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Chair: Mr. Kody Blois



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• (0815)

[English]

The Chair (Mr. Kody Blois (Kings—Hants, Lib.)): I call this meeting to order.

Colleagues, welcome to meeting number 87 of the House of Commons Standing Committee on Agriculture and Agri-Food.

I'm going to start with just a few reminders. Of course, today's meeting is taking place in a hybrid format. The proceedings will be made available via the House of Commons website. As everyone is aware, the webcast always shows the person speaking rather than the entirety of the committee. Of course, screenshots are not permitted.

I'm going to skip over the rest. You all know what we're here for.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, October 19, 2023, the committee is resuming its study on efforts to stabilize food prices.

I would now like to welcome the witnesses for today's panel. For the first hour, from Walmart Canada Corporation, we have Gonzalo Gebara, who is the president and chief executive officer. He is joining us via virtual means this morning. Welcome, Mr. Gebara.

We're going to allow five minutes for opening remarks. I'll allow a little give-or-take. If you need a little more than five minutes, that's fine, Mr. Gebara. Then we're going to turn to questions. We'll do that for an hour.

We have Mr. Weston coming in for the second hour.

Mr. Gebara, we go over to you for up to five minutes.

Mr. Gonzalo Gebara (President and Chief Executive Officer, Wal-Mart Canada Corp.): Thank you, Mr. Chairman.

Good morning to all members of the committee.

[Translation]

Thank you for the opportunity to once again appear before the committee to discuss Walmart's leadership in food pricing.

[English]

We're here to share how we have been working hard to provide Canadians with EDLP, or everyday low prices. At Walmart, we have always been a disrupter within Canadian grocery. This fact is highlighted in the recent grocery market study by the Competition Bureau. It notes how our entry into Canada brought additional

choice to consumers and put pressure on competitors to lower prices.

We recently launched and posted on our website a study by Deloitte showing that when a Walmart store opens in a major metropolitan area in Canada, it leads to a decrease in the price of a general basket of consumer goods, saving Canadian families in those areas almost \$1,000 per year, no matter where they shop.

If you shop with Walmart, you know that our EDLP price strategy is what differentiates us from our competitors. Recent news stories have highlighted the significant savings Canadians receive when they shop at Walmart. As I emphasized when I first came to this committee in March, EDLP means providing our customers with consistently low prices on products without having to wait for sales events. This means that customers can trust that prices will always be low at Walmart. We're so committed to low prices that a key internal metric of success for us is our price gap—the difference between our prices and our competitors' prices.

Over the last 18 months, as food prices rose across Canada, we continued to strive to maintain a material price gap lower than our competitors'. Through this period of high inflation, we were diligent in holding our prices flat where possible, and in some cases even lowered our prices. This sometimes required us to absorb cost increases or to reject unjustified cost increases from suppliers. To give you a sense of magnitude, last year Walmart received six times the cost increase requests from suppliers compared with pre-pandemic levels.

In your last study on food price inflation, you heard from industry experts that numerous factors contribute to grocery price inflation long before the products reach grocers' shelves. As reported by the Retail Council of Canada this fall, more than 70% of the final shelf price represents the cost imposed by suppliers. The vast majority of the remaining 30% goes to normal expenses in running a grocery business.

Government policies and regulations, supply chain disruptions, foreign conflicts, domestic labour shortages and climate change events all have inflationary effects as well, not only on the cost of food for suppliers but also on the grocers' operating costs. This context is important, but ultimately we know that Canadians want solutions.

I have some examples of our company-wide efforts to combat inflation over the last 18 months. We've invested significantly in our Walmart brands, offering 3,000 budget-friendly food and consumable products. Canadians can rely on Walmart brands to save an average of 33% more than national brand prices at our stores. We've expanded our 97¢ program, offering an assortment of pantry staples for less than a dollar by absorbing significant cost increases from suppliers. Our promotional programs, such as Rollback and Save Now, offer savings of around 10% to 40% on thousands of items. This year during the holiday season, we started these programs even earlier than last year. For Thanksgiving this year, we offered a meal at a price lower than last year's price. We launched our December Dollar Days to highlight thousands of items under \$10 to help with our customers' holiday needs.

In our submissions to both Minister Champagne and this committee, we have provided policy recommendations that could help the government stabilize and even lower food prices. This includes a more robust Competition Bureau to examine competition throughout the supply chain, including suppliers; harmonizing regulatory requirements to lower the cost of goods for consumers; developing a supply chain labour strategy; and prioritizing regional development agencies to support building Canadian manufacturing capacity in key food sectors—namely, pasta, beans, frozen foods, meat packaging and infant formula.

The whole value chain needs to be accountable for lowering food prices for Canadians. That includes manufacturers, producers, suppliers, retailers and the governments too. As our founder, Sam Walton, said, "If we work together, we'll lower the cost of living for everyone".

Let me assure you, Mr. Chairman, that more than 100,000 Walmart Canada associates work hard every day to fulfill the objective of lowering the cost of living for Canadians.

• (0820)

I would be happy to answer any questions you may have at this time.

Thank you very much.

The Chair: Thank you very much, Mr. Gebara.

Again, welcome to the committee. I think you've been before a committee before, but if not, you can toggle between English and French in terms of the interpretation as the questions come in.

We will start the questions with the Conservatives.

Ms. Rood, it's over to you for up to six minutes.

Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC): Thank you, Chair.

Thank you, sir, for being here today.

Sir, as you know, I've been a big supporter of establishing a grocery code of conduct, and we've heard a lot about the code in the news lately, mainly because your company has not agreed to sign on to the code yet. At this point, the code is voluntary, but without all of the big chains signing on to the code of conduct, you actually risk the provinces mandating the code, versus it being voluntary.

I'm wondering if you could tell this committee why you haven't signed on to the code and what needs to be done in order to get you to sign on to the code.

Mr. Gonzalo Gebara: As I said the last time we met, we are heavily involved in discussing the code and trying to understand the different provisions from it. As it appears today, we believe the code is not in a position for us to commit to signing it, and we want to commit to continuing to discuss and be involved in the different provisions to make sure we can have a code that can help consumers have lower prices. As you very well know, at Walmart, having low prices is what we do, so we want to make sure the code has all of the different provisions and conditions so we can conduct our business to offer low prices every day for our customers across Canada.

Ms. Lianne Rood: Thank you.

Earlier this year, the Minister of Environment sought feedback on the development of a pollution prevention, or P2, planning notice for primary food plastic packaging. I'm curious if your company participated in those consultations on the proposed plastics ban for fresh food. Could you give this committee an idea of what that will mean to consumers from a retail perspective? Will prices go up for the cost of food if a plastics ban is imposed for fresh food at the grocery level?

Mr. Gonzalo Gebara: First of all, Walmart is actively collaborating with Environment and Climate Change Canada's consultation on the P2 project.

Walmart made the public announcement several years ago that we are a regenerative company and have very ambitious goals on reusable and recyclable packaging, making sure all the packaging we use is industrially compostable and making sure we commit to those big ambitions of being a regenerative company.

In recent discussions with the department, we were encouraged to continue to discuss these provisions. I would say that at this point it's too soon to tell what the impact will be, but certainly, there need to be more discussions on what the impact of such provisions will be on prices.

● (0825)

Ms. Lianne Rood: Thank you.

We know the front-of-pack labelling is going to cost \$2 billion. Do you have any idea...? I know you said you don't know how much it's going to cost. At the store level, I understand, you're reducing plastic waste, and that's great, very commendable. I think we're all on board with that. It's just that the plastic ban on the fresh fruit and vegetable industry.... Do you know what it will do to food costs if all of a sudden...? Food has to come into the store from far-away countries on ships. It sometimes takes weeks to get to the retail level, and that's why plastic is so important for keeping food fresh.

Until we have a commercially viable alternative to plastic, what would it cost consumers at your end? I can imagine there would be a lot more food waste at the store level if produce coming in is going to spoil a lot faster without being packaged in plastic that would preserve it until it can get to the consumers' homes.

Mr. Gonzalo Gebara: As I said, we're assessing the new conditions. At Walmart, we pay very close attention to the supply chain network and the cost to make sure we can have the most efficient network possible. Moving fresh produce and fresh products across all of Canada with the geography we have is complicated in itself. I also believe that having high ambitions on regeneration and having big goals on making this planet better is something we should all be looking for. We will try to continue to collaborate on those discussions.

Again, I trust we will get creative and find solutions as we walk through this process, to ensure that—

Ms. Lianne Rood: Thank you very much.

Do you think the timeline that the Liberal government is suggesting for the plastics ban is feasible?

Mr. Gonzalo Gebara: I'm sorry. Could you repeat that question?

Ms. Lianne Rood: Is the timeline that the government is suggesting for this proposed plastics ban—within two years—feasible, yes or no?

Mr. Gonzalo Gebara: It's complicated, but we'll try our best.

Ms. Lianne Rood: The Prime Minister recently asked you to come here. I'm wondering what specific recommendations you gave to the government to initiate. Have any of those recommendations been acted upon?

Mr. Gonzalo Gebara: It's public knowledge that we were there several weeks ago. We had a very collaborative conversation on working together to find ways to lower prices. We all brought different ideas and different plans to make sure that we could have a stabilization of prices going into the holiday season.

The Chair: Thank you very much, Ms. Rood and Mr. Gebara.

We'll turn it over to Mr. MacDonald for up to six minutes.

Mr. Heath MacDonald (Malpeque, Lib.): Thank you, Chair.

Thank you, Mr. Gebara, for being here today.

Obviously, we faced a lot of challenges over the last two or three years. It was a time when we had supply chain issues from around the world.

Now that we're moving away from the pandemic, we're still seeing, up until just recently, some price fluctuations, mostly on the higher side. One excuse was the transportation issues during the pandemic. I'm wondering why grocery prices are not coming down, along with inflation, as we distance ourselves from the pandemic and those troubles we had the past two and a half years.

Mr. Gonzalo Gebara: Thank you very much, Mr. MacDonald.

As I said in my opening statement, prices are a function of many variables. Even though some parts of the supply chain have been stabilized, it's not all of them. There is still inconsistency in the level of production of key commodities in different parts of the world. There are still geopolitical issues around the world. Those things normally also have an impact on the costs in the supply chain. Certainly the supply chain is more stable than it was two years ago, but it's still not at the level where we are seeing prices go down dramatically.

As you heard me say minutes ago, the price that we have on the shelves is the result of many different costs and prices across the supply chain and the value creation chain.

● (0830)

Mr. Heath MacDonald: Thank you.

Back in March, I believe, Walmart expressed its willingness to participate in the grocery store code of conduct. Then in October, it seemed to change. It was reported by the Financial Post that it was hesitant.

Can you explain the change of heart from Walmart's perspective?

Mr. Gonzalo Gebara: In March, I stated here that we were willing to participate in analyzing all of the provisions of the code to make sure that we have the right environment to conduct business—with producers, aggregators, suppliers, distributors and retailers—to make sure that we can offer our Canadian consumers, in the case of Walmart, the lowest prices possible. We have been actively participating in the discussions about the code. It's just that we are not in a position at this time to commit to it.

We still want to have more clarity on some provisions.

Mr. Heath MacDonald: A Canadian study is out this morning, saying, “2 in 3 Canadians believe a grocery code of conduct is a good idea”. It says that if the grocery stores don't abide by a code of conduct, up to 70% of Canadians would be in favour of imposing it on retailers.

You're talking to a room full of politicians who obviously will be pressured by their constituents. What do you say to us when we're seeing the hesitation of Walmart to sign on to the grocery code of conduct? How do we relay that message back to our constituents, who, over the past couple of years, due to all the items and many of the issues you talked about, have been facing a lot of challenges, including the price of groceries?

Mr. Gonzalo Gebara: I would say, please continue to invite us to these sessions and help us to participate in those discussions, because it's in our DNA to have low prices. We think that, if we work together, we will be able to set the provisions to have lower prices in Canada. The thing I would ask is that you continue to invite us to those discussions, please.

