

*Excise Tax Act*

"(4) The tax imposed by section 27 shall come into force on January 1, 1986."

**Mr. Alfonso Gagliano (Saint-Léonard-Anjou):** Mr. Speaker, during consideration of Bill C-80 in Committee, representatives of various associations in the construction industry gave us very detailed explanations. This morning, however, for the information of the Members of this House, I would like to quote or perhaps even put forward some of the proposals made by these representatives of the construction sector before the Committee. The Canadian Construction Association said it failed to understand why the Minister tried to justify the amendment to Subsection 26.4 by saying, and I quote:

Construction practices have since changed substantially, and there is now virtually no on-site manufacturing of these products.

To the best of our knowledge, there has been no change in construction practices since this subsection was introduced in 1963, at which time the previous exemption from sales tax for construction goods was withdrawn. We do not know the origin of this statement and believe the changes were made without proper research being done as to the impact.

Mr. Speaker, we wondered about this during the Budget debate, and during question period we asked the Minister of Finance (Mr. Wilson) whether there had been any consultation on the subject, and now representatives from the construction industry have admitted that there was no consultation.

Subsection 26.4(4) was put into the Excise Tax in recognition that without the subsection, prefabricated construction goods would attract more sales tax liability than alternative construction methods which can be performed on site. Subsection 26.4 had four paragraphs. With respect to Bill C-80, in subsection 19.1(1) and subsection 19.2(2), the Government recognizes the validity of continuing the tax equity provided by paragraph 26.4(a), by providing for the sales tax on mobile homes and modular building units to be determined on the basis of 70 per cent of the manufacturer's selling price.

And that is the purpose of my amendment. It has been acknowledged indeed that mobile homes do have some parts which ought to be tax-exempt, and we fail to see why the same rationale would not apply in the case of the various precast concrete units. Here is what the Canadian Construction Association had to say to the committee:

We are recommending similar recognition be granted to precast concrete building sections and fabricated structural steel. There is no rationale which we can see that recognizes relief for one category of subsection 26.4(4) without also applying to other categories within subsection 26.4(4).

Mr. Speaker, the Canadian Construction Association tax consultants went on to say:

We do not understand that statement, because the disparity is now much greater than it was before—and the Canadian Prestressed Concrete Institute will be giving details on this in their presentation—but essentially what you have is a situation where the goods were taxed on the same value; that is, the materials, taxable materials, going into it before the budget. After the budget, prestress concrete was taxed on the factory gate selling price, including material, labour, overhead and profit. Of course, this includes all the non-taxable ingredients, such as sand, gravel and water, which were non-taxable before they all came in the tax base. The poured-in-place concrete becomes taxable on the cement delivered at the ready-mix plant, but the difference is that the on-site labour, overhead and profit are not in the tax base. Labour, overhead and profit should be added. In plant they are taxable, whereas they are not on site. The disparity is much greater. We do not understand the Minister's statement at all.

Mr. Speaker, this statement made by a member of the Canadian Construction Association was to the effect that the

Minister had said that the major reason for this budget measure was to avoid any disparity between precast concrete and poured-in-place concrete. The industry has shown that such is not the case. I say, therefore, that this provision in Bill C-80 is not right because it will create discrimination within the same industry between one type of construction and another.

Mr. Speaker, the Committee heard various testimonies concerning precast construction, including the following:

Let us now look at how Bill C-80 would be applied to our industry and to our principal competitor, cast-in-place construction.

When we compare two identical buildings which are built using the two different methods of construction we see that Bill C-80 will tax materials supplied by either method to the full extent: 6 per cent now, 7 per cent in 1986—no difference. However, when we compare the labour components we see that plant labour is fully taxed; yet the field labour, which has performed essentially the same function and achieves the same result, is not taxed at all. Plant overhead and profit are fully taxable. On the other hand, cast-in-place construction has no tax applied to this portion.

As we have shown in the slides, similar costs of labour and overhead and profit are fully taxed for precast construction and not taxed at all for cast-in-place construction. In our opinion, this is not equitable. The two methods are identical and the end result, the completed building structure, is the same.

In closing, Mr. Speaker, I would like to say that, to prove their point, these organizations even brought slides to the committee responsible for examining Bill C-80, and that all the members of the committee, representing the three parties, were unanimous in saying that this provision should be withdrawn from the Bill.

[English]

**Mr. David Orlikow (Winnipeg North):** Mr. Speaker, if I understand correctly, among the amendments we are considering now is Motion No. 7 which I moved on behalf of my colleague, the Hon. Member for Regina East (Mr. de Jong). The reason we moved Motion No. 7 is quite simple. I would like to support the argument made by the Hon. Member for Saint-Léonard-Anjou (Mr. Gagliano) who just completed his remarks.

I am sure all Members of Parliament are aware of the fact that for a couple of years now, the construction industry in Canada has been in tremendous difficulty. A large number of companies have gone bankrupt. Many of them, and not only the small companies, have hung on by the skin of their teeth.

The situation in the City of Winnipeg is not an exceptional case. In fact, Winnipeg has done better than many other cities, particularly cities in Alberta and British Columbia. However, there have been periods when the unemployment rate among construction workers in Winnipeg has been at a low of 40 per cent and a high of up to 60 per cent or more. Hundreds of workers who had worked almost continuously during the 1960s and 1970s subsequently were without work for long periods of time, used up their unemployment insurance benefits or went on welfare. Some of them had to travel great distances to other provinces to get work and experienced lengthy separations from their families in order to get any kind of work at all.