

Excise

Affairs (Mr. Ouellet), is now making a total review of the matter. The results of his review are not yet known. The minister will present a report to the House, presumably after New Year's Day. I cannot prejudge the situation.

As for the reduction from 11 or 12 per cent to 5 per cent for building materials, I have always refused either to maintain it or to eliminate it. Because the pressures exerted by demand were previously too strong, I had the impression that this tax would not be reflected in the price paid by the consumer, the home owner or the purchaser of a new home.

Now the forces have been turned around. Since the demand is now very low, we must encourage building. And I am under the impression that after turning around of the economic forces, the tax reduction will be reflected in the price of these materials. Nevertheless, I have asked my colleague, the Minister of State for Urban Affairs (M. Danson), who is responsible for housing, to establish a monitoring system. He will do so, and I must admit, Madam Chairman, that because of the great diversity of these materials, it will be very difficult to establish strict monitoring, except for the most important materials.

This is the present situation, and I believe that the question was very relevant.

[English]

Mr. Gilbert: Madam Chairman, my question is similar to the previous question regarding sales tax on building materials. I would ask the minister, who is going to monitor the sales tax? Suppose it can be shown that no benefit has been passed on to the purchaser, what steps will the minister take to adjust the situation? I recall the removal of sales tax on drugs and what happened following that. The industry absorbed the benefit rather than passing it on to the consumers, and I greatly fear that this will happen in respect of this exemption on building materials.

We must also consider the matter of inflation. It will be very easy for people in the construction industry to say that prices have gone up and they are unable to pass on the benefits of the reduced sales tax. How is the minister going to monitor this and what does he intend to do if this reduction does not result in the desired benefit to the consumer?

Mr. Turner (Ottawa-Carleton): Madam Chairman, the hon. gentleman feels that sales tax is a regressive tax—I have heard him speak before on this—because it adds a cost factor that affects the low income consumer more than the high income consumer, and I agree that it does. We have to assume that when eliminating the tax it will have the same effect, or the effect of eliminating the difference. This is particularly true in the building trade where the demand is slack and the supplier of building materials, be it lumber or other materials, is looking for markets.

The situation is going to be monitored. This will be a difficult thing to do, but it will be monitored by the department of my colleague the Minister of State for Urban Affairs. I would rather have him handle this question. He will have a committee composed of representatives from industry and, hopefully, from labour and from the department to look at the situation. The hon. member asks what will happen if the benefits are not passed on.

[Mr. Turner (Ottawa-Carleton).]

Publicity will be directed at those not passing on the benefits, and I hope that will have a salutary effect. If there is collusion, then the combines and competition acts are available. If there is profiteering, then I would hope the House would bring legislation into effect to take care of that. Short of that, if we are relying on competitive forces, hopefully they will play a part. There is legislation now available to make sure they are in place. We will look at the profiteering section and rely on the very slack market on the financial side.

● (1720)

Mr. Patterson: Madam Chairman, when this measure was before us on second reading, unfortunately I was unable to be here because I was overseas with a delegation. I had planned to make a number of comments with respect to the various matters contained in the bill. However, we are now dealing with the reduction of the sales tax on building materials and I wish to say we certainly appreciate the decision that was made in this regard. However, I would point out that we would have been much happier had the minister decided to eliminate completely the building materials tax rather than merely reduce it.

I notice, in checking *Hansard*, that in October the hon. member for Abitibi asked the Prime Minister whether any action would be taken in respect of the sales tax. The response of the Prime Minister was that no consideration had been given to it. Today the minister has stated that in the past he felt it was not possible to remove the sales tax because the pressure probably would be greater. Now, however, the situation has changed. I say to the minister that in view of the fact that he has gone this far, he might just as well have gone the rest of the way and eliminated the sales tax completely.

We all know the housing situation that exists today, and we recognize that inflationary trends are continuing. We also know that the government has not been able to bring in any adequate measures to deal with inflation. In view of this, I believe we could at least assist the people of Canada in keeping up, in some respects, with spiralling inflation by the removal of the sales tax on building materials. This would bring about a reduction in the cost of housing.

We realize that the needs of the average citizen are mainly in the realms of housing, food and clothing. It would seem to me, looking at the whole problem, that we should have been able to convince the minister that instead of merely reducing the sales tax he should have removed it completely. This would have enabled many Canadians to secure the housing they so desperately need. It would also have assisted in the provision of jobs. We know about the lumber situation in the province of British Columbia, where many people are being laid off. This is an industry that is essential to the economy of British Columbia, and if it is essential to the economy of British Columbia it is also essential to the whole Canadian economy. I would simply ask the minister to remove the sales tax because of the beneficial effect it would have right across this nation.

Mr. Oberle: Madam Chairman, I should like to make a comment which may come as a surprise to my colleague