Mr. Heath MacDonald: Do you think, Mr. Gebara, that we have a monopoly in Canada, as it concerns the big grocery companies?

Mr. Gonzalo Gebara: No.

Mr. Heath MacDonald: Do you feel we should be working to introduce further competition in the grocery sector?

Mr. Gonzalo Gebara: I think competition is always great. It's great for consumers. It makes the industry better. We learn a lot from competition around the world. As you know, Walmart operates in many countries, and we've learned a lot from competing in different markets and different—

Mr. Heath MacDonald: Very quickly, Mr. Gebara, the inflation rate in the U.S., in which Walmart obviously has a base, was much higher than it was in Canada over the past number of months, and it fluctuated to some extent. What are you seeing in the U.S. compared to Canada that we could learn from?

Mr. Gonzalo Gebara: As you know, I'm only responsible for our Canadian business, so I am not very well educated to speak about what's going on in our U.S. business.

Mr. Heath MacDonald: Thank you, Mr. Gebara.

The Chair: Thank you.

[*Translation*]

We now go to Mr. Perron for six minutes.

Mr. Yves Perron (Berthier—Maskinongé, BQ): Thank you, Mr. Chair.

Thank you for being here this morning, Mr. Gebara.

I've been listening to you carefully this whole time. I remember when you appeared before the committee in March, and you gave the impression that you were very open to signing on to the code of conduct. Maybe I'm naive, but I thought you had said you would. However, you told Ms. Rood that you didn't think the code was acceptable. Mr. MacDonald asked what we should make of your position, and you said that we should keep inviting you to take part in the committee's proceedings to help bring down prices.

Mr. Gebara, you were invited to participate in the discussions on the code of conduct, but you aren't participating. How do you, as one of the biggest players in the market, explain to consumers the fact that you aren't involved in the discussions and that, once the code is more or less finalized, you are almost undermining the whole thing by refusing to sign on?

I want to believe you're acting in good faith, but after listening to the discussion this morning, I have to tell you I see a credibility issue, frankly.

How do you explain that to those who make the food, the small and medium-sized processors, and the people who are struggling to buy groceries?

What has to happen next in order for you to participate in the healthy regulation of the grocery market? That is the goal.

• (0835)

[*English*]

Mr. Gonzalo Gebara: Thank you very much. I'll try to go step by step on all the points you covered.

First, I said in March that we wanted to actively participate in the discussions so as to understand them better. What I said moments ago is that we have actively participated in discussions of the code, and we believe that those discussions are still ongoing. We have raised our opinions on a couple of points on the code, which we believe are not going to help with having a better environment for producers, distributors and retailers—either to have better-run businesses or to have lower prices.

That's the main reason we would like to continue to have conversations, because at the end of the day, we want the same as everybody wants, which is to provide Canadians with low prices. That is what we have been doing for the last 30 years in Canada.

[*Translation*]

Mr. Yves Perron: Thank you for your answer.

You say you are actively involved, but according to the reports we are hearing, you don't want to commit any further to the process.

How do you think a code of conduct can work in Canada and Quebec if retailers don't all sign on? Do you really think it would be realistic to put that in place and expect that it would lead to better prices for consumers?

You say the code isn't acceptable, but similar codes have been introduced elsewhere, Mr. Gebara. Australia has one, as does the United Kingdom. In both cases, food prices came down.

How do you explain the fact that Walmart wants to offer lower prices but doesn't want to sign on to a code that the majority of retailers have agreed upon?

I don't understand, Mr. Gebara.

[English]

Mr. Gonzalo Gebara: I believe that Walmart has been very efficient and very—I would say—strong in delivering lower prices for Canadians without a code of conduct in place, so I don't see the direct relation between having a code of conduct and lower prices. History tells us that, for the last 30 years, Walmart in Canada has been able to lower prices in current conditions.

That's what we do. That's what we will continue to do with or without a code. That's why we think that we need to separate whether the code is the direct conduit for lower prices or not. Do we want the code to regulate the relationship between suppliers—

[Translation]

Mr. Yves Perron: Sorry to cut you off, Mr. Gebara, but I have a limited amount of time. The code has proven effective elsewhere. That's what I just told you.

I'm going to switch topics. Let's talk credibility and how much we can believe what you're telling us.

When you were here before, an investigation into food pricing in grocery stores was under way. I asked the CEOs of the five major grocery chains who appeared whether they would commit to disclosing their numbers. When we asked for more details on those numbers, you all answered that you couldn't share that information because you were in competition with one another. As I said, the Competition Bureau was conducting a study at the same time, and the five CEOs told me that they were prepared to provide their numbers to the Competition Bureau. Nevertheless, when the Competition Bureau released its report a few weeks later, at the very beginning of the report, it criticized the fact that not all the companies had provided their figures.

Here is my question for you. Did you provide your figures to the Competition Bureau when it asked you for them?

• (0840)

[English]

Mr. Gonzalo Gebara: We provided information to the Competition Bureau on the conditions that they were requesting, yes.

[Translation]

Mr. Yves Perron: If I understand correctly, you provided all the information that was requested. Is that correct?

[English]

Mr. Gonzalo Gebara: It is my understanding that we provided what was requested.

[Translation]

Mr. Yves Perron: Thank you.

The Chair: Thank you, Mr. Perron.

We now go to Mr. MacGregor for six minutes.

[English]

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you very much, Mr. Chair.

Thank you for joining us today, Mr. Gebara.

In September, the Minister of Industry made a great deal about the meeting he had with all of the CEOs to discuss food prices and a pretty strong commitment from the Liberal government.

I guess the straight-up question to you, sir, is this: Did that meeting lead to lower prices in your grocery stores?

Mr. Gonzalo Gebara: As I said in March and have been saying for the last hour here, at Walmart we work to lower prices. That's the way we go to market.

When we came to Ottawa and had those conversations and those interactions, we committed to continue to work on lowering prices and running the different programs we have, many of which I mentioned, so doubling down on—

Mr. Alistair MacGregor: I'm sorry, Mr. Gebara, to interrupt. With respect, I want to know if that meeting resulted in lower prices in your grocery stores, the actions following from that meeting in September to where we are now today in December?

Mr. Gonzalo Gebara: Yes, I was going to say that we were able to launch several programs that resulted in lower prices. As I said, we were able to offer Thanksgiving meals at lower prices than last year.

Those are all parts of the way we go to market so we can continue to deliver a value proposition for our customers that's based and anchored in low prices.

Mr. Alistair MacGregor: Mr. Gebara, we live in a country today where approximately seven million Canadians, a record number, are having to access food banks due to high grocery prices. I imagine with a company as large as yours that executive compensation is quite generous for a person in your position, but I think it's fair for us as a committee to ask about the subject of high grocery prices.

I know that in my community of Cowichan—Malahat—Langford a lot of the people who are having to access help are, in fact, people who have full-time jobs. Even after working 40 hours a week, they are still unable to go out and afford to feed their families.

I want to know, with respect to the employees that Walmart Canada has, especially for your entry-level folks.... We have data now showing that an average family of four is expected to spend more than \$16,000 on food next year. That's a \$700 increase. Can you say with certainty, sir...? Are any of your employees having to access food banks while they are working at Walmart Canada?

Mr. Gonzalo Gebara: At Walmart Canada, our more than 100,000 associates are the most important resource we have. We are a company that is very proud to say that we have very strong values, and we care about our associates. This year we were able to launch several programs, so that we could help our associates live better, because, as you very well know, our purpose is to help people save money and live better, and that includes our associates.

We were able to launch health programs and—

Mr. Alistair MacGregor: I'm sorry. With respect, Mr. Gebara, that wasn't the question. I wanted to know, because you're the point person for Walmart in Canada, and given the difference that we have between executive pay and employee pay in Canada, which is very well documented, can you say for certain that no Walmart Canada full-time employee is accessing a food bank in Canada?

Mr. Gonzalo Gebara: As I said, we have more than 100,000 associates across Canada, and I couldn't say whether any of them would have. However, I am confident that we have the right conditions for our associates to invest their time and energy with us to grow and develop themselves and grow a career with Walmart. Again, that's what we have done for 30 years in Canada.

• (0845)

Mr. Alistair MacGregor: With respect, sir, what is your opinion? If you did have an employee, who was working at your store 40 hours a week, and if they're working in the grocery department and they still can't afford to feed their family on a full-time wage with Walmart Canada, what does that say to you? What's your opinion of that?

Mr. Gonzalo Gebara: That would be something that we would like to address immediately. As I said, I don't have knowledge of that situation.

Mr. Alistair MacGregor: You don't have knowledge of that situation. Do you not get feedback from your employees?

Mr. Gonzalo Gebara: Yes, we do—100%. It's just that I didn't get that type of feedback.

Mr. Alistair MacGregor: My colleagues have been talking about how your company is considering backing out of the grocery code of conduct. You've given your reasons in the answers to them, but a lot of people on the other side of the equation—the suppliers, the primary food producers—have long complained of arbitrary fees and just a complete unfairness, given that the grocery retail sector is so concentrated.

Why does it seem that you're trying to avoid accountability and transparency in these discussions?

Mr. Gonzalo Gebara: Accountability and transparency is what we stand for. That's how we have been conducting business with our supplier partners for 30 years in Canada—and more than that across the world. The only thing I said related to the code is that there are still provisions that we still doubt are going to provide the environment for all of us to have the right businesses so that we can offer the lowest prices possible to Canadians.

The Chair: Thank you very much, Mr. MacGregor.

Thank you very much, Mr. Gebara.

We'll now turn to Mr. Epp for five minutes.

Mr. Dave Epp (Chatham-Kent—Leamington, CPC): Thank you, Mr. Chair.

Thank you, Mr. Gebara, for being here.

In the meeting that you had with Minister Champagne, it was stated that he gave direction to the grocery CEOs that they should stabilize prices but stressed that these actions should not necessarily negatively impact the price that farmers or small suppliers receive for their products.

If you're supposed to stabilize prices, let's start with some basic assumptions. Would you agree that there are cost pressures on the supply chain?

Mr. Gonzalo Gebara: Could you please elaborate on the question?

Mr. Dave Epp: Are there cost pressures on the supply chain?

Mr. Gonzalo Gebara: The supply chain has its natural costs. I just don't know.... Compared to what—to previous times, to the beginning of the year? The supply chain is a very complex ecosystem, and it's very costly to operate. It has many different participants, and different participants bear the cost of running the supply chain.

Mr. Dave Epp: You've referenced your concerns around the code as being that it doesn't provide Walmart with the proper environment to achieve everyday low prices. Well, the allegations are that Walmart has placed that pressure onto their suppliers.

How would you respond to that? Where's the government failing to implement a code that allows you to provide everyday low prices but also treat suppliers fairly?

Mr. Gonzalo Gebara: I don't think that we treat our suppliers other than fairly, in a transparent way and in an arm's length way. As a matter of fact, we pride ourselves on being very good at planning together with suppliers. We provide information and our plans so that they can organize their production lines and production capabilities, so that they can cope with our demands in advance.

Look, I'm still new to Canada, but I've been with Walmart for 23 years. The relationship with our suppliers has been great all over the world. Canada is not an exception.

Mr. Dave Epp: Walmart owned ASDA in the U.K. and operated under a system with a grocer code for over 11 years—successfully, I understand. If not, please challenge me on that.

What is the problem, from this government's handling of the implementation of a grocer code, that is giving Walmart issues when you successfully operated with the U.K. under a grocer code?

Mr. Gonzalo Gebara: I'm sorry. Even though I've been with Walmart for quite a long time, I'm—

Mr. Dave Epp: You're stretching the credibility at this committee when you say that you've been in the business for 23 years, you're co-chairing the grocer code and you do not know about the U.K. example. I'm sorry. Please try again.

Mr. Gonzalo Gebara: No, I've never worked for Walmart in the U.K. I would be remiss if I commented on the code of the U.K.

