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• (1635)

[English]

The Vice-Chair (Mr. Rick Perkins (South Shore—St. Margarets, CPC)): Colleagues, we're ready to start the meeting.

Welcome to meeting number 130 of the House of Commons Standing Committee on Industry and Technology.

Today's meeting is taking place in a hybrid format pursuant to the Standing Orders.

Pursuant to the order of reference of Wednesday, February 7, 2024, the committee is resuming consideration of Bill C-352, an act to amend the Competition Act and the Competition Tribunal Act.

I sort of shorten this next part. Before everyone begins, we have these little earpieces. If you're not using them, please keep them away from the microphone and put them on the sticker, so that it doesn't harm the interpreters with feedback.

Mr. Ryan Turnbull (Whitby, Lib.): On a point of order, Chair, I'm sorry to interrupt. I note that there are media still in the room. I don't think they're allowed to be in the room once the committee starts.

The Clerk of the Committee (Ms. Miriam Burke): They can be in the room.

Mr. Ryan Turnbull: They can't be filming.

The Vice-Chair (Mr. Rick Perkins): Until when?

Mr. Ryan Turnbull: When the meeting starts, I don't think they're allowed to film.

The Vice-Chair (Mr. Rick Perkins): I thought it wasn't allowed.

It's valid point of order. Thank you, MP Turnbull.

For all those watching, there are lots of ways to watch this through video, if you want to go to parlvu.ca.

Please keep the earpieces away from the mic if you're not using them in order to avoid the injuries that have happened to some of the wonderful interpreters we have here in the House of Commons.

Today, I'd like to welcome our witnesses.

From the Agri-Food Analytics Lab—from my part of the world—we have Sylvain Charlebois, the senior director of the agri-food analytics lab and professor at the wonderful Dalhousie University, by video conference. You may know him better in the media as the food professor.

From Quebecor media, we have Mr. Pierre Karl Péladeau, president and CEO, and Jean Péladeau, vice-president, operational convergence, Quebecor Media Inc. and Freedom Mobile.

From Videotron, we have Jean-François Lescadres, vice-president, finance.

With that, all of the sound tests have been done, I'm informed, for not only the witnesses online, but also the members who are online.

Each organization has up to five minutes for their opening statement.

Professor Charlebois, let's start with you.

Dr. Sylvain Charlebois (Senior Director, Agri-Food Analytics Lab and Professor, Dalhousie University, Agri-Food Analytics Lab): Honourable Chair and members of the committee, thank you for inviting us to testify today on Bill C-352, the lowering prices for Canadians act, which amends the Competition Act and the Competition Tribunal Act.

The proposed changes aim to increase penalties for anti-competitive acts, modify merger review processes and enhance market competition safeguards. These amendments are crucial for fostering a fair and competitive marketplace, particularly within the agri-food industry, which is integral to Canada's economy and food security. The agri-food sector is uniquely positioned at the intersection of agriculture and consumer markets, making it a vital component of our national interests. Effective competition policies are essential to ensure that this sector remains vibrant, innovative and capable of meeting the diverse needs of Canadian consumers. The proposed changes to the Competition Act are timely and necessary to address the evolving challenges within this industry.

We strongly support the increased penalties, proposed merger review enhancements and focus on market conditions. These measures collectively aim to prevent market dominance, ensure fair pricing and promote competitive practices. However, it is important to recognize the regional differences across the country.

Our first recommendation is to establish a dedicated agri-food market monitoring body within the Competition Bureau to conduct regular market studies and reports. This body should focus on identifying anti-competitive practices and market conditions specific to the agri-food sector. By providing transparent and detailed insights, this initiative can proactively address potential issues before they escalate into significant market disruptions.

Recommendation number two is to implement policy that specifically supports agri-food SMEs in navigating the complexities of the competitive landscape. This includes offering market data, legal and financial assistance for compliance with competition laws and fostering innovation through grants and subsidies. Ensuring that SMEs can compete effectively will promote diversity and resilience within the agri-food market.

Recommendation three is to encourage policies that support regional and local food distribution networks. This can include grants and subsidies for local food hubs, investment in regional distribution infrastructure and incentives for retailers to stock locally produced goods.

