainly a lot less than a private sector plan earned. No wonder Canadians were concerned and certainly worried about the plan.

We also need to look at how the plan affects middle class Canadians and how it will affect their working years. Not only must we look at how it represents a take off their paycheque every week. We also must look at how it would effect employment because it is very much a payroll tax.

In this respect we need to compare the ideas that have been put forward, some of them during the election campaign on our side. I noticed that on the Liberal side we have what is typically the return of Liberalism. The government that was not in favour of taxing people and cutting spending in the last four years is now in favour of taxing people and spending.

Keeping with that new found philosophy as expressed in the Speech from the Throne, what is the Liberal government proposing to Canadians through this change? It boils down to something quite simple and very straightforward. It represents an \$11 billion tax bite out of our economy over the next six years. Let me repeat that. The number is so big that it is difficult for people actually listening today to get a sense of what it is. Some \$11 billion will be taken out of the Canadian economy over the next six years by the Liberal government for the purpose of trying to change and sustain CPP.

It is one of the biggest tax attacks we have witnessed in the history of the country. It represents something that would have a dramatic effect on our economy if it were left as it is.

Other political parties such as the Reform Party have also tried to cobble together some sort of a plan, but it is important to note from the perspective of Canadians that the Reform Party has not put any

### *Government Orders*

numbers forth. It says "here is an idea" but there are no actual numbers. We are walking into what would be fundamental changes to people's pensions, but there are no numbers to back up what exactly it would do or how it would operate. However that is not a big problem for the Reform Party. It is just willing to do it.

What is more disturbing in this vague concept of recognition bonds is that they would end up renegeing on CPP. They would just scrap it. What happens to people who have paid into the system and who had planned according to these payments? I guess the answer is tough luck. They will get recognition bonds.

Who will pay for this? It is not clear who will pay for it except that the younger generation of Canadians, certainly according to the Reform plan, will pay a hefty price no matter what the scenario is.

[*Translation*]

Of course the system is different in Quebec, the Quebec pension plan is managed differently, but to them all this is not terribly important. The Bloc Quebecois does not expect to be here to administer these changes, that is if it ever reaches its goal.

[*English*]

The party that I lead here—and in the election campaign we made it very clear—has set out three clear benchmarks in changes to CPP we would like to see happen.

The first is that CPP must be self-financing. It is critically important that we understand the lessons over the last few years and that we make this plan self-financing.

The second one is a very different from the one held on the government side. We know the government has a different position. It is ready to increase premiums to the tune of \$11 billion. If it is to be made self-financing there must be tax cuts to offset the \$11 billion bite in the economy. That is the second benchmark.

This means that if we are to go down this route there have to be reductions in employment insurance premiums paid on a weekly basis, which is a payroll tax. There also have to be personal tax reductions so that the decision or move to make CPP self-financing will not damage our economy the way the Liberals are ready to tolerate in the plan they are presenting.

The third is to complete the whole picture. We have to allow the young Canadians who are with us today in the House of Commons to plan for their retirement and give them a fair break. They are not asking for favours. They are not asking for special treatment. They are just asking for a fair break and an opportunity to plan. We also have to make changes to RRSPs so that they can plan for themselves and make decisions for themselves and for their future.

*Government Orders*

• (1320)

Those are three key benchmarks that we as a political party certainly believe in as we assess the changes we bring forward for CPP.

How would we meet these objectives? We think there has to be an increase in CPP contribution levels to rates that are adequate to ensure the long term viability of the plan. We do not quarrel with that, not at all, but these increases in contributions as I mentioned before must be offset by substantial reductions in taxation for Canadians. Otherwise we are turning in circles.

We would make provisions to finance the extra costs per year of senior benefits resulting from demographic changes. I mention this because there are those who look at the books of Canada, at spending, and are surprised to find that even if we held the line on spending in all departments on an annual basis it would still increase to the tune of about—if I remember correctly and I am quoting from memory—\$2 billion a year.

Those sitting in the galleries of the House of Commons today are asking themselves how that could happen, why it is happening. There is an answer that has to do with demographic changes in society.

Even if we hold spending the fact of the matter is that people are growing older. They are eligible for certain programs. The health care system take is higher because of a growing population. We need to understand these things.

My point today is quite simple. Not only do we need to understand them. We need to plan for them. We need to think ahead. I know that is a new idea on the government benches, but it is one that is critically important to the young Canadians who are with us today.

We also need to reassure Canadians the funds will not be mismanaged as they were in the past. We have to take a completely different approach. I will be happy to speak to the issue of return.

We need a separately managed Canada pension trust. That is very much the route we should take. In this respect we are doing what has already been done successfully in the province of Quebec.

[*Translation*]

One of the major successes of the quiet revolution in Quebec has been the creation of the Caisse de dépôt et placement. Of course it is not perfect, as an institution. From time to time there have been attempts to manipulate the activities of the Caisse, but by and large, I would say the Caisse has been well rated on its performance. This is an institution that has been very successful in Quebec. It has been very, very successful and has managed the funds in its care with due diligence.

So it is a concept that is worth imitating. It may be a very new approach for some people, but when the federal government sees

people with good ideas who get good results, it does well to borrow those ideas. In this case, we think that is what it should do.

[*English*]

The Canada pension trust needs to be completely independent from the government of the day if it is to work. Its trustees have to be appointed on a non-partisan basis, recruiting from experts in the financial, business and actuarial communities in consultation with the provinces.

The mandate of the Canada pension trust and its trustees would be to advise the government on how and where to invest the money, on contribution levels, and on how to select the best private sector managers acceptable in industry to administer the fund.

In this way we would have some assurances that in the long term the accumulated surpluses would be invested in a wise manner. We would offer some intergenerational equity with regard to how we deal with pensions.

The performance of the fund could be evaluated on a regular basis to guarantee and ensure Canadians some transparency on how well it is being done.

[*Translation*]

Today, we cannot afford to overlook certain realities. My point is that with all these efforts to set up a pension plan for the future, it is also extremely important for the government, for all governments but especially the federal government, to control its own spending if we again go in the direction Liberal Party of Canada is asking us to go, in other words, start spending again. These are not rumours.

This morning, I read in the newspaper that the Minister of Finance himself had a meeting with volunteer organizations and urged them to apply for federal funding. I am not making this up. This was the Minister of Finance, who is sitting just a few desks down, opening the flood gates and making this announcement to the public. It is as though he put up a sign saying:

[*English*]

“They were open for business. Please come and ask for your money”. It is signed by the Minister of Finance.

• (1325)

[*Translation*]

Even if the government revamps the Canada pension plan, if spending is out of control, it will get nowhere at all. The government must take steps to keep spending under control.

It must also plan for the increased demand for old age security, because even if we control spending, there will still be this annual increase. I wish the government would say it thought about this and has calculated, on an annual basis, what the additional cost will be to give these people the pension to which they are entitled.

[English]

We also need to improve the security and returns of registered retirement savings plans. The young men and women in the Chamber who serve Canadians so well as pages are the ones who will be the most affected by these decisions. They also need to be able to plan for themselves beyond whatever government can do. That means more flexibility in registered retirement savings plan.

The first thing I would like to hear coming from the Minister of Finance is an ironclad commitment, a guarantee that the increased value of sheltered funds will never be taxed while they remain in RRSPs. That is a commitment the minister has yet to make.

The reason I raise this point today is that every time a federal budget is on the horizon and in the weeks that follow there are always rumours the Minister of Finance or the government of the day will make a tax grab on RRSPs. Canadians have planned and saved and put this money aside for themselves. There is never an assurance that one day the government will not turn around and change the rules, try to grab that money. The government needs to speak very clearly on the issue and guarantee it will not happen.

The second thing that needs to happen is an immediate increase of the allowable allowance for foreign content for RRSPs from 20 percent to 50 percent. The issue is quite simple. Our market is too small. It is fine to encourage Canadians to put their money aside, but the same Canadians should be allowed to get the maximum return on the money they are setting aside. By limiting the foreign content to 20 percent the returns are being limited.

Most Canadians who have any understanding of the markets and the way they operate will know that this is an untenable position. Not only should we move to increase the foreign content of RRSPs from the current limit of 20 percent to 50 percent. We should move to zero by the year 2001 so that Canadians are allowed the full freedom they should be allowed to get the best return possible on their money rather than have the people down here telling them where they can and should invest. The people up in the galleries are the ones who should be able to say where they want to invest their money, the money they earned.

We cannot forget seniors benefits. We have to plan. In this regard I want to know, as do other Canadians, the hidden agenda of the Liberal government. We have yet to find out the impact of the changes to seniors benefits for Canada's middle class. What will be the impact on women, particularly older women who will be dramatically affected by changes to the seniors benefits?

Has the government planned? What numbers are available? I assume it put some numbers out. It cannot be proposing these changes without having studied the effects they would have on the

### *Government Orders*

middle class. Surely it has not entered into the changes without considering the impact they would have on women. We are all waiting anxiously to find out. We certainly have a great deal of concern with respect to how it will affect women in particular.

I want to make reference to a concept we have not heard a lot about but will hear more about, the concept of intergenerational equity. As the demographics of the country change it is important for us to accept that we are asking a smaller group of Canadians to carry a heavier burden than ever before with respect to retirement policies. This will have a disproportionate effect on them, on their revenue and on the decisions they will make with respect to their own savings. Ultimately it will have an impact on the decisions they will make with regard to where they want to work.

This is very much a global economy. This is an economy where people who have certain skills are in high demand everywhere in the world. We know how easy it is to travel on a Canadian passport. The Government of Canada has certainly demonstrated that to us.

• (1330)

These Canadians deserve some equity. I leave this as an idea. We did not mention this in our platform but this idea deserves some real study on how we can offer some tax relief. We could target it at younger working individuals and self-employed people on whom we are going to rely. Then there could be a stable predictable retirement system for Canadians in the future.

**Mr. Mac Harb (Ottawa Centre, Lib.):** Mr. Speaker, it is really quite incredible that the hon. member, the leader of the Conservative Party is standing in the House today attacking the government for taking action on an issue that for nine years when his government was in office it knew full well that the Canadian pension plan needed to be reformed, that the future of Canadians needed to be taken care of. Year after year that government failed to take action on it.

When the member was on the government side for a period of nine years, why did he not ask his government to take action on such an important issue so that the Canada pension plan could be reformed in order to ensure that those who retired in the future would have a pension to rely on to help them carry on with their daily lives? Why did he not take action on that? Why will he not stand today and instead of attack the government, congratulate the government on finally cleaning up the mess of nine years of inaction by the Conservative government?

**Hon. Jean J. Charest:** Mr. Speaker, thank you for offering me the opportunity to respond to the member and the usual rhetoric of the Liberal Party of Canada. I could understand that in 1994 after the election campaign of 1993 every time something would happen

*Government Orders*

the Liberals would rise in the House of Commons to blame the previous government.

The member has just demonstrated the usual overblown rhetoric used by the Liberal Party of Canada. It is the party that rather than assume its responsibility continues to blame others. In case the member has not noticed, there have been two election campaigns that have brought Liberal governments to majority. The government you are talking about was four years old, Mr. Speaker. When are you going to live up to your responsibilities and stop blaming others for decisions that—

**The Deputy Speaker:** Order. The hon. member for Sherbrooke is an experienced member and knows he cannot cover his address to the Chair by saying Mr. Speaker and then saying you to somebody else. The hon. member knows that and I invite him to address his remarks to the Chair.

**Hon. Jean J. Charest:** Mr. Speaker, it is just that I hesitate to blame you personally for everything that has happened because you share some responsibilities for other members in the Chamber, and I know you recognize that Mr. Speaker.

The member for Ottawa Centre might as well enjoy that overblown argument. I do not know whether he actually thinks that Canadians believe him. I wonder when he says those things whether he actually thinks that Canadians who are listening to us today take him seriously or whether they do not sit in their chairs and ask “what is with these people? They have been in government for four years. They went through two election campaigns and they continue to blame others for things that are happening and for their own decisions”.

My advice to the member is that if he thinks that argument has any sway at all, keep on using it while he still can because the days are counted. Assume your responsibilities and live up to the fact that you have a mandate and you are asked to deliver it—

**The Deputy Speaker:** Whenever the member appears to get to the end of his questioning he lapses into the thing I tried to have him avoid. I know he will bear that in mind.

[*Translation*]

**Mr. Jean-Paul Marchand (Québec East, BQ):** Mr. Speaker, I too was quite impressed by the remarks of the hon. member for Sherbrooke and leader of the Conservative Party, who said that, with the new pension plan, the level of taxation will rise by \$11 billion over six years. It is strange to hear this expression of concern coming from the Conservatives. He spoke of the poor and the young and went so far as to suggest there is need to control and limit government spending.

• (1335)

Has he forgotten that, while the Conservatives were in office, Canada's public debt doubled from \$250 billion to \$500 billion? Does he not think that doubling the Canadian government's debt load and imposing a mismanaged GST on the Canadian economy, both actions having been taken by the Conservatives while in power, helped create many problems, including the pension problem? In other words, does he not think that increasing the Canadian government's debt load while they were in power added to the pension problem in Canada?

**Hon. Jean J. Charest:** Mr. Speaker, I am pleased that the member for Québec East is questioning my memory, because my memory of the period when the GST decision was taken is very clear, exceptionally so. If I am not mistaken, there was a minister at the cabinet table, his name will come to me—what was it? It began with a B—ah, yes, Bouchard, it was Bouchard.

One of the ministers at the cabinet table when the decision to introduce the GST was taken was the former leader and founder of his party, now Premier of Quebec. I assume the member for Québec East is not in disagreement with his leader. Surely not; that would be too glaring a contradiction.

Mr. Bouchard fought for these very policies, and finally won over his colleagues at the cabinet table.

Since the member for Québec East was wondering about my memory, I will go back over the whole story. What actually happened, objectively speaking, to the government in 1984? What was the situation awaiting us in 1984 when we came to power? We were looking at a situation where Canada's public debt, under the former Liberal government, had increased 1,000 percent. The member for Ottawa Centre likes to talk about 1993, but he forgets about the years before that. The public debt had increased by 1,000 percent under the former government. Annual spending was increasing by an average of 14 percent annually.

We brought that down to within 3 or 4 percent of the rate of economic growth. We managed to hold the line on spending and, in 1987, the former government managed to create a surplus in the government's operating budget. That is the real story behind all the rhetoric. Then we managed to lower the annual deficit from 8.4 or 8.6 percent of the GDP in 1984 to almost half of that. That is the real story.

For those who are interested, the real story is that all the measures to reduce spending put forward by the former government were shot down by the Liberals now in power. The Minister of Finance who took the Conservative government to task for its restrictive Bank of Canada policy is now piling on even more restrictions. It is these same people, including members of the Bloc Québécois, who criticized the government's spending.

*Government Orders*

[English]

**Mr. Darrel Stinson (Okanagan—Shuswap, Ref.):** Mr. Speaker, I find it quite incredible to be sitting here in the House listening to a member of the Conservative Party. In fact the leader of the Conservative Party sat here in government for over nine years. The Conservatives had a chance to fix the system. They knew full well then that it had serious problems. Now I hear this member putting on this caring, sharing concern for the Canadian public. This surprises me. They like to talk, talk, talk, but no action.

The member had a chance to create some action in the House. He had the opportunity to give up his gold plated pension, but did he do it? No. He can sit there and be eligible for over \$4 million in pension and talk about the public who will have to try and live on between \$8,000 and \$9,000. I find this very, very intolerable. I cannot believe that he could stand up here and say this.

**An hon. member:** Say it again, \$4.3 million.

**Mr. Darrel Stinson:** He will collect \$4.3 million. Talk about a two tier system, this is a two tier system. This is a total rip-off of the Canadian public at its finest. And he can stand up here and say this.

• (1340)

I have absolutely no sympathy for the government. None. And I have no sympathy for the Conservatives either. There have only been two parties ever elected to this House in Canada and they are called Conservatives and Liberals. Back and forth we go. Every time there is a problem, it was the other government, “it was them who sat here before us who created it”.

Now we are at a point in time where the government has to jump up these premiums for the Canadian public on a system that should have been well financed and well-heelled forever. If this had been run under the public's eye, you people would have been serving time.

**Hon. Jean J. Charest:** Mr. Speaker, when you exaggerate to that point you certainly render yourself insignificant.

**Some hon. members:** Oh, oh.

**Hon. Jean J. Charest:** Mr. Speaker, this is the same—

**Mr. Dick Harris:** Mr. Speaker, I rise on a point of order. I think that the member for Sherbrooke owes the member for Okanagan—Shuswap an apology. We do banter back and forth here but we try to stay for the most part away from personal comments that are meant to be slighted to the—

**The Deputy Speaker:** I do not think the hon. member is rising on a point of order. I think he is rising on a point of debate. He disagrees with what the member for Sherbrooke says but I do not

think the hon. member for Sherbrooke, as he is alleging, has violated the rules of parliamentary debate.

The hon. member for Sherbrooke, a brief response.

**Hon. Jean J. Charest:** Mr. Speaker, as I was saying to the member for Okanagan—Shuswap and now I will say it to the member from Prince George, when you exaggerate to that point you render yourself insignificant. That is certainly my advice.

I am surprised that the member from Okanagan or even Prince George would actually get up in the House of Commons and address this issue, especially after he and his leader said that they would not move to Stornoway, the residence of the Leader of the Official Opposition, that they would turn it into a bingo hall. These are the same people who said to Canadians that they were receiving letters from Canadians telling them to move the opposition into Stornoway. I can see it now. There is probably a riot in front of your office of people saying “please move them in”.

This is the same political party that had a hidden expense account for its leader and his family who went out and sermonized other Canadians. I can tell that some members of the Reform Party are embarrassed by this. You should be embarrassed because there is a word for this. It is called hypocrisy.

**Ms. Marlene Catterall (Ottawa West—Nepean, Lib.):** Mr. Speaker, this is my first opportunity to speak as the first member of Parliament for the new federal riding of Ottawa West—Nepean. I want to take this opportunity to thank my constituents for the trust they have placed in me to represent them in this Parliament into the next century and for generously sharing with me their ideas and opinions during the election campaign in June.

I also want to take this opportunity to pay tribute to the hundreds of thousands of volunteers across this country who worked in this campaign, whether they made donations, knocked on doors, printed flyers or put up signs. These are the people who keep democracy strong in this country and who make it possible for people of limited means to seek office and to serve in Parliament. This is an extremely important part of having a Parliament that represents the people of this country.

Half of my constituents are new to me. They have been represented since 1988 by Beryl Gaffney as the member of Parliament for Nepean. They are accustomed to a member of Parliament who is accessible, responsive and deeply involved in her community. I shall do my best not to lower the standard of service to which Beryl accustomed them.

Beryl's legacy to Parliament is also important. It is a reminder to all of us that we are not here to serve ourselves but to serve the greater good of our country and of humanity. She especially reminded us that we are here to speak for those who most need the support of a caring, compassionate society, for children, for the poor and for those around the globe who are suffering the abuse of their human rights.

*Government Orders*

• (1345)

Canada's system of retirement income is one of the hallmarks of a country that represents the values Beryl Gaffney espoused, a country that cares for its citizens in need.

Fifty years ago this country had a serious problem of poverty among its elderly. Since then we have built retirement income, old age security, guaranteed income supplements, the CPP and public assistance to the tune of \$14 billion a year to people's private retirement savings which has ensured each and every Canadian a retirement income which allows them to live at a modest level of dignity.

Although Canada's system is one of the best in the world, major demographic and economic shifts are threatening its long term sustainability. In particular the number of seniors will escalate dramatically when the baby boom generation starts to retire. The proportion of seniors in Canada will rise from 12 percent today to 16 percent by the year 2016, which is not as far away as it sounds, and to nearly 25 percent of the population by the year 2040.

This is important because at the same time there is a growing proportion of seniors in our population, there will be a shrinking proportion of working Canadians. As we all know, the CPP is essentially a pay as you go system where the contributions of today pay the pensions earned in the past.

Security in Canada's retirement income system has been a key priority for the government. The reforms the government is pursuing in part with the legislation on the Canada pension plan today will maintain the three pillar retirement system. The reforms will strengthen each pillar to ensure that all Canadians, including those who will not retire until several decades from now, will have an adequate, affordable pension which they will be able to count on when they reach retirement age.

I represent a large number of seniors. One of my priorities in the last Parliament was to make sure that the views of my constituents were well understood and well represented to the government on pension reform. Along with good health care, adequate income is essential to a decent quality of life in retirement.

The level of public interest in this was demonstrated admirably when over 200 people turned out to an all day forum which I held in 1995 to hear from constituents of all ages. Those individuals have continued to be involved. We have kept them informed with follow-up meetings and mailouts on how the reform of the public pension system is developing. Those individuals have shared their opinions with me. They have let me know their views on what the government is planning to do. In turn I have kept the ministers and the prime minister involved.

Let me tell the House some of the things I heard at the all day forum. They have not changed their minds. They are a very consistent bunch, the people of Ottawa West—Nepean. They wanted to ensure the security of their income. Participants in the workforce also wanted to ensure that they could count on the Canada pension plan being there for them and being affordable throughout their working lives. They wanted an assured benefit when they reach retirement age. Those who are already in retirement wanted to be assured that their benefits would not diminish.

Over all, participants of all ages supported a publicly funded, reliable, sustainable pension plan which is affordable and which protects against inflation. The participants insisted that a public pension system is instrumental in promoting fairness and alleviating poverty.

They also understood the significant demographic changes in Canadian society which are creating the need to ensure the sustainability of the Canada pension plan for the long term. They were also very concerned that those who are already in or near retirement not be affected because they had based their retirement planning on the expectation that the CPP would be there for them.

• (1350)

The government as a whole also consulted with Canadians across the country. In co-operation with the provinces, hearings were held in 18 different cities. Over 270 individuals and organizations made presentations. Thirty-three sessions were held. There were another 140 written submissions and over 6,000 telephone comments from Canadians as we looked at how we could maintain our public pension system and what was needed to achieve that goal.

The result of these consultations and subsequent federal-provincial discussions is the legislation that is before us today with respect to the Canada pension plan. I should point out that the agreement reached was endorsed by eight of the provinces, the territories and by the federal government. Clearly we have a strong national consensus to act in the interests of Canadians.

Basically what we have is a three part approach to restoring the financial sustainability of the CPP and ensuring its viability for future generations.

First by increasing contribution rates now, they will not have to rise to the much higher levels predicted for future generations. Second we will improve the rate of return on the CPP fund by investing it prudently in a diversified portfolio of securities. The investment is to be managed by a new independent board at arm's length from the government. Third we will match the growth in cost to the ability to pay by tightening up on the administration of benefits and changing the way some benefits are calculated.

*Government Orders*

[*Translation*]

A number of the principal features of the CPP remain unchanged. First, individuals currently receiving pension, disability, survivor or combined benefits under the CPP will see no change in their benefits. Furthermore, people over the age of 65 as of December 31, 1997 who chose to begin receiving CPP pension benefits after that date will not be affected by the changes either.

Second, all benefits, with the exception of the death benefit, remain fully indexed to inflation.

Third, the retirement age remains unchanged.

[*English*]

The 9.9 percent contribution rate now to be introduced over the next few years ensures that the CPP will remain affordable for Canadians into the future. Canadians will not have to face the 14.2 percent contribution rate projected in the 1995 actuarial report on the CPP. I know there are some who would like to pretend that does not need to be done, that we can just wait and leave it to another generation to worry about the pensions 15 and 20 years from now. We do not believe that is responsible.

This legislation also ensures the continuation of full indexation.

The cost of keeping the CPP sustainable will be shared more equitably under the legislation. It will be shared among those who will benefit both in the short term and in the long term. We will not be carrying on paying out pensions now and leaving it to a future generation of Canadians to worry about how they will pay for their pensions then.

The fact that we will be reviewing the CPP every three years ensures us that we will be well ahead of any changes and able to address any problems that are developing on a more timely basis.

I want to talk about other approaches to pensions we have heard about in the House.

Reform has told Canadians that they want to throw away the CPP and set up some super RRSP system. But what the Reform Party cannot tell us is how they will do it or at what price and what will be lost.

The CPP provides more than just retirement pensions. It provides disability benefits to contributors who are no longer able to work for example. The CPP has other benefits that RRSPs do not have. For example the time that parents spend out of the labour force to care for their children does not diminish their CPP pension, but it certainly does diminish their contributions to an RRSP.

• (1355)

Members of the Reform Party would like to see the government phase out the CPP. What they do not tell Canadians is that if we decided to shut down the CPP today, we would still have outstand-

ing obligations to current pensioners and those who will be paying into the system for the next 30 to 60 years. The cost of paying CPP's outstanding obligations on a year to year basis would be close to 8 percent of contributory earnings for the next 10 years and then 6 percent to 7 percent for the following 30 years, on top of the cost of setting up their new RRSP.

I want to talk about the rhetoric that has been adopted by the Reform Party and the Progressive Conservative Party in the House, talking about CPP contributions as payroll taxes.

This country has been built on the philosophy of sharing of responsibilities for one another, where we contribute. The CPP was set up as a contributory plan. Today's paid workers contribute to the CPP to pay the pensions of those who have come before them and who have contributed to building their hospitals, their educational institutions and the quality of life we now have in this country. These are employer and employee contributions. I am quite happy to leave the payroll taxes to the neo-Cons on the opposite side of the House.

There is some unfinished business in the legislation before us. One of the proposals that was on the table in the latest round of negotiations was mandatory splitting of credits between spouses in CPP.

We believe and it is legally enshrined in law in this country that the family is an economic unit. Both partners in that economic unit deserve to share fairly in the money that is earned during the course of the marriage, whether one partner is working in the paid labour force or working for free at home, or both are working in the paid labour force.

One of the provisions our government put on the table and which was supported strongly by the Government of Manitoba was to enshrine mandatory splitting of CPP credits. Much to my regret, and I challenged one of the NDP members on this earlier this morning, the Government of Saskatchewan and the Government of B.C. chose not to endorse this. In fact the Government of Saskatchewan specifically allows a woman to sign away her rights to split her husband's CPP pension. I am pleased to know that the issue of sharing pension credits between two partners in a household will be on the agenda two years from now when the CPP is revisited.

When federal and provincial governments conducted their cross-country consultations on the future of the CPP, Canadians were unequivocal. They asked us to preserve the CPP. They asked us to strengthen its financing. They asked us to improve its investment practice. They asked us to moderate the growing costs of benefits. They asked us to keep it fully indexed.

I want to assure my constituents and all Canadians that this is not simply a cost saving measure. Our purpose is to ensure that Canadians have what they have enjoyed for 30 years, a publicly funded pension plan that allows everyone earning income—

*S. O. 31*

**The Speaker:** My colleague, you are in no way finished, you still have five minutes. It is almost 2.00 p.m. and if we could interrupt, you will have the floor when the debate continues.

---

## STATEMENTS BY MEMBERS

[*Translation*]

### SUPREME COURT OF CANADA

**Ms. Claudette Bradshaw (Moncton, Lib.):** Mr. Speaker, I would like to take this opportunity to express my support for the appointment of Michel Bastarache to the Supreme Court of Canada.

[*English*]

Mr. Bastarache was a respected lawyer and judge of the New Brunswick Court of Appeal when he was appointed to the Supreme Court of Canada.

