

the manufacturers but also the dealers. The dealers and manufacturers shortly afterwards met the minister who pointed out that the government had no funds whatever from which to make this drawback and that when changes are made in fiscal matters rebates are not given—then when customs duties are reduced on merchandise on which the merchant has paid duty, while his competitor's goods are still in transit to the country, no refund of duties on the lower or free scale is ever made, notwithstanding the resulting hardship.

Mr. CALDWELL: There is this fact to be noted, that when a duty is imposed it is not made retroactive to cover goods which the merchant had on hand four or five months previously, as in this case.

Sir HENRY DRAYTON: We shall come to that. Under that legislation, the tax was payable when the sale was made.

Mr. CALDWELL: Not on automobiles.

Sir HENRY DRAYTON: Yes. It was payable on sale by the manufacturer; as soon as the manufacturer made a sale of a car the tax was due. That tax was collected at the source; it immediately became due as soon as the manufacturer disposed of the car. And that is where the resulting hardship came in.

Mr. CALDWELL: It is a fact then that the dealers did pay a luxury tax on all cars they had on hand when the tax was imposed.

Sir HENRY DRAYTON: Yes.

Mr. CALDWELL: Although in the case of some cars they may have had the stock on hand four or five months previous to the imposition of the tax.

Sir HENRY DRAYTON: Yes.

Mr. CALDWELL: Is it not a fact that the dealers had to pay the tax on all cars they had on hand in the warehouse?

Sir HENRY DRAYTON: My hon. friend is referring to the original tax of Sir Thomas White. I dare say he is right in that regard; I will not contradict him. But all those cars were out of the way long before this legislation was effective.

Mr. CALDWELL: But in 1920 they still had this stock on hand. They paid the tax on those cars which they had not been able to dispose of.

Sir HENRY DRAYTON: They did have on hand cars on which they had paid the tax; there is no question about that, because the tax was payable as soon as the sale was made.

The minister also pointed out that the action taken by the government was directly for the purpose of [Sir Henry Drayton.]

assisting the industry and that if the opinion of the trade was that more harm than good was done by the withdrawal of the tax, another order in council would be passed restoring the taxes and placing everybody where they were. Both dealers and manufacturers insisted that this ought not to be done.

The minister then asked that a small committee be appointed for the purpose of arriving at an adjustment, pointing out that it was in the immediate interest of the manufacturers themselves to see that distributors were not unfairly treated in a matter that was for the good of the whole trade and that they were vitally interested in seeing that existing channels of distribution were maintained.

That is, looking after their dealers.

A committee of four was nominated, two representing the manufacturers and two the dealers. The committee met and reported to the minister that no arrangement could be made and insisted on a refund of the tax. This was refused. The committee again went into deliberation and came back and reported that the claim for refund would be withdrawn provided the tax be not reimposed, and that satisfactory arrangements had been agreed to by the representatives of the dealers.

I forget the names of the gentlemen who were on that committee, but I think Mr. Fortier of Quebec and another dealer who handled Cadillac cars were the dealers' representatives.

Mr. HALBERT: Were the dealers willing to forego the rebate if the tax was removed?

Sir HENRY DRAYTON: Certainly they were willing to do that rather than have the tax reimposed. Then they came and said that a satisfactory arrangement had been made between the manufacturers and the dealers. I was inclined to get the manufacturers to help out the dealers; that was my whole object in asking them to do this. I pointed out that it was very much in their interests to look after their distributors. The memorandum goes on:

Apparently some manufacturers have not carried out the arrangement. Bulletin No. 1792, issued by the McLaughlin Motor Car Company Limited, dated January 21, 1921, is attached hereto and speaks for itself.

The memorandum issued by the McLaughlin Company is addressed to their dealers, and is as follows:

Gentlemen:

Enclosed please find Bulletin No. 1799, in connection with a refund of part of the luxury tax paid to the government by you.

You doubtless have been advised, through the representatives of the dealers who appeared before the government at Ottawa, and through the press, that the government has decided that it will not refund any of the luxury tax paid by the dealers on cars on hand, unsold, when the tax was abolished.

When the tax was originally imposed, and later when it was increased to 15 per cent and 20 per cent,