

Government Orders

increase the burden for consumers living in these regions as well as for taxpayers who are already making a very big contribution.

This is why, through our amendments, we propose to bring that tax back to at least the previous levels. At the same time, we urge members of the transport and finance committees to review the situation and bring airfare to a more reasonable level as regards remote destinations.

Here I do not mean the Quebec, Atlantic or western regions. I am referring to regions such as mine, Abitibi—Témiscamingue, Quebec's north shore and Gaspé regions and, in fact, most regions of Quebec and northern Ontario. Several Atlantic regions will also be adversely affected by the new tax. This measure went unnoticed in the last budget and is now hidden in Bill C-32.

We propose these amendments so that the Department of Finance does not get \$24 million more this year and \$44 million more next year at the expense of taxpayers living in remote areas. Indeed, we think this is totally unacceptable. I do hope that the government will realize the impact of this bill and withdraw clauses 2, 3 and 4.

Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services): Mr. Speaker, I just wanted to present the government's arguments, which I find quite rational in that they will reduce the tax burden on short-haul domestic and transborder flights.

The present uniform tax of \$10 will be reduced to \$6. To increase the recovery of the cost of air transportation facilities and services, the maximum air transportation tax on domestic and transborder flights will be increased from \$40 to \$50.

I think most people would agree that there is a substantial saving nonetheless for short flights.

• (1545)

The drop from \$10 to \$6, however, is not enough. In order to recover as much as possible to pay for these facilities and services, it seems essential to look for money elsewhere. So we, the government, decided to focus our efforts there.

[English]

Those are really the only two comments I want to make. I want to point out for those who take shorter distance flights that the tax will be reduced from \$10 to \$6, which is an important reduction. At the same time for those who will be taking longer flights it will indeed be increased to try and recuperate as much as possible to pay for public installations and services that these people are using.

[Translation]

Mr. Bernard Deshaies (Abitibi): Mr. Speaker, I am pleased to speak on behalf of my constituents in the riding of Abitibi, and the residents of all remote ridings, concerning Bill C-32. This bill to amend the Excise Tax Act, the Excise Act and the Income Tax Act essentially contains amendments to taxes on tobacco products and, in sections 2, 3 and 4, amendments to the air transportation tax.

It is particularly in reference to these airline ticket taxes that I would like to address the House for a few minutes, in order to show that the government has not achieved its objectives and that, in addition, regions outside the network of major population centres will be penalized.

In order to judge this new rate structure, I will take a few minutes to compare the present and proposed tax rates. The present rate consists of a basic tax of \$10—as the parliamentary secretary mentioned—on each ticket, plus 7 per cent of the price of the ticket, to a maximum of \$40. The new structure would feature a basic tax of \$6, plus 7 per cent on the price of the ticket, to a maximum of \$50 for expensive tickets.

To justify this new structure, the government cites the following objectives: first, to increase the amount of money recovered—which seems fair and legitimate—for air transportation facilities and services provided by Transport Canada; and second, to reduce the tax burden on short-haul flights to small localities. We, in remote areas of the country, are those small localities. We are directly affected, and we do not understand why the second objective could not be achieved.

This new rate structure does not achieve the targeted objectives, in particular reducing the tax burden on flights to small localities—mostly to remote areas of the country. Obviously, the new rate structure will make it possible to collect much more money to cover Transport Canada's costs. As the member for Témiscamingue put it, \$24 million more will be collected in the first year and \$44 million more in subsequent years.

This money will come primarily from the increase in the maximum tax from \$40 to \$50, notwithstanding the loss of revenue from having lowered the basic tax to \$6 from \$10. This meets the government's first objective to increase the recovery of the cost of facilities. Of course the government has another reason for introducing this new rate, and that is why we will focus mainly on the second objective, which is to reduce the tax burden on short-haul flights.

However, this objective has not been met. In fact, air transportation to remote areas has been adversely affected since deregulation, since the full cost is now being borne by these areas. The price of a ticket to some destinations has gone up considerably in recent years. For instance, Montreal-Rimouski costs \$552 plus tax. Ottawa-Montreal-Val-d'Or, a flight I take every week, costs me more than \$550 plus tax.