• (0850)

Mr. Dave Epp: Are you not familiar with the code?

Mr. Gonzalo Gebara: Excuse me, sir?

Mr. Dave Epp: You're not familiar with the U.K. or Australian code of conduct while you're chairing a committee that's exploring the code of conduct in Canada.

Mr. Gonzalo Gebara: I don't think I'm chairing any committee.

Mr. Dave Epp: Your company is co-chairing it.

Mr. Gonzalo Gebara: Our company is participating in the discussions of the code. The people who participate have been very well informed and educated on the code for Canada.

Mr. Dave Epp: In your opening statement, you said that the responsibility for delivering lower prices to consumers fell across the entire value chain, including government. What direction did you give back to government to reduce prices for groceries in your meetings with the minister?

Mr. Gonzalo Gebara: Apart from having talked about all the plans and programs that we have, we also provided some suggestions to the government on improving the conditions in the supply chain and making sure that we could have streamlined import processes. All those things would help us bring prices down.

Mr. Dave Epp: Are the import processes to compete with Canadian...or where Canadian products aren't available? Can you be more specific on what direction you've given this government? I mean, this government has front-of-package labelling, which my colleague has raised, of \$6 billion to \$8 billion. There's the carbon tax. There's a whole host of costs that the Canadian system is putting in. Did you not raise any of those with the government?

Mr. Gonzalo Gebara: No. We talked about a national supply chain strategy, and we talked about transportation and border operations so that we can streamline product flow and deliver better prices for our customers.

The Chair: That's time. Thank you very much, Mr. Epp and Mr. Gebara.

Now we'll turn to Ms. Taylor Roy for five minutes.

Ms. Leah Taylor Roy (Aurora—Oak Ridges—Richmond Hill, Lib.): Thank you, Mr. Gebara, for being here and for participating in this effort with our government. We know that it's taking everyone's efforts to try to tackle food price inflation.

I wanted to talk about one thing you referenced and that the minister had also referenced, which was amending the Competition Act to strengthen the Competition Bureau's power. You said that was one of your recommendations to the government as well.

We currently have a bill, Bill C-56, the affordable housing and groceries act. It was introduced in September. We've been trying to get that passed in the House of Commons. The Conservatives have been delaying and opposing and doing things to try to slow that down.

I'm wondering if you can comment on how you think this bill or increasing competition and strengthening the Competition Bureau will help bring food prices down for Canadians.

Mr. Gonzalo Gebara: I have to apologize on this one. I'm not familiar with that provision. I will make sure that I get very well versed and educated on it, so that I can come back to you with some comments on it.

Ms. Leah Taylor Roy: Great. Thank you.

In general, you said that one thing that you think would help would be more robust competition and a stronger Competition Bureau. In what ways do you think that would help bring down grocery prices?

Mr. Gonzalo Gebara: When I said that competition was good, I was not referencing that related to the bureau. I was referencing the fact that having more players in a particular market gives consumers more options. By giving consumers more options, you give them more power to decide.

That's what we want. We like consumers in Canada to have choices. Each of the different players will develop their own value propositions so that they can have their choices delivered properly to their target customers. I think strong competition makes everyone better.

Ms. Leah Taylor Roy: Thank you. Yes, I agree with that. One of the issues we're facing in Canada, as my colleague has said, is the oligopoly power in the grocery sector. The grocery code of conduct would in fact address some of that.

You also mentioned supply chain issues. One thing the grocery code of conduct would do is contribute to improving the strength and resilience of Canada's supply chain. Given that the grocery code of conduct would help, especially, independent grocers and some of the suppliers in terms of the power that companies like Walmart have in this industry, why is it you're not supporting the grocery code of conduct?

Mr. Gonzalo Gebara: First, I would have to disagree with the concept of oligopoly. I think there is very strong competition in Canada. Every time I travel to the different regions, I see amazing operators and amazing value offerings from very good operators. As I said, it's great competition for us. We like to compete with those operators. I think Canada is a very competitive market in that regard.

As it relates to the code, as I said earlier, I hope that we can have the right provisions to provide the environment of a level playing field and to make sure that all of the provisions contribute to tighter relationships.

As I said, we already conduct tight relationships with our suppliers. That's why we think we need to make some adaptations to those provisions to make sure they provide the right environment for us to conduct business.

● (0855)

Ms. Leah Taylor Roy: If you already have those kinds of relationships.... It may be that you believe you do, but it seems that most Canadians and many suppliers do not agree with this. Right now, when things are this difficult—many of my constituents are struggling in this holiday season in particular—it seems that you're not doing everything you could to address this problem.

I'm wondering if you agree. Are there more things that you could do to try to help bring down grocery prices for those Canadians who are really struggling at this time?

Profits and executive compensation are all pretty robust, but people's household budgets right now aren't able to meet this. I'm wondering what else you could be doing to try to help Canadians at this time.

Mr. Gonzalo Gebara: I hope you trust me when I tell you that we're doing everything we can do to run the tightest operation possible to be able to continue to offer the lowest prices in the market, particularly for Canadians to put food on the table during this holiday season and to celebrate with their loved ones.

As I mentioned in March, we are far away from the narrative of excess profits. That's not what happened for Walmart. That's not what we do.

We are focused on delivering value for Canadians, particularly in the holiday season so that they can put a good meal on the table and have the celebration they all deserve.

The Chair: Thank you, Ms. Taylor Roy.

[*Translation*]

It is now over to Mr. Perron for two and a half minutes.

Mr. Yves Perron: Thank you, Mr. Chair.

Mr. Gebara, you said you hoped we believed you when you said that you were working to offer consumers low prices. We all want to believe you, but that isn't what I've been hearing throughout this meeting. You said that you gave the Competition Bureau the figures it requested. I'm still not clear as to whether you provided all the information it requested. You say that Walmart is involved in the discussions on the grocery code of conduct. However, according to the information I have, neither the steering committee nor the working group has a Walmart representative, so you aren't involved in the process.

Please tell me how you can say that you are participating in the discussions on the code of conduct, when you aren't on the committee or in the working group. If you are, can you tell us who is representing you, what instructions they have been given and whether you will be taking a more active role going forward?

[*English*]

Mr. Gonzalo Gebara: Yes, we will continue to participate actively, the way we have been participating. We have our own representatives in the different forums.

[*Translation*]

Mr. Yves Perron: You are saying that you currently have representatives on the steering committee and in the working group examining the code of conduct. Do I have that right?

[*English*]

Mr. Gonzalo Gebara: We have a team that's in constant contact with the different committees and the different forums in which the code is being discussed. We do that through the RCC—the Retail Council of Canada.

[*Translation*]

Mr. Yves Perron: You aren't involved directly, then, Mr. Gebara. Walmart is represented indirectly by the Retail Council of Canada, which has people in those bodies.

Don't you think it would be better for Walmart to have its own representative, to really show it is trying to build the system in good faith? Then, we would be able to believe you when you say that you would like to participate if there were better conditions.

Don't you think you should be at the table to help steer the discussion and call for the changes you want to see, as opposed to undermining the system we are trying to build to give consumers access to lower food prices and better market conditions?

• (0900)

[*English*]

Mr. Gonzalo Gebara: I think we are participating in the best way we can participate, and doing it through the RCC is the way we think is best.

[*Translation*]

The Chair: Thank you.

We now go to Mr. MacGregor.

[*English*]

Mr. Alistair MacGregor: Thank you very much, Mr. Chair.

Mr. Gebara, I need to revisit this issue because I think that, given the fact that you appeared before our committee in March, you should have had some anticipation that similar questions would come your way.

In March I very clearly asked about salaries, the wages you pay your frontline employees. Just given the fact that we do operate in the context.... Ms. Taylor Roy used the term “robust”, and “robust” is certainly an interesting way of describing executive compensation and pay.

With respect, sir, I am a little bit perturbed that you, as the CEO of Walmart Canada, given the fact that we are talking about food price inflation and that we know the stats that so many working people can't afford to even provide the basic necessities for their families....

I've seen your website, and we have seen the documents you have provided to this committee. You've certainly made a great show that you care about your employees, but the fact that you, as a CEO, are unaware of whether your employees are having to access the food bank to pull themselves through.... I think that would be a bit disconcerting to the Walmart Canada employees who are watching this right now.

Again, if we're to take you and other CEOs seriously on this very important subject to Canadians, how can we do so when you don't even appear to understand how many of your employees are having to access a food bank or whether they're being compensated appropriately?

If they are being kept in a state of being the working poor, does it not concern you, sir, that you don't have an accurate number on that?

Mr. Gonzalo Gebara: First of all, I think that we have a very good understanding of what's going on with our associates. We measure that. As I mentioned before, we have an open-door policy. Everyone can bring their concerns to anyone in the company, and we have a very clear understanding of our associates' engagement, our associates' morale and our associates' concerns.

When I answered that I didn't know, it's because it wasn't brought to my attention the fact that we could have associates in the situation you just described.

The Chair: Thank you to you both.

We'll go to Ms. Rood for five minutes, and then we're going to go to Mr. Louis. I'm going to exercise my right to a couple of questions at the end.

Go ahead, Ms. Rood.

Ms. Lianne Rood: Thank you.

Mr. Gebara, we talked about fees and fines the last time you were before this committee in March. We've heard you push back today on unjustified supplier increases, but you never talk about unjustified penalties to small suppliers, farmers and producers. Ultimately, when these fines are brought onto suppliers, it translates into increased prices for consumers. That is perhaps why some suppliers are pushing back and asking for price increases.

I am wondering if you would table with this committee the total fines and fees charged to your suppliers in 2023.

Mr. Gonzalo Gebara: I don't have that information, and I apologize.

Ms. Lianne Rood: It's okay if you don't have it today, sir. We'd be happy if you could table it with this committee at a later date. Would you be willing to do that?

Mr. Gonzalo Gebara: Yes.

Ms. Lianne Rood: Thank you very much.

With regard to the code, you said that there are provisions that you're concerned about. I'm wondering if you could tell us what provisions you are particularly concerned about, because we have already had other retailers here who weren't concerned with some of the provisions in the code.

What are those provisions in the code that you're concerned about? Why won't you sign on to this grocery code, and why are you holding out?

Mr. Gonzalo Gebara: First of all, let me just say that I think it's great that in the same industry we have participants who agree on certain things and others who don't. I think that's how healthy this industry is, so I celebrate that.

As I mentioned earlier today, I think that there are some provisions that provide an unlevel playing field in the conditions in which suppliers and retailers will have to operate, and I don't think that's right. There are provisions that create bureaucracy and costs that will inevitably end up on shelf prices.

I think that, as long as we can solve that, we would have a great code of conduct, and we will be able to continue to conduct transparent and arm's-length relationships with all of the participants of the industry.

• (0905)

Ms. Lianne Rood: There's nothing in particular. It's just a bunch of things that you're not agreeable to when other retailers are.

There's not one specific thing you can tell us that you don't agree with.

Mr. Gonzalo Gebara: It's a combination of things that puts us in a position to think that it's an unlevel playing field and that there's lots of bureaucracy that will create costs. No one wants unnecessary costs into the business.

Ms. Lianne Rood: Okay.

Mr. Gebara, I'm just wondering if you could tell us how much your company spends on the carbon tax across your company. We know that does contribute to increased costs at the retail level for consumers. You mentioned you have a network of stores across the country. You have your own trucks. I'm sure you pay a lot in the carbon tax. I'm wondering if you would like to comment on how much that increase has cost your company.

Mr. Gonzalo Gebara: Indeed, we have more than 400 stores across all of Canada. We have our fleet transporting products from coast to coast to coast. I don't have the number on the tax. I will have to come back to you on that one.

Ms. Lianne Rood: That's great.

Would you be able to table that statistic with the committee?

Mr. Gonzalo Gebara: Yes, provided that the information is not confidential, I think we will be in a position to do that. I will have to check, of course.

Ms. Lianne Rood: Thank you.

