

of this kind is economical and at which point there is some return. However, there is a point at which it is not economical.

It seems to me that Air Canada is running very close to the break even point on its flights to the United States, but the aircraft destined to Los Angeles are not operating at anywhere near full capacity. If we add on this extra burden this may result in a reduction in air travel and we may end up not getting any extra money. I am not sure about other air carriers, but from the reports I have seen it seems to me that Air Canada is operating pretty close to that break even point. Prices have gone up radically in the past five to six years, and with this increase in price I do not think the number of people being carried will necessarily increase. This will result in a diminishing return.

Mr. Turner (Ottawa-Carleton): In respect of the taxes in Clauses 2 and 3, that is to say the tax within the North American area and the tax on flights from Canada outside North America, there is a maximum which the governor in council can set. At the moment the maximum is \$5 on both.

The reason the departure tax was not used, which as I understand it is a flat departure rate, was that the Minister of Transport and the government felt there ought to be some increase in the tax for increased distances. On the other hand, to meet the point the hon. member has just brought out, obviously there should be a maximum to ensure that air travel remains competitive, and that is where the balance has been struck.

Mr. Peters: I would like to ask the minister how the governor in council gets the recommendations as to what the maximum should be? There is not any allowance for that in the bill, but there is a definite statement in respect of 8 per cent.

Mr. Turner (Ottawa-Carleton): The maximum dollar amount is recommended by the Minister of Transport after consultation with the Minister of Finance having regard to problems of airport financing and operations.

● (1650)

[Translation]

Mr. Laprise: Madam Chairman, at this stage of clause 2, I would like to put a question to the Minister of Finance.

In Bill C-66, with respect to the tax increase, the 10 cents per gallon tax on gasoline, the minister provided that certain categories of people might get a refund of that tax, in other words would not have to pay the tax. Would it not be possible to do the same thing with respect to the air transportation tax in the case of certain categories of people like for instance diseased people who have to be flown to hospital. It is a well known fact that three out of four air passengers travel on behalf of companies or groups which give them a refund on their ticket. So it is not the individuals, but the company or the government which pay for rates or air transportation tax increases. But in the case of ordinary citizens, or of emergency flights, I think the possibility of a refund should be considered. I would like to know what the position of the minister is in that respect.

Excise Tax Act

Mr. Turner (Ottawa-Carleton): Madam Chairman, since air transportation companies provide low rates for certain categories of passengers, of citizens, for instance senior citizens and children, it is obvious that, since the tax is a percentage of the rates, it would be lower in the case of those people. But no exemption or abatement is provided in the bill.

[English]

Mr. Benjamin: Madam Chairman, if I understand the minister correctly, clause 2 will cover Canada-U.S.-Caribbean flights, while Clause 3 will cover international flights.

Mr. Turner (Ottawa-Carleton): Clause 2 refers to Canada and the United States with the exception of Hawaii and St. Pierre de Miquelon, and Clause 3 covers everything else.

Mr. Benjamin: Then domestic flights for this purpose mean Canada-U.S. in Clause 2. May I ask the minister why there is the omission in Clause 2 of a provision that is contained in Clause 3, namely, the provision in which a child would pay 50 per cent of the amount prescribed in Clause 3.

Mr. Turner (Ottawa-Carleton): Madam Chairman, I have a feeling it is because there is already a reduced fare applicable on the domestic rate. Yes; that is the answer.

Mr. Benjamin: I take it that 8 per cent in respect of these domestic fares would represent \$16 on a \$200 fare. What is the rationale for that type of a tax on domestic flights, and what appears to be a flat \$10 on international flights?

Mr. Turner (Ottawa-Carleton): Let me try to explain this. On the domestic flight it is now 8 per cent but not more than the governor in council sets within the limit, which is now \$5. In respect of places outside North America it is \$10 or such lesser amount as the governor in council sets. A maximum of \$10 is set by legislation on foreign flights, and there is a maximum set by the governor in council on domestic flights.

Mr. Peters: What is the reason for the change from 5 per cent to 8 per cent if there is already a \$5 ceiling? I do not see that much is being accomplished.

Mr. Turner (Ottawa-Carleton): I think you can anticipate that the Minister of Transport will arrange the upward limit.

Clause 2 agreed to.

The Assistant Deputy Chairman: Perhaps at this time I might announce the adjournment motion proceedings.