[*Translation*]

I am confident Mr. Bastarache will carry out his duties as justice of the supreme court competently and efficiently. He is recognized for his knowledge and his fairness. In addition, his devotion to language and minority issues is highly regarded.

As an Acadian and a New Brunswicker, I am extremely proud of his accomplishments and am confident he will do excellent work as a justice of the Supreme Court of Canada.

• (1400)

I am hugely disappointed at the refusal by the members of the Bloc Quebecois to set aside their political goals and support a francophone from outside Quebec. After all, Mr. Bastarache is a francophone—

**The Speaker:** I am sorry to interrupt the hon. member. The hon. member for Saanich—Gulf Islands has the floor.

\* \* \*

[*English*]

### CANADA PENSION PLAN

**Mr. Gary Lunn (Saanich—Gulf Islands, Ref.):** Mr. Speaker, I rise on behalf of the residents of Saanich—Gulf Islands.

This Liberal government plans on doubling Canada pension plan premiums. It is estimated that Canadians entering the workforce will receive only 57 cents for every dollar taken from them.

Consider Aaron Fyke, a 25 year old resident in my riding, who writes: "Please explain to me that I am not simply funding someone else's retirement at the expense of my own". Seniors are

asking me what became of the money that they contributed to the Canada pension plan.

This Liberal government is implementing the single largest tax grab in the history of Canada. The scam is irresponsible and unacceptable. People are fed up.

The truth of the matter is that this government refuses to accept that taxes kill jobs. Reform's retirement plan would guarantee that contributions are for pensions and, more important, Reform's plan would ensure considerably higher pensions for Canadians.

\* \* \*

### TEACHERS

**Mr. John Finlay (Oxford, Lib.):** Mr. Speaker, the United Nations Educational, Scientific and Cultural Organization, UNESCO, designated October 5, 1997 as world teachers day, a day to honour the teaching profession.

Before entering this House in 1993 I spent my entire professional career in education. I began as a teacher and progressed through the ranks to become a vice-principal, principal and superintendent with the Oxford County Board of Education.

Throughout my career I had the pleasure of working with teachers who taught all grades from pre-kindergarten through grade 13. These teachers deserve our thanks not only on world teachers day but on every day of the year. Whether in the classrooms, coaching sports teams, supervising clubs or directing a school play, teachers play an integral role in the development of our children.

On behalf of all members, I applaud our teachers for the valuable work they do.

\* \* \*

[*Translation*]

### MEMBER FOR LAVAL WEST

**Mrs. Maud Debien (Laval East, BQ):** Mr. Speaker, on Thursday last, the Liberal member for Laval West took offence at the attitude of the Bloc Quebecois to the appointment of Liberal judge Michel Bastarache, saying that sovereignists, and I quote, "never hesitate to reward their separatist friends".

The Liberal member would do well to look at her own situation. From 1993, the new member, who was the defeated Liberal candidate in Laval East, enjoyed the pleasures of Liberal cronyism until the elections of 1997.

In June 1995, she went to Haiti as an election observer at taxpayers' expense. In January 1996 she was appointed to the International Centre for Human Rights and Democratic Development, again at taxpayers' expense. In June 1996, she was appointed commissioner of the Immigration and Refugee Board at an annual salary of \$86,400.

Rather than feigning indignation, the member for Laval West should be blushing for having enjoyed the pleasures of cronyism.

\* \* \*

[English]

#### FEDERATION OF CANADIAN MUNICIPALITIES

**Mr. Bryon Wilfert (Oak Ridges, Lib.):** Mr. Speaker, I have the honour and pleasure to inform you that the Federation of Canadian Municipalities has been selected from over 60 entries to receive the scroll of honour award from the United Nations Centre for Human Settlements, Habitat. This award was granted for mobilizing elected officials and staff from Canadian municipalities for the development of local communities and for providing support to sister municipalities in developing countries.

During the past ten years the FCM, in partnership with the Canadian International Development Agency, implemented international programs which have facilitated exchanges of municipal expertise between elected officials, staff and counsellors throughout the world from Canadian municipalities and their counterparts from Africa, Latin America, Asia and central Europe.

The presentation of the scroll of honour will be awarded in Bonn, Germany today and I am sure the House congratulates the Federation of Canadian Municipalities on achieving this outstanding award on behalf of Canadian municipal governments in this country.

\* \* \*

#### TEACHERS

**Ms. Karen Redman (Kitchener Centre, Lib.):** Mr. Speaker, it is with pleasure that I rise today to recognize world teachers day which was celebrated yesterday.

The United Nations Educational, Science and Cultural Organization, UNESCO, has designated October 5 as world teachers day to honour the teaching profession.

● (1405)

I think I speak for all of us here when I say that each of us has had at least one teacher, whether primary or at the secondary level, who made a lasting impression on us.

Many of us have teachers in our families and know first hand the commitment in time and energy they put into their jobs. Teaching is not a job that is left at school. For most teachers it reaches into their lives through after school activities, volunteering as sports coaches, band leaders, drama coaches and social group co-ordinators. All these things together are what provide the best educational and developmental opportunities for our children.

*S. O. 31*

Let us give a hand for the teachers across Canada and around the world for the work they do.

\* \* \*

#### THE FAMILY

**Mr. Paul Forseth (New Westminster—Coquitlam—Burnaby, Ref.):** Mr. Speaker, in view of national family week we recognize that nearly a million men came to the Washington, D.C. mall on Saturday to publicly state their promise to take greater responsibility toward their community, church, workplace and, most important, their family.

In what is described as the single largest religious gathering in American history, the promise keepers rally proves that the institution of the family is not a thing of the past but a stronghold for the future.

Even U.S. President Bill Clinton stated he cannot deny the sincerity of the men at the rally. Seeing the photo in Sunday's Ottawa *Citizen* should silence the critics who denounce the sincerity of the men, including many Canadians, who pledged to keep their families strong, healthy and together.

Last week one of this Parliament's greatest family advocates resigned her seat in an effort to keep her family strong. The sincerity of Sharon Hayes equalled that of the men who marched on the steps of the U.S. Capitol. Above all, family matters.

\* \* \*

#### COMMUNITIES

**Mr. Jerry Pickard (Kent—Essex, Lib.):** Mr. Speaker, the United Nations has designated today as world habitat day, a day to reflect on our communities, their importance in our lives. This year's theme is future cities, a theme that offers an opportunity for people living in communities everywhere to consider the current state of their city and to explore how existing problems can be overcome and their communities made more equitable, just and sustainable.

The conditions under which people live determine, to a large extent, their health, productivity and sense of well-being. Canadians are fortunate to live in the best country in the world and are among the best housed people. That state is largely due to the collaborative efforts of organizations such as Canada Mortgage and Housing Corporation and its various partners.

Working in close collaboration with industry and a host of government and non-governmental organizations, as well as community and self-help groups, CMHC strives to encourage the—

*S. O. 31*

[Translation]

### QUEBEC ECONOMY

**Mr. Benoît Sauvageau (Repentigny, BQ):** Mr. Speaker, the time has finally come to reply to the federalist demagogues who keep telling anyone who will listen that the political climate in Quebec has investors fleeing. It is just not true.

There are no less than 1,500 subsidiaries of foreign multinational companies in Quebec. For 1996 alone, approximately 100 new investment projects, totalling over \$2.3 billion, were announced.

I could read you dozens of statements made by foreign investors who say they are not worried about the political climate in Quebec. Here is what one of many investors, namely the president of Intrawest, said "I am not concerned at all by the political climate as I announce \$500 million in investments at Mont Tremblant".

Quebec is attractive to foreign investors, and there is nothing the federalists can do about it.

\* \* \*

### WORLD TEACHERS DAY

**Mr. Yvon Charbonneau (Anjou—Rivière-des-Prairies, Lib.):** Madam Speaker, as we celebrate World Teachers Day, I would like to pay tribute to my fellow teachers who have dedicated their lives to educating our children.

A recent study by the International Bureau of Education confirmed that the quality of life and social status of 50 million teachers across the world had dropped drastically.

[English]

According to UNESCO, the teaching profession is the largest in the world. In Canada there are more than 400,000 teachers.

[Translation]

I would like to recognize in particular the work of the Canadian Teachers' Federation, represented in our gallery by its president, Jan Eastman, its secretary general, Mr. Schryburt, and his deputy, Mr. Weiner.

I would also like to salute the French speaking teachers of Quebec, who belong for the most part to the Centrale de l'enseignement du Québec, represented by Joanne Fortier and Carl Charbonneau, and the Fédération nationale des enseignants et enseignantes du Québec, formerly presided over by my neighbour on Montreal Island and current member for Mercier.

• (1410)

[English]

### HEALTH

**Mr. Grant Hill (MacLeod, Ref.):** Mr. Speaker, natural health products are very important to Canadians as a preventive tool. The federal government has been restricting choice in this area through three proposals, cost recovery, removing products arbitrarily from the shelves and the international Codex proposals.

The health minister has been inundated by letters on this issue. These irate citizens have influenced the minister. To his credit, he has reversed his stand on the one issue of cost recovery proposals. He still has a lot of work on this file, though, in returning to the shelves products that have been removed arbitrarily and also in shutting down these Codex activities.

Congratulations to the members of the public who took the time to write letters to the health minister on this issue. This is a victory for them. They know that an informed Canadian public is a far better judge of its health care needs than some distant bureaucrat in Ottawa.

\* \* \*

[Translation]

### AUDIO-VISUAL PRODUCTION

**Ms. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.):** Mr. Speaker, yesterday the Minister of Canadian Heritage released a first report on the new television and cable fund for the production of Canadian programs.

This government initiative resulted in the production of over 2,200 hours of Canadian programs in the past year. In 1996-97, over 376 projects received financial support from this fund, for a total investment in excess of \$624 million.

While all regions of the country benefited from the fund, audio-visual production more than doubled in the Toronto and Montreal areas.

Audio-visual production creates over 30,000 direct jobs and 72,000 indirect jobs in Canada. Our government is very proud to have been the instigator of a project which, while creating jobs, also supports and helps—

**The Speaker:** I am sorry to interrupt the hon. member. The hon. member for Yukon.

[English]

**The Speaker:** The hon. member for Yukon.

*Oral Questions***YUKON WEATHER STATION**

**Ms. Louise Hardy (Yukon, NDP):** Mr. Speaker, the federal government's decision to close the Yukon weather station will have a detrimental effect on the Yukon economy and the safety of the northern travelling public. All that will be left of the federal government presence in the north will be a new but empty federal building with no workers to provide flood warnings, extreme weather warnings or aviation services.

The Yukon weather centre operates with 12 highly qualified people and has been in the north since 1942. In the middle of the national unity debate the federal government is telling us that its policy for the north is still one of downsizing and budget cuts and not one of a truly human relationship between the government and its people.

The federal government is more than happy to provide bonuses of \$12 million to its top bureaucrats. That bonus would have kept the Yukon weather forecast station operating for another 10 years. It is time for this government to live up to the words of the throne speech and to keep the only northern forecast station in the north.

\* \* \*

[Translation]

**BLOC QUEBECOIS LEADER**

**Mr. Jacques Saada (Brossard—La Prairie, Lib.):** Mr. Speaker, last week, the Bloc Québécois leader said that Acadian artists should settle in Quebec to avoid assimilation.

The hon. member should know that French Canadians deserve praise for their efforts and that they did not wait for the Bloc Québécois and its paternalistic statements to fight for their identity. But the member's comment goes much further. The Bloc leader is in fact encouraging ethnic grouping.

I will refrain from saying what happens, as history teaches us, when ethnic grouping is encouraged on a territorial basis.

I say to this House that the overwhelming majority of Quebecers reject this narrow and dangerous vision, which dates back to the last century.

When making such comments, the Bloc Québécois leader does not in any way represent Quebecers, whether they are federalist or not. Will the member for Laurier—Sainte-Marie now tell anglophones in Quebec that they will have to leave their province to avoid assimilation?

Out of respect for Acadians and for the whole—

**The Speaker:** I am sorry to interrupt the hon. member. The hon. member for St. John's East.

[English]

**NEWFOUNDLAND**

**Mr. Norman Doyle (St. John's East, PC):** Mr. Speaker, given the fact that the province of Newfoundland and Labrador continues to suffer from having the highest unemployment rate in all of Canada, which at 20 percent is more than double the national average, it is only proper that this Newfoundland tragedy be described for what it really is, a national disgrace.

As such it is indeed deserving of the special attention of the Government of Canada. It is a chronic problem and a lack of a solution to it does nothing for the image of Canada among the leading industrialized nations of the world, of which Canada is one.

• (1415)

Surely a nation that can put a man in space can do something about a long-standing problem a whole lot closer to home. Therefore I call on the prime minister and the Government of Canada to give this issue the attention it needs and the attention it deserves.

**ORAL QUESTION PERIOD**

[English]

**FOREIGN AFFAIRS**

**Mr. Preston Manning (Leader of the Opposition, Ref.):** Mr. Speaker, as you know, Canadians strongly support the fight against international terrorism, but Canadians also believe in maintaining the integrity of the Canadian passport.

Unfortunately that integrity and the safety of Canadians abroad have been compromised by Israeli agents using Canadian passports for an operation in Jordan.

When will the prime minister ask the Israeli prime minister for a formal apology over this unfortunate incident?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, my Minister of Foreign Affairs has been in touch with the minister of foreign affairs of Israel who said that his country and his government regret very much the incident that occurred last week and that they will initiate discussions with this government to make sure that the same thing is not repeated in the future.

I agree with the leader of the opposition that it is extremely important for Canadians that the integrity and the value of the Canadian passport not be jeopardized by the actions of other people, as was the case in Jordan last week.

*Oral Questions*

We have communicated with the government and it replied to the minister over the weekend and this morning that—

**The Speaker:** The hon. leader of the opposition.

**Mr. Preston Manning (Leader of the Opposition, Ref.):** Mr. Speaker, we appreciate the fact that there are discussions, but our question was when is the prime minister going to ask for a formal apology from the prime minister of Israel.

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, when the minister of foreign affairs of a country expresses regret on behalf of his country and his government to the Minister of Foreign Affairs it is in my judgment an acknowledgement by that government.

I recognize that the prime minister of Israel has not called me to offer the same comment, but the Minister of Foreign Affairs has received this assurance from the official spokesman of the government, the minister of foreign affairs for Israel.

**Mr. Preston Manning (Leader of the Opposition, Ref.):** Mr. Speaker, what Canadians want are some straight answers and some action on this issue.

For over a week now the government appears to have been in the dark on this issue and has been keeping Canadians in the dark. The government appears unsure of its facts and it is hesitant and uncertain when it does disclose to the House what it knows.

The government is handling this issue like amateurs. That is embarrassing surely to the government, it is embarrassing to this House and it is embarrassing to Canadians.

What concrete steps is the prime minister prepared to take to present all the facts concerning this incident to Canadians and to prevent this type of incident from occurring again in the future?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, we acted extremely diligently because we immediately called back the ambassador to Canada for consultation. It is the strongest form of protest that could have been expressed under the circumstances, short of cutting relations with a country.

The reply from the minister of foreign affairs came a couple of days later because of the religious situation in that country. The Israeli government was not in a position to reply to the government but it communicated with the Minister of Foreign Affairs as soon as possible, according to what the minister of foreign affairs of Israel said to my colleague.

\* \* \*

**POLITICAL CONTRIBUTIONS**

**Miss Deborah Grey (Edmonton North, Ref.):** Mr. Speaker, a company called Videon Inc. wanted to build a hotel in Shawinigan,

so it applied for a \$600,000 federal grant. Videon had not donated a cent to the Liberals ever before, but the very year it applied for this grant it made a donation of over \$5,000 to the Liberal Party. In fact the Liberal fundraiser in that area is now under criminal investigation.

Will the prime minister suspend this grant until the police can confirm that this was not extortion of Videon Inc.?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** The information given is not proven because I do not know of anyone who is under investigation.

• (1420)

Contributions to political parties in Canada are made under law and are public. Every contribution is known. We will wait for the investigation. I do not know who she is referring to. I do not know if he is from my riding or another riding or from Montreal. Let the police do their work before making frivolous accusations.

**Miss Deborah Grey (Edmonton North, Ref.):** Mr. Speaker, this truly is a wait and see government. It says wait and see about everything. In fact, this \$600,000 grant to Videon was reported and announced a full month after a letter went to the police from the minister of HRD to turn in this Liberal money man. Therefore, it is no surprise. We do not need to wait and see. The tainted grant went ahead anyway and the Liberal bagman was still working for the Liberal Party.

If the Prime Minister is not bothered by these sort of fundraising tactics, will he at least put this grant on hold until the police clear up the Shawinigan shakedown?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, we know about the police investigation in my riding but nothing has been made public. This is a fabrication by the hon. member.

Let us wait for the police to do their job and get to the bottom of this. If something is wrong then the person or persons will have to face the law. I do not know if there is any relationship between that person or this person and my riding. Everything has been done above board and according to the rules and regulations of—

\* \* \*

[Translation]

**FOREIGN AFFAIRS**

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, last Friday, Norman Spector, the present president and publisher of the Jerusalem Post, former Canadian ambassador to Israel and former executive assistant to a Prime Minister of Canada, stated that for many years Ottawa had collaborated with Mossad agents by providing forged Canadian passports.

*Oral Questions*

Would the Prime Minister confirm that, as stated by Mr. Spector, there is or has previously been collusion between the Canadian and Israeli secret services on the use of Canadian passports by Mossad agents?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, I have been informed by the Minister of Foreign Affairs that Mr. Spector's accusation is completely unfounded.

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, similar allegations have been made by a former CSIS agent and a former agent of Mossad.

I want to ask the Prime Minister whether he would agree that these allegations are sufficiently serious for him to take the time to have them checked by means of an internal investigation, for instance?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, there has been an investigation, and the conclusion was that there was no collaboration between our agencies and Mossad on the use of a Canadian passport for unacceptable purposes.

**Mrs. Maud Debieu (Laval East, BQ):** Mr. Speaker, my question is directed to the Minister of Foreign Affairs.

Last week, the minister seemed as surprised as we were to hear that Canadian passports had been used in a terrorist operation. He obviously did not seem aware of the fact.

How can the minister, who just signed a joint agreement with Israel, be so sure of himself and dismiss out of hand the allegations of collusion between the two governments made by Mr. Spector?

[English]

**Hon. Lloyd Axworthy (Minister of Foreign Affairs, Lib.):** Mr. Speaker, no surprise was involved. When these two gentlemen were arrested in Jordan and claimed they had Canadian passports we immediately visited them. We were told they did not want our services. That raised our suspicions. We went to the Jordanian authorities to ask for information. They gave us the information. As soon as we got the information we acted directly. The prime minister denounced it to the House. We recalled our ambassador and started discussions to lead to a resolution in this situation.

The member suggests they were supplied. The fact of the matter is that we have followed step by step a series of actions to make sure that we defend our integrity. The comments of Mr. Spector are simply irresponsible and help create the problem not solve it.

[Translation]

**Mrs. Maud Debieu (Laval East, BQ):** Mr. Speaker, the minister seems to be putting a lot of faith in the joint investigation with Israel.

However, how can he shed light on this question when, as we heard this morning, he cannot even get Israel's assurance that it will never again use Canadian passports in this kind of operation?

• (1425)

[English]

**Hon. Lloyd Axworthy (Minister of Foreign Affairs, Lib.):** Mr. Speaker, very clearly in the first discussion we had with the foreign minister we received their very deep regrets about the event. They are undertaking their own investigation into how Canadian passports were used. They are co-operating with us in our investigation and have agreed to establish a process which will result in the kind of agreement that will never see it happen again.

It seems to me that is very effective action by the Canadian government.

**Ms. Alexa McDonough (Halifax, NDP):** Mr. Speaker, my question is also for the Minister of Foreign Affairs.

Canadians are justifiably indignant that our Canadian passport has become the passport of preference for international terrorists.

What measure does the Minister of Foreign Affairs propose to take to ensure that the use of Canadian passports is strictly monitored and that any abuses are met with swift sanctions?

**Hon. Lloyd Axworthy (Minister of Foreign Affairs, Lib.):** Mr. Speaker, we share the indignation of the hon. leader of the New Democratic Party. The only difference is that we expressed our indignation five or six days ago. That really demonstrates clearly that we are taking the matter very seriously.

As to the protection of the passports, we have one of the most advanced systems for checking the security of our system. We are constantly reviewing it. We have already undertaken to initiate discussions at the ICAO, which is the international body that deals with international standards in these matters.

I can assure the House that we will take every measure possible. But, Mr. Speaker, there is a human factor—

**The Speaker:** The hon. member for Halifax.

**Ms. Alexa McDonough (Halifax, NDP):** Mr. Speaker, the minister tells us that he is concerned and I am sure that he is. However, we want to know what leadership the government is taking to ensure the integrity and the security of Canadian passports.

Has the minister raised this matter at the United Nations? Has he raised it with the International Civil Aviation Organization and with Interpol? If so, can he give the House some indication of what kind of progress has been made?

**Hon. Lloyd Axworthy (Minister of Foreign Affairs, Lib.):** Mr. Speaker, most importantly I have raised the matter with the Israeli government. That is where the problem really existed and that is

*Oral Questions*

what really counts. Furthermore, we have taken the matter up at the ICAO which is responsible for the matter. I should inform the hon. member that this is part of an ongoing review that takes place at ICAO. We will raise the matter there.

The most important thing is to engage in the kind of process that we put before the Israeli government this weekend to make sure that it no longer uses our passports for these kinds of purposes.

\* \* \*

[Translation]

**GOVERNMENT GRANTS**

**Hon. Jean J. Charest (Sherbrooke, PC):** Mr. Speaker, my question is for the member for Saint-Maurice and concerns the grant of \$600,000 that was given to a hotel chain in his riding.

Can the member for Saint-Maurice tell us how a grant came to be given to a hotel chain out of the employment insurance fund, to which Canadian workers and business contribute?

How is it his own government made such a strange decision?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, applications are made for the riding of Saint-Maurice just as they are for the riding of Sherbrooke and all the other ridings.

The people in each riding have access to programs that apply in all ridings, and if the hon. member for Sherbrooke wants to know how many grants the Department of Human Resources Development accorded in his riding, it would be glad to provide the information.

[English]

**Hon. Jean J. Charest (Sherbrooke, PC):** Mr. Speaker, maybe the member for Saint-Maurice can help us understand how it is that such an extraordinary grant was given to a hotel chain in his riding. The \$600,000 used came from the employment insurance fund. This is money that was contributed by workers and small businesses together for the purposes of employment insurance and used by the Prime Minister in his riding to help a hotel chain. How could this happen?

[Translation]

**Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.):** Mr. Speaker, I would like to clarify the issue here.

The grant awarded the Auberge des Gouverneurs in the riding of Saint-Maurice comes not from the transitional job creation fund, the subject of my letter to the RCMP, but rather targeted salary

grants. Therefore, the money does not from the transitional job creation fund.

\* \* \*

● (1430)

[English]

**GOVERNMENT SERVICES**

**Mr. Ken Epp (Elk Island, Ref.):** Mr. Speaker, Brian Mulroney used to run the government like his own personal club, making sure that Tory friends were well taken care of. Back then huge government advertising contracts went to a company run by Dalton Camp and Hugh Segal.

Now the Liberals are looking after their friends, giving \$29 million in government contracts to the firm that ran their last two federal election campaigns.

My question is for the Prime Minister. How is this different from the way the Tories did it?

**Hon. Alfonso Gagliano (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, in June 1994, six months after we took office, we introduced a new system in which contracting was open and everybody had a chance.

**Some hon. members:** Oh, oh.

**Hon. Alfonso Gagliano:** If they are interested in the truth they should listen.

Not only that, but for larger contracts we created a committee on which members of the advertising industry and government officials sit to choose the most competent bidder.

Maybe the hon. member should—

**The Speaker:** The hon. member for Elk Island.

**Mr. Ken Epp (Elk Island, Ref.):** Mr. Speaker, they changed it all right. They replaced the Tories with Liberals.

Two of the people on the finance department's contract selection committee are senior Liberal Party workers. Jean Prévost was the Quebec vice-president of the Liberal Party and Marlene Hore was right near the top in running the advertising for the Liberal election campaign.

Since when is it okay for party officials to have their fingers in awarding government contracts?

**Hon. Alfonso Gagliano (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, maybe the hon. member should speak to his own ad campaign manager who said that he had no evidence that the process was unfair or weighted in favour of Liberal political allies.

Maybe before the member makes an accusation he should speak to his own ad manager in the last election campaign.

[Translation]

### RCMP INVESTIGATIONS

**Mr. Michel Gauthier (Roberval, BQ):** Mr. Speaker, the Prime Minister knew from the beginning of last March that allegations of influence peddling had been made with respect to an organizer of the Liberal Party of Canada and that these allegations were sufficiently serious that a minister of his government put the RCMP in the picture.

My question is for the Prime Minister. What action did he take from that point on to ensure that neither he nor his ministers were compromised during the election campaign with someone about whom there were serious suspicions and who was under investigation by the RCMP?

**Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.):** Mr. Speaker, I would like to reassure the opposition about this very important matter.

Immediately I got wind of the allegations in March, I turned to my officials and asked my deputy minister to assure me that the entire consultation process, a very broad and open process involving several stakeholders, such as the Government of Quebec, Ms. Harel, and government opposition members, as you know, in every riding across Canada, including those in Quebec, was fine. My officials confirmed to me that the process was transparent. We therefore went ahead with it.

**Mr. Michel Gauthier (Roberval, BQ):** Mr. Speaker, we never find it reassuring when the Minister of Human Resources Development is answering questions. His answers are never very clear.

I have a question for the Prime Minister. The Prime Minister was aware that there were serious suspicions about a Liberal Party organizer. The most basic precaution for a government leader is to ensure that, during an election campaign, he and his ministers do not come into contact with someone under investigation.

Knowing that this was his responsibility, what did the Prime Minister do to avoid an unfortunate situation, that is, contact between this person and himself or his ministers?

**Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.):** Mr. Speaker, what I am trying to explain right now is very simple. I am trying to explain that there were a very large number of stakeholders as part of this broad, open and transparent consultation.

Many stakeholders were consulted, the very strength of our system being the broad and open process of consultations, which includes the Government of Quebec, Ms. Harel's department, members throughout Quebec, as well as the Société québécoise de

### Oral Questions

la main-d'oeuvre. The information in these files is obviously not confidential from a commercial point of view.

\* \* \*

• (1435)

[English]

### REVENUE CANADA

**Mr. Jason Kenney (Calgary Southeast, Ref.):** Mr. Speaker, at a press conference this morning Dennis Coffey, a 25 year veteran of Revenue Canada, repeated his allegations of serious fraud, nepotism and abuse on the part of senior Revenue Canada officials. Department lawyers have tried to muzzle Mr. Coffey and the minister has attacked his integrity, dismissing out of hand his allegations.

When the minister said in the House that Mr. Coffey's allegations were not true, he must have had evidence to back up that assertion. Where is that evidence? Will he table it in the House today?

**Hon. Harbance Singh Dhaliwal (Minister of National Revenue, Lib.):** Mr. Speaker, the employee in question has filed with the Public Service Commission Board an appeal that he was denied an appointment. This is before this quasi-judicial board.

We respect the process. In respecting the process—I have said this to him and I will repeat—it would be inappropriate for me to comment on a matter before a quasi-judicial board. Maybe he could understand that this time.