Recommendation number four is to establish and enforce a code of conduct for food retailers and distributors to ensure fair trading practices. This code should cover areas such as payment terms, contract fairness and dispute resolution mechanisms. By ensuring fair dealings between suppliers and retailers, the market can remain competitive, and smaller businesses can thrive.

Finally, recommendation number five is to incentivize the adoption of advanced technologies in food distribution, such as blockchain for traceability, AI for demand forecasting and the Internet of things for supply chain efficiency. Technological innovation can reduce costs, enhance transparency and improve the overall efficiency of food distribution networks.

In conclusion, Mr. Chair, Bill C-352 presents a robust framework for enhancing competition within Canada's agri-food industry. By implementing these recommendations, we can further strengthen our commitment to a fair, dynamic and sustainable market.

Thank you for the opportunity to present our views. We look forward to your questions.

The Vice-Chair (Mr. Rick Perkins): Thank you, Professor.

[Translation]

Mr. Péladeau, you have the floor for five minutes.

• (1640)

Mr. Pierre Karl Péladeau (President and Chief Executive Officer, Quebecor Media Inc.): Thank you, Mr. Chair.

Good afternoon, ladies and gentlemen of the committee.

Allow me to introduce Jean-François Lescadres, who is vice-president of finance at Videotron, and Jean Péladeau, who is vice-president of operational convergence at Quebecor and also my 32-year-old younger brother. As Pierre Corneille said, "For souls nobly born, valour does not await the passing of years".

I should note at the outset that retail sales account for a very significant portion of the revenue generated by the Canadian wireless industry. According to our estimates, in 2023, over 80% of wireless product sales in Canada took place in person and in stores.

Of course, the Big 3, as we like to call them, Bell, Rogers and Telus, undeniably have control over the wireless retail market. In addition to their respective stores, they rely on a network of third-party retailers, which they control in whole or in part, operating un-

der generic names such as "La cabine t", "Wave Wireless", "Wow! Mobile boutique" to name only a few.

[English]

Right now, over half of third party retail wireless sales in Canada are made in locations controlled by one or more members of the big three. Those controlled locations include hundreds that are operated by the behemoth GLENTEL, which is a joint venture between Bell and Rogers that sells product and services from exclusively its owners and their flanker brands.

[Translation]

We've learned that Loblaws intends to withdraw the products and services of our subsidiary Freedom Mobile from its Mobile Shop stores as of June 30, by all indications in favour of an exclusive agreement with Glentel.

Until now, The Mobile Shop has been a neutral reseller offering its customers the products and services of all major Canadian wireless service providers. We therefore met this news with surprise and concern, as that neutrality is now being undermined. The loss of these important outlets for Freedom Mobile will slow the expansion of our brand in some markets.

If its agreement with Loblaws is confirmed, Glentel will expand its operational portfolio to 180 The Mobile Shop locations in Loblaws-owned grocery stores. It will also mean the loss of 180 potential points of sale for other competitive brands, such as Freedom Mobile. This will further entrench the oligopoly in the Canadian mobile phone market.

[English]

We have raised our concerns to the president of PC bank and Loblaw head office. However, they are standing by their decision, putting commercial interests ahead of the interests of consumers. We also asked the president and CEO of GLENTEL about the possibility of distributing Freedom Mobile in their retail locations and, unsurprisingly, our request was flatly and immediately denied.

This comes as we're expanding the Freedom Mobile service area by availing ourselves of the MVNO regime to offer our services to more Canadians in new markets, such as through our recent expansion in Manitoba. What Loblaw shrugs off as a simple decision regarding suppliers that, in their own words, "does absolutely nothing to competition" actually hampers our efforts to increase viable competition in more markets.

• (1645)

In Winnipeg, for example, after GLENTEL's potential takeover of The Mobile Shop, 73%—yes, 73%—of third party retailers will be controlled by the big three, leaving very little room for Freedom to expand. GLENTEL alone will operate over half of all third party wireless retail stores in this area.

