According to Table 3, fewer categories of goods expect price reductions than expect price increases. The absolute value of the price impact is considerable, however, given the high cost of many of these goods. Thus, while the price decline for an automobile may not appear at first glance to be a significant percentage, the savings in dollar terms is material.

The Informetrica model suggests that prices should rise in three broad areas: residential energy, clothing and footwear and consumer services. The cost of residential energy in the form of oil, natural gas and electricity is expected to rise as the 7% tax is applied. This is because utilities producing electricity, natural gas and other fuels are virtually exempt from tax under the FST. The model suggests that the price increase will be in the 6.8 to 7.3% range, depending on the energy source selected.

Clothing and footwear, while not currently subject to the FST, do nevertheless require the use of manufactured inputs in their production. As the Informetrica model suggests, these industries are therefore not expected to be faced with an increased tax cost of 7% under the GST, but rather one ranging from 4.8% to 5.9%. The Committee, however, heard evidence from the Canadian Apparel Manufacturers Institute that given the soft state of current market conditions, retailers would likely maintain existing prices so as not to lose market share to imported products.

The Informetrica model also predicts price increases for certain services, many of which will be charged the 7% rate under the GST. The Committee heard some evidence of this. The Funeral Service Association of Canada projected that the imposition of the GST would increase the cost of an average funeral by approximately $100. The Tourism Industry Association of Canada estimated that the GST would increase the price of tourism–related services by between 4 and 7%, depending on the amount of FST currently included. The Minister responsible for Tourism, the Honourable Thomas Hockin, claimed that, while some difficulties were expected for the industry in 1991, the longer–term impact of the GST on tourism would be favourable.

For its part, the Canadian Bankers Association estimated that the banks would not be allowed input credits on some 90% of their annual GST costs, owing to the exempt status accorded to the vast majority of financial transactions. Representatives from the Association identified three options which financial institutions could choose from in dealing with the additional tax charge: reduce returns on investment; reduce non–interest expenses to offset the increase in tax cost; and attempt to pass through the additional cost to consumers through the imposition of price increases.