

is added on at the manufacturers level and then profit is added on to the gross amount, I presume, thereby actually making this percentage higher to the consumer rather than lower.

Mr. BENSON: The price it is applied to is not the retail price, or the consumer's price. The 11 per cent is applied back and this is 100 per cent, in many cases, below the retail price. For example, something may be selling for \$2 and the tax is being applied at 11 per cent on \$1.

Mr. HOWE: I am just going to apply it my way. If I take the \$1 and add the 11 per cent, which would make it \$1.11, and then I add 100 per cent profit onto that I would end up with \$2.22 which still is 11 per cent of a higher figure. This is a greater amount so far as the consumer is concerned.

Mr. BENSON: Really what you are talking about is the pyramiding of the sales tax which some people maintain takes place in some cases. It depends entirely on your method of pricing, whether you do take an amount and apply a fixed percentage to it. But the 1.8 to 3 per cent which we used in the case of prescription drugs, is taking the amount of tax paid and applying it to the selling value.

Mr. HOWE (*Hamilton South*): In other words you are saying that the manufacturers, the distributors and the retailers are not adding profit onto this 11 per cent, that this 11 per cent remains as a set figure of the original cost with no profit added to it.

Mr. BENSON: Well I really could not say how all people do their pricing but it would appear that in a product such as this where there is a differential, and a necessary differential perhaps but I am not going to judge that, between the cost on which the sales tax is applied and the ultimate selling price that there are other factors which come into the pricing besides merely applying a flat percentage upwards.

Mr. HOWE (*Hamilton South*): Is there no actual rule or law whether they can or cannot apply it on that \$1.11 rather than just on the \$1?

Mr. BENSON: It is hard to say how people are going to determine how much they will charge for a product. Somebody can manufacture something in a plant and claim it costs \$1 to manufacture; I pay 11 per cent sales tax in order to make a profit; I must charge 90 cents more to cover distribution, and this sort of thing. Generally, prices are determined by competition. The manufacturer does not determine his price by adding \$1.20 to his cost of \$1.20 and selling the product at \$2.40 because somebody else down the street may be selling a very similar product and do the same thing for \$2.10. I am not saying whether or not this is the case in the drug industry; I just do not know.

Mr. HOWE (*Hamilton South*): If you simply left the 11 per cent off and it carried on, as you said, and became 4.96 per cent then it would simply add a larger amount on to the dollar in the first place which is virtually the same thing.

Mr. BENSON: All I am saying is if you cut the sales tax out entirely, according to the best of our calculations, it would make a difference of from 1.8 to 3 cents per dollar of selling price. And, the selling prices per capita are relatively the same as they are now; the only reduction was the sales tax, and it would make a difference of from 1.8 to 3 per cent.

The CHAIRMAN: Mr. Whelan?