

actions by food retailers which were poor from the viewpoint of their public relations. Your Committee's attention was repeatedly drawn to the practice of remarking goods on the shelves with a new and higher price without removing the old price. Whatever the reason for the practice, your Committee's view was that some adjustment in the method of inventory management and more care in marking prices on containers would eliminate this irritant to consumers.

Recommendations:

(a) That non-price competition by retail food outlets should not be allowed to become sufficiently important to outweigh price competition.

(b) That cents-off labels, in view of their tendency to cause confusion and to distort price relationships, should be prohibited.

(c) That the Minister to be responsible for consumer affairs undertake a review of the effectiveness of the investigation and prosecution procedures under existing statutes relating to misleading advertising.

(d) That more care should be used in re-marking the prices of goods in the inventories of retail food stores.

8. Public Disclosure

In times of both depression and prosperity, Canada has in the past resorted to a series of Royal Commissions or parliamentary inquiries on prices and price spreads, each of which has had to compile its own information on costs, profits and return on investments. Your Committee was no different, and used its parliamentary privilege to ask for and receive from corporate witnesses information never before made public. However, your Committee feels strongly that if those responsible for or concerned about the management of public affairs are to be properly informed, such information should be available publicly on a continuous basis for the scrutiny of parliamentarians, public officials, consumer groups, investment analysts and the academic community. Such public disclosure would also be a spur to greater efficiency and productivity by preventing inefficient entrepreneurs from hiding their inefficiency from shareholders or public scrutiny. Further, your Committee sees no reason why large public companies should be compelled to compete in the market place against other large private competitors whose operations are almost wholly secret and many of which are

privately held wholly-owned subsidiaries of non-Canadian parents.

Recommendations:

(a) That the distinction between disclosure requirements for private companies of significance to the public and public companies be eliminated.

(b) That the disclosure requirements for both public and such private companies be enlarged to assure full and complete disclosure of corporate activities to give to the public sufficient information for meaningful continuous analysis and comparison.

9. Profits of Corporate Food Chains

The Joint Committee on Consumer Credit (Prices) asked for and received detailed statistical information concerning the experience of the companies which appeared before it. One of its principal purposes was to determine if there had been any significant recent changes in the levels of costs, prices or profits which would help to account for the upward movement of the cost of living. In particular, your Committee concerned itself with the profit levels of the corporate food chains. This whole question was looked into by your Committee.

One way of measuring profitability is to examine net profit after taxes as a percentage of gross sales. Your Committee is aware that this method of comparing profit levels has some deficiencies and that an analysis should also be made of profits in relation to invested capital. Such an examination raises theoretical and practical accounting problems and while the necessary research has been started, the results are not available for this interim report. Your Committee has retained the services of a firm specializing in management consulting and accounting which has undertaken to conduct a study in this field.

The level of profits in the Canadian economy as a whole was discussed by several expert witnesses who testified before your Committee. Their opinion was that in the late stages of an expansionary period there tended to be a squeeze on profit margins. This resulted from rising costs and the inability of sellers in competitive markets to raise prices sufficiently to offset them. Although statistical evidence was not conclusive, it did appear that profit levels or ratios had not risen generally and that one would have to look elsewhere to explain the changes in the cost of living after a long uninterrupted period of prosperity.