

## 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 and Cost of Living 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 the 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.

## 10. Advertising

Your Committee heard lengthy arguments concerning the economic consequences of advertising. It also accumulated a considerable amount of information relating to advertising expenditures and the way in which advertising costs are shared among different distributive levels in the food industry. There was evidence that the market power of the retail level of the food industry was sufficiently strong to shift some of the burden of advertising costs to food processors or manufacturers. In the time available to your Committee, it was not possible to ascertain all the facts necessary to reach any firm conclusion. However, your Committee decided that more information was needed.

## 11. Concentration and Cost Levels in the Food Industry

The terms of reference of the Joint Committee on Consumer Credit and Cost of Living necessarily meant that primary attention was focussed on factors