

Equally important for the Committee's study was to determine the proper role for government in helping to ensure that the full savings brought about by the tax change were realized. The Committee wanted to ascertain precisely how difficult it would be for the proposed price monitoring agency, the GST Consumer Information Office (CIO), to collect specific price information and scrutinize companies' pricing policies, and what powers the agency should be accorded to carry out its mandate. In particular, should the CIO be given the authority to roll back unwarranted price increases, or should its role be to provide consumers with appropriate information about the predicted direction of consumer prices in the various sectors of the economy?

The Committee heard evidence from 57 witnesses (see Appendix I for the complete list). Businesses and industry associations were asked to commit themselves and their membership to a full passthrough of any tax savings from the change in tax regimes. Labour groups were questioned on the likelihood of wage demands based on perceptions that the change in the tax regime would increase inflation. Economists and tax lawyers were asked for their opinions on the macroeconomic effects of the move to the GST, the direct price effects on various economic sectors and the specific difficulties expected with the transition. The Governor of the Bank of Canada was invited to discuss possible monetary responses to GST-related inflationary pressures. Consumer groups and experts were called upon to relate the concerns of consumers. In virtually all cases, witnesses were asked for their opinions on the merits of the proposed Consumer Information Office.

Our report is divided into two sections. The first examines the price effects expected from the shift to the GST, the problems which arise when attempting to estimate these effects, and the potential impact of the tax shift on inflation and monetary policy. The second section examines the need for consumer protection and contains recommendations on the role of the Consumer Information Office. These, it is hoped, will assist the government in providing information to consumers and lead to a smoother transition from the existing tax regime to the GST.