

in June of the following year we announced plans to replace the existing tax in a white paper on tax reform.

I announced plans to introduce the GST in last year's April budget, and provided detailed information on most aspects of the new system in the technical paper released last August. The technical paper that I tabled in August was followed up with the draft legislation which I presented to this House in October.

After releasing the technical paper in August, the government canvassed a wide range of views on virtually every aspect of the GST. We discussed our proposal with groups and individuals represented in every province and region of the country and virtually every sector of the economy.

Literally hundreds of groups and individuals have given us their views, shared their insights and explained their positions in detail on this issue.

I have travelled across the country meeting groups and individuals, participating in open-line shows, addressing gatherings of business people and other meetings in communities, large and small. What I have discovered time after time was that when the time was taken to explain the problems that we face, Canadians understood the issues. In fact, not only did they understand but they made valuable and constructive suggestions which have helped us to improve the package that is now before the House.

From the summer of 1987 until the spring of 1989 we undertook detailed discussions with the provinces about the feasibility of an integrated national sales tax. While it did not prove possible to reach agreement on such a national sales tax, these discussions contributed substantially to the federal government's elaboration and design of the goods and services tax.

As I indicated in December, I find the tone of the recent discussions we were having with the provinces most encouraging in helping us find ways that we can eliminate or minimize the compliance burden of the new tax on Canadian businesses, both large and small.

The House of Commons Standing Committee on Finance examined the technical paper proposals in detail and held extensive public hearings on the proposal. Under the very able leadership of its chairman, the committee gave individuals and representatives of a wide range or interest groups the opportunity to air their views in a formal and detailed way. The committee's report made a substantial contribution through its analy-

sis and recommendations to the ultimate framing of the proposal contained in the goods and services tax bill.

Canadians spoke loud and clear, and we listened. Better still, we used the many constructive and useful suggestions that we received from Canadians to improve the proposal.

Canadians told us that the rate was too high and that they were concerned about the impact on inflation. We listened, and after some tough choices, we reduced the rate from 9 per cent to 7 per cent, and thus reduced the potential one-time inflationary impact to just a little over 1 per cent. At the same time we succeeded in maintaining the fundamental balance in equity among the various measures within the package, especially the protection that it provides to low and modest income Canadians.

Canadians told us to use greater spending restraint. The measures which the President of the Treasury Board announced in December were important steps in that direction. But, as he and I both indicated, we still have further work to do in that regard.

We have also acted to meet concerns expressed about the burden of complying with the GST. For example, we will provide a one-time transitional credit of up to \$1,000 for small businesses.

In addition, we have exempted electronic point of sale and related inventory control equipment from the existing sales tax. This complements the 100 per cent capital cost allowance for this equipment which we announced in August. Together, these two measures will reduce the effective after-tax cost of this equipment by about 20 per cent.

Furthermore, we have also made a number of technical improvements designed to simplify the operation of the tax, to establish greater equity among competing businesses and to improve the operation of the tax in a number of sectors.

I know that nobody likes taxes. I understand that. Neither do I. But I know that most people feel uncomfortable when they must face significant change, and I understand that too. So, combining the two, major change and taxes, is bound to upset a lot of people, at least in the short term.

We know that changing the tax system, especially when it involves making previously hidden taxes visible, is not what most people would consider a fast track to popularity. Politically, the expedient thing would have been not