

Winnipeg in a certain form, and is then completely assembled. That is my understanding of the situation, and I think the hon. gentleman will find that by this argument he is arguing against having industries in western Canada and against a reduction in the cost of motor cars in the west.

Mr. STEVENS: The hon. gentleman has not grasped the point at all.

Mr. KINLEY: The freight cost on automobiles depends on how many automobiles are in the shipment. If you have a full carload you get a lower freight rate. They are shipped knocked down for the purpose of saving freight, and disregarding everything else it will give the big man an advantage over the little man if you do not include the sales tax, because he has the advantage of a lower freight rate through his ability to take cars in big shipments in knocked down condition.

Mr. McGEER: The point is this: When a manufacturer in Windsor ships a completed car to Ottawa, we will say, there is no part of the freight involved in the sales tax because your sales tax is charged on the manufacturer's price at the factory. But if the present development of industry continues and you have plants established at points like Winnipeg, Regina or possibly Vancouver, when there is a shipment of parts to those western points the freight on those parts is included in the manufacturer's costs. So when the manufacturer's costs go out with those freights included, the westerner pays a tax upon a freight rate which the man in eastern Canada does not have to pay. The result of that sort of discriminatory taxation of course would be very favourable to eastern manufacturers.

Some hon. MEMBERS: Why?

Mr. McGEER: Let me put it this way. I can quite understand you fellows down east all being in favour of these things which concentrate—

Mr. MOORE: I cannot understand the hon. gentleman's objection to manufacturing in western Canada.

Mr. McGEER: No, we are not objecting to that, but what we do say is that when you ship parts from your main headquarters here to the west and assemble the car there, the cost of transportation to the point in the west should not be included in the calculation for the sales tax. You handicap your western manufacturer by the imposition of an extra tax on the freight which is not included in the east.

Mr. McLARTY: How can the increase of a sales tax or excise tax, the proceeds of which naturally go to the government, possibly help the manufacturer? He is simply a collection agent for the government.

Mr. McGEER: That is quite another thing, but what we are trying to do, of course, is have a manufacturing plant for automobiles in the west as well as in the east, and I think the general trend of manufacturing activity is to recognize a distribution of manufacturing centres throughout the consuming area. I think I catch the drift of the suggestion of my hon. friend from Kootenay East. It is that when you levy your sales tax on the freight on parts moving from the main factory to western points and do not levy the sales tax on the freight on a completed car going to other points, you discriminate against the western fabricator or the assembly man, and against the development of a plant in the west that is compelled to depend, for the time being at least, on the movement of the bulk of the parts from headquarters factories in Windsor. It is simply a question of whether or not you are going to equalize it by making your sales price at your factory the sales price plus the freight to the point of delivery. If that is done in the east there can be no complaint from the west over having to pay freight on parts moving from the headquarters plant to the point of assembly or manufacture, but if you are not going to levy any tax on the freight charged on the automobile moving from the factory to the point of consumption the suggestion is that you should not levy sales tax on the freight on parts moving from your headquarters here to the western point of assembly.

Mr. DUNNING: What about the movement of parts into what you describe as headquarters?

Mr. McGEER: Well, they will pay the tax in any event. For instance, there are no taxable parts coming into the factory at Windsor that have not paid that tax before they are moved to Winnipeg or Regina or Vancouver. As long as the taxes are paid at headquarters there is no question as to their being evenly distributed over all. I do not think there is any point of importation from outside of headquarters.

Mr. DUNNING: There is no tax on raw materials.

Mr. McGEER: Well then, nobody pays any tax. The only thing that it seems to me might appeal to the minister is whether the tax should be charged on freight on a western