

from the goods and services tax. I was also told that they will probably be overworked and used, as an indicator of this situation in Great Britain, where there are some 200 reported cases a month on problems associated with the value-added tax.

In any event, Mr. Hueston further stated:

What baffles the MEA and its membership even more is why electricity distribution is not considered part of the "mush" sector; i.e., municipal, university, school, and hospital. The fact is that in some of our smaller municipalities the council is the utility commission.

Like water distribution, the electrical distribution system actively develops and maintains the municipal infrastructure. It is an integral part of the municipal government system. And unlike other utility services, electricity in Ontario is supplied by local or provincial levels of government, as it is in most of Canada. Members are likely aware that there are a few exceptions in Alberta, P.E.I. and Newfoundland, et cetera.

Electricity, like water, is an important service and is treated as such in various pieces of legislation. Its usages are numerous and go far beyond the more limited applications of alternative fuel. It is certainly as vital a service as municipal transit, which has also been exempted.

In short, we do not believe there is any valid policy justification for treating electricity differently from water supplies, municipal transit or any other exempted standard municipal services.

Electricity has been exempted since the manufacturers' tax was introduced early this century. This exemption clearly shows that the federal government has always recognized the importance of electricity to Canadians and to our industrial sector.

I will not read it, but there then follows an exchange between the chairman, the witness, and Senator Poitras which illustrates that has not been the case in the last two years and that the manufacturers' sales tax now applies to the electrical sector. There has been no evidence in terms of statistical information because no new power facilities of any consequence, to which the manufacturers' sales tax would apply, have been constructed in the recent period.

I will continue with a few more words from Mr. Hueston:

The government wants to tax electricity, yet our municipal electric commissions do not benefit from tax dollars. They are, by law, non-profit, public sector suppliers who must operate on a break-even, non-profit basis. All costs are recovered by rates. Funds raised may not be used for other purposes.

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Our consultant's review of Statistics Canada data shows that removing the federal sales tax from manufactured goods used in producing and distributing electricity would reduce the impact by only about one per cent. As mentioned, the GST would mean high-rising administra-

tive costs for our members, and it would be their customers who would ultimately bear this cost. For example:

One advisor suggested that a small utility, with two persons handling accounting and billing, would likely need to hire a third person;

It appears that the MEA would have to charge goods and services tax on all or most of our services, many of which are really just cooperative money saving efforts by our members. While members would be able to offset the direct tax impact against the tax they collect, there would be needless, costly administration involved at both the collective and individual level. Again, the customers would pay for that;

And the GST could discourage such cooperative efforts, like large utilities preparing and mailing invoices for smaller utilities; developing of industry standards and guidelines through membership in the MEA, and jointly run training and educational programs.

There are still further ramifications. Because electricity has traditionally been tax free, subjecting it to the GST means it would carry a disproportionate amount of the GST tax burden.

Later on he said:

In closing, we would like the Senate to note that in many of the European countries with the value-added tax system, electricity is afforded special treatment. In the United Kingdom and Ireland, electricity is zero-rated, while others like Norway, Sweden, Portugal and Belgium offer reduced rates.

That is about as good an illustration as can be found on why electricity should be zero-rated. I submit that these arguments apply equally to heating fuels. I shall not relate heating fuels to specific witnesses or instances as I have done with electricity. However, I have thought about it, and, for the most part, electricity and heating fuels are used for the same purpose, that is, as a source of energy for space heating, and to drive equipment, and so on.

One of the MEA members, the Halton Hills Hydro, wrote a letter to its customers. It is from the Commissioners of Halton Hills Hydro, the Chairman, Vice Chairman and Mayor of the city involved, which is Acton. I have been advised by the staff of the Banking, Trade and Commerce committee—and I have here some 130 letters—that this particular letter, addressed to the users of the utility, has produced an unprecedented response. Essentially the responses are statements of opposition to applying the GST to electricity, a vital municipal service. The purpose of this amendment is to present the facts and to respond to the pleas made before the committee to change this aspect of the GST. Perhaps we will hear from those on the other side who may have some ameliorating testimony from other witnesses. In any event, it is a strong plea from a particular sector asking that electricity and heating fuels be treated in the legislation as other similar necessities are treated.