[*Translation*]

It's clear to us that this agreement between Loblaws, Bell and Rogers represents a new attempt by the dominant players in the market to thwart wireless competition in Canada. This new pressure from Loblaws, a company that the Competition Bureau is currently investigating for anti-competitive tactics in the grocery sector, needs to be seriously considered.

[*English*]

Moreover, I must reinforce that the business model underpinning uncontrolled joint ventures like GLENTEL only serves market concentration. In no other oligopolies would two out of three major players be allowed to work hand in hand excluding competitors from such an essential retail channel and giving consumers a misleading sense of objectivity along the way.

[*Translation*]

As parliamentarians, you have the power to act to force Loblaws to reverse its decision and to dismantle joint ventures such as Glentel, whose business model goes against the public interest and impedes healthy competition by restricting the choices available to Canadians.

Thank you for your attention.

[*English*]

The Vice-Chair (Mr. Rick Perkins): Thank you very much, Mr. Péladeau.

We will begin the first round of questions.

For six minutes, we'll begin with MP Ryan Williams.

Mr. Ryan Williams (Bay of Quinte, CPC): Thank you, Chair.

Thank you to all our witnesses for coming in today on this important discussion of competition.

Mr. Péladeau, it's very interesting to hear that GLENTEL is working exclusively with Loblaw and shutting out Videotron.

My first really simple question is, have the ISED minister—the industry minister—and the Competition Bureau addressed this concern? Have you talked to each one of them? What did they say?

Mr. Pierre Karl Péladeau: Yes, we mentioned this. In fact, we sent a letter earlier today.

We also spoke with them during the last few days. This decision is recent. Obviously, we were given the date, June 30. We're looking to make sure that this will take place and we're not going to be exited from this very important retail—

Mr. Ryan Williams: I'm sorry, but just in the interest of time, did you get an answer from either one of them? Did you get any sense that there's a response?

Mr. Pierre Karl Péladeau: Before going to the bureau, obviously, we addressed the issue with the principals, with the president and CEO of GLENTEL and the other different other players involved in this transaction. As of today, as we're talking now, I don't know if we've received any answers.

Mr. Ryan Williams: Thank you, sir.

Mr. Charlebois, we're talking a lot about food insecurity lately and we're looking at how much more expensive food will get. The basket of food for Canadians in April 2021, if they bought it for \$100, is now at \$121—a 21% increase—and at the same time, we've seen the carbon tax go up by 23% this year. Next year, it's supposed to go up another 19%.

How do you foresee the carbon tax impacting food manufacturers across Canada in particular and their ability to manage costs and maintain affordability for consumers?

Dr. Sylvain Charlebois: Thank you, Mr. Williams. I appreciate the question.

We've done some work on the carbon tax or the carbon pricing policy. We came to the conclusion that it was really difficult to know beyond a reasonable doubt how the carbon tax is impacting retail prices specifically, because a lot of different factors can impact retail prices. A retailer can decide to target one product as a loss leader, for example, or to promote certain products. It's very difficult.

However, we did find some discrepancies up the food chain with wholesale and industrial prices. There seems to be a growing gap between wholesale and industrial prices for food prices in Canada versus the U.S., since 2021. That's quite concerning. We're not suggesting the carbon tax is contributing solely on increasing that gap, but we do believe that it is a factor.

Mr. Ryan Williams: You've mentioned that. You've said that manufacturing is the “forgotten child” of the food supply chain. We're certainly looking at the carbon tax being a policy that has increased compared to our neighbours to the south but also, now, at new changes that are coming to capital gains adjustments to revitalizing food manufacturing in Canada, and we're talking about food insecurity. Are those changes going to result in increased food costs from these manufacturers, especially in Atlantic Canada and B.C.?

• (1650)

Dr. Sylvain Charlebois: I mean, those signals aren't necessarily desirable if you want to grow an economy. For example, right now, the Cargill plant in Guelph is on strike. I have visited that plant in the past, many years ago, and I can tell you that food processing, using that plant as an example, is undercapitalized—severely undercapitalized. If you want to encourage investment, sending signals that you will increase taxes on capital gains, for example, and, of course, the carbon tax policy, are certainly not things that investors want to hear. It's discouraging investments overall, I would say.

