

from 1.5% of inventory for automobile parts dealers (Automotive Industries Association of Canada), to 3.3% of inventory for retailers of imported furniture (New Look Interiors Ltd.). The Atlantic Building Supply Dealers and the Canadian Cosmetic, Toiletry and Fragrance Association also cited examples whereby they would be hurt by inadequate FST rebates.

(69) The business community has been admonished to pass on the savings of the FST's elimination. Should they be expected to pass on savings which do not exist? And if in 1991, firms are selling inventory on which both the GST and some FST apply, it is entirely likely that price rises will be higher than the 1.25% increase predicted by the Government. Indeed, the Committee has heard nothing from the Government to suggest that these rebates will return all FST embedded in inventories at the end of the year. And with the prescribed rate of rebates penalizing some firms and being overly generous to others, the notion of fairness so important to the Government is also likely not to be achieved.

(70) In addition to the general problems listed above, three examples of inadequate transitional relief have been presented to the Committee. In the testimony of the Associated Canadian Car Rental Operators (ACCRO) the Committee was informed that used car dealers would receive a rebate for the FST embedded in their inventory as of the new year. Car rental agencies hold a large stock of cars which will be sold as used cars in the new year. No FST inventory rebate is granted for these cars because they are considered to be capital property. When these cars are eventually sold in the used car market, they will have borne a total tax equal to 20.2% according to the witness. This double taxation goes against the