

The letter comes from Winnipeg and it is dated October 17. The writer of the letter says:

I would appreciate the answer to a few questions concerning the GST. I have an eight room, 1,800 square feet house. My electric bill and my gas heating bill total \$22 hundred per year. Seven-per-cent tax will be \$154. I have a friend in Richmond, B.C., with the same size house. He pays \$900 for electric and gas heat. Seven-per-cent tax equals \$63.

Why should I pay \$91 more a year? We are both 70 years of age and have the same retirement income.

He then speaks about some other matter not related directly to heating fuel but to air fares for northern regions. That is a separate question so I will not read that part of the letter now.

He carries on to say:

Why are you penalizing the prairies and the north? This is not New Zealand with an overall moderate climate.

Senator Buckwold: And a defeated government.

Senator Molgat: I think that explains the exact problem we have in Canada. It gets worse the further north you go but it is equally bad when you compare the prairies to Victoria.

Senator Barootes: If you live in Toronto you have to look at the poor areas and the rich areas. You cannot correct them all.

Senator Molgat: It is not a question of poor areas and rich areas: It is a question of geography and climate in this country.

I do not blame honourable senators across the way because they have been conned in this matter. This is a bureaucratic nightmare. This has been imposed on them by bureaucrats and it has not been looked at by people with common sense. In this country the climate varies as the geography varies, and to impose a tax like this on heating fuels is manifestly unfair to certain parts of the country. I repeat: Senator Cochrane's area is going to suffer a great deal more than, say, Windsor. Is that reasonable? Is that a proper way to levy taxes in this country? Bureaucratic systems are in place. This is not a system which deals with the problems of people. That is what we have to look at. You cannot do this by drawing an imaginary line so that someone above that line will get an exemption from income tax. You cannot place that line in a reasonable place. It does not work that way.

Honourable senators, let us follow Senator Castonguay's proposal of yesterday and deal with common sense amendments. Surely, when you look at this you have to recognize that it is an unfair tax to load on certain parts of the country, and that the only solution at this point is to remove the tax on that particular item just as the bill provides for food. You have agreed that food should not be taxed. In Canada heat is an equally essential commodity. There is no question about that.

The impact of this is worse than the impact of the tax on food because the consumption of heating fuels varies very much more than the consumption of food. Northerners, by and large, do not eat more food than southerners. They pay more for it but they do not eat more of it. However, when it comes

to heating fuels, they certainly consume a lot more than people in the south. If there is a logic in not taxing food, there is a double logic in not taxing heating fuel. Quite frankly, you are discriminating against my province when you proceed to do that, because my province is a lot colder than central Canada. Honourable senators, it is a lot colder in Manitoba than it is in Ottawa or Toronto and we burn a lot more fuel. Our fuel costs us more. You are going to force my people to pay an extra tax—a tax that they cannot get away from. They have no choice.

Honourable senators, I ask you to reconsider. Do not let the bureaucrats push you into a tax like this one on this particular item. This is one area where we can make a change and we deserve to make that change to equalize the system for Canadians.

Some Hon. Senators: Hear, hear!

Hon. Jack Austin: Honourable senators, earlier this evening in this debate I raised the question of the constitutional application of the GST to electricity and fuels, where they were supplied by crown agencies. Senator Murray invited me to put these questions in writing and submit them to him.

I would now like to put the questions on the record and I look forward to the response from the government side. Question one is: With respect to the tax provisions of Bill C-62 as they relate to electricity and heating fuels, what is the constitutional authority of the federal government to compel provincial crown corporations such as B.C. Hydro, Ontario Hydro or Quebec Hydro or cities and municipalities chartered by provinces which supply electricity and/or heating fuels to collect GST from non-governmental consumers and/or from consumers which are provincially or municipally owned?

Senator Balfour: Are you asking for a legal opinion?

Senator Austin: I am asking for the federal government's constitutional opinion. Perhaps you would let me finish the questions, Senator Balfour.

Question two is: Section 125 of the Constitution provides that "No lands or property belonging to Canada or any province shall be liable to taxation." This provision has received judicial interpretation in the Alberta natural gas tax reference. The Supreme Court gave the provincial agencies immunity from the tax process. Does this immunity apply to the GST? Here the paramount purpose of the GST is to raise revenue. The Privy Council decision in *Attorney General of British Columbia v. The Solicitor General of Canada*, (1924) Appeal Cases, at page 222, would suggest that Bill C-62 is unconstitutional as it purports to apply to crown-owned agencies. What is the position of the federal government and why?

There are raised here constitutional questions and, of course, they are of a legal character, but the most grievous accusation that is made in terms of the inequity of this legislation, Bill C-62, relates to harmonisation. It is simply unworkable legislation. There is no harmonisation with provincial governments. There is no sign, with the exception of Quebec, of any agreement and we may well find ourselves in a situation where the tax is not going to be collected by crown agencies or municipi-