

Excise Tax Act

might be considered not to have commercial value would be household pets or perhaps some wild animals and rodents. Prepared cat and dog foods have been ruled to be exempt under one or more of the other exemptions for foodstuffs such as "fish and edible products thereof" or under the exemption for meats. Any other feed for fur-bearing animals would also be covered by the items listed under the heading "foodstuffs". Therefore, while my answer was erroneous the net effect is the same and in fact there is no real restriction on the exemption by the continuation of the particular words.

Mr. Benidickson: I thank the parliamentary secretary for his explanation. When I saw the bill I was a bit alarmed in that it seemed to be in conflict with what I thought was a fairly positive assertion made by the hon. member last week. I was not aware that dog and cat foods were already exempted in some other way. May I say quickly that I have some doubts that the phrase "whose pelts have commercial value" is necessary, but I know that the parliamentary secretary has had the benefit of the advice of the law officers of the crown and I would certainly abide by the advice he has received. From the point of view of doubt, however, I think that consideration should be given on another occasion to the possibility of removing these words to which I referred last week.

Mr. Herridge: Mr. Chairman, there is reference on this page to forest products when produced and sold by the individual settler or farmer. Does that include lumber?

Mr. Fleming (Eglinton): That is not part of the amendment. We are only amending in respect of the words underlined.

Mr. Herridge: I realize that but I wanted to ask the question while this matter was before us. Does that include lumber and in what quantity?

Mr. Fleming (Eglinton): Lumber is made exempt by the schedule as applied to building materials. The hon. member will see that on page 2 about nine lines from the bottom of the page.

The Chairman: Shall page 5 carry? Carried. Shall page 6 carry? Carried. Shall page 7 carry?

Mr. Benidickson: Mr. Chairman, I confess I have not done adequate research here. One item, item 692a, in the list of goods enumerated in customs tariff items is underlined. I have forgotten the significance of that.

Mr. Fleming (Eglinton): This is the item that applies to presentations from abroad in recognition of the saving of human life.

The Chairman: Shall page 7 carry? Carried. Shall page 8 carry?

Mr. Benidickson: I asked last week, on June 8, I believe, about an item at the bottom of page 8 which is underlined. The words are, "Materials for use only in the equipment and repair of ships over ten tons net register tonnage". The minister was kind enough to give an explanation at that time but after reviewing the explanation I was not completely satisfied. I found that the minister was clear when he said that the equipment or construction or anything relating to a ship sold for export would not be subject to the 11 per cent sales tax. However, I was not satisfied, in connection with the explanation given, that all items connected with the building of a ship in Canada for a Canadian customer had been in the past exempt and would in the future be exempt. I think the largest purchaser of ships in this country is actually the Canadian government. I hope we are not embarking on a rigmorole in which we impose a tax on the construction of ships of a very high value which, in turn, are purchased largely by the Canadian government and it is the sort of situation in which we take money from one pocket and put it into another.

Mr. Fleming (Eglinton): So far as the ships purchased by the federal government are concerned, the federal government pays sales tax just like any other purchaser.

Mr. Benidickson: No, that is not the answer. Have we always imposed the sales tax on the construction of ships over ten tons being built for a Canadian purchaser, government or otherwise?

Mr. Fleming (Eglinton): Yes, Mr. Chairman, except fishing boats or ships licensed for the Canadian coasting trade. The words are to be found on page 8, about three lines from the bottom of the page.

Mr. Herridge: With respect to this section, I may say there has been an increase in the use of diesel engines which makes it possible to use a smaller tug for towing purposes than was possible when steam power was used. Does this mean that if an individual interested in the lumber business built a tug of 9.5 tons he would escape this tax which is imposed in connection with the equipment and repair of such ships?

Mr. Fleming (Eglinton): If the ship is licensed to engage in the coasting trade, it is exempt. The hon. member will find the words at the bottom of page 8. Similarly,