

Mr. MacNICOL: Take the case of cast-iron boilers made in a number of cities and towns in Canada. The boiler itself when complete will be subject to the sales tax?

Mr. DUNNING: That is right.

Mr. MacNICOL: Do I understand from this that all individual materials like cast-iron, crushed stone, sand, and everything else that enters into the manufacture, are exempt?

Mr. DUNNING: Cast-iron would be, of course, as a raw material. As to what would be considered consumable goods in that case it is pretty hard for me to say. There are thousands of items involved. Whether the sand, for instance, used in the foundry would be a consumable material might be a question. I assume it would not. It is only materials that are completely consumed in the process of manufacture.

Mr. MacNICOL: But the sand would be consumed in due course in the process of manufacture. After it has been used frequently it is no longer of any value.

Mr. BENNETT: It is not consumed, though.

Mr. DUNNING: There is a great deal of difficulty in distinguishing between this item of consumable materials and another item which is administered, called non-permanent equipment. I am advised that the sand would fall into the class of non-permanent equipment. It is still there when you get through.

Mr. MacNICOL: And the limestone that is used in the melting of the iron; it would be consumed.

Mr. DUNNING: The iron in question, being a raw material, entering into the finished article, would be manufactured under licence for that purpose, and would not be taxable.

Item agreed to.

Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, county or township roads.

Mr. GREEN: May I ask the minister why cities and municipalities are not given the benefit of this exemption? I take it that the idea is to promote the building and maintenance of roads, and surely cities and towns are entitled to just as much consideration as are the townships and counties of a province. This is particularly important in British Columbia, because we have no county or township roads there.

Mr. DUNNING: In connection with this item, my hon. friend from Vancouver-Burrard (Mr. McGeer) took it up with me, and

I inquired into the situation. As regards the class of municipalities mentioned by my hon. friend for Vancouver South (Mr. Green), such municipalities already have exemption with respect to their own plants; that is to say, where they are in the business of manufacturing crushed gravel they are not subject to sales tax.

Mr. GREEN: Suppose they have no plant?

Mr. DUNNING: Supposing they have no plant, they are, and under this amendment as it now stands, would continue to be. There is some administrative difficulty in connection with the application of the sales tax to this class of commodity when used by public bodies. For instance, in the past provincial governments have not been taxed; there is a reason for that, of course. But on the other hand, if a contractor is working for a provincial government, and purchases gravel, it is necessary to apply the tax, and the same is true with respect to the other smaller as well as the larger municipal bodies. It is now thought that the tax can be administered with an exemption to the municipality and the county and the provincial government, even though contractors are doing the work. It sometimes happens that a purchase is made by the contractor for gravel from a pit owned, for instance, by the municipality. That, again, creates an administrative difficulty, and the Department of National Revenue believes that, having regard to all the factors, if the big city municipalities are exempt, and the smaller municipalities, counties and so forth are exempted under this new provision, it will be administrable and will bring a certain amount of needed relief in communities such as those referred to by my hon. friend. To go further: I understand the hon. member for Vancouver-Burrard will be asking now, what he has asked me privately, and what I think will be supported by the hon. member for Vancouver South, namely, to provide for municipalities other than those described in the amendment, the amendment being:

Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, county or township roads.

The other municipalities having their own crushing plants are already covered. The desire will be, doubtless, to have the exemption extended to include all gravel or crushed stone used by a municipality for the purpose of its roads or streets, regardless of whether the municipality has its own plant or whether it is operating through a contractor. The only objection to that is the difficulty of administrative dealing with contractors of a