approach to one of the most vital sectors of our economy. I congratulate the Hon. Member for Halton (Mr. Jelinek) for bringing forward his motion. However, after thinking about what we have been through in the last 16 years, it is not surprising that the motion is one of condemnation.

We have heard many statistics today, and I am sure we will hear many more. However, the most important and telling one is that the country's largest industry, tourism, has not turned a profit since 1967, the year we celebrated Expo '67 of which we were all so proud. Then began the decline under the present Government. In the last seven years tourism's balance of payments has shown a deficit of nearly $10 billion. In the past decade our share of world tourist trade has withered from 4.9 per cent to 2.7 per cent, almost a 100 per cent decline. We will lose more than $11 billion over the next five years, according to the Government's own estimates. By 1987, the yearly financial drain will have risen to more than $3.5 billion. We are a nation of 25 million people sitting next door to a country with ten times our population, and we have a travel deficit! It is ludicrous. It just does not make sense. It is a pure marketing problem which the Government seems not to have acknowledged, let alone made an effort to address.

Since 1968, our annual deficit has steadily increased, except in 1979 when under a Conservative Government the travel deficit fell from $1.7 billion to slightly over $1 billion. That is an indication that real progress can be made if there is a determination and a willingness on the part of government to do so. We had the commitment, but the present Government does not. The record speaks for itself.

On a global basis, total receipts in 1982 from both domestic and international travel were roughly $1 trillion—that is a figure one with 12 zeroes behind it. The World Tourist Organization estimates that some three billion tourist arrivals were recorded world-wide last year, but fewer and fewer of those arrivals were in Canada. Since 1981, the number of Canadians travelling outside Canada has increased while the number of visitors to Canada has decreased. The daily outflow of Canadians increased from 32,655 in 1982 to 37,610 in 1983, an increase of 4,955 per day, but the daily inflow increased from 34,871 to 35,216, for a daily increase of only 345. The result is a net outflow of a staggering 4,610 per day. Not only are we having trouble attracting tourists to Canada, we are having difficulty encouraging Canadians to travel in their own country. Most Canadians have not seen the various regions of Canada.

It is time to ask why this has happened. It is very simple to stand here and criticize, but we want to suggest ways of addressing the problem. Hopefully this resolution will give the problem the exposure it needs and will prompt the Government to recognize the important role tourism plays in our economy. To put it simply, the policies of the Government have priced the tourism market in Canada out of the reach of an increasing number of travellers, most notably Canadians themselves. Purely and simply, we are non-competitive. The high cost of gas, liquor, accommodation and food top the list.

The Tourism Industry Association of Canada, in a submission to the task force on alcohol and tobacco on February 2, 1984, listed the price of alcoholic beverages as a "key and very upfront critical price perception factor" influencing tourism travel. I could not agree more. This is not a moral issue about which we are talking. It is a fact of life, as was pointed out by the Hon. Member for Malpeque (Mr. Gass). TIAC went on to point out that this came about because of astronomical increases in tax levels by both provincial and federal Governments, but added that these increases were led by "the unbelievable system of calculating and applying federal excise duties".

A tax on tax is indeed unbelievable. It is called an add-on tax or an *ad valorem*. I raised this matter in the House with the Minister of Finance (Mr. Lalonde) on a couple of occasions. Liquor, beer and wine have always cost more in Canada than in the United States as a result of the Canadian practice of monopolizing the distribution and sale of these beverages through government outlets—state control—and because Governments see liquor sales as an inexhaustible source of tax revenue, as something we taxpayers will tolerate because of the moral issues at stake. That is not true. Canadians are beginning to balk, particularly shareholders. Tax increases and mark-ups by one level of government prompts more by another level of government, but the federal Government leads the price increase spiral.

• (1650)

When the Minister of State for Tourism (Mr. Smith) spoke a few moments ago, he tried to blame it all on the provinces. That simply does not wash. *Ad valorem* taxation starts with the federal Government and then provincial taxes are added.

Last September, the firm of Peat, Marwick pointed out these implications in a study which stated:

> Over the next four years, the "ripple" effect of the 1983 index change will increase the price of that $11.45 bottle of liquor another $1.95 to $13.40. The 13.3 per cent increase in excise duties thus ends up raising the retail price in Ontario by approximately 17 per cent . . . It is an illustration of how any increase in tax may take three or four years to work out of the system.

In other words, Mr. Speaker, the increases continue even if the price is not raised at the manufacturer's level. This is because the *ad valorem* increases to the excise taxes are based on rises in the consumer price index. The increases come into effect automatically, regardless of current conditions.

Since the excise duty leads the retail price, the index begins to feed on itself and actually causes inflation. The effect has been a decline in consumption, which has resulted in the lay-offs of 2,500 distillery workers, not to mention many tobacco workers, at a direct cost to the Government of an estimated $40 million in UIC payments and lost income taxes. Lost sales mean reduced revenues from which to draw tax dollars. By trying to increase its take in this way, the Government is actually putting itself into a losing position. I point out to the Minister of Finance that these revenues will start to decline by next year. What we in effect are doing is killing the goose that lays the golden egg. The same situation exists in the tobacco industry. More important is the impact this has had