

Special War Revenue Act

movement which is not charged on the eastern movement. For instance, take the man fabricating in Vancouver, where the freight is say \$150 on the total volume of material going into the car; if he has to pay that tax, the amount paid may be sufficient to bring the car in in complete form from the factory at Windsor without the sales tax on the freight. Suppose I buy in Vancouver a complete car at Windsor and it is shipped to me; it is clear I do not pay any sales tax on the freight. But if I buy one assembled in Vancouver from parts made in Windsor, I pay tax on the freight on those parts. Why should I pay sales tax on freight on the material to assemble a car, and not pay sales tax on freight on the car assembled at the point of origin of those parts and delivered at the same destination?

Mr. BENNETT: But you do.

Mr. McGEER: The minister says we do not pay the sales tax on the freight.

Mr. BENNETT: My hon. friend is seldom wrong, but I am amazed at him this time. There are perhaps two hundred communities producing materials that go into the production of a car. The car leaves Windsor for Vancouver knocked down. That means that there is a great deal to be done to make it a completed car. The minister has just said that on that car as shipped out there is no freight added to the price for the purpose of ascertaining the sales tax.

Mr. McGEER: I understood the contrary. I think it is my right hon. friend who is wrong.

Mr. BENNETT: No, wait a moment. In order to complete the car a number of parts must be used. The cost of those parts is their initial cost at some Ontario town plus the freight, and upon that the sales tax is paid.

Mr. DUNNING: That is the point.

Mr. McGEER: My point is that we pay freight on those parts, and that constitutes part of the manufacturer's price.

Mr. BENNETT: I was just going to finish. The car is made at Oshawa and the sales tax is paid there on the completed car. Entering into the production of that car were a number of parts. One part came from Chatham, Ontario, upon which freight was paid by General Motors at Oshawa, and upon which sales tax was paid in the completed automobile.

Mr. DUNNING: That is right.

Mr. BENNETT: That is the whole story. The same thing applies in Vancouver. In answer to the question asked a moment ago,
[Mr. McGeer.]

the minister says there is no charge upon the car that goes out knocked down in the way of freight for the purpose of sales tax. That is settled. But on the parts that enter into the production of that car, their cost is the initial cost in Ontario, whether it be at Windsor, at Oshawa, or at Chatham, plus the freight, which is at a lower rate than it would be if it were incorporated in the car as shipped. The reason they are shipped knocked down is that from various factories parts are shipped out by carloads and so get a very low freight rate, as the hon. member for Queens-Lunenburg says. Also the knocked down cars can be loaded in larger numbers in a railway car and thereby they receive a low freight rate which reduces the freight on every unit, and the parts which went into another car altogether. The original price paid for them in the Ontario town, plus the freight, make the complete cost of the part that enters into the car, upon which the sales tax is paid.

Mr. McGEER: I quite agree. Where the right hon. gentleman has missed the point is this: two cars are shipped out, one of them a completed car. The manufacturer finds that by establishing an assembly base in Vancouver or Winnipeg he can knock that car down and ship it at a lower cost and put it together at destination and make money by the saving on freight. If he ships the completed car he does not pay any sales tax on the freight, but if he knocks his car down and reassembles it in Winnipeg he has to pay the sales tax on the freight.

Mr. BENNETT: No, not unless he adds parts to it upon which freight is paid.

Mr. ILSLEY: Not if it is a mere assembly. The question is whether it is a manufacturing operation that takes place at destination.

Mr. McGEER: I understood it was stated that whatever the freight charges on the assembly are, they are part of the manufacturer's cost.

Mr. ILSLEY: It depends on whether it is a mere assembly or a manufacturing operation. If a manufacturing operation takes place at destination, then the sales tax is imposed upon the sale price at destination. It does not apply only to motor cars; it applies to everything. For instance, I am advised that wood is shipped from British Columbia to mills in Quebec which make what are called shuttles. When the shuttle is sold the sales tax is reckoned upon the sale price, which includes as a component part not only the cost of the wood in British Columbia but the freight on the wood from