

THE LEGISLATIVE ASSEMBLY OF MANITOBA  
8:00 o'clock, Monday, April 10, 1967

MR. CHAIRMAN: Before we commence I would like to draw the Honourable Members' attention to the fact that we have with us tonight the 75th Cub Pack from St. Thomas' Church. We welcome the Cub Pack to our Assembly tonight and we hope you will find the evening interesting.

MR. SHOEMAKER: Mr. Chairman, I move that consideration be given to the advisability of amending Section 4 (1) (t) by adding thereto the following words namely, "including building materials of all kind used in the construction of all farm out-buildings excluding those materials used by vertically integrated enterprises."

MR. CHAIRMAN: Are you ready for the question?

MR. SHOEMAKER: The Honourable the First Minister, on two or three different occasions during this session of the House, is on record as enunciating the plight that 34,000 farmers out of 40,000 farmers find themselves in in this day and age, and the Honourable the Provincial Treasurer said during his famous Budget Speech of, oh a month ago or so - I forget the date - but on Page 8 he said, "We have special concern in respect to our agricultural industry. Only 6,000 farmers out of 40,000 in the province gross more than \$10,000 income a year and this represents a net annual income of only some \$4,000." That is, just everybody in this House, I am sure, concurs in the statement that was made by my honourable friend the Provincial Treasurer and reiterated by the Premier on two or three different occasions and certainly was endorsed by every member of this House. There is no argument about that. Everybody talks about the cost-price squeeze that the farmer finds himself in in this day and age, and nearly everybody agrees that he needs some help, he needs some assistance, and I know earlier today my honourable friend the Provincial Treasurer has said that recognizing, recognizing the plight that the farmer finds himself in, he moved to allow him to use purple gas. Mr. Chairman, it was after four years of prompting from this side of the House that he did it, but thank heavens he did it.

Now this is one other area that we can help the farmer a little, and you will note, Mr. Chairman, that the amendment that you have before you calls for the removal of the tax on all farm outbuildings, everything except the dwelling, because it is generally recognized that a farmer doesn't have to have a mansion in his productive enterprises, and I have deliberately in the amendment that is before you excluded vertically integrated enterprises, because I'm on record on many occasions as saying that they are a threat to the family farm and everybody in this House pretends to be a champion of the family farm. We all say that a vertically integrated enterprise is a threat to the family farm, and surely to goodness I will be able to convince my honourable friend the Member for Souris-Lansdowne to vote with me on this one, because all I'm trying to do is help the farmer. That's all I'm trying to do. And I would like to remind my honourable friend the farmer from Souris-Lansdowne about what he said last year, because you will recall that his resolution last year had real concern for the farmer, and my honourable friend -- I see my honourable friend the Member for Virden is paying a lot closer attention to what I am saying than my honourable friend from Souris-Lansdowne is. My guess is that the Attorney-General is trying to convince my honourable friend that he should vote with us on this one. Well, Mr. Chairman, the Attorney-General cannot speak from where he is sitting over there, unless you have demoted him to the back bench -- (Interjection) -- Well Mr. Chairman, if he's talking to himself nobody else is paying any attention to him anyway, but some of my honourable friends in the back row should pay some attention to the amendment that is before the House at this time. Anyway, let's read what my honourable friend from Souris-Lansdowne said last year, and let him get up and say ...

MR. M. E. McKELLAR (Souris-Lansdowne): May I ask the honourable member a question?

MR. SHOEMAKER: Certainly you can ask me a question.

MR. McKELLAR: How many speeches did you make on my resolution last year?

MR. SHOEMAKER: How many speeches did I make on your resolution last year? I haven't looked them up, but I'm telling you now, I'm telling you now that I thought it was a dandy and incidentally I asked my honourable friend on more than two occasions if he would let me move the resolution that he should move tomorrow.

MR. McKELLAR: May I ask the honourable member a question?

MR. SHOEMAKER: Certainly.

MR. McKELLAR: Does he not think he'd embarrass his brothers at Ottawa if he moved it?

MR. SHOEMAKER: Mr. Chairman, if you have heard me say this once in the House you have heard me say it 50 times no doubt. Two wrongs doesn't make a right and I don't care where it happens. --(Interjection)-- Why didn't they do it when? Two wrongs doesn't make a right. Now Mr. Chairman, I'm going to remind my honourable friend what he did say last year on Page 299 of Hansard, No. 12, 1966. "One of the things that's always bothered me" - and this is my honourable friend the Member for Souris-Lansdowne speaking now, "One of the things that's always bothered me, we heard in 1963 during that great campaign..." - the federal one I guess he's talking about - "... that we're going to get the economy moving all across Canada, and the first thing that was brought in was to increase the members' salaries down east." And we're at it again up here now. "Well I'm not against that because I think they deserve that." Well that's an indication of how he's going to vote, I suppose, on the other one. "They should have had that long ago," he says, that they should have had an increase in salary long ago. "Well I'm not against that because they deserve that, they should have had that long ago. But the thing that I didn't like was putting on that 11 percent sales tax on all building supplies used across the Dominion of Canada. This, as we know to a farmer, increased our costs. Many of us had to buy many granaries and build machine sheds and also build new homes and repair our old homes, and as most of you know, by the time you pay the cost of supplies and add the 11 percent sales tax and pay for the labour involved, this greatly increased the cost of our farm dwellings and also the buildings used in conjunction with the operation of the farm." Absolutely right. True as we're sitting here. True as I'm standing here. How is my honourable friend going to vote on the amendment? --(Interjection)--

I continue. "I took it upon myself to calculate a few figures. The Honourable Member for Gladstone is a great believer in figures and trying to impress upon the members here in this Legislature the importance of dollars and cents, so I thought I'd do the same thing," he says. "Maybe I could accomplish a fact here. For a \$20,000 dwelling, which would be a modern dwelling in this day and age - many of them are more, a few of them would be less - which is 50 percent labour and 50 percent material, this would amount to \$1,100 sales tax." That's what he said.

And he goes on and on: "Now, many of you will say that this is not too serious because your farm is worth more, but I would like to suggest to all members of the House here that when you go to sell a farm today, that the buildings are really not that important because most of the land you can get for \$100.00 an acre in a good district, around Portage la Prairie and other districts, and some a lot more. Some districts you can get a little less. But by having buildings on that farm it does not mean very much to the sale of that farm, because most farms are being expanded today, enlarged, and the farmer who buys your farm might not make use of those buildings. So the sales tax is a very added expense, in my opinion, to the farmers of Manitoba."

And then he goes on. It was an excellent speech he made and I hope that he gets up and makes the same kind of a dramatic jet-age speech now in support of it. And surely to goodness the Minister of Agriculture (who professes to be an advocate of the family farm) and the acting Minister of Agriculture - both of them, absolutely - they should get up; they should get up and state now their position in respect to the family farm as opposed to the vertically integrated one and, Mr. Chairman, I will be completely amazed; not maybe surprised, but I'll be amazed and shocked if my honourable friend from Souris-Lansdowne gets up and votes against this amendment, and the Member for Virden -- and the Member for Virden. --(Interjection)-- Well I'll be shocked and amazed if they do; and the Minister of Agriculture and the acting Minister of Agriculture - what is their position? Surely, Mr. Chairman, we will expect this amendment to carry.

MR. CHAIRMAN: Are you ready for the question?

MR. FROESE: Mr. Chairman, I just got in. Could we have the amendment read?

MR. CHAIRMAN: The motion before the Committee: That consideration be given to the advisability of amending Section 4 (1) (t) by adding thereto the following words, namely: including building materials of all kinds used in the construction of all farm outbuildings, excluding those materials used by vertically integrated enterprises.

MR. CHAIRMAN put the question and after a voice vote declared the motion lost.

MR. SHOEMAKER: Ayes and nays, ayes and nays.

MR. CHAIRMAN: Call in the members.

A COUNTED STANDING VOTE was taken with the result being as follows: Yeas, 23; Nays, 24.

MR. CHAIRMAN: The motion is lost.

MR. CHAIRMAN: (t) -- passed; (u) -- passed; (v) -- passed ...

MR. MOLGAT: Mr. Chairman, I wonder if the Minister can explain exactly what these items mean; (u) and (v) for example. The wording isn't too close in (u). What does it mean, "in the provision of a service at a retail sale." What items are these supposed to cover?

