

Excise

pressures, so we will know the specific impact of that tax reduction on building materials.

[*English*]

Mr. Cullen: I have tried to indicate to the hon. member that we are dealing with figures which we know at this time, now that the budget is brought down, and the amount of revenue we would have received had the sales tax on construction and building materials remained. Using that figure, we make the reduction. In fact, those are the figures. I do not think the Department of Finance should be in the position of having to predict what the rate of inflation may be.

Mr. Gilbert: I wonder if the parliamentary secretary heard the speech made by one of his colleagues, the hon. member for Windsor West, last Friday. He said that the focus with regard to the reduction of the sales tax should be put on residential construction and, more particularly, on construction of houses for moderate and low income people. Here we see the sales tax applying to all types of construction—luxury homes, apartment and office buildings, etc. Would the parliamentary secretary not use his persuasive powers on the Minister of Finance to bring about a change of impact so that the sales tax may be taken off completely with regard to moderate and low priced housing? That should be the intention. But here the opposite is taking place. I am sure that the parliamentary secretary would not agree with it and would probably want to increase housing for people with moderate and low incomes.

The net effect of this clause, according to the hon. member for Windsor West—and I certainly agree with him—will be to benefit mainly people who build luxury homes, apartment and office buildings, and very little will apply to people with moderate and low incomes. I am really surprised that the parliamentary secretary has not taken steps to persuade the minister to make this change. I would like to hear what he has to say on this.

Mr. Cullen: I think that probably the minister has gone as far as he has, due, in part, to some of the representations I have made. But I must say that what we are looking at here is not house construction alone but the construction industry in total. The fact is that the construction industry also needs help. I might remind the hon. member, who from time to time has indicated to me that he represents the workingman, that there are many workingmen in the construction trades who will derive a benefit as a result of this clause. So the impact is not on housing alone but on the construction industry as a whole.

Mr. Gilbert: Madam Chairman, I am really surprised at the answer of the parliamentary secretary. He is saying that the main benefit should go to builders of luxury homes and apartment and office buildings, and that it may in some way help ordinary folk and stimulate the industry. If there is any stimulation needed, it is needed in the housing industry for the moderate and low income people. If you were to calculate the amount of sales tax which would apply, and give to the people in that area tax credits on the purchases of houses, then the purpose would be achieved and there would be tremendous stimulation in the housing industry. But for the parliamentary secretary

[*Mr. Fortin.*]

to say that the workingman will derive some benefit because of stimulation in the construction industry seems to me to be a very weak argument.

Mr. Cullen: The hon. member chooses to twist my words as he sees fit. He suffers from the usual problem of tunnel vision and does not look at the other measures to help home buyers.

Clause 15 agreed to.

Clauses 16 and 17 agreed to.

On clause 18—*Refund on goods for use in water distribution, sewerage or drainage systems.*

Mr. Whittaker: I asked a question earlier about the word "municipality" which appears in this clause, to help the parliamentary secretary who is filling in at the moment for the minister. I would point out that in British Columbia there is a considerable amount of unorganized territory. We have regional districts and fire districts which fall under the Water Act. They serve in the same manner as municipalities, but they do not have the same jurisdiction. They are authorities in their own right and they serve the people in the same way as the municipalities.

We have a problem now because the excise tax is being charged, in fire districts, on firefighting equipment. This happened last October in the Winfield fire district which was assessed \$3,600. In this clause the word "municipality" is used, and I can foresee regional districts and organizations which fall under the Water Act wanting to use this clause to take over water distribution, sewerage and drainage systems.

● (1740)

Mr. Cullen: Madam Chairman, we are certainly aware of the situation the hon. member has mentioned. I might say that British Columbia is not alone here; northern Ontario and many other areas have the same kind of operation. I think it is fair to point out that irrigation districts are not considered to be municipalities under the Excise Tax Act, which provides in section 2(1) that the governor in council may determine that an incorporated local authority is a municipality for the purpose of the act.

Irrigation districts are to be considered as municipalities for the purposes of the Excise Tax Act where they are incorporated, and they qualify for sales tax relief in the same fashion as municipalities. There is a kind of flexibility provided under the regulations for the governor in council, rather than building it into the rigidity of that section.

Mr. Whittaker: This comes as a surprise to me, Madam Chairman. Actually, we are not talking about irrigation districts but about a fire protection district that is incorporated under the Water Act, which is a taxing authority in its own right. In British Columbia we have quite a few regional districts in lieu of municipalities and they have not really any connection with municipalities. We also still have a lot of the unorganized territory which we had before regional districts were formed.

If what the parliamentary secretary says is true, I cannot understand why this excise tax is being and has