

Oral Questions

since consumers are not quite aware of the manufacturing tax, manufacturers often pocket the difference rather than lowering their prices. This time, as was suggested by several economists, especially from Ontario, we considered ways of cutting taxes, not at the manufacturers' level but at the consumers' level so that he could directly benefit from lower prices. Once again, nine provinces agreed, the tenth, the province of Quebec, said: we cannot give you an answer, we will get back to you on it. I repeat, I do not reject the hon. member's proposal, but I just want to draw his attention to the fact that in trying to establish some form of co-operation within federalism we must not be surprised that a government which is out to prove that federalism does not work should refuse to co-operate. Nevertheless we continue to bargain in good faith with that government, just as with the other nine, in order to provide a system which will benefit the taxpayer. The proof is that, according to figures published yesterday, the cost of living went down as compared with previous months. No doubt the consumer perceives this sales tax decrease as a lowering of prices.

POSSIBILITY OF DISCOUNT APPLIED TO CANADIAN-MADE
PRODUCTS

Mr. Adrien Lambert (Bellechasse): I wish to put a supplementary question.

I understand quite well the explanations of the Prime Minister. However, the fact is that we are faced with a crucial problem. There is a solution which the government applied in 1972 and 1973 when it enacted a discount on the price of milk. This worked quite well and proved helpful to consumers. Would the Prime Minister agree to enact a discount on the price of all goods made in Canada as an incentive to Canadian industries and as a direct form of assistance to consumers? Would the Prime Minister be in favour of such a solution?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, as was the case for the previous suggestion, some parts of this proposal are good, and in proof of this, the hon. member recalled that the federal government once took action somewhat along those lines. But I must remind him that we are bound under GATT not to discriminate in favour of Canadian manufacturers, because if we did, other provinces and other countries would devise some tax measures which would be detrimental to Canadian exports, and Canada would be the first to suffer. We must therefore operate within this framework, taking into account the trade agreements among all nations, failing which we should be the first to suffer.

Mr. Lambert (Bellechasse): I have a further supplementary.

Mr. Speaker, a moment ago, the Prime Minister mentioned the fact that the removal of the sales tax at the manufacturers' level would not benefit the consumers. Can the Prime Minister assure the House that the consumers are truly protected by the measure he introduced urging the provincial governments to

[Mr. Trudeau.]

lower the retail sales tax? How does the Prime Minister intend to ascertain whether the tax cut has indeed benefited the consumers and whether it is possible for the retailers to add the tax to their sales price without reporting it as sales tax?

Mr. Trudeau: Mr. Speaker, once again, there is no better evidence that the consumers benefit from the tax cut than the figures on the cost of living that were published yesterday; but in practical terms, the hon. member knows what happens. You go to a store and the price is advertised. You buy an item, the dealer adds the sales tax. If he adds 4 per cent instead of 7 per cent, there is a difference. The Minister of Finance proposes that 4 per cent be added instead of 7 per cent. So the final price to the consumer is much lower as a result of the measure introduced by the Minister of Finance, and I hope the hon. member will support it.

METHOD OF SALES TAX COMPENSATION FOR QUEBECKERS NOT
FILING TAX RETURN

Mr. Heward Grafftey (Brome-Missisquoi): Mr. Speaker, when he presented his budget the Minister of Finance said on several occasions that this reduction of the sales tax was the best way to help all Canadians throughout the country. Given the fact that the right hon. Prime Minister has said today that everything will turn out just fine for the poor people in the province of Quebec and given also the proposition announced yesterday by the Minister of Finance, can he now tell the House how precisely the Quebec taxpayers who pay the sales tax but no income tax—the poor ones—will be compensated by the federal government?

I would also like to elicit from the Minister of Finance—

Mr. Speaker: Order. The hon. member has already asked a question.

Hon. Jean Chrétien (Minister of Finance): Mr. Speaker, the proposition we have made was meant to encourage the provinces to reduce their sales tax. The province of Quebec did not want to go about it exactly like the others. To urge everybody to benefit from this cut, the best way would have been to reduce the tax on all products, as the other provinces did. But Quebec decided to reduce it only on selected items. Thus, only the people who buy these products benefit from the sales tax cut. As in the other provinces, we offer to the public a reduction of the income tax that will give the provinces manoeuvring room in the fiscal area. The same thing goes for Quebec.

Mr. Grafftey: Mr. Speaker, I have a supplementary for the Minister of Finance.

When you were negotiating with the ministers of finance of the other provinces before the budget, did you inform them of the 36,000 jobs lost over the past 18 months in the manufacturing sector in Canada, 30,000 of which were in the province