MR. EVANS: There are several services enumerated in the Bill. Those are the services referred to.

MR. MOLGAT: Mr. Chairman, does the Minister mean by this that the items that are referred to in Clause 5, taxable services, particularly item (d), repairing, maintaining and so on, that the specific items that are used in the purpose of the repair or the maintenance, that if they disappear there'll be no tax on those particular items?

MR. EVANS: Not in the hands of the people providing the taxable service; no.

MR. MOLGAT: In the hands of whom then?

MR. EVANS: When they send their invoice for the service, including whatever spare parts and materials are used, the sale will be taxable in the hands of the person who buys the service.

MR. MOLGAT: The total of the invoice.

MR. EVANS: Yes.

MR. CHAIRMAN: (u) -- passed; (v) -- passed; (w) -- passed; (x) -- passed; (y) -- passed; Section (1) -- passed ...

MR. MOLGAT: Mr. Chairman, under (x) - does this item, is it similar to other provinces? Is this a standard rule?

MR. EVANS: Yes, we have no power to tax a citizen of another province; consequently anything sold outside the province is tax exempt.

MR. CHAIRMAN: (x) -- passed; (y) -- passed.

MR. GREEN: Mr. Chairman, on the basis that the exemption should go from (a) to (z) and not (a) to (y), which is a rather peculiar place to stop, I move with the usual wording, which I don't have before me at the moment, that the Committee give consideration to the advisability of amending Clause 4 (1) by adding after (y) thereof the item: "(z) Soaps, detergents, cleansers, tooth pastes and other related items used primarily for sanitary purposes and as further described in the regulations." I'm going for government by regulation.

MR. CHAIRMAN: Are you ready for the question?

MR. GREEN: Mr. Chairman, now that -- I can stop being facetious. I move this amendment because I think that it is an important one. I don't think that the government intends to put a tax on cleanliness. I think that the present exemptions demonstrate an oversight. It's very very difficult in making exemptions and I agree with the Minister on this that we can't -- to avoid being arbitrary; nevertheless, as I've said before, we've been arbitrary from (a) to (y) and I think that we can add one item and establish a principle that this government will not put a premium on items involving the cleanliness of the individual.

MR. CHAIRMAN put the question and after a voice vote declared the motion lost.

MR. GREEN: Ayes and Nays, please.

A MEMBER: Same division.

MR. PAULLEY: Anybody come around since? Well I think we'd better have the ...

MR. CHAIRMAN: Call in the members.

A COUNTED STANDING VOTE was taken, the result being as follows: Yeas, 23; Nays, 25.

MR. CHAIRMAN: The motion is lost.

MR. BARKMAN: Mr. Chairman, I wanted to ...

MR. CHAIRMAN: Are you speaking on the motion?

MR. GREEN: I wanted to move another amendment.

MR. BARKMAN: I just wanted to mention I was paired with the Honourable Minister of Public Works for the rest of the evening, and had I voted I would have voted for the amendment.

MR. GREEN: Mr. Chairman, I'd like to move that the Committee give consideration to the advisability of amending Section 4 Subsection (1) by adding thereto subsection (z) as follows: "the repair and service to items which are exempt from taxation under this Act." And by this, Mr. Chairman, it is our intention that children's shoes, if they are taken to a shoe repair shop, will not be subject to sales taxation, or any other items and this goes throughout the Act; for

(MR. GREEN cont'd). . . . instance clothing, children's clothing which is laundered or dry cleaned will not be subject to taxation on the laundry thereof or the dry cleaning thereof. And it applies throughout, Mr. Chairman. Farm implements; if there is a service charge for repair - and I'm not exactly sure of the legality under the Act - but nevertheless if it's exempt from sales tax then the repairs that are serviced to it should also be exempt from sales tax.

MR. PAULLEY: Mr. Chairman, in support of my colleague's motion I want to point out that not so very long ago, just a couple of years ago, there was a report, a Royal Commission on Taxation in the Province of Saskatchewan - and I recommend the reading of the same to members of the Committee - that recommended this very pertinent and vital point. Their recommendation No. 62 recommended that tax do not apply to the repair of exempt items. Now my honourable friend the Provincial Treasurer has listed a number of items that should be exempt, such as my colleague mentions, children's clothing and shoes and the likes of that; also, certain pieces of equipment, farm equipment. There has been, as I read his Bill, no provision made throughout the Bill that these items while being repaired, or if they have to be repaired, are exempt from taxation insofar as services are concerned. I think that if the original item is exempt from taxation then surely the repair thereof should likewise be exempt. For instance, let us take a piece of farm machinery that if it requires repainting - repairs then repainting - as I would read the Act at the present time the piece of equipment going into a paint shop or body shop, having been damaged, would be subject to the sales tax on the repair or service thereof. I don't think this is the intent but if we are concerned with the cost of farm equipment and farm machinery in one instance, in the first instance, then certainly we should be concerned with it insofar as the maintenance of that piece of equipment is concerned. I recommend to the Minister that he take a very close look at this and give support to the suggestion of my colleague as a member who has introduced the resolution.

MR. FROESE: Mr. Chairman, I think this matter is a very worthy one and should be considered, and I would appeal to the Minister and the government to give consideration to this matter, especially to the matter of shoe repairing. We know that the people that have shoes repaired are the ones that are the lower income group, and cannot afford to buy new clothing and shoes every time it needs mending and so on, so that these are the people that are having repairs done and I certainly would think that this group should receive consideration. Then, too, the tax has already originally been paid on the item and it's just a matter of repair work and a service and all members of this House have received notices through the mail and elsewhere for the request that these two items be exempt. Therefore I would appeal to the Minister and the government to give consideration to this matter.

MR. EVANS: Mr. Chairman, in the first place I would direct the honourable members' attention to Page 9 on which we come to Section 5 (d) (i), in which a number of paragraphs are listed which grant exemption for the repairs of non-taxable items. I also believe it to be true that the first item which is labelled (e) here is a misprint, and I have no quarrel with the principle on which this motion is based or on the remarks that have been made by various honourable gentlemen that repairs on non-taxable items are to be, the repairs themselves, to be tax exempt. I should like to be able to check what I think is to be the case in that the letter (e) at the beginning of the list in the paragraph I've just quoted is obviously a mistake because if one looks at (e) there are no such things as repairs to drugs and medicaments. --(Interjection)-- Yes, it may well be. But my impression is that when we come to this further paragraph I'll ask that it be held and let me have a chance to look into it, but there's no quarrel with the principle that my honourable friend has been speaking on, and I don't know if I can do it later on tonight - it's possible. But I think before we finish I'll be able to come back and make a further comment on this point, when we come to 5 (d) (i), and I think perhaps the motion might come better at that point in any event than at this point.

MR. GREEN: . . . Mr. Chairman, on the basis of the Minister's statement that perhaps we could do with this what we did with one of the others and hold it over, because I don't see under the - and I'm glad that the Minister brought it to my attention - I don't see under subsection (d), for instance (c), which is children's clothing and children's footwear.

MR. EVANS: . . . just mentioning that I do want to check to see whether there has or whether there has not been a mistake in the printing but quite apart from that we'll consider the item. I suggest to my honourable friend that we're dealing now with exemptions of tangible personal property and I think he is speaking about a service, and it might be just as well for him to, if he wishes to make a motion, to do it under 5 (d) (i), of paragraph 5 (d), at which point I'd be quite willing to leave that item open until I have a chance to look at it.

MR. GREEN: Mr. Chairman, on that basis -- we'll withdraw the motion on that basis.

MR. CHAIRMAN: ... withdraw this motion?

MR. GREEN: Yes - the amendment.

MR. PAULLEY: ... Mr. Chairman, for the inclusion of items related to (c). Is that the idea?

MR. CHAIRMAN: I think it would be best to bring in a new motion, if you wished.

MR. MOLGAT: Mr. Chairman, before we leave Section 4 then, I think we have some items left outstanding under 4. Is it the intention of the Minister to come back to those now or at the end? I had spoken the other day, for example, about farm supplies in particular.

MR. EVANS: I think it would be a good thing to wait until perhaps we're through the Bill at which time I will have accumulated any motions that I have to make, particularly with a message from his Honour, and then do them all in one lot, if that seems sensible.

MR. CHAIRMAN: Subsection (2) -- passed; (3) -- passed ...

MR. FROESE: Mr. Chairman, as I take it we're repealing the various Acts mentioned in Section 2. We're not?

