

[Translation]

Mr. Lambert (Bellechasse): Madam Chairman, I only wish to ask a few questions to the Minister of Finance (Mr. Turner) to obtain further explanations concerning Bill C-40 now before us.

Since my area, and especially my constituency, includes islands scattered in the St. Lawrence where the airplane is the most common means of transportation, could the minister tell us if the holders of air transport permits will be affected by this legislation and if the tax will be levied on those who use these planes to go from their home to the mainland to stay in communication with the rest of Canada or of the province? This is what worries me about this bill. I would like to have an accurate answer to this question.

[English]

The Assistant Deputy Chairman: The hon. member for Okanagan Boundary.

[Translation]

Mr. Lambert (Bellechasse): Madam Chairman, I do not wish to be disagreeable, but I have already risen several times today, I have made remarks which may not please the Chair, but since we are in committee of the whole, I have requested some information from the minister who seems quite ready to answer my questions. Could I please ask you to allow the minister to reply to the questions that I have asked?

The Assistant Deputy Chairman: The hon. member is aware that the minister can reserve his answers until the end of the debate, but if the minister wants to reply immediately, I shall recognize him.

Mr. Turner (Ottawa-Carleton): I leave the floor to the hon. member for Kingston and the Islands (Miss MacDonald).

[English]

Miss MacDonald (Kingston and the Islands): Madam Chairman, may I draw the minister's attention to clause 21(8). I am concerned about the proposed reduction of sales tax on construction materials. The question I raise deals specifically with the financial repercussions of this reduction on unlicensed hardware wholesalers, of whom there are many in this country. The point is that there is a difference in the competitive positions of unlicensed hardware wholesalers and those who hold a federal licence which results directly from the way in which the tax is collected. The unlicensed hardware wholesaler buys goods for resale and pays his supplier the applicable federal sales tax on building materials, which before November 18, 1974, was 11 per cent or 12 per cent. Since he pays his tax money directly to the supplier or manufacturer, the tax becomes part of his direct cost and is included in the cost of his inventory.

The licensed hardware wholesaler, on the other hand, is in exactly the same business as his unlicensed counterpart, but holds a federal sales tax licence which allows him to buy goods from the same source that his unlicensed counterpart buys from. He, however, does not pay tax at the time of purchase but, rather, collects the federal sales tax applicable when he sells those goods and then remits

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the tax. In other words, the licensed hardware wholesaler is a tax collector; he works under the advantage that the cost of his inventory does not include federal sales tax, an advantage not to be discounted lightly in view of the present cost of money. With regard to the budget and the reduction of the sales tax from 11 or 12 per cent to 5 per cent, quite frankly this has put the unlicensed hardware wholesaler in a tremendously non-competitive position vis-à-vis his licensed wholesaler counterpart. It will remain this way until stocks have been turned over and the two start off on an equal footing. Approximately 30 per cent of the unlicensed wholesaler's stock has been depreciated through no fault of his own by the 6 per cent reduction in the sales tax.

● (1610)

The ramifications of this tax reduction are quite apparent as far as the competitive position of the Canadian unlicensed wholesaler is concerned and his tremendous loss in actual inventory dollars. I mention this because there are a great many more unlicensed hardware wholesalers in this country than those who hold federal wholesale licences. This large number of small, unlicensed wholesalers makes up a very significant part of small business throughout Canada. These small businesses are struggling to survive because of the competition of large conglomerates. Anything that affects them in the way this reduction in tax does, makes their survival much more difficult.

I am asking the Minister of Finance to seriously consider, on a one-shot basis, some means of compensating these unlicensed hardware wholesalers for the losses they will have to absorb on tax-paid inventory when the tax on building materials is reduced from 11 or 12 per cent to 5 per cent. I hope the minister will take that into consideration when considering clause 21(8).

Mr. Whittaker: Madam Chairman, I wish to speak about the reaction to clause 11 which was passed before Christmas. What we are talking about now is the unfair excise tax on boats. I have before me the December issue of the "Ontario Grape Grower," the official publication of the Ontario Grape Growers' Marketing Board. I quote as follows from the "Chairman's Corner" which appears in the publication:

Proper approach fizzled: Is a 'militant' strategy the only way to be heard?

Is it any wonder that pressure groups are getting louder and stronger in their approaches to governments? The grape and wine industry has been the victim for its gentlemanly conduct and proper approach to bring the views of its members to the attention of first the local members of parliament, officials of the Department of Finance, and finally the Minister of Finance, the Honourable John Turner; that an increase in the excise tax on wine as proposed in the May, 1974, budget would be harmful to the sales, production and maintenance of the industry.

The result of our "proper" approach was that special excise taxes on table and sparkling wines were increased along with those on liquors but the excise taxes on beer and sparkling cider were left unchanged. The reason for leaving beer at the same level of excise taxation was never made clear in the discussions. . . .

The vast majority of the public abhors the use of pressure tactics on governments generally but by ignoring man-to-man communication, it only brings more and more groups to a "militant" approach. Is this what we want in our society? Governments have only themselves to