

Government Orders

Like all members of the House of Commons, Mr. Speaker, I know you are aware that the goods and services tax is a part of two other economic proposals this government has worked on and put forward in the last five years. Clearly reform of the sales tax is an essential part of tax reform that was undertaken initially in June 1987. That was part of a very clear and well defined economic policy laid down by the government in 1984 in its paper provided to this House in November of that year on limits to economic growth.

What we are seeing with the goods and services tax is an attempt, not only to rectify a tax system today that is hurting Canadians in all parts of this country and in all walks of life, but also to implement a system that is fair and productive and will help Canadians over a period of time to become stronger and more competitive, more able to create and maintain employment in this country. I do not think there is any member of Parliament in this House who would dispute that that is something all of us should be thinking about and should be focused on.

I would like to talk a little about some of the economic benefits of this tax. I would like to talk about some of the things that this tax does, particularly for my part of the country, particularly for the Atlantic provinces, that we all would agree needs whatever assistance we in the government and we in this House can provide.

If through the reform of the sales tax we can provide some economic growth, we can ensure that the economic growth and economic investment we so badly need is not denied us because of a tax system that is 65 years old, a tax system that nobody else uses, a tax system that penalizes production and restricts growth in the economy. That sort of a tax system must be replaced, if we are going to see real economic growth, real regional development, and the creation of jobs in this country when we need jobs more than at any other time.

We are well aware of the negative parts of the old federal sales tax. We know that the current federal sales tax distorts economic decision making, reduces productivity and, therefore, reduces the real incomes of Canadians.

What this tax does today is favours imported products. It favours goods of like nature imported from another country. Not only does it do that, but it quite clearly

hinders the ability of our exports to compete against exports of other countries in the international market. We are a country of exporters. If we want to be able to compete fairly and compete properly, we must ensure that our tax system does not hold us back.

We all agree that any tax system is something we do not like, but surely to heaven we do not need a tax system that says to an exporting country that the things it ships out automatically have a 65 per cent to 70 per cent higher effective tax rate than the things it is competing against. The people to whom we sell what we produce are not going to buy something that has a tax rate much higher than what they are competing against. It makes absolutely no sense.

We are dealing in an economy that is integrated around the world. We cannot deny that we live in an economy that is interdependent. We cannot put walls around ourselves, as our friends opposite would have us do. We cannot live and work in a little cocoon. It will not work. If we are going to tell the people of this country and our constituents that we can do that, we are not being fair or honest with them.

What we are doing with this tax is trying to address some of those inequities so that we can deal properly with the future of this country and create jobs when we need them.

As we try to promote trade and competitiveness, as we try to produce more goods, products, and services that we can export, we cannot have a system that allows for goods imported into the country to be taxed at the border, which is what happens today. The federal sales tax is applied at the border. Therefore, a Canadian good, something that is produced in this country and is taxed at the manufacturer's level, the tax on production, is at an immediate disadvantage, because anything that happens to the import after it is imported is not susceptible to tax. Across this country we have seen plants closing because of this tax.

Mr. Funk: Why did you keep raising it, if it was so bad?

Mr. Reid: We cannot continue to have businesses subject to tax on tax. Any business that buys a good that has a federal sales tax on it, uses it in its production and sells it at the next level where again it is taxed is subject to a tax on tax, which affects the consumers of this