

tion of sales tax on clothing and shoes, the names of any firms which have not passed on the benefit of the cuts to consumers would be disclosed to the public. However, what he failed to make clear at the time was that the department was going to monitor only some 120 firms which had already been informed they would be surveyed for this purpose. This means that the only "culprits" whose names the department would be in a position to reveal would be those found, if any, among this limited sample of 120 companies. A look at a sample of this size, if it is representative in terms of geography, various levels of trade and size of firms can, when checked against general statistics data, provide useful information of a kind the government never had before as to the actual effects of sales tax cuts on prices. But it could hardly be a way of helping keep the thousands of firms who are not in the sample, and who are therefore not being monitored, in line for the purpose of ensuring that they pass on the benefit of the sales tax reductions to consumers.

I think therefore, that the Minister of State for Urban Affairs should state as soon as possible exactly what is going to be done in a realistic way to monitor the cuts in sales tax on building including the names of firms to be checked for monitoring purposes materials, and what kind of information this monitoring will actually provide. The Minister of Finance should also be prepared to state what the government will do if it finds the benefits of these and other sales tax cuts are not in fact passed on to the consumer.

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The Minister of Finance has also confirmed the removal of sales tax on construction equipment and on vehicles used for mass transportation. He has not yet announced who will monitor the effect of these cuts, but they involve sizeable amounts of government revenue and they should also be covered by a monitoring program. It appears that the government intends to rely mainly on competitive pressures to make certain that the benefits of all the new sales tax reductions are in fact passed on to the consumers. Therefore, it is essential that we have the legislative means of ensuring that these competitive pressures are working fully and effectively in the Canadian economy. This underscores the necessity of putting into law as quickly as possible both stages of a reformed and updated competition policy.

Also, the reduction of sales tax on building materials should remind us that when the legislation covering reform of the personal and corporate income tax became law two years ago, it was stated that the next stage of tax reform would deal with federal sales and excise taxes. Nothing has been heard about the status of that review since then, and I suggest it is time we had a report on what is happening with it. The fact is, however, that a major change was made, on what is essentially an ad hoc basis, in our sales tax system in the current budget. This is a strong argument for the completion of this review and the publication by the government of proposals for public discussion of the reform of our entire federal sales tax system at an early date.

It was announced on budget night that the reduction of sales tax on building materials would be in force immediately the following day, November 19. However, it should

### *Excise*

be realized that the effect of this reduction of sales tax cannot be immediate with respect to all building materials across the board. This would, of course, lessen the degree of short-run impact the tax cut could have on the economy. The federal sales tax is imposed at the manufacturer's level. At the time the federal tax was announced, dealers already had on hand varying amounts of inventory, depending on the kind of material, on which tax had already been paid.

As is customary, neither the budget statement nor this bill make any provision for remission of sales tax which had already been paid. I am told that, depending on the kind of material, it could be up to four months before all this tax paid inventory could be disposed of through sale in the marketplace. For example, such tax paid inventories would be minimal or non-existent for products like concrete blocks or liquid cement for which there is a close relationship between manufacturing and ongoing demand and which go directly from manufacturer to user.

However, these inventories could be quite large for other materials like lumber and builders' hardware. I am told that most lumber yards turn over their inventories only four times a year. Therefore, it could be up to three months before the effect of the sales tax reduction could show up fully in lumber prices except, of course, in the rather unlikely event that the dealer could afford to cut his prices on materials on which tax had already been paid. The Minister of Finance announced on December 2 that there will be a remission of sales tax on tax-paid inventories of trucks and other transportation equipment affected by the sales tax exemptions proposed in the November 18 budget. However, he has indicated he will not do the same thing for building materials.

It could be argued, however, that the same considerations that led to his decision on transportation equipment could well apply to building materials. A prospective purchaser of building materials might defer his purchases for some months until he can buy goods free of tax. Or, he might switch his business from a dealer with a large tax-paid inventory to another one with little or no inventory, who could therefore offer him immediate delivery of stock which he had just purchased and on which sales tax had not been imposed. If builders deferred purchase of materials until they could buy them on a tax-free basis, it could slow down the effect desired by the budget of encouraging a greater supply of housing at lower cost in the near future. It could also slow down the achievement of the more general objective apparently hoped for from the reduction of sales tax—the stimulating of the entire construction sector of the economy. I would therefore suggest that further consideration be given by the Minister of Finance to this matter, now that a precedent has been established with his recent decision on transportation equipment.

In conclusion, while there are those who might consider my comments to be of a critically questioning nature, they are put forward in a constructive spirit in the context of my general support of the budget. Therefore, I believe that on balance this bill should have the support of this House and I look forward to its early approval by parliament.