

Government Orders

that we hear most often is why does the national action plan on smuggling include tobacco tax reductions?

In 1992 the government announced a wide range of enforcement measures to respond to the substantial rise in tobacco smuggling triggered by federal and provincial tobacco tax increases.

• (1725)

These measures included much tighter controls on the distribution and sale of tax free tobacco products, significantly higher penalties for persons caught smuggling, new proceeds of criminal provisions and the allocation of substantial new resources to customs and the RCMP to strengthen their enforcement efforts and the border and within Canada.

While these measures assisted the government in its fight against tobacco smuggling, they were not sufficient to bring the problem under control. The price differential between Canadian tax paid tobacco products and contraband products were such that the profits from smuggling far outweighed the associated risk. As a result, despite these measures, smuggling continued to grow, representing about 15 per cent in about 1991, 25 per cent in 1992 and 40 per cent in 1993 of the total Canadian market for tobacco products.

The government's national action plan on smuggling is a comprehensive plan that includes new enforcement initiatives, tobacco tax reductions, measures affecting tobacco manufacturers and measures to reduce smoking. There is also an export tax. The tax on exported tobacco products is designed to more closely control export shipments and to prevent any recurrence of the level of shipments that would effectively supply the contraband trade.

At the same time Bill C-32 makes provision for certain limited exemptions to allow tobacco manufacturers to satisfy demand for legitimate exports for bona fide consumption outside Canada. These exemptions apply in respect of the historical level of exports which was in the range of 2 to 4 per cent of total domestic production during the period before tobacco smuggling became a problem. As well exports where the manufacturer provides satisfactory evidence that the national taxes of the country of destination have been paid are also exempt on the grounds that tax paid tobacco products are not used to supply the contraband tobacco market.

The tax is only imposed on manufacturers of tobacco products because only manufacturers can export tobacco products free of domestic taxes and duties.

There is also a health promotion surtax which applies for a three-year period and this has raised the question; why not make it permanent? The health promotion surtax is one part of the government's national action plan on smuggling. It was de-

signed to respond to the potential for increased consumption associated with tobacco tax reductions, providing the funds necessary to undertake an extensive anti-smoking campaign to help prevent any increase in smoking. The government does not expect that tobacco taxes will remain at the reduced levels indefinitely. As such it was not considered appropriate to make the surtax a permanent feature of the income tax system.

Yesterday a member from one of the opposition parties quite accurately pointed out that I raised this point in testimony before the finance committee and it is part of their record that we are very concerned, as is every member of the House, about the levels of smoking and that the actions of the government do not contribute to increased consumption.

To assist the federal enforcement agencies and provinces to control the potential for interprovincial diversion of tobacco products, Bill C-32 contains new liability and offence provisions. An additional federal excise tax will be imposed on a wholesaler or retailer in respect of any sale of marked tobacco products to a person in another province. The legislation also makes the offence subject to a fine for any person to sell or offer for sale tobacco products marked for consumption in one province to a consumer located in another province.

I can assure the House that the people in Manitoba are very concerned about this issue. This particular provision was to address the western provinces.

As I started my speech I wanted to bring to the attention of the Chair that sometimes members react perhaps too strongly to particular measures. I want to quote one member yesterday who said, and I quote from page 5649 of *Hansard*:

This reduction in taxes to cigarettes is the single most disastrous act of sabotage to the health of Canadian people which has ever been enacted by any government in the history of this country.

That is a pretty strong statement. A representative from the same party on page 5629 said:

This party supports the immediate payment of tax rebates owing to retailers and distributors throughout Canada.

Some hon. members: Oh, oh.

• (1730)

Mr. Walker: Let us go back over this again in case members were not paying attention. We have first a reduction in taxes on cigarettes, the single most disastrous act of sabotage to the health of the Canadian people. This party supports the immediate payment of tax rebates owing to retailers and distributors throughout Canada. Heaven forbid if something serious should happen in this country.

There are other elements of this that I want to bring to the attention of the House. There seems to be some confusion among opposition members on the air transportation tax. I want