

Time Allocation

have to pay the tax. The tax they do not pay eventually is picked up by consumers somewhere else.

Another concern about the existing manufacturers' sales tax, the tax we want to get rid of, is the impact it has on domestically produced commodities. For example, I was talking about cosmetics. There are various rates. The reason for various rates depends on how a company handles its marketing and distribution function. On some cosmetics on the shelf the effective federal tax is as low as 5.8 per cent. On other products it is as high as 19.2 per cent.

Here we have similar products made by different companies in the same industry and yet we have a wide range of tax. I could not take you into a store and point out which product has the 6 per cent MST and which one has a 19 per cent effective rate. That is the type of situation with which we are dealing.

Small appliances have rates as low as 5.5 per cent and some as high as 13.9 per cent. Here we have within Canada again, companies competing against themselves but charged different rates of tax. They are trying, through the courts, to lessen their tax burden. They do so by setting up new corporate structures so they can change market distribution and reduce tax.

Another major concern is the impact on imported goods and exports. For example, office machines and equipment. For a domestic producer the MST rate is as low as 12 per cent to as high as 13 per cent. The important fact is that for a foreign company, the effective rate to that company on MST when it imports office machines and equipment is 7.5 per cent. Right away the Canadian domestic producer of office machines and equipment is at a 5 per cent disadvantage. He is at a 5 per cent disadvantage because of a tax his own country is charging. Canada is the only country that has a manufacturers' sales tax of this type, and when we consider that 40 per cent of our income comes from exports it is ludicrous that we maintain this tax.

I can think of one benefit of the manufacturers' sales tax, which has really been for politicians only. That is the fact that it is virtually invisible to consumers. Some people say "what you don't know won't hurt you".

Many people did not know that they were already paying a federal sales tax. A one-income family with two children and an income of \$35,000 today is paying a manufacturers' sales tax on the average consumer basket of about \$1,500. After the introduction of the GST they will pay about the same amount. For this particular family there is no change.

We have gone from a tax you can see to a tax you cannot see. I think the people of this country have reacted because they are suddenly seeing something which has been there for many years. Almost since its introduction, the MST has been a problem to manufacturers. We have heard of the many royal commissions that addressed its fundamental flaws in 1940, 1966 and 1983. Each study has recommended major change.

Canada is the only industrialized country with a manufacturers' sales tax of this kind. In 1990, the manufacturers' sales tax fails every test of good tax policy. At the age of 65 it is time to retire the manufacturers' sales tax.

No one should suggest that the GST is 100 per cent perfect. But when you compare it to the existing manufacturers' sales tax, the GST is a clear winner, a gold medal winner.

Mrs. Maheu: Tell that to your voters.

Mr. Sobeski: I will tell it to the voters.

• (1745)

According to the C.D. Howe Institute, the adoption of the GST would be the single most significant, recent advance in Canadian tax policy. The study states that the GST, by broadening the base of the tax to include currently untaxed goods and services, by changing the method of collection, will improve the efficiency of the Canadian economy.

So we have the C.D. Howe Institute, the Economic Council of Canada, the Conference Board of Canada who all support the improvement and the competitive position of Canadian manufacturing which they acknowledge will benefit the whole economy. They do not have any problem with the recommendation in Finance that it will create 60,000 new jobs every year.

The GST is a solution to a problem that most Canadians are unaware they have. There will not be any more royal commissions, any more study. This government has taken the daring and necessary step to reform the sales