

have no doubt that this compassionate government or any other government that follows them will also see that it is indexed in proportion to the buying power of their income.

As a result of what I have just said, there is no doubt that low- and modest-income earners will pay much less as a percentage than those in the higher-income brackets. For these reasons, the GST tax credit has been recognized by experts as a major advance in Canadian social policy and I am surprised that sociologists in Canada—those bleeding hearts, all of those non-government funded organizations—do not come around and hail this as one of the greatest social measures that has been undertaken in Canada in many a year.

As well, basic groceries, residential rents, drugs, appliances, and so on, will all be exempted from the GST.

Senator Olson: Appliances?

Senator Barootes: Medical appliances.

On indexation, the intentions and record of the government are quite clear. The GST tax credit will be reviewed periodically and, I hope, adjusted appropriately. This is the approach that was used with the child tax credit which, since 1985, has been increased much in excess of the rate of inflation.

These actions, honourable senators, speak for themselves. The government's fiscal initiatives show a commitment to a fairer tax system and to the targeting of assistance, especially to those in need.

An amendment of the nature that has been suggested, therefore, is not, in my opinion, warranted or useful.

Let me make one or two comments off the cuff about the comments made by the last two speakers. I, too, have been up north. I have an interest, as do most Canadians, in what is going on in the Yukon, the Northwest Territories, northern Quebec and northern Ontario. I wish that we could transfer our manufacturing industries to the Yukon and the Northwest Territories.

Senator Doody: I think you have lost some of your audience.

Senator Barootes: I just don't think it can be done. I wish we could change their climate and make it warmer for them so they would not have to use as much heating fuel and electricity in the winter, but those are things over which we have no control. However, if we are to ameliorate some of the things mentioned by Senator Lucier, that would be only a very small part. It would not, in any way, change the other aspects of their living which would continue to be more expensive than they are in Toronto or in Regina. Those things would continue.

● (2130)

If we are looking for a way out, it is not through the GST with its wide base and the purpose we have given it. It should be through an observation or two with regard to the Income Tax Act, whereby their incomes may be taxed at rates different from those who live below the 60th parallel. Those are the things to which our governors may be giving some attention—perhaps higher exemptions; perhaps lower rates for those people, bearing in mind that they do have some additional costs.

Some of the other things that have been said are a little troublesome to me. One observation related to transportation systems in the cities. We must realize that many of the transportation systems which use electricity or fuel are subsidized from general taxation.

The water system, to which some reference was made, is not the same as electricity. In many cities the water costs for household use—and Montreal is a good example—is not billed; rather, it is taxed and paid out of general revenue. So, it would be an inequity to try to apply the same to electricity that we apply to water. In your city, Senator David, I understand there are no water bills sent to people. In many other cities, as well, it is included in the general tax case. So we are not dealing with the same situation with water that we are with electricity. Moreover, in some centres, electrical generating and distribution systems are privately owned, not owned as they are in Saskatchewan. Even in Ontario there are some private organizations distributing electricity. So there is a difference in that regard.

Although I have some sympathy for some of the things suggested, on the basis of the philosophy of the GST and on the basis of its thrust and its help to low- and modest-income people, I cannot accept this amendment, and I will vote against it.

Some Hon. Senators: Hear, hear.

Senator Hays: Honourable senators, I have a question for Senator Barootes.

Senator Barootes made some mention of the fact that electricity costs would be lower as a result of eliminating the manufacturers' sales tax. Let me remind you that for the purposes of my address I obtained information from the GST watchdog group, which indicated that the increase would really not be very much, 6.6 per cent. So we are talking about less than 0.5 per cent being applicable to the reduction. In the case of furnace oil, it is something like 5.7 per cent. I don't have the numbers in front of me.

Perhaps you could comment on that or try to put your comments into perspective. You left me with the impression that there would be a great reduction. The information I have is that there would not be a great reduction.

The other question I have arises out of an article I read over the weekend in the May-June issue of the *Canadian Tax Journal* which contains an article by Mr. Patrick Grady relating to an analysis of the distributional impact of the goods and services tax.

You were quoting figures which indicated that a lower-income family would be much better off. The conclusion which the author draws in this article, at page 643 of the May-June 1990 issue of the *Canadian Tax Journal*, Volume 38, No. 3, is that three-quarters of Canadian families will pay more taxes in 1991 because of the introduction of the GST package; that the increase in the sales tax credit will help to ease the burden on low- and middle-income taxpayers but that, nevertheless, families who earn less than \$30,000 will pay \$20 more in tax, on average, because of the GST package and that 46 per cent of