**Mr. Jason Kenney (Calgary Southeast, Ref.):** Mr. Speaker, if that is so, why did the minister deny the allegations made at that hearing? He has already gone against the very principles of the quasi-judicial body he is talking about.

Will the minister step outside the House and apologize to Mr. Coffey for calling him a liar, for calling into question the integrity of this 25 year veteran of the department?

Why does he not investigate these allegations independent of the commission that is looking at his affidavit?

**Hon. Harbance Singh Dhaliwal (Minister of National Revenue, Lib.):** Mr. Speaker, the member is more interested in theatrics than in facts. We have to deal with the facts.

The fact of the matter—and he even said it himself—is that because it is before a quasi-judicial board we should not be commenting on it. He should know better. He should be responsible and understand that there is a process.

We respect that process and will continue to respect it.

*Oral Questions*

[Translation]

**RCMP INVESTIGATIONS**

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, the Minister of Human Resources Development told us about the action he took to ensure that the allegations we have been discussing for several days regarding Liberal Party fundraising would not lead to the spread of fraudulent activities. So he took action in his own department.

However, I want to ask the Prime Minister, who did not answer these questions, what he did in the government as a whole, since there is more than one department that awards contracts, when the Prime Minister, as was his duty, intervened in cabinet to ensure that such activities did not take place during and before the election campaign?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, all ministers were instructed that if charges of this nature are brought to their attention, it is their duty to inform the police immediately. That is exactly what the minister did. He did his duty, he handed the case over to the police, who are investigating the matter, and when the police finish their investigation, they will draw the appropriate conclusions.

These instructions apply to all ministers at this time. It is the best way to handle this, because when charges of this nature are made, it is the duty of the police to intervene.

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, considering that such allegations were made, did the Prime Minister himself or any of his ministers intervene to ensure that the individual or individuals in question were not involved with them in the process of awarding grants?

Since he was aware of these allegations, did he inform cabinet that this kind of influence peddling was taking place during that period, as of March 6, 1997?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, they are investigating a very specific case. The minister did exactly what he was supposed to do by informing the police of the charges, and the police will conduct their investigation.

At the time the minister had no better course of action, and those were exactly the instructions he received, like the other ministers. That is the way to handle this, in other words, inform the police and let them do their job.

[English]

**ABORIGINAL AFFAIRS**

**Mr. Mike Scott (Skeena, Ref.):** Mr. Speaker, I have another question on accountability. Nearly 30 years ago the prime minister promised aboriginals "full social, economic and political participation in Canadian life".

Three decades later the heartbreaking reality is that aboriginal youth commit suicide at six times the national rate, aboriginal infant mortality is twice as high, and more aboriginal youth go to jail than to university.

Given that the federal government has spent over \$80 billion on this matter since 1969, could the prime minister give us an accounting of what went wrong?

● (1440)

**Hon. Jane Stewart (Minister of Indian Affairs and Northern Development, Lib.):** Mr. Speaker, I am glad my critic opposite understands the circumstances that face aboriginal people.

Our government is committed to working in partnership with aboriginal people, with the first nations, with the Inuit.

I would hope in the course of this that he understands the role he can play as a member of Parliament as we build together a strategy that will ensure all aboriginal people participate fully in the wealth and prosperity of this great country.

**Mr. Mike Scott (Skeena, Ref.):** Mr. Speaker, the minister's answer in no way addresses the issue of what happened over the last 30 years. If we talk to ordinary people in bands like the Stoney, the Siksika, the Kwanlin Dun, the Samson Cree, the Shushwap and on and on, they will tell us where the money is gone. It has been wasted, pocketed, misappropriated, gone missing, blown on fancy trips and plundered in 100 different ways.

What tools will the prime minister give to ordinary aboriginals to hold their band councils and the department of Indian affairs accountable?

**Hon. Jane Stewart (Minister of Indian Affairs and Northern Development, Lib.):** Mr. Speaker, I am glad to be able to respond to this question.

The Reform Party has done an incredible job at trying to smear and broad brush all aboriginal frustrations on the basis of a very few.

If we look at the facts the vast majority of first nations are accountable. They provide transparent governance to their people. They have processes of accountability. They have systems that are some of the best. We need to work with them to build capacity and good governance for aboriginal people.

[Translation]

### MONEY LAUNDERING

**Mr. Michel Bellehumeur (Berthier—Montcalm, BQ):** Mr. Speaker, my question is for the Minister of Justice.

Here is a little quiz for the minister: What do Joseph Lagana, Vincent Vecchio, Richard Judd, Santiago Sanchez, Jean Lamarche, René Rodrigue and Giuseppe Tanaglia have in common? They were all found guilty of money laundering and they were all released just a few months after their sentence was handed down, that is after serving only one-third or one-sixth of the sentence.

What is the minister waiting for to introduce legislation on money laundering, as the Bloc Québécois has been asking for a long time, so as to, among other things, prevent anyone from being released before serving a full sentence?

[English]

**Hon. Anne McLellan (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, I must confess I am not exactly sure what the hon. member is referring to.

If he is referring to conditional sentencing provisions that were put in place by my predecessor, that legislation deals with an array of crimes in which it is possible to have those who are sentenced to do time of less than two years but in fact are—

**The Speaker:** The hon. member for Hamilton Mountain.

\* \* \*

### HEALTH

**Ms. Beth Phinney (Hamilton Mountain, Lib.):** Mr. Speaker, my question is for the Minister of Health.

Many of my constituents have expressed concern regarding the usage of herbal remedies and the regulation of these natural products.

What action is the government taking to ensure the accessibility and regulation of natural health remedies to protect both consumers and practitioners?

**Hon. Allan Rock (Minister of Health, Lib.):** Mr. Speaker, millions of Canadians now make use of natural products and herbal homoeopathic remedies for their personal health needs. The government believes that Canadians should have the broadest range of choice available to them when they decide what is good for them individually.

As a result we have made a fundamental change in the way herbal remedies and natural products will be regulated. We have decided to exempt those products from the regulation that will come into effect next January 1. Instead we will refer the whole

### Oral Questions

matter of regulating these products to the health committee. The key thing is—

**The Speaker:** The hon. member for Calgary Northeast.

\* \* \*

### NATIONAL DEFENCE

**Mr. Art Hanger (Calgary Northeast, Ref.):** Mr. Speaker, the public has a right to know what is happening in defence headquarters.

The Somalia inquiry pointed its finger at the department of defence bureaucrats who deliberately prevented the release of pertinent information.

What specific steps will the minister take to address the accountability recommendations outlined in the Somalia report so the public can see what is going on in that department?

● (1445)

**Hon. Arthur C. Eggleton (Minister of National Defence, Lib.):** Mr. Speaker, I do not agree with the preamble to the question.

We are looking at the 160 recommendations of the Somalia inquiry. As indicated, I think we will find agreement with most of them. Very soon we will issue our response. We will not only respond to the Somalia inquiry but we will comment on the many things that we have done since then to bring about institutional changes and reforms in the Department of National Defence and the Canadian forces.

**Mr. Art Hanger (Calgary Northeast, Ref.):** Mr. Speaker, when it comes to the recommendations, it has taken this minister a long time to get down to the basics.

The minister knows full well there is a culture of cover-up in that department that still exists and he still has not dealt with that. The new chief of defence staff stated that he wants more openness and he immediately put the boot to the military top ranks. Now it is time to purge the bureaucrats from the ranks. Why will the minister not turf the senior bureaucrats who are responsible for trying to hide the truth before another bad report comes in?

**Hon. Arthur C. Eggleton (Minister of National Defence, Lib.):** Mr. Speaker, we do not have people who are trying to hide the truth.

There is no doubt that during the time of the Somalia incidents poor judgment was exercised in the case of some people, but there has been no government wide or forces wide conspiracy and none was found in the Somalia inquiry report.

We are not waiting for the response to the Somalia inquiry report. We have already instituted many changes in terms of leadership, management, training and many other factors which

*Oral Questions*

affect the Canadian forces, so that we can all continue to be proud of the good work that they do.

\* \* \*

**ENVIRONMENT**

**Mr. Rick Laliberte (Churchill River, NDP):** Mr. Speaker, my question is for the Minister of the Environment.

It has been reported that the Chrétien government wants more cuts to the environment, another—

**The Speaker:** I would ask the hon. member to go directly to his question.

**Mr. Rick Laliberte:** Mr. Speaker, will the minister defend her department staff and mandate from the finance minister's destructive financial policies?

**Hon. Christine Stewart (Minister of the Environment, Lib.):** Mr. Speaker, I believe my colleague refers to a news item that talked about additional cuts to staffing in Environment Canada. This is not a new agenda. This results from the 1996 program review cuts. We had hoped that we would be able to prevent additional layoffs in the department through cost recovery programs, but our analysis indicated we had to take action now.

**Mr. Rick Laliberte (Churchill River, NDP):** Mr. Speaker, it is reported that the environmental protection branch, a key department that helps regulate polluting industries, is targeted for cuts consistent with the ongoing direction of federal-provincial harmonization.

Will the minister explain to this House the contents and the extent of the discussions on harmonization with provincial governments and the impact they will have on federal environmental responsibilities and jurisdictions?

**Hon. Christine Stewart (Minister of the Environment, Lib.):** Mr. Speaker, the talks that are occurring right now have nothing to do with a harmonization agenda. In fact our department is very concerned about protecting our environment and the health and safety of all Canadians. Our processes of reviewing our priorities are going to ensure that those objectives are met.

Harmonization is a totally different topic. It is one whereby the federal government works collaboratively with its provincial partners on a specific agenda to make sure that the environment is protected to the highest of standards.

\* \* \*

[Translation]

**RCMP INVESTIGATIONS**

**Mr. André Bachand (Richmond—Arthabasca, PC):** Mr. Speaker, last week we learned that after writing to the RCMP, the

Minister of Human Resources Development informed two of his cabinet colleagues, namely the Minister of Public Works, who was responsible for the election campaign in Quebec, and the President of the Treasury Board. This is strange.

• (1450)

My question is for the President of the Treasury Board. Will the minister confirm to this House that one or several employees in his Montreal office conveyed to or shared with Pierre Gobeil, who is currently under investigation, or other members, confidential government information for financing purposes?

**Hon. Marcel Massé (President of the Treasury Board and Minister responsible for Infrastructure, Lib.):** Mr. Speaker, since the information on the companies was not of a confidential nature, as the Minister of Human Resources Development indicated, and since the information was widely disseminated, including to opposition parties and to the provincial government, the answer to the hon. member is no.

\* \* \*

[English]

**POLITICAL CONTRIBUTIONS**

**Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC):** Mr. Speaker, if the human resources development minister was doing what the prime minister suggests by simply fulfilling his duty, why was it that the Minister of Human Resources Development felt it was incumbent upon him to report this to the minister of public works and the President of the Treasury Board immediately after bringing this to the attention of the RCMP? Why did this happen and why did he feel it was necessary to bring it to the attention of those two particular ministers?

**Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.):** Mr. Speaker, to me it is absolutely elementary that when allegations have been brought to your attention that you have actually written to the police and reported them to the police, that after you have made your decision and taken action upon them, you do inform your colleagues who are responsible for the organizations touched by the allegations.

\* \* \*

[Translation]

**ACID RAIN**

**Mr. Claude Drouin (Beauce, Lib.):** Mr. Speaker, my question is for the Minister of the Environment, Ms. Christine Stewart—

**Some hon. members:** Oh, oh.

**The Speaker:** Dear colleague, you are not to use the name of the minister but rather her title.

*Oral Questions*

**Mr. Claude Drouin:** Mr. Speaker, my question is for the Minister of the Environment. Acid rain is of great concern to all foresters, especially those in my riding of Beauce.

I would like to know what measures the government plans to take to alleviate this problem.

[*English*]

**Hon. Christine Stewart (Minister of the Environment, Lib.):** Mr. Speaker, the federal government through its various programs in collaboration with partners has been able to reduce sulphur dioxide emissions by half since the 1980s. A joint report has recently indicated that we have a lot further to go, that we must continue to reduce those emissions by as much as up to 75 percent.

The federal government when meeting with energy and environment ministers from the provinces in the coming weeks will discuss the recent report and find out how we can indeed reduce the emissions in order to protect our industries and health in Canada.

\* \* \*

**CANADA PENSION PLAN**

**Mrs. Diane Ablonczy (Calgary—Nose Hill, Ref.):** Mr. Speaker, today we are debating the Canada pension plan. The contributions for this plan under the government's proposal would be nearly doubled over five years, yet the return for people just entering the plan would be less than 2.5 percent and that is according to the government's own actuaries.

I ask the minister how this can possibly be fair to younger Canadians.

**Hon. Paul Martin (Minister of Finance, Lib.):** Mr. Speaker, as a result of the change in the plan whereby it will be invested in the markets by a private sector investment board at arm's length from government, it is fully expected that the plan will in fact have a return commensurate with any private sector plan. Certainly that is a better return than that suggested by the Reform Party under the super RRSP given the fact that its administration costs are going to be the lowest of any pension plan in the country.

\* \* \*

[*Translation*]

**SATELLITE DISHES**

**Mrs. Francine Lalonde (Mercier, BQ):** Mr. Speaker, my question is for the Minister of Industry.

In its July 1995 statement, the government wrote that the CRTC should not deny operating licences to companies providing direct satellite broadcasting services for reasons of economic viability.

Is the minister aware that this is why he is directly responsible for the bankruptcy of Alphastar and its impact—

**The Speaker:** The parliamentary secretary has the floor.

• (1455)

[*English*]

**Mr. Walt Lastewka (Parliamentary Secretary to Minister of Industry, Lib.):** Mr. Speaker, members of the House will know that the CRTC is a separate body at arm's length from the government. It has reviewed these items and made its decision. If there is any additional information which needs to be brought forward, it may be forwarded to the CRTC.

\* \* \*

**HEALTH**

**Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP):** Mr. Speaker, almost two weeks ago the Minister of Health announced a moratorium on cuts to the drug and food research lab and specifically promised to undo the food research reductions that he had ordered in July. Twelve days later the affected research labs are still sitting idle, knowledgeable scientists are leaving the country and Canadians are unprotected in the event of a bacteria attack in Canada's food system.

Will the minister commit today to giving back to the scientists the equipment he took away in July so that they can get on with the job of protecting Canada's food supply?

**Hon. Allan Rock (Minister of Health, Lib.):** Mr. Speaker, the member and the House knows my commitment. My commitment is to the safety of Canadians.

I put a moratorium on further cuts in the health protection branch. I am about to appoint an arm's length board of scientists who will give independent advice on these issues. We are going to consult with Canadians and with those who know on the future of the health protection branch. We are going to make sure that the bottom line for this government is also the bottom line for Canadians. Safety comes first.

\* \* \*

**ENVIRONMENT**

**Mr. Gerald Keddy (South Shore, PC):** Mr. Speaker, my question is for the environment minister.

The \$31 billion Canadian oil and gas industry has not been invited to the environment conference as part of the official delegation in Kyoto, Japan.

### *Points of Order*

The government's fondness for spending taxpayers' money has incited fear that it may impose a carbon tax. The oil and gas sector will have to try to survive anything decided in Kyoto.

Could the environment minister tell us why the Canadian petroleum producers have not been invited to Kyoto?

**Hon. Christine Stewart (Minister of the Environment, Lib.):** Mr. Speaker, the federal government is currently very engaged in preparing for the Kyoto agenda in December. As part of that ongoing work I have been meeting on a regular basis with provincial counterparts, with business and industry, with environmental NGO groups. Among those partners have indeed been representatives of the fossil fuel industry. I am very open as are my other colleagues here to their comments and concerns around meeting our objectives for Kyoto, Japan.

\* \* \*

### MULTICULTURALISM

**Ms. Sarmite Bulte (Parkdale—High Park, Lib.):** Mr. Speaker, my question is for the Secretary of State for Multiculturalism.

Media reports today indicate that while support for immigration has grown gradually in recent years, some Canadian communities are less tolerant than others. What is the government doing to combat racism and to reinforce respect for diversity in this country?

**Hon. Hedy Fry (Secretary of State (Multiculturalism)(Status of Women), Lib.):** Mr. Speaker, that is precisely why the multiculturalism program exists. We have just set up the Canadian Race Relations Foundation so that we can deal with the issue of racism across the country.

We also have programs in our health institutions, municipalities, police forces and schools to be able to develop grassroots programs to assist communities in dealing with racism and tolerance.

I want to point out to the hon. member that in spite of the fact that we complain about some societies being less tolerant than others, the overall average score even for the least tolerant in our communities in Canada is still almost close to five, with five being the most tolerant of all.

\* \* \*

### BRITISH COLUMBIA

**Mr. Randy White (Langley—Abbotsford, Ref.):** Mr. Speaker, my question is for the Prime Minister.

Over the years the government has called crime in British Columbia as isolated incidents. Military bases have closed in British Columbia. A fisheries minister from British Columbia fails to support the province in its salmon problems.

B.C. sends its concerns, its hopes and its money to Ottawa. Are the only things Ottawa can send to British Columbia disrespectful cabinet ministers and the bills for this government's outrageous spending habits?

• (1500)

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, we are concerned about the happiness of the people in British Columbia. We have chosen Vancouver as the location for the big APEC meeting that will be held in November.

If there is any place in Canada that has benefited from the open skies policy it is the Vancouver airport. There will be 8,000 more flights coming into Vancouver during the next year due to the opening up of Vancouver and British Columbia to the Pacific. The reason we have made this year the year of the Asia-Pacific is Canadians know that the gate to the Asia-Pacific for our country is Vancouver and British Columbia.

\* \* \*

### PRESENCE IN GALLERY

**The Speaker:** I draw the attention of members to the presence in the gallery of members of a delegation of parliamentarians from the National People's Congress of the People's Republic of China.

**Some hon. members:** Hear, hear.

\* \* \*

### POINTS OF ORDER

#### COMMENTS DURING QUESTION PERIOD

**Ms. Louise Hardy (Yukon, NDP):** Mr. Speaker, the member for Skeena brought up the name of the Kwanlin Dun band in referring to having misappropriated funds or in terms that were quite derogatory to the band.

The people of Kwanlin Dun are very cautious with their funds and I would like the member for Skeena to withdraw the name of Kwanlin Dun

**The Speaker:** I would not find this to be a point of order. I think it is a point of debate because it is a way of different people looking at things.

• (1505)

**Mr. Randy White:** Mr. Speaker, a point of order was called on one of my colleagues and he did not get the opportunity to respond, even though the Speaker said it was a point of debate.

**The Acting Speaker (Mr. McClelland):** The Chair has already ruled that was not a point of order.

## ROUTINE PROCEEDINGS

[English]

### RESERVE FORCE ACT

**Mr. Jim Hart (Okanagan—Coquihalla, Ref.)** moved for leave to introduce Bill C-232, an act to facilitate participation in the reserve force.

He said: Mr. Speaker, I would like to thank the hon. member for Calgary Northeast for seconding this bill.

Canada is relying more on reservists to meet its military commitments. With the recent downsizing of the regular force the demand on reservists will undoubtedly increase.

The 1996 report on the restructuring of the reserves found that reservists had a serious training deficit when compared with trades and ranks in the regular force. Part of the problem is that reservists are unavailable for training, often due to the demands of their jobs or difficulty in scheduling time off to coincide with the training exercises and courses offered.

Many reservists use their annual vacations to attend exercises essential to developing their military skills. This is a great price for them and their families to pay, to have to forfeit a well deserved vacation to serve their country.

If we are to have an effective volunteer reserve force and if Canada is to meet its international commitments we must take steps to ensure that reservists are able to get the training they need and the time required to get that training.

This bill seeks to ensure that employees of the federal government are given the time they need for training in Canada's reserves. This will show leadership to employers in the private sector and facilitate the development and professionalism of Canada's citizen soldiers.

(Motions deemed adopted, bill read the first time and printed)

\* \* \*

### FINAL OFFER ARBITRATION IN RESPECT OF WEST COAST PORTS OPERATIONS ACT

**Mr. Dale Johnston (Wetaskiwin, Ref.)** moved for leave to introduce Bill C-233, an act to provide for the settlement of labour disputes affecting west coast ports by final offer arbitration.

He said: Mr. Speaker, I would like to thank the hon. member for Calgary Northeast for seconding my bill.

This is the second time this bill has been presented to the House. I presented it to the House during the last Parliament. I think that introducing it to the House now is timely because we expect that amendments to part I of the Canada Labour Code will come back to the House.

### Routine Proceedings

My motion impacts very positively on a final offer selection arbitration settlement mechanism for west coast ports. It would be a welcome addition to part I of the labour code. I look forward to debating it in the House.

(Motions deemed adopted, bill read the first time and printed)

\* \* \*

### CROWN LIABILITY AND PROCEEDINGS ACT

**Mr. Art Hanger (Calgary Northeast, Ref.)** moved for leave to introduce Bill C-234, an act to amend the Crown Liability and Proceedings Act.

He said: Mr. Speaker, I would like to thank the hon. member for Wetaskiwin for seconding the bill.

• (1510)

It is my pleasure to rise today to reintroduce a bill that would amend the Crown Liability and Proceedings Act to ensure that inmates serving penitentiary sentences will not be able to sue the federal government or its employees.

More specifically, this legislation would prohibit lawsuits to be filed by inmates against the federal government for matters arising as a result of or during their penitentiary sentence.

There is urgent need for this type of legislation in Canada. People are imprisoned because they do not respect the law. They should not be able to further overload the legal system with frivolous litigation, particularly at taxpayer expense.

This legislation, if adopted, would put an end to the wasteful abuse of the Canadian legal system at the hands of inmates. I would encourage all members of the House to carefully consider this legislation.

(Motions deemed adopted, bill read the first time and printed)

\* \* \*

### COMPETITION ACT

**Mr. Dan McTeague (Pickering—Ajax—Uxbridge, Lib.):** moved for leave to introduce Bill C-235, an act to amend the Competition Act (protection of those who purchase products from vertically integrated suppliers who compete with them at retail).

He said: Mr. Speaker, I would like to thank the hon. member for Oak Ridges for seconding this bill. Members will know that I introduced the very same bill in the last Parliament. Unfortunately it died on the order paper. It is a bill that is both timely and necessary in terms of ensuring for consumers in this country that we actually have a fair, competitive and healthy market in terms of gas pricing.

It is very clear that with what transpired this summer and the routine fleecing of consumers at the pumps there is need for protection, particularly for the independent suppliers of product

*Routine Proceedings*

who frequently face reductions in the margins at which they operate at the retail level.

This enactment will give the basis for the enforcement of fair pricing between the manufacturer who sells the product at retail, either directly or through an affiliate, and also supplies the product to a customer who competes with the supplier at the retail level in order to give the customer a fair opportunity to make a similar profit.

In effect it changes two sections of the Competition Act, section 50 dealing with predatory pricing and section 78 dealing with abuse of dominance.

(Motions deemed adopted, bill read the first time and printed)

\* \* \*

**PETITIONS**

## NATIONAL UNITY

**Mr. Randy White (Langley—Abbotsford, Ref.):** Mr. Speaker, I have a petition signed by constituents in my riding who ask that the prime minister and the Parliament of Canada declare and confirm immediately that Canada is indivisible, that the boundaries of Canada, its provinces, territories and territorial waters may be modified only by a free vote of all Canadian citizens as guaranteed by the Canadian Charter of Rights and Freedoms or through the amending formula as stipulated in the Canadian Constitution.

## RAIL SERVICE

**Mr. Stan Dromisky (Thunder Bay—Atikokan, Lib.):** Mr. Speaker, I have a petition signed by over 2,000 citizens from Thunder Bay, Kenora, Keewatin, Kakabeka Falls, South Gillies, Nolalu, Kaministikwia, Redditt, Manitouwadge and Dryden.

Last April, I tabled over 8,600 signatures for the same petition. This is another batch from many individuals acknowledging that there is no rail passenger service between the cities of Sudbury and Winnipeg.

Therefore the petitioners call on Parliament to ensure that the federal government, Canadian Pacific Railway and VIA Rail co-operatively conduct a study to determine the feasibility of reintroducing VIA passenger service from Sudbury to Winnipeg and that VIA passenger service be revived on the CPR line from Sudbury to Winnipeg as soon as possible.

• (1515)

## HIGHWAYS

**Mr. Dale Johnston (Wetaskiwin, Ref.):** Mr. Speaker, I would like to present a petition that was signed by 54 residents of central Alberta.

The petitioners state that in their opinion 38 percent of Canada's national highways are in substandard condition, that the United States and Mexico are engaged in the repair of their national

highway systems and Canada should do likewise for the obvious benefits of job creation, lower congestion and better traffic flow.

They therefore call on Parliament to urge the federal government to join with the provincial governments to make a national highway system upgrade possible.

## FOOD AND DRUGS ACT

**Mr. Peter Adams (Peterborough, Lib.):** Mr. Speaker, I have a petition from scores of citizens of the city and county of Peterborough who are concerned about choice in health care.

The petitioners ask that the Food and Drugs Act be amended so that the term "foods for special health uses" includes any food expected to have a specific effect on the promotion of health or the prevention of disease, and that the Government of Canada may not limit the quantity of any vitamin, mineral, amino acid or other nutrient in a food simply because it exceeds the amount deemed necessary or useful.

## PENITENTIARIES

**Mr. Peter Adams (Peterborough, Lib.):** Mr. Speaker, I have a petition from 200 residents of the Peterborough area who are concerned about the transfer of women to the men's penitentiary in Kingston.

The Elizabeth Fry Society of Peterborough and its supporters want this transfer stopped. All the evidence suggests that federally sentenced women, having already suffered from male abuse, will suffer more in a male dominated institution. These petitioners ask that the right thing be done in this case.

## DNA DATA BANK

**Mr. John Duncan (Vancouver Island North, Ref.):** Mr. Speaker, I have three petitions. One petition has 73 names of residents from the Courtenay area. They pray and request that Parliament enact legislation to establish a DNA data bank of convicted sexual offenders and murderers.

## THE FAMILY

**Mr. John Duncan (Vancouver Island North, Ref.):** Mr. Speaker, I have a second petition with 25 names of residents from the Campbell River area. If Canada ratifies the UN Convention on the Rights of the Child, greater incentives will exist for families to abdicate their parental responsibilities to the state.

Therefore the petitioners ask Parliament to amend section 7 of the charter of rights and freedoms to recognize the right of individuals to pursue family life and to recognize the fundamental right and responsibility of parents to direct the upbringing of their children.

## CRIMINAL CODE

**Mr. John Duncan (Vancouver Island North, Ref.):** Mr. Speaker, I have a third petition signed by 26 residents of the Campbell River area. They ask Parliament to affirm the duty of parents to responsibly raise their children according to their own conscience

and beliefs and to retain section 43 of the Criminal Code as it is currently worded.

#### GOODS AND SERVICES TAX

**Mrs. Jean Augustine (Etobicoke—Lakeshore, Lib.):** Mr. Speaker, I have two petitions pursuant to Standing Order 36. The petitioners from Etobicoke—Lakeshore call on Parliament to remove the GST from books, magazines and newspapers and to remove all federal sales tax from reading.

#### THE FAMILY

**Mrs. Jean Augustine (Etobicoke—Lakeshore, Lib.):** Mr. Speaker, the second petition, pursuant to Standing Order 36, is tabled on behalf of 37 constituents of my riding.

