

economic growth and delay the achievement of the economic benefits that the GST makes possible." (P. 30)

(24) The Minister of Finance told the Committee that it is not surprising that the labour movement is trying to use the GST as a bargaining tool but that it must recognize what a company can afford to pay. The Minister stated, "If a company agrees to a wage settlement that is higher than it can afford to pay, if it accepts the argument that there ought to be a higher wage settlement as a result of introduction of the GST, that would be a mistake on its part, and I think most companies operating in the Canadian environment understand that. ... (35:15)

(25) Notwithstanding the Minister's comments, there is evidence to suggest that labour groups are having some success in incorporating GST protection in their wage contracts. For instance, the Canadian Auto Workers have obtained GST-linked COLA clauses for customer service workers at Air Canada and for workers at Boeing and DeHavilland Aircraft. It also has achieved increase cost of living protection in recent contract negotiations with Ford Motor Company. The Canadian Union of Public Employees is advising its members to go after a 9% wage increase to provide insulation from the GST. Other labour unions are also seeking protection from the GST either through fixed wage increases or by means of COLA clauses.

(26) A major concern is the reaction of monetary policy to any GST-generated price increase. The Governor of the Bank of Canada told the Committee that a one time price increase could be accommodated by monetary policy but that "what monetary policy must guard against is the risk that the initial price increase will trigger successive demands for compensating wage and price increases. Should