Mr. Gebara, I recently read an article where a spokesman from your company was talking about some of the things that your stores are doing to help consumers with inflation and the affordability of groceries. We know people are really struggling out there with record numbers of people using food banks. It struck me as odd that what was in this article was that your company has actually implemented something where customers can buy their groceries on a payment plan. You are offering four equal payments over six weeks to help customers afford their essentials every day.

While that might seem great in the first place, why can't your customers afford to buy food at your store if you're claiming that you have the lowest prices out there of any retailer? I find it fascinating that we would have to go to this.

I'm wondering if you could just comment on that.

Mr. Gonzalo Gebara: If I'm not mistaken, I think you're referring to our buy now, pay later program, which is tailored. The objective of this program is for our customers to have better access to durable goods. In no way would we like anyone to be in a position to finance their very highly needed essentials that they will consume in a couple of days and bear the burden of the financial costs for several months. The program is tailored for durable goods.

The Chair: Thank you very much, Ms. Rood.

We'll now go to our final participant, so to speak.

Mr. Louis, we go over to you for five minutes.

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Thank you, Chair.

I want to thank Mr. Gebara, CEO of Walmart Canada, for being here as well.

It's an important conversation, and Canadians are concerned by the behaviour of the major grocery chains given it's a highly consolidated sector here in Canada.

The reason we're here is that Canadians want transparency, accountability and a commitment to fair practices in the face of concerns about high food inflation and potential consumer gouging. That's what we're hearing.

You've already mentioned it a few times. We talked about strengthening the Competition Bureau here in Canada. It sounds like you agree with it, your quote—I think it was originally from Sam Walton—was, “If we work together, we'll lower the cost of living for everyone”. There exists that consideration of strengthening the Competition Act to give the bureau more power to take action, allowing the bureau to compel the production of information in order to conduct effective and complete market studies.

I just wanted to get you on record again saying that you're agreeing that competition is good, and you're agreeing to give more powers to the Competition Bureau.

Mr. Gonzalo Gebara: Yes, I think it's very important that I make a clarification again. I think it has to do with a moment ago. I think competition is great, not giving more power to any competition regulator. Competition is great for everyone, for everyone participating in the industry and for consumers, which is not to say that giving more power to any competition regulator is what I would support. I hope I am clear with that.

● (0910)

Mr. Tim Louis: I do hear you. You're saying competition is good, but you want you to make sure it's voluntary. I think maybe an example of that would be the grocery code of conduct, which right now is voluntary and is a tangible way of bringing more fairness, transparency and stability to our grocery sector and our supply chain.

We're reviewing all the options. We had major grocers come to the table, and we're talking about getting along and working on a voluntary basis. That doesn't seem to be working now. The fairness, the transparency, the stability, do we have to enforce those things?

Mr. Gonzalo Gebara: As I've said many times since March, I've learned that in Canada, we have fairness, transparency, arm's-length negotiations, very robust planning capabilities and clarity in the communication cycle.

I have been meeting with several suppliers over these months. I don't think Canada is in a different situation from what I've seen in other markets. I've been exposed now to the industry, and I think we have great conditions for everyone to conduct their business.

Mr. Tim Louis: The grocery code of conduct is more than just the consumer. We're also talking about your relationship with the suppliers.

We did a previous study here in the agriculture committee and found that there are issues with the major grocers and suppliers. We want to make sure they're treated fairly too. I think that's something we need to continue to talk about as we move forward.

I did want to ask about some other solutions.

We're hearing from our communities that sales or discounts sometimes only happen if people buy in bulk, with two or more products. That's not reasonable for everyone. In order for everyone to get that reduced price, sometimes they have to buy more than they need. They may not be able to afford that expense outlay or the food could go bad before they get to use it. When there's a sale, the customers don't get the benefit of a reduced price unless they buy more than they need.

Is this a practice that you would consider? Would you offer the same price for a single product?

Mr. Gonzalo Gebara: Remember that we are fanatical about everyday low prices. We like to keep prices low across the board in a consistent way.

There's an interesting point in what you're saying. Our data says that if the average basket takes, let's say, three units of yogurt, then it would be perfectly fine to promote three units at a price. It would be bad to promote six units at a price. Three units at a price would be fine, because that's the average consumption per basket.

We are very careful to not push our customers to have to make out-of-pocket investments to reach a certain price. The essence of EDLP is to stay away from that. We wouldn't do what you just described.

Mr. Tim Louis: I have a final question in the last 20 seconds.

In that same vein, would you consider harmonizing unit prices to address consumers' challenges when they're facing different items between different stores? It's basically about apples to apples.

Would you be in favour of that in the grocery sector in general?

Mr. Gonzalo Gebara: What do you mean by harmonizing unit prices?

Mr. Tim Louis: It's the same price per unit and having that more on display. Other countries are doing that.

Mr. Gonzalo Gebara: We have the price per unit, price per litre and price per hundred ounces. All of that is displayed in our pricing.

The Chair: Thank you, Mr. Louis.

Thank you, Mr. Gebara.

I'm going to just take a couple of minutes here.

We had Mr. Medline before the committee on Monday. He was very transparent about the gross margins in the grocery sector, in relation to the amount of money that's being made above and beyond costs.

Could you provide for this committee what Walmart Canada's gross margin is in its grocery store explicitly? Do you have that number?

Mr. Gonzalo Gebara: No. Again, sometimes people talk about margins in different ways.

Can you help me and be a little bit more specific on what you mean when you say “margins”?

The Chair: It's the amount of money that you make above and beyond your cost in grocery stores specifically. I would appreciate that Walmart would have pharmaceuticals as well. I'm wondering if you could provide a number to this committee.

As the CEO of Walmart Canada, is it a 2% margin? There's a lot made of the amount of money that grocery companies make. It's a big target.

We're hearing from Mr. Weston next. I'm sure he'll remind us and he'll say that, even if you took all profit away from groceries, you're talking about one or two dollars on a \$100 grocery bill.

What's your margin? Do you have it? How has it changed over time?

• (0915)

Mr. Gonzalo Gebara: As you know, I can't disclose the specific numbers.

I will echo what everybody has been saying: Grocery margins are very low margins. We can access public information from all the retailers around the world, and you will see what slim margins we have in this industry.

The Chair: I'm interested in your program where you talked about buy now and pay later.

I can appreciate that, in the given context right now where people are struggling to pay for some of those essentials, the program has merit. What interest do you charge people in terms of them paying? Is that something that Walmart will cover? Is there a marginal interest rate? How much interest...?

Let's say I went into Walmart, bought groceries today and it was \$100. I didn't have the money to pay for it. You said that in two weeks or later I can pay it back.

Am I paying \$100 back in two weeks? Am I paying \$103 or \$110? What's the interest rate on it?

Mr. Gonzalo Gebara: I think it's very important for us to highlight that the buy now, pay later program is for durable goods. We are not tailoring that program for our customers to buy essentials. As a matter of fact, we're even working on new technology to prevent that from happening. We want our customers to be able to have better access by financing and softening the out-of-pocket impact so that they can buy durable goods.

Maybe a microwave went wrong or a refrigerator went wrong, or they want to treat themselves to a new TV. Those are the kinds of high-ticket items where we want to offer the option to our customers to buy now and pay later and have a lesser burden on their out-of-pocket expenses. That's all it is.

The Chair: It's not groceries, then. It's durable products.

Mr. Gonzalo Gebara: Yes. It's durable products. We call them general merchandise products, non-food products.

The Chair: Okay.

The last piece is that you mentioned red tape and bureaucracy. With all due respect, you weren't that specific in terms of what exactly.... Ms. Rood tried to take you down a line of questioning to

really try to flush out what the issues are with the grocery code of conduct.

Let me ask you this. If industry can't figure it out, we saw statements today from Minister MacAuley and Minister Lamontagne basically saying that they'll explore all options possible. In your view, is it better that industry comes up with a solution and we find a pathway, or that government regulates it for you, where you might not get as much influence on that decision as you'd like?

Mr. Gonzalo Gebara: I trust that as an industry we will come up with a solution.

The Chair: Thank you.

Colleagues, that takes us to the end of our first hour.

Let me thank you, Mr. Gebara, for coming before the committee and answering questions. Merry Christmas and happy holidays to you.

Colleagues, we'll briefly suspend, and we'll get Mr. Weston lined up.

Thank you.

• (0915)

(Pause)

• (0920)

The Chair: Colleagues, we're back in action. We have Mr. Weston in the second hour.

Mr. Weston, you've since changed roles. You're now the chairman. I guess you were chairman and CEO before, and now you're chairman. Thank you for coming back before the committee.

We have an hour here, colleagues, and I'll get right to it.

I'll start with Mr. Weston for five minutes of opening remarks.

Mr. Galen G. Weston (Chairman, Loblaw Companies Limited): Thank you very much.

Hello, Chair and committee. Thank you for the invitation to speak with you again and to discuss the steps that Loblaw is taking to help Canadians.

While it appears that the peak of inflation is behind us, we know that increased food prices still have a real impact on Canadians as they try to put meals on the table, while balancing their budgets. We know that's harder today when almost everything has rapidly increased in price, including housing, heating and fuel, leaving less income for essentials like food.

It's an appalling statistic that almost 80% more Canadians turned to food banks this year compared to 2019. We all need to do more to help. This is a responsibility that we take very seriously, and one that Loblaw's entire team continues to work on.

Over the last two months we've been an active participant in discussions with government, sharing ideas and providing details about our specific actions. As we outlined in our recent letter to the committee, we focused our efforts on delivering additional value across the basket of 35 items and categories that matter most to customers—like milk, butter, eggs and chicken—where we are meaningfully lowering prices. These critical items are present in almost every grocery basket and make up nearly 10% of our sales.

We're delivering these savings through the pricing and promotional programs that customers understand and respond best to. They are making a difference. Let me give you an actual example.

On a product like chicken drumsticks, the cost to us has risen by 30% since 2019, but the investments we're making in lowering prices mean that the average price for this product over the last 12 weeks has been 4% lower than four years ago. This is on top of super-low everyday pricing in our discount stores, where we routinely sell products like bananas, sugar and milk all below cost.

We compete every day with other major grocery chains, global multinationals like Walmart and Costco, regional chains, local independents and online companies like Amazon. Canada is an extremely competitive grocery market. We know that, if we do not provide real value, customers will and do shop elsewhere.

Since the beginning of September, we've saved customers even more money through our PC Optimum points and members-only pricing, and through programs like retro pricing at No Frills and the Maxi Merci campaign in Quebec, which has served more than 2.2 million people.

We are also the only national grocer that offers price matching in all of our discount stores. Each year more than 10 million customers take advantage of this program, and in just two months we matched competitors' offers to the tune of \$38 million.

Finally, in addition to those immediate steps, we are changing the way we invest in communities by opening more discount stores in more markets. By the end of next year we will have added nearly 70 new or converted discount stores, reaching an additional two million Canadians with the best combination of quality and value available in the country—on average 20% cheaper than a non-discount store.

These efforts are making an impact. We watch closely the prices in our stores and the inflation levels at our checkout. Compared to the StatsCan food CPI of 5.4% in October 2023, our internal inflation number is 5.1%. When we look at products that are actually purchased in our stores, we see that our internal inflation today is already below the overall CPI.

We are doing our part to help stabilize food prices for our customers, but as we've stated time and time again, we cannot do this alone. Recent studies from the Bank of Canada and the Competition Bureau have proven that grocery stores are not the reason for high food prices. As such, we are unable to unilaterally resolve the inflationary pressures.

As I explained to this committee earlier this year, for every \$25 in groceries sold, we earn just one dollar in profit. That means that,

even if this industry had zero profits, a \$25 grocery bill would still cost \$24.

It is important to stress that the suppliers, who make up 70% to 80% of the price of products, remain largely absent from this effort. Unfortunately, we have not yet seen a manufacturer come forward with a proposal to decrease costs. In fact, many of them are already signalling or submitting higher-than-expected cost increases for next year.

