

Adjournment Debate

Minister for International Trade called Mr. Brock, the United States Trade Representative, on this issue.

In part as a result of our representations, the administration issued a directive on November 14 which instructed U.S. Customs to administer the new regulation on an interim basis for 120 days. This is in fact a moratorium of the law that was enacted by Congress. Application of the new marking law on this basis will cause minimum disruption to Canadian trade and provide time for the administration to seek repealing legislation.

In addition to our bilateral representations in Washington, we raised the issue in the GATT. Consultations are scheduled to take place in Geneva on Friday, December 7. In our view, the new marking law is inconsistent with United States GATT obligations, in particular Article IX:4, which deals with marks of origin.

In light of these developments, both the Prime Minister and the Minister for International Trade have indicated that it would be premature for the Government to discuss the possibility of retaliation at this time.

The Government, as it has from the beginning, continues to work closely with the Canadian industry to safeguard access to the important U.S. market. Indeed, the Minister met with the industry and provincial representatives in Toronto on Monday of this week to ensure that there is a co-ordinated plan of action. Canadian exports of pipe and fittings to the United States totalled approximately \$125 million U.S. in 1983, down from approximately \$233 million U.S. in 1982. Exports to the United States in the first half of 1984 are already over \$125 million U.S.

I want to assure the House and the Hon. Member that the Prime Minister is very sensitive to this Government's obligation to the steel industry. His primary consideration is that jobs that are in jeopardy be preserved. It is in furtherance of that particular concern that these measures have been taken. We have had a very reasonable and appropriate reaction from our U.S. friends. I trust this answers the inquiry of the Hon. Member.

INCOME TAX—RATES CHARGED BY DISCOUNTERS. (B)
CHEQUE-CASHING SCAM

Mr. David Orlikow (Winnipeg North): Mr. Speaker, several days ago I brought to the attention of the Minister of Consumer and Corporate Affairs (Mr. Côté) the plight of several hundred thousand Canadians who are being ripped off by companies which discount income tax refunds. This situation is growing more serious every year.

In the 1970s, when Members of Parliament and the Government learned that some people were having their income tax refunds discounted 50 per cent to 60 per cent, legislation was passed entitled the Tax Rebate Discounting Act. That was in 1978. It provided that discounting companies such as BenTax and H & R Block could provide cash advances on income tax refunds and charge a fee of 15 per cent of the total amount of the tax rebate. Since 1978, the number of Canadians who are

having their tax refunds discounted more than doubles every year. In 1982, there were 60,000 Canadians who did this. In 1983, there were 153,000 and in 1984 there were 380,000 who did this.

● (1810)

Let us ask ourselves who the people are who have their tax refunds discounted. They are not Members of Parliament, bankers, lawyers or doctors. The clients of the discounters are the poor. They are the single mothers who are heads of families. They are native people and people who are on welfare. In fact, 64.5 per cent of those who discounted their returns in 1982 had total incomes of less than \$8,000 per year. They are people living in poverty. The median income of those people was \$5,700 per year, and 41 per cent of them were women claiming the child tax credit, a social program intended to help lower-income families. Those people who discount their tax returns are not getting the benefits which Parliament wanted them to have.

The discounters themselves estimate that 50 per cent to 65 per cent of their clients are unemployed or on welfare. These people need the money in March or April when they discount their return, but they need it later on as well. They receive no benefit from doing this. They take a substantial loss by getting the money to which they are entitled early.

In 1983, the discounters charged an average of \$114 per return. On the basis of the number of returns they processed in 1984, discounters made about \$43 million. They took that money out of the hides of poor people. They took it despite the fact that the legislation was designed to help those people.

The 15 per cent fee which is permitted to be charged by the discounters under this law works out to an exorbitant rate of interest if calculated on an annual basis. Given the fact that most of the returns are processed and returned by Revenue Canada within one or two months, discounters are basically providing loans to their clients at annual interest rates of 90 per cent or more.

Not only are the large companies I have already mentioned getting into the business, but there are now smaller companies which are not in the financial business at all entering the business. There have been instances of car dealerships enticing people to buy or lease a car by offering to cash tax rebates minus the 15 per cent fee, of course.

I believe that the Government can take action. The Minister said his Department is studying the matter. The Government is studying it but is doing nothing. I believe that the Government could pass legislation making it illegal to have tax rebates discounted. Just because something is not illegal does not make it desirable.

I believe that rebating serves no useful purpose. The Government should give consideration to an outright ban of such discounters. It could make tax rebates non-transferable. If the Government does not want to ban discounting, it could pass legislation to bring discounting rates into line with normal consumer loan rates. After all, the risks are minimal yet the interest rates charged are exorbitant. Using normal consumer