The petitioners state that Parliament should ask the government to authorize a proclamation to be issued by the Governor General under the Great Seal of Canada to amend section 7 of the Canadian Charter of Rights and Freedoms to recognize the fundamental right of individuals to pursue family life free from undue interference by the state and recognize the fundamental rights and responsibilities of parents who direct the upbringing of their children and urge the legislative assemblies of the other provinces to do likewise.

\* \* \*

#### QUESTIONS ON THE ORDER PAPER

**Mr. Peter Adams (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, I ask that all questions be allowed to stand.

**The Acting Speaker (Mr. McClelland):** Is that agreed?

**Some hon. members:** Agreed.

#### GOVERNMENT ORDERS

• (1520)

[English]

#### CANADA PENSION PLAN INVESTMENT BOARD ACT

The House resumed consideration of the motion that Bill C-2, an act to establish the Canada Pension Plan Investment Board and to amend the Canada Pension Plan and the Old Age Security Act and to make consequential amendments to other acts, be read the second time and referred to a committee; and of the amendment.

**The Acting Speaker (Mr. McClelland):** Resuming debate. I believe the hon. member for Ottawa West—Nepean has something in the order of five minutes remaining.

#### Government Orders

**Ms. Marlene Catterall (Ottawa West—Nepean, Lib.):** Mr. Speaker, I will not use my full five minutes. I did want to be here for questions or comments if any opposition members wish to raise them.

The government has faced up to an increase in the senior population and a shrinking workforce and has taken the necessary steps to ensure that one of the fundamental pillars of the Canada pension system will remain healthy for decades to come.

Canadians have every reason to feel confident about the CPP again. Those who pay contributions today can count on getting their pensions in the future. Existing pensioners can count on continuing to receive their entitlement. All Canadians can count on an indexed pension so their income and quality of life will not be eroded over time. We can count on our contributions earning a fair rate of return, and we can count on not unduly burdening our children and grandchildren because this generation has failed to deal now with the needs of the future.

I look forward to the committee's discussion of this bill. It is a large and comprehensive bill, and I am sure there may be some very constructive amendments coming forward. I thank the House for its time.

**Mr. Jason Kenney (Calgary Southeast, Ref.):** Mr. Speaker, studies produced by the Department of Finance, the Bank of Canada, and virtually every reputable economic authority in Canada and abroad indicate that payroll taxes reduce jobs and reduce job growth. Does the hon. member think that this bill, which will increase CPP payroll taxes by 70 percent, by some \$1,800 for self-employed individuals, by over \$10 billion a year when fully executed, will help the government to achieve its objective of greater job growth? Or does the hon. member concur with the evidence of all of the reputable economists in Canada that this massive tax grab, the largest tax increase in Canadian history, will in fact kill tens of thousands of jobs, taking away the very kind of economic hope that people of my generation so desperately need in order to pay the kind of tax burden that has been levied on us by the fiscal irresponsibility of this and other governments?

**Ms. Marlene Catterall:** Mr. Speaker, obviously the member was not in the House when I spoke earlier or he would have heard me address this issue.

I made a very strong point of saying that I find highly offensive this characterization of contributions to a pension plan as payroll taxes. It is contrary to the whole concept of a sharing, caring, compassionate society where programs are set up to ensure that people who have contributed to society throughout their working lives are able to live a retirement of dignity on a modest income that allows them to afford the necessities of life.

As far as job creation goes, the member is exaggerating somewhat when he says that there is absolutely no disagreement about the fact that employer and employee contributions to such a plan are job killers. The member has not addressed the fact that we will

*Government Orders*

now be setting up an \$11.5 billion investment fund, of which 80 percent will be invested in this country. He has done nothing to analyse the positive impact of that private sector investment of people's contributions on the economy.

After four and a half years of Liberal government the economy is in better shape than it has been in in a long time.

**Mr. Werner Schmidt (Kelowna, Ref.):** Mr. Speaker, I found the speech very interesting, and I would like to commend the hon. member. However, I found the last two or three sentences not only disturbing but literally frightening. I think the comment made was that the plan that is being presented is there for my children and my grandchildren.

• (1525)

I would like to ask the member to explain in detail just exactly how it is that this is going to happen when the premiums go up to about 9.9 percent, and I believe that is supposed to last forever. We know where that kind of promise went the last time. It went all over the place. However, what is more significant is that there is no corresponding increase in the benefits that will be paid to the people who will actually benefit from the CPP.

We have a 73 percent increase in the premiums but no change in the benefits. How can that be a benefit to children and grandchildren?

**Ms. Marlene Catterall:** Mr. Speaker, again the member may not have heard my earlier comments before question period.

We have to anticipate. We cannot just wait for it to happen or it will be a disaster for pensioners. We have to anticipate that the baby boomer generation which hit our high schools throughout the sixties and put tremendous pressure on our school system, will, 10 years from now, hit the pension system.

The proportion of seniors in the population will grow from 12 percent today to 16 percent shortly after the turn of the century to 25 percent of our population. At the same time the proportion of income earning Canadians in the population will drop dramatically. That is why we have to act now.

We can wait and do what the auditor general said would be necessary in the next century and increase the payments my children and grandchildren will have to pay to 15 percent or we can act now and ensure that we have a fund that will meet that growing bulge in the retirement population. We can do it fairly over the people who are going to be contributing in those years, until that boom hits us. Frankly that is a fairer way to do it than to turn a blind eye and leave it to the next generation to worry about.

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, I appreciate the member's comments. I would like to ask her a question about what has been said in the House. Many members have indicated that the current beneficiaries of the CPP are getting a high amount. In fact the *Financial Post* indicated that current pensioners are getting about \$7 out for every \$1 in.

Would the member comment and assure seniors about what their status is, those who are presently drawing benefits who have reached age 65 by the end of this year. What will this bill do with regard to those current beneficiaries?

**Ms. Marlene Catterall:** Mr. Speaker, that has been one of the big concerns of people who have already retired, who have no capacity to increase their earning power, especially for those Canadians for whom the CPP was primarily intended. Those who have had very modest incomes throughout their working lives have not been able to afford the \$14 billion of public subsidy that is provided to people who can save for RRSPs and which the Reform Party wants to increase to the benefit of its wealthy friends. But those people will find that they will continue to have their benefits fully indexed so their pension income will not erode. They will not see a reduction in their benefits.

**Mr. Deepak Obhrai (Calgary East, Ref.):** Mr. Speaker, I would like to address my comments to the member and draw on what my colleague from Calgary Southwest said about job killing.

That is job killing for the workers, but what about the small businessman, and the extra tax burden which the government does not want to call that, but it is a tax burden on small business. What about the small business, the extra tax on small business? It will kill many businesses that are borderline because of the high taxes of the Liberal government.

What about killing small businesses which will in turn kill jobs and will take livelihood away from small businessmen. What about that?

• (1530)

**Ms. Marlene Catterall:** Mr. Speaker, what about the impact on those same small businesses if we close our eyes, say we do not have a problem, and leave it to 10 years from now to increase those rates to 15 percent? What about the impact on small businesses if we cannot afford indexed pensions and more and more seniors slip further and further into poverty? They will not be able to patronize small businesses. They will not be able to afford groceries. They will not be able to have their clothes cleaned or go out for an occasional restaurant meal.

That would have a far greater impact on small businesses than an increase in their contributions to a good pension plan.

*Government Orders*

**Mrs. Diane Ablonczy (Calgary—Nose Hill, Ref.):** Mr. Speaker, at a time when Canadians are brimming with energy, excitement and ideas, this Liberal government as tired, apathetic and unimaginative. It continues to repeat the mistakes of the past.

The citizens of the city of Calgary, I am proud to say, exemplify this new energy, excitement and ideas. This is a city which returned a Reform member to every riding in the last federal election. Its influence, and Alberta's influence, on national affairs through creative policy alternatives and new ideas that flow from the area, is considerable. I salute the citizens of Calgary and Alberta. I am proud to be a representative of that city and that province.

Today we begin debate on Bill C-2, which is a very poor attempt by the government to remedy serious flaws in the design and management of a major part of Canada's social security system. Bill C-2 is a good illustration of the government's tired thinking, lack of imagination and unwillingness to look at new and better options.

My colleague, the leader of the opposition, pointed out this morning in the debate the ways in which the government is eroding the retirement security of seniors. Bill C-2 also illustrates the government's failure to consult with young Canadians and to look after their interests. Millions of young contributors will be financially brutalized—and that is not too strong a term—if this legislation passes in its present form.

At the end of this debate I trust that Canadians will see and understand that Bill C-2 is poor legislation and that it should not be passed. Canadians will see that there are alternate ways and better ways to save, to invest and to secure their retirement incomes and their futures.

Canadians dislike unfairness. We dislike seeing the young, the disadvantaged or the infirm exploited. Canadians dislike paying for inefficient government. They dislike seeing funds poorly invested or hard earned dollars frittered away on foolish, made in Ottawa schemes. Canadians dislike intrusive government meddling in their personal affairs. They dislike being told by government how to manage their paycheques. They particularly dislike being told by distant government what is best for them and how their earnings should be spent.

I would ask the House to consider these Canadian characteristics and then reflect on the legislation before us today. Members will see that the legislation is grossly unfair to younger contributors, continues to perpetuate poor management and investment practices, and is out of touch with the needs, desires and aspirations of Canadians.

The legislation, if enacted, would result in a massive plunder of the earnings of younger Canadians. Younger contributors to the plan will receive less back in retirement benefits than the value of their contributions. Not only will they have to pay for their benefits, they will also have to pay for the massive debt accumulated through the errors of previous Liberal administrations.

The fact that younger Canadians will be asked to pay many times more for their CPP retirement benefits than their parents or grandparents is no longer news. The dimensions of this rip-off, however, are not well known. The cynicism of the government in papering over the cracks in this plan has not yet been exposed.

My job and that of my colleagues during this debate is to expose the magnitude of the plunder and to unmask the Liberal cynicism which underlies this bill.

The chief actuary of the fund tells us that the CPP paid a real return after inflation of 22.5 percent for those retiring in 1979. But that falls by more than one-half to 10.1 percent for those who retired in 1994 and it falls again by more than one-half to 4.9 percent for those retiring in 2013, and falls yet again to 1.9 percent for those retiring in 2053 and to 1.8 percent for those yet unborn.

• (1535)

For those retiring in 2033, which are many people who have just entered the plan, their return will be, according to the chief actuary of the fund, only 2.5 percent. These people will receive only a 2.5 percent return for investing nearly 10 percent of their earnings in a pension plan. All this with contributions soaring.

Although I realize that so many numbers are difficult to follow they must be in the parliamentary record in fairness to future generations. It is no wonder that young Canadians are becoming outraged by these proposed contribution rates. The CPP is a shabby, unfair and unjust scheme for the young and those yet unborn.

Talk about unfairness and political cynicism. What political party would design a pension plan that passes the massive debt it ran up on to Canadians too young to vote or even yet unborn? I merely have to look across the Chamber to see such a calculating, cynical political party.

The next time members opposite speak to their children or grandchildren, or their neighbour's children, tell them what is being done to their future, how they are being shackled for the rest of their working lives with the cost of this and previous Liberal government mistakes, mistakes that the previous Liberal speaker in this debate even admitted were well known in the 1960s.

The CPP is a pay as you go pension scheme, and was not even properly funded to begin with. It provided the attraction of low contributions to those first in and a high rate of return exceeding what could be expected in any normally funded investment plan. That is how the Liberals got Canadians to buy into it in the 1960s.

If you understand pyramid schemes or the chain letter concept, then you will understand the concept of the CPP design. Some writers refer to Canada's pay as you go CPP as a Ponzi type scheme. For those who do not remember, Charles Ponzi was a small time but well known swindler. He promised a 50 percent profit on money in 45 days, double that in six months. Investors flocked to him. To maintain the promised rate of return he passed the funds of new investors along as dividends to earlier ones. But

*Government Orders*

when inevitably the number of new investors declined, the whole scheme fell apart and Ponzi ended up in jail.

Although the architects of the CPP did not end up in jail, the poor design of the plan is glaringly obvious. The government should admit this as a first step in removing the blinders and considering new and better alternatives to this defective plan.

In addition, there are enormous implications for the proposed Canada pension plan investment board and it needs to be thoroughly thought through. I do not believe the government has even begun to do that.

The bill proposes to establish an investment board to manage the funds transferred to it from the Canada pension plan account. Eventually, this board will control enormous amounts of money, particularly in a country with such a small capital pool. Estimates suggest this fund will be over \$200 billion in just 15 years.

The investment board will be managed by 12 directors, including a chairman and each director will be appointed by, guess who, the cabinet on the recommendation of the minister. The board, therefore, and the fund will be susceptible to political manipulation. After all, this huge pool of capital would be a great temptation to any government. If anyone does not believe me, just look at the jobs transitions fund that is being misused with and the questions which arose in question period about that. That fund is not even close to \$200 billion, but politicians cannot keep their hands off even small funds.

As members will know, the CPP is a pay as you go scheme. The result is that millions of Canadians have been promised a pension but no fund of money is sitting there to pay them those pensions. We have a lurking disaster, a staggering debt of over \$500 billion, almost as much as the entire federal debt again, arising from the mistakes in the design and management of the CPP must be borne by all Canadians.

• (1540)

While there may be many different proposals to achieve this, one thing is clear. This debt should not and must not be put on the backs solely of the young and the unborn.

The Reform Party believes that new thinking is required to save the CPP. Our proposal calls for moving from the present pay as you go public system, to a fully funded system based on individual accounts while protecting the benefits of current seniors. This means that individuals will own all the assets in their account and their retirement benefits will be substantially greater. When they die their children and their spouse will inherit the capital. This

would go a long way toward eliminating poverty for elderly widows, for example.

If young Canadians knew that each dollar they put into a retirement plan would go into their own personal account and that they would receive it back, including a fair market return on the investment, they would gladly accept the plan and even leave some portion of their premiums to pay the present beneficiaries.

If the government had the fortitude to ask young Canadians, certainly those in their 20s, 30s and 40s about their preferences, it would find an overwhelming number who would like to own their own retirement assets and not rely solely on the promises of a debt-laden government with a sorry track record.

This government, like previous Liberal regimes before it, arrogantly believes it knows what is best for people and continues to introduce legislation that is not in the best interest of future generations and that is intrusive and inflexible.

If this legislation goes ahead as it is written, the CPP is headed for certain disaster because the young will not support it and they will eventually defeat it.

Reform speakers will raise many other considerations that must be debated before we vote on this bill. Countries around the world are following the example of Chile in moving from publicly to privately owned and managed pensions. These include Australia, Argentina, Bolivia, Columbia, Mexico, New Zealand, Peru, Singapore and Uruguay. Great Britain has already partially privatized its public pension system and is considering a more ambitious reform.

I want to say again to Canadians watching this debate, and I hope that thousands of Canadians are watching it, that the issue before the House today and in the days ahead is tremendously important to the interests of all citizens of this country. The future of the CPP is a question that every working Canadian and every retired Canadian needs to carefully consider because working Canadians will soon have an extra \$700-plus every year taken from their income to keep this current scheme afloat and retired Canadians will also be watching carefully to make sure that their pension security is there.

However, the impact of the changes to the CPP go beyond the financial consequences now or even the security of our retirement. I believe this debate will be a turning point in our children's attitudes toward our generation. Their attitudes could have—

**Mr. Bill Casey:** Mr. Speaker, I rise on a point of order. I call for a quorum count.

**The Acting Speaker (Mr. McClelland):** We have a quorum call. Do we have a quorum?

*And the count having been taken:*

*Government Orders*

**The Acting Speaker (Mr. McClelland):** We have quorum. The hon. member for Calgary—Nose Hill.

**Mrs. Diane Ablonczy:** Mr. Speaker, I would think that government members would have enough interest in the Canada pension plan and the future of our security that they would at least be in the House to participate in this debate.

The impact of changes to the CPP go beyond the financial consequences now or even the security of our retirement. I believe this debate will be a turning point in our children's attitudes toward our generation. Their attitudes could have significant consequences for society when our children and younger Canadians stand in our place and when it is their turn to make decisions affecting us. I believe we will be judged in not too many years on the measure of fairness we show now.

Our economic security tomorrow will surely be influenced by the concern we demonstrate today for the interests of the next generation.

• (1545)

Bluntly stated, the proposed changes to the CPP are completely unfair to our children and to younger working Canadians in three ways.

First, it places on their shoulders most of the burden for paying for the disastrously poor design and past mismanagement of the plan.

Second, it misses a golden opportunity to allow them to get the best pension return possible for each dollar paid into the plan. The Liberal plan gives young workers a return so low that no one would ever buy into such a scheme of their own free will.

Third, it imposes a 73 percent increase in employees and employers CPP contributions. This amounts to the biggest tax increase in Canadian history and is an enormous payroll tax hike.

Even the Liberals admit that payroll taxes kill jobs. This whopper comes at a time when youth unemployment stands at a staggering 17 percent, and by some estimates is 25 percent in real terms. Not only does the Liberal plan kill the hope of young Canadians for a decent pension when they retire. It also kills their prospect for jobs today.

That is why the debate is critical and one with far-reaching consequences for all of us and for the future well-being of Canadian society. Reform is urging the government to move toward giving Canadians ownership of their own pension contributions and restoring the belief, especially of younger Canadians, that the plan will deliver decent retirement security for reasonable contributions.

The proposed changes by the Liberals are immense and far-reaching and simply cannot be allowed to be rammed through in a

hurry. We will be insisting that public hearings be held across Canada before the government touches the Canada pension plan.

I invite Canadians to join with the Reform in addressing this vital CPP issue. Canadians must have a considerable say in the future of the program.

In closing I quote a statesman from another parliament in another time but whose words are very appropriate today. I hope the government will listen. He said "A politician plans for the next election".

That is what the Liberals are doing. They know there is a mess in the Canada pension plan. They are simply trying to infuse it with more money at the expense of our children to keep it afloat until they can take off with their own gold plated MP pensions and not have to worry about it any more.

The statement goes on "A statesman plans for the next generation". We have a duty and an obligation in the House to plan for the next generation. I urge us to take that obligation very seriously.

**Mr. Murray Calder (Dufferin—Peel—Wellington—Grey, Lib.):** Mr. Speaker, the member for Calgary—Nose Hill is getting a lot of partisan politics messed up in the CPP. She is probably not aware of the fact that starting last year one-third of Canada's population was turning 50 at the rate of 500,000 a year.

If CPP is to be there for the upcoming generation we have to make changes to it right now so that they can survive. She has a lot of problems with the return coming out of CPP, but she is only looking at one of three pillars. We have CPP, seniors benefits and the RRSP program which gives an 18 percent tax shelter on income. She is obviously expounding their super RRSP program.

CPP is not only a pension plan but is a disability insurance policy. It is a very comprehensive one and a very good one because it is backed by the Government of Canada. Their super RRSP program is a typical Reform way of looking at things: we will pay them money out of their RRSP program but if they are not able to contribute to it, tough luck.

**Mr. Dick Harris:** That is not true.

• (1550)

**Mr. Murray Calder:** Could the member tell me what kind of disability insurance programs are incorporated into their super RRSP?

**Mrs. Diane Ablonczy:** Mr. Speaker, I am surprised the hon. member opposite just figured out that a lot of people will soon be turning 50. Surely we have been around long enough for this to have been obvious some time ago, to provide for our pensions, and to get this plan on track before now.

In 1994, just after I was elected, I asked a question in the House of the Minister of Human Resources Development about how secure the plan was since we were having to dip into the contingen-

*Government Orders*

cy fund. The minister essentially patted me on the head and said "Don't worry. Be happy. Everything is under control. No problem. Don't raise any alarms here. Everything is fine".

All of a sudden the government figures out that people will be turning 50 and may want their pensions pretty soon. I am outraged that we are in a crisis situation we should have known was coming. Now the government is trashing any proposal to try to fix this situation in a sensible way.

Let us talk for a minute about the disability portion of the plan. The disability payments under the plan amount to only 17 percent of the payout of the plan. It is a small portion of the plan. It is not like there will be a huge amount of money to make up to ensure people have disability coverage.

I can make a couple of points. The CPP for some odd reason takes over the disability obligation of private disability insurance plans. A person cannot be doubly indemnified. After a fairly brief period of time the CPP kicks in. It takes precedence over the private plans. Many Canadians have disability insurance but the CPP gratuitously and unnecessarily takes that over. Even the amount the plan pays out in disability is not necessary in many cases.

If as Canadians build up their own capital account, their own pension plans, they unfortunately become disabled they would have the money to start drawing on. The protection would be there. If people become disabled they would have to make use of his benefits earlier than anticipated.

There is every reason to think there could be measures put into place to protect people against disability. We all know we could become disabled. There are no guarantees for any of us. We want to protect and we will protect.

It is nonsense to throw that red herring out and say that Reform's proposals are no good because somehow they will not handle disabled protection the same way as the Liberal's proposals will. There are plenty of good ways to do it. I urge the hon. member to get on with looking at some of them.

**Mr. Werner Schmidt (Kelowna, Ref.):** Mr. Speaker, I appreciated the depth and the analysis of my colleague from Calgary—Nose Hill. There has been a tremendous interest, not only an awareness, in the scam perpetrated on the public over the last number of years. She called it the Ponzi scheme, which is not an unfair analogy. I think she explained it rather well.

There is a real indictment not only on the present government but on previous governments. The time has come.

Could the hon. member explain exactly how it is that one generation must show a leadership role for the next generation? How can they be shown to prepare for the future, whether it is financial responsibility or responsibility for one's own life?

Could she provide leadership, direction and guidance to the people who are coming up so that they will live a better life and not be the Ponzis as has been the case in the past?

**Mrs. Diane Ablonczy:** Mr. Speaker, it is important that whatever we do with the Canada pension plan is fair to the present beneficiaries of the plan who were promised a pension, who paid in good faith and who now in many cases have done their financial planning on the basis that they would receive the promised benefit.

It must also be fair to the people who will have to pay the costs, to the people who are now being asked to double their contributions into the plan for no greater benefit, for actually less benefit than they were promised, for less benefit than present beneficiaries receive.

• (1555)

Our plan would simply take measures to top up the unfunded liability in the plan by sensible means. There are many of them. We are exploring several, even though we are only the official opposition and do not nearly have the resources of government.

It is clear the government is not getting on with the job with the resources at its disposal. It is incumbent on someone to make sure that the people who are receiving their benefits will continue to do so, and at least to make sure that the amount of money left to go into the benefits of younger generations will give them the maximum bang for their buck.

All we are promising them, as I said in my speech, is that those entering the plan now will get a whopping 2.5 percent return on that huge investment.

If the premiums were invested over 30 years or 40 years at normal market rates of return and managed by proven money managers, the return would be incredibly higher than the government is proposing to give younger Canadians.

Why not at least let them get a maximum return while still protecting the current beneficiaries? It does not make sense to ignore that proposal.

**Mr. Dick Harris (Prince George—Bulkley Valley, Ref.):** Mr. Speaker, we are into a full blown debate on the issue now. During Liberal presentations we were told about the investment board that would look after the huge Canada pension plan premium fund.

Let us be clear. We are talking about a potential \$200 billion. The most information we have heard about the management of the fund is that the Liberals will appoint an investment board.

*Government Orders*

I have a question for the member for Calgary—Nose Hill. Given the Liberal record of handling money, could we have any confidence in this new so-called arm's length investment board that the Liberals are talking about?

**Mrs. Diane Ablonczy:** Mr. Speaker, the member raises the question which I think is one of the least well considered in this whole scheme. The more experts and analysts and opposition members start to examine this aspect of the plan, the more worrisome and the more troublesome it will become.

There is nothing arm's length at all about the investment board. It is appointed directly by cabinet and serves at the pleasure of cabinet.

There is no question there will be a lot of input and influence on this aspect of the plan. The literature and the commentary of the government are already referring to regionally equitable investments.

Here again we see political considerations even before the thing is set up creeping into the direction given to the board. We know from the QPP, public pension funds, the Alberta Heritage Savings Trust Fund, and other avenues of government managing money how unlikely it is that political considerations will not get in there sooner, later, last, first and always.

We need to be very concerned and be very vigilant that it does not happen.

**Mr. Alex Shepherd (Durham, Lib.):** Mr. Speaker, it is with great intent that some of my colleagues are discussing Bill C-2 respecting changes to the Canada pension plan board.

I listened with great interest to the member for Calgary—Nose Hill talk about the importance of a consultative framework. I know from my fellow colleagues on this side of the House that we have already done this. Years ago we went out and conducted town hall meetings in our ridings, asking the people of Canada what they wanted to do with the Canada pension plan.

I conducted three of these meetings in my riding. The conclusions of the people of Durham are very much part of this legislation. In particular, they told us that they wanted to maintain the Canada pension plan. Also they told us that they wanted to see a different investment format.

They were concerned about the government directly investing it and giving money back to the provinces. They wanted to see an independent board. The bottom line is that we have been listening to the people. That is exactly what the people of my riding, and I am sure many ridings, have told our government. They want this money set aside and managed in a businesslike fashion. That is essentially what this act attempts to do.

• (1600)

Some members have mentioned there is going to be an increase in the size of the fund. Some talked about \$100 billion and some of my colleagues who like to double everything are up to \$200 billion. That is a substantial fund for this country.

It is interesting to note that some members opposite talked about payroll taxes. When some of them spoke I had to reach for my Oxford dictionary because they referred to the CPP as a tax. Perhaps I could buy the members a dictionary because they do not seem to have one. I opened up my Oxford dictionary and it clearly says that a tax is a contribution to the state.

Deductions for the Canada pension plan are either currently being paid to beneficiaries or invested in a fund. They do not come into the general revenues of the Government of Canada. By definition in the Oxford dictionary clearly they are not a tax.

When people talk about Canada pension plan contributions they somehow end the discussion at the payment of premiums. Once again it is the same discussion Reform Party members often get into when they talk about spending, that somehow it is gone, ended and never heard from again.

Members are talking about a \$100 billion fund. We have to ask what does it mean. What does the fund go into? The government is empowered to carry on normal market interventions much as mutual funds do now, purchasing equities in Canadian owned companies and bonds. I suspect this is going to have a double effect economically. It is going to provide more capital for small and medium size business. As businesses expand they either borrow or raise equity. Businesses are expanding, building new buildings and plants and facilities. Invariably when they do that they create jobs.

Therefore it is a circular argument that by paying these premiums we are going to lose jobs. However, when we look at the other side of the argument of creating robust capital markets in Canada, we are creating jobs. This is simple economics which the Reform Party often likes to look at, the bad side. The reality is there are a lot of positives.

To take this one step further a lot of people are saying that they are concerned about the amount of money in the fund. If we compare it to a privately managed fund today, the Caisse dépôt et placement du Québec has a fund which is now at about \$57.6 billion, the Ontario Teacher's College pension plan is at about \$50.9 billion and the municipal employees fund is at about \$25.9 billion. By definition those are some very significant funds.

When we talk about the Canada pension plan we have to talk about the demographics, the fact that our population is getting older. As the fund becomes more robust, active and intervening in the private sector it could well have an impact on the reducing interest rates because it will make more capital available, looking for capital and it will be more competitive in the capital markets

*Government Orders*

and thus may reduce interest rates for small and medium size businesses.

Through this fund process the possibility is there for lower interest rates and also we have created the availability of more debt and equity capital for small businesses which will create jobs. The Reform Party is not interested in that because it is a very positive thing.