MR. EVANS: No, that's not the case, Mr. Chairman. This is to make sure that we exclude from taxation under this Act the items that are now taxed under the Acts mentioned in this section.

MR. FROESE: The thing I had in mind was to question the matter of the people that collect tax under this Bill 56 will be remunerated whereas those that collect tax under the other Acts are not. Is that right?

MR. EVANS: No, I think that's not right. I haven't the other Acts with me. I think there is remuneration for the collectors or the type though I'm -- I think I'll have to say to my honourable friend that I haven't got the information with me now. --(Interjection)-- For gasoline, motive fuel and tobacco, remuneration for the collector is provided.

MR. PAULLEY: Mr. Chairman, before you pass (2) I note that there are a number of other taxes listed in Section (2). Now I'm not sure and I may be wrong - I confess that I didn't look up the Act - but where is the pari-mutuel tax? Isn't that a separate tax, the tax on betting, or is that under the Amusements tax? And if it is a separate tax, Mr. Chairman, then the Amusements tax, if it is a pari-mutuel tax that I've got in my mind, is it taxable on top of the tax now being paid or is it all in the Amusements tax?

MR. EVANS: There is no additional tax in that connection. It's taxed under the Amusements Act and amusements is not one of the services enumerated in this Act as being taxable. My honourable friend will remember that this tax is imposed on all personal property and then some exemptions listed. The reverse procedure is used in connection with services. Certain specified services are taxed and nothing else. The amusements or horse racing is not a service specified in this Act and for that reason is not taxable.

MR. PAULLEY: Then am I correct in saying insofar as the betting aspect, say, of horse racing is concerned as well as the tax on the admission ticket, they're both under the Amusements tax and there will be no tax on top of that? Is that correct?

MR. EVANS: Right.

MR. CHAIRMAN: (2) -- passed; (3)-- passed ...

MR. MOLGAT: Mr. Chairman, item (3) is the one that the Minister indicated that forestry equipment, I think, would be exempt. I wonder if he can give us any further details as to what exactly the exemptions are going to be. Has he any draft regulations that he can give us?

MR. EVANS: Well, any equipment that is classified as equipment used in the production of tangible personal property is not taxed under this Act.

MR. MOLGAT: I'm thinking, Mr. Chairman, of the equipment that may be used for part of the year only, on forestry work, and part of the year, say, on roadwork. This would be the case with bulldozers, tractors in some cases and trucks in some cases, because for a fair part of Manitoba the forestry operation is a part-time operation only, and the operators there have other uses for their equipment in the summer season in particular. Now where does the break point come insofar as taxation?

MR. EVANS: Mr. Speaker, if there is equipment that's used for a double purpose of that kind the case would have to be stated and examined and we'd give them an answer. It should be sent to us in the form of a letter or notes.

MR. MOLGAT: Well it is correct that - let's take a specific item of equipment, a bulldozer, a crawler tractor with blade. If it's used on road construction it is a taxable item. Is that so?

MR. EVANS: Well it's a very difficult matter to consider all the possibilities. If it's used as equipment in the manufacture of tangible personal property it will not be taxable and probably certain items would have to be examined. Then I referred the other day to Schedule 5 of the Excise Tax (Canada) which listed certain equipment under which the excise tax is either cancelled or abated, and I mentioned that those would be the items -- those would be at least some of the items which would be considered production equipment in the production of tangible personal property. The double use of the same equipment for two separate purposes would have to be studied and a ruling given in that particular case.

MR. CHAIRMAN: (3) -- passed; (4) -- I understand the ...

MR. EVANS: It is my understanding that a message from His Honour the Lieutenant-Governor has already covered this item and I would like to move to strike out the words twenty-one cents in the last line of subsection (4) of Section 4 and substituting therefor the words twenty-six cents.

MR. CAMPBELL: Mr. Chairman, speaking to the motion. Since we have found the Honourable the Minister to be so consistently opposed to most of the amendments, would he be willing to give us the reasons of why he has decided to be so generous in this instance?

MR. EVANS: I think it was studying the pattern of retail sales and determining that things which only a short time ago were appropriate to exclude under 20 cents are now probably the things that should be excluded under 25 cents. I think probably the main reason is it's a product of inflation. In any event my experts studying the matter decided it would be first of all less effort and less trouble on the part of the vendors, easier to administer, and altogether they recommended it to me and I accepted their advice.

MR. CAMPBELL: You have no particular commodity or commodities in mind, Mr. Chairman.

MR. EVANS: No.

MR. CHAIRMAN: (4) as amended -- passed.

MR. EVANS: Can we put the motion?

MR. CHAIRMAN put the question and after a voice vote declared the motion carried.

MR. CHAIRMAN: Subsection (4) as amended -- passed. In Section 5 there's a typographical error.

MR. EVANS: Mr. Chairman, oh there is a typographical errors and perhaps we should note that.

MR. CHAIRMAN: It's beginning -- right after the figure '5' there should be the figure (1) in brackets.

MR. EVANS: I didn't know about that myself. But with respect to paragraph 5 I move to strike out the words "twenty-one cents" in the fourth line of subsection (1) of Section 5 and substituting therefor the words "twenty-six cents."

MR. CHAIRMAN presented the motion and after a voice vote declared the motion carried.

MR. CHAIRMAN: 5 (1) (a) -- passed ...

MR. PATRICK: Mr. Chairman, I wonder if the Minister would explain just the last part of (a) where it says, "lodging let for a continuous period of one month or more or lodging in a lodging house, rooming house, or boarding house with accommodation for less than four tenants." Is accommodation or lodging for four tenants or less taxable or not? I'm just not clear on that.

MR. EVANS: Yes, the -- I'd like to speak to the counsel for just a moment.

The operative phrase there, the effective phrase is "but not including", therefore we're excluding in a sense -- accommodation for three persons or less and those accommodations will be taxable. The tax applies to accommodation where accommodation is provided for four or more. Where there are three or less, accommodation for three or fewer people, the tax does not apply.

MR. PATRICK: Mr. Chairman, ... they have to pay the tax even if lodging is for a longer period than one month?

MR. EVANS: No. If the period is one month or more it is regarded as permanent housing or permanent accommodation and the tax does not apply.

MR. FROESE: Mr. Chairman, is there not a typographical error here in the sixth line of Section (a) where it says "more or lodging". Shouldn't that be "for lodging"?

MR. EVANS: No, I think the phrase is intended to apply to a continuous period of one month or more, or lodging in a lodging house.

MR. CHAIRMAN: (a) -- passed; (b) -- passed; (c) -- passed. Is (d) being held?

MR. MOLGAT: Mr. Chairman, under (d). I have an amendment to propose, Mr.

(MR. MOLGAT cont'd), . . . . Chairman, under (d): "That the Committee of the Whole give consideration to the advisability of amending Section 5 subsection (d) by adding thereto a further subsection (iii) to read as follows: laundering or dry cleaning services." Mr. Chairman, I think that would have the effect, if I read the section properly, of simply excluding as a service that is taxable, all laundering and dry cleaning services.

MR. EVANS: I think we have had some discussion on this point before and I do not think it's a suitable item to exclude from taxation. It's a service that is used more by people of higher income than it is by people of lower income. It's a normal item of trade. It seemed suitable to me for taxation and we included it deliberately.

MR. DAWSON: I would like to ask the Honourable the Minister how he intends to collect the tax on a coin-up - you mentioned some time ago that any coin-up would be taxed. I also wondered how you were going to collect -- the way I read this I'm to understand that children's clothing will be exempt from dry cleaning. The clothing that is exempt from the sales tax on the original purchase will also be exempt from dry cleaning. Is that correct?

MR. EVANS: We've had some discussion on the point and we have left the point open for me to look into it further.

MR. DAWSON: Can the Minister answer my question about the coin-ups? Have you any idea how this will be collected?

MR. EVANS: Well, the coin-operated machines are operated by 10 cent pieces and 25 cent pieces and the tax does not apply.

MR. DAWSON: I beg your pardon. Are you not aware that \$2.00 is what operates a coin-op? In a case of a laundry machine or a dryer, it is 10 cents and 35 cents but in a dry cleaning coin-up it's \$2.00 to operate it.

MR. EVANS: In cases of that kind, if devices can be secured to collect the tax by means of a coin machine and there are devices to attach to the machines that enable the tax to be collected. Otherwise it can be collected on the basis of records without the special device.

