

Government Orders

projects on stream. Again in that way they will create jobs for people in the north and other regions of the country.

The taxes on transportation that add costs to food, as another example, will be removed so that the costs of food provided to people in the north will also be able to be reduced. In a number of ways here—

Mr. Speaker: I think the minister has answered the question. The hon. member from Western Arctic, a supplementary.

Ms. Blondin: Mr. Speaker, my supplementary is to the same minister. I cannot believe my ears. The rhetoric I am accused of using are the words of my constituents who are concerned, gravely concerned.

Mr. Speaker, through you to the Minister of Finance, I say that the goods and services tax is going to have an extremely negative effect on the cost of living in the north, on transportation, on the small businesses he refers to, on the tourism industry, on mining, and all at a time when the federal government has reduced its transfer payments to the Government of the Northwest Territories by \$110 million.

What does the Minister of Finance propose to supplement the financial burden now being faced by the territorial government? They are being asked to increase personal and corporate income taxes in the north, which they cannot afford because the cost of living is so high and the cost of operating a business is so abominably high it is unacceptable.

• (1800)

Mr. Wilson (Etobicoke Centre): Mr. Speaker, I understand and appreciate what the hon. member is saying.

We had negotiations with both the government of the Territories and the Yukon government concerning the transfer payments. I think the two governments understand the nature of the fiscal position that the Government of Canada is in. It requires us to take some steps that we are not too happy that we have to take. But we know that we must get this deficit down. We must get the debt under greater control.

If we can get that debt under greater control, then we can get interest rates down. I think that will be helpful to the people and to the businesses which my hon. friend talks about in the north. That is the direction that we are following.

[*Translation*]

Mr. Rocheleau: Mr. Speaker, can the Minister tell me if he intends to exempt from this tax agreements between municipalities covering water sales, as well as engineering planning, fire-fighting and police services? Can the Minister tell me whether he intends to exempt municipalities from this tax?

[*English*]

Mr. Wilson (Etobicoke Centre): Mr. Speaker, the principle that we are following in the treatment of the GST as it relates to municipal services is to impose no greater burden on them than is the situation now with the federal sales tax, the manufacturers' sales tax.

There is tax today on a number of things that municipalities purchase. We have said we are not going to increase that burden.

Exactly how we will do this can go one of two ways. We put one proposal in the technical paper, and subsequently in the December 19 statement.

Following that, we have had some discussions with the provinces to discuss a proposal that Mr. Nixon of the province of Ontario has put forward to see whether there is another way of achieving that same objective. Those discussions are proceeding. I am not in a position where I can say anything more than that, except to underscore the basic principle that they will not have greater tax to pay.

Mr. Speaker: I regret to interrupt, but given the time I can take a single question from the hon. member for Nickel Belt.

Mr. Rodriguez: Mr. Speaker, under the present tax regime the Minister of Finance's friends from Bay Street can deduct their three-martini lunches. They can deduct their escort services. They can deduct their lunches at Winston's.

Mr. Speaker, last year that cost the Canadian taxpayers \$1 billion. Now he is putting on a 7 per cent tax, which means that they will be able to write off even more.

How does the Minister of Finance justify this to all the millions of Canadians who are looking for justice in the tax system while he allows his rich friends to write off more of their luxury and high living? How does he justify it?