Mr. Ryan Williams: Also, when we look at farming.... You've written about restaurant owners as well. This is affecting restaurant owners. When we look at food security, when we're taxing farmers more, or restaurant owners as a whole, or manufacturers, is Canada becoming more or less food secure?

Dr. Sylvain Charlebois: It's problematic. The one thing that I'm hoping parliamentarians will appreciate is that the food environment is all about low margins and high volume. The sector itself is often risk averse because of that nature, and it needs to be appreciated in terms of, how do you actually allow the sector to grow? In order to assess whether or not the country remains food secure, you have to look at the level of competitiveness of the sector from farm gate to store or restaurant. Right now, I'm not sure we're going in the right direction.

Mr. Ryan Williams: If you've written on that or have some research on it, can you please submit it to the committee so we can have that as evidence for this study, sir? That would be appreciated.

You've written exclusively that Canadians can't even afford beer right now. The price of beer is going up. This is obviously affecting anyone who just wants to enjoy a beer in Canada, where we are often very proud that we make beer. Is this an example of how you overload Canadians and kill an industry with taxes?

Dr. Sylvain Charlebois: There's that, of course. Demand for beer has gone down 3.5% so far this year, and it went down 3.5% last year, in 2023. It's certainly not growing, and it is a very important sector.

On the other hand, you do have microbreweries. We've had generous grants given to microbreweries in the past, and I would say it was a great idea. The problem is that microbreweries aren't necessarily scaling up; a lot of them are closing down. My suggestion here would be to be more targeted and more strategic when it comes to supporting start-ups in Canada, especially when it comes to allowing SMEs or start-ups to scale up. This is something that we have not done a good job at in Canada over the last several years.

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Williams.

The next questioner, for six minutes, is MP Van Bynen.

Mr. Tony Van Bynen (Newmarket—Aurora, Lib.): Thank you, Mr. Chair, and I appreciate the witnesses' coming forward on an issue that's been quite critical for this committee, and certainly for the Canadian population generally.

I'd like to reference the Competition Bureau report of October 2023, which concluded that "competitive intensity has decreased from 2000 to 2022". In particular, it "found that the most concentrated industries" have become more concentrated and that "the number of industries that are highly concentrated has increased." Moreover, "Top firms are less" likely to be "challenged" in their position. The numbers of new entrants have decreased and firms' profits and markups have all risen overall.

According to the bureau, these findings underline the need to "modernize the Canada's competition laws to respond to the realities of today's economy", which is really why we've undertaken some of the other amendments and are having a look at the bill today.

To Mr. Péladeau, what factors have led to a decrease in the level of competitive intensity in Canada since 2000?

• (1655)

Mr. Pierre Karl Péladeau: Given the decision that had been taken by the government, and considering that the Competition Bureau was strongly against the transaction between Rogers and Shaw for competition reasons—but the main aspect of it was the wireless asset....

Since Videotron/Quebecor took over Freedom Mobile, we can conclude.... Again, those numbers are not coming from us, but from Statistics Canada. We had the opportunity to discuss that in previous meetings in this chamber. We are seeing the wireless prices going down 26%. When you introduce new entrants and new competition, the result is, as we've been seeing with wireless, that Canadians are benefiting from this move. Again, there's been a 26% reduction in prices and more choices and more innovation, and then incumbent players are forced to react and to be better. This is, again, for the sake of all Canadians.

Mr. Tony Van Bynen: Considering the global perspectives of markets generally, there's huge capital required to be able to respond to the broader markets. Would you say, first, that the Competition Bureau would have a role in this? Also, how would you say that we could change that?

I share your concerns. On consolidation in telecom, finance, insurance and in some cases real estate, how can the government, through the Competition Bureau, influence the direction of deconsolidation?

Mr. Pierre Karl Péladeau: I'm not a member of Parliament, so it would be tough for me to answer this, but certainly on the action of the government, they've been doing it for at least 15 years. It started with the late Jim Prentice, when he was the industry minister, imposing proper conditions on the auction for spectrum. From there, competition started in Quebec. I guess the government took note of this situation, but in Quebec we've been seeing prices for telecom services much lower than anywhere else in Canada.