MR. MOLGAT: Mr. Chairman, the Minister says, "collected on the basis of records," but how can the operator collect it from the person using the service, because it's by and large a service that is provided with no one being present. That's one of the advantages of that type of operation, one of the reasons it can be done at a lower price, and if the Minister is going to tax the operators who pick up and deliver back at home but not tax the coin operation, then he will be discriminating very much in favour of the coin operation.

MR. EVANS: We're discussing -- I take it we're not concerned about the individual washing machine operating and the dryers which operate on 25 cents or 10 cent coins. We're now talking about dry cleaning machines which require more than an individual sale of 25 cents. In those cases, the vendor will be responsible for securing the tax on the sale. If he's not present some arrangement will have to be made to levy the tax on the sales that are made and administrative arrangements will just have to be made.

MR. MOLGAT: Mr. Chairman, I submit that the simplest way out of it is not to tax any of those services. They are not taxed in other provinces. The Minister suggests that they may be taxed in the United States but I'm informed that nowhere in Canada is it taxed. The Minister has used that as a frequent argument as to why he should include things in the tax because other provinces have included it, and I must admit to him that the argument works in reverse as well, and here is one that is not taxed in other provinces, there will be an obvious administration problem with the coin operations, and the simple thing to do is to accept the amendment that I'm proposing and exempt completely dry cleaning and laundry from this type of tax.

MR. EVANS: Now I mentioned before that we are in fact going farther than any other province in Canada in taxing this service. It is not unusual for this service to be taxed in the United States, and we're aware of the circumstance that we are beginning this taxation here in Canada. It wouldn't surprise me to find other provinces follow the example that we're setting.

MR. HILLHOUSE: Is there any notice upon the individual for whom the service is rendered to prove that that tax was paid?

MR. EVANS: It's the responsibility of the vendor to collect the tax.

MR. HILLHOUSE: Isn't there responsibility on the part of the purchaser of the service to pay the tax?

MR. EVANS: I don't understand the legal complication of that.

MR. CHAIRMAN presented the motion and after a voice vote declared the motion carried.

MR. MOLGAT: Yeas and Nays, Mr. Chairman.

MR. CHAIRMAN: Call in the members.

The motion before the Committee that the Committee of the Whole give consideration to the advisability of amending Section 5 subsection (d) by adding thereto a further Subsection (iii) to read as follows: (iii) laundering or dry cleaning services.

A COUNTED STANDING VOTE was taken, the result being as follows:

Yeas, 21; Nays, 25.

MR. CHAIRMAN: Motion lost.

MR. MOLGAT: Mr. Chairman, I'd like to propose another amendment to this section: that the Committee of the Whole give consideration to the advisability of amending Section 5 subsection (d) by adding thereto a further sub-subsection (iii) to read as follows: "shoe repair services."

MR. CHAIRMAN put the question.

MR. MOLGAT: Mr. Chairman, this is one where the Minister certainly can't say that this is an item that is of special advantage to high income people. On the contrary, this is an item that strikes very much at the low income groups and particularly at children, because this is where the very high cost, initial cost of footwear and the very hard use to which children's footwear normally is submitted means that there is a constant need for repair. The item involved is very small in total insofar as the revenues of the province, Mr. Chairman, and it's that type of tax which I think is simply an annoyance tax to everyone concerned. The shoe repair industry is certainly not an industry wealthy people ... neither those who use the services in general nor those who provide the service, and I think to subject them to this type of a collection of the tax is simply loading a burden on people who should not be asked to do so. There's no need to do it and it simply does not provide anything in the way of revenue that makes it worthwhile proceeding with.

MR. CHAIRMAN presented the motion and after a voice vote declared the motion lost.

MR. MOLGAT: Yeas and nays, Mr. Chairman.

MR. CHAIRMAN: Same division?

MR. MOLGAT: Same division.

MR. CHAIRMAN: The motion is lost.

MR. EVANS: On this section, with respect to repairs to children's clothing and repairs to children's shoes. I'm informed that administratively it would be impossible to carry out, that out of every laundry bag must be sorted out and measured all the clothes that appear to be children's styles and sizes, and that the task of training the retail clerks and the operators in a laundry and for other reasons this would be impossible to administer, and for that reason I was mistaken -- or at least there was no error in the numbering of the sections as I thought there might be, and consequently the effect of this is that repairs with respect to children's clothing will be taxable just the same as repairs to other clothing.

MR. PAULLEY: Mr. Chairman, I think this is absolute stupidity. I don't think that it imposes any hardship on any cleaning agency or firm to sort babies' clothing or children's clothing from adult clothing - it's obvious. More important possibly than that, is the Honourable the Provincial Treasurer suggesting that the shoemaker, who is usually a chap down on the corner of the street, is incapable of discerning the difference between a child's pair of shoes and an adult's? As I understand it, in the regulation there are going to be certain sizes insofar as children's footwear is concerned. It costs quite a bit these days to have a pair of shoes resoled and reheelled whether they're children's shoes or adults' shoes. Surely the Provincial Treasurer in the administration of this Act can make provision whereby the shoemaker who repairs the shoes can differentiate between an adult pair of shoes and a child's pair of shoes. The Minister might have a point in some remote areas insofar as the clothing is concerned, but certainly he's going beyond all reason when he suggests that the exemption cannot apply to children's footwear because of administrative difficulties. Who was it, who is it that's giving the Honourable the Provincial Treasurer guidance on matters of this concern? Some bachelor who has never seen children's clothing or children's shoes? Or, as someone has just suggested to me, some lawyer who --(Interjection)-- or could well be a garage man - but I suggest that he or she has neither a father or a mother that can't administratively differentiate between a child's clothing, child's footwear. I'm sure that even my friend the Honourable First Minister can tell the difference between his wife's shoes and his children's shoes. Come now, let's be sensible. If we're going to grant the exemption insofar as children's

(MR. PAULLEY cont'd).... clothing is concerned and children's footwear is concerned, surely to goodness if it's administratively possible to differentiate at the sale level between the two articles then certainly it is at the repair level. Possibly those who are advising the Minister - and I don't know who they are - aren't concerned. Certainly we, even those of us that object to this tax, are concerned with its implication and I ask the Minister to take another look at this.

MR. EVANS: There's just one additional difficulty that has not been mentioned by my honourable friend, and that is that the inspecting staff have to inspect the exemptions and it's quite impossible to do so after the garment has been cleaned and sent back. It's among the difficulties that are imposed on both the vendor and the inspection staff which is in our view impossible to administer.

MR. USKIW: Mr. Chairman, I wish to move that the Committee give consideration to the advisability of deleting section (d) of Section 5.

MR. PAULLEY: The whole (d) of Section 5, subsection (d) of Section 5 be eliminated in its entirety.

MR. USKIW: Mr. Chairman, it has just been demonstrated by a series of events a few moments ago how impossible this situation is developing with regard to administration of this particular tax, that is to do with these particular services. We have an exemption, for example, on children's clothing insofar as the purchase of them, but seemingly the Minister tells us it's impossible to administer an exemption insofar as the maintaining, cleaning or otherwise, or repairing. Because of this handicap that we seem to have, I feel it's only advisable that we delete the whole section dealing with repairing, maintaining, testing, cleaning, washing, polishing, painting and so forth. I don't for one minute believe that we actually should be taxing services. If we have to be stuck with a sales tax, I might accept it in terms of the purchase but I certainly - I said if I have to - but I certainly don't want to be reminded of it every time I'm going to clean a pair of shoes or every time I'm going to send my clothes to the dry cleaners or things of that sort. So I suggest, to simplify the whole problem for the Minister in terms of administration, that we simply delete the whole subsection (d).

MR. JOHNSTON: Mr. Chairman, speaking in support of the motion, has the Minister considered the problem where a coin-operated dry cleaner, I believe they take eight lb. loads, and eight quarters or \$2.00 will clean eight lbs. of dry cleaning at an automatic laundromat. Now, to combat or to compete, the standard dry cleaners have advertised the same thing, only they take the bundle of clothing to be dry cleaned, in this case eight lbs., and they advertise \$2.00 dry cleaning for eight lbs. Now the housewife takes home and does her own pressing but the dry cleaning is done by the standard dry cleaner and he has done this to compete with the coin-operated operation. Now is the Minister going to assess 5 percent tax on the work done by a standard dry cleaner, and is the coin-operated dry cleaner who, - the machines take 25-cent pieces one at a time to make up eight for a \$2.00 load - are these people going to be tax exempt?

