Columnists

Shortfall in MP's pension plan raises ire

Rennie MacKenzie
Ottawa
Thomson News Service

OTTAWA - The disclosure of a multimillion-dollar shortfall in the super-rich pension plan for members of Parliament has fuelled the ire of many disgruntled by political perks.

Reaction to news of the $144-million deficit in the fund, reported to Parliament by the government's chief actuary, G. W. Poznanski, was predictably immediate, swift and shrill.

In a lengthy denunciation of the pension fund and the shortfall, David Somerville of the National Citizens' Coalition called the liability "shameful," "scandalous" and another "shaft" for the taxpayer.

The response could have been more strident. Pension analysts say the public isn't fully aware of unique rules that apply to the fund and the extraordinary benefits members of Parliament and Senators may lavish on themselves in retirement or electoral defeat.

The shortage represents the government's share of the pension pot and the interest owed that has accumulated because of the failure to keep the fund topped up.

At the request of Thomson News Service, pension experts at Toronto-based William M. Mercer Ltd. reviewed the report prepared by Poznanski, who works at the Office of the Superintendent of Financial Institutions.

MORE GENEROUS

"As a plan, it's far more generous than anybody in private enterprise could ever hope to get," Fred Thompson commented. That's because the tax laws that apply to private pension plans were extended to accommodate the wishes of parliamentarians when they designed their own plan, explained Thompson and fellow Mercer Ltd. actuary Paul Purcell.

"They make the laws. They can do whatever they want," Thompson said. "One of the first things they do when they write a law is exempt themselves."

As an example, Thompson pointed out that most Canadians must work 35 years to qualify for the maximum pension benefit of about 70 per cent of final earnings prior to retirement. A member of Parliament is entitled to 75 per cent of earnings after just 15 years in the plan.

And while most Canadians must wait until age 65 or until they are within a few years of mandatory retirement to be eligible for benefits, MPs can collect on retirement after just six years.

Why must individuals alone be burned?

Mr. Crow is right about the inflationary spiral. Still, one can't help feeling that there is something terribly unfair about this way of thinking. Companies of all types would be able to pass on higher fuel costs to their customers. Consumer prices, he admits, would rise.

Individual Canadians would get it two ways: they would pay higher prices for almost everything but they would not be able to ask for more money. If they did, they would get smacked with higher interest rates, a shrinking economy and widespread layoffs.

No wonder people are becoming fed up. We face a big increase in gasoline and heating oil prices. We will pay it again when companies pass the increase on to us in the form of higher prices for goods and services.

Then there are interest rates. We pay for them when we borrow. We pay for them when companies pass their interest costs on to us in prices. And we pay for them with our taxes. Soon we will have the goods and services tax as well. Guess who will pay?

Mr. Crow and Finance Minister Michael Wilson seem to forget that workers and taxpayers also are consumers. Consumer spending, rightly or wrongly, accounts for two-thirds of the North American economy. Business is beginning to feel the effect of consumers who can no longer afford to spend. When profits are down, guess who pays, this time with their livelihood?

Trade talks resembling Meech Lake discord

Vic Parsons
Ottawa Bureau
Thomson News Service

OTTAWA - The current round of world trade talks is beginning to sound ominously like an international version of Canada's Meech Lake accord.

There's a faint chance that negotiators for the 100 countries involved in the GATT (General Agreement on Tariffs and Trade) will pull a last-minute rabbit out of the hat. But, as time speeds by, hope dims for a deal.

With three weeks to go before the grand finale of the four-year Uruguay Round in Brussels, the United States and the European Community (EC) - the two main combatants - are still brandishing sabres over the dicey issue of farm-trade subsidies.

Last week, U.S. Agriculture Secretary Clayton Yeutter warned that no deal under the auspices of GATT, the world trade referee, would be better than what the Americans consider a bad agreement.

Unless the Europeans come up with a better proposition on removal of subsidies than the 30-per-cent cut over 10 years they have offered to date, they can forget it, Yeutter said.

His colleague, U.S. Trade Representative Carla Hills, added agriculture is the linchpin of a successful round. She said this is because free and fair trade in this area is the highest priority for many countries of Latin America, Eastern Europe and Southeast Asia, as well as the U.S. and its supporters.

But Jacques Lecomte, the EC ambassador to Canada, has bluntly said the rest of the world is dreaming if it thinks the 12-member community will slash farm supports and export subsidies to its 10-million farmers by the 70-to-90 per cent demand by other nations.

The Europeans say their offer is comprehensive and substantial. "No sector and no community support program has been spared," the EC said last week. "Substantive, because a cut of 30 per cent in nominal terms means, with an average inflation rate of three per cent over 10 years, a support cut of 56 per cent in real terms."

Although other issues besides agriculture are on the Uruguay Round table, farm subsidies have dominated. When leaders of the seven largest industrial powers met in Houston last July, they declared progress on agriculture was "critical" to the successful completion of the GATT negotiations. Without an agricultural deal, progress in other areas is likely to be stymied.

In the war for international support between the two main protagonists, the U.S. is clearly winning. Canada is a member of the so-called Cairns Group of food producers, which has been moving closer to the American position.

The group, including fellow grain exporters Argentina and Australia, among others, began with a basically neutral stance that leaned only slightly to the U.S. Of late, it has been pointedly sniping at the Europeans.

What happens if the talks fail? Earlier this month, Trade Minister John Crosbie said Canada would suffer "extensively" if a trade war erupts because the GATT nations can't agree upon the rules of the game. With about a third of Canada's economic output related to trade, the country is very vulnerable.