I also heard the member for Calgary Southwest talk about other negative aspects of the plan.

• (1605)

The important thing is Canadians want to know their funds are being invested. As has been mentioned a number of times in the House, Canadians have said where did that money go, where is it in the system. Now they will be able to see where their money went. There will be a quarterly report which will show where their money has been invested.

Reform Party members often talk about the super RRSPs. The hon. member for Calgary—Nose Hill said that only 1 percent of the payments from the Canada pension plan are related to disability. I suggest she read the financial statements. She will see that Canada pension plan payments to the disabled amount to about 19 percent. The Reform Party has no plan to ensure that factor.

I can tell hon. members opposite that there are many people in my riding who are living on disability payments. It is hard for me to believe they are concerned about the hardships these people face.

Second, members opposite have gone on and on about the intergenerational tax. The hon. member for Calgary—Nose Hill called it a rip-off.

The Leader of the Opposition was concerned about the claw-backs in the old age pension system. Then the hon. member for Calgary—Nose Hill spoke about the 200 percent return on investment that some of these people are receiving.

What is it going to be? Are they going to be concerned about intergenerational transfers? Are they going to be concerned about a 200 percent return on investment? Are they going to be concerned about clawbacks to seniors pensions?

The bottom line is they cannot have it all ways. They cannot argue out of both sides of their mouths all the time.

As the member suggested, there would be a \$500 billion deviation if we actually tried to fully fund that plan today. I have not heard any opposition member tells us how they would do it.

We went to the people and we asked them how to do it. This is the plan they told us they wanted. This is the plan which is acceptable to them.

Some of our younger people are worried that the premiums are going up, but everything is not absolute in history. The reality is our younger generation has other benefits which have been given to it by government. It has support in the educational system and other benefits from our system.

Who knows in 20 years what the premium levels or what the benefit levels will be. It will depend on the demographic shifts in our country.

This government has had the intestinal fortitude to look at a situation that was breaking up. Many governments in the past have shifted this on to other administrations. It would be easy for us to do just that, shift it on to another administration. The problem would get worse and worse. However, we have faced reality and are dealing with the problem.

That is what this government has done. This is good legislation. I encourage all my fellow members to support it.

**Mr. Jason Kenney (Calgary Southeast, Ref.):** Mr. Speaker, I would commend the hon. member for his remarks; unfortunately there were several inaccuracies in his characterization of the Reform plan.

It would appear to me that the hon. member, who I believe is an accountant and well acquainted with actuarial concepts, may not have done exhaustive research on this subject. It is not merely the Reform Party which has proposed a mandatory retirement savings plan to replace this giant rip-off Ponzi scheme which Liberal and Tory governments have perpetuated for the last 30 years. Very credible independent think tanks such as the C.D. Howe Institute, the World Bank and even the Bank of Canada have made favourable comment on the concept of a self-funding, defined contribution, mandatory public retirement savings plan.

I wonder if the hon. member has read any of the studies.

**Mr. Robert D. Nault:** Name the countries that have it.

**Mr. Jason Kenney:** The Chilean government has it. An hon. member mentioned some of the other governments which have adopted this kind of plan.

The Government of Chile did it. It is an enormously successful plan which members from every stakeholder group in the economy, from labour unions to business to small business to taxpayers, have embraced. The public opinion polls in Chile show overwhelming support for the self-funding pension plan established in that country.

• (1610)

The member says that Reform has no plan to deal with the unfunded liability of \$600 billion. We do. Part of the contribution that will continue to be made to mandatory pension savings would go to fund the unfunded liability which this Liberal government has allowed to develop.

*Government Orders*

Does the hon. member not think this is a responsible approach to meet the obligations we do have toward older Canadians? Has he not looked at any of the very serious arguments put forward by credible organizations such as those I have listed? Has he not looked at any of the international examples to see that this kind of plan actually can work?

**Mr. Alex Shepherd:** Mr. Speaker, we have a privately funded plan that already exists in our country. I think this is where the member is looking at absolute jurisdictions like Chile. I have read some of those reports. However, we have a three tiered system in Canada. We have the basic social benefit, the Canada pension plan system and the tax assisted RRSP system.

Our RRSP system is one of the most generous in the world. We have total limits of up to \$13,500 of premium contributions as a tax assisted support for private pensions. In the United States that same deduction is only \$2,000. The reality is we already have a privately funded system in the sense of a voluntary system through the registered retirement savings plan.

What we are talking about are those other two tiers, the ones that the Reform Party keeps wanting to forget about, the people on lower incomes who are not able to take advantage of those RRSP levels. We are talking about the basic integrity of our pension plan system. The people of Canada told me and my colleagues they want to keep it, and so we are.

[*Translation*]

**Mr. Pierre de Savoye (Portneuf, BQ):** Mr. Speaker, I listened to the member for Durham. He covered many aspects of the CPP and of its reform.

One aspect has been overlooked in this House. I referred to it this morning and I would like to mention it again now. Even if the necessary parameters are built in to ensure the viability of the CPP, with the best intentions in the world, this plan must still be wisely, appropriately and properly administered.

As we know, last spring the auditor general sharply criticized certain practices in the present administration of the CPP. Does the government intend to take the necessary action to ensure that the plan is properly administered, both with respect to its information systems and with respect to the criteria for certain benefits, including disability benefits? I await an answer from our colleague, the member for Durham.

[*English*]

**Mr. Alex Shepherd:** Mr. Speaker, if I understand the member's question, he is concerned about the accountability of that plan. I note, in reading the legislation, that there is a whole process, a board of directors as a corporation which falls under our general corporation provisions and the duties of directors to that corpora-

tion. I noticed that there is definitely a requirement of external auditors so that the external people will basically review the operations of that and report directly not only to government but to the people generally.

It is not a closed shop. We do not have a bunch of people holding on to this money in a back room somewhere. The bottom line is the people who are going to be the beneficiaries of that plan will be able to see how their money is invested and will be part of the process not only directly through the public forum but also through their members and the fact that this is answerable directly or indirectly through the political process through the appointment of the board and so on.

• (1615)

It is not something the government wants to get involved in on a daily basis, but there is going to be constant visibility of the mandate of this board. I think basically that is what people are asking for.

In the old system we did not know. We were not very sure where that money was going. We had the idea that it was going back to the provinces and so forth, but nobody ever saw a financial statement actually showing clearly where the float of the Canada pension plan money was at any one time. I think this is very much progress and an improvement.

**Mr. Dick Harris (Prince George—Bulkley Valley, Ref.):** Mr. Speaker, the Liberals are saying to the Canadian people forget about the 30-plus years of gross mismanagement of the current Canada pension plan, which is shared by the Tory government, incidentally.

They are saying forget about the way they have mishandled the pension contributions of working Canadians to the point that now seniors who are existing on the Canada pension plan are so far below the poverty line with the pittance they get from Canada pension that they cannot even see the poverty line it is so far above them.

This government is prepared to say to the Canadian people forget all that, trust it, this time it is going to get it right. "To give an idea of our plan, we are now going to charge double for premiums or 77 percent more, but listen to us, Canadian people, we are going to charge double but we are going to manage it so well that when you retire we will pay you less than what you would get today if you retired".

That is Liberal economics. I cannot imagine how this government, with the record of mismanagement it has had, can look Canadians in the eye, particularly young Canadians who are entering the job force, and say "trust us with your money, pay more, get less". That is the Liberal way. "Trust us. Give us a chance". How can they do that?

*Government Orders*

**Mr. Alex Shepherd:** Mr. Speaker, mismanagement? The first time we have not had to go to the capital markets to finance the operation of the government in 27 years is not mismanagement. It is good management.

It was interesting to listen to the member. One of his colleagues and said those people who are getting Canada pension are getting 200 percent return on their money. Then the member says it is a mere pittance, we should give them more.

I did not know that was the policy of the Reform Party, to increase Canada pension plan benefits. I did not see that on any of its platform documents. I have not seen that anywhere.

I really have to commend it for recognizing that many seniors are living well under the poverty line and that we should be taking some notice of how to deal with that.

I congratulate the member for realizing the importance of possibly increasing some of our social spending in those areas.

[*Translation*]

**Mrs. Francine Lalonde (Mercier, BQ):** Mr. Speaker, this will be my first speech in this new Parliament. Of course, I would like to start by thanking the voters in Mercier for having put their trust in me again. In return, I promise I will protect their interests with all I have got, candidly and perhaps a little impetuously at times, as I did today.

At second reading, the Bloc Quebecois supports most of the bill before us and does so for several reasons. To help our listeners understand where the Bloc Quebecois' support comes from, let us review a bit of history.

It is with some sadness that non-Quebeckers realize today that the Government of Canada and every province except Quebec should have taken Quebec's lead in 1964-65 when it established the Caisse de dépôt et de placement.

• (1620)

I will take a moment to describe the Caisse de dépôt et placement, in whose likeness, although only partially, the Canada pension plan investment board will be established. I say only partially because, when I read the terms of reference of the board in the bill and compare it with those of Quebec, I can see that the difference is fairly significant.

This gives me, the Bloc members and all members from Quebec here an opportunity to appreciate the extent of the vision of the political leaders, those who were working with them at the time—and I would mention Jacques Parizeau at the top of the list—in giving Quebec an instrument that ensured the people of Quebec the best return on their pensions and that provided for economic growth. It is this second element, economic development

and growth to ensure better revenues, that is lacking in the case of the investment board.

However, I am going to limit my remarks to Quebec's Caisse de dépôt et placement. I will do so by quoting someone who was a Liberal and a federalist in Quebec's history, but he played a part in recovering Quebec's powers—and this person is Jean Lesage—his is one of a number of names associated with Quebec's development.

A few years after leaving office, Jean Lesage was asked what his most important contribution to Quebec had been. He replied "The Caisse de dépôt et placement". Mr. Lesage said, on June 9, 1965:

The Caisse de dépôt et placement will become the most important and powerful financial instrument ever in Quebec.

The figures, which are from back then, are interesting. He went on to say:

Originally funded with deposits from the Régie des rentes, the Caisse should reach assets of \$2.6 billion by 1976 and of over \$4 billion 20 years from now.

I should immediately tell you about the current value of these assets, and I will do it again, because it is an impressive figure. Mr. Scraire, the current president and chief executive officer of the Caisse, wrote in his most recent report that the Caisse's current assets exceed \$62 billion.

At the time, Mr. Lesage saw the Caisse as the most important and powerful financial instrument. He said:

In short, a considerable portion of Quebeckers' savings will be invested by a government organization. Under the circumstances, the organization must be geared to serve as effectively as possible the interests of those who will deposit part of their income in it. In this regard, the interests of Quebeckers are many. There is no question that we must provide deposits with the security expected from an adequately managed organization. We must, in particular, protect the accumulated moneys against the erosion caused by the price increase which, for many years, Canada, like the other countries of the world, has been unable to avoid. The Caisse de dépôt will thus provide an opportunity to invest a sizeable portion of assets in securities other than those of a fixed value.

• (1625)

That has been strength of the Caisse de dépôt et placement. While Canada concentrated on security, at the Caisse, they wanted to diversify investments and also contribute to the development of Quebec.

As Mr. Lesage said:

The interests of Quebeckers go beyond the security of the money they set aside for their retirement. Such considerable assets should be used to stimulate the development of the public and private sectors, so that Quebec's social and economic objectives can be achieved quickly and effectively.

Briefly, the Caisse should not be considered only as an investment fund like any other, like RRSP's, for instance, but as an instrument for growth, a lever that is more powerful than anything we have had in this province until now.

And this is still according to Jean Lesage, in 1965. It is interesting to hear what he had to say about the management of the Caisse. He said:

*Government Orders*

It cannot substitute for the government in any way whatsoever. It should concentrate on managing the investment resources Quebec needs for the greater effectiveness of government policy and that of the private sector.

In other words, its independence must be clear cut. On the other hand, the operations of the Caisse must be co-ordinated with the general economic policy of the government. Lesage felt that this co-ordination should normally take place through the board of directors.

He was very clear about it:

The Caisse was not designed to accumulate profits for its own sake but sooner or later would have to distribute those profits to its contributors.

The point of having a common investment policy was to attempt, with the help of the best people in the field, whose integrity was absolute, to maximize the rate of return on the public's investment and achieve a better balance between safe and high yield investments.

There probably was a lengthy debate, but I am sure that today, some people would prefer to have more than 40 percent of their assets in stocks. The Caisse has been very effective with this kind of investment, but its purpose has always been to strike a balance between security and maximizing the rate of return.

When the Caisse is involved in business financing, its purpose is not to take control of businesses or buy them outright. Later on we will see very briefly, through excerpts from Mr. Scraire's report, that this was not the case, although the Caisse did play an important role in a number of businesses in Quebec.

Since I do not have much time, Mr. Lesage concluded his historic speech, saying:

The Government of Quebec has developed such a set of tools over the past four years. By nationalizing private electric companies, we can not only have a more direct impact on energy prices in many parts of the province but also establish a crown corporation whose influence on industrial development is already remarkable.

The General Investment Corporation has been assigned the formidable task of transforming certain industrial sectors in Quebec. SIDBEC should normally pull along in its wake a series of secondary industries, which had been growing slowly, if at all in Quebec.

SOQIP, the mining exploration company, will foster more systematic exploration and development of subsurface resources. Finally, other tools have been announced.

The Caisse de dépôt et placement does not have as specialized a role as the organizations I just mentioned. It will, however, incorporate several specific economic policies and help fund the growth that should normally be experienced within a few years in several areas of our economy. The Caisse is expected to play a diversified and necessary role.

● (1630)

And the very last paragraph:

These instruments will now make it possible to develop a badly needed general economic policy.

This 1965 speech should be read over and over in Quebec, as it enables us to draw several conclusions, two of which I would like to go over for the benefit of the House.

In 1965, the premier of Quebec—and I could also quote from other speeches by then natural resources minister René Lévesque—and Quebec leaders believed, on the basis of what they had just negotiated in Ottawa, that they had control over their economic development.

After 1965, and even more so after 1968, when Pierre Elliott Trudeau became Prime Minister of Canada, Quebec could no longer get its powers back. In this vein, I think I can say, without any chance of being mistaken, that it was a good thing Quebec's National Assembly passed the legislation creating the Caisse de dépôt in 1965, because otherwise this powerful instrument, which was necessary for all the others in an unfavourable Canadian context, would never have seen the light of day. And I hate to think what Quebec would be like now.

Mr. Lesage's polite remarks about the Caisse's role are summed up a bit more bluntly by Mr. Parizeau in a book of memoirs. Mr. Parizeau, who was the architect and, some even say, the writer of the speech I just read, said that this large reserve of capital made it possible for the Government of Quebec to bypass St. James Street—let us be plain—because in the time of Jean Lesage, before the Caisse de dépôt, when the Government of Quebec wanted to pass a social policy, it had to convince the big boys in the financial district on St. James Street, who did not, I can assure you, speak French and who had no time for the future of Quebec and of Quebecers.

So, for the first time, the Caisse de dépôt gave the Government of Quebec, of whatever stripe, freedom from the control of the big financiers.

Furthermore, the Caisse de dépôt became the sine qua non for progress in two areas of major importance: the development of businesses indigenous to Quebec, that is created and developed by Quebecers, and the affirmation of the government's real power with respect to the central government, big financiers, and the financial community, real power resulting from its own finances.

● (1635)

As of June 30, 1997, the assets of the Caisse de dépôt et placement du Québec are worth \$62.4 billion. The return on its investments in Quebec businesses has reached the astonishing level of 41.2 percent, thus adding to the assets of its contributors.

During the five past years, Quebec stocks held by the Caisse have yielded 3 percent more than the total Canadian stock index, that is, 19.3 percent, and this has helped the Caisse not only to guarantee the security of its assets, but also to maximize the return on investments made to provide pensions for the workers who contributed.

*Government Orders*

Several types of businesses in Quebec have made remarkable progress in recent months. I think the Quebec business landscape would not have looked the same, if we consider investments made by the Caisse in Canam Manac, Québecor, Biochem Pharma, Groupe Vidéotron and Bombardier. This is also true of small businesses like, for instance, a business incubator on the South Shore.

I will once again quote Mr. Scraire:

Ever since its incorporation act was adopted by the Lesage government in 1965, the Caisse has invested the money of its contributors wisely and at the same time financed infrastructure projects in every region in Quebec. Furthermore, it provided more than 500 businesses with the capital they needed for growth and expansion in new markets. The Caisse is also a prudent investor, active on all markets throughout the world.

We are against the Reform Party's amendment simply because, in Quebec, we feel that although the Caisse has had a better rate of return than has been the case in Canada, it is urgent to invest in strengthening the Caisse to ensure that young people will also be able to enjoy its beneficial impact on the economy and look forward to a measure of security when they retire.

This is an urgent matter. Those who argue in favour of closing the generation gap will have to hurry up and, as we intend to do in committee, take a critical look at the provisions of this bill and try to improve it. The strength of the system in Quebec is at stake—we already have a bill on second reading to that effect in Quebec—and for Quebec and Canada this is about closing the generation gap.

**Mr. Pierre de Savoye (Portneuf, BQ):** Mr. Speaker, I listened carefully to the remarks of our colleague for Mercier.

What excited me is the fact that a decision was made in Quebec 32 years ago to develop a major financial tool, the Caisse de dépôt et placement, not only to provide good return on the investments of workers, but also to promote the development of the Quebec nation.

• (1640)

In reading the bill introduced by the Minister of Finance with its investment board, which is limited to obtaining a good return on investment, I believe the Minister of Finance is proposing a national mutual fund whose sole objective is to act like any other mutual fund.

I am a Quebecker and proud of the Caisse de dépôt et placement and of its role. I find it sad that Canadians too cannot feel this pride over their own powerful financial institution that fulfils Canada's mission, like the one we have in Quebec that fulfils Quebec's mission.

I would ask my colleague for more details on the subject, because it supports the concerns she expressed a few minutes ago.

**Mrs. Francine Lalonde:** Mr. Speaker, I thank the member for Portneuf for his question.

The objects, as stated in clause 5, are as follows:

b) to invest its assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding—

I wondered how that could be. I thought just now that this Canadian fund will be a powerful instrument of centralization and that, if the objective was comparable to Quebec's objective, the provinces—certain provinces—who, at this time, are showing an interest in taking charge of their own development, and who do not trust the central government, or not completely, could worry that this powerful central instrument is not to their benefit.

At the same time, I thought that, in any event, this is going to be a centralizing tool. Once again, I say “Thank goodness Quebec was able to acquire, in 1965, this tool which made it possible, despite other hostile factors, to bring about significant development of Quebec”. Back then, Quebec did have all these businesses, with important businesses, even in certain cases multinationals, controlled and owned by Quebeckers. It is generally known that businesses in Quebec, in Canada and in North America were foreign owned.

[English]

**Mr. Gary Pillitteri (Niagara Falls, Lib.):** Mr. Speaker, I welcome the opportunity to participate in today's debate on Bill C-2, the Canada Pension Plan Investment Board Act.

I would like to congratulate you, Mr. Speaker, on your appointment and to thank my constituents for the trust they put in me by re-electing me as their federal representative.

My remarks today will focus on a very important element of the legislation at hand, a new investment for the Canada pension plan.

This policy is critical to the sustainability of the CPP reforms. It enjoys the support of all the provinces and all the pensions experts. Even more important was the overwhelming support of Canadians during the public consultation on the CPP.

• (1645)

A number of key themes emerged from these consultations, which included 33 sessions in 18 cities across every province and territory.

What did we learn? We learned that Canadians wanted to preserve the CPP. They wanted to reduce its cost, to straighten its finances and to improve its investment practices. All of these themes are mutually sustaining. A better investment policy is vital to preserving the CPP.

*Government Orders*

Ordinary Canadians and experts alike have made it clear that a better investment policy for CPP would be one similar to that of private and public pension plans. CPP funds would have to be invested in the best interests of plan members, with a proper balance between returns and risks. This would call for an effective government structure to be put into place in order to ensure sound fund management with the right measures of independence and accountability.

The consensus in favour of this principle was clear. In October 1996 we saw the federal and provincial finance ministers adopt them as guiding principles for the new investment policy.

These principles will be turned into concrete reality by the legislation before us today.

The legislation proposes that in future CPP funds will be carefully invested into a diversified portfolio of securities in the best interests of plan members, like other pension funds. In turn, the fund will be managed by qualified investment professionals at arm's length from government by a board of 12 directors, the CPP investment board.

To ensure independence of the board, the legislation prohibits government employees from serving as directors and it requires that the board include a core of directors with financial investment expertise.

Bill C-2 includes a conflict of interest provision for directors and officers of the board even more stringent than those under existing Canadian corporate law.

The question now is why this new investment policy is necessary. Why not continue with the existing policy?

At present the CPP has a fund equal to about two years' worth of benefits. Funds needed immediately to pay benefits are loaned to the provinces at the federal government's long term bond rate, which is slightly below the provinces' own cost of borrowing from financial markets.

As it happens, this policy has given good returns until now. That is because much of the money was locked in at favourable rates in the eighties. However, with the current financial environment such a policy cannot be expected to deliver the best investment performance over the long term.

Canada's chief actuary, responsible for evaluating the financial position of CPP, estimates that the old policy could be expected to yield a real rate of return, that is the rate of return minus the rate of inflation, to about 2.5 percent annually.

Under the new policy the chief actuary considers the long term annual real return of about 3.8 percent to be realistic.

• (1650)

Clearly there is a lot at stake in the investment of the CPP fund. This is why a great deal of care has been given to the vital matter of fund governance in the drafting of this bill. A CPP investment board will set broad investment policies and oversee the progress of the fund but will hire qualified investment professionals to manage the investments on hand on a day to day basis.

In setting investment policy the board will be subject to fundamentally the same rules as other trustees of pension funds. Most of the investment regulations under the Pension Benefit Standard Act will be applied to the board and the foreign property rule limit for pension funds will be strictly respected.

The federal-provincial CPP agreement of February 1977 does specify a couple of further parameters for the new investment policy. For the first three years the board's domestic equity investment will be selected passively, meaning that the board will mirror one of the more broad market indexes instead of picking individual securities.

A fund that invests in this way tends to reflect the composition and the average return of the market as a whole. This requirement is meant to help ensure that the CPP fund's entry into the equity market proceeds smoothly. This investment approach is a common practice among Canada investment funds. It still allows for significant investment discretion with respect to allocation. For example, the passive equity requirements will be re-evaluated at the first triennial CPP review.

Also under the new investment policy provinces will continue to have access to some CPP funds. However, the practice of provinces paying interest on a new CPP loan below the cost of the old market borrowing will come to an end. From now on when provinces borrow from the CPP they will pay the same rate of interest as they do on the market. As a traditional measure provinces will have the option of rolling over their existing borrowing at maturity, at market rates, for almost 20 years.

For the first three years provinces will have access to half of the new CPP funds that the board chooses to invest in bonds at market rates. After these three periods, to ensure that the fund's investment in provincial securities is in keeping with market practices, new CPP funds offered to the provinces at market rates will be in line with the proportion of provincial bonds held by pensions funds in general.

Having spoken about the CPP fund's proposed investment practice, I would like to take a moment to reassure anyone who has wondered about the impact of the new fund on Canadian capital markets.

I mentioned that the policy of passive investment in domestic equity will help smooth market entry for the fund. There are additional reasons to be confident that entry of the new fund will not disrupt capital markets. Canada's capital markets are mature,

*Government Orders*

well developed and growing. Moreover, the new investment fund will grow gradually in its first few years. Even after 10 years the size of the CPP fund would only be comparable to that of the Caisse de dépôt and the Ontario teachers pension fund.

• (1655)

It should also be remembered the the CPP will be reviewed every three years. Hence there will be ample opportunity to evaluate the fund's impact on markets and to make any necessary adjustments.

Ensuring the independence of the CPP investment board is a very important aspect of today's bill. However, just as important are the provisions designed to ensure that the board remains accountable not just to the federal and provincial governments but to the Canadian public.

The investment board will keep Canadians well informed of its policies, operations and investment results in the following ways: making its investment policies, standards and procedures public, releasing quarterly financial statements, publishing an annual report, and holding regular meetings in each province to allow for public discussion and input.

In addition, the ministers of finance and human resources development will prepare an annual report on the CPP which will include the financial statements of the CPP investment board as well as the report of the auditor general on those statements. This report will be sent to the provincial finance ministers and will also be tabled in Parliament.

In conclusion, the effect of the new policy I have outlined will be to treat the CPP as a true pension plan. This is not just my view but that of experts in the pension field. One of the most distinguished of them has written that a move to a market oriented, diversified investment policy would enhance intergenerational fairness, increase public confidence in CPP finances and also increase the CPP fund's prospective rate of return which in turn would reduce the long term cost of the plan.

In short, the legislation before us will address a range of crucial objectives for ensuring that Canadians will be able to look toward their retirement years with greater confidence and security.

[Translation]

**The Deputy Speaker:** It is my duty, pursuant to Standing Order 38, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Tobique—Mactaquac, government expenditure; the hon. member for Sackville—Eastern Shore, fisheries; the hon. member for Calgary SouthWest, foreign affairs; the hon. member for Red Deer, foreign affairs; the hon. member for Edmonton North, foreign affairs.

[English]

**Mr. Rob Anders (Calgary West, Ref.):** Mr. Speaker, I hear a lot of talk in the House today about wanting an actuarially sound plan.

I know of a plan that is actuarially sound. I heard about one tier, two tier and three tier. The fourth tier they forgot to mention was the MP pension plan. There were members across the way, people who used to be members, who are collecting \$3.4 million. There are people across the way who are eligible to collect \$2.8 million. There are people in the Conservative Party who are eligible to collect \$4.3 million.

If they are talking about something that is actuarially sound why do they not comment in terms of this pension, the one that we are going to be paying double into, 9.9 percent of our income? MPs pay only 9.5 percent of their income and yet they can collect millions. Canadians can only expect \$8,800 a year for maximum contributions under the CPP. Why do they not comment on that?

**Mr. Gary Pillitteri:** Mr. Speaker, I would like to comment and make some response on the present plan we want to bring in. Had we not brought in these measures within this pension plan it would have gone up to 14.3 percent. This is almost the same as they are proposing to have as their super RRSPs. I think Canadians have confidence in the government. Canadians want to be sure that when they retire there will be a pension plan there for them. Canadians want to be sure that the future is more secure.

• (1700)

The hon. member was talking about the MP pension plan. I think he has just been elected. I wonder if he knows the policies of his own party. As a matter of fact, there was a member here in the last Parliament who wanted to increase the pay of members of Parliament to \$150,000. I think he should be asking his own party some of those questions.

We have put proposals in the House that address the issues of today and not of yesterday. When he asks about pensions I hope he will stay here long enough to see the measly pension we will receive. I hope he can stay in the House in order to qualify for it.

**Hon. Ronald J. Duhamel (Secretary of State (Science, Research and Development)(Western Economic Diversification), Lib.):** Mr. Speaker, I listened with attention to my colleague's remarks and there are two points I want to raise with him.

Would he please share with the House once again the expert's view on pension plans. I would much prefer that rather than the rhetoric from the opposition whose only purpose is to try to ridicule and diminish something to which a lot of people have given a great deal of thought. They are people with a whole lot of background. They are people with a great deal of expertise and people who know what they are talking about. Perhaps my colleague could

mention that. I would like to contrast that response to that which I have just heard, which was pompous.