MR. EVANS: No, they'll both be taxable.

MR. JOHNSTON: How does the Minister intend to collect the tax at a coin-operated dry cleaning establishment?

MR. EVANS: Procedures will be set up.

MR. GUTTORMSON: Mr. Chairman, in rising to support this amendment, I wish to point out how discriminatory this section is. For example, we have coin-operated car washes in the city now, whereby you can wash your car for a quarter and they will escape the tax, yet if you go to an automatic car wash you'll have to pay the tax, and this is an industry virtually 100 percent labour and it employs a segment of our population that is totally unskilled, and it's going to affect this industry particularly in the winter months where these people have great difficulty in getting employment. It seems unfair that we should discriminate against this industry, particularly with the service being 100 percent labour. We don't, as I understand it, tax the services of accountants or lawyers; it seems most unfair that we should tax the services of these people who are unskilled. I think the Minister should remove this service from being taxed.

MR. PAULLEY: Mr. Chairman, I'd like to ask the Minister a question or two in connection with this item, and I wonder whether or not he has consulted with the Minister of Labour and the Minister of Industry and Commerce insofar as the application of this portion of the sales tax is concerned. I must admit that I haven't thoroughly analyzed all of the ramifications

(MR. PAULLEY cont'd). . . . as to the application of this section of the Act, but it does seem to me in many respects an additional 5 percent tax on wages, because it's quite conceivable that in the items listed by the Provincial Treasurer in 5 (1) (d), that a can of paint costing three or four dollars on which the 5 percent tax is payable can escalate into a considerable tax because of the application by labour of that paint to a building. The major portion of the tax would not be the retail sales value of the commodity itself.

Let's take a look at what this all means according to the reading of Section (d) unless I read it wrong. The repairing, maintaining, testing, cleaning, washing, polishing, painting, decorating, refitting, furnishing, reconstituting, remodelling, re-upholstering or upholstering of tangible personal property other than those items which are already exempt. Is a building, an industrial building, exempt from taxation or the application of the goods to it? Is a fur coat - is a fur coat that requires nothing other than the application of hand labour to it in the process of remodelling now subject to the 5 percent tax? I'm sure many of my honourable friends in this House have had their wife's fur coats remodelled. There has been no need for any additional materials in the remodelling of the coat, it's just a question of the application of labour and labour alone to the process. Would this not mean then that this is a 5 percent tax on labour itself?

The Minister of Industry and Commerce is concerned with the outflow of labour from the Province of Manitoba and he's trying to import it. If we can find that we can send our fur coats, those of us who are fortunate to have them, to Saskatchewan where there's no tax on services, or just across the boundary, then I would imagine that the furriers will be getting out of Manitoba into Saskatchewan and the trade there can be carried on insofar as the remodelling is concerned. Take the question of re-upholstering. I'm rather familiar with that aspect. If we purchase the goods, pay sales tax on a few yards of upholstering material and then the whole item is taxable, as I understand it would be under this particular section, then the labour of application of that particular item is taxable.

If this is not the case, Mr. Chairman, then I'd like to hear it from my honourable friend the Provincial Treasurer because certainly this is the way I read this section. It's certainly the way others have interpreted it as well, that not only is the application, particularly as I mentioned insofar as alterations of clothing where there isn't any additional material such as the changing of a fur coat, the re-upholstering of a piece of furniture, the goods are taxable and according to this, re-upholstering, then the labour is taxable as well and this is widespread. I've had a number of representations made to me on that. I can be wrong. I am once in a while. However, I think that it is something that should be clarified and I support the deletion anyway of the full section, but if perchance because of the strength of the government opposite - limited though that strength may be - this section is retained, I'd like it clearly understood exactly what the section does mean.

MR. EVANS: The first example that he used, he read the whole section and came to the words "tangible personal property". That does not include real property and consequently the application of the paint to the building is not taxable but the paint itself is taxable in the hands of the person that buys it. With respect to a fur coat to be remodelled, that's a taxable service. And then the third question was with respect to upholstery. Where the owner of the upholstery provides the material there is no tax on the labour if he is his own contractor. He will have to pay tax on the material himself but there's no tax on the labour of someone that he comes in to hire and do the work in his own home.

MR. PAULLEY: If I sent a chesterfield suite out to be recovered, I say for a couple of hundred dollars, what is taxable? Is the tax broken down to the goods as separate from the labour or is it all-inclusive.

MR. EVANS: No, if a contractor enters into a contract to repair and furnish the materials, both the materials and the labour in that case would be taxable.

MR. PAULLEY: What I am saying then, Mr. Chairman, is perfectly correct, that this is going to be a 5 percent on labour. No matter how my honourable friend tries to duck it, it's still going to be a 5 percent on labour except in certain limited exceptions. If I go down to, say for instance Timothy Eaton, and buy 10 years of upholstering material to cover my chesterfield and I get somebody to do it then it's not taxable. If I send my chesterfield to Eaton's to be re-upholstered and the goods is there and it's applied there by the upholsterers at that particular place, then in accordance with my honourable friend the whole thing is taxable. That's what my friend just said. My friend just said that it's goods not labour that is taxable, and yet he stands up and says that in respect of the repair of a fur coat it is a taxable item.

(MR. PAULLEY cont'd)....

Now if this isn't taxing labour, what is and what is not? It is taxing labour and my friend can't duck it. As far as the paint is concerned, what about the application of paint to a bedroom suite? It's not personal property but it's taxable, and what is the majority cost of painting a bedroom suite? A pint of paint - a pint of paint can do a whole bedroom suite and yet it costs upwards of \$50.00 or more to have the job done properly. So here, Mr. Chairman, you might have a \$2.00 can of paint which is normally taxable; the whole job costs you \$50.00 so you pay a 5 percent tax on \$50.00. Does my honourable friend still say that labour is not taxable? Of course it's taxable.

So I respectfully suggest that you yourself by the statements you made just a moment ago admit that under this iniquitous tax we're going to have, labour is going to be taxed for the application of its services solely and purely. What does the Honourable the Minister of Labour think about this? Is this fair competition? What does the Minister of Industry and Commerce have to say about it, or did either one of them take the trouble to find out what it is all about.

I say to my friend the Honourable the Provincial Treasurer, this afternoon he said that he was going to look further in to this section. He told us a little while ago that he had looked into it in respect of children's clothing. He said that there was a little difficulty administratively to operate this section 5 (1) (d) because his advisors don't know the difference between a child's pair of shoes and an adult's. But I suggest that if the advice that my honourable friend has been given thus far - and I think it is pretty poor advice - is any indication, then I suggest, Mr. Chairman, that the Minister should do what he was going to do this afternoon, sleep on Section 5 (1) (d) and look at it himself. Let him take home with him tonight the Minister of Industry and Commerce and the Minister of Labour so the three of them --(Interjection)-- Oh no, -- so that the three of them can see how the application as we have it before us of this particular section can apply to labour here in the Province of Manitoba --(Interjection)-- Yes, that's exactly what it is.

You know, Mr. Chairman, talking of taxing labour, we did have a Premier here in this province that did tax labour at two percent once - not five percent - for a while, and I'm sure my honourable friend remembers the squawks on that. --(Interjection)-- That's right, and I suggest, Mr. Chairman, it's not a two percent tax on labour this time, it's a five percent tax on labour. And I say to my honourable friend, take another look at this section because there is injustices contained in this section that I'm sure my honourable friend does not intend that there should be, that he hasn't given full consideration to.

MR. EVANS: Well, I don't recall exactly the words I used but I did not intend to convey the impression that all labour or the product of labour was to be tax-exempt. I was using a particular illustration about applying paint to real property, and in that case I said the paint itself would be taxable but the labour to apply it would not. --(Interjection)-- As to real property. Then my honourable friend said that a bedroom suite was not personal property. It is in the technical sense not real property, but it is tangible personal property and of the type intended to be taxed under the Act.

With regard to taxation on labour, I suppose if you trace a thing back far enough, all material costs are labour costs because the cost of felling -- nobody pays nature for the tree but you pay the people to go and fell it and haul it and saw it up and finish it and make it into a piece of furniture, and all the costs down the line can be regarded as labour costs as some point even with respect to retail selling labour if you will. That is included in the cost of the goods at the counter and the tax applies to them.