It's a government policy and, on top of that, a Competition Bureau that will investigate and give their green light—or not—concerning large transactions. This is to avoid measures that concentrate the market, as the one that we're talking about today. It will not be good for the industry if retail concentrates too much and the providers or the vendors get together to control this very important retail channel.

Mr. Tony Van Bynen: Your concern seems to be around the restrictive covenants and property controls of retail space. Is there, in your mind, sufficient authority within the Competition Bureau to challenge some of those restrictive contracts and restrictive arrangements similar to what you're facing today?

Mr. Pierre Karl Péladeau: I did my law degree, but I can tell you that my competition course is really far behind, so I'm not going to consider myself an expert there, but my recollection is that the law gives a lot of power to the bureau. If they want to intervene, they have the capacity to do so. We've been seeing their intervening more and more, which at the end of the day, from my perspective, is good for Canadians because they're giving them more choices and therefore better prices and better products.

Mr. Tony Van Bynen: Mr. Charlebois, I understand that you've done an awful lot of research and you're referring to your organization as having a global perspective. What are the similarities between Bill C-352 and the European competition policy?

Dr. Sylvain Charlebois: To keep my answer short, I would say that I actually agree with Mr. Péladeau in that I do believe that the government currently has the tools to intervene and play a forceful role, which is what we see elsewhere in the United States or even in Europe.

I just don't believe that we have seen the bureau act and use these tools. We've worked with the bureau in the past on a few investigations when some grocers were acquiring others, and it became quite clear that the scope of their analysis was incredibly narrow. For example, we worked with the bureau on the Sobeys acquisition of Farm Boy a few years ago, and they never actually looked at how that transaction would impact independents, independent grocers in the GTA area, as an example, or southern Ontario. That became a signal for us that the scope of analysis needed to be adjusted appropriately, depending on what situation you look at.

• (1700)

Mr. Tony Van Bynen: Are there any specific items within this bill that are areas of concern for you, and how would you suggest they be improved?

Dr. Sylvain Charlebois: I think the spirit of the bill is very appropriate. I think the bureau needs to be empowered as much as possible by parliamentarians, and I think that's what the bill is doing.

Mr. Tony Van Bynen: I believe that the government has committed \$98 million towards adding capacity to the Competition Bureau, and I think that's a significant step forward.

Those are all of my questions, Mr. Chair.

The Vice-Chair (Mr. Rick Perkins): Thank you. We went a little over time, but it was a good round.

Mr. Pierre Karl Péladeau: Mr. Chair—

The Vice-Chair (Mr. Rick Perkins): For the next round, for six minutes, we have Monsieur Garon.

[*Translation*]

Mr. Jean-Denis Garon (Mirabel, BQ): Thank you, Mr. Chair.

First, let me extend my greetings to our witnesses, Professor Charlebois, Mr. Péladeau, Mr. Péladeau and Mr. Lescadres, and welcome them to the committee.

I'll start with you, Mr. Péladeau. Let's talk about Glentel. The latest amendments to the Competition Act, which were long awaited and put forward by Minister Champagne, address anti-competitive practices in the real estate sector and in contracts. For example, the

minister has defined a grocery store renting space in a mall, and requiring in its lease that no other grocery store open in or around the same mall, as an anti-competitive practice.

We see the same kind of behaviour in the Glentel joint venture model. For some reason, the law still seems to allow that kind of practice, yet it's of the same nature. Furthermore, it seems to me that there's an additional layer in this case. It's not a standard joint venture, but rather a joint venture including the two biggest players in the market. This joint venture will slow the entry of emerging players, including Quebecor, particularly in western Canada.

Did we leave anything out when we made the latest amendments to the Competition Act?

I'd like to hear your thoughts on that, because I'm sure you have many.

Mr. Pierre Karl Péladeau: Your predecessor asked that question, and it gave me a chance to think about it.

First, I'd like to mention to Mr. Williams that we're in contact with the Competition Bureau. We filed a complaint and bureau representatives will call us to discuss it with them. However, the outcome of each case depends on who is leading the bureau. That needs to be said. The bureau may show more leadership in one case than another, according to the people who run it.

