

● (1600)

This parliament has legislated that predatory pricing practices are illegal, yet we have here a predatory pricing practice that will be allowed to continue provided, as the bill says, that it does not lessen competition, whatever that means. The experience that I have had of seeing perfectly integrated trans-national conglomerates in operation leads me to think that the question is: somehow or other can they show us that they are not lessening competition? I hope that by the time I have finished I will have demonstrated that this kind of practice has indeed lessened competition, or contributed greatly toward lessening competition, and has destroyed the very concepts that the two old established parties in this House have always supported, namely, a free enterprise, capitalist system.

As I have said before, the practice of loss leading has been an anti-competitive one and has been recognized as such by governments. As a matter of fact, in our present anti-combines legislation loss leading is recognized as a defence to a charge of refusal to deal. In other words, if a supplier refuses to sell a product to a retailer or wholesaler, he can use loss leading as a defence to such refusal. He can argue that his products will be sold at a cheaper price, and that somehow or other this brings down the value of the name of those products. This is why loss leading is recognized as a legitimate defence to a charge of refusal to deal.

In this particular legislation the government is concerned that the products of large corporations might be subject to loss leading, and hence permits loss leading to be a defence. However, if the big corporations suffer from this practice, consumers suffer even more. In 1952 the MacQuarrie committee set up to study the combines act recognized this when it said:

... as to the "loss leader" device, the committee believes that it is a monopolistic practice which does not promote general welfare and therefore considers that it is not compatible with the public interest.

That was the comment of a committee, set up by the government to take a look at the combines legislation of this country, on the practice of loss leading.

A study done on loss leading in the 1950s by the combines act director of investigation and research concluded in 1955 that no action was necessary at that time to deal with loss leading. But times have changed. We are not in the 1950s any more. The report of the director in 1955 had this to say:

It is very difficult if not impossible to obtain and hold a monopoly position in a given retail market.

In 1973, corporate chain stores had over 55 per cent of the grocery sales in Canada, with the percentage in some areas reaching 52 per cent from two chains alone. In 1972, the George Weston group of companies had sales of approximately \$3.5 billion while total Canadian food sales were only \$8 billion. This is the age of vertical integration. No longer are these companies prepared to be small, corner grocery stores. They have realized that to become large and monopolistic increases their profits. It does not necessarily increase their efficiency of operation, but it does a great deal to increase their profits.

The 1955 report said that it was difficult to believe that any significant increase in the sales of private brands

Combines Investigation Act

could be made under such competitive conditions, let alone increases so large that they would constitute a monopoly situation. Chain stores are now so powerful that they can restrict shelf space to companies to the extent of economic ruin. In areas where a supermarket is the only store for miles there is no fear of comparative shopping, and these chain stores make use of this situation. On March 4, 1955, the IGA chain, for example, felt strong enough, when major Canadian bakeries raised their prices, to raise the price of the private brands they carried while maintaining the lower price on their private house brands, clearly giving themselves a competitive advantage with a market position strong enough that they feared no competition.

Talking of the bakery industry, it is rather interesting to note that the baked goods industry of Ontario has attempted to have passed legislation prohibiting the advertising of bread. This is not because they want to sell less bread but because bread is such an effective loss leader for supermarkets. The result has been more and more failures in the baking industry over the years. Incidentally, in Quebec there is already a law against advertising bread; but surely a law against loss leading would be more to the point.

At the present time, one of the largest wholesale tobacco operations in Canada belongs to the same ownership group as The Bay, a chain store operator, opening the way for even more loss leading. Loss leading in the tobacco industry has become an accepted business practice. At the wholesale level recently in northern Ontario, the National Grocers Company Limited made a practice of selling cigarettes to its customers for less than it was costing an independent wholesaler to purchase them. The independent company, which relied heavily on tobacco sales for its business, had a choice of either cutting its prices and going bankrupt or directing its energy in other directions. The larger company was more diversified in its products and as such would have no trouble simply shifting any loss on cigarettes to other areas of our grocery bills.

I and many other non-smokers object strenuously to being forced to subsidize the cigarette addictions of others in this way. Other wholesalers make a practice of loss leading such items as butter, and of making these special savings even more available to those who deal with them exclusively.

The 1955 commission also suggested that the practice of selling articles below their cost was not prevalent in any of the lines of trade for which information was obtained by the inquiry. But the commission ignored the subject at the wholesale level and in other areas. Thus, most of Canada's distribution sector was ignored. The practice today is widespread and is systematically indulged in by chain supermarkets who loss leader a range of items each week. They change the selection of items regularly and by geographic region in order to avoid a charge of making a practice of it.

What has been the result of loss leading and other restrictive business practices in Canada? It is possible to look at almost any industry in Canada over the last 20 years and see the effect of concentration and monopoly as it slowly destroys the fabric of our so-called free enterprise system. Where competition once was the case, we see