

Customs tariff—142. Tobacco, unmanufactured, for excise purposes under conditions of the Excise Act, subject to such regulations as may be prescribed by the minister:—

(a) Of the type commonly known as Turkish:—

(i) Unstemmed, per pound: British preferential tariff, 20 cents; intermediate tariff, 40 cents; general tariff, 40 cents.

(ii) Stemmed, per pound: British preferential tariff, 30 cents; intermediate tariff, 60 cents; general tariff, 60 cents.

(b) N.o.p.:—

(i) Unstemmed, per pound: British preferential tariff, 40 cents; intermediate tariff, 40 cents; general tariff, 40 cents.

(ii) Stemmed, per pound: British preferential tariff, 60 cents; intermediate tariff, 60 cents; general tariff, 60 cents.

Provided that the duty under this item shall be levied on the basis of "standard leaf tobacco" consisting of ten per centum of water and ninety per centum of solid matter.

Mr. BENNETT: This is only a reduction in the British preference?

Mr. DUNNING: There is a considerable amendment both in wording and in rates. Perhaps I had better read my notes, in order that the committee may be fully seized of the matter and so that there may be no misapprehension as to the effect.

Up to the present time unmanufactured tobacco enumerated under tariff item 142 has been free of duty upon all tariff. That is to say, it has been imported nominally free of customs duties, but immediately under the Excise Act became subject to excise duties of 40 cents per pound on unstemmed leaf and 60 cents per pound on stemmed leaf. To carry out an undertaking given to Southern Rhodesia under the conference agreements of 1932 it is now proposed first to establish a preference on both stemmed and unstemmed tobacco of the type commonly known as Turkish or Oriental, and second to transfer the duties from the excise to the customs realm. It will be remembered that when we were dealing with the excise amendments these excise taxes were cancelled. The proposal to transfer this item to the customs realm is of course inevitable if the undertaking to Rhodesia is to be carried out, since it would seem to be undesirable if not indeed impossible to provide preferential treatment in the excise field of taxation as distinct from the customs field.

It is proposed therefore, in brief, to divide the item in such a manner as to separate the so called Turkish type of tobacco from all other types and, in respect of the Turkish type, to reduce the British preferential rates of duty from 40 cents to 20 cents per pound on the unstemmed and from 60 cents to 30 cents on the stemmed. The requirements

of the Canadian tobacco industry and therefore of the Canadian tobacco consuming public demand the use of a certain amount of the Turkish type of tobacco. It is estimated that the Canadian use of tobaccos of the Turkish type amounts to about 300,000 pounds per annum, all of which up to the present has been supplied from non-empire countries, chiefly Macedonia, Greece and Abyssinia. I do not suppose we are getting much from there just now, but this has been one of the few articles we have imported from that country. In recent years Southern Rhodesia has established quite a reputation for Turkish type tobacco, and the Union of South Africa is known to be producing tobacco of this type which has gained commercial favour. The Rhodesian product is finding acceptance in the British market, and in establishing the preference now proposed the government feels that it may be giving Southern Rhodesia a greater opportunity to cater to Canadian requirements in this particular product. There is no reason to feel that the preference now being granted under the British preference to Turkish type tobacco will react in any way whatsoever on the Canadian production of those types which Canada has demonstrated her ability to produce and sell. It is, however, confidently expected that empire sources of supply will fill the demand of this market and that by accepting tobacco from Southern Rhodesia Canada may make it possible for that country to provide a wider market than at present for certain Canadian commodities. I am assured that the change here proposed has no bearing whatsoever on the Canadian production of tobacco, which is of an entirely different type from that now being given a preference.

Mr. DONNELLY: The excise tax has been removed completely?

Mr. DUNNING: Yes.

Mr. BENNETT: My memory is that this is in accordance with the arrangement that was discussed with Southern Rhodesia—

Mr. DUNNING: Yes.

Mr. BENNETT:—but we declined to give effect to it until we were satisfied that by so doing we would not interfere with the production of Canadian tobacco. Once that was settled definitely we were prepared to give them a preference. I think that was the arrangement, if my memory serves me aright, and this is to give effect to it, as I understand it.

Mr. DUNNING: Yes.