**Mr. Gary Pillitteri:** Mr. Speaker, I thank my hon. friend for the question.

What I am hearing across the floor is funny. It is always the same rhetoric for the haves. Let us remember the Canadians who were not able to accumulate savings, the Canadians who were not able to take care of themselves. This gives them that opportunity. I fear to ask him what would happen to the people who did not accumulate savings for their own pensions, how they would be when their retirement age comes?

The government plan is to assure that every Canadian regardless of his pocket book, when he or she retires, will have the opportunity to live with dignity and not to live in poverty as the hon. member from across the floor would have it. Every Canadian should live in dignity for the long hours and days they have worked. They should be able to know that some security is there for their old age.

There is an additional reason for us to do this expeditiously. The federal and provincial governments are joint custodians of the CPP. The proposed new rules will need the approval of at least two-thirds of the provinces representing at least two-thirds of the population before they can come into effect. We have to give the provinces the time to do this. They could come into effect within a year.

What we are asking with this policy, with this bill, is not only that the federal government be the custodian but also the provinces. They have to agree. We are not asking, as is claimed across the floor, that we should let those who have live in comfort at the expense of those who have not as much. Later on in life some of us might need to have a government that will protect us. It will not be a pension plan that is exuberant but a pension plan that is realistic.

• (1705)

**Mr. Nelson Riis (Kamloops, NDP):** Mr. Speaker, I am very happy to have an opportunity to say a few words on Bill C-2, an act to establish the Canada pension plan investment board and to amend the Canada pension plan and the Old Age Security Act and to make consequential amendments to other acts.

That is quite a mouthful but it is important that the people who are watching Parliament recognize that we are speaking to Bill C-2, about the Canada pension plan. The soon to come new seniors' benefit package, which has major implications for future retirees, will come at a later date but today we are talking about amendments that the government is suggesting to the Canada pension plan.

### *Government Orders*

To put my comments in context I have two sons in their twenties. When I chat with them and their friends I hear that they are concerned about the future and whether there will be pension plan for them. It is fair to say that for a large number, in spite of the rhetoric and the promises that they hear, they are of the mind that there probably will not be a pension plan for them.

When we talk to seniors they are concerned about the future. I think it is fair to say that there will be a Canada pension plan in the future and those people who say that there will not be are simply fearmongers. They are trying to appeal to people who feel vulnerable at the moment. But what we are doing today as a result of these proposals is to do whatever is necessary to ensure that the Canada pension plan continues into the future and that people in the following generation will be assured of a Canada pension.

That does not say that life is going to be great for people. Already we know that if people rely on the Canada pension plan and old age security as their sole income in their retirement years, that is a very modest income. As a matter of fact it is fair to point out that thanks to the public pension plan of Canada that the number of seniors living in poverty has decreased over the last number of years and I think it is fair to say thank you to the Canada pension plan, thank you to our pension plans generally.

But it is with a great deal of sadness that we have to admit that one out of every five elderly people in our country live in poverty. One out of every five people who built this country are living in poverty. I suspect that as active members of Parliament we are in touch regularly with seniors who are having a difficult time getting by, who are have a tough time making it on the meagre pensions that they receive.

I want to ask right from the start, are these changes to the Canada pension plan going to result in more money for Canada's seniors dependent on CPP? I am reluctant to say it but the answer is no, that people will actually receive fewer benefits in the future.

When we look at the various benefits that are attached to the CPP people can expect over the next number of years to have about a 10 percent reduction in the level of benefits. That is going to impose incredible hardship on a lot of people.

The cost of living increases every year, although modestly, and for retirees who are in trouble today financially, things are going to be worse actually in the future. That is what this legislation says. It is a modest reduction but nevertheless a reduction.

I want to go back and talk a bit about the Canada pension plan and how we got into this situation. It was established in 1966 to provide all members of the paid labour force and their families

*Government Orders*

with a base on which to build their retirement income as well as benefits in the event of serious disability or death.

Again, let us just pose a question rhetorically, will people receiving death benefits get a better deal in the future? With this legislation the answer unfortunately is no. Will people with a disability get a better deal in the future? The answer to that as a result of this legislation is also no. The legislation makes it more difficult for people suffering from a serious disability to apply for and receive Canada pension plan benefits.

• (1710)

Is this something that we actually want to do as members of Parliament? If someone is experiencing a serious disability and is unable to work, do we really want to make it more difficult for them to receive benefits? And fewer benefits at that. There seems to be something wrong with some of the basic logic.

We also have to acknowledge the fact that one out of five seniors is living in poverty. We would like to see an increase in the CPP, but in fact with this legislation we will see a marginal decrease.

We have to ask ourselves what kind of a country we have that does not care well for its elderly. I forget who it was that said a few years ago that you can tell an awful lot about a society when you see how it cares for its children and its elderly. There are 1.4 million children living in poverty. One out of five seniors is living in poverty. We have a long way to go. I regret to say that this legislation will not improve the situation significantly.

Why was this legislation required? When it was set up back in 1966 the economy was different. There were some assumptions built into the benefit levels and the premium levels. Things have changed. We were informed, accurately so, that this plan could not continue as it is without getting into serious financial difficulty. I do not think there is a single Canadian who would argue against that. Canadians were calling on the government to change the system. They do not want to do away with the system, as some would suggest. However, we have to make the necessary changes to ensure that the Canada pension plan is there in perpetuity. To be fair, this is an effort by the government to do just that. Whether it accomplishes that is another question.

There are some good points and I want to identify them before I get into some of the concerns which New Democrats have. One is the fact that transparency will be built into the system. That is a positive feature of the legislation. Another is the fact that Parliament will have an opportunity to review the system's effectiveness on a regular basis. That is also positive. Also, seniors will receive on an annual basis a statement on the state of health of the Canada pension plan. That will be helpful. The fact that it does not touch existing seniors' packages is also helpful. People who are retired today will not have to be concerned about some of the matters we will be raising in the next few minutes because they will be exempt.

Yes, there are positive features to the legislation. Perhaps most importantly, it makes a serious effort to ensure the viability of the Canada pension plan. For that we must all be pleased.

What are some of the concerns? Of course we will address these concerns when the legislation is considered in committee.

One of the concerns we have is that it would appear that this may have a very detrimental impact on job creation in the country. If we take \$750 annually in additional payments out of each person's pocket, that removes a lot of disposable income from our citizens. When \$700-plus is taken for every employee in a firm, that takes a lot of money from that firm. It will take a lot of dollars out of Canadian communities.

I did a calculation for one of the communities I represent, the city of Kamloops. The amount of money which will be taken out of the local Kamloops' economy as a result of individual contributions and company contributions which match them will add up to approximately \$80 million annually. That money will be plucked out of that one small local economy. It will not be there to circulate time and again between businesses and so on. That will make a very major dent into the employment situation in that community.

If we take that right across the country into every community, large and small, what will that do to those seeking employment today? Will it give them a better chance? The answer is no. What about those who are in insecure job positions today? Will this give them some confidence? The answer is no.

Will it give consumers more confidence to go out and purchase goods and services? The answer is no.

• (1715)

This has to be a concern. Do we know what we are doing when we pluck that kind of money out of a local economy, about \$80 million annually out of Kamloops, B.C., once the program is fully into place?

As a result of the impact particularly on small and medium size businesses where I think it is fair to say times are not great for many, an increasing amount of underground economy will be encouraged. Employers will be more inclined to hire people on a contract basis so that they do not have to make contributions to the Canada pension plan.

I am not talking about only small or medium size. Some of the larger businesses in this city that hire thousands of people use that approach already. Many of their employees are now on a contract basis to enable them to escape payroll tax. It is a payroll tax by any definition.

I remember being in the House a few years ago when the Conservatives brought in five or six increases to the Canada

*Government Orders*

pension plan. Every time the Liberals in opposition would rise in a howl about the increase in payroll tax.

Now the sides have flipped a bit and the Liberals are suggesting it is not necessarily a payroll tax. It looks like a payroll tax, tastes like one, smells like one, and probably is one. I think it is fair to say this is a major payroll tax increase. What impact will it have on the ability of the country to produce jobs?

Another concern we have as New Democrats is that changing the way the fund is invested from providing funds to provinces into an investment fund will have an impact on some of the poorer provinces of the country.

If some of the more wealthy provinces were not able to get lower rates from the Canada pension plan, they will go on to the regular bond markets. The poorer provinces will have to pay more for the money they borrow, which again will pose a hardship on certain provinces of the country.

We can look at the fund. We can debate its merits and the way it is constructed. The 12 person management board will manage funds in a very diversified portfolio of stocks and bonds including provincial bonds and so on. The anticipated cost will be about \$500 million.

If we are to be providing a fund perhaps as high as \$126 billion in six years, that fund generated by the citizens of Canada ought to go into helping those firms that will create jobs.

If the fund is invested in the safest bet it will probably buy a lot of bank stock. Will it actually help the Canadian economy by having the fund hold bank stocks?

We can look at the Quebec government plan. It has a very clear directive to the Quebec pension plan to invest moneys that will create jobs in the province of Quebec.

This seems to be a very honourable motive. If we as parliamentarians are to use \$126 billion of taxpayers' money in a fund, it would not be inappropriate for us to say we want the funds invested in secure areas. After all it is a pension fund. It should invest in areas that will result in some additions to the economy in terms of new jobs, new research, various affirmative action programs or programs to assist young entrepreneurs or young people to enter the job market.

A very clear direction should be given from the Parliament of Canada that we want the fund invested in useful ways as opposed to a fund that will perhaps buy bank stocks which will have marginal impact on assisting the Canadian economy generally. That is another concern.

What does the fact that these premiums will increase about 73 percent over the next six years mean in terms of disposable income for people?

We are not convinced that a 73 percent increase is necessary. When members look back at the reports on which the present legislation is based, they will see that the government assumed the worst case economic scenario in terms of worst case interest rates, worst case inflation rates, worst case economic growth, worst case unemployment levels and so on.

I am not suggesting we should take the glorious side, but when making projections over a 20 year period it is fair to say that we should not always take the most pessimistic scale. We should take the medium scale or a scale that will be reasonable over that length of time. Then the increase in premiums could be significantly lower.

• (1720)

We have some serious concerns about the legislation. I emphasize the impact on those who are disabled. It will make it more difficult for people with serious disabilities to qualify for the Canada pension. Is this really the kind of legislation we want to introduce?

I suspect that most members of Parliament working in their constituencies inevitably spend a good deal of time with people who are having difficulty qualifying for Canada pension disability. We go to bat for people and help make their cases. Almost universally they are rejected the first time they apply. Then they try again. Many months go past with people living in a marginal fashion and then being either granted or denied Canada pension disability. The legislation will result in making the process even more difficult for people and the benefits less.

Is that really what we want to do? I think not. If people are taken out of the workforce through no fault of their own, either as a result of disease or an accident, and cannot provide for their family, will we as serious, caring, compassionate people make it tougher for them to qualify under the Canada pension disability program? This legislation says we will.

I do not know if we appreciate what a person receiving Canada pension plan disability would get. It is less than \$9,000 a year. I would like to see anybody raise a family on \$9,000 a year. The legislation will make it more difficult for people to access it and they will receive even fewer benefits.

Obviously I could talk about a number of other items. We will have an opportunity to raise these concerns in committee.

In closing, Canada is distinguished from many other country by the way we treat each other, the way we care for each other. It is fair to say that as a result of the old age security program and other pension plans like the Canada pension plan we can take pride in that fact major steps in the past have ensured that Canada's elderly are able to live out their lives in dignity.

*Government Orders*

With the changes being proposed, will that be the case in the future? I think of my previous colleague, Stanley Knowles, and many others who have worked hard to ensure that the standard of our plans in support of seniors continue to increase and improve. I wonder if this regressive step is appropriate for the government and parliament to take at this time. I obviously think not.

Next weekend I will be sitting down with my dad who is in his late 90s and my mother who is in her late 80s. They are probably listening to me speak today. I will have to tell them that we are looking at legislation that will result in diminishing their pensions. I know how they will respond. They are very generous people who live a very modest lifestyle. They will scratch their heads and wonder if we have gone crazy. Why on earth would we as a parliament want to make the lives of seniors more difficult in the future?

We live in the richest country in the world. It seems to me that all our seniors ought to be able to live out their lives in dignity. The fact that one out of five seniors lives in poverty is immoral and we ought to change that.

I urge members to give some thought to the concerns my colleagues and I will be raising. Let us change the Canada pension plan to make it a plan for the future that will enable people to live out their lives in dignity. For goodness' sake, let us not amend the plan so that the lives of seniors will actually be made worse in the future.

• (1725)

**Mr. Murray Calder (Dufferin—Peel—Wellington—Grey, Lib.):** Mr. Speaker, I listened with interest to the member for Kamloops. Over the last four years I have known him to be a member of Parliament who really cares.

I was happy to hear that he agrees with certain parts of the CPP. Of course there are parts that he does not agree with. When we take the bill to committee we will tinker around to see if we can make it agreeable to everybody.

I would like to question the member on his thought about the increase in CPP causing unemployment. That could be a concern. I have raised the issue of CPP disability before. I raised it with a member of the Reform Party as well.

Currently 300,000 Canadians are receiving CPP disability. Another 50,000 in Quebec are receiving QPP disability. For 1997 that will amount to \$10,597 a year or \$833.17 a month.

If CPP does not exist in the same way, what would an insurance policy cost to replace those benefits? The whole workforce would have to become involved in it. If they did not have an insurance policy they would not have coverage.

**Mr. Nelson Riis:** Mr. Speaker, I listened to the member's preamble, with all due respect, but I do not quite understand the question. Could he repeat it?

**Mr. Murray Calder:** Mr. Speaker, if we change CPP, one of the changes could be the disability benefit part. If it is to be replaced it would have to be with an insurance policy.

Would the cost of that insurance put jobs in jeopardy? I do not think we could get it as cheaply as we are paying out for the same benefits?

**Mr. Nelson Riis:** Mr. Speaker, I do not know what it would cost to provide disability insurance under a private plan. I really could not say. I would have to look at the actuarial tables and attachments.

If we as members of Parliament think that by increasing premiums to individuals and businesses to the tune of \$700 annually will not have a major detrimental impact on a lot of the local communities in the country, we are dreaming in Technicolor.

**Mr. Dick Harris (Prince George—Bulkley Valley, Ref.):** Mr. Speaker, I thank the member for Kamloops for backing up so many of the concerns of the Reform Party. We have been saying for months that the CPP increase was simply an increase in payroll taxes. The member for Kamloops just confirmed that, and we appreciate it.

We also talked about and will continue to talk about the detrimental effect this tax hike will have on jobs. The member for Kamloops agrees. He knows very well that taxes kill jobs. We thank him for that.

He also talked about people having much less disposable income and not having as much money to spend in their communities. We thank him for that. Perhaps we should invite him over to sit with us. He sounds so much like a Reformer that I had to look twice to see who was doing the talking.

He did voice some concerns. The Reform Party has come up with a very credible alternative to the government proposal. As mentioned by the member for Calgary—Nose Hill, it has been submitted to think-tanks and the C. D. Howe Institute. They have all said the numbers work.

Precisely what alternative plan, if any, has the NDP Party created that it can offer as a viable and rational alternative to the disaster the Liberal Party has come up with? What specifically? Is there a plan? Does the NDP have a plan or is it just simply criticizing, hoping to come up with one as soon as it can?

• (1730)

**Mr. Nelson Riis:** Mr. Speaker, I first want to indicate to my hon. friend that the super RRSP solution is in our judgment not the answer. Somehow there is the implication that the super RRSP would not be a cost to the Canadian taxpayer. It would be a huge

*Government Orders*

cost. Even the present RRSP system is costing \$18 billion a year in terms of lost revenue to the federal government.

To answer my friend specifically, if he listened carefully he would have heard me say that the assumptions on which Bill C-2 is based were based on a model that we believe is incorrect. We feel it is inappropriate that Reform based its recommendations on what we feel is a worst case economic scenario over the next 20 years. A much more modest set of changes along these lines would be acceptable.

We believe in the public pension plan system. My friend would know that while his plan was based on an example in Chile, we are suggesting what almost every European country that has gone through this process has adopted. It is fair to say that the lifestyle in Europe is somewhat superior to the lifestyle in Chile without saying anything negative in particular about that country.

We believe in a public pension plan. We believe that the Canada pension plan has worked well until recently. The changing economic times require some changes. I have yet to find a single Canadian who says they are not prepared to provide more premiums if they are guaranteed a pension when they retire. Let's face it, the modest increases over the years have not kept up with the realities of the economy and the growth in the pension fund, but I find Canadians by and large quite accepting of this notion.

We believe the government has gone excessively too far. That is why I say that we have a number of concerns we want to see addressed in committee. We want to see the bill come back to the House after committee with a set of changes much more in tune with the economic reality of the future of the country.

**Mr. Pierre de Savoye (Portneuf, BQ):** Mr. Speaker, the modifications that are proposed to the CPP will of course shrink a certain number of benefits. Happily this is not so with the Quebec pension plan.

My concern is with the Canadian pension plan super mutual fund that the government will put in place to manage those moneys. Our colleague from Kamloops rightly mentioned that taking \$80 million out of Kamloops will certainly affect the local economy. The only way that jobs will not be lost is to reinject that money in that area through this kind of mutual fund. If they funnel the money to Toronto we will be in a lot of trouble throughout Canada, Quebec being a special case because we have our own organization there.

How does our colleague react to that? Is he afraid Toronto will get it all?

**Mr. Nelson Riis:** Mr. Speaker, when you look at the way the federal government normally does its business, yes that is a fear in terms of patronage allotment of funding.

The reality is we have to be more confident in the ability of the management team that will be there. That is why I believe it

requires very clear directives from Parliament in terms of how these funds are to be used. I would think they should be directed to those areas of Canada that have experienced particular difficulties, in the smaller communities and the more rural areas, the more remote areas and so on.

I say with a great deal of satisfaction that we can look as an example to how the province of Quebec has used its investments with very clear direction to its management board as to how these funds ought to be utilized to the best benefit of Quebec business again with job creation as a major function of these investments.

If we were to do that then a great deal of the \$80 million that is being extracted from a community like Kamloops will be reinjected to assist local businesses and create the jobs that probably would have been lost by that removal of funds.

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, I am pleased to participate in the debate on Bill C-2. I would like to speak to my constituents and to Canadians about the Canada pension plan.

• (1735)

Many Canadians are concerned about the Canada pension plan. They are concerned about its features, about its security. Sometimes they get confused about how it relates to employment insurance, old age security, the GIS, RRSPs, RIFs and all of the other financial instruments that seem to be part of our daily dialogue in this House.

They also hear things like the plan is bankrupt or it will not be there for them when they get to retirement age. These things are not true.

I want to start my comments to this House by assuring all seniors in Canada who are currently receiving benefits under the CPP system, whether they are survivor benefits or disability benefits or whether they have reached retirement age and are collecting benefits, that under the proposals before the House those benefits will remain unchanged. They will continue to be fully indexed and will continue to be there for them so that they can enjoy the security and dignity of their retirement.

I want to clarify a few of the facts about the Canada pension plan system. I have this concern that Canadians do not know enough about our Canada pension plan system, the very basics of what it is all about. I want to review a bit of the background, a bit of the history, so they can have that level of confidence improved.

The Canada pension plan which came in in 1966 has as its hallmark the fact that it is a universal program. It is not an income redistribution program. It is not like the OAS or the GIS which are available based on your level of income. The CPP is available for participation by all working Canadians from the ages of 18 right up to 70. It is a plan that requires contributions by an employer and an

*Government Orders*

employee on a matched basis, and the self-employed individual pays the full amount.

Canadians should also know that the Canada pension plan system is a joint responsibility between the federal government, the ten provinces and our two territories. Anything that happens in CPP requires the approval of two-thirds of the provinces, representing two-thirds of the population. Canadians should be assured that the best interests of all Canadians in all regions are being taken care of as we move forward to renew the Canada pension plan system.

When the plan came in back in 1966 it had to respond to the realities of the day. Who was retiring in the mid-sixties? It was Canadians who came through the depression of the thirties, through the war in the forties. These are Canadians who had a totally different dimension of Canadian life during what we would consider as their prime working years. It meant they did not have the kind of savings they otherwise would like to have had for retirement, and they had very little. As a consequence of the plan's being set up in a way that would allow benefits to reach full pension entitlement by 1975, it was accelerated. Because of that acceleration and because there were so few people working and making contributions there was no possibility of fully funding the plan. There was no possibility of asking Canadians to immediately put in dollars they needed for food and for basic subsistence.

The plan first paid out in 1967 to those who were 68 years old, and the first pension paid to a 65 year old occurred in 1970.

The Canada pension plan system is not just a pension. Possibly it is misnamed. Everyone knows that on reaching retirement, and you do have the option to retire early, currently you can get a pension of about \$8,842.

• (1740)

There is also the ability to retire early, up to age 60, and receive a reduced pension of 5 percent for each year of reduction. A person can increase their pension entitlement by 5 percent each year if they defer their pension to age 70. There is some flexibility.

A very important tax planning point for all Canadians is that one spouse can split up to 50 percent of their Canada pension plan benefits with their spouse. That is very important if the other spouse stayed at home to manage the family home and care for preschool children and, therefore, does not have a sufficient number of working years. Possibly they did not work. It allows the income to be split. It is an important opportunity for Canadians to consider whether the income splitting of their pensions will reduce the tax burden on the family.

In addition to the pension portions there are important insurance components of the CPP. There is a survivors benefit. If a spouse

passes away there is a continuing benefit to the surviving spouse even if they are under 65 years of age. There is also a benefit to the surviving children of \$2,000 a year up to age 18 and up to age 25 if they are students.

One of the most important components of the Canada pension plan system is the disability feature. It means that Canadians who are in the unfortunate situation of having had a stroke or who are otherwise unable to earn an income can receive a disability benefit from the Canada pension plan. They will receive the disability benefit until they reach age 65, at which time they will commence collecting the normal pension payment.

This plan is secure, it is indexed and Canadians should know that it is not just a pension. We do not have to look simply at the money we put in and the pension we will get out. The plan is much more than simply a pension. It is an insurance program. It is there to protect Canadians.

Many of my colleagues have talked about the funding as being pay as you go. That is basically because in the start-up period that is exactly what was appropriate for that time.

Members have also noted that we have two years' worth of benefits. There is some \$40 billion of Canada pension plan contributions invested in provincial bonds at a federal rate. Members might be interested to know that in 1996 those bonds generated a return of 11 percent. That is not nominal.

A lot of the discussions we have had today have been around the investment board. Canadians should understand that we are talking about getting into a more diversified portfolio of investments so there is a possibility to earn even higher rates of return. The more income the fund generates within itself, the more dollars are available to keep the costs to the employee and employer down.

There is another issue which I wanted to touch on briefly and that is the issue of the unfunded liability. Because of the way the plan was structured, there is no money waiting to pay the benefits. In fact about 30 years of benefits would have to be in place, which is a very substantial amount of money, and that cannot happen very quickly. The compromise is to move to fuller funding than we have today.

I wanted to talk a bit about the problems. The chief actuary in this plan requires a 25 year schedule of rates which employees will pay. The chief actuary has basically advised Canadians that although we pay at a rate of 5.85 percent, which is split equally between the employer and the employee, this rate will have to increase to 10.1 percent by about the year 2015, and by 2030 it will have to be raised to 14.2 percent. Those are the mathematics which are in place now.

All members would agree that the 14.2 percent is much too high a burden to ask current workers to pay to fund their future pension entitlements. Fairness and equity are important issues and important challenges.

If we were to make comparisons we would note that Sweden has a 21 percent contribution rate. France has a 19.8 percent contribution rate. Admittedly they do not have old age security or the GIS. However, we can see that if there is a need to provide benefits and we have not planned that rates can go very high.

• (1745)

Canadians should understand the important thing is to determine how we can modify and how we can massage the current Canada pension plan system so that benefits will be there for each and every generation to come on a fair and equitable basis. We do not want to pit seniors against youth and women against men or social groups who want all kinds of benefits which they feel they are entitled to.

We are not here to pit Canadians against each other because of the difference in their age or the difference in their income level. It is a universal program. It is there for all Canadians.

I will give an example. A gentleman whom I know very well, Mr. Phil Connell, who lives in my city of Mississauga appeared before the public hearings on this CPP review. Mr. Connell said that his contributions to the Canada pension plan up until he retired some seven years accumulated to about \$9,300. He said "Yes, I get the employer's share which makes it \$18,000 and that \$18,000 was earning some income". Mr. Connell also told the panel that his seven years of benefits from the CPP were \$54,287, about five times more than he put in. He called it scandalous.

We understand very well that as the plan grows, matures and things change that we do have to deal with that. I repeat, Canadians, our current retirees, have to be assured that their benefits will not be affected by what we are doing in this place. They are going to continue at the current levels and they are going to continue to be indexed and they are going to continue to be there to protect them.

There are some factors which have changed which we have to take into account as we make these changes. First, Canadians are living longer than they did in the past. In fact we are living 3.1 years longer in retirement. In addition, it is expected that by the year 2030 we are going to live a further 1.4 years. In total, Canadians will live about four and a half years longer in retirement than current retirees.

Obviously because of medical technology and so on, it means that Canadians as a whole are healthier and we are going to live longer. That means retirement pensions are going to be drawn for longer periods of time. It means that it is a higher burden on the Canada pension plan system to deal with it.

### *Government Orders*

The baby boomers are coming. Everyone knows that. There are going to be more seniors. In fact today we have five workers for every pensioner. By the time we get to the peak we will only have three workers taking care of one pensioner. We see that these are natural things that have nothing to do with anybody's whim or whimsy. It just happens to be the demographics of Canada.

The Canada pension plan was planned to have a rate of somewhere around 5.5 percent but we have had changes. The low birth rates that we have had in Canada and people living longer have added another 2.6 percent. We also have had slower growth in our worker output, lower interest rates in the sixties and even though it has risen in the seventies and eighties to around 6 percent it was very low in the early years. That has added an additional burden of about 2.2 percent. We have also enriched benefits for Canadians by indexing the Canada pension plan in 1975 and also providing survivor benefits in 1975.

Who could deny the disability benefits that are applicable? There are more claimants now and the claimants are for longer periods of time than ever was anticipated. That has also added about 1.5 percent. All of these things have contributed to put pressure on the Canada pension plan system so that now is the time for us to deal with it.

Parliamentarians are not deciding what we should do and why. There were public consultations and they happen every five years. There were some 33 sessions of public consultations between April 15 and June 10 right across Canada.

People had all kinds of very interesting input. I would like to highlight for members what the results of those consultations were. First, the consensus was that the CPP system was worth saving. That is very important.

• (1750)

Second, they said that the CPP should remain as a program that is not for redistribution of income but rather universal and available to all. Therefore, it is not going to be income tested.

Third, they said that it has to be fair across the generations and between men and women.

Fourth, they said that it had to be affordable and sustainable for those future generations.

Fifth, they asked that the administration be tightened up to make sure that it is efficient and that the 1 percent cost of administration is kept at that level or lower.

Sixth, they do not want ancillary benefits to jeopardize the principal benefit, being the pension income.

*Government Orders*

Seventh, they recommended that any future enhancements or enrichments of the CPP program must be fully funded.

