

During the debate on Bill C-12 it became obvious that there could be unfairness as between the two kinds of dealers. There is the commission agent who basically holds his inventory on consignment, thus, the inventory that he holds is free of any sales tax. The second kind of bulk fuel dealer is the independent who purchases his fuel from the manufacturer and pays sales tax on it at the time. His inventory is tax paid.

As originally put forward, Bill C-12 would have placed the independent dealers in an awkward position because they would have been obliged to collect sales tax which they had already paid. Thus their initial price at the time of sale to their customers would have been 22 cents per gallon higher than the price charged by the commission agent dealer. The customers would naturally tend to gravitate to the dealer who could provide the lowest initial price.

To prevent this unfairness, Bill C-12 was withdrawn and a new bill, Bill C-17, was put forward which provided that all dealers could sell fuel to the primary producer free of tax. This solved the problem of treating the independents unfairly at retail, but did put them in the position of having to apply to the federal Government to secure a refund of the sales tax which they had already paid on their inventory at the time of purchase from the refiner.

Unfortunately, this procedure has in turn caused additional problems. The problem is that there is an inevitable delay between the time of sale by the independent bulk fuel dealer to his customer and the time that he actually receives reimbursement of that tax upon application to the federal Government.

If there be a 60-day turnaround on the rebates, a bulk fuel dealer carrying \$25,000 of tax, for example, is facing substantial interest costs. A dealer carrying continuously \$25,000 worth of tax is paying out at least \$250 per month in carrying charges. That is a lot of money for a dealer to carry. Most dealers are a one-man or one-family operation. The servicing costs will vary depending on the amount of tax outstanding and the time delay in rebate processing.

The point is that it is neither fair nor reasonable that the fuel dealer be made to carry the cost of this Government benefit to primary producers. Further, these same fuel dealers are already put to the substantial added effort and cost of additional bookkeeping in submitting their applications for rebate.

I put forward two solutions. The first one involves the provision of a cash advance or floats to the dealers. This system is already in place in the Province of Alberta under the Alberta Farm Fuel Distribution Allowance, whereby a seven cent per litre rebate is given to farmers to assist in their input costs. This rebate is taken right off the invoice by the bulk fuel dealer. The bulk fuel dealers purchase their fuel, including the seven-cents a litre. When the fuel is sold to the farmer, seven cents per litre is taken off the price and this deduction is, in turn, recovered from the Alberta treasury. The agents are given a cash advance equal to deductions on approximately two months of the highest season's sales, to be placed in the bank to offset the first pay-back. It is called an accountable advance under the Act. I am advised that this system works

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very efficiently. There is no hardship on the bulk dealers and, in fact, the dealers are very pleased with the system.

● (1805)

The other solution is more simple. It involves paying interest to the dealers, and this interest would simply be included with their rebate cheques from time to time. In view of the fact that the federal fuel sales tax rebate program has a sunset date of December 31, 1986, may I instead suggest that a straightforward system of interest payments would be the reasonable and just solution. The time frame of this benefit does not warrant putting into place a cash advance or float system. Therefore I urge the Government simply to pay independent bulk dealers the equivalent of bank loan interest on the refund of sales tax.

Mr. Geoff Scott (Parliamentary Secretary to Minister of Communications): Mr. Speaker, I thank the Hon. Member for his question. I hope the initial answer which the Department has provided will satisfy him, at least until the Minister rises in his place to deliver his Budget next week.

The Government's fuel tax rebate program was announced in the Minister's economic statement in November in order to respond to serious financial difficulties being experienced by primary producers. Initially it was proposed that primary producers be required to claim the rebate directly from the Government, except where the fuel was purchased from a manufacturer licensed for federal sales tax purposes and required to charge tax on his sales.

After this program had been announced, representatives of Federated Co-operatives Limited, the Co-operatives Union of Canada and other groups of unlicensed retailers requested that the legislation be broadened to allow retailers to elect to credit the rebate directly to primary producers at the time of the sale, and to file a refund claim with the Government to recover rebates credited in this way. They suggested that this would better serve the needs of their customers and enable them to compete on an equal basis with manufacturers that were already authorized to credit the rebate at the time of sale. As a result the legislation was amended to meet this request.

The issue of a potential impact on retailers' cash flow was also considered at that time. Many factors in the design of this program have reduced the risk of any serious negative impact. First, it is expected that the Government will pay rebates in approximately the same time, on average, as primary producers normally take to pay their accounts. Except in the case of cash payments by purchasers, the impact on cash flow will be minimal. Second, the law requires the Government to pay interest on any valid rebate claim not paid within 60 days. This requirement will ensure that rebate claimants will be protected from loss of use of funds where, through government error, a rebate claim cannot be made in a reasonable time.

Finally, it should be noted that the decision by retailers to claim rebates on behalf of their customers is not a requirement of the law. Rather, this provision is an elective one to accommodate legitimate concerns raised by some retailers. It would not be appropriate for the Government to increase the cost of