So I would not want any statement that I made to be interpreted as saying that I did not want any statement that I made to be interpreted as saying that I did not think that we were applying the tax to costs which are incurred by paying wages to people or the costs of labour. Of course the cost of labour is in there and forms a part of the selling price of the article and the tax is applied to the selling price of the article.

MR. PAULLEY: Mr. Chairman, what my honourable friend can't get however is the big difference -- I appreciate the fact that when we pay sales tax on a piece of furniture we're taking into consideration the cost of the labour involved, labour applied to the raw materials in order to produce the piece of furniture, but the illustration I used is a \$2.00 can of paint applied to that same piece of furniture on which a tax already has been paid once to change its colour, and a \$2.00 tin of paint and the total job can cost \$50.00 and the tax is not only on the \$2.00 paint, it's on the \$48.00 worth of labour applied to it. If it's just incidental, the labour is just incidental to the item that's one thing, but when the labour applied to the article is the

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(MR. PAULLEY cont'd)..... major portion thereof, it's a different thing entirely. I used the illustration of the re-upholstering of a piece of furniture. I know something about that because that's my trade, and the cost of labour in applying the material on many occasions out-rates the cost of the material in some instances 10 to 1. If this isn't a tax on labour I don't know what is.

So I repeat again, I understand my honourable friend - I understand him quite well - I had the wife's fur coat fixed the other day. There was no material involved in it, but just because of the process of repairing it, it cost me \$15.00. After June 1st, I won't be paying a tax for the same job being done on the fur coat for any materials, but I will be paying 5 percent tax on the labour under the proposition of my honourable friend. I suggest to him that --(Interjection)-- Certainly, that's the purport of the motion. But I'll suggest to my honourable friend that he would be well advised to take this matter under consideration and hold this section until he is more conversant with it and his golden boy advisers are a little more conversant with the ramifications of section (d).

..... continued on next page

MR. CHAIRMAN: The Honourable Member for Inkster.

MR. GREEN: Mr. Chairman, the Minister said that the applying of paint to a house would not be taxable because it's an incorporation into the real property, at least that's what I understood him to say.

MR. EVANS: That the invoice separates the charge for materials and labour, but in that event it's only the materials - the materials will be taxable in the hands of the contractor as he bought the materials.

MR. GREEN: If he bought it. The contractor buying it would pay a tax of course on the paint.

MR. EVANS: He would pay the tax at his cost and thereafter there would be no further tax to the householder.

MR. GREEN: Well I appreciate what the Minister is saying, but I just wonder how he would explain the following: Section 3 says that every purchaser of tangible personal property or a service shall pay to Her Majesty in right of Manitoba for the public use of the government, a tax in respect of the consumption thereof, computed at the rate of 5 percent of the fair value thereof. Now then, when we turn to look at the definition of "consumption", consumption includes the incorporation of tangible personal property into real property including tangible personal property manufactured by the purchaser or further processed or otherwise improved by him for the purpose of incorporating it into real property.

Now I understood the Minister to say that by buying a built-in cupboard - let's say you were buying built-in cupboards for a kitchen - would you not pay for the 5 percent on the total cost of the built-ins, which would be the lumber plus the labour plus 5 percent, or am I wrong? I mean I'm sort of concerned because I always thought this was out, but now ...

MR. EVANS: There are a number of points in what my honourable friend has said and I'll try to deal with them. In the first case he directs attention to the definition of "consumption" which does include the placing of materials and so on in real property. Consequently, the person who puts it there is the consumer of it and consequently he pays the tax on the tangible personal property used, namely the paint.

Now my honourable friend refers to built-in cupboards - I take it they are not actually built in but are separate cupboards that are purchased to be built in - would that be correct? If they are in fact built in and attached to the real estate when the real estate is sold, then they are part of the real property and they are not taxable.

MR. CHAIRMAN put the question and after a voice vote declared the motion lost.

MR. PAULLEY: Yeas and nays please, Mr. Chairman.

MR. CHAIRMAN: Call in the members. The motion before the Committee, that the Committee give consideration to the advisability of deleting subsection (d) of Section 5 subsection (1).

A counted standing vote was taken, the result being as follows: Yeas, 21; Nays, 24.

MR. CHAIRMAN: The motion is lost. The Honourable Member for Inkster.

MR. GREEN: Mr. Chairman, I'd like to move that the Committee give consideration to the advisability of amending paragraph (d) subsection (1) by adding the letter in brackets "(c)" after the word clauses in the first line thereof.

Mr. Chairman, I won't take a long time but I just wish to say that we are now being met with the arguments by my learned friends -- by my honourable friends against the amendment which we in fact introduced in opposition to the passing of the legislation itself. We said, Mr. Chairman - and the words of members of the opposition can be reviewed - we said that this type of tax is going to result in first of all thousands of people being asked to be tax collectors by the government. We said that this is going to result in a new and complicated and unmanageable bureaucracy. We also said, Mr. Chairman, that it's going to be a tax which is going to result in innumerable number of inspectors running around trying to see whether Manitobans are in fact paying their proper taxes. Now we said that this would involve work for thousands of people which in no way would add to the wealth of Manitoba, but the Minister in spite of these arguments said that he had to introduce this tax - and I think he probably recognized the validity of some of these things - but he said we have no choice, we've come so to speak to the end of our rope and we have to introduce this tax.

Well, Mr. Chairman, having accepted the fact that they are going to have this problem, I don't think that they can now go against their own principles by saying that we are going to have this problem in administering this tax, and if ever there was a demonstration of a government contravening its own intention - its own intention with regards to legislation, this particular

(MR. GREEN, cont'd) . . . . sub-paragraph is that because they say that there is to be no tax on children's clothes and children's footwear. They say it; they spell it out in the legislation. We don't know what the regulations are yet, but I assume that the regulations will in some way attempt to implement the legislation. So if we accept the fact that children's clothing and children's footwear are exempt, then I say that we can't accept an excuse that it's a difficult thing to administer. I don't agree that the system of administration that was suggested by the Provincial Treasurer is the only system that would be available, that is that they would have to look into the laundry parcels to see which are children's clothing and which are not children's clothing. Surely a person who wished to launder children's clothing and who wished to have the benefit of the sales tax could bring children's clothing in in a separate parcel; and surely the inspectors would have to do in this particular case what they will do in every other case, you will have agents provocateurs running around making sure that the right things are not sold by sales tax.

I remember very well, Mr. Chairman, the story that A. P. Herbert tells about the taxes on -- on closing after hours where the agent provocateur ran into a candy store and it was 9:01 and they were supposed to be closed at 9:00. My friend the honourable Member for Selkirk will like this story because he doesn't believe in early closing, but nevertheless the man walked in at 9:01 and said that his mother needed sugar desperately and would he please sell him this candy and begged the candyman to sell it. The candyman resisted and said I can't because it's against the law, I mustn't do this, but finally when the purchaser was in tears the candyman sold whatever it was, and as he reached out his hand to give him the item the agent provocateur pulled out the handcuffs and put it on and said, "Now I've got you, selling after 9:00 o'clock".

Well you're walking into this problem. We don't like it; I presume you don't like it; but you're doing it and you'll have to walk into the dry cleaning establishments and you'll have to walk through their shelves and take out packages which show themselves to be sales tax-exempt and open them, and if they're not, somebody will have to pay a fine. Now this is a difficult problem; we said that it was a difficult problem. We said don't introduce the tax because you're going to have this problem, but my honourable friend says now we can't give you the exemption because it will create this problem. Well we gave you the means of eliminating the problem in the first place. Having bought the problem, at least follow your own principles to the extent that you will not place this tax on those items which you say should be tax-exempt.

MR. CHAIRMAN: Are you ready for the question?

MR. MOLGAT: Before the question is put, I'd like to ask a question of the Minister.

We have been saying on this side of the House that the procedure that he's following here will be an impossible one to administer, that he is getting himself involved into some very difficult problems of administration plus some unfair taxation on the people of the province. The Minister says that he is going beyond other provinces in taxing services. It seems to me, Mr. Chairman, on reading the Acts of the provinces on either side of us, Ontario and Saskatchewan, that not only is he going beyond other provinces but he's bringing in an entirely new concept that doesn't seem to be in those other Acts, because I have gone through these and I can not see where there is any type of tax of this sort in either Saskatchewan or Ontario. I'd like the Minister to tell me, has he studied those Acts and has he found in either of those provinces that they are proceeding with this type of taxation? --(Interjection)-- Neither of them are. Well that answers my question, Mr. Chairman.

