

rescind the tax in view of large losses the Australian wine industry had suffered.

Look at it another way. The government is to tax more heavily the wine industry, but it will not impose similar taxes on beer or cider, substances which have competed for the consumers' attention over the years. It is well understood that demand for wine is elastic and responds to price changes. How consumers will respond to the price of wine is not known. As I say, wine competes with beer and cider for the consumers' attention in the market place. Considering the economic condition of the Canadian wine industry, I think that the new tax will make it much harder for the industry to expand and use all the grapes grown in Canada.

The Canadian wine industry is under pressure from imported wine. Last year wine imports increased by 9 per cent, and domestic wine sales were down by 1.5 per cent. Is this the time to impose a 60 per cent tax hike on our wine industry? Officials of the department think the extra tax will bring about \$5 million more into the coffers of the federal government. A drop in sales of domestic and imported wines might mean that the government will gain much less than \$5 million from its new tax.

We must also consider some intriguing side effects. Because of the tax importing agencies will be under pressure to bring in lower priced wines. Some low-priced wines may be dumped in Canada. We know that the grape crop in the United States has never been larger; probably it stands at an all-time high. We know American grape growers are looking for markets for their product. As American grapes are cheap they may be dumped in Canada, in one form or another. Further, I know from experience how difficult it is to prove dumping. Nevertheless, as some Canadian wines become more expensive by virtue of the tax, imported, low-priced wines may fill up the vacuum. Therefore the new tax will not help the Canadian wine industry, or Canada.

For that reason I hope the minister will consider again the imposition of this tax. At the same time will he reconsider the tax on boat engines, as it will not do what some in his department think it will? I hope, in any event, that the minister will reconsider the additional tax on Canadian wines.

**Mr. Bob Wenman (Fraser Valley West):** Mr. Speaker, I appreciate the difficulty the Minister of Finance (Mr. Turner) faces as he attempts to readjust our taxation system. His is indeed a difficult job, but he must make sure that, in adjusting our tax system, he does not upset the delicate balance of the market place. I am particularly concerned in case, by readjusting our tax system, he unwittingly destroys the competitive advantage enjoyed by a particular Canadian industry. By hurting the competitive position of a Canadian industry, he may disadvantage other segments of our economy which depend on that industry, and thus hurt them.

I was pleased to note that the minister talked about objectives and about the fact that he is trying to bring about competitive balance within industry. He also talked in terms of encouraging investment in Canada, particularly Canadian investment in Canada. Those are worthy objectives. Any actions which may bring adverse effects

### *Excise*

or which may hinder the attainment of such objectives should be examined carefully.

I do not intend to repeat the arguments of my colleague from Okanagan. However, as a British Columbia member who is interested in the growth of the wine industry in British Columbia, I am concerned in case the competitive position of that industry may be disrupted. The industry may be damaged severely.

The Canadian wine industry now employs just over 1,000 people, and Canadian grape growers supply 2,000 permanent jobs and six weeks' seasonal employment for many more. Twenty-eight Canadian wineries and about 1,150 grape growers have a current capital investment of approximately \$130 million. The wine industry uses about \$36 million worth of supplies obtained mainly from Canadian grape growers, and from glass and paper board manufacturers.

Canadian wineries purchase over 75 per cent of the Canadian grape crop. This is the second largest fruit crop in Canada, and its concentration in the Niagara Peninsula in Ontario and in the Okanagan Valley in British Columbia makes it extremely important to the general economy of these areas. The current forecast for Canadian grape purchases by the wineries in 1974 is about 60,000 tons, with a potential value of approximately \$14 million.

The proposed excise tax increases will seriously impair development of the Canadian wine industry, an agriculturally based industry which is still in its formative stages, although it has experienced some healthy growth in recent years and anticipates expansion in international markets. Certainly this Canadian industry is growing and anticipates moving into the international market. In some cases Canadian companies anticipate taking over American companies, rather than the reverse. Certainly they should be encouraged. Instead, they are facing a serious slowdown in sales, showing an increase of less than 1 per cent in the 12 months ending March 31, 1974. While corporate profits generally show substantial increases, Canadian wineries are showing profits below last year. The industry in encountering pressure from low-price imported wine and sky rocketing costs for Canadian wineries.

• (1510)

I ask the minister to reassess the competitive position he is disrupting in the Canadian industry relative to imported wines, and also the position of the wine industry relative to other alcoholic beverages such as beer. One of the responsibilities of a member of parliament is to make the minister and his department aware of some of the effects he might be having on small businessmen or small industrialists.

One change in the bill that is of concern to me and will affect the industry in my constituency relates to the situation of built-in fireplaces. There are three types of built-in fire-places. One is constructed from a base of brick. There are also the metal fireplaces and free standing fireplaces.

The free standing fireplace is being put in an unfortunate competitive position. I understand that 90 per cent of them are manufactured in Canada. This is a relatively new business. In fact this market is being taken away from United States manufacturers. On the other hand the American manufacturers produce a type of built-in fire-