

*The Address—Mr. Stenson*

cost of production. With the comparatively small production runs needed to meet the Canadian requirements, the tool charge against each part produced is excessively high unless production runs can be increased by exports.

Imposition of the sales tax is severely aggravating an already difficult situation. Increased cost of purchased items is serious, but the application of tax to work done in our own plant is much more so. It is a levy that cannot possibly be applied equitably. I recall that during the war years, when this tax was in force, it was one of the most distressing forms of taxation with which a small manufacturing business had to contend. It was a great relief when the government of that day, in a move of great wisdom, removed the tax. With tooling now vastly more complex than it was then, the reinstatement of the tax is a serious deterrent to the development of efficient manufacturing methods.

In manufacturing operations such as ours, there is no clearcut division between development, building of equipment, and maintenance. Sales tax at the current rate of 4 per cent—

—the hon. member for Kingston remarked about the 4 per cent sales tax being a mere pittance and I should like him to take note of this:

—means that a minimum of \$0.115 must be paid in sales tax for each dollar paid to toolmakers. When the rate goes up to 8 per cent, the amount will be \$0.23 for each dollar; when the full 11 per cent is reached, we will be required to pay in tax \$0.316 for each dollar paid to toolmakers. This rate, combined with the impossibility of equitable assessment, will dampen enthusiasm for the expansion of existing secondary manufacturing enterprises and for the creation of new ones.

Tool cost is an integral part of the cost of all manufactured articles, just the same as is raw material. As sales tax is collected when the articles are sold, to charge tax on tooling is applying that part of the tax twice, and is grossly unfair. The levying of sales tax on production equipment is all the more incomprehensible when it is realized that if we move our production operations to the United States we would be spared U.S. customs duties which on some items are very high, and we could build our equipment here tax free as it would be exported to our U.S. operation. We cannot understand why the government should encourage such a move, as it is much more beneficial to Canada to produce here, using Canadian raw materials, rather than produce equipment and tools only.

We have been builders of machines and tools for many years and have exported the major part of it. In recent years, we have tried to develop production facilities and export the products made on these machines rather than the machines themselves. Present government policy threatens to terminate the rapid progress that has been made in exporting to a large but highly competitive market.

Believing that the government is serious in its claims that secondary manufacturing is important in Canada, we strongly urge that sales tax be removed from production equipment before its full effect strikes home and serious damage is done to the already precarious competitive position of secondary manufacturing in Canada.

Now, Mr. Speaker, these are letters from a firm which is 100 per cent Canadian. Last week they had men in Peterborough arranging to move part of their production equipment to the United States, and this will be done unless there is some adjustment in the

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tax situation. I have had similar letters from firms employing 300, 1,400 and 5,000 men in my own constituency. All these companies will be cutting their production if they do not receive some co-operation from the government.

Finally, Mr. Speaker, I should like to ask the government to reconsider the sales tax and withholding tax before another budget is brought down. I also feel that the building boom we are now experiencing is artificial and was stimulated by a gimmick. I should like to ask the Minister of Labour what he is going to do for 1965. Will he be giving people who are building homes \$1,500 to stimulate the economy?

[Translation]

**Mr. Maurice Côté (Chicoutimi):** Mr. Speaker, I am glad to join with my colleagues in congratulating the hon. member for Longueuil (Mr. Cote) and the hon. member for Vancouver-Burrard (Mr. Basford), the movers of the address in reply to the speech from the throne.

In regard to the hon. member for Longueuil, whose surname is the same as mine—I do not see him here now—I recognized in him a worthy scion of Jean Cote, our common ancestor, and I felt, while listening to him, that he was the proud son of that family of conquerors who, for nearly 350 years, have settled Canada from the Atlantic to the Pacific.

The Liberal party is still in office this morning, but it owes its narrow victory to the intelligent co-operation of a certain number of members of this house who realize how important it is for our country, in its present situation, to have a truly democratic government which must look after the common weal.

Having always been under the dictatorship of an all-powerful political party, Canadians know how they have been treated by this intolerable omnipotence in a democratic state, by a party which, through its absolute majority, no longer cares for the opposition and the rightful claims of the population.

Well, now that we are experiencing this new system of concerted administration, let us act for the greatest benefit of Canadians, not as wily politicians but as conscientious statesmen, because the next three years will be critical for the future of Canada.

[Text]

As a member of the Social Credit group I want to put before hon. members some considerations about confederation and the unity of all provinces of Canada. First of all, what is confederation? Confederation is a union