

Excise

There are two further points in this bill with which I wish to deal. The first is the point touched on by the hon. member for Edmonton West, namely, the airport tax which applies to all airplanes. This is unfair. In the Northwest Territories, the Yukon or northern Saskatchewan there are no roads: it is not like in the south where people can travel by car, truck, bus or rail. They must use aircraft. Fuel costs in the north are already excessive because it is necessary to fly in the fuel. An additional tax on aircraft will discriminate against the people of the north. The minister should consider amending this provision when we get to clause by clause study of the bill. There is one other point I wish the minister to take note of with regard to aircraft. Section 12 of clause 21 provides:

Aircraft but not including gliders or aircraft purchased or imported for use exclusively in the provision of such class or classes of air services as the governor in council may by regulation prescribe...

They would be subject to excise tax. Of course, it is left open under the regulations that are prescribed by the governor in council; in other words, the minister. If a person purchases an aircraft of more than a certain size, should it be other than a standard commercial or passenger aircraft the aircraft may be subject to extra tax. Again, there are people in northern Canada who use aircraft for personal reasons in the same way as we use cars, and if the section imposed an extra tax on these people I think it would be discriminatory.

● (1410)

I also ask whether the new tax would apply to motorized toboggans used in the north for hunting and trapping? Most of the measures here are measures which I believe all hon. members will support. I should like the minister to undertake a study of the impact of sales taxes to determine whether they are regressive, as I think they are. I think the object should be to distribute our wealth in order to create a more egalitarian society: we have the wealth to do it, and I think it would be a moral crime if we did not.

Hon. Herb Gray (Windsor West): Madam Speaker, I would like to make some comments about this bill, the purpose of which is to implement the changes in sales tax proposed in the November 18 budget. The bill proposes that the sales tax on construction materials be reduced to 5 per cent. This reduction is not just for materials used for residential construction but for all construction. Yet the budget statement indicated that the primary aim of the proposal is to stimulate residential construction and to help moderate the price of housing. One could ask, therefore, why the approach could not have been to focus the impact of this cut more on residential construction, particularly for moderately priced housing.

One approach that could have been used would have involved an extension of the provisions the present tax law uses to grant relief from sales tax if the goods are to be used for certain purposes; in other words, an extension of the end-use provisions of the present law. This might well have been complex administratively. But there is another approach that could have been used if the principal objective was to reduce or eliminate that part of the cost element in the price of housing created by the sales tax. It would have involved sizably increasing the new

[Mr. Nystrom.]

grants that are to be given to first-time purchasers of new, moderately priced homes. This would have put the benefit of the tax reduction directly into the hands of consumers. These grants could have been increased from \$500 to some greater amount, with the program being further modified by making purchasers eligible for it even if the new home they were purchasing was not their first home and by widening the price ranges of eligible housing.

After all, when this \$500 grant program was first announced during the election, it was put forward as being for the purpose of compensating the home buyer for the approximate amount of sales tax on the price of his home. The use of this latter approach would also have meant that the reduction of sales tax would not be available for luxury homes, apartments and office buildings, as will now be the case. In addition, it would have meant that there would be no question, as there now is, as to whether the reduction will ever actually benefit the consumer.

Of course, if you look at the proposal to cut the sales tax to 5 per cent as a means of generally encouraging the total construction sector of the economy and providing a basis for holding prices down throughout this sector, there is a strong argument for this kind of across the board reduction. But this still leaves the valid and very important question of whether the benefit of this reduction will in fact be passed on to the consumer either through lower prices or, at the very least, through the absorption of increased costs, or whether it will not, instead, be pocketed by others in the form of higher profits.

The Minister of Finance (Mr. Turner) said he has asked the Minister of State for Urban Affairs (Mr. Danson) to monitor the sales tax cut to see that it is actually passed on to consumers. I think we need some further reassurance as to the capacity of that minister's department—which is, after all, a very small one—and that of Central Mortgage and Housing Corporation to carry out this task. We also need information as to exactly how it will be carried out. Will the monitoring cover the whole of the construction industry, or only residential construction? Whatever expertise Central Mortgage and Housing Corporation has is likely to be concentrated in the residential area. But the monitoring should cover the entire construction area of the economy to which the new sales tax reduction is applicable.

The monitoring of sales tax and tariff cuts to attempt to determine the actual effect they have is a new kind of federal government activity. It was carried out for the first time by the Department of Consumer and Corporate Affairs on the effects of the tariff and sales tax cuts announced in the budget of February, 1973. The same department is carrying on another monitoring exercise at the present time on the effects of the elimination of sales tax on clothing and footwear, first announced in the May 6 budget. But as I have said, these programs are a new kind of federal government activity. Obviously, they are still of a somewhat experimental nature. As a result, consumers could well be given unrealistic expectations as to what this monitoring means and what it can actually do for them.

For example, the Minister of Consumer and Corporate Affairs (Mr. Ouellet) announced that with regard to the current monitoring program on the effects of the elimina-