● (0925)

There is some good news. Food prices are definitely stabilizing, and we expect that to continue, but we are concerned that the grocery code of conduct could slow down this momentum.

When I was here with you six months ago, I voiced my support for a fair, balanced and reciprocal code. I also cautioned that a one-sided code that removes a retailer's ability to hold vendors accountable to their commitments would risk higher prices. While the principles of the code, as it's currently set up, are sound, when you get into the details there is significant risk of higher prices and empty shelves.

There is clearly a lot of passion around this subject. To inform this discussion, we have provided committee members with the latest copy of the code and the details of our concerns. I would like to share one specific example. The current drafting of the dispute resolution principle in the code gives manufacturers the ability to escalate disputes around cost increases to a yet-to-be-defined third party mechanism. In Australia, that mechanism has supported increases in costs in essentially 100% of cases. If that had happened in Canada since the beginning of last year, it would have resulted in \$750 million in additional inflation pressure for consumers.

That risk is very real. On its own, it is a reason for pause. There are three other specific areas of risk in the code, including sections 2.5, 3.4 and 4.4. We have laid them out for this committee in the material provided. I'm happy to offer a more detailed perspective on any of them, but in our judgment, each one increases the likelihood of higher retail prices or less product on the shelves, directly or indirectly.

I must say that I am perplexed as to why other industry leaders are making such confident claims about the code's ability to stabilize prices when it was never intended to do so. The conversations about the code began years before inflation actually took hold. A variation of this code did not help stabilize prices in the U.K., Australia or Ireland over the last two years, none of which have lower food price inflation than Canada. I am worried that amidst our collective enthusiasm to deliver meaningful relief for Canadians on the cost of food, we are travelling in hope toward something that will do exactly the opposite simply because it sounds good. I would urge this committee to look closely at the details.

We completely agree that there is an opportunity to improve the way retailers and manufacturers work together and that there are certain things we can do differently ourselves. We are taking action on this front already. A few weeks ago, we announced our new small supplier program, delivering concrete benefits to over 1,000 manufacturers to reduce the cost and risk of doing business with us.

Either way, we will do more. We absolutely remain open to the right version of the code, but we simply must not do it at the expense of our customers. Loblaw's purpose is to help Canadians live life well. We will always be ready to do our part and to come to the table for these conversations. We will stand up for customers even if it is unpopular.

We welcome the committee's continued interest.

Thank you.

The Chair: Thank you very much, Mr. Weston.

We'll turn now to questions.

Ms. Rood, you're first. You have up to six minutes, please.

● (0930)

Ms. Lianne Rood: Thank you, Chair.

Thank you, Mr. Weston, for being here today.

Mr. Weston, you just noted that the code doesn't affect the numbers for consumers, but a report that came out today would say otherwise. As you know, I've been a big proponent of this code from the beginning. I believe it will help not only consumers; it will also help suppliers to have lower prices and then be able to pass those lower prices on to consumers.

Could you tell this committee why you won't sign the code and what needs to be done to get you to sign the code?

Mr. Galen G. Weston: We absolutely will sign the code. We have always said that we would sign the code. We just need to sign a code that doesn't increase the risk of higher food prices to Canadians. As the code is currently drafted, our strong conviction is that it will do so.

As I mentioned before, the code was set up with the intent of improving the relationship between manufacturers and retailers. It was never designed to lower food prices. We're in a very different circumstance right now, in which food prices have been increasing across the board.

This idea that grocers are the problem, I think, is part of what has shifted the dialogue into somewhat the wrong place. I have a list

here of manufacturers, all of whom have claimed that price increases have been the driver of their excellent performance over the last 12 months. That includes Pepsi in their quarterly results, Nestlé in their quarterly results, Kraft Heinz in their quarterly results, Procter & Gamble, and the list goes on. These are large multinational manufacturers, and the code of conduct has a set of clauses in it that reduces the grocers' ability to negotiate hard against those vendors.

We were able to push back on 18% of what we considered to be unjustified cost increases across the industry last year. Based on the way the code is drafted today, we will be severely restricted in terms of our ability to do that.

It's very plain to see that, in that circumstance specifically, it will lead to higher cost increases for manufacturers and that will lead to higher prices for consumers.

Ms. Lianne Rood: Thank you.

I'm curious as to why Loblaw has a problem with the section of the code that deals with the need to get reliable food to our independent grocers and people who live in rural and remote communities in particular.

Mr. Galen G. Weston: We don't have a problem with any aspect of the code that suggests that whatsoever.

We charge a compliance fee for manufacturers if they fail to deliver to our stores the products they had agreed to deliver. The way to think about that is that we will develop an ad, a promotion. Let's say we're going to put an item on for a 30% discount. We agree with the manufacturer that they will provide the forecasted number of products for that ad.

If they are unable to deliver that quantity, which we are planning for to benefit customers, then there's a compliance charge for that failure to deliver.

If we take away the ability to hold that vendor accountable, then what we're concerned about is that the manufacturer will not give us 100% of the committed order. As a result, we will disappoint the customer because we won't have enough product for them in the store in that given week at that price, and the next time we won't be able to put it on at such an aggressive price because we will be afraid of running out.

That's another very tangible example of how the principle of the code is fine, but the way it's drafted we have concerns about.

Ms. Lianne Rood: Thank you.

I'm sorry. I know time is running short.

Mr. Weston, the produce industry has the DRC and you're a member of that. The dispute resolution model being discussed is similar to the DRC system, with education as a first step. Why does this work for you but not in the code model?

Mr. Galen G. Weston: The drafting of this in the code hasn't been finalized. It's just an open couple of sentences. As I have mentioned before, multiple times Australia, the U.K. and Ireland have been quoted as the models we're trying to replicate with that dispute resolution system. In Australia, for example, based on our research and our understanding of the way it works, it is woefully inadequate.

Again to be clear, we're not saying no. We're not saying we don't want to sign the code. We're simply pointing out that right now there are four areas in which the drafting is not specific enough, or it's framed in such a way that it's going to put the customer at risk. I don't think any of us should be taking those kinds of risks at this point.

We have an opportunity to get this code right. Let's make sure we take the time to do it.

● (0935)

Ms. Lianne Rood: Thank you.

What specific recommendations did you ask the Liberal government to initiate when you were here in Ottawa a couple of weeks back? Have any of those recommendations been acted upon?

Mr. Galen G. Weston: Yes, I did make a number of recommendations.

Number one was to review the front-of-pack labelling requirements. There is a significant incremental cost every time you have to change a packaging plate for ingredients, nutritional labelling and that sort of thing. We think there's an opportunity to use digital QR codes as an alternative, so that, instead of changing the packaging every time, we just have to update the information on the QR code. Right now, the front-of-pack labelling requirements are not going that way. That's a meaningful incremental cost.

We've suggested a pause on the P2 plastic proposal to reconsider the cost impact of that proposal to Canadians.

We lead the way in Canada when it comes to plastic packaging reduction. We're very bullish with the technological solutions that are ultimately going to be available to solve some of these problems, but right now, they don't exist. I've seen astonishing numbers that suggest that the P2 proposal could add as much as \$6 billion of incremental cost to the value chain. We really have to think carefully about accelerating that one until we know that we have solutions that the industry can properly take on board.

The Chair: Thank you very much, Mr. Weston.

Thank you, Ms. Rood.

We'll now turn to Mr. Drouin online for up to six minutes, please.

[*Translation*]

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair.

I'd like to thank the witness for appearing before the committee a second time in less than a year.

Mr. Weston, did Loblaw help to draft the code of conduct?

[*English*]

Mr. Galen G. Weston: We've been participants in the process. We were not on the working committee.

[*Translation*]

Mr. Francis Drouin: I see, so you participated to some extent.

As you've heard from my fellow committee members, all the parties represented here—the Conservative Party, the Bloc Québécois, the NDP and the Liberal Party—agree that a code of conduct is needed.

I'm having trouble understanding the strategic decision Loblaw and Walmart made at the last minute, at the 11th hour, to pressure the other industry players. The three other major retailers don't see the issues you are raising as problematic.

Why did you do what you did? Did your legal teams have a different interpretation?

[*English*]

Mr. Galen G. Weston: The most important thing, and the thing I think we're all here to discuss—it's certainly the purpose of this session—is what we can do to lower the cost burden on Canadians, especially when they are shopping at the grocery store.

As I've said before, the code of conduct is not specifically designed to do that. We're trying to force-fit the code into a different outcome.

We have been participating in this process. We have been giving feedback on this process. We have shared the four points of concern multiple times over the last 18 months. The idea that we've dropped this on the process at the last minute is completely untrue. I shared it specifically in my remarks here six months ago. We provided the same very strongly worded perspective in our meetings with the Minister of Industry in October.

It's falling on deaf ears. We're getting no response. We're being told, "No, we're not doing that", so yes, in the last couple of weeks, we have had to take a firmer position.

We are here being held accountable for high food prices that are not the direct responsibility of the grocery industry. Now you're asking us to sign on to something that we believe in our bones is going to do the opposite of what other people say it's going to do. They won't even talk to us about it anymore.

● (0940)

[*Translation*]

Mr. Francis Drouin: I fully understand that, but the problem is that your view isn't the view of all five of Canada's major grocery players, which have 80% of the market. It would be different if all five players were in total agreement with you, but they aren't. From the government's standpoint, there are three major players on one side and two on the other. I'm sure you can appreciate why we would have some hesitation and concerns when it comes to your position.

I also fully understand that processors have a big share of the market. That is why adopting a code of conduct is so important: it would allow the small and big players in the industry to have a balanced discussion.

In taking the position you have, you face a risk, and it worries me. Some provinces will want to bring in their own codes of conduct. Is Loblaw prepared to operate in multiple regulatory environments, where the rules change from one province to the next?

[English]

Mr. Galen G. Weston: The best outcome here without question would be a code we could all sign on to. There are some other retailers who are clearly enthusiastic supporters of the code. I'm not sure whether or not they have spent time on the details of the drafting, because it is perplexing to us that they are as enthusiastic as they are about how they think this code is going to reduce prices.

It may have to do with the fact that they are not as well developed in the discount retail space as we are, as Walmart is and, for example, as Costco is. Discount stores depend on their ability to drive a hard bargain with their manufacturing counterparts. Yes, we have to do our absolute best to support small and medium-sized manufacturers and growers in this country. That's what our small-supplier program is a concrete example of actually doing.

However, the thing about this code is that it's enabling the largest multinationals in the world, which are 10 times larger than Loblaw on its own. That's a position in which we're not able to negotiate as firmly against unjustifiable cost increases. Yes, this code will and should help small manufacturers and growers, but at the same time it's going to unlock and empower the largest multinational manufacturers in the world, which are already standing in the way of lower food prices for Canadians. That is a real challenge.

As I said before, the code may sound good, but if you don't look into the details, then we are going to end up in the opposite place from what this code intends to do.

The Chair: Thank you, Mr. Drouin.

Thank you, Mr. Weston.

[Translation]

Mr. Perron, you may go ahead for six minutes.

Mr. Yves Perron: Thank you, Mr. Chair.

Thank you for being here, Mr. Weston.

I've been listening to you this whole time, and I have to tell you I'm struggling to follow your logic. You said that the code can't work. You have doubts about the code. However, your company doesn't have a representative on the steering committee or in the working group.

How can you come here and tell us that you are participating in the process when you aren't even part of the committee or the working group? If you were part of them, you could recommend the changes you want to see.

I want to hear what you have to say about that.

[English]

Mr. Galen G. Weston: The key focus here is to figure out ways to reduce the impact of inflation on Canadians. As I've said before, the way the code is currently drafted, it certainly doesn't do that.

With the way it was set up, we were prohibited from being participants in the steering committee. I'm not exactly sure—

[Translation]

Mr. Yves Perron: Sorry to cut you off, Mr. Weston, but I have a limited amount of time.

