

*Excise Tax Act*

finance minister should expect in difficult times from his cabinet colleagues. The Minister of Finance had to face the dilemma of inflation combined with unemployment and recession, but he also had to face another dilemma, which was the creation of his own party, that of limiting the alternatives he had with respect to dealing with these pressing economic factors.

Certainly, much time was wasted on the discussion concerning voluntary restraint by business and labour. The government has tied its own hands with respect to giving credence to restraint, not only by its abominable record in the area of its own spending but also by the fact that as a political decision it undermined any concept of voluntary restraint by the private sector in the last year. The government, therefore, during the discussions on consensus on voluntary restraint could not even use the method relied upon by the government of the United Kingdom, that of suggesting voluntary restraint by the private sector on the basis that if this restraint was not exercised legislation was ready in the background to be implemented. The government simply had no position from which to bargain and the reception it received in its consensus discussions reflected this factor very strongly.

● (1710)

The bill before us proposes a special excise tax of ten cents a gallon on gasoline for personal use, ostensibly to encourage conservation in the use of this sparse resource. In fact, the purpose of the tax is to reimburse the federal government with respect to its one-price oil equalization program. This tax is strictly a revenue-raiser for the federal government. Its purpose is to pay for a mounting deficit of the one-price equalization program caused by the fact that we are now importing into eastern Canada more oil, at higher prices, than we are able to sell to the United States.

It has been said that this tax falls mainly on the working public which is now being asked to subsidize energy products east of the Ottawa Valley. If we are to have a single price for oil for all Canadians, I join with other members of my party in pleading with the government that the subsidization of such a policy must be a general charge against the national treasury and not against the average citizen.

This tax will not be shared with either the producing provinces or industry. This is another misconception some people have with respect to the tax, that some of this money is going to exploration and development of new resources. This is not the case, Mr. Speaker. Recent reports from the National Energy Board have indicated that proven oil reserves presently identified are sufficient to supply the Canadian domestic requirements for only about 14 years. Under these circumstances, one would expect the budget proposals to contain major incentives to the private sector to embark upon extensive exploration programs for new oil deposits. Such incentives are missing.

This particular tax was announced only a few days before the figures were released by Statistics Canada of the consumer price index for June, 1975. The consumer price index rose 1.5 per cent between May and June, the largest month-to-month increase since the April to May

[Mr. Hnatyshyn.]

change of 1974. The June consumer price index increase of 1.5 per cent represents the largest change in this period in at least 25 years. During the first six months of 1975, consumer prices have increased at an annual rate of 9.3 per cent. The quarterly annual rate of the index for the second quarter of 1975 is 11.4 per cent. If this month's rate of change were maintained over the next 12 months, prices would be measured 18 per cent higher at the end of the period. Over the previous 12 months the consumer price index has increased 10.4 per cent.

The disconcerting factor that one has to take into consideration with a bill such as the one before us is that further substantial upward movements in the consumer price index may be expected over this summer, directly due to this government's actions. Statistics Canada has calculated that the ten-cent per gallon increase in the excise tax on gasoline will add about .5 per cent to the total consumer price index next month. I am sure we can look forward to another substantial increase in the consumer price index for the month of July. What is to happen in the months ahead? Additional residual effects of this tax increase may be expected in future months. The expected increases of 23 per cent of the domestic price of petroleum and of 52 per cent for natural gas will also provoke short and medium-term price pressure throughout the fall and winter. What can we expect from this government with respect to the fight against inflation?

Another criticism that I hear from my constituents with respect to the special excise tax is that it is levied against the refiners and importers of gasoline and the commencement date of the tax was set at June 24, 1975. It would be reasonable to expect that gasoline in the hands of wholesalers and retailers on which the special excise tax had not been levied would be available to the consumers of Canada at the pre-tax price. In many instances across the nation, this was not the case and the consumer was immediately faced with an increased price per gallon at the pump. It was unfortunate that this situation could not have been avoided. Consideration by this government of an effective date for commencement of the special tax on July 1, 1975, might have avoided the problem. The average consumer was being ripped off for the additional price the day after the budget.

Another problem associated with the special excise tax on gasoline is the paperwork required to make refund claims by those who are exempted from the tax. The volume of such claims will be extensive and will likely result in a need to increase staff complements to process the claims. This would be contrary to the proposals in the budget to restrict the growth of the public service. Also, what of the provision of the exceptions to the imposition of this tax set forth in clause 5 of the bill? I understand that a point of order was raised with respect to the failure of the bill to make specific reference to municipalities as being exempt entities with respect to the imposition of this tax, notwithstanding the fact that municipalities were specifically included in the budget resolutions. If there ever was a place where this bill should clearly state an exempt category, it is in the case of municipalities, because if municipalities are not included, by operation of law, in the exempt class a very substantial increased cost will be passed on to the municipal taxpayer.