

*Time Allocation*

One of the members said today that he phoned his constituents and indicated that he had enough constituents who were supportive of the goods and services tax.

• (1735)

I can tell you that in my riding it is the exact opposite. It is not that the people do not want to pay tax. People just want something that is fair, simple and efficient. The current system does not provide that.

This is one idea. Professor Brooks has another idea. I think it is the responsibility of this government to do a full analysis of this. We are already at the third draft in our proposal. It is the government's responsibility to respond.

The disincentive factor that is caused by this goods and services tax is going to force a further underground economy. Right now they guesstimate that there is \$40 billion to \$50 billion in an underground economy in this country. If we had a system that was more fair we could probably recapture some of that underground economy. There might be enough to develop a national day care program.

But this government is so obsessed with cutting and retreating from programs that it is forgetting that there is a creative process. Instead of trying to develop ways to make the pie larger and renewing the spirit of productivity, it is cutting. This government has been retreating from national responsibility for the last six years. If it keeps going like this, it will be history within the next two years.

**Mr. Pat Sobeski (Cambridge):** Mr. Speaker, I have been travelling with the finance committee on the GST debate. It has been almost three years since the finance minister informed Canadians through the tax reform White Paper how he planned to replace the 65 year-old manufacturers' sales tax.

The bill has already met with the expected enthusiastic response from the opposition parties in the House of Commons. But the many benefits for the whole economy of a broadly based goods and services tax far outweighs the criticism to date of this government proposal.

There is a major problem with the manufacturers' sales tax. The MST is applied to business inputs. That is the materials, parts and supplies used in the manufacturing process. This makes it tougher for Canadian export-

ers to sell their products in foreign markets and compete with producers who pay no tax on their business inputs. In other words, being uncompetitive costs Canada jobs.

Surely it is time for us to take an honest look at the manufacturers' sales tax, that 13.5 per cent bite on most things made in Canada that has been conveniently hidden for too long. Suppose this tax did not exist and suppose your provincial premier, myself being from Ontario, Premier Peterson, decided to impose a similar provincial tax on manufacturers, there would be a great public outcry. There would be a charge that Ontario jobs would be lost and that business could not stand the competition from other tax-free provinces.

Or, suppose that the city of Cambridge or the city of Kitchener decided to impose its own manufacturers' sales tax on industry within those city limits? The move would be denounced as driving businesses to other communities such as Guelph, Brantford and Woodstock.

What are some of the concerns with the manufacturers' sales tax? First, it applies to a very narrow base. There are five commodities; tobacco, alcohol, automobiles, automobile parts and motor fuels. They represent about 16 per cent of government spending and yet they generate about one-third of the revenue from the manufacturers' sales tax. People who come here always ask why gas is so much cheaper south of the border. Why is tobacco so much cheaper? Why is alcohol so much cheaper? It is those five products that pay a heavy burden with the manufacturers' sales tax.

Another thing that Canadians have heard is that over the past 60 years there has been fiddling with the tax to satisfy one special interest group over another. As a result, there has been some 22,000 special provisions; including things such as athletic headbands. An athletic headband is considered clothing. Therefore, it is exempt from the manufacturers' sales tax. But if you buy an athletic wristband, it is considered sporting equipment and therefore is taxed.

• (1740)

A facial tissue is considered a cosmetic product and the MST is included in the price. The makers of facial tissues will argue that it is a health care product and, as such, should be exempt from the MST. If the makers are successful in winning that argument then they do not