

it was thought that the automotive industry was being placed at a serious disadvantage, and was being subjected to a more severe rate of taxation than other industries. Representations to this effect were made to the government but without avail.

Owing to the general depression this fall and winter the Automotive Association again took up the matter with the government, and made very strong representations as to the unsatisfactory conditions of the trade, attributing this condition in part to the excessive taxes imposed. The case was ably presented to the government, and after investigation of the circumstances, they abolished the luxury tax completely. We are all agreed that this was a courageous stand, and we are much pleased at the government's action.

Inasmuch as the Department of Finance had collected the tax from the dealers upon cars which they had on hand when it was originally imposed, it was naturally assumed that in doing away with the tax, the dealers would be reimbursed on a similar basis, but this was not done.

That is the point made by the hon. member for Victoria and Carleton (Mr. Caldwell). The dealers insisted that when the original tax was put on by Sir Thomas White in 1918 everything in their hands was taxed. There was a difference in the two bases of taxation.

Mr. NEILL: Although the cars had been sold by the manufacturer to the dealers at that time?

Sir HENRY DRAYTON: Yes, the difference being this: In one instance you had a tax at the base, the distributor; and in the other you had it at the source, the manufacturer. My proposition was to tax at the source. I am quite free to admit that I had forgotten what Sir Thomas White did a few years ago.

No doubt you are acquainted with the steps taken by the various dealer organizations throughout the Dominion, and through the Retail Merchants Association, to bring this matter clearly before the government. After the dealers' deputation left Ottawa, the government asked the dealers to appoint a smaller committee to meet with the manufacturers at Ottawa for further discussion. This meeting was held at Ottawa recently, but after presenting the case from all angles to the government, and using every available argument, the combined efforts of the dealers and manufacturers were unavailing. The department has given its decision—that taxes once collected cannot be refunded, and had declined to reimburse the dealers.

The suggestion was made that the list and wholesale prices of cars should be increased for a period of several months in order to assist the dealers to get back from the customer their investment in these taxes, but we feel that this would be equivalent to re-imposing the luxury tax in a modified form, would present a definite sales resistance which would prevent accomplishing the desired results, and would certainly lengthen the time necessary to get back to normal conditions, and prevent the dealer from reaping the full benefit of volume business brought about by the complete elimination of the tax.

On looking at the whole matter it is well to remember, that had the government not taken the unusual and almost unprecedented stand of eliminating the entire luxury tax, by order in council on December

20th, and had they, as is usual and customary, allowed matters of taxation to stand and be dealt with in the budget speech, and had deferred any action looking to the relief of this taxation until the budget was brought before parliament in the usual way (last year this was not until May 19th) the whole trade would have been in a very serious and undesirable position. We, therefore, feel that the industry as a whole has much to be thankful for by the prompt action of the government.

Under all the circumstances, and having regard to the government's refusing to make any reimbursement of taxes collected, we propose to assist the dealers in their difficulty by absorbing (under certain conditions), without raising our price for this purpose, 50 per cent of the taxes paid on new, unused McLaughlin cars in dealers hands at the opening of business Monday morning, December 20th, 1920, thereby assisting the trade to return to normal basis with the least possible delay. We are at present absorbing two per cent sales tax and will continue to do so until further notice.

While some dealers may be inclined to regard the balance of the tax which they absorb as a loss it must not be forgotten that all merchants, manufacturers, traders, etc. have had to assume their share in the general reconstruction (and in some cases excessively heavy and severe losses), through the writing down of inventories, the fall in raw materials and commodities, and the contingent liability for goods contracted for at high prices in advance.

It was hoped that all manufacturers would adopt a uniform basis of handling this situation, but this could not be arranged.

So they sent out their bulletin. At the time I understood that it was entirely arranged between the manufacturers and the dealers, on the basis of fifty fifty, as shown by this circular.

Mr. CALDWELL: Do you know how many manufacturers adopted that attitude, and what was done?

Sir HENRY DRAYTON: I could not say.

Mr. CALDWELL: Is it not a fact that the government did refund to those manufacturers who were conducting retail establishments the tax on the cars which they had in their retail warehouses? I know a statement was made that refunds were granted amounting to over \$170,000.

Sir HENRY DRAYTON: I know of no refunds at all. But, in fairness to my hon. friend, I should add that the sales tax under the law was not payable until the sale was made. Merchants had stamps on hand to be attached when sales were effected. Now, those stamps would be redeemed on presentation; but that would not be a refund, the tax never having been payable because no sales had ever been made. I do not know, I tell my hon. friend frankly, but it may be that some manufacturers had cars on the retail side of their warehouses instead of on the wholesale side, and if they had not sold