It's also important to mention that, in a case like this, from a legal standpoint, as I understand it, only the Competition Bureau can bring a case before the Competition Tribunal. The bureau is not a civil party or a private party. If that were the case, perhaps measures should be considered to avoid clogging up the courts, but the fact that the bureau is the only one with the power to act also probably limits people's ability to file complaints about anti-competitive measures.

I'm not a lawyer in the strict sense of the word, but since members of Parliament take the lead on legislation, when it comes to retail sales, private citizens or parties should perhaps have the power to file a complaint before the Competition Tribunal rather than before the Competition Bureau, given the importance of this wireless distribution and marketing network, the importance of wireless in Canada and high prices. Measures have been taken to lower prices, but before that, Canada had the highest wireless prices—

• (1705)

Mr. Jean-Denis Garon: Of course.

Let me interrupt you, because I have another question to ask you and time is running out. You know that time is a rare commodity on this committee.

With respect to the bill before us, with all due respect to Professor Charlebois, all the other experts we have heard from before today have told us that, when strict rules are imposed like those in Mr. Singh's bill—which does things like prohibit any merger or acquisition that would result in a combined market share of more than 60%—the rules pile up and create more opportunities for litigation about market share than competitive situations themselves.

We're told that abroad, in places like Europe, but especially the United States, competition authorities have a well-defined framework, but their ability to act is also much more flexible, and they are also entitled to be biased in favour of the consumer without having to justify themselves as much as the Canadian competition commissioner does.

Despite the good intentions behind this bill, do you think the approach taken in it, which is to add more restrictions that can lead to litigation, is the right one?

Mr. Pierre Karl Péladeau: You got me, because I haven't had a chance to look closely at the bill.

Mr. Jean-Denis Garon: Should the competition commissioner have more leeway? Should his work be simplified rather than made more complex, basically?

Mr. Pierre Karl Péladeau: Certainly. Moreover, since we're talking about competition, perhaps we could also create competition at the Competition Bureau by enabling the parties to go before the Competition Tribunal.

Mr. Jean-Denis Garon: Professor Charlebois, you talked about a code of conduct. We've talked about that a lot over the past year and a half. Minister Champagne has started to move in that direction, and you mentioned it in your opening remarks. It's very interesting.

Would the code of conduct you have in mind be based on voluntary compliance, which would be tantamount to self-regulation, or would it be a framework established in an act and implemented by the minister through regulations? Can you clarify that, please?

Dr. Sylvain Charlebois: That's a good question, Mr. Chair.

What could work in this sector is a voluntary code of conduct that involves everybody, the big five: Costco, Walmart, Metro, Sobeys and Loblaws.

For a voluntary code of conduct to work, it's important that everyone comply with it. Otherwise, the committee and the minister will have to consider other options.

The Vice-Chair (Mr. Rick Perkins): Thank you, Mr. Garon.
[English]

For the next round, MP Masse, you have six minutes.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

Thank you to the witnesses for being here.

I'll start with Mr. Charlebois on the voluntary code.

I had legislation that went through the chamber and passed. It was on the right to repair in the automotive aftermarket. That was about 10 years ago, or maybe 12. What was happening was that Canadians couldn't get their vehicles fixed because the larger com-

panies—not all of them but most of them—would not provide software and equipment tooling to the aftermarket industry, which ensured people had to go to the garage at their dealership versus others. It can even be just a flash update for the software, so a vehicle has to be towed. That's bad for the environment, public safety and competition, obviously.

That legislation passed the House of Commons and was going to the Senate, but the industry decided it could work with a voluntary code. The minister at the time was Tony Clement. Therefore, we have a voluntary code of conduct right now, but it's suffering. Now we have digitization in the industry that's different from before—something we predicted would take place. There continues to be problems. The competition element for voluntary...isn't working successfully. There are some good players in it, and some good operators, but there are some that continue to have problems.

Do you have something to suggest regarding the voluntary code of conduct for grocery stores versus something more mandatory? We're having to revisit this issue [*Technical difficulty—Editor*]. There are three private member's bills in the House of Commons right now that deal with competition in the aftermarket for fixing vehicles and so forth. Do you have any insight into that?

