

Mr. DUNNING: It depends upon the selling point. Wherever the sale takes place, that is the place where the tax is levied on the manufacturer.

Mr. YOUNG: The point I am trying to get at is this: if the car is actually shipped in knocked-down condition to Winnipeg, and is completed there, is the freight from Windsor to Winnipeg added to the cost of the car in determining the amount of the tax?

Mr. DUNNING: I should have to answer the question from the standpoint of theory, because it is not a practical transaction, but obviously the manufacturer of an automobile or of anything else does not desire to add to the amount of the tax levied on that particular article; I assume therefore that the original sale in all cases would apply; that is to say, the so-called assembly plant at Winnipeg or at any other point would be in that case in the position of being the purchaser. It is a matter of practice, and I am answering a theoretical question. I do not think it has any real parallel in fact.

Mr. YOUNG: If it were theory I would not be asking it. It is a matter of actual practice. A Ford car manufactured in Windsor is shipped to Winnipeg in knocked-down condition, and there assembled. I am told that the freight is actually added in determining this tax. I am trying to find out why in the world we should be collecting an extra duty on freight paid in this country.

Mr. STEWART: Because you need the money.

Mr. DONNELLY: If the price of a Ford car at Windsor is \$700, when it gets to Regina it is around \$875. Are you collecting the sales tax on \$875 or on \$700? The merchant, when he goes to buy, may not pay \$700, but only \$550. Do you collect on the \$550 that the agent pays for it? Do you collect it on a wholesale price or on a retail price?

Mr. DUNNING: It is a manufacturer's tax. The sales tax is levied, according to its terms, on the manufacturer's price at the place at which the manufacturer makes the sale.

Mr. MacNICOL: Will this new regulation increase employment in the motor car industry in Canada, or decrease it?

Mr. DUNNING: How can one say that the imposition of a direct tax either increases or decreases employment? I suppose in theory it can be argued that direct taxation is an employment reducing agent. But inasmuch as this is an adjustment of existing taxation, and is part of a general scheme for the re-

organization of taxation in connection with the automobile industry generally, including the tariff, including in some particulars the excise tax, and also the sales tax, I believe the general effect of the whole plan as evolved by the tariff board and shown in their report will be to increase employment, not to decrease it.

Mr. NEILL: May I ask what was the former regulation?

Mr. YOUNG: I should like to know from the Minister of National Revenue whether in practice his department does put on this particular charge between the two points I mentioned, that is, whether it is figured in the price of the car.

Mr. ILSLEY: The Minister of Finance answered the question. If I understand the question correctly it is whether the manufacturer is allowed to add freight to cost—is that it?—before an excise or sales tax is imposed.

Mr. YOUNG: As I understand it, cars are shipped in a knocked-down condition to Winnipeg. At Winnipeg, the point where the car is finally completed, the cost of the car is its cost at Windsor plus the additional work done in Winnipeg, plus the freight. At that particular point, then, the freight does figure, whether the car is valued at more than \$650 or whether it is not; consequently freight does to an extent govern what in actual practice is done in that regard by the Department of National Revenue.

Mr. ILSLEY: Clearly in that case the manufacturing operation would be completed at Winnipeg, and all costs entering into the article up to that point would be considered the cost of the article.

Mr. YOUNG: Even freight?

Mr. ILSLEY: Yes. It is like any other raw material.

Mr. STEVENS: Is that not manifestly unfair?

Mr. ILSLEY: Why?

Mr. STEVENS: There are huge manufacturing plants in Oshawa, Windsor and Toronto. There are no cars manufactured in the west. Surely in principle a sales tax is essentially a tax that is applied when the car leaves the door of the factory. For instance, the department does not include the cost of delivery of the car to Ottawa or Montreal or Owen Sound. If it goes to Winnipeg, and the manufacturer has a depot there from which he distributes to the dealers, then according to the minister the sales tax would apply on the freight between Oshawa and Winnipeg. I cannot believe that that is correct.