

*Increasing Food Prices*

I should also note the valuable work done by the Batten commission which reported to the premiers of Alberta, Saskatchewan and Manitoba just a few years ago on the food industry in those provinces.

• (1650)

The Combines Director is required by the statute to commence an inquiry whenever he has reason to believe that the Combines Investigation Act has been, or is about to be, violated. Two types of offences under the act are particularly to be watched for in an industry of this kind: the companies might enter into agreements with their competitors to fix prices or otherwise to present or lessen competition unduly, or one or more of them might by acquiring competitors reach a dominant position in the industry so that competition would be lessened to the detriment of the public. The Director of Investigation and Research is aware of these possibilities and if he has reason to believe that any such offences have taken place, is required by law to commence an investigation.

Canadian policy toward prices in general, except during the second world war, has been to avoid any system of government control in the private sector, leaving competition itself to safeguard the interests of the public. Two royal commissions on prices and price spreads—the Curtis commission in 1949 and the Stewart commission in 1959—gave us no reason for departing from this policy. The Combines Investigation Act has been in existence throughout to ensure that any undue interference with the public interest in free competition could be dealt with by the courts after administrative investigation through the wide powers given to the Combines Director by Parliament.

In his last annual report, that for the year ended March 31, 1971, the Director reported at length upon a study made in his Research Branch into Concentration in the Canadian Food Retailing industry, and the changes which took place in the decade 1958 to 1968, that is the period covered by the Stewart Commission. Hon. members would do well to consult this thorough analysis, which is found at pages 16 to 20 of the report, and which includes a number of comprehensive statistical tables, made public for the first time. The conclusion of this study was that the structure of food retailing in 1968, the last year for which full statistics were available, was more conducive to competition than it had been ten years earlier. The corporate chains as a whole had somewhat improved their position in the market, but the largest ones had a slightly smaller share than they had enjoyed in 1958. Although unaffiliated independents had lost considerable ground, independents affiliated into voluntary chains as well as small corporate chains had markedly improved their positions during the 10-year period.

The structural conditions described in the study were considered to be consistent with the existence of the "price war" which was raging between the chains in late 1970 and the first five months of 1971. The study nevertheless concluded that the director should continue his vigilance because in some cities a few chains had a large share of the market. To give the leading examples, it was found that the three largest chain stores had 60 per cent of the total retail food sales in Edmonton, 49 per cent in Halifax, 37 per cent in Montreal, 26 per cent in Ottawa, 64

per cent in Saskatoon, 41 per cent in Toronto, 47 per cent in Vancouver and 44 per cent in Winnipeg. All chain stores combined did 63 per cent of the Edmonton business, 57 per cent in Halifax, 42 per cent in Montreal, 35 per cent in Ottawa, 59 per cent in each of Saskatoon and Toronto, 55 per cent in each of Vancouver and Winnipeg. For the whole Canadian retail food market, the three largest chains did only 21 per cent of the total business in 1968, and all chain stores accounted for less than 43 per cent. The largest 15 chains did 37½ per cent of the total retail food store sales in Canada. I am sure these figures are much lower than many people have been led to believe and that many will be surprised to know how much competition there is in this industry outside of the corporate chains.

With a structural picture such as I have described, moreover, it is not surprising that there has been sharp competition among the food chains. On several occasions price competition has become so strong as to be labelled by the public and the press as "price wars". As I have already intimated, in the fall of 1970 and for the first five months of 1971, such a price war was under way. It was quite prolonged, and much discussed in the press and in the trade journals. Prices become so low that many of the retaining grocery independents were writing to the Minister of Consumer and Corporate Affairs complaining that the independents were in imminent danger of bankruptcy.

Many Members of Parliament, including prominent NDP members, were forwarding these complaints to the Minister of Consumer and Corporate Affairs advancing in the strongest language the view that the food chains were engaged in a policy of selling groceries at prices unreasonably low. They represented this as a conspiracy to drive the independent grocers out of business. It was a very difficult period for the minister and the combines director, both of whom were deluged by these complaints yet had to turn them aside because there was no evidence of anything except sharp price competition in which individual chains were trying to increase their share of the market by outdoing each other in their low price appeal to the consumer. The minister was very sympathetic to the plight of the small retailer, but had to recognize that the greater efficiency of the chains made it possible for them to buy at lower prices, to minimize their costs, and this to provide needed food to the consumer at low competitive prices.

As I have already indicated, however, this prolonged price war cut sharply into the profits of the corporate chains. There was a large drop in the ratio of net profit to sales for the 1970-71 period, and even though the 1971-72 figures recently announced show considerable improvement, the ratio is still far below the average for the last several years.

Moreover, there is still more recent evidence that there has been a resumption of the price war. Early this year A & P test-ran a discounting program in Southwestern Ontario and by May of this year put it into effect in all major centres in Ontario and in Montreal. Since A & P began this program Dominion Stores, Steinberg's and Loblaws have indicated that we may be in for another supermarket price war similar to the one in late 1970 and early 1971. At the annual meeting of George Weston Limit-

[Mr. Mahoney.]