

The Budget—Mr. Mitchell

their benefit. These regulations pertain for the most part to the cosmetic and pharmaceutical field but as I am more closely concerned with pharmaceuticals I shall deal with them more fully.

Let me take a concrete example of what I mean and show how this can take place in two different situations. A retail pharmacist could buy from a manufacturer a quantity of a pharmaceutical preparation for repackaging in his own store and for resale directly to his customers. Let us say this preparation is a vitamin formula. He would pay the sales tax at the manufacturer's level and bottle the pills in quantities of 50 or 100 for resale. According to the act he, being a retailer, would not pay this extra tax as a packager. However, very few drug retailers can afford to buy in the quantity required by the manufacturer and most prefer to buy the same preparation from the wholesale jobber already packaged in much smaller quantities. This is where the catch comes in as I shall attempt to illustrate.

The wholesaler in order to supply his many retail customers buys a larger quantity of the same preparation, bottles it in smaller quantities and then sells it to his retail outlet. The wholesaler would pay the sales tax to the manufacturer in his purchase price but as the packager he is regarded under these regulations as a manufacturer and therefore would be forced to levy a tax at his wholesale level which would be passed on to the small retailer at an increased price, due to the added tax. This, I feel, is a double tax or a tax on a tax which is a disadvantage to the small man.

Let us now take the other side of the picture to illustrate how, under somewhat different circumstances, the extra tax would not be applicable. If some large chain retail organizations with stores from coast to coast, whose names are probably familiar to all hon. members, could through their drug departments buy the same pharmaceutical preparation, repackage it either in their own warehouse or their own retail stores and sell it directly to consumers, they would not be liable to the extra tax. It would be the same organization and would have its own retail stores and therefore would not be liable for the tax which would put the merchandise in its retail outlets at a lower price than that which could be offered by the small business man. This permits them to sell at a lower price because of the lower cost to them. This would allow them to sell at a lower retail price to consumers and thereby create an advantage to the detriment of their smaller competitors.

[Mr. Mitchell.]

If I am correct in my contention I can see that this is a disadvantage to the small business. It is a cause of further concern and adds to the already large fortunes of vast businesses. I contend this is another slap at the small business man who is already faced with enough competition without further advantage being given to the already vast operators.

Even if I am only partly correct in my observations, this to me is an outstanding form of inflation. The increase in sales tax reflects not only on his buying but also on his selling price. Every article he buys now is increased by the tax and he, therefore, must pass this on to get the same profit as previously, and the consumer is the one who pays in the increased cost of merchandise which is reflected in the purchasing power of the dollar.

The hon. member for York-Humber (Miss Aitken) in an appealing speech before the budget was presented, asked for a reduction in taxes on cosmetics particularly in the field of lipsticks. I am afraid this legislation works in the opposite way from what she wanted, as it actually increases the tax on those articles instead of reducing them in price as she had requested. I do not know whether I agree with the hon. member in her remarks with respect to lipsticks but I do agree that her remarks had no effect on the Minister of Finance.

Inflation is an evil everyone is conscious of and is attempting to defeat, but the government is adding to this problem by automatically increasing costs which are at the same time increasing selling prices to the consumer. Any machinery, bottles, cartons, labels, and so forth, bought by the packager are increased by the tax and eventually this increase is passed on all along the line until it reaches the consumer at an increased cost to him. This is adding to inflation which this government says it is trying to control.

Let me deal with another subject for a few minutes. As you know, Mr. Speaker, I have spoken before and will continue to speak on the plight of small business. I hold in my hand a clipping from the *St. John's News* of January 28, 1959. I will read it in toto:

Best Solution: Employment

There is little to be gained by paying any workman unemployment insurance, or any other form of dole, for unemployment relief. The best possible solution for unemployment is employment.

Winter always brings us a peak of unemployment and the federal government annually sponsors a campaign to encourage home owners and industry to improve the employment picture by choosing the winter season for structural repairs and alterations.