

If the impact of the tax cannot in fact be determined, what role should the CIO play and how useful will it be? Is there some merit in having the agency provide information on the expected price movements of broad categories of products and then receiving and investigating complaints? These are critical questions which need to be addressed. To examine them more fully, it will be necessary to focus on some of the problems associated with the application of the current FST.

Witnesses suggested that it would be virtually impossible to determine precisely how much FST is embedded in the price of most products. This, it was argued, would make it extremely difficult for the CIO to provide information on anticipated price increases and decreases. Professor Neil Brooks told the Committee that, though it is possible to use Statistics Canada data to arrive at a general determination of the amount of FST in the prices of broad categories of consumer products, information would not be available on the amount of FST in the hundreds of individual products that make up those categories. To complicate matters further, different tax rates can apply to different models of the same product.

As mentioned earlier, variations in value added and mark-ups after a product has been manufactured also pose a problem for determining GST-related price increases and decreases. The value added or mark-up can vary, depending on how a product is sold. This, the Committee was told, could raise the price to consumers even though on average there is evidence of a likely tax saving from the removal of the FST. According to the Fraser Institute, much of the information on value adding and corresponding mark-ups which affect product prices is not available and any CIO publication of average figures indicating tax savings could create confusion and convey misinformation to consumers.

Information about the structure of various industrial sectors and individual businesses will also be important for the CIO's examination of anticipated price increases and decreases. Manufacturers who have sought to reduce their federal sales tax by transferring goods to wholly-owned marketing and distribution companies are likely to be more limited than other companies in their ability to pass on tax savings. In addition, importers that pay FST on the duty-paid value of goods often increase prices after importation or incur marketing and distribution costs that reduce the effective FST rate.

Yet another factor with implications for the CIO's ability to determine price effects is the timing of the passthrough of FST savings. Will these savings be passed through promptly upon implementation of the GST or some time after the implementation date? The FST paid on machinery and equipment used in the manufacturing process will not be refunded, and the FST rebate for inventories on hand on the GST implementation date may not in all circumstances cover the full amount of FST paid. These facts suggest that there may not be