

Excise Tax

directly with the manufacturer, buying in volume. They pay the 9 per cent federal sales tax on the f.o.b plant price, which excludes freight. The small retailer who utilizes the services of a wholesaler ends up paying the federal sales tax not only on the manufacturers' price but also on the freight from the manufacturer's premises to the wholesaler.

While I understand that the Department of Finance considers this to be a minor inequity and has so far not indicated any change in its policy, we will also want to see the precise effect this has on smaller businesses. We will want to see whether it does have the effect of reducing competition by giving, in a sense, an advantage to larger retailers which is not available to smaller retailers because larger retailers have different buying practices, as of necessity, than smaller retailers. This is the kind of question which I think we will be looking at in committee. I appreciate the opportunity to discuss these things in committee, since they are the kinds of details which I think can best be solved at committee level. They are basically factual questions, as to what the real effect of the changes will be, and can, I think be more effectively changed in committee than in the House.

The third general item I wanted to raise with the minister is that, as I am sure he is aware, we have all heard from the Canadian Wine Institute and from the wine industry. We have also heard vigorous representations from the Brewers' Association of Canada about the permanent increases now being built into the taxation of alcohol which may be unfair. This may have the effect of building in prohibitively high increases in the tax on these items. This also seems to me to be a factual question put forward by the Brewers' Association. Something the committee will need to consider is whether the separate indexes for beer, wine and spirits will result in a further distortion of existing relative tax burdens between beer, wine and spirits. Again, the relative impact of these increases seems to me to be an important question to be considered with respect to these industries.

There is one general question about the effect of the over-all excise taxes with which I think we must deal. This matter has been mentioned before by the hon. member for Edmonton West; that is, that the excise tax in general is, of necessity, not a progressive tax. This tax falls heavier, not on the consumer, but on the small businessman. It has a more serious effect on small business as opposed to large business, particularly at a time when we are entering a period of high interest rates and the costs of doing business are so high for the smaller businessman. Something which we will want to look at very hard indeed is the impact these kinds of measures are having on the relative power of small business as compared to large corporations.

It is within the context of the relationship between smaller and larger businesses that I wish to deal with the question of the 8 per cent production tax on petroleum and natural gas. As I understand it, the dilemma facing the federal government is this: the federal share of this very significant revenue source is too small. It amounts to roughly 10 per cent of the revenues from oil and natural gas, the other 90 per cent being shared

almost equally between the industry and the provinces. This has been indicated several times in the House and, if I understand the Conservative position correctly, they have indicated this as well. If one looks at the figures over the last ten years dealing with the relative importance of resource revenues on provincial revenues, he will notice that there is no category of revenue which compares to natural resources in terms of increase.

There has been a tenfold increase in the revenues from oil and natural gas over the last ten years. There is no other industry where this has occurred; not the steel industry, manufacturing industry or in agriculture. You cannot take any other sector and compare the rise in the value of those goods with the rise in the value of oil and natural gas. Because this resource is a depleting one, and because of the pressure of OPEC price increases, one can predict that the price of oil and natural gas will increase dramatically. The federal government has obviously taken the view that if it does not now act quickly, to increase the federal share of that rapidly increasing resource revenue, not only will its fiscal position be threatened but the fiscal imbalance between the federal and provincial governments will simply be increased.

Again, if I understand the federal government's position, it has two or three choices. It could have done what the Conservatives did, which was to impose an excise tax on the sale of gas at the pump. The second thing it could have done was deal with the problem of its tax share through the income tax system. The third thing it could have done, and which it has done, is impose a tax, basically a kind of royalty, at source—a production tax. Obviously, for political reasons, the government could not take the first route, having denounced the Conservatives for introducing an 18-cent excise tax.

Mr. Evans: Who else denounced that tax?

Mr. Rae: The hon. member for Ottawa Centre (Mr. Evans) asks who else denounced the tax. I also denounced it. I remember my speech very well and I do not regret having made it.

Mr. Evans: Keep the record clear.

Mr. Rae: I want to say to the hon. member for Ottawa Centre that, having rejected that kind of excise tax, I do not see how the federal government can now turn to another kind of excise tax and think it has done anything more progressive. Instead of simply attacking the buyer at the pump it has attacked the buyer at every single level. I do not see anything more progressive in the excise tax, which the government has put forward, than that which the Tory party put forward in its brief period in government.

● (1430)

I was not intending to give a highly partisan speech this afternoon, but the member for Ottawa Centre seems to be moving in that direction, much against my will.

An hon. Member: Much against your nature!