

The tax set out in the budget represents an increase of two cents per package of 20 cigarettes. Before I go any further, I should indicate that we appreciate the fact that budgets over the past number of years have not contained an increase in the tax on tobacco products. The minister has been kind enough to avoid such an increase in the recent past but I note that he has yielded to the temptation this time. I am not sure whether he is a smoker, but I am not speaking for the smokers; I am speaking for those individuals who produce tobacco.

The increase in taxes on alcohol and tobacco is a means of obtaining additional revenue. I hope the minister was not influenced by his colleague, the Minister of National Health and Welfare (Mr. Lalonde), to use this increase as a subtle way of cutting down on the consumption of tobacco. Unlike his colleague the Minister of National Health and Welfare, the Minister of Finance (Mr. Turner) has more common sense and allows the public to decide, as individuals, whether they want to smoke. As I say, the real purpose of an increase in tax is to increase revenue, and tobacco and alcohol are fair game when considering fields for taxation.

● (1440)

I wonder whether the minister and his officials have considered that some time, somewhere the law of diminishing returns will begin to take effect. Once the tax forces up the price to the consumer to a certain point, the sale of the product will be reduced and thereby the amount of revenue produced likely will diminish. A number of years ago the Ontario Flue Cured Tobacco Growers Marketing Board made a serious representation to the Department of Finance on that topic. At that time they pointed out the critical point at which the revenue to the government would begin to decline.

Speaking in this vein, I wonder whether the departmental officials had any prior consultation with the tobacco growers of Canada to obtain their views, because they could present this aspect of the situation much more forcibly and logically than I could in these few remarks. I hope the minister will take note of what I have said and will appreciate the great value the production of tobacco has to the economy of the area from which I come and also to many parts of Ontario and Canada generally.

The tobacco industry is really the backbone of agriculture in my area: it pours a tremendous amount of revenue into the economy. I want the minister to be very much aware of this when he unduly increases the tax on a product which means, not just comfort and luxury to the smoker but bread and butter to the man producing the original product. If the minister should not listen to what I am saying and should continue with his intention to increase the tax, I would respectfully suggest that he make available for export promotion a certain portion of this tax. The Department of Industry, Trade and Commerce has been very helpful to the tobacco growers in assisting them in the marketing of their product in countries such as China, Japan, Europe, and so on. I respectfully suggest that he seriously consider making available for export promotion certain funds raised by the increase in the tax he is now levying on tobacco. That is all I have to say, Madam Speaker. I hope the minister will take due note of the fact that tobacco is not just a luxury item but

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is really a very important industry in certain parts of this country.

Mr. G. H. Whittaker (Okanagan Boundary): Madam Speaker, I rise to enter the debate today on the Excise Tax Act because I should like to discuss a few things which I believe are of importance. Although the first item on which I should like to touch may be not too important to all of Canada, it certainly is important to British Columbia and to my riding in particular. It has to do with the use of the word "municipality". I see it is again used in this legislation in new subsection (3) of clause 18 where there is reference to sewerage and water distribution systems. This subsection provides:

Where any water distribution, sewerage or drainage system is transferred by a person to a municipality within two years after the completion thereof, pursuant to a bylaw or agreement with that municipality under which that person is required to install such system and transfer it without charge to that municipality—

I am concerned about this because in British Columbia there are regional districts and fire districts which are constituted under the Water Act. I have had some experience in this regard since coming to Ottawa. The fact is that the excise tax is being charged in respect of these organizations because of the interpretation of what is a municipality. Although these are quasi-municipal bodies, they are not given the same treatment as a municipality under the Excise Tax Act, even though in their own right they are taxing authorities and can do on their own behalf exactly what a municipality can do. When I first came here I obtained some correspondence from my good friend, the hon. member for Edmonton West (Mr. Lambert), in respect of the taxing method being used. One letter states:

Various kinds of districts under the Water Act of British Columbia have been created for a variety of special purposes. Some have extensive powers while others have only a single purpose as street lighting or fire protection but since they are not classified as municipalities by the creating authority we have not regarded them, in general, as municipalities within the ordinary meaning of the term.

Then in a letter from the minister of national revenue in 1973 we find this statement:

As you suggest in your letter, the Excise Tax Act is considered as contemplating fully organized municipalities and it is in this spirit that we have been administering the statute. However, in keeping with the spirit of your representations and others which have been made recently on this subject we are currently reviewing our position in this respect. Our study will encompass the form of incorporation and the functions of the various local authorities in British Columbia. The object of our study is to determine whether a recommendation should be made to the governor in council to classify some or all of them as municipalities for the purposes of the Excise Tax Act.

This came about because of the fire districts in my area which are in the regional district but are not municipalities. They were classified as unorganized territory. In order that the people in these regions could set up a fire protection district, these areas were classified by the province of British Columbia and incorporated under the Water Act. At one time they purchased their equipment and were not bothered too much. Then suddenly someone in the department discovered what was going on and started to harass the seller of the equipment in respect of the tax and, of course, the seller could not do anything other than pass the tax on to these districts.

We started looking into this problem in 1973 because these organizations were being taxed. On October 1, 1974,