

*Excise Tax Act*

the implications of its action, particularly on an immense development project of this kind. As I say, I am not an expert, and I have to ask questions to express doubt, but I am prepared to quote from the writings of one acknowledged authority, which appeared in February and March of this year in the *Vancouver Sun*. These were a series of articles by the hon. member for Coast-Capilano (Mr. Davis), who in the biographical note at the head of the first article is identified as having been the head of the Liberal party's committee on power and energy development during the last parliament, and who is now parliamentary secretary to the Prime Minister and special adviser to him on power questions in British Columbia.

The articles covered the whole area of power development, including hydroelectric, thermal and nuclear. They also covered the question of choice of fuel, and quoting from this third article, published on March 2, he had this to say:

Falling water is no longer the only source of low cost electricity.

The mineral fuels, coal, oil and gas are becoming more transportable and the efficiency of big steam plants is going up and up. Besides, these stations, like the nuclear plants which are coming along, can be built anywhere.

Then later on he pointed out:

The hard fact that many Canadians must realize is that, while we have lots of energy, the cost of power in other parts of the world is coming down. Fuel, and especially the nuclear fuels, are plentiful.

Our advantage until recently was significant. Now it is melting away. Other costs, like wage rates, taxes and transportation charges now dominate the picture.

When the hon. member wrote that article and mentioned taxes, there was no 11 per cent tax on building materials and production machinery; and if he said then that taxes were endangering these projects, how much more are these projects now being endangered by the imposition of this tax on machinery and materials?

In the fifth article written by the parliamentary secretary to the Prime Minister which appeared on March 5, under the heading "Holding Costs" we find this:

Costs—especially construction costs—must be kept down.

How can you keep them down when you add 11 per cent to them? Later on, in reference to interest rates, he had this to say with regard to utilities in the United States:

There many of the utilities have been able to get around the high cost of money by leaning heavily on the federal treasury. Washington makes money available for public projects at 2½ per cent interest. Local utilities can also sell bonds which are income tax free.

Rarely do these agencies pay more than 3½ per cent for their money.

[Mr. Fleming (Okanagan-Revelstoke).]

But in British Columbia we are paying more than 5 per cent for our investment capital. It is all very well to say that we will go it alone on the Columbia or the Peace. But 1 per cent can mean tens of millions of dollars a year.

My point is that 11 per cent on capital costs will mean tens of millions of dollars on all such projects, and when you take that capital increase and amortize it at 4 per cent, or at 5 per cent in B.C., over 20 years, what do you incur? Let us suppose for estimating purposes that the project costs \$400 million, of which half is taken up with building materials and production machinery. I should think it would be more likely to be 60 per cent, but let us say 50 per cent, which gives \$200 million. Eleven per cent on that means an additional \$22 million, which amortized at 4 per cent runs to around an additional \$880,000 a year. At 5 per cent it runs to \$1,100,000 additional a year, and over a 20 year period it mounts up to \$20 million or \$30 million additional. That is what this 11 per cent sales tax means to a development of the size of the Columbia river, and that is the reason I believe the amendment must be passed and this tax must not come into effect.

**Mr. Gregoire:** Mr. Speaker, may I call it one o'clock.

**Mr. Speaker:** Order. It being one o'clock this house stands adjourned until 2.30 p.m.

At one o'clock the house took recess.

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**AFTER RECESS**

The house resumed at 2.30 p.m.

(Translation):

**Mr. Gilles Gregoire (Lapointe):** Mr. Speaker, this morning we have seen an amendment brought forward before third reading of the bill now before us concerning changes made in the Excise Tax Act. The amendment is to the effect that the bill be returned to the committee for the purpose of amending the Excise Tax Act so as to maintain the exemptions from sales tax on building materials and machinery, and machinery and apparatus to be used in manufacturing and production.

Mr. Speaker, it is a question of eliminating the sales tax of 11 per cent, no more, no less. Personally, I am in favour of the amendment and I shall support it, as will several other members of our group.

We left it to our members to vote according to their discretion. There was no decision in caucus with regard to this measure. Each of our members is free to vote as he wishes,