These are just some of the results of the cross Canada consultations that took place involving the federal government, the provincial governments and the territories. These are the results of consultations with Canadians.

What is before the House are important recommendations for improvements and changes to the plan to make sure that it is fair and equitable among generations, that it is sustainable and that we do the right thing.

The amendments to the act do not affect all present retirees as well as those on disability or who have survivor benefits. Their pensions will remain indexed. The ages for retirement will remain unchanged, despite the fact that there were rumours of the retirement age rising two, three, four or five years. There is no change in retirement age.

We are going to move to a fuller funding. It will not be fully funded but there will be more funding than we have had in the past. Instead of just two years of reserve, there will be up to five years.

We are also going to create the investment board. That means that we will have professionals who are going to manage that fund to make sure we get a competitive return with other investors in the marketplace.

The contributions will rise over the next six years to 9.9 percent. It will be on a gradual basis, not in one shot. It will be on a gradual basis because that is the Canadian way. We want Canadians to have a chance.

Again, I want to assure all seniors who have always been the targets of the unscrupulous and those who would take advantage of seniors because they may not understand what is happening. I want them to know, on behalf of all parliamentarians here, that based on the consultations we have had across Canada we are here to act on behalf of the best interests of all seniors, of all youth and everyone in between.

**Mr. Jean Dubé (Madawaska—Restigouche, PC):** Mr. Speaker, I will be sharing my time with the hon. member for Markham.

[*Translation*]

Mr. Speaker, when the Minister of Finance tabled his bill to amend the Canada pension plan last February, he claimed to have guaranteed the future of the three pillars of our retirement income system. Those three pillars are the Canada pension plan, old age security and the guaranteed income supplement, and the fiscal support mechanisms for retirement savings, such as the registered pension plans and RRSP's.

The government has indeed proceeded with some major changes to our retirement income system, but like most of the things it did

in the course of its first mandate, these changes are full of inequity, lack vision and are an unprecedented attack on those people who most deserve help from the government.

Regarding old age security and the guaranteed income supplement, the government announced in its 1996 budget that it would replace these two measures by a single seniors benefit. The government made a commitment at the time to introduce a bill and start public consultations on the new benefit in the fall of 1996. A year later, still no bill, still no consultation on legislation that will affect many Canadians.

The government did not want to proceed with thorough public scrutiny of the seniors benefit before the election. What was it afraid of? It was afraid that the truth would be revealed and Canadians would realize that with the new seniors benefit, single seniors with an income exceeding \$31,000 would be disadvantaged, as would couples with a combined income of \$26,000.

• (1755)

He was also afraid we would discover that recovery of 20 percent of the benefits combined with the current rate of taxation would result in a real rate of taxation of 60 percent for middle income seniors. Nobody would want to save anymore for their retirement anymore.

In terms of tax breaks for retirement savings, the Liberals received \$300 million in new taxes from seniors by deciding that the old age tax credit would be included in income. Furthermore, the 1996 budget requires Canadians to convert their RRSP in the year they reach 69, whereas in the past they could wait to do so until they were 71.

They also twice cancelled planned increases to RRSP contribution ceilings. The government has also considered more than once the possibility of taxing RRSPs. Canadians have no choice but to take other measures to ensure long term retirement income before the end of their active life. An ever growing number of Canadians have already understood and are contributing to registered retirement savings plans.

However, because of the regulations governing RRSPs, they are unable to get the best return on the market for their money. Restrictions on foreign holdings prevent them from creating a portfolio varied enough to reduce financial risk.

Now the government is asking us to approve the principles of these changes to the Canada pension plan. Although everyone agrees on the need for reform of our pensions, the government's approach contains some very disquieting elements.

According to the Minister of Finance, the current CPP contribution plan should be changed in response to the concerns of the plan's chief actuary.

*Government Orders*

[English]

This means that Canadians will have to pay \$11 billion more a year in CPP premiums without the benefit of other tax cuts to offset this hike. In fact, this was such a contentious issue during negotiations with the provinces that the agreement, which was supposed to be reached in 1996, was only announced in 1997 by the Minister of Finance and the Minister of Human Resources Development.

Ottawa's refusal to bring down EI premiums at the same time as CPP rates go up had been the biggest barrier to an agreement. Self-employed Canadians will be hard hit by this accelerated hike in premiums as they have to bear the burden of the combined employer-employee tax rate. This means they will have to pay \$3,270 a year in 2003, thus removing financial incentives.

Self-employed individuals should be provided with greater tax assistance on what normally would be the employer share of contributions. Premium increases also place a greater burden on the working poor which include women and young people.

[Translation]

Nowadays, there are five people of job age for every retired person. In twenty years or so, this will have changed to four workers for every retired person and, when today's young people retire forty years from now, the proportion will be three for every one.

Future generations will bear the cost of the changes, because they will have to pay higher premiums, while receiving lower benefits. The cost of changes will not be borne equally by the different generations, and this should be unacceptable to a government that says it is concerned about the future of young people. Many of them have no faith in a public pension plan and who could really blame them?

The Liberal government promised that retired people and those over 65 on December 31, 1997 would not be affected by the change. The government also promised that those now receiving disability benefits would not be affected by the measures.

When we know that 4,000 people are now waiting for their application for disability benefits to be heard by the CPP appeal tribunal, we are entitled to wonder whether the government is not trying to drag out the process so that people will receive reduced benefits under the new rules.

This may well not be the government's intention, but we must point out that it is unacceptable that those waiting for disability benefits must wait up to four years for a settlement.

• (1800)

This mismanagement does nothing to give the public faith in the ability of the present government to administer the CPP. This lack

of faith now extends to the government's proposal to modify substantially the structure, financing and investment of the CPP.

You will forgive me for not believing what the government says about the benefits of reform. I do not question that it is sincere in wanting to rectify the problems facing the CPP. I just question its methods.

I urge the government to review the impact these changes will have on the most disadvantaged and to take action to ensure that the cost of restoring the viability of our pension plan is borne equally by all Canadians.

[English]

**Mr. Rob Anders (Calgary West, Ref.):** Mr. Speaker, this problem in terms of the baby boom generation coming up and creating a bulge in the Canada pension plan is something that has not been hidden from anyone. It is something which has been obvious for years. The whole idea of the baby boom population burst has been talked about for at least a decade, certainly within my frame of reference.

However, the party across the way and the government have both been responsible for the boondoggle that has happened with regard to the CPP. The way they set it up was intrinsically flawed. It was set up as a pay as you go system rather than somebody's individual earnings and payments going into the plan to look after them in their retirement. It is a pyramid scheme.

When they were in government did they not realize this was coming to fruition? Did they not see these things?

**Mr. Jean Dubé:** Mr. Speaker, if we had been given a chance, I think we could have changed it in a positive way. Our party believes there is a need for change in the system, but it is how the changes will be made and how they will affect Canadians, low income earners, youth a women.

We heard the government a while ago say that there was no problem because there was a lot of money in the fund. We have heard it say no problem before. We heard it with the last referendum in Quebec. We heard it with the EI, that there was no problem.

In my riding in New Brunswick I have seen what the EI reform did to the citizens there. It was detrimental. We want to make sure that the government listens to what Canadians have to say and make sure that Canadians are consulted. There are problems in the way the plan is being presented. Believe me, if it does not listen it will have a problem.

I am saying to the government today to make sure that consultations continue.

**Ms. Bonnie Brown (Oakville, Lib.):** Mr. Speaker, I would like to welcome the new member for Madawaska—Restigouche to the debate.

*Government Orders*

I feel that having been here in the previous Parliament I should clarify some of the misconceptions which he expressed in his speech.

He mentioned that there were no consultations on the CPP changes. That is simply not true. Members will know that the CPP is a joint program of the federal and provincial governments and the law requires that both agree. Last spring a member of the government led consultations in every major city across the country. Not only was he present but other members from the government side were present and their counterparts of the provincial governments came to hear the witnesses with them. Those witnesses included representatives of most seniors groups, and even some young people came to make their views known. Consultations were held.

I am glad that the member agrees that there is a need for reform. I feel that it is too bad that other members of his party when they had the chance to bring these reforms about 10 years ago did not see the light as he has. He complains that we only brought forward the reforms in 1997 when they were due in 1996. There was an opportunity in 1986 to begin these changes which would have meant less dramatic changes had it been done then.

I wonder if the member agrees that perhaps his party when it was in power should have moved then in order to lessen the burden today.

• (1805)

**Mr. Jean Dubé:** Mr. Speaker, I thank the hon. member for her comments. I heard about the consultation in major cities, but not all cities were affected by the consultation.

The people of my riding in northern New Brunswick did not hear about the consultations. All Canadians have a right to be consulted if it is going to affect their wallets.

The hon. member says that consultations have been ongoing since 1996. If that is so, why are seniors throughout Canada very nervous about the changes being made to the CPP?

We saw the effect which changes to the EI had on the citizens of Atlantic Canada. We want to ensure that does not happen again.

**Mr. Jim Jones (Markham, PC):** Mr. Speaker, the amendments proposed in Bill C-2 are simply not acceptable to the party to which I belong. However, I agree that we have to decide on a course of action quickly. We should not prolong or delay the deliberation of this bill.

I am also sure that many Canadians will agree that the proposed changes will harm their retirement years. I would like to address three main points which arise from the legislation.

CPP premiums will rise at a faster rate than originally planned. Taxpayer disposable income will be negatively affected as their budgets will need to be altered once again. Changes in the way benefits are calculated will slightly reduce the pensions of future beneficiaries, reduce health benefits and make it harder to qualify for disabled benefits. This means that present contributors will be forced to pay more while being told they will receive less.

Bill C-2 sends out messages to three groups. First and perhaps most relevant are the working Canadians who over the next 20 years will pay out more in CPP premiums and in the end receive less in benefits. Even if current forecasts are incorrect, the previous pay as you go system which had today's workers paying for today's pensioners will be overhauled to become a fuller funding system, where today's workers will pay for today's and tomorrow's pensioners and will have nothing for themselves. It used to be a privilege for Canadian citizens to receive the CPP. Now it has become a burden for working Canadians as they must pay more and more as premiums increase.

Second, the proposed changes in the legislation will force working Canadians to rely more heavily on workplace pensions and RRSPs. Higher CPP premiums imposed on Canadians leave less disposable income for individuals to manage their own private retirement portfolios.

The fact that benefits received will be based on the average of the past five years' earnings instead of three means that for most recipients pensions will be 3.7 percent lower than in the present system. Therefore the need for private pension plans is even more relevant.

Third, I am concerned for the self-employed worker who will consequently be hit hardest by the changes proposed in Bill C-2.

We know that small businesses in Canada are stressed with payroll deductions, but now they must face yet another hike in expenses.

Those who are self-employed will be excessively strained for cash as they must contribute 100 percent of the proposed increases. The self-employed individual must contribute both his or her portion plus the employer's contribution, who in this case is one and the same. This means that by the year 2003 an additional \$3,270 must come out of the pockets of small business owners based on the proposed figures.

What financial incentives do we offer Canadians who are self-employed or who are considering self-employment? I would argue none. This is a time when the self-employed are driving the economy, creating jobs and growing rapidly. Self-employed individuals should be offered greater tax assistance on what normally would be the employer's share of the CPP contribution.

Changes to CPP benefits should not only impact on future generations but also on individuals currently collecting the Canada pension plan as well as those nearing pension eligibility.

• (1810)

Working Canadians and future generations will be hard hit by both reduced benefits and increased contribution rates. It is imperative that the government strive for fairness with the pension system. This means that changes must be applied fairly to all Canadians. Higher contributions mean less disposable income, disposable income that could be used to save smartly for retirement.

Women will be hit hard by the proposed amendments. It is a fact that not only do more men than women have workplace pensions, they also have more in those pensions. Most women have very little disposable income to invest in RRSPs. Economists have found that a small percentage of men and women will be financially secure upon retirement.

Canadians are in need of legislation that secures future needs but will not rob them of their independence to manage their present and future plans. Premium increases place greater burden on the working poor than on wealthy Canadians. This is not a fair deal for Canadians as current recipients will not be affected but future benefits will be lower for Canadians taking into consideration inflation.

Our youth are another group that will be affected by the proposed legislation put forth by the government. As I have alluded to, the cost of this fund will not be shared equally among the generations. The burden of this tax grab will fall most heavily on young Canadians just entering the job market. Taking into account inflation and any possible changes in policies, today's young Canadians are faced with small or even negative real returns on their retirement investment under the Canada pension plan.

One must consider the following points with respect to the proposed amendments. Canada pension plan premiums will rise at a faster rate than originally planned. Changes in the way benefits are calculated will slightly reduce the pensions of future beneficiaries, reduce the death benefit and make it harder to qualify for disabled benefits. The plan no longer will lend funds to the provinces at preferred rates. Those proposed changes offer nothing to make the Canada pension plan self-financing. They do nothing to offer CPP premiums with tax cuts and do not encourage greater RRSP savings.

Canadians realize that it is imperative for them to begin planning for retirement in advance. More and more we see that Canadians are striving to ensure stronger financial security in retirement via retirement savings plans. However, it is becoming extremely difficult due to the rules governing RRSPs which are preventing Canadians from getting maximum potential returns on investment.

### *Government Orders*

Restrictions on foreign content hinder diversification in a host of investment opportunities required to minimize financial risk. Our current government has twice reduced the annual contribution limits and is moving even closer to taxing RRSP savings. This is unacceptable to Canadians.

The current foreign content limit of 20 percent reduces Canadian pension earnings by about \$700 million per year. If this rule is removed the market value of CPP could potentially increase by 20 percent to 25 percent. The side effect of a foreign content rule reduces the competitiveness of Canadian companies as they have less incentive to be efficient.

The proposed amendments to Bill C-2 raise questions as to the amount of money the current government can pull from the pockets of the middle class when at the same time it is cutting future retirement benefits. The Liberals have no overall plan for the retirement of Canadians. Honest working Canadians pay more today, receive less later and have less disposable income to do responsible planning for their retirement years.

We must not rush into a plan without clearly knowing what the long term repercussions are. The Canada pension plan must be fair and equitable to all Canadians.

**Mr. Peter Stoffer (Sackville—Eastern Shore, NDP):** Mr. Speaker, I have one question for the hon. member with regard to the speech made earlier today by the leader of the Conservative Party. He would increase the pension plan and contributions to the plan but at the same time he must give tax breaks in other forms.

Will the Conservative Party, of which 13 members are from Atlantic Canada, help us, the New Democratic Party, in pushing the government for a reduction of the HST? The Liberals thought we were not bad enough off with the GST so they threw the HST on us as well. Will they assist us to get a reduction in the HST to help the pensioners and those with low incomes in Atlantic Canada?

• (1815)

**Mr. Jim Jones:** Mr. Speaker, I know that we will help reduce the premiums for EI payments. The HST which is the harmonized sales tax and the GST are performing a function which replaces the manufacturing tax. I would like to see as we get to a balanced budget the revenues from the HST used to reduce the debt. That is what I thought it was initially set up for. In the long run by reducing the debt and the debt servicing costs we can reduce taxes for all Canadians. That is what we must strive for.

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, I heard the comment of the leader of the Conservative Party that any increase in the rates of the Canada pension plan system would have to be offset by tax breaks. The leader of the Conservative Party did

*Government Orders*

not articulate exactly what taxes he was talking about and owe much. It is an important question which has been raised.

If we consider that the Canada pension plan premiums are contributed by those who are working, that is a defined set of people. We should then also look at who is affected by tax breaks. For example if there was a tax break on personal income taxes, there are people who do not work but have a lot of income because of investment income or other sources which are not insurable earnings. There are retirees as well who are paying on their corporate pension plan entitlements, CPP et cetera. Tax breaks would apply to a different set of people than those who are paying the rates.

Could the member clearly explain to the House how we can match tax breaks specifically to cover the rate increases without creating a significant charge against expenditures or increase the deficit?

**Mr. Jim Jones:** Mr. Speaker, the Canada pension plan is a payroll tax and so is the EI premium. What we are saying is that for a tax reduction, taking the \$5 billion surplus of the EI and offsetting it against the deficit should stop now. As we get into the balanced budget benefit that is supposed to be forthcoming, that should be done on its own. To create jobs maybe we should reduce the premium on the EI and offset it against the Canada pension fund which workers and organizations will have to pay. Both are payroll taxes.

**Mr. Jerry Pickard (Parliamentary Secretary to Minister of Public Works and Government Services, Lib.):** Mr. Speaker, this is my first time speaking on a bill in the House since the election.

I would like to thank the people in Kent—Essex for their support and I look forward to working on their behalf in the House over the next few years.

I would also like to congratulate you on your appointment as acting speaker. It does bring a great deal of honour to the House to have people like you who have worked in Parliament and have done a great job in the past. I congratulate you for your efforts.

I appreciate having the honour to speak on this legislation and I support it. The Canada pension plan is one of the defining features of Canada. In the last 30 years since the plan was introduced, by a Liberal government I might add, we have certainly used it as a cornerstone for our social policy. It certainly is the key to the retirement policies and plans of all Canadians.

• (1820)

In the last few years however concerns have been expressed about the viability of the Canada pension plan. A recent article in

*Maclean's* magazine for example indicated that about two-thirds of Canadians do not believe that it would be sustainable as it presently stands. Canadians are concerned and as members of Parliament it is our responsibility to take the necessary steps to re-establish confidence in the public part of society and make sure that the vital parts of this social union are carried on with stable and secure programs for the future.

In order to meet the responsibility, our government has heeded the concerns of the plan's chief actuary that the unbalanced relationship between contributions and payouts is in jeopardy and the long term sustainability of the plan must be addressed. "Changes are needed", he said, "if we want to ensure the Canada pension plan's ability to meet the income security needs of Canadians".

Expert analysis has shown us that the rules of our plan need to be updated to reflect the realities of today's world as well as tomorrow's. We are not only fixing today's problem. We are putting in place a plan for the future. We cannot continue to operate as though we are living in an economic and demographic situation that existed some 30 years ago when the plan was first introduced. We need to meet today's economic and demographic demands.

As a government we accept the responsibility of securing the future of the Canada pension plan. We are not afraid to take the challenges of responsibility. We took the challenge of dealing aggressively with the deficit and we met it. We took the challenge of government program review, the challenge of getting government right, and we met it. Now we are taking the challenge of securing the future of the Canada pension plan.

The amendments to the Canada pension plan contained in this bill will enable us to meet that challenge. With the support of this House, we will meet our responsibility to Canadians to make sure that the Canada pension plan will be here for them when they need it.

I want to emphasize that we have not developed these proposed changes in isolation. These amendments are the result of a long and wide ranging process of consultation that began in our last term of office. This process of consultation included talks with the provincial governments, our counterparts, territorial governments, actuarial and insurance professionals, representatives of social planning organizations, seniors, youth, persons with disabilities and a large number of others who had something they could bring to the discussion.

In short, we have consulted broadly with Canadians on the future of the Canadian pension plan and on the need for change. One of the clearest messages that we received during the consultations is that Canadians want and need the Canada pension plan. We were told in no uncertain terms to keep the CPP. Change it if necessary but keep it. So that our objective is met to keep the CPP but also to make the changes necessary to make it sustainable, the plan now before us and in the future is here.

The plan's chief actuary has told us that if we do not rebalance the relationship between contributions on one side and payouts on the other, the fund will not last beyond the year 2015. Put simply, current contribution rates are not sufficient to sustain the current benefit payouts now or in the future. Let me express that again. Current contribution rates are not sufficient to sustain the benefits and payouts now or in the future.

To keep the current benefit structure, the chief actuary has told us that we will need to increase contributions to 14 percent of income by the year 2030. Fourteen percent of one's income is too high and we know that. Once more, Canadians are unwilling to pay 14 percent. Therefore to have rebalance in a relationship between what Canadians can reasonably expect to pay and the plan contributions, we must plan reasonably the form that this benefit is taking.

● (1825)

A member across the way asks when did we realize this. It is very clear. When we came to government three and a half years ago, we realized there was a problem and so we did these consultations. We have been working on this issue. We have been doing the things necessary while the other government previous to ours left it. It did not have the nerve to straighten things out and correct things. Quite clearly we have done a great deal of consultation and we are moving forward.

That rebalanced relationship is very important to where these benefits are going and what is happening. As it is, Bill C-2 addresses this by proposing marginal increases in contribution rates to be phased in over a period of seven years. In this way contributions will increase by .4 percent this coming year or about \$24 and will go up to 9.9 percent of income by the year 2003. This is compared to the current rate of 5.85 percent.

Some of my colleagues opposite have described this increase as a tax grab. I want to be very clear on the record that this is not a tax issue. CPP contributions are not a tax. They are contributions toward pensions. I guess they do not understand pension contributions but that is what they are.

The premium payments will not go into the government's general revenue. They will not be used in any form other than CPP. In fact the bill states that the savings will become part of a separate investment fund to be managed and invested on behalf of the plan by an independent body. CPP contributions represent an interested investment by Canadians in their own future. It is not a tax.

Contributing to CPP is not paying tax. It is planning prudently for the future of Canadians. CPP contributions are like insurance premiums. They are invested to provide for future needs. Contribu-

### *Government Orders*

tions to company pension plans are not taxes. They are deductible in a similar way that CPP contributions are tax deductible investments in the future. I think it is important that Canadians understand that.

Having cleared up one of the mistaken impressions, I would like to turn now to clearing up another. That is the mistaken impression that the benefits under the revised plan are going to be cut drastically. Anyone who studies the bill will realize that the changes being proposed to the benefits are modest. In many cases benefit payouts would not change at all.

For example CPP retirement pension disability benefits, survivor benefits or combined benefits currently paid are not affected by these amendments. Also anyone over 65 as of December 31, 1997 who elects to start receiving a CPP retirement pension after that date will not see the pension affected. All benefits under the CPP, except the death benefit, would remain fully indexed to inflation.

The ages of eligibility for retirement, early, normal or late, would be unchanged. Canadians would continue to be eligible for early retirement starting at age 60, normal retirement age would be age 65 and late retirement eligibility would continue up to age 70. There would be no impact on the child benefits either for current beneficiaries or future ones.

These basic features of the CPP would remain the same but there are some changes that are being proposed by the legislation. We cannot bring the program back into balance without making some adjustments.

During our consultations we were told that we should go easy on making the changes. Canadians recognize the need for adjustments but they did not want to see a drastic change. We listened to the advice and have given some thought to all of the approaches we could take to balance the system. We believe we will accommodate that concern through this bill.

● (1830)

At the same time we recognize the proposed changes should not impact unduly on anyone or any group in society. Thus the impact of the changes will be shared among future retirees, future survivors of retirees and recipients of disability benefits.

As noted earlier, anyone currently in receipt of retirement pension under the CPP will not see that pension change. However, retirement pensions for future beneficiaries would change since the calculation would be based on five years of maximum pensionable earnings instead of the current three years.

**The Acting Speaker (Mr. McClelland):** I am sorry to interrupt the hon. member but he will have approximately 10 minutes remaining when this debate commences again tomorrow.

*Adjournment Debate***ADJOURNMENT PROCEEDINGS***[English]*

A motion to adjourn the House under Standing Order 38 deemed to have been moved

## GOVERNMENT EXPENDITURES

**Mr. Gilles Bernier (Tobique—Mactaquac, PC):** Mr. Speaker, in a 1993 Liberal Party press release the prime minister described the decision to purchase much needed maritime helicopters as a colossal waste of taxpayers' money.

Since he made that statement his government has slashed health care transfers to the provinces by 35 percent. Simultaneously he spent over a billion dollars only to delay the necessary replacement of Canada's aging Sea King and Labrador helicopters.

Our health care system is viewed by many as the best in the world. It is one of the most important achievements in our history and a cornerstone of Canadian society. Preserving and improving health care are top priorities for Canadians and must be judged as important to every government.

Over the last three years the current government cut health care funding to every province and territory. It has hacked more than one-third out of health transfers to the provinces and territories.

In the last three budgets of the Minister of Finance these federal transfers were cut by more than \$6 billion. This has put extra pressure on provincial governments, health care institutions, health care providers and, most of all, patients and their families.

As provincial and territorial governments struggle to absorb the federal spending cuts and community hospital cuts, many Canadians fear the health care system they have come to count on may not be there when they need it.

That begs a question. Has the government taken every measure necessary to secure funding for our health care system? Has the government spent taxpayers' money wisely and only cut health care transfers as a last resort? The answer unfortunately is no.

In 1993, in the heat of an election campaign, the prime minister made a hasty campaign promise to scrap the purchase of 43 maritime helicopters needed to replace the Department of National Defence aging Sea King and Labrador helicopters.

The decision to cancel this purchase was not made on sound judgment as part of an overall strategy for Canada's military. It was not a decision based on what is best for the value of taxpayers' money. It was made for purely partisan political reasons. The prime

minister made the unwise decision but Canadians have been paying the price ever since.

Since the Liberal government took office there have been more than 511 emergency landings for the Sea Kings and 259 emergency landings for the Labrador.

The original deal on helicopters was not just a purchase but an opportunity for Canadians to co-develop proprietary technology for the EH-101. Canadians have lost forever the 10 percent job royalties guaranteed to them from all international sales of EH-101 helicopters.

The deal would have created 4,000 person years in new, high paid technology driven jobs. Instead the government must deal with the additional cost of lost jobs, closed companies and lost tax revenue.

Finally, after four years of delay, the government is poised to announce two new helicopter contracts to replace the Sea Kings and Labradors. The price of this delay, we now know, is more than a billion dollars to Canadian taxpayers in cancellation fees, additional maintenance costs and lost jobs and tax revenues. What did we get for \$1 billion? Nothing, not a single helicopter.

• (1835)

Canadians believe and I believe the money should have gone into health care transfers. This is a time when government must make hard choices about how to use scarce health funds.

Was the obscene amount of money spent on keeping a poorly thought out campaign promise worth it? Absolutely not. That is money that could have benefited our health care system.

**Mr. John Richardson (Parliamentary Secretary to Minister of National Defence, Lib.):** Mr. Speaker, the government understands that Canadians want their tax dollars well spent whether on health care or defence. The government is committed to ensuring that Canadians get the most value for their dollars. This means in part making sure that Canadian forces have the right equipment for the job.

The Canadian forces are often called upon to perform difficult and sometimes dangerous work. If they are to do what Canadians expect them to do, they must have the tools to do the job at a price we can afford.

Beyond the international commitments Canadians are well aware of and justifiably proud of, our forces first and foremost carry out a full slate of missions at home. Among the more important of them is the national search and rescue service.

Search and rescue is of paramount importance to thousands of Canadians from those who make their living in the remote regions of the country, be it at sea, on land or in the air, to the many Canadians who simply enjoy boating, camping, fishing and the great outdoors.

Over the last 50 years Canadian forces provided primary search and rescue helicopter services to Canadians. They have truly established a tradition of excellence and have saved many lives over the years. This success can be attributed directly to the unselfish effort of highly skilled and dedicated search and rescue personnel.

We can cite a few examples of the last couple of years to highlight their achievements. They have provided vital lifesaving, morale boosting and support during the devastating floods in the Saguenay and the Manitoba Red River Valley in July 1996 and the spring of 1997 respectively. These success stories are remarkable, particularly when we think of the unique challenges we face in Canada. Our geography comes immediately to mind, a huge land mass and one of the longest coastlines in the world.

