

Combines Investigation Act

all. That was one of the statistical red herrings which certain persons sought to draw across the path of the committee. But I submit that if this contention were true—and it may be true; I am not suggesting that it is not—it would still be irrelevant because I suggest it could only be true because of economies effected by increased efficiency of production, which the public would have shared in any event, and I think more fully, without resale price maintenance; or perhaps because the original prices were so high ten years ago that all the increases in labour and material costs involved in them could be easily absorbed, still leaving a quite adequate profit.

Let me take three typical cases from the electrical appliance field. These are taken from the material submitted by the trade to the joint committee, and I have taken the first specific instances given in their material, that of an electric range, an electric washer and an electric refrigerator respectively. The information on the range shows that the cost to the wholesaler, in 1950, including all taxes, was \$204.15. The retailer's cost was \$230. He sold the product to the consumer for \$349. This means that the retailer's mark-up was 52 per cent over his cost, or \$119 on an article that he had bought for \$230. The wholesaler's mark-up and the retailer's mark-up together amounted to 71 per cent of the manufacturer's selling price, which included the manufacturer's costs, his profit, taxes and freight.

In the case of the washing machine which retailed for \$159.50 in 1950 and the refrigerator which retailed for \$375 the figures tell substantially the same story.

Some people may regard these mark-ups as excessive, notwithstanding the explanations to which I think it is only fair that I should refer, that in carrying these articles in stock it was necessary to service them and to keep them in shape so they would be in good order when they were sold, and to take care of the claims that were made by the purchaser during the guarantee period, and the like. I express no opinion myself as to the adequacy or otherwise of the prices. I cite them for another reason altogether. I submit that the druggist who sold the medicated plaster made on his cost of 52 cents a mark-up of 48 cents. The retailer who sold the range made \$119. What I say is this: I think it is a very reasonable assertion to say that these margins, under resale price maintenance, are set by the manufacturer who, in the nature of things, cannot have a direct knowledge of the individual retailer's cost of doing business.

Then, to put the next point in the form of a question: Would any reasonable person

maintain that margins like these do not leave room for a retailer to pass back to his customer the savings he can make by the efficiency with which he runs his store, as compared with the efficiency with which his competitor runs his store? That may not be a very great amount, nothing like the margin provided here. But is there anything in the size of the margin to indicate that it does not leave room for the retailer to pass on to his customer any efficiency he has developed in the running of his own business? Yet under resale price maintenance he cannot pass back one penny. He cannot compete in price. The only way he can compete and try to get business from the other fellow is by keeping the whole of the margin and spending the money he thinks he should spend to outdo the other man in sales promotion, fancy store fronts and the like, which I am sure most buyers of goods would regard as a very poor substitute for a competitive cut in prices.

How difficult it is for the manufacturer to fix the retail mark-up is shown by the variation in distributors' costs, which do vary considerably from one merchant to another, just as manufacturing costs vary from one factory to another. The dominion bureau of statistics has published a recent report which shows the operating expenses of certain businesses. The table to which I am now referring and which, if I may have permission, I should like to place on *Hansard* in full—I shall quote only a small portion of it—

Mr. Fleming: What is the source?

Mr. Garson: The dominion bureau of statistics. The table I shall place on *Hansard* shows the average and then the middle range of distributors' costs. That is to say, if one considered that there were four levels of distributors' costs, in arriving at this middle range he would eliminate the two outside ones. Then the middle range represents the high and the low of the inside ones. All the extremes are eliminated.

It shows the middle range for groceries running from 5.6 to 8.4. These figures are shown as a percentage of net sales. In another range, of tobacco and confectionery, it is 4.2 to 7.6. Then we come up to automotive parts and accessories, which varies from 16.5 to 28.0. This comparison, it will be remembered, is just in the middle range. In connection with hardware the figures are from 11.8 to 19.0. I suggest that these variations show how impossible it is for a manufacturer, under resale price maintenance, to select any common margin or mark-up as the fixed spread which should prevail in the sale of