

would be no discrimination against manufacturing or assembling at western points. It may not be a matter that can be worked out, but I suggest that it may be worthy of consideration in the administrative program.

Mr. DONNELLY: We have just heard how the price of a car has been increased by \$28, due to the sales tax, it is said. Such an increase on the wholesale price of a car would mean that the retail price to the consumer would be around \$1,800 or \$1,900 by the time the car got to Manitoba, paid freight out there, and the agent's commission. If that increase is due to the sales tax alone, it is collected on the retail price which the consumer pays.

Mr. ILSLEY: I have no knowledge that that increase is due to the sales tax alone.

Mr. RYAN: This afternoon the hon. member for Vancouver-Burrard (Mr. McGeer) made a statement that was not quite correct. He stated that the Maritime Freight Rates Act was passed to compensate for geographical difficulties. I cannot discuss that question on this resolution, but I will give a report of the Duncan commission to my hon. friend, and after he has read it I am sure that with his usual fairness he will be glad to withdraw that statement.

Mr. McGEER: I have read the Duncan commission's report through, and—

The CHAIRMAN: Order.

Paragraph agreed to.

On paragraph 5:

5. That schedule II to the said act, as enacted by section seventeen of chapter forty-two of the statutes of 1934, be amended by adding to paragraph (iii) thereof the following:—

Provided, also, that the tax imposed under paragraph (iii) shall not apply to the goods mentioned therein, when sold to or imported by manufacturers of automobiles or chassis under the following conditions:—

(a) If less than ten thousand automobiles or chassis are manufactured or produced per annum and at least fifty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British empire;

(b) If ten thousand automobiles or chassis or more are manufactured or produced per annum and at least sixty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British empire;

Provided, however, that effective April 1, 1938, the words "sixty-five" shall be substituted for the word "sixty" in this paragraph.

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Mr. DUNNING: A word of explanation. The tariff board in reporting on the whole automobile industry stated in its report bearing upon this matter:

The board is of the opinion that the incentive for content supplied by the provisions of tariff item 438(c) could reasonably be supplemented by exempting from the tire tax such tires and tubes as are used for original equipment of automobiles produced by manufacturers, and having a British empire content as stipulated in the schedule.

That opinion the government concurs in, hence the paragraph now before the committee.

Mr. BENNETT: What I find a little difficult to understand—doubtless the minister will make it clear to me—is that first of all we are imposing a tax under paragraph (iii), section 17 of chapter 42 of the statutes of 1934, and then we say that the tax shall not be levied provided that the manufacturer makes less than 10,000 automobiles. If he makes more, then there is a different consideration.

Mr. DUNNING: There is a proviso.

Mr. BENNETT: Yes.

Provided, also, that the tax imposed under paragraph (iii) shall not apply to the goods mentioned therein, when sold to or imported by manufacturers of automobiles or chassis under the following conditions.

If he makes less than 10,000, and at least 50 per cent of the factory cost of manufacturing, exclusive of duties and other taxes, is incurred in the British empire, he does not pay any tax. If he manufactures more than 10,000 he has to have a sixty per cent content to escape the tax. If he makes 100 automobiles or chassis, then under paragraph (a) he escapes the tax.

Mr. DUNNING: Provided he has a fifty per cent British empire content.

Mr. BENNETT: Is not that exactly the opposite of what you want to do? You want to encourage the production of automobiles in this country, and the utilization of our own parts, giving employment to our parts-producing companies, but you say that they are exempt if they make less than 10,000 automobiles.

Mr. DUNNING: Provided—

Mr. BENNETT: Provided that fifty per cent of the content comes from the British empire. Well, that has been so for a long time.

Mr. DUNNING: This is giving the small automobile manufacturers, provided they come