With all due respect, I asked you how you could justify calling into question the negotiations over the code of conduct when you aren't at the table and the vast majority of industry players are in the process of negotiating in good faith. You said that we need to bring down prices for consumers, and we all agree on that. Why aren't you at the table? Why haven't you been involved in the negotiations or discussions since the beginning?

[English]

Mr. Galen G. Weston: We've been providing our feedback, but we were excluded from the working group. We did not participate in the working group. We did have the opportunity for consultation. We provided our perspective over and over again through these consultations.

By the way, we're the first people to actually publish the language of the code for this committee to look at and for others to look at. Previously I don't know what evidence was provided by the advocates for the code on how it was going to lower food prices. I don't think they presented any. We tried very hard to present very simple, very clear evidence that there is substantial risk here, but this feedback was not listened to in this process.

• (0945)

[Translation]

Mr. Yves Perron: Mr. Weston, you said that Loblaw was excluded from the working group, but my information indicates that you weren't there. Who excluded Loblaw? It wasn't the Retail Council of Canada, since Sobeys, Metro and the Canadian Federation of Independent Grocers all participated.

What I take from this is that you are trying to undermine a process that you haven't been fully involved in since the beginning. As Mr. Drouin pointed out, your position will end up contributing to a more complex regulatory environment.

Who excluded Loblaw from the working group, Mr. Weston?

[English]

Mr. Galen G. Weston: The way the process was set up was that Sobeys and Metro would be the representatives of the industry in the working group. That's fine. All the way through, we've been trying to provide feedback about our concerns, and we're continuing to provide that feedback.

[Translation]

Mr. Yves Perron: Mr. Weston, you're saying that Sobeys and Metro represent you in the working group, and yet Sobeys and Metro support a code of conduct. If they represent you, why do they support the code, but you don't? What you're saying doesn't add up. I don't understand. Something doesn't make sense.

You said that you need to keep your ability to charge suppliers fees. That's one of the reasons why negotiations are under way to bring in a code of conduct. I'm not trying to be disrespectful, Mr. Weston, but what I'm hearing makes me wonder whether your company is acting in good faith or whether it intends to keep following the same practices it has been following for years.

[English]

Mr. Galen G. Weston: Throughout this process we have been engaged and we have acted in good faith, and we continue to do so. We were not on the working committee, but, as I said, we have been providing our feedback and our perspective all along. We have senior executives who have been participating in this process. The point I'm making is simply that our feedback is not being heard, and that is troubling for us. Maybe Sobeys and Metro operate their businesses in a different way. I know they have fewer discount stores, so they may not be as focused on the lowest possible prices for Canadians as we are.

Let me give you, if I may, just a brief sort of explanation of how these compliance charges work. The way they work is that we set an expectation that we're going to receive a certain amount of product at a certain time and a certain way, and there is a charge for that—

[Translation]

Mr. Yves Perron: I understand, but—

[English]

Mr. Galen G. Weston: Hold on. Sixty per cent of the time we make exceptions to those charges based on good-faith conversations with our manufacturers.

[Translation]

Mr. Yves Perron: Mr. Weston, I understand all that, but at the end of the day, that is what we are trying to regulate with the code.

Mr. Weston, you said a code of conduct hasn't led to lower food inflation in Australia or the U.K. in recent months. While they may have seen significant inflation in recent months, after those countries brought in their respective codes, they saw a very positive impact on grocery prices. You can't deny that. The vast majority of us believe that implementing a code of conduct in Canada would be a good thing for consumers.

What do you say to that?

[English]

Mr. Galen G. Weston: As I said before, the most important thing here is that we not do the opposite of the intention of this committee and put in place conditions that lead to higher prices from the largest multinational manufacturers in the world. It's important to separate that risk from how we effectively support Canadian growers and manufacturers.

This is one of the elements that haven't been effectively addressed in the code today. We have put very constructive solutions forward at each point in this. We're not saying no. We're saying, look, there are some important adjustments and tweaks that could be made to this code, which we believe could offer the best of both worlds. I would be happy to give you examples of those at some other point. We have heard nothing from our counterparts in this conversation about any accommodation for these risks. They just say, "No, they're not real", but they are real.

I don't know where, with all due respect—

• (0950)

The Chair: Mr. Weston, I apologize. I wanted to give you a little more time, but I have to make sure I'm managing the time for my colleagues. I gave you a few extra seconds, but I have to go to Mr. MacGregor now.

Thank you.

Mr. Alistair MacGregor: Thank you very much, Mr. Chair.

Welcome to the committee, Mr. Weston.

Deputy Prime Minister Freeland and Minister of Industry Champagne have said that all of the CEOs agreed to stabilize food prices after the meeting in September, but following that, Metro's CEO Eric La Flèche said that did absolutely nothing to change prices. We have conflicting accounts, and I want to know from you who is telling the truth. Is it Metro or the Liberal government?

Mr. Galen G. Weston: I can't speak to Metro's perspective.

Mr. Alistair MacGregor: He made the statement that they did absolutely nothing. Are you in agreement with that or with the Liberal government's contention?

Mr. Galen G. Weston: In our case, that meeting resulted in materially lower prices on the 35 items and in the categories that we communicated here to this committee. It's also important to note—and this is, I think, the message that Eric was perhaps trying to communicate—that we as an industry have been making collective efforts for months and months. We don't want this to turn into, "Well, the only reason food prices are lower is because—

Mr. Alistair MacGregor: I don't want to dwell too much on it. I just wanted to get an initial answer to that first question.

Now, you are the former CEO responsible for Loblaw. You've changed positions. We live in a country where we have seven million Canadians, a record number, having to access food banks due to high grocery prices.

What do you say about that astounding figure, and do you know how many of those Canadians might be Loblaw employees?

Mr. Galen G. Weston: Any way you look at it, with the affordability challenges faced in this country, whether for food, gas, electricity bills or mortgage payments, there is enormous pressure on Canadians. Whether it's seven million, two million or four million, it's too many people.

Mr. Alistair MacGregor: Do you know how many of your employees are having to access food banks?

Mr. Galen G. Weston: I don't know specifically how many employees access food banks, but I'm sure it is a material number.

Mr. Alistair MacGregor: I think the reason this is such an emotional issue is that your stores sell the necessities of life—whether those are food, drink or medicines. You talked about the fact that you expect food prices to stabilize over the next year, but we just got a report saying that in 2024 they expect the annual cost for a family of four to go up to over \$16,000, which is a \$700 increase.

I think a lot of families in my region would look at that and say, that's not really stabilization. They look at that, and that's the reality for their life. In your last quarter, Q3, you posted a \$621-million profit. In the same quarter the year before, it was \$556 million.

Now you've come to this committee and you've explained your position on food price inflation, but when people in my riding are going through these incredible challenges—food prices are expected to go up again next year—it seems as though ordinary Canadians are shouldering all of the hurt and all of the struggle while corporations like yours, in the midst of all this pain and struggle, are still posting record profits.

You may argue that it's not coming from food, but you're still taking money from Canadians in other areas, and that's leaving them with probably less to spend on food elsewhere.

Mr. Galen G. Weston: This is an important point, because for a grocery store business, for any private enterprise, the goal is to grow the business. It's to increase the number of customers. It's to invest in communities, to build more stores and to increase the amount in sales. If we can increase the amount in sales, then the profit of the enterprise will go up. There should be record profits, in a way, for a successful company every year, year after year. That is not an indication of bad practices. It's not an indication of some sort of profiteering. It's just an indication of a business operating in exactly the way that it should. Three per cent of the total value of a grocery basket is profit. That's the smallest number for the large industries across Canada.

There's no evidence at all of profiteering or excess, but I do understand that Canadians are feeling this pressure and they are looking at these big numbers and thinking to themselves, gosh, if that company would not make so much profit, our food prices would go down. However, that's not the way it would actually work.

• (0955)

Mr. Alistair MacGregor: Thank you, Mr. Weston. I have limited time, and I want to ask one more question.

I think it's fair in these times when so many are struggling, including many employees in your stores, to talk about executive compensation, because the gulf between what top executives earn and what employees earn has turned into a chasm frankly.

Your total compensation in 2022 was \$11.7 million, which was an almost \$1.1-million increase from the previous years. I was wondering if you could explain to Canadians and probably to your employees why you make 431 times more than your average employee. I have a quote from Unifor, the local at one of your stores, which said:

Loblaws workers are fed up with the out-of-control disparity between their wages, the company's enormous profits, and high cost of living.... You know it's bad when workers at Canada's largest grocery store chain are struggling to afford their own food, even at discount stores like No Frills."

How do you respond to that, Mr. Weston?

Mr. Galen G. Weston: First of all, I am extremely empathetic to the circumstances that Canadians who are struggling to put food on their tables face and to how all of the cost pressures they're experiencing are contributing to that. That's why we as an enterprise are focused on finding ways to lower prices. In the last 12 weeks alone, we've invested \$438 million in lower prices. As I mentioned, many of those prices are lower than they were four years ago.

I get that my compensation is a big number. Certainly, it's a big number and I understand that completely. It's reasonable in the context of other executive pay—

Mr. Alistair MacGregor: You think 431 times the compensation of your average employee is reasonable?

The Chair: Mr. MacGregor, you're at time. I appreciate it. In fact, I gave you a few extra seconds.

We'll go to Mr. Epp for five minutes.

Mr. Dave Epp: Thank you, Mr. Chair.

Thank you, Mr. Weston, for being here.

I'm going to parse a bit your statement around support for the code or the effect of the code. If I understand you correctly, you're saying the existence of a code does not lower grocery prices. Would you agree that the existence of a code would lower relative prices in the absence of a code, as has been experienced in the U.K., Ireland and Australia?

Mr. Galen G. Weston: Could you maybe clarify what you mean by "relative prices"?

Mr. Dave Epp: Prices are lower than they would have been otherwise, given other external factors.

Mr. Galen G. Weston: No, I don't believe that's the case. There is no evidence that I have seen or that we have been able to get hold of from the U.K., Australia or Ireland that suggests there's a relationship between the codes of conduct that were implemented in those countries and materially lower prices.

Mr. Dave Epp: You've been on the record as saying that the implementation of a code, as you now understand it, would add a billion dollars to the cost of food.

Mr. Galen G. Weston: I think there is a risk that it could add... I gave you a specific example of how it could add \$750 million to the cost of food, and that's inside our enterprise alone, so a billion dollars is a broad and meaningful number but it's certainly not too high.

Mr. Dave Epp: I've been in business myself, and I have no issue with profit. The concern is your relationship with some of the big manufacturers and your profit margins. Again, I have no issue with profit. The discussion might be around how much—32.3% versus 30.7%—of a gross margin increase there was over the pandemic. So be it. If the goal here is to stabilize grocery prices, doing that must come from making a relative adjustment in profits or addressing the costs in the system.

What are the costs in the system? I'm going to go back to that 32.3%. Are the fines and fees your suppliers have had to pay included in that gross margin, or is it accounted for elsewhere in the margins for your distribution centres?

Mr. Galen G. Weston: I don't know precisely where it's accounted for.

I can tell you this, though. As I've said before, when we have compliance charges built into the business, they're based on a very specific set of criteria. We make exceptions to those criteria more often than the other way around, and those compliance charges have decreased by nearly 50% over the last 24 months.

Mr. Dave Epp: You would not charge a compliance fee if you asked for a pre-order of 1,000 units and then upped it to 5,000 and then a short—

• (1000)

Mr. Galen G. Weston: No.

Mr. Dave Epp: Okay, so categorically, there would be no compliance charges in that situation.

Mr. Galen G. Weston: Categorically there would be no compliance charges. At least that's the way it's been explained to me.

Mr. Dave Epp: As has been requested of other CEOs, would you table with this committee Loblaw's fines and fees collected during the past period?

Mr. Galen G. Weston: I don't know.

Mr. Dave Epp: Others have committed to do so.

Mr. Galen G. Weston: Yes.

Mr. Dave Epp: Thank you. I appreciate that.