I'd hate to be back in that trap. That's where we are after 10 years. Maybe we can get a fix. Some of the companies are doing better, again, but others aren't. The bottom line is that it's voluntary, so we don't have any teeth.

• (1710)

Dr. Sylvain Charlebois: That's a great question, Mr. Masse.

I'm not familiar with the right to repair voluntary code. I don't know whether all players were asked to be part of it.

For the code of conduct in the grocery business, that is a key element to a success: We need all five to participate. We all know Walmart and Costco are not signing on, so far. The three others mentioned that they are willing to participate, as long as everyone else is part of the code. I agree with that vision.

If there is still hesitation coming from American players in Canada, I would suggest the committee recommend legislation. I said the same thing to the ag committee back in February.

Mr. Brian Masse: Those are good points.

I'm glad you raised Walmart and Costco. Quite frankly, I think Costco is a little more transparent in their pricing.

Dr. Sylvain Charlebois: It's a wholesaler. It has 4,000 SKUs—15%. It's a very different model. My guess is that Costco has been friendlier to the concept than Walmart, for sure.

Mr. Brian Masse: Thanks for that.

How long do we do this dance before potentially bringing in a code of conduct that's mandatory?

I'll highlight a couple things that didn't get mentioned yet. I like a lot of the ideas you presented. I'm not sure whether they'll be in the scope of this particular bill, but they're certainly good things to follow up on.

For example, grocery store apps aren't publicly showing the pricing difference when you use the app versus go into the store. You have to discover that yourself. I think that's a good example of where there should be a code of conduct.

There's also the shrinkage issue with regard to changing the distribution weight of products without notice on the product itself.

Dr. Sylvain Charlebois: One of our recommendations was to have the bureau collect data and democratize data. That's kind of what you're saying, Mr. Masse—allow the market to have a better sense of what's actually happening with prices, availability and quantities.

Mr. Brian Masse: I know that I have limited time here. I'll get to Mr. Péladeau in my next round.

I don't want to take up the time of the committee to debate this, but I do want to put on the record here a notice of motion that I have that's come out of these hearings. That's one of the good things about this bill: It's brought some really good ideas. Mr. Charlebois brought some more today, but I'm acting on one the Competition Bureau put forth.

I'm going to read this notice of motion into the record to complete my time here. The motion is:

That, pursuant to Standing Order 108(2), the committee invite the Commissioner of the Competition Bureau of Canada, Matthew Boswell, and other experts on competition, including but not limited to, Department of Industry, industry stakeholders and external experts, unions, and academics on competition law and the economy in Canada, for no fewer than three meetings, to study the regulatory barriers to competition in this country that continue driving up prices for Canadians in their everyday lives.

I'll table that. If my colleagues want to look at it and if they have amendments, I'm open to that as well.

Thank you for the time and I'll get to Mr. Péladeau in my next round.

The Vice-Chair (Mr. Rick Perkins): Thank you very much, MP Masse, for putting your motion on notice, which I'm sure we'll have a chat about at another time.

We're going to go to the beginning of the next round, which is for five minutes of questions, starting with MP Généreux.

[*Translation*]

Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC): Thank you, Mr. Chair.

Thank you to our witnesses for being here today.

Mr. Péladeau, you said earlier that in 2023, 80% of retail sales in Canada took place in stores. Were you talking about cellphones, packages or both?

• (1715)

Mr. Pierre Karl Péladeau: There are two options, honourable member. There's something called “bring your own device”, and

there's also the option to buy a cellphone. Both options are available at retail locations.

Mr. Bernard Généreux: In Quebec, if I'm not mistaken, at Videotron, you have a sales network in your stores. You're also in shopping malls. You have quite a number of stores.

Does the agreement with Glentel apply specifically to western Canada and Ontario, or does it also apply to Quebec?

Mr. Jean Péladeau (Vice-President, Operational Convergence, Quebecor Media Inc. and Freedom Mobile, Quebecor Media Inc.): This agreement doesn't affect Quebec. Glentel—Loblaws, actually—has no Mobile Shop stores in Quebec per se.

