

Small Businesses Loans Act (No. 2)

dollars to the federal government. The consumer will end up paying again. This move will add millions of dollars to corporate costs, and that cost will have to be passed along to the consumers of Canada.

Like the rest of this infamous, deleterious budget, this move has not been thought through carefully. The ministry has not yet determined how it will put the proposal into effect. Small business wholesalers will have heartaches galore in sorting out the items to be taxed, adding that tax to the selling price, not the cost price, and then having to put out more investment capital to collect the government's tax. This is a senseless business practice. This practice cannot be compared to any now followed by manufacturers, wholesalers and others in this country. Why does the government not collect from the few as it has done previously? In this way it would be easier to administer with fewer wholesale employees. How many more federal bureaucrats will it take to collect this tax and to police it? If the government needs the money, why does it not increase the tax by one half of one per cent, instead of lowering the tax to 8 per cent and placing the burden on the small wholesaler and ultimately the consumer? This whole drill is inflationary. When this tax is removed from the manufacturers, it will be much easier for them to increase prices without the normal protest from their customers, the small business people.

An hon. Member: What about you in 1979 when you were there?

Some hon. Members: Oh, oh!

An hon. Member: Why didn't you change it?

Mr. Stewart: Let us look at the surtax on the purchase of retail—

An hon. Member: More jobs for more Liberals.

Some hon. Members: Oh, oh!

[*Translation*]

The Acting Speaker (Mr. Laniel): Order, please! I wish to remind the hon. member for Bourassa (Mr. Rossi) that if he wishes to have the floor, he must be in his seat.

[*English*]

Mr. Stewart: I did not understand what you said, Mr. Speaker, but I would say that the hon. member is an expert at the game of "river"; he continually runs out at the mouth. Let us look at the surtax on purchases by retail chain stores from manufacturers. The chain buys at the same price as the wholesaler. The Minister of Finance says he will impose a tax of 1 per cent or 2 per cent on the corporate chains in respect of non-food items. To me, this is a crass admission that the new system is not fair, equitable or right and does not work at the wholesale level.

● (1610)

Tobacco products, however, will be taxed at the manufacturers' level, not at the wholesale level as the rest are. I wonder why that is. In 1980, the federal excise and sales tax was \$934 million. This was collected predominantly by four major tobacco manufacturers. It showed them an estimated \$5 million profit in cash flow. That is the reason why. They are probably avid supporters of the members on the other side. Imagine the benefit to the small wholesalers if this profit was in their cash flow. It is fish for one and fowl for the other. Obviously it is easier to collect from four manufacturers instead of the 600 or 1,000 wholesalers. However, the government is still willing to collect the balance.

The omission of tax collection on tobacco at the wholesale level is another admission that the surtax at the wholesale level is discriminatory, inflationary, patch-worked and wrong—by a government that is supposed to be a champion of human rights. It is costing independent businessmen millions of dollars.

The whole plan should be eliminated in favour of raising the tax minimally or else by reducing the tax on wholesale sales to independent businessmen to make it equal to the tax on the manufacturers' sales to the giant corporate chains who have every advantage over the independent businessman already.

This budget will have a deleterious effect on investment in industry at a time when we need more investment, not less. It comes at a time when we must have more productivity and employment, when we should be encouraging small business and not penalizing it. This budget takes away the incentive for small business to take the risks necessary in an expanding economy.

It seems to me that shifting the incidence of the federal excise or sales tax from the manufacturers' level to the wholesale level will cause confusion and unnecessary paperwork. Does the government realize that there were 21,597 merchants in Canada classed as wholesalers who were small businessmen? The volume of total sales then was almost \$71 billion. These figures were reported by Statistics Canada in 1978. Does the government not realize that in addition to those classed as wholesale merchants, there are also about 5,000 establishments classed as agents and brokers, and in 1978, the last reported year, their accumulated gross sales amounted to \$16.3 billion? Given the growth over the past ten years, it would be safe to assume that today we have between 26,500 and 30,000 wholesale establishments in this country made up of wholesale merchants, agents and brokers, and under the provisions of this bill a whole new world of bureaucratic interference will open up for them. Most of these establishments are small businesses which are already over-burdened with paperwork. Small businesses today are fighting hard to stay alive and keep afloat. The fight to survive in the wholesale industry is an ongoing one. I am personally involved with this industry and can say that we operate on a low mark-up and depend on volume sales for a small margin of profit. We know what it is like to have to work. We know what it is like to have to live with a .5 per cent net profit. We depend on volume sales