I'm going to go back to how we address prices. Relative profits are one matter. The costs are in the system is what I'm hearing you say. I think we're all looking for where we can do that. You operate distribution networks, and the carbon tax is obviously one of those areas.

Do you have an estimate of what your cost with respect to the carbon tax would be?

Mr. Galen G. Weston: No, we don't. Part of the reason for that is that we don't pay the carbon tax, based on where we are in the value chain in terms of any impact on food. I can't speak with any real knowledge about that subject, although I've no doubt that any-

thing that increases the cost or puts cost pressures on the system is something we should be looking at.

Mr. Dave Epp: Who does pay the carbon tax then?

Mr. Galen G. Weston: The carbon tax is paid by emitters, as I understand it, throughout the system. If you are an emitter, you have to pay a carbon tax.

Mr. Dave Epp: If that carbon tax were not in the system, would that not lower costs to consumers?

Mr. Galen G. Weston: I don't know how it would work, but certainly, we have a global challenge when it comes to carbon emissions, so we have to balance the present in terms of economic development and affordability and tackling this global challenge.

Mr. Dave Epp: The carbon tax is charged throughout the entire system right now, other than on the fuel used directly on the farm. Who eats that on the way up if we're supposed to not pass that along to consumers?

Mr. Galen G. Weston: I can't speak to that.

I think everybody has an opportunity to be more efficient and to look for ways to do that. Certainly in our case we're trying to lower prices and reduce the amount of energy we consume in the enterprise.

The Chair: Thank you, Mr. Epp.

Thank you, Mr. Weston.

You will still have five more minutes, so you can continue that line of questioning if you'd like.

Mr. Carr, it's over to you for five minutes.

Mr. Ben Carr (Winnipeg South Centre, Lib.): Thanks, Mr. Chair.

Thank you very much, Mr. Weston.

As much as possible, if you could try to answer with a yes-or-no mindset, that would be greatly appreciated.

First, do you believe that if you sign a grocery code of conduct your personal profit margin will decrease, yes or no?

Mr. Galen G. Weston: I don't know.

Our focus has been entirely on whether this is going to improve the cost of groceries or is likely to increase the cost of groceries. I think you understand how we see it.

Mr. Ben Carr: Are you concerned that your personal profit margin may decrease if a code of conduct is signed?

Mr. Galen G. Weston: No.

Mr. Ben Carr: I note, in the financials from Loblaw that were made public recently, that \$1.3 billion on stock buybacks occurred. Now, it's well known that stock buybacks are one way in which investors and executives have the ability to drive up their own shares and the value of those shares.

Do you believe it would be reasonable, therefore, with the profits that you and your colleagues have generated by virtue of stock buybacks, to pass those savings on to consumers? Do you believe, as per Mr. MacGregor's question, that your personal profit margin continuing to increase is simply "reasonable"—as you said—or justified within the context of your overall profit?

Mr. Galen G. Weston: Thank you for the question.

Loblaws reinvests over 100% of its earnings back into this country in capital, with new stores and infrastructure. The jobs are not capital. When we look at it, we are investing substantially more back into the country than we are taking out. That's a good benchmark for whether our capital allocation strategy is balanced or imbalanced. We will continue to invest more in this country, because we see significant opportunity here for us to do so.

Mr. Ben Carr: Do you believe that the expectations that Canadians have placed on you are unfair? According to a poll released by Abacus this morning, roughly 75% of Canadians are supportive of a code of conduct.

I'll repeat the question. Do you believe that the expectations that 75% of Canadians have for you are unfair?

• (1005)

Mr. Galen G. Weston: I think the expectation that Canadians have for us and for the value chain in food collectively is to find ways to lower food prices. I think that's an entirely reasonable expectation.

Our only concern with the code of conduct is that the way it's currently drafted creates a risk of the opposite happening. That is something I think everybody should be very concerned about.

All we're asking for is a really good, honest look at this. That's why we provided the material to this committee today, so that you would have it in front of you and you could look at it yourselves and understand that what we're saying is true—that it is a reasonable risk. We will sign a code that doesn't raise the cost of groceries for consumers.

Mr. Ben Carr: You said earlier in your opening remarks, or perhaps it was in response to one of the primary questions at the beginning, that the deal was one-sided with the way in which the current grocery code of conduct is presented. How could it be characterized as one-sided if three of your main competitors believe they are in a position to move forward with it as it is?

Mr. Galen G. Weston: The way the code is drafted, under section 2.5, manufacturers are not required to enter into written agreements with retailers that set out the commercial terms of their relationship. They don't have to do that. Despite this, we do. We have to enter into a contract, which is this code of conduct. That is, in itself, one-sided and imbalanced.

These are the kinds of things we want this code to adjust for. Everybody should be required to enter into an agreement and should be held accountable for the terms of that agreement. How can you write a contract that way?

Mr. Ben Carr: That's satisfactory. I'd like to get one more question in, please.

Can you speak to the role that climate change is playing in the cost of food, specifically when there are floods, droughts and other changes that are apparent in the climate? How is that impacting the cost of groceries and, therefore, what you believe you have to pass on to consumers as a result?

The Chair: We are at the time, Mr. Weston. If you want to answer, make it very quick. If not, we have five minutes coming back to the Liberals.

Mr. Carr, you can then prompt Mr. Weston again.

Answer very quickly, Mr. Weston.

Mr. Galen G. Weston: There are meaningful impacts that we are managing throughout the value chain on, let's call it, a weekly basis.

Mr. Ben Carr: Thank you.

The Chair: Mr. Perron, you have two and a half minutes.

[*Translation*]

Mr. Yves Perron: Thank you, Mr. Chair.

Mr. Weston, I'm going to try to summarize all this. You said that the best possible outcome would be for everyone to sign on to the code. Then you said that your company had been excluded from the steering committee and the working group. According to my information, you didn't participate in them.

I just want to be sure I have this right. Has your company ever been part of the steering committee or the working group developing the code, yes or no?

[*English*]

Mr. Galen G. Weston: Certainly, we have a team with three particular executives who have been actively involved in discussions about the code. All I said was that we were not on the working committee. We have had the opportunity to provide our feedback, and that feedback was not accepted.

[*Translation*]

Mr. Yves Perron: Then, the answer is no, you did not participate in the steering committee or the working group.

You said that because you have a chain of discount stores, you couldn't commit to abiding by the code. Metro, however, is ready to make that commitment, and Metro has a chain of discount stores under the banner of Super C.

How do you explain the difference between your two companies?

[*English*]

Mr. Galen G. Weston: I've never said we couldn't get involved. I've just said there are four elements of the code, and we believe the way that it's drafted should be adjusted. We have put forward what we consider to be very reasonable solutions that we think can achieve the best of both worlds.

All we're asking for is the ability to engage in that discussion in a constructive way.

[*Translation*]

Mr. Yves Perron: Thank you.

You appeared before the committee in March, along with the heads of the other major industry players. At that time, I asked all five of you for a breakdown of your profits. All five of you said you couldn't provide that information for competition reasons. Then I asked you whether you pledged to provide the information to the Competition Bureau. I thought all five of you had said yes. Unfortunately, the ensuing Competition Bureau report was critical of the fact that companies had not provided their figures.

Can you tell us whether Loblaw provided the Competition Bureau with the requested information?

• (1010)

[English]

Mr. Galen G. Weston: Yes. We provided it before this committee six months ago. We've been fully supportive of what they've asked for and given them everything that we could.

The Chair: Thank you so much, gentlemen.

Mr. MacGregor.

Mr. Alistair MacGregor: Thank you, Mr. Chair.

Mr. Weston, the code of conduct industry group's response to your company was pretty scathing. They said that, contrary to your claims, there was no evidence to suggest the code will either raise food prices or negatively impact the ability of retailers to meet consumer demand. They said, if anything, all the available evidence actually shows that it will curb grocery price inflation.

Is your apprehension about the code due more to the fact that you think it's going to hurt Loblaw's bottom line, instead of negatively impacting consumers? They've laid out a fairly substantial case here to refute everything that you've said so far.

Mr. Galen G. Weston: We have data. They have data. Our data is pretty compelling on this front. We have laid it out in very specific terms. I don't believe that others have done it in quite the same way. We believe our data is right.

It takes a bit of courage to stand in the way of something like this. As I said, we're not trying to stop it. We're just trying to find ways to modify it to reduce risk. I've had outreach from multiple manufacturers that have said explicitly that they applaud the courage and that they agree this code has the potential to increase food prices.

Mr. Alistair MacGregor: Thank you.

I would like to go back to my earlier intervention with you on food bank usage. I asked this question of Mr. Medline and Mr. Gebara.

The fact is that we have firm evidence that many of your employees are struggling to make ends meet, and some are using food banks. I think it's very relevant when we're discussing food price inflation to also look at the examples that various companies are setting.

For this company, do you have the number of—or any interest in, as the CEO—the number of your employees who are having to access food banks, because this directly speaks to your ability to pay a living wage?

Mr. Galen G. Weston: Food prices are the most important reason that we're here today, and I can tell you that Loblaw believes wholeheartedly in fair pay. We offer some of the most competitive wages in the industry.

The fact remains that a large portion of our colleague base is part-time, and the reason it's part-time is that shoppers don't shop all the way throughout the day. They shop in the evening and they shop on the weekends, so we need to have people working in the evenings and working on the weekends. They need to be part-time shifts and part-time jobs.

Part-time jobs tend to have wage rates that are closer to minimum wage. As you know, we have a minimum wage system across the provinces that is now indexed to inflation. Since 2019, the minimum wage has increased over 20%, and our pay in our unionized labour force, which is the substantive portion of our employees, has increased commensurately with that minimum wage increase.

There's always opportunity, but we need to make sure that we're a productive and efficient organization, and we have to do it while making sure that we're paying, absolutely, the right wages for the industry. If you take our average wage as an enterprise, it's over \$19 an hour, and that is regarded, as a general statement, in line with a living wage.

The Chair: Thank you, Mr. Weston.

Thank you, Mr. MacGregor.

Colleagues, we're getting close to the time, but Mr. Weston has taken this time to be here. I don't want to not use the full time, so we can extend for 15 minutes and I'm going to.

Ms. Rood, you go ahead, and then we'll have Ms. Taylor Roy. I'll have a few questions for Mr. Weston at the end.

Go ahead, Ms. Rood, for five minutes.

Ms. Lianne Rood: Thank you, Chair.

Thank you, Mr. Weston, for actually being here in person. It's nice to have you sitting at the table to talk to one on one.

On the fines and fees, to clarify my colleague's point, could you table the total for 2023 of the fines and fees paid? I'm just going to throw that out there.

Earlier, you talked about front-of-pack labelling and how it's going to cost \$8 billion. You also said that the government's new P2 plastics ban on food packaging will cost \$6 billion.

Will those costs be passed on to consumers and increase the price of food? Will they lead to food waste and impact food availability?

• (1015)

Mr. Galen G. Weston: I don't think I said that the front-of-pack labelling would cost \$8 billion. I don't have a number for what that would cost. On the P2, it's \$6 billion, and yes, all of these costs are cost pressures that are likely to end up being paid by consumers.

I would just remind the committee again that the reason for that is that, if you have an increase on 80% in the cost of your business model and your profit is 2% or 3%, you are forced into a situation whereby you have to pass through a lot of these cost increases.

Ms. Lianne Rood: Ultimately, consumers would pay more for fresh food if this plastics ban were to go ahead.

Mr. Galen G. Weston: I believe so. Yes.

Ms. Lianne Rood: In your opinion, is the imposed timeline that the Liberal government has on this plastic ban a realistic goal?

Mr. Galen G. Weston: Loblaw, as I mentioned before, leads the way in plastic packaging reduction, and we work with a lot of manufacturers on innovation in this space. We think it will be very difficult to achieve the current timelines as laid out.

Ms. Lianne Rood: Thank you.

