

*Income Tax Act*

what this proposal will do. It is time the government rose to a new level of maturity in its relationship with the provinces. The first step in this direction would be to delay the introduction of the tax reform legislation now proposed. We urge the government to sit down with the provinces and work out a rational system of taxation that adopts as its first premise the fact that all jurisdictions obtain their revenues from the same taxpayers.

Four years ago the Ontario committee on taxation recommended such negotiations, and I quote their proposal:

We agree that the income base on which provincial taxes apply should be set by the federal government and that major responsibility for broad stabilization policy rests with that government. But it does not follow that the provinces should be deprived of a significant voice in the determination of the tax base and in stabilization policy, and we are convinced that consultation between the federal and provincial governments should take place prior to the implementation of any proposed income tax amendments. In particular, we believe that unilateral changes by the federal government in the common base of the personal income tax cannot be justified, for they directly affect the yield of the tax to the provinces.

Without resorting to the euphoric language that characterized the election of 1968, we seriously feel that a new attitude of co-operation is called for. Should the government continue to neglect the stakes the provinces have in the federal tax system, those jurisdictions may increasingly be forced to find their own independent economic paths. The strains upon confederation would be increased and unnecessarily so. The federal government must not allow this to happen by default. It should assume a role of active responsibility by delaying this bill and calling the province together as soon as possible.

**Mr. Nielsen:** Mr. Chairman, before discussing the other aspects of Bill C-259 that affect the mining industry, I want to direct the attention of the committee to the specific problem northerners have in meeting the cost of living in the north and the weight of taxation that is added to that cost. The government has recognized the principle that since it costs more for its employees to live in the north, it should therefore compensate them by providing a northern living allowance or isolated post allowance. For various points throughout the north, a formula has been devised and the northern allowance set over and above the regular salary for a single man, with an even higher allowance for a married man. Recently there was a cut in the northern allowance to which strenuous objection was taken by the civil service organizations, but to no avail. Notwithstanding the fact that costs across the board have risen, the government none the less decided to reduce the northern allowances.

My point is that the government has adopted the principle with respect to its own employees that, in addition to the ordinary salary paid the employees, which is in line with salaries paid to non-government employees in the work force, it has seen fit to pay an amount to compensate them for the increased cost of living in northern areas. If this be the case, and if this is a proper principle upon which to act, then surely the same kind of reasoning should prevail with regard to non-governmental employees who live in the north. If I am correct in that reasoning, then surely the only approach that can be taken to these employees is to give them different tax treatment from those in the south.

I know that this matter has been brought up on many occasions in the past, but has been dismissed by the argument that tax treatment for all Canadians must be the same, regardless of whether they come from our most easterly city of St. John's, Newfoundland or our most westerly city of Whitehorse in the Yukon. Nevertheless I think it timely to make the further plea, that the government once again reconsider its stand and that it provide an incentive for Canadians to settle in our north.

I had the good fortune to travel with the Minister of Indian Affairs and Northern Development on a journey to Australia to compare conditions affecting not only the aboriginal peoples in that country but also industrial development, particularly in the resource field, with conditions in our work. I was impressed by the approach that the Australian government had taken in its Northern Territory, and I know that others who accompanied the minister on that occasion were equally impressed, particularly the hon. member for Northwest Territories. Not only does the Australian government provide an incentive to its employees to serve in the Northern Territory; it also provides the same kind of incentive to non-government employees to establish themselves and to settle in the Northern Territory of Australia. They provide those incentives by means of tax incentives. It works, and there is no reason why it should not work in Canada. The Australian government provides incentives in the way of tax cuts to non-government employees who reside in its northern territories for precisely the same reasons that exist in our northern territories. Fuel costs more; light costs more; freight rates are higher; food costs are higher. Virtually everything that is consumed in Canada's northern territories must be freighted in from what we call the outside.

• (5:00 p.m.)

It might interest hon. members to know that an average fuel bill during the winter months—contrast this with the price paid in Ontario—for a tight home and for a modest sized home runs anywhere from \$30 to \$50 a month. It might also interest hon. members to know that the monthly light bill for an average family in a modest home is anywhere between \$20 and \$25 a month. I ask you to contrast those costs with the costs that have to be met by residents in this province, or for that matter anywhere else in Canada except perhaps the far northern areas of Quebec, Newfoundland, Labrador and the like.

The freight rates that are applicable to food and other consumer items coming up from Vancouver or Edmonton, and indeed from the eastern part of the country, have to be regarded in terms of Whitehorse being the most westerly city in Canada. From Vancouver goods must travel 1,500 miles up the west coast, and from Edmonton must travel 1,300 miles and more into the interior of the Yukon by highway. This is one of the reasons why costs are higher in the Yukon. This is one of the reasons why the government, in order to compensate its employees, adds to ordinary salaries an isolated post allowance. You can imagine what those freight rates do to the cost of food and other consumer items.

Another factor in our tax system that really skyrockets the cost of living in our northern territories is the 11 per cent sales tax on building materials. This tax is odious enough and onerous enough in the southern sections of the country, putting restrictions on new construction