



February 6th, 2006

The Honourable James Flaherty
Minister of Finance
House of Commons
Ottawa, Ontario
K1A 0A6

Re: GST on Gasoline (Tax on Tax)

Dear Mr. Flaherty:

Congratulations on your election to Parliament, and the appointment to Finance. You were a friend of business in this role in Ontario, and we are delighted to see you manage the financial affairs of our Country. And of course congratulations to the Conservative Party of Canada for its success in becoming the Government of Canada, we are looking forward to working with you and our new government to bring a vibrant and prosperous business climate to our Country, and our Community.

In November of 2003, we had the distinct pleasure of hosting you at our offices here in Cambridge. During the recent election campaign, we were privileged in hosting a round table discussion with your colleague the Honourable Monte Solberg, at that point in his role as Finance Critic. During our discussions, I raised the issue of "Tax on Tax" at the pumps we all face. While some Provinces have no PST on gasoline at the pumps, or they have a harmonized sales tax, the fact is every Canadian pays GST on every litre of gas and a Federal Excise Tax of 10 cents per litre. The injustice is not in the applicable Federal Excise Tax, or the Provincial Sales Tax, or even the fact there is GST on gas at all. The injustice is that the GST is also applied to all other taxes as well as the refining, distribution and profit that make up the cost of a litre of gas.

Some will say that it will be difficult to adjust the GST to be applicable to only refining, distribution, profit costs and exclude the applicable taxes. As you know the amount of Federal Excise Tax, and PST (if any) are flat rate amounts. In Ontario the Provincial portion is 14.7 cents, and that is added to the 10 cents of Federal Excise Tax. Some will suggest that eliminating the double taxation will not translate to savings as the oil companies will simply absorb the reduction into the cost per litre. Others may say that it is difficult, confusing, and almost impossible to break out the costs and apply GST to pre-tax costs. These all seem to be pessimistic view points, ones that are simply looking for excuses. We

believe that controls to ensure the oil companies don't add the savings to their bottom lines should be articulated and applied to the legislation.

The Cambridge Chamber of Commerce is the 2nd largest Chamber of Commerce in the Province of Ontario. On behalf of the 1750 Members of the Cambridge Chamber of Commerce, their 60,000 plus employees, our 120,000 residents, and all the taxpayers in our Country, we urge you to immediately remove the GST applied to the Federal Excise Tax and PST (where applicable). Mr. Solberg commented in our meeting that your party believes this to be wrong as well, and that a Conservative Government would correct the unjust tax on tax situations now present in Federal policy. As you know our Member of Parliament Gary Goodyear, concurs that the current tax on tax at the pump is wrong as well.

It seems unreasonable, that anyone, let alone a government would find that taxing tax is fair and equitable, frankly we find this unconscionable. We understand as well that this will create a situation of decreased revenues to the country, and understand that care and consideration has to be given to where this will fit in the overall budget in the end. If the loss in revenue can not be sustained, may we suggest that the formula still be amended to not tax tax, and the Federal Excise Tax be slightly increased to offset the loss in revenue. While we would prefer not to see tax shifted, rather eliminated, it is more acceptable than the current formula. What we know for sure is, taxing tax is simply wrong, and abuses the privilege governments have in taxing the constituents they serve.

We acknowledge that not all sicknesses have remedies. What we hope is that you and the Conservative Government will review, and address this issue in the interest of all Canadians and find an antidote to this very wrong taxation policy.

Please don't hesitate to call or email any comments, concerns or questions you may have.

Sincerely,

Greg Durocher

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CC; The Rt. Honourable Stephen Harper, Prime Minister, House of Commons
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