

Excise Tax Act

the exemption to show to the department that the pipe, whether cast iron or of some other material, is used as part of a sewage or drainage system. I can only repeat that the department informs me they anticipate no difficulty in administering this particular feature.

Mr. Benidickson: I raised last night the question of the tendency to have a great deal of installations of sewage and drainage systems done by the subdividers of property. I take it that these people are not contemplating as being included in the reference here to "any agency operating a sewage or drainage system." I assume they do not operate such systems but simply instal them. Therefore this provision is not related to the problem of the subdivider who has an obligation to instal these things.

Mr. Fleming (Eglinton): We dealt with the question of the subdivider last night. I think the matter is clear and I do not understand that my hon. friend wishes to speak further about it. What we are speaking about here with respect to an agency would be such an agency or commission as exists in some provinces. For instance, in the province of Ontario we have a commission established under provincial legislation which assists municipalities in the purchasing and financing of drainage and sewage systems. If the goods were purchased by the government for the province they would be exempt. If they were purchased by the municipality they would be exempt. In this case this particular commission is the agent of the municipality for this purpose and the matter, of course, presents no difficulty whatever from the point of view of administration.

Mr. Benidickson: But in order to obtain the exemption, if the construction is done by the subdivider the subdivider will probably have to change the form of his contract with the municipality so that the municipality purchases the materials. Otherwise there is no tax exemption which in the end would benefit the home owner who has to pay for these things in the long run.

Mr. Fleming (Eglinton): I think that is right. We went over that point last night. The contractor in this case may invoice the municipality separately for the work done and for the sewer pipe and equipment sold to the municipality. It is not going to present any serious problem from the point of view of establishing the contractual arrangements that are required to permit the exemption to be had in a case of that kind.

Mr. Benidickson: We have had a good discussion this afternoon and I see that the hour of adjournment is rapidly approaching. It

[Mr. Fleming (Eglinton).]

does seem to me that for the benefit of readers of *Hansard* it would be appropriate if the hon. member for Villeneuve were permitted to indicate the point he has in mind. I think we have all received telegrams from certain mining organizations referring to discrimination in the case of diesel fuel oil for use in generating electricity. Other purchasers have enjoyed this tax exemption in the past and as the matter is relevant to the section we are discussing I think we should hear the hon. member.

Mr. Fleming (Eglinton): Mr. Chairman, there is one opportunity I would crave before the committee rises at six o'clock and it is nearly that time now. I wish to place on record a correction of a statement I made last evening while we were on this same subject in committee of ways and means. In dealing with the matter of diesel fuel oil when used in internal combustion engines and reviewing the course of events since this question came to the fore last October, I gave the committee information I had then received in reply to a question with respect to whether there were any cases where mining companies had made claims since October and where these claims had been acknowledged by the department. The information I gave the committee, and which I had just received, was that there were no such cases.

I have learned since that that information is not correct. I should like to tell the committee that I regret that incorrect information was given to the committee and I should like to say now by way of correction that there have been cases since the situation arose which I described last night where mining companies have made claims in respect of the sales tax on diesel fuel oil used by them in internal combustion engines, which engines were used directly in the process of manufacture or production of goods, in this case mining operations. There have been cases of that kind. They began in March and extended to May and there have been refunds paid to these companies in a number of cases in the light of the view that the Department of National Revenue took of the situation when the matter arose first in October of 1957, in that case with respect to a municipality. As I mentioned last night, the view that was expressed was not one arising out of a judicial decision. There has been no decision on this question by any competent court.

The interpretation that the department had been placing on the words I quoted last night was challenged by a municipality and after some consideration enough doubt was raised as to the effect of the provision of the schedule that the Department of National Revenue