

knocked-down condition to its assembly plant at Winnipeg, and I would say that the manufacturing operation is completed at Winnipeg. When the car is sold out of the manufacturing or assembling plant, whichever you choose to call it, all costs would be included, among which would be freight. On that price the tax must be paid, and there can be no escape from it. The law is definite that the sales tax shall be charged on the selling price, and if the article is finally sold in Winnipeg that selling price will finally include freight.

Mr. McGEER: There is one point to remember, namely that in the whole fabric of freight rates there has been a definite and a partly successful endeavour to balance up charges of freight so that those carrying long haul costs are not penalized on an exact mileage basis. If in the imposition of the sales tax, freight rates are included in the manufacturer's cost, he must of necessity impose a discriminatory or a heavier charge on western plants than on eastern or central plants where, because of shorter distances, freight rates are less. I cannot see any reason why in the levy of the sales tax there might not be an attempt on the part of the department to balance the sales tax so that a person buying the same article in western Canada shall pay approximately the same sales tax as is charged to a person buying that article in central Canada. The mere fact that there is some difficulty in working out such a problem is no good reason why the work should not be undertaken. It is being done by private industry and it seems to me that it could be done in this instance. One effective way of balancing the incidence of the sales tax would be to eliminate the item of freight in the total manufactured cost. This should not be a difficult thing to do.

Mr. DUNNING: What freight?

Mr. McGEER: Whatever freight enters into the cost. Supposing there is freight on an article coming from Oshawa.

Mr. DUNNING: From South America, from South Africa, wherever the materials come from to make up the goods.

Mr. McGEER: There should be no difficulty in that regard, because if those freights enter into the cost, they must be shown in detail in the statement of what makes up the cost. Certainly the internal freights from the manufacturing centres should not be difficult to segregate. As a matter of fact, in a great many instances you will find the manufacturers doing just what the hon. member for Kootenay East (Mr. Stevens) says should be

done, namely, absorbing the freight. Under its present administration, this sales tax is going to add another discrimination against the west and the maritime provinces and give a further preference to the centralization of manufacturing in central Canada. That is the way in which the present method of administering the sales tax will work out and it is one of the matters that we shall have to face sooner or later.

Mr. DUNNING: I do not want to obstruct the passing of one of my own items, but I should like to direct the attention of the committee to the fact that we are discussing a special tax on automobiles. As I said a little while ago, this tax will not apply to any car valued at less than \$650 ex manufacturer. Therefore, whatever my hon. friend has said has no application to the particular matter now before the committee. It seems to me to be improper that we should assume that manufacturers of automobiles are conspiring to collect as much as possible in the way of sales tax for the government. I think that is a ridiculous assumption. I am inclined to believe that they are trying to put their cars together and get them sold under conditions which will involve the levying of as little as possible in the way of sales tax. Obviously they can make no money out of the sales tax as such; they are merely collectors for the government. To adopt the assumption put forward from several quarters, one would have to believe that discrimination is created because the manufacturers have conspired together to add to the sales tax. I cannot believe that there is any other reason why a manufacturer should ship parts to western assembly plants than that of economy. If that method is cheaper, of course the quantum of sales tax would be one of the factors reduced by that process. This matter requires close examination such as was made by the tariff board of the whole structure of the tariff, the sales tax and the excise tax as they related to the automobile and other industries. It was partly upon this report that we acted in connection with this particular matter of a five per cent tax, which, I say again, does not affect any automobile valued at less than \$650.

Mr. ROSS (Moose Jaw): These cars are made here and assembled in other places. The minister seems to think it would be a difficult matter to set a sales tax on these cars. There are only so many different types of automobiles made by each company and the department must have a list of these models and must know the amount of sales tax charged at the factory. I can see no reason why an identical amount cannot be charged in other places