The government has threatened grocers with an excess profits tax if food prices don't stabilize by the beginning of 2024. Today's food price report says that food inflation won't stabilize, and an average family will pay \$700 more next year.

Will a grocer tax lower food prices for Canadians?

Mr. Galen G. Weston: No, I don't believe it will.

Ms. Lianne Rood: Thank you.

When you were here last spring before this committee, I brought to your attention some of the unfair practices toward and fines that your company was charging our farmers and producers, specifically. At that time, you said you would review those practices.

Has your company made any changes to the way it's treating farmers and small suppliers?

Mr. Galen G. Weston: We certainly have.

The introduction of the small-supplier program is probably the most public indication of that. The feedback we've received from small suppliers and manufacturers has been extremely positive, and we're continuing to look for ways to do that. We are in the midst of a review of our compliance charges to make sure that they are fair and justifiable, and this is how I know our fees are down nearly 50% this year. I think that's the number. We apply very transparent and stringent standards in terms of when those charges apply.

We believe there's an opportunity to provide more transparency on these so that manufacturers understand and they don't come as a surprise. We think it's the surprise that is the biggest issue here, and if we can resolve that, a lot of this frustration will likely go away.

Ms. Lianne Rood: Thank you so much.

I'm going to cede the rest of my time to Mr. Lehoux.

[Translation]

Mr. Richard Lehoux (Beauce, CPC): Thank you, Ms. Rood.

Mr. Weston, I'm going to continue along the same line of questioning as Ms. Rood.

The current numbers show that suppliers paid more than \$5 billion in fines. Can you tell us how you establish the terms and conditions of your agreements with suppliers? Can you give us those details?

You will appreciate that a code of conduct would have major repercussions in that regard. Five billion dollars is a lot of money.

How do you set those penalties? Can you tell us about the model you follow, Mr. Weston?

[English]

Mr. Galen G. Weston: I'll certainly take that away. It might very well be helpful to share some of that.

I don't know where the \$5-billion number comes from in terms of this. It's certainly not our number. As I've said before, in terms of our compliance charges, they are down substantially over the last couple of years. As vendor service levels continue to improve, we expect that number to continue to decline.

The Chair: Thank you, Mr. Weston.

Thank you, Mr. Lehoux.

[Translation]

Mr. Richard Lehoux: Thank you.

[English]

The Chair: We'll go to Ms. Taylor Roy for five minutes.

Ms. Leah Taylor Roy: Thank you, Mr. Chair.

Thank you, Mr. Weston, for being here in person again. I appreciate it. There are so many questions I could ask you.

One thing I want to talk about is the measures that our government is taking to address long-term issues in our country. These are things around, for example, the P2 plastics.

Obviously, on fighting climate change, as you mentioned, the increased cost of groceries has been driven a great deal.... In fact, we heard last time that one of the stores expects orange juice to go up by 38% because of the climate impacts on crops in different countries.

I know it's the job of business to focus on short-term profit and shareholder value. It's the job of government to think about larger issues and not necessarily the short term.

At the environment committee, on which I sit right now, we are studying clean water. There is a lot of concern about microplastics in the water and the effect of those on human health. Of course, that has a huge impact on health care costs over the long term. I appreciate the fact that you are working on solutions to this as a major user of plastics.

We have to balance putting in ambitious goals to motivate people and ask people to make changes, with looking at the impacts on companies. You said you didn't think the timeline of two and a half years was reasonable to come up with a solution. You've been working on this for a while. The industry has known about our ambition and our desire to protect Canadians' health by making these changes.

Why do you think there has not been a solution, and when do you see that coming?

● (1020)

Mr. Galen G. Weston: It's an excellent question.

I would say that we are a family business. Our family has been in this business for four generations, so we think about the long term as well. It's why we're so ambitious in our net-zero carbon targets. It's why I co-chair a global effort for the retailers in the manufacturing industry to find ways to reduce plastic waste across the industry.

We have over two trillion dollars' worth of sales in manufacturing and retail committed to what we call the "golden design rules" for reducing plastic waste. We're big advocates of extended producer responsibility, which has been innovated here in Canada. We believe that system design change is ultimately going to lead to the most effective results.

We have to work really closely with the environment ministries at the provincial level and the federal level to make sure that we are putting in policies that are achievable and are actually going to deliver a constructive benefit.

This P2 is a great ambition, but it's not easy to execute. In fact, I think I would say it's impossible to execute in this time frame.

How much longer do we need? I don't know the answer. However I can tell you this: I'm really encouraged by the level of momentum that the industry has globally on this subject, so I think we're going to get it.

Ms. Leah Taylor Roy: I'd love to hear, if you can find out from the people working on this in your company, some feedback on what's being done exactly and when you think it is.

The other area I wanted to talk about was the price on pollution program. As you said, you're committed to a net-zero carbon target. Clearly, you believe there is a climate crisis, as we do. The price on pollution is often referred to by the opposition as the reason for high food prices. However, there are many countries where there is no price on pollution and food prices are higher than they are here. Their food inflation has been higher.

This is a market-based approach with the climate action incentive rebate we give to Canadians. Most Canadians get back more than they pay. In fact, the most recent studies show that 93% of

households making under \$50,000 get back more than they pay. It is an efficient way to try to address emissions, as you're doing with your net-zero target.

What is your opinion on programs such as this, whereby we're trying to change consumer behaviour where there are alternatives and using a market-based tool like this to fight climate change?

The Chair: You have about 30 seconds, Mr. Weston.

Mr. Galen G. Weston: Look, I absolutely think market-based solutions are an essential part of how to change economic behaviour and consumer behaviour over time. We're in a difficult spot because we're now trying to manage the cost of living against long-term incentives to change behaviour. I think we have to continue to work on ways to do both.

The Chair: Thank you, Ms. Taylor Roy.

Mr. Weston, I'll exercise just a few minutes for a few questions. I'll try to move as quickly as possible.

Part of your opening statement was about the code of conduct not necessarily driving grocery prices down. I would agree with you on that. We have to be very transparent about what the code does and doesn't do. We can't be telling Canadians that a grocery code of conduct is going to result in a huge drop in prices, but this committee also has an obligation to the supply chain and to the farmers who provide the products to your stores.

You talked about your concern about how the prices would go up. I'm looking at a graph from Dr. Charlebois, who laid out price increases over 10 years in countries that had a code versus those that didn't. I take note that there's a lot that goes into food pricing, but I want to dig into what you provided this committee specifically.

You mentioned clause 2.5, and I want to read it for the benefit of everyone. It states:

For the purposes of the Code, an agreement is anything that defines the material elements of a relationship between commercial parties. This can include contracts, invoices, purchase orders, bills of lading, emails and other forms of mutually agreed material that memorializes an understanding between parties.

I practised law for a short period of time. I might not have the experience of some of your corporate lawyers at Loblaw, but if you have an email, a bill of lading or some type of payment, then surely there would have been some discussion about the price at which the product was going to be charged. I can appreciate that it wouldn't be the ironclad commercial agreement that you might be seeking, but I think about a farmer in my own riding who might be providing produce for you. One of your agents at Loblaw says, "Look, we'll buy tomatoes at x amount." That is a contract, so what is it specifically...?

You talk about negotiating in good faith. Those are examples of, at least, a commercial agreement between your company and a supplier. Why is that not good enough for you? Why is that code problematic, specifically?

You talk about negotiating in good faith, so what specifically don't...? If there was an invoice or a purchase order, there would have been some conversation about what the terms would be. Maybe they're not as exclusive or as high-end as a big food manufacturer, but why is that so problematic for you?

• (1025)

Mr. Galen G. Weston: The issue is the imbalance. Our view is that, if there's an expectation that a retailer enters into a set of detailed contract terms, a manufacturer should have the same responsibility. It's so that we all have the same piece of paper that says these are the terms we've agreed on and this is the basis on which we should conduct business.

In the way the code reads in the specific language, from our perspective, it holds the retailer to a higher standard than the manufacturer. As a result, those manufacturers can come and change the cost or refuse to accept changes in business terms, and we are unable to do the same thing.

All we've asked for is to balance that equation out so that both sides are responsible for adhering to the same set of standards.

The Chair: You have here that, "It is only fair that a supplier should be able to enjoy the benefits of the Code only if it has entered into a written agreement with a retailer setting out the commercial terms". Isn't the whole idea of the code, Mr. Weston, that we actually provide some fundamentals?

I can appreciate that when you're negotiating with Pepsi.... Those are two different conversations. However, the idea of the code here—and you admitted it in your own testimony—for smaller food manufacturers or suppliers directly, is about creating some transparency and some elements that they can hold on to.

I guess I'll ask if there is an idea that you could have larger manufacturers not necessarily being subject to this, and it would apply to smaller food processors. What is it?

I can appreciate that if you're negotiating with Pepsi, that relationship is different from when you're negotiating with a farmer in my riding. Why is it that, if they're simply trying to lay out principles that you would negotiate with, somehow that's a contravention to the business practices that would be expected in this country?

Mr. Galen G. Weston: As we've said before, the principles in the code, particularly around your point, which is how we improve the relationship between retailers and manufacturers, are absolutely sound. Our concern is that, in the drafting itself, it creates these vulnerabilities that create this risk.

You're absolutely right. We see the biggest risk in the way that the code is drafted from manufacturers that are very much bigger than the Canadian retailers exploiting the way that it's drafted at the expense of the Canadian consumer.

The Chair: This is the last thing I'll ask very quickly.

You mentioned filling orders. You go out to consumers and say, "Look, we're going to have this product at this price." You then said the food manufacturers are not providing the product that you expected.

We've heard instances both privately and, I think, even before this committee of the idea that there would be significant fines if someone only provided 98.5% of the expected product delivery. What, in your mind, is a reasonable tension there? If you ask for 50,000 units of a certain product and they come in at 98.5%, is it reasonable that a food retailer should be able to impose that?

I appreciate you want certainty. I understand that, Mr. Weston, but there are circumstances where that can add to the food costs through the entire supply chain and then get passed on to consumers, so what is reasonableness?

When I look at the provision, there's talk that there's a reasonableness clause in here such that you couldn't impose unless they really, significantly did not meet their order in a way that would be egregious under commercial terms.

• (1030)

Mr. Galen G. Weston: You are absolutely right. Reasonableness is one of the areas that we are focused on in terms of opportunities to enhance the code.

Our perspective is that, if we can modify it in a such a way that the necessary practices that allow the retailer—in our case, let's say this as an example—to hold manufacturers accountable remain in position and there are reasonableness thresholds that we can all agree to.... If they break beyond that reasonableness threshold, or they're unjustified in some way, there can be some consequence or some form of resolution.

You're talking about exactly what we're talking about. I think there's just a disagreement about whether the drafting as it currently stands actually accommodates this reasonableness factor the way it needs to.

The Chair: Would you like to provide this committee with any sense of what that threshold would be for you? Whether or not it's for large food manufacturers or smaller, is that 95%? Is it 90%?

Do you have any thoughts in your mind, or have you provided anything to the government on that?

Mr. Galen G. Weston: It's a bit complicated because that calculation is done on a 12-week average, not on an individual moment in time. In that context, 98% suggests that there's absolutely no room for error, whereas, in fact, there is. Remember that these are quantities that are agreed to up front. If somebody says, "I agree to give you 100 products" and they don't give you those 100 products, that is a challenge.

When you're making exceptions 60% of the time, I think it suggests reasonableness on the part of the retailer, but it also may suggest that, if we're having that many exceptions, maybe the algorithm has an opportunity to be improved. That's something we're working on right now.

The Chair: Thank you very much, colleagues, for indulging a few lines of questions.

Thank you to our translators for extending a little bit.

Thank you, Mr. Weston, for being here. Merry Christmas. Happy holidays.

Colleagues, we will be back on Monday. We have Mr. La Flèche coming from Metro for the first hour. Then we have CPMA, Association des producteurs maraîchers du Québec, and the Centre for Future Work. That will be what we do on Monday.

Enjoy your weekend, colleagues.

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