

the housing industry. Such provisions include the \$500 grant to those who purchase middle priced houses, the Registered Home Ownership Savings Plan, the new provisions concerning capital cost allowances, the proposal to disallow charging carrying costs on land awaiting development against other income as well as the sales tax reductions that amount to over half a million dollars as provided in the present bill.

Although the financial incidence of those measures on housing costs cannot possibly be figured out, I am assured that those reductions will stimulate new investments and create forces on the competition market which will benefit home purchasers through a significant moderation of prices for housing. The building materials sales tax reduction for one should account for about \$650 in savings on the cost of houses currently priced at about \$40,000.

My colleague the Minister of State for Urban Affairs (Mr. Danson) will review the incidence of those measures on housing construction and report to the House in due course.

● (1210)

[English]

Turning to the proposals to remove federal sales tax from a comprehensive list of transportation equipment, the budget speech pointed out that cost pressures in the transportation industry were significantly undermining the vitality of that industry and that these cost pressures were being translated into price increases affecting virtually every other sector of the economy. The transportation measures proposed in this bill will affect approximately \$1 billion in annual sales and will result in a reduction of an estimated \$100 million in federal revenues over a full year. I am confident that the reductions will be reflected in increased investment in this industry as well as in a moderation of transportation costs.

Members will be aware of my intention, announced a few days ago on December 2, 1974, to request the government to provide relief for tax paid inventories of trucks and related transportation equipment. This action was necessary because of a combination of critical factors affecting the trucking industry and related transportation industries. Dealers were unable to sell tax-paid inventories because the sales tax already paid on larger trucks and other equipment often amounted to several thousands of dollars per unit. In addition, customers were refusing to accept shipment of many highly specialized custom built items which had been ordered but not delivered as of budget day. Many customers were prepared to wait for tax-free goods to become available or to transfer orders to dealers who already had tax-free inventories on hand.

It must be emphasized that the proposed action constitutes a marked departure from traditional practice. However, the combination and intensity of adverse circumstances affecting the transportation industry made immediate action necessary in order to avoid extreme hardship and a serious disruption of production and employment. Indeed, certain businesses risked the very health of themselves and the industry.

The bill also contains important amendments related to the air transportation tax. The bill proposes that the governor in council be given authority to impose a ceiling on

Excise

the 5 per cent ad valorem tax. It is proposed that this ceiling will initially be set at \$5. This will benefit all persons who travel long distances by air. In particular, this ceiling will assist persons living in the north and in other remote parts of Canada. My colleague, the Minister of Transport (Mr. Marchand), or I will have more to say about these changes during the committee stage of the bill.

The bill also contains measures to deter wasteful energy consumption by imposing special excise taxes on high energy consuming vehicles. These measures, first referred to in the May 6 budget, have been modified to increase the effectiveness of the tax by providing for significant rate increases. For cars weighing more than 4,500 pounds and station wagons weighing over 5,100 pounds, the rate will be \$20 for the first 100 pounds over the limit, \$25 on the next 100 pounds and \$30 for each subsequent 100 pounds. For motorcycles with big engines, the rate will be 5 per cent. The rate for privately owned aircraft, boat motors larger than 20 horsepower, and boats designed to be propelled by these motors, will be 10 per cent. These new taxes will increase federal revenues by an estimated \$30 million in a full year.

As mentioned earlier, the bill also contains proposals to increase moderately federal levies on liquor, wine and tobacco products. These measures were first proposed in the May 6 budget and at the time the budget was defeated I stated that it was the government's intention to reintroduce these measures if the government were returned. These amendments will generate an additional \$130 million in federal revenues in a full year.

The bill also contains important new sales tax exemptions for a number of articles purchased by handicapped persons. In addition, the provisions in the Excise Tax Act which permit certified institutions to purchase all goods exempt from federal sales tax have been broadened to include purchases made by day-care centres, physiotherapy units and other institutions.

In conclusion, the budget emphasized that through the taxation system and in other ways the government was encouraging the private sector to maintain a healthy level of activity for the present, and to build new capacity to increase the supply of goods and services for the future. And all this by reducing the cost factors, of which sales tax is an important component. The measures proposed in this bill, in particular those related to the housing industry and the transportation industry, constitute important steps in this direction.

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, for a number of reasons I am very pleased that we are able to get to this bill today, contrary to the government's stated intention in the middle of the week to postpone the budget bills to some time in January or February. I think that the determination of certain points in the bill following this debate—and I hope that today we can see the completion of our study and passage of the bill—will settle a lot of unresolved questions for business in this country. There are a number of points that I should like to put to the minister generally on second reading; more specific questions will be put by my colleagues and, I suspect, by members on all sides of the House to the minister and his advisers on matters of detail that have still to be resolved.