So not only are we going beyond others but we're really going into entirely new fields. There isn't such a tax in other provinces and I say to the Minister he should have a complete look at this matter. We have proposed tonight that dry cleaning be exempt, proposed that shoe repair services be exempt. They're not prepared to accept any of those. The suggestion comes that he exempts the whole thing, has a look at it again. The Minister is not prepared to accept any of that. Mr. Chairman, I submit that if the government is going to persist in this tax that they are going to have untold troubles of administration; that the costs of collection of this particular item under (d) will be far worse - far more than what they could hope to get out of that sort of a tax; that there is no justification for it. The other provinces who've had experience with this type of taxation have not proceeded along this line. I submit they haven't because in their estimation after years of operation - in the case of Ontario since 1961, the case of Saskatchewan for well upon 30 years - they have not proceeded upon this because I'm sure they are convinced themselves that administratively it's impossible and taxation-wise it's wrong to do so.

So I say to the Minister, we've been proposing amendments on this side; you apparently

(MR. MOLGAT, cont'd) . . . . are not prepared to accept any of them; why not simply hold this section, have a complete look at it, and I'm sure you will find if you consult with these other provinces that you should not be proceeding along this line at all.

MR. EVANS: I very briefly quote the most authoritative work we have on taxation in Canada - Carter - who suggests that the services should be taxed. He says you should go farther than we are going, but I quote in opposition to my honourable friend the fact that he has examined this matter and recommended the taxation of services.

MR. MOLGAT: Mr. Chairman, the Minister uses the Carter Commission whenever it suits his purpose and reject it whenever it suits his purpose as well. He has absolutely no consistent policy, none whatever except expediency. If you were to follow the Carter Commission, Mr. Chairman, this Bill would not be before us at this time. This Bill would have been outside of this House in a Committee where people could make representations to it because that's what Carter says. If he followed Carter --(Interjection)-- I happen to have the floor right now. If he wanted to follow Carter he wouldn't be introducing a Bill like this and pretending that there's a great hurry to have the Bill. He would have worked on it for some time before and made a thorough study of it, Mr. Chairman, and that hasn't been done. So don't let him get up in this House and say, "I'm following Carter." He's not following Carter. When it suits him for his argument, he says the Carter Commission says so, the rest of the time he blithely ignores the Carter Commission.

MR. EVANS: I am following Carter.

MR. CHERNIACK: . . . the entrance of the Leader of the Official Opposition into this question of waiting for the Carter Commission to indicate to us what are the proper methods because this is the position that we took when we spoke on the budget and dealt with the budget, and we said there's a great deal to come out of the Carter Commission. I don't think that anybody would fairly say that the Carter Commission - and I doubt very much if anybody here has yet read the whole report of the Carter Commission, including the Minister - to have read it and to have absorbed it and understood it, because if he did he would be standing ahead of every other tax expert who said that it takes a long time to study and see what the Carter Commission Report is. But the fact is that at the time that the Minister had this Bill before him and drafted it, the Carter Commission Report had not yet been produced and certainly he is now looking for support from what he says is the greatest tax authority, having yet seen that authority given to Carter and the rest of his group. The Honourable the Provincial Treasurer has now recognized - and he's interrupted me to say so - that he has given Carter the authority as the greatest expert.

Well then, may I remind him, from my very superficial reading about the report and not of the report, that the Commission made a strong point of saying that no recommendation was being made to stand on its own feet but that all recommendations had to be accepted as a package to create proper equity, and if that is a misstatement then I hope the Provincial Treasurer will give me chapter and verse because my impression is that the whole thing had to be looked at, the whole tax structure had to be revised, including the application of a tax on capital gains.

Now I haven't yet heard the Minister come running in with a capital gains tax or with any other of the recommendations which don't suit him, and Honourable the Leader of the Official Opposition is correct in saying that the Minister is taking out of the report what he thinks will suit him so to do. May I recommend, with some justification I believe, that the Minister rely on the authorities which he studied before the Carter Commission came out and not - well I suppose Due is the only other one that has ever dealt with this to any extent, at least that's the only other name I've heard thrown out from the government side - and that he justify what he wants to do on that basis and not misuse or abuse the report that is sent in by the Carter Commission. It's unfair to the Commission; it's unfair to those of us who are studying the question of what the Carter Commission has said; and I think that it would stand up much better if he could justify this on other grounds rather than pointing to Carter when it suits him and ignoring Carter also when it suits him.

MR. FROESE: Mr. Chairman, hearing a lot about the Carter Commission Report and as the previous member spoke about . . .

MR. CHAIRMAN: . . . the motion now that the Committee give consideration to the advisability of amending 5 (1) (d) (i) by adding the letter "(c)" after the word clauses in the first line thereof. That's the motion before the Committee.

MR. FROESE: Yes, Mr. Chairman, and I take it that when we discuss this amendment

(MR. FROESE, cont'd) . . . . that under Section 5 (l) shoe repairs of 26 cents or less will be excluded. Am I right in this? And the same will hold true for laundering?

MR. EVANS: 25 cents or less. That is to say less than 26.

MR. FROESE: I think many of the items that a shoe repairer makes are within the category where it's just a few cents here and there and I think that it would be very cumbersome for a shoe repairer to make up his list of all these small items in his income and then pay tax, because I don't think it's worth it and I think, as has already been said by my Honourable Member for Inkster, that we should include item (c) in here and avoid the tax on shoe repairs, especially when we've already adopted the principle in 4 (c) that these children's clothing would be exempt from tax. This is just paying a tax on the repair work of these very items that we're speaking of under this proposed amendment.

MR. CHAIRMAN put the question and after a voice vote declared the motion lost.

MR. GREEN: Yeas and Nays.

MR. PAULLEY: Yeas and Nays, please.

MR. CHAIRMAN: Call in the members.

A COUNTED STANDING VOTE was taken, the result being as follows: Yeas, 21; Nays, 24.

MR. CHAIRMAN: The motion is lost. Clause (d) (i)--passed; (ii)--passed; (d)--passed; (e) (i)--passed; (ii)--

MR. FROESE: Mr. Chairman, could we have an explanation on this section by the Minister? I'm not sure whether I'm grasping it properly.

MR. EVANS: I think the best illustration I could use was the example brought up by the Honourable Member for Inkster where if there is a manufactured article called a built-in cupboard, the article is purchased and the tax is paid on it, but if the article is taken to the residence and installed and the labour to install it is invoiced separately, the tax is not applied to the labour.

MR. CHAIRMAN: (e)--passed; (f)--

MR. DOERN: On section (f), this is a section that's dealing with all the repairs and also the production of printed materials, and under this section, if I read it correctly, they were going to originally exempt all the services like printing and bookbinding, etc. It says except where done in respect of newspaper, magazine or book which is intended to be disposed of by sale. In other words, they were going to exempt the production of books, and presumably magazines and newspapers, and the final product was going to be taxed. Now that has changed however and so the final product itself will not be taxed. I'd like to ask the Minister whether he now intends to delete this section or is he going to make the exception the repairs on books, etc., that a person might have in their own library or other function?

MR. EVANS: That service would be under the heading of bookbinding, and if a book is sent to a bookbinder's to be repaired and an invoice is issued, the invoice will be taxable.

MR. DOERN: Taxable?

MR. EVANS: Yes.

MR. DOERN: Well, Mr. Chairman, I'm not sure I'm following the logic there. You're going to -- this is all in regard to printing and you're going to now exempt -- these are not exemptions, that's what I mean, but the idea is that you were going to exempt these. Do I read this correctly? Related to production in the sense that if it was going to be sold, all these were exempt. This is how it reads isn't it? That all these services are exempt where they're going to be part of production?

MR. EVANS: If a product such as a book had been taxable, the manufacturer of the book would have been tax-exempt. As a vendor he would have got his books from the printer tax-exempt and would have taxed the product. Now the entire product is tax-exempt.

MR. DOERN: All these services are now going to be taxed however. In other words, these are personal services, those that are of a personal nature for example.

MR. EVANS: If my honourable friend will carry on and see where it says, "except where these are done in connection with a book, newspaper, etc."

