

Income Tax Act

Mr. Chairman, I would like to repeat that that initiative by the Minister of Finance appears to me as an excellent example of the co-operation that is required in the preparation of budgets in future in this country, a co-operation that was reflected in his consultations with the ministers of finance. Furthermore, the selfishness and the bad faith of the Quebec minister of finance led to a situation that is only a purely superficial confrontation as basic common sense suggests that we are right. Finally, I really do not see how the hon. member for Yorkton-Melville (Mr. Nystrom) could conclude from those facts this afternoon that a confrontation between Anglophones and Francophones had been arranged as this was in fact rather an attempt to bring all provincial ministers of finance to participate in part of the budget of the government of Canada, a part that was intended to stimulate the demand by Canadian consumers for Canadian-made products. We wanted this demand to involve all products manufactured in Canada. Never, Mr. Chairman, has the Minister of Finance of Canada denied the minister of finance of the province of Quebec the right to abolish completely the sales tax on any item whatsoever in his own budget. But he has talked about the chance that the other provinces give our manufactured products by putting down the sales tax by 3 per cent. Let us give them that chance also by putting down the sales tax on all items by at least 2 per cent and the 1 per cent that some of the other provinces bring to lower the sales tax by 3 per cent, let us apply that to the fields where we want to abolish it completely. I think that compromise was quite reasonable and acceptable and the minister of finance of Quebec should be ashamed to have been so stubborn in his position, like some members of the opposition who got entangled in supporting it.

● (2032)

[English]

Mr. Ritchie: Mr. Chairman, this evening I should like to speak mainly of the sales tax. The hon. minister is not taking questions today so I should like to put on record some thoughts regarding my province of Manitoba.

The sales tax reduction for Manitoba is not a particularly good one as there is not much industry in that province to benefit from it. This could also be said for the province of Saskatchewan where even fewer consumer items affected by this tax cut are manufactured. It is well known that the western finance ministers were not very happy with the situation but they recognized the problems of a lagging economy. Most economists were advocating a sales tax cut as one of the best things that could be done to help the national situation.

There seems to be some confusion about whether the Minister of Finance adequately canvassed the provincial ministers. I do not know whether he received an iron-clad agreement from Mr. Parizeau, the finance minister of Quebec, but in any case he was not able to show us that a reasonable agreement had been reached. It seems to me that Mr. Parizeau has won hands down in the altercation and has accomplished what he set out to do, which was to protect the industry of his province

[Mr. Bussi eres.]

and to retrieve this money from the federal government. Whether the citizens of Quebec receive the money by a direct cheque or in some other manner through income tax, the result is the same—the economy of Quebec will receive a considerable payment.

Just the other day a well known columnist likened the situation to someone having a piece of property shaded by the trees of four neighbours. Wanting to have the shade they threw on his property removed, the owner asked the neighbours to cut down the trees. Three of the neighbours complied; the fourth only cut down a few of his trees yet he wanted to be paid the same as the other three neighbours.

According to the figures I have, the federal contribution to the province of Quebec would be \$226 million, of which \$222 million would be a tax abatement and about \$5 million a cash payment. In the original plan Quebec was expected to contribute \$113 million, for a total federal-provincial contribution to Quebec of \$340 million. By selective tax cuts to the extent of 3 per cent, the Minister of Finance now proposes to pay \$40 million to that province in direct payments.

I should like to compare this with the pay-out to Manitoba and show that if Manitoba had received money under the same conditions as Quebec it would have been immeasurably better off. It is fairly easy to compare Manitoba with Quebec; Quebec has approximately six times the population of Manitoba. Furthermore, our economies are very close together—the ratio of activity of each of the provincial economies is approximately the same.

Manitoba's 1 per cent tax abatement cost \$21 million compared to an estimated \$113 million for Quebec. The tax abatement for Manitoba was to be \$37 million on the \$100 tax abatement compared to \$4 million of direct cash payment, which means the \$100 abatement for Manitoba was not enough and therefore it was estimated the federal government would have to contribute a tax payment.

Had Manitoba followed the example of the province of Quebec it would have found itself in quite a different situation. Instead of the Manitoba treasury having to come up with \$21 million on the 3 per cent sales tax cut across the board it would only have had to come up with \$3.5 million. The federal government's share of the selective tax cut abatement on the same level as the province of Quebec would have cost the federal government only some \$7 million and the taxpayers of Manitoba would have received cheques totalling about \$36 million, which would certainly have been a good thing for the economy of that province. It would have protected its market for its own industry and benefited from the sales tax cuts on those goods it produces.

● (2042)

Industries in the province of Manitoba did not benefit directly from the sales tax very much. By the nature of our province, Manitoba does not have a large manufacturing component, whereas in the province of Quebec the manufacturing component is quite a bit larger. Certainly industry in the province of Quebec benefits by the rest of Canada being