

British Columbia to the Quebec factory. There would be no way of administering the Special War Revenue Act otherwise, because the tax is a tax placed upon the article when manufactured, at the factory door, as one hon. member expressed it. No sales tax is imposed upon freight as such or raw material as such; the sales tax is imposed upon the finished product when delivered, into which these elements go as components.

Mr. McGEER: I quite agree, but here you have an important variation from the common or general illustration you have given, in that the main automobile manufacturing is carried on in eastern Canadian centres. It is true there are certain assembly points in the west, which are developing. The question is: when no charge is made on the freight on a completed automobile, should there be any charge made on the freight on articles which are sent out from headquarters for assembly in the west? That is a very different thing from shipping raw material in the form of lumber for manufacturing in the east.

Mr. ILSLEY: I do not think it would be administratively possible to make the distinction. The only rule that can be applied is the rule I have tried to state several times, that you take the sale price of the article when it is manufactured. If that price has been enhanced by reason of the fact that certain of its parts or certain raw materials have moved long distances, that is something we cannot help; we look at the sale price where the manufacturing operation is complete.

Mr. STEVENS: It does however leave this fact clear, that a plant for the assembling of automobiles in western Canada would be an impossibility in competition with one in eastern Canada. If the minister is correct in his diagnosis of the case—and I am not disputing what he has said—it means this: Wheels are manufactured by a separate concern in Ontario. They are finished, complete wheels, ready to put on the car. The manufacturer in Winnipeg or Vancouver pays a sales tax on the original cost of the wheel, plus freight over a distance of two or three thousand miles.

Mr. DUNNING: No, he does not pay sales tax on it at all. He buys it under a licence as a component of the car he will manufacture.

Mr. STEVENS: Yes.

Mr. DUNNING: And he imports it by the carload at the lowest possible rate,

because he is taking advantage of the possibility of putting a great many wheels in one carload. It is a matter of what the wheel costs the manufacturer.

Mr. STEVENS: Yes, but it is obvious it will cost a great deal more after it is hauled three thousand miles. He pays a sales tax on the higher cost.

Mr. DUNNING: But how can we fix—

Mr. STEVENS: There can be no doubt that the further you haul an engine, or whatever the part may be, the taxed sales price will be that much higher.

Mr. DUNNING: The rubber in the tire comes from South America. The cost of getting it here is a component part no matter where it goes.

Mr. STEVENS: I know this is a difficult point, because I have been through this kind of argument before. However there is in it an element of fundamental justice which offers a challenge to the present method. At least it calls for study to see whether or not the cost of freight movement in Canada shall be included in determining the figure on which sales tax will be imposed. I admit that movement of an article from Hamilton to Toronto, Oshawa, Windsor, London, or other points in central Ontario would not cost very much. It is something that the manufacturer might be prepared to cover.

Mr. BENNETT: But it is in the cost of the article.

Mr. STEVENS: It is in it, yes, but it is small. But when you come to move all these articles—I think the hon. member for Ontario said there were about two hundred, did he not?

Mr. MOORE: Yes.

Mr. STEVENS: There are two hundred separate items which enter into the assembly. If they are moved within a radius of one hundred miles, to Toronto or to other points, the freight would not amount to very much. But when those two hundred items are moved across the continent to Vancouver, to Winnipeg, or Regina, then the freight becomes an important part of the cost, and imposes a handicap upon the western assembly plant which, I suggest, is quite unfair. I must say this is the first time I ever heard of lumber being moved to the east to make box shooks, because I believe we could secure in the east the kind of lumber required for that class of manufac-