MR. CHAIRMAN: (f)--passed. (g)--

MR. EDWARD I. DOW (Turtle Mountain): Mr. Chairman, under (g), this would mean that all movie films and recordings for the movie films will be taxed whether they be made in Canada or imported in for use at the movies? Is this the interpretation of (g)?

MR. FROESE: Mr. Chairman, before the Minister answers, I would also like to put the question: what about businesses that have their own microfilming set up for their own records? Is this taxable under this section?

MR. EVANS: Yes, where a firm does either microfilming or printing or other things for its own consumption, the printing is calculated at the value to him and taxable the same as under the Canada Sales Tax Act. To movie films and others, they are photographic material and the purchaser is liable for the tax.

MR. CHAIRMAN: (f)--passed.

MR. MOLGAT: Mr. Chairman, this will apply then to all of the private consumption as well, all the home movies and all photographic equipment for private use will be taxable whether it's private or commercial, there'll be no differentiation at all?

MR. EVANS: No, that is right, and the only limitation that might apply would be any films or any work done for 25 cents or less.

MR. CHAIRMAN: (g) --passed; (1)--passed; (2)--passed; (3) (a)--passed; (b)--passed; (3)--passed; 6 (1)--

MR. MOLGAT: This is the item where we come to the registration certificate. Now what assurance will there be that anyone who wishes to have a certificate can get one? What happens -- this is at the discretion of the Minister. Can every individual get one who wants one and under what circumstances would the Minister conceivably refuse one, and if it is refused, what appeal has the individual?

MR. EVANS: I refer my honourable friend to Section 8 on Page 11.

MR. CHAIRMAN: 6 (1)--passed; (2)--passed; (3)--passed; (4)--passed; (6)--passed; 7 (1)--passed. (2)--

MR. CHAIRMAN: The Honourable Member for St. John's.

MR. CHERNIACK: Mr. Chairman, 7(2) gives the Minister one of those tremendous powers of which we were apprehensive. Section 7 (2) provides that the Minister may suspend for any reason that he thinks proper and "in the public interest to do so," that he may suspend a certificate which means putting a man out of business for any period not exceeding 30 days. I think the Minister ought to clarify for us the circumstances under which he can possibly conceive of the need to suspend a certificate for as long as 30 days. I can understand that he must have certain powers but this is a power which puts a man out of business, and although there may be an appeal provided and there is under 8 (1), the damage can be done and done extensively, and the fact that you can later apply to the court for an order staying this suspension may not help the situation when a man is actually put out of business.

Now I can not foresee any reason where there is such an emergency that there must be an immediate suspension. There are various provisions whereby the Minister does have power to make seizures, to enforce collection of tax, and even when it may be in doubt he can arbitrarily say a tax is payable at a certain value and he can make a seizure, but by suspending the certificate he can really do tremendous damage. It seems to me that there should be some safeguard here, and one of the safeguards that occurs to me is a postponement of the suspension. It seems to me you ought to be able to say I will suspend effective seven days from today or something along that line which will then give the holder of the certificate an opportunity to apply to the court and get a stay on the suspension before it actually comes into effect. So that before I explore it further, I'm looking forward to the Minister's explanation as to the circumstances under which he will have the right to consider that 7 (2) should be brought into effect.

MR. EVANS: Mr. Chairman, perhaps if my honourable friend would allow me to deal with this one particular point, I have my finger on the place as it were. If my honourable friend will refer to 7 (1), the Minister may refuse to issue a registration certificate to any person who has been convicted of an offence under this Act, or fails to enter into a bond when so required under Section 11, or refuses or neglects to comply with any demand of the minister made under this Act or the regulations. If he refuses to obey the law he may be suspended.

Now turning to the point -- can my honourable friends hear me - am I hear enough to this machine? Let me review the procedure in cases of this kind because my view is that we cannot put a man out of business, that he can continue in business while the case is developing. The Minister must first notify the person of his intention to refuse to issue or to cancel a registration certificate. I am reading a compilation of the provisions of the appeals section. Well the sections are to be found in Section 7 and the information has been compiled from that. There must be first of all a notification of intention to cancel or to suspend.

MR. CHERNIACK: It doesn't say suspend, it says refusing to issue or cancelling; it doesn't say a suspension. I don't see how (4) (a) applies to 7 (2).

MR. EVANS: It has to do with either refusal to issue or the suspension of a licence ...

MR. CHERNIACK: Well are you willing to insert the words "or suspend"?

MR. EVANS: I don't see it would make any effective difference but I'd be willing to think about that in just a moment. I want to point out that in the first place there must be a notice by the Minister of his intention to suspend, in my honourable friend's words — well to refuse to issue or to cancel. So the man either has a licence in which case it's a cancellation or if he hasn't got a licence it's a refusal to issue.

MR. CHERNIACK: ... to delete the 7 (2) altogether if suspension is the same as cancellation.

MR. EVANS: Well let me try to explain the steps by which we hope to safeguard the interest ...

MR. CHERNIACK: I'm sorry I interrupted.

MR. EVANS: Then the Minister must fix a place, a time and a day not earlier than one week after the date of the notice, where the applicant or the holder or any person on his behalf may show cause why the registration certificate should not be refused or cancelled. Within 14 days after the hearing the Minister must advise the applicant or the holder of his decision. Then notification must be in writing. The applicant or the holder may appeal to the Court of Queen's Bench against the Minister's decision to cancel or refuse a registration certificate, and if the appellant is the holder of a registration certificate he may apply to the Court of Queen's Bench for an order to stay the effect of the Minister's order cancelling the registration certificate. That seems a pretty good safeguard for the interest of — and I want to safeguard his interests.

MR. CHERNIACK: Mr. Chairman, I'm sure the Minister would not want to be misled himself and far less mislead the House or the Committee, but I point out to the Minister that what he read applies only to refusal to issue or to cancellation. What he read applies only to that until he comes to the appeal to the court under 8, because that also includes the word suspension, but since suspension is not referred to in (4), therefore that which the Minister read does not apply to a suspension.

Now either the Minister is recognizing that there ought to be notice — seven days for a hearing — and should therefore correct his Act, or he should now change his tune and say, no I will not permit this type of procedure to apply in the case of suspension. But I assure him that (4) applies only to a refusal to issue or a cancellation and does not apply to a suspension. The way I read the Bill now — and again it's subject to correction but the Minister has not yet corrected that — the way I read it now is that there may be a suspension for up to 30 days and that's in the Minister's own discretion without notice, without warning, but an immediate suspension, and the next step is that there may be an appeal under (7) where the Minister must give notice of it, and then under 8 the appeal may be taken to the Court of Queen's Bench.

So that the Minister may, in my interpretation, decide at this moment that there shall be a suspension and instruct his office to prepare it and serve it at 9 o'clock tomorrow morning on the holder of the certificate and he is out of business. He must then rush out to find a lawyer who has the time to launch an appeal and apply to the court for an order under Section 8 — I think it is — 8 (4), requesting a judge of the court to stay this suspension. That means an affidavit has to be prepared; that means a formal application must be made; and the man is out of business. Now I think the Minister either ought to make up his mind, either he wants the power without notice under (2) or else what he told us is wrong and doesn't apply.

MR. EVANS: Mr. Chairman, I think I'd like to look at this section. It's an implication of it — if that's the right word — that I hadn't foreseen, and the notes that I wrote out for myself indicate fairly clearly I think that they spoke of only cancellation or refusal to issue, and now the interaction of Section 8 with Section 7, as pointed out by my honourable friend, raises I think a point that I would like to take under advisement and look into it.

MR. LYON: Mr. Chairman, I wonder if this would be a convenient time to move that the Committee rise.

MR. CHAIRMAN: Committee rise. Call in the Speaker.

Mr. Speaker, the Committee of the Whole has adopted certain clauses, directed me to report the same and asks leave to sit again.

IN SESSION

MR. COWAN: Mr. Speaker, I move, seconded by the Honourable Member for Pembina, that the report of the Committee be received.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried.

MR. LYON: Mr. Speaker, before moving adjournment, I would take the opportunity to remind honourable members of the meeting tomorrow morning of Law Amendments Committee at 9:30 in room 254 of the building. I move, seconded by the Honourable Provincial Treasurer, that the House do now adjourn.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried and the House adjourned until 2:30 Tuesday afternoon.