The Canadian forces must be able to operate in extremely harsh conditions including the Arctic. They must be prepared to respond to emergencies anywhere in the nation.

#### FISHERIES

**Mr. Peter Stoffer (Sackville—Eastern Shore, NDP):** Mr. Speaker, I rise today to bring light to the crisis facing the east coast fishery.

My question last week to the Minister of Fisheries and Oceans was for him to call a judicial inquiry into the past and current practices and policies of the Department of Fisheries and Oceans. With all four opposition parties plus scientists and bureaucrats from within the departments, plus the Department of the Environment, not to mention thousands of fishers in Atlantic Canada and Quebec calling for the same inquiry, it appears to all of us that only the minister is opposed to calling an inquiry.

His position reminds me of a line I heard in a movie which indicates to me that he cannot handle the truth. Only an open judicial inquiry would allow scientists from within the department to state openly their concerns without fear of job retribution.

Only an inquiry will be able to find solutions to the crisis not only on the east coast but on the west coast as well. Our stocks of various species of fish are reaching dangerously low levels and without strong measures may never recover.

The minister of human resources announced the other day that he has hired an individual to look at the concerns facing the 40,000 fishers on our east coast as the income supplement known as TAGS runs out one year prematurely in May 1998.

I suspect that he did this to deflect certain criticism bound to come to the government from the upcoming attorney general's

#### *Adjournment Debate*

report. The report coming out this week is sure to be very critical of the government's handling of not only the TAGS program but the management, or should I say mismanagement, of the groundstock species.

A system such as the individual transfer quotas or ITQs have taken 50 percent of the total quotas away from individual fishers and moved them into the hands of a handful of corporations. As well, 20 percent of additional quotas are sold from individual fishers to the corporations. In truth the corporations control 70 percent of the total allowable catch.

With the modern high tech methods incorporated in today's fishing industries, tonnes of fish can now be caught indiscriminately within a matter of hours using no more than a couple of dozen fishers, where before fish were caught more selectively using hook and line methods, using the services of hundreds of fishers and smaller vessels.

● (1840)

The nets used by draggers on the huge trawlers sometimes break away from the ship, lying on the ocean floor, indiscriminately killing anything in their path, not to mention the trawler gear that rips up the ocean floor, destroying precious corral and reef habitats. Just last week two whales off the east coast were seen tangled up in nets.

Other examples of concern are the dumping of by-catches which is still ongoing. As well, the number of gun-toting fishing officers is ever increasing. It is also true that with the hundreds of different organizations involved in the fishing industry there are hundreds of different ideas of what should happen to cure the ills affecting the industry.

Today I ask all parties involved in the fishery on all three coasts to put aside their differences and work together to come up with a viable long term sustainable solution not only to bring back the stocks but to provide long term employment for as many Canadians as possible. I believe this process would be greatly enhanced by an inquiry.

**Mr. Wayne Easter (Parliamentary Secretary to Minister of Fisheries and Oceans, Lib.):** Mr. Speaker, most of the points raised by the member opposite speak to the need of the government to provide good conservation and management of the fisheries. That is certainly what this minister of fisheries is doing.

With respect to the TAGS issue, first and foremost, the Atlantic groundfish strategy is under the purview of the Minister of Human Resources Development. The prime minister has recently appointed the minister of HRD as the lead on the post-TAGS issue. The Minister of Fisheries and Oceans will be working very closely with Minister of Human Resources Development providing fisheries advice to him and his officials on options as they are developed.

*Adjournment Debate*

The government announced TAGS in April 1994 and promised \$1.9 billion in income support and adjustment measures under the program. The government is living up to that commitment. Unfortunately, because of the larger than expected number of participants, TAGS will end in May 1998.

The government remains very concerned about the impacts of the end of TAGS on individuals and communities and last May promised a post-TAGS review.

Last Friday the Minister of HRD appointed a senior HRDC official to lead this review of the post-TAGS situation, starting immediately. Mr. Harrigan will be looking at the situation as it affects the five eastern provinces.

The review will focus on the impact of the end of TAGS program on clients and help the government and our other partners develop forward looking solutions.

It is very important for us to reflect on the human dimensions of this crisis on individuals and communities. We look forward to working with all our partners, including industry and the province, to address the solution of Atlantic fishers.

## FOREIGN AFFAIRS

**Mr. Preston Manning (Leader of the Opposition, Ref.):** Mr. Speaker, the reason we are here today at what we like to call the question period late show is that we have been unable to get any straight answers from the government for a solid week on the matter of Canadian passports being used by Israeli agents in Jordan.

Every day we have stood and asked straightforward information-gathering questions of the prime minister, of the foreign affairs minister, of whomever the files seemed to be pawned off on that particular day. One day we even heard from the Secretary of State for Latin American and Africa, a mistake only remedied when the government finally realized that neither Israel nor Jordan are in Latin America or Africa.

Simply put, they have been evasive, sloppy and inaccurate. They have embarrassed our country at home and on the world stage in their handling of the matter. After more than a week our questions remain outstanding and unanswered. They have been asked in good faith on behalf of concerned Canadians both at home and abroad and deserve a reply.

We know that the issue is delicate, that Israel and Canada are strong allies economically, culturally, politically, and of course allies in the fight against international terrorism. Canadians believe in the State of Israel and its right to defend itself against attack.

Our concerns have centred on the fact that Canadian passports have been used to engage in covert operations. By using Canadian

passports as part of their cover, Israeli agents have made Canadians unwitting players in a very dangerous game.

The Canadian passport like the maple leaf is a trusted symbol of our country. Our passport enjoys unparalleled respect the world over, undoubtedly a reason that the Mossad found it useful. Using Canadian passports may be good for counter-terrorist missions, but it unfortunately jeopardizes the reputation of our passport and of Canadians who travel abroad every year. That means it jeopardizes the safety of those Canadian travellers as well.

• (1845)

Over the past week the government has said that the passports were forgeries. Then it said they may have been forged or stolen. Then it said that Canadian officials had seen the passports, then that they had not seen the passports but other people had seen them. It goes on and on.

Surely this is such a sensitive issue that it deserves a clear answer as to what has actually happened. Surely after nearly two weeks of inquiries the government should know the truth.

Therefore I ask again, and solicit a straight answer from the government, will the government please explain to Canadians what exactly happened in Jordan and how it came to be that the Mossad was using Canadian passports as a cover?

**Mr. Ted McWhinney (Parliamentary Secretary to Minister of Foreign Affairs, Lib.):** Mr. Speaker, in reply to the hon. leader of the opposition, he will be aware, as the prime minister told the House, that it is absolutely unacceptable to the Government of Canada that anybody should be authorized by a foreign government to use Canadian passports to perpetrate an illegal act.

I want to tell the House that we have taken actions to protect the integrity of our passport, the safety of Canadians and to assure all concerned that Canada is not complicit in any way in this incident.

We have obtained the two forged passports used in Jordan.

The hon. member will be aware that we have recalled our ambassador to Israel for consultations. This is a very serious step in international law and diplomacy. It is intended to send the signal that we will not tolerate the fraudulent use of Canadian passports. We believe this message has been heard in Israel.

I can confirm to the hon. member that the Israeli minister of foreign affairs, David Levy, called the Minister of Foreign Affairs yesterday. Foreign minister Levy expressed his regret at what had transpired. He is clearly concerned regarding the implications for Canada's future relations with Israel.

I can also inform the hon. member that Mr. Levy indicated the Israeli government has undertaken to investigate the matter and clear up all questions which have arisen between Canada and

*Adjournment Debate*

Israel. He undertook to provide the results of the investigation to Canada.

The hon. member should be aware that Mr. Levy agreed to the request of the Minister of Foreign Affairs that further discussions take place to ensure that this does not happen again.

## FOREIGN AFFAIRS

**Mr. Bob Mills (Red Deer, Ref.):** Mr. Speaker, before I came to the House I travelled extensively. I spent 30 years travelling around the world. I truly want to emphasize just how critical it is that the government preserve the integrity of the Canadian passport.

The Canadian passport is a ticket to freedom. It may be the most treasured passport in the entire world. Our passport is a key which opens the door for Canadians wherever they go.

That is exactly why the Canadian passport is so important for a man named Ron Ready. Ron is a Canadian who has been in Jordan for the past six months on important personal business. He does not want to come home until he has completed his task, but now he says that he may be forced to.

Things changed for the worse for Ron only a few hours after two individuals carrying what are now being called forged Canadian passports attacked a Hamas leader.

Ron says he was contacted in his hotel by the police and told that as a Canadian he should stay indoors because his safety might be threatened.

We have talked to Ron four or five times, almost every day, to find out how things have changed. Ron did contact foreign affairs, both over there and here in Ottawa. He called the prime minister's office for action. When he received no answers, he contacted the official opposition.

After communicating with Ron we were shocked to find that so little had been done to protect Canadians in Jordan and elsewhere in the Middle East. In fact, we can think of nothing that was done at all. Ron says that the only help he received was the same advice he got from the police: Stay inside.

Jordanian acquaintances told him there was talk of killing westerners. Meanwhile, he said, the embassy would not even pay for him to call the foreign affairs department in Canada. When Ron Ready really needed the foreign affairs department, foreign affairs was inept and unavailable for him.

At the very least, Ron thought the Canadian government should issue a travel advisory so that other Canadians would not wander into the situation, but foreign affairs refused to do it.

• (1850)

When an incident takes place anywhere in the world and Canadians are at risk I believe that the government should do what it can to help them. Instead of taking action the government stalled. Instead of thinking about how life would be for Canadians stuck in this situation, the government was only hoping that no one would ask the difficult questions that would embarrass it.

If the media and the official opposition did not push for answers I doubt the government would have told us about this situation at all. The government waited for days, hoping no questions would come. It did not even think for a moment about the implication and the threats this placed on Canadian passport holders travelling abroad.

We think the government owes it to Canadians to get an assurance from Israel that our passports will not be used in covert operations ever again. A Canadian passport is too important to be muddied doing the dirty work in undercover operations.

I ask the government what specific actions it will take to ensure this will not happen again.

**Mr. Ted McWhinney (Parliamentary Secretary to Minister of Foreign Affairs, Lib.):** Mr. Speaker, I can assure the House that the government is very concerned about the safety of Canadians travelling abroad. We have taken significant action to protect the integrity of our passports and the safety of Canadians.

The Minister of Foreign Affairs at the United Nations last week had extensive consultations with Arab governments and the Arab language press to assure them that there was no complicity on the part of Canada in this incident. As a result, the Arab governments and the Arab people realize that Canada was not involved in the attack in Jordan and will not hold us responsible. This diplomatic effort was the most important step in ensuring the safety of Canadians travelling and living in the Middle East.

Travel reports on eight Middle Eastern countries: Egypt, Israel, Jordan, Kuwait, Lebanon, Syria, Saudi Arabia and Yemen were updated on October 5 to inform the public of the recent incident in Jordan, to clarify Canada's non-complicity and to remind Canadians to be prudent and vigilant when travelling in the region.

As the prime minister told the House, it is unacceptable to the Government of Canada for anybody authorized by a foreign government to use Canadian passports to perpetrate an illegal act. The hon. member will be aware that we have recalled our ambassador to Israel for consultations. This is a very serious step in international law and diplomacy designed to send the signal that we will not tolerate the fraudulent use of Canadian passports. We do believe this message has been heard in Israel.

*Adjournment Debate*

The Minister of Foreign Affairs has obtained a commitment from the Israeli foreign minister to set up a consultative process with us to ensure that we can have a common understanding to prevent misuse of Canadian passports in the future.

## FOREIGN AFFAIRS

**Miss Deborah Grey (Edmonton North, Ref.):** Mr. Speaker, again I would like to raise the same issue we have been talking about, the seriousness of the passport problem we have had.

It amazes me that the parliamentary secretary, although I appreciate the effort he is making, has written answers already to questions which he did not really know were coming. I am rather amazed by that. He was not sure what the questions were that were coming but he has full blown written prepared answers for them.

I have a question for him with which I want to preface some of my remarks. I trust he will throw away the prepared text and give me a real answer for a very real question. This is the whole idea of a question period which is a little fuller and called the late show. The comedy of errors that we have seen over the last few days here in this Chamber leads me to believe that David Letterman is really the guy who is in charge of foreign affairs over there because of the absurdity of some of things we have seen come forward.

The official opposition does understand the importance of supporting our allies in the fight against terrorism. We understand that, we know it and we support it. But as Canadian members of Parliament our first duty is to make sure of the safety of our citizens, which means protecting the good reputation of our passport everywhere in the world, every day of the week, every month of the year.

When we first raised this issue in the House just several days ago, the prime minister assured us that no Canadian agents were involved in this anti-terrorist mission or the illegal use of Canadian passports. That is an important thing for us to find out but of course there have been questions arising from that. After all if Canada does have a secret agreement with other countries to help fight terrorism that changes things.

• (1855)

Also, if Canadian agents were involved in this mission somehow then that puts this Jordan operation in a different light as well. We need to find those answers.

The very first time we put the question to the prime minister he said that Canadians had nothing to do with this mission. When the Leader of the Opposition asked whether or not Canada had been asked for permission by a foreign country to use our passports he said: "I have never been informed of any such request by any government".

Today we find out that CSIS agents did indeed meet with the Mossad agents on the very eve of the mission. Surely in a meeting between Israeli and Canadian spy agencies on the eve of such a mission this issue might have come up in the conversation. Yet the prime minister told us in this House that it never came up.

My question for the parliamentary secretary is very simple. I trust that he is going to give us a straight answer here, not off prepared notes because he did not know what the question was. The question is simple and straightforward. There has been a flip-flop on the government side. First the prime minister said he had never been informed of any such request by any government and then we find out that the CSIS and the Israeli agents are talking to each other on the very eve of this mission.

Let me ask the parliamentary secretary how in the world can they expect us to believe that the subject of this major raid against Hamas did not even come up in their meeting?

**Mr. Ted McWhinney (Parliamentary Secretary to Minister of Foreign Affairs, Lib.):** Mr. Speaker, I would advise the hon. member that I have been briefed on this matter for fully a week. The answers that I am giving reflect the knowledge of facts such as they are.

They have some personal interest to me as somebody who has advised numbers of governments on international terrorism and its control.

When we first became aware of this matter we were advised by the Jordanian government of the arrest of two persons carrying Canadian passports, and Canadian diplomatic consul officials in Jordan made contact with these people through the offices of the Jordanian government and offered the usual diplomatic consular help, the offer of legal assistance and the like. It was refused categorically at that stage.

I will stick to facts because we cannot get into hypothetical situations. We were shown the passports by Jordanian government officials in the early stages of the investigation. Our examination then indicated that the passports were forgeries.

I want to inform the hon. member that we have now obtained the two passports used in Jordan. We have submitted them to our own forensic examination and that has confirmed the initial evaluation that the passports are forgeries.

We have, from the facts as they are already known, indicated our concern to the Government of Israel and we have spoken loudly and clearly to the Government of Israel.

The hon. member will be aware that we have recalled our ambassador to Israel for consultations. It is not a formal step. It is a very serious step in international law and diplomacy and it is intended to send a signal that we do not want Canadian passports tampered with in the future.

*Adjournment Debate*

**Miss Deborah Grey:** Mr. Speaker, point of order.

The motion to adjourn the House is now deemed to have been adopted. Accordingly, this House stands adjourned until tomorrow at 10 a.m. pursuant to Standing Order 24(1).

**The Acting Speaker (Mr. McClelland):** I am informed that we do not have points of order in adjournment proceedings.

(The House adjourned at 6.59 p.m.)

---



# CONTENTS

Monday, October 6, 1997

## GOVERNMENT ORDERS

### Canada Pension Plan Investment Board

Bill C-2. Second reading .....	495
Mr. Gagliano .....	495
Mr. Valeri .....	495
Mr. Manning .....	499
Amendment .....	504
Mr. Szabo .....	504
Mr. de Savoye .....	505
Mr. Nystrom .....	507
Mr. Ramsay .....	510
Mr. Nystrom .....	510
Mr. Ramsay .....	510
Mr. Nystrom .....	510
Mr. Szabo .....	511
Mr. Nystrom .....	511
Ms. Catterall .....	511
Mr. Nystrom .....	511
Mr. Harris .....	511
Mr. Nystrom .....	512
Mr. Ramsay .....	512
Mr. Nystrom .....	512
Mr. Charest .....	512
Mr. Harb .....	515
Mr. Charest .....	515
Mr. Charest .....	516
Mr. Marchand .....	516
Mr. Charest .....	516
Mr. Stinson .....	517
Mr. Stinson .....	517
Mr. Charest .....	517
Mr. Harris .....	517
Mr. Charest .....	517
Ms. Catterall .....	517

## STATEMENTS BY MEMBERS

### Supreme Court of Canada

Ms. Bradshaw .....	520
--------------------	-----

### Canada Pension Plan

Mr. Lunn .....	520
----------------	-----

### Teachers

Mr. Finlay .....	520
------------------	-----

### Member for Laval West

Mrs. Debien .....	520
-------------------	-----

### Federation of Canadian Municipalities

Mr. Wilfert .....	521
-------------------	-----

### Teachers

Ms. Redman .....	521
------------------	-----

### The Family

Mr. Forseth .....	521
-------------------	-----

### Communities

Mr. Pickard .....	521
-------------------	-----

### Quebec Economy

Mr. Sauvageau .....	522
---------------------	-----

### World Teachers Day

Mr. Charbonneau .....	522
-----------------------	-----

### Health

Mr. Hill (Macleod) .....	522
--------------------------	-----

### Audio-visual Production

Ms. Jennings .....	522
--------------------	-----

### Yukon Weather Station

Ms. Hardy .....	523
-----------------	-----

### Bloc Quebecois Leader

Mr. Saada .....	523
-----------------	-----

### Newfoundland

Mr. Doyle .....	523
-----------------	-----

## ORAL QUESTION PERIOD

### Foreign Affairs

Mr. Manning .....	523
Mr. Chrétien (Saint-Maurice) .....	523
Mr. Manning .....	524
Mr. Chrétien (Saint-Maurice) .....	524
Mr. Manning .....	524
Mr. Chrétien (Saint-Maurice) .....	524

### Political Contributions

Miss Grey .....	524
Mr. Chrétien (Saint-Maurice) .....	524
Miss Grey .....	524
Mr. Chrétien (Saint-Maurice) .....	524

### Foreign Affairs

Mr. Duceppe .....	524
Mr. Chrétien (Saint-Maurice) .....	525
Mr. Duceppe .....	525
Mr. Chrétien (Saint-Maurice) .....	525
Mrs. Debien .....	525
Mr. Axworthy (Winnipeg South Centre) .....	525
Mrs. Debien .....	525
Mr. Axworthy (Winnipeg South Centre) .....	525
Ms. McDonough .....	525
Mr. Axworthy (Winnipeg South Centre) .....	525
Ms. McDonough .....	525
Mr. Axworthy (Winnipeg South Centre) .....	525

### Government Grants

Mr. Charest .....	526
Mr. Chrétien (Saint-Maurice) .....	526
Mr. Charest .....	526
Mr. Pettigrew .....	526

### Government Services

Mr. Epp .....	526
Mr. Gagliano .....	526
Mr. Epp .....	526
Mr. Gagliano .....	526

### RCMP Investigations

Mr. Gauthier .....	527
--------------------	-----

Mr. Pettigrew .....	527
Mr. Gauthier .....	527
Mr. Pettigrew .....	527
<b>Revenue Canada</b>	
Mr. Kenney .....	527
Mr. Dhaliwal .....	527
Mr. Kenney .....	527
Mr. Dhaliwal .....	527
<b>RCMP Investigations</b>	
Mr. Duceppe .....	528
Mr. Chrétien (Saint-Maurice) .....	528
Mr. Duceppe .....	528
Mr. Chrétien (Saint-Maurice) .....	528
<b>Aboriginal Affairs</b>	
Mr. Scott (Skeena) .....	528
Mrs. Stewart (Brant) .....	528
Mr. Scott (Skeena) .....	528
Mrs. Stewart (Brant) .....	528
<b>Money Laundering</b>	
Mr. Bellehumeur .....	529
Ms. McLellan .....	529
<b>Health</b>	
Ms. Phinney .....	529
Mr. Rock .....	529
<b>National Defence</b>	
Mr. Hanger .....	529
Mr. Eggleton .....	529
Mr. Hanger .....	529
Mr. Eggleton .....	529
<b>Environment</b>	
Mr. Laliberte .....	530
Mrs. Stewart (Northumberland) .....	530
Mr. Laliberte .....	530
Mrs. Stewart (Northumberland) .....	530
<b>RCMP Investigations</b>	
Mr. Bachand (Richmond—Arthabaska) .....	530
Mr. Massé .....	530
<b>Political Contributions</b>	
Mr. MacKay .....	530
Mr. Pettigrew .....	530
<b>Acid Rain</b>	
Mr. Drouin .....	530
Mr. Drouin .....	531
Mrs. Stewart (Northumberland) .....	531
<b>Canada Pension Plan</b>	
Mrs. Ablonczy .....	531
Mr. Martin (LaSalle—Émard) .....	531
<b>Satellite Dishes</b>	
Mrs. Lalonde .....	531
Mr. Lastewka .....	531
<b>Health</b>	
Ms. Wasylycia-Leis .....	531
Mr. Rock .....	531
<b>Environment</b>	
Mr. Keddy .....	531
Mrs. Stewart (Northumberland) .....	532

<b>Multiculturalism</b>	
Ms. Bulte .....	532
Ms. Fry .....	532
<b>British Columbia</b>	
Mr. White (Langley—Abbotsford) .....	532
Mr. Chrétien (Saint-Maurice) .....	532
<b>Presence in Gallery</b>	
The Speaker .....	532
<b>Points of Order</b>	
<b>Comments During Question Period</b>	
Ms. Hardy .....	532
Mr. White (Langley—Abbotsford) .....	532

## ROUTINE PROCEEDINGS

<b>Reserve Force Act</b>	
Bill C-232. Introduction and first reading .....	533
Mr. Hart .....	533
(Motions deemed adopted, bill read the first time and printed) .....	533
<b>Final Offer Arbitration in Respect of West Coast Ports Operations Act</b>	
Bill C-233. Introduction and first reading .....	533
Mr. Johnston .....	533
(Motions deemed adopted, bill read the first time and printed) .....	533
<b>Crown Liability and Proceedings Act</b>	
Bill C-234. Introduction and first reading .....	533
Mr. Hanger .....	533
(Motions deemed adopted, bill read the first time and printed) .....	533
<b>Competition Act</b>	
Bill C-235. Introduction and first reading .....	533
Mr. McTeague .....	533
(Motions deemed adopted, bill read the first time and printed) .....	534
<b>Petitions</b>	
<b>National Unity</b>	
Mr. White (Langley—Abbotsford) .....	534
<b>Rail Service</b>	
Mr. Dromisky .....	534
<b>Highways</b>	
Mr. Johnston .....	534
<b>Food and Drugs Act</b>	
Mr. Adams .....	534
<b>Penitentiaries</b>	
Mr. Adams .....	534
<b>DNA Data bank</b>	
Mr. Duncan .....	534
<b>The Family</b>	
Mr. Duncan .....	534
<b>Criminal Code</b>	
Mr. Duncan .....	534
<b>Goods and Services Tax</b>	
Mrs. Augustine .....	535
<b>The Family</b>	
Mrs. Augustine .....	535
<b>Questions on the Order Paper</b>	
Mr. Adams .....	535

## GOVERNMENT ORDERS

<b>Canada Pension Plan Investment Board Act</b>	
Bill C-2. Second reading .....	535

Ms. Catterall .....	535
Mr. Kenney .....	535
Ms. Catterall .....	535
Mr. Schmidt .....	536
Ms. Catterall .....	536
Mr. Szabo .....	536
Ms. Catterall .....	536
Mr. Obhrai .....	536
Ms. Catterall .....	536
Mrs. Ablonczy .....	537
Mr. Casey .....	538
Mrs. Ablonczy .....	539
Mr. Calder .....	539
Mr. Harris .....	539
Mr. Calder .....	539
Mrs. Ablonczy .....	539
Mr. Schmidt .....	540
Mrs. Ablonczy .....	540
Mr. Harris .....	540
Mrs. Ablonczy .....	541
Mr. Shepherd .....	541
Mr. Kenney .....	542
Mr. Nault .....	542
Mr. Kenney .....	542
Mr. Shepherd .....	543
Mr. de Savoye .....	543
Mr. Shepherd .....	543
Mr. Harris .....	543
Mr. Shepherd .....	544
Mrs. Lalonde .....	544
Mr. de Savoye .....	546
Mrs. Lalonde .....	546
Mr. Pillitteri .....	546
Mr. Anders .....	548
Mr. Pillitteri .....	548
Mr. Duhamel .....	548
Mr. Pillitteri .....	549
Mr. Riis .....	549

Mr. Calder .....	552
Mr. Riis .....	552
Mr. Calder .....	552
Mr. Riis .....	552
Mr. Harris .....	552
Mr. Riis .....	552
Mr. de Savoye .....	553
Mr. Riis .....	553
Mr. Szabo .....	553
Mr. Dubé (Madawaska—Restigouche) .....	556
Mr. Anders .....	557
Mr. Dubé (Madawaska—Restigouche) .....	557
Ms. Brown .....	557
Mr. Dubé (Madawaska—Restigouche) .....	558
Mr. Jones .....	558
Mr. Stoffer .....	559
Mr. Jones .....	559
Mr. Szabo .....	559
Mr. Jones .....	560
Mr. Pickard .....	560

## ADJOURNMENT PROCEEDINGS

### Government Expenditures

Mr. Bernier (Tobique—Mactaquac) .....	562
Mr. Richardson .....	562

### Fisheries

Mr. Stoffer .....	563
Mr. Easter .....	563

### Foreign Affairs

Mr. Manning .....	564
Mr. McWhinney .....	564

### Foreign Affairs

Mr. Mills (Red Deer) .....	565
Mr. McWhinney .....	565

### Foreign Affairs

Miss Grey .....	566
Mr. McWhinney .....	566
Miss Grey .....	567

**MAIL  POSTE**

Canada Post Corporation/Société canadienne des postes

Postage paid

Port payé

**Lettermail**

**Poste – lettre**

**03159442**

**Ottawa**

*If undelivered, return COVER ONLY to:*

Canadian Government Publishing,  
45 Sacré-Coeur Boulevard,  
Hull, Québec, Canada, K1A 0S9

*En cas de non-livraison,*

*retourner cette COUVERTURE SEULEMENT à:*

Les Éditions du gouvernement du Canada,  
45 boulevard Sacré-Coeur,  
Hull, Québec, Canada, K1A 0S9

**Published under the authority of the Speaker of the House of Commons**

**Publié en conformité de l'autorité du Président de la Chambre des communes**

**Also available on the Parliamentary Internet Parlementaire at the following address:**

**Aussi disponible sur le réseau électronique «Parliamentary Internet Parlementaire» à l'adresse suivante :**  
**<http://www.parl.gc.ca>**

---

**The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.**

**Additional copies may be obtained from Canadian Government Publishing,  
Ottawa, Canada K1A 0S9, at \$1.75 per copy or \$286 per year.**

**Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.**

**On peut obtenir la version française de cette publication en écrivant à Les Éditions du gouvernement du Canada,  
Ottawa, Canada K1A 0S9, à 1.75 \$ l'exemplaire ou 286 \$ par année.**