

- (8) Professors Jack Mintz and Thomas Wilson expressed doubts about the extent and speed of the price reductions from removing the current sales tax. In their brief to the Committee they state, "Finance Canada has estimated that the GST will raise prices by about 1.25 percentage points, assuming that competition will force Canadian business to pass on the savings arising from the elimination of the FST. However, no allowance has been made for possible differential short run impacts of sales tax reform on prices in industries which are not highly competitive or which are subject to regulation." (Peter Dungan, Jack A. Mintz and Thomas A. Wilson, "Alternatives to the Goods and Services Tax", August 1990, p. 10)
- (9) Other witnesses were skeptical of business passing on the savings from removing the current Federal Sales Tax. The Canadian Union of Public Employees (CUPE) has developed its own estimates of the price impact of the GST based on different assumptions about the degree of pass-through of savings. According to CUPE estimates, if 50% of the FST saving is passed on, the price impact of the GST would be about 2.8% while a 30% pass-through rate would raise prices about 3.4%. CUPE believes that even if organized labour does not attempt to protect their real wages through increased wage demands, "the cost of living impact of the GST can be expected to be in the neighbourhood of three percentage points -- far in excess of Mr. Wilson's estimate of 1.25 percent."
- (10) Not only labour groups have expressed skepticism about the reduction in certain prices as the FST is removed. Representatives of the Canadian Home Builders' Association told the House of Commons Standing Committee on Consumer and Corporate Affairs and Government Operations that they expected about two-thirds of the