FARMERS SUFFER

Grains Minister Charles Mayer echoed Chrosbie. Noting that 80 per cent of Canada's wheat, half the barley and three-quarters of canola is exported, Mayer warned domestic farmers will suffer without greater access.

GATT's director general, Arthur Dunkel, has described the current impasse as "very grave" and cautioned other areas of agreement could fall apart. meanwhile, Australia's trade minister, Neal Blewett, has said failure could give a green light to protectionist forces around the world.

This is worrisome, particularly with Canada already in recession and our major trading partner, the U.S., on the verge of a shrinking economy.

One only has to cast an eye back to the onset of the 1930s Depression, when many nations, including the U.S. and Canada, erected trade barriers as a defence mechanism against the economic collapse.

The tactic didn't work. World trade shrank alarmingly as protective tariffs rose to unprecedented levels. Many economists and historians argue the barriers prolonged the Depression.

Already there is a trend toward inward-looking trade blocs, which could intensify if GATT fails. The EC will undoubtedly become more introspective, efforts toward an insular North American bloc to include Mexico would be stepped up, and Japan might try for a Southeast Asian group.

It would be years before repairs could be made to the world trade environment.

Agricultural issues fuelling free trade fire

Kevin Bell
Washington Bureau
Thomson News Service

WASHINGTON - Agricultural issues are emerging as the major irritants in the United States as the Canada-U.S. free-trade agreement nears its second anniversary.

American farm groups feel Canadian farmers are getting the long end of the pitchfork.

In written and verbal testimony to a Senate trade subcommittee, U. S. farm groups have raised strong objections to some of Canada's farm policies that they claim leave American producers at a disadvantage.

The most serious concern centres around a proposal to halt American re-inspection of Canadian meat that enters the country, but Americans have also complained loudly about Canadian trade in hogs and pork, the threat of inexpensive fertilizer exports and the level of Canadian subsidies.

Senator Max Baucus, a Montana Democrat who chairs a subcommittee on international trade, said recently that the free-trade agreement has been implemented smoothly and many of the U.S. concerns have died down.

"But when two nations exchange $200 billion in goods and services, disputes can be expected," he said. "There are a number of very serious trade disputes between the U.S. and Canada that deserve immediate attention at the highest levels of government."

Here are some of the major U.S. concerns:

MEAT INSPECTION: The U.S. Department of Agriculture has received more than 2,400 complaints about a proposal between the two countries to end re-inspection of meat on a one-year trial basis. As long as meat is inspected by officials in the country of origin, it would not be reinspected by the importing country.

Concerned about a sharp increase in U.S. rejections of Canadian meat, several politicians from border states have called on the agriculture department to abandon the proposed experiment if it can't confirm that Canadian inspection standards are equal to those in the United States.

A U.S. study shows that the rejection rate for Canada, the leading exporter of meat into the United States, is two to four times higher than other exporting countries. For instance, a total of 0.87 per cent of all Canadian meat exported to the U.S. was rejected by U.S. inspectors last year. That compares to a rejection rate of 0.39 per cent for Denmark, 0.34 for Australia and 0.16 for New Zealand.

Canada and the U.S. agriculture department say meat inspection standards are virtually identical in the countries, but the Montana Board of Livestock has proposed that American officials inspect Canadian exporting plants to ensure they are adequate before the agreement is implemented.

Canada has blamed overzealous inspectors, fear of job loss among U.S. workers and increased competition for the campaign against Canadian meat products.

FERTLIZER: U. S. fertilizer manufacturers are pulling out all the stops in an effot to halt the construction of a new plant in Saskatchewan.

A group of U.S. fertilizer producers has asked the U.S. government to intervene with Canadian officials over the Saferco Products Inc. plant now under construction in Belle Plaine, near Regina. The ad hoc committee of Domestic Nitrogen Producers claims that the plant is uneconomical and would not be built if it were not for generous subsidies from the Saskatchewan government.

Saskatchewan is providing $64 million fo the $435-million plant and Cargill Ltd. is putting up $65 million. Another $1 million comes from an unnamed investor while the rest will come from loans guaranteed by the Saskatchewan government.

U.S. fertilizer companies say the "injurious Canadian subsidy" violates the spirit of the free-trade agreement and rules under the General Agreement on Tariffs and Trade (GATT). They add that studies show Saferco will flood the international fertilizer market, leading to a drop in U.S. prices of 12 to 17 per cent and a four-to-six-per-cent drop in U.S. production.

"As a result, the situation presented to U.S. producers can only be described as alarming," the group told senators.

Saferco denies the province is subsidizing the plant, but has provided an "equity investment" from which Saskatchewan taxpayers expect to receive dividends.

HOGS AND PORK: Canadian pork producers are making headway against a U.S. countervailing duty, but American farmers may be looking for new ways to halt the import of Canadian pork.

A GATT ruling recenly found that the U.S. Department of Commerce acted illegally by imposing an eight-cents-a-kilogram countervailing duty on pork exports. It recommended that the U.S. reimburse the duties, but the U.S. International Trade Commission concluded recently that it expects Canadian pork imports will harm the U.S. market in the near future.

The ruling will help American farmers to keep the pressure on Washington to retain the duty. The Canadian Pork Council, however, is optimistic that a binational panel formed under the free-trade pact will succeed in forcing the U.S. to wipe out the duty.

But the U.S. National Pork Producers Council is ringing alarm bells about Canadian farming practices.

Citing the proposal to end inspections of Canadian meat products, it has raised alarms over two drugs used to treat livestock and poultry diseases, dimetridazole and ipronidazole.