Mr. Bernard Généreux: You mentioned 180 stores in the rest of Canada. I'm somewhat playing the devil's advocate here: Are there other networks you could partner with? For example, could Freedom Mobile partner with Costco or other chains where you could sell your products, to compete with the other three major players?

I have another question: Does this also affect Telus?

Mr. Jean Péladeau: I will answer you in stages. To answer your first question, we're in constant discussions with various partners. We're proactive. We're having discussions. Obviously, as we said in our opening remarks, ideally we're looking for neutral partners. To establish neutral partners, discussions must be held with potential partners, and we must also determine whether they're prepared to be neutral partners. We don't believe that a unitary approach where we sell only our products is the winning solution at the end of the day. Yes, we're in discussions with a number of potential partners.

Mr. Bernard Généreux: As I understand it, the agreement between Glentel, Bell and Rogers is exclusive, but it wasn't in the beginning. So it has become exclusive, and that's what you are challenging in particular.

Mr. Jean Péladeau: I'll come back to your second point later.

Our understanding of the agreement—we haven't received an official confirmation from Loblaws—is that Telus would also be excluded from this new exclusive agreement.

I'll give you the example of Manitoba. We just launched Freedom Mobile services in Winnipeg on May 23. In terms of our launch, we would have launched our services at just over 21 points of sale if we had included Mobile Shop stores. However, given that Mobile Shop has withdrawn, we were obviously not able to launch in the same way in this new territory. So we launched with only 12 points of sale. You can understand that having fewer locations has an impact on the performance we can generate in terms of sales in the territory in question.

Mr. Bernard Généreux: I'm going to play devil's advocate again. Don't take it personally; I'm also in business.

My business is small compared to yours, of course, but I have never feared competition, nor do I believe that you fear it at all, Mr. Péladeau. Despite an agreement like that, you may be able to develop future networks or new networks that will help you realize more gains than you would have with them. If I understand correctly, Telus is also excluded, which means that you could enter into agreements with it that would help to generate sales in western Canada in particular.

I don't know if I'm talking nonsense. Perhaps you can tell me if what I'm saying makes sense.

Mr. Jean-François Lescadres (Vice-President, Finance, Videotron Ltd.): I can certainly answer your question.

As to whether such agreements could be reached, that's a possibility. That said, there's a clarity issue for the consumer. When consumers go to these stores, they get the impression that they are seeing everything available on the market when it comes to these devices. They have no idea that these stores are controlled by Bell and Rogers.

As was said a little earlier, is it really acceptable that two of the three companies forming an oligopoly be allowed to exclude a new competitor from their operations? Earlier, we talked about the Competition Bureau's powers. I certainly don't know the details of this bill either, but it seems absurd to us that anyone could do that. To us, that amounts to deceiving the consumer.

Mr. Bernard Généreux: I completely agree with what you're saying. We're all in favour of more competition. In fact, Mr. Péladeau, you said that since you acquired Freedom Mobile, I think about a year ago, you've helped bring down wireless charges by about 23%.

What are your intentions? What have you achieved in terms of market penetration since you acquired Freedom Mobile?

• (1720)

Mr. Pierre Karl Péladeau: Mr. Généreux, we aren't the ones saying this, Statistics Canada is, so we're talking about a third party, which I assume is entirely objective.

In addition, you may recall that we made commitments to the government, to the department. We had a specific period of time to deliver a set reduction. We met all of those objectives in a shorter time frame than the one we were given and that we had to meet.

Of course, we'll continue to make move forward and ensure that we can offer new products. My brother Jean said so recently. We just launched Freedom Mobile products and services in Winnipeg. We would also like to be able to offer larger packages. I won't go into the details, but let's just say it would be difficult for us to go that far. The fact remains that, for the first time, we're offering people who don't use a lot of data a low-cost plan they've never seen before.

We also intend to launch what's called wireless assemblies. People will have access to the Internet and cable TV. A new competitor like Freedom Mobile, which has been in the market for just over a year, or 14 months, will ensure that Canadians can benefit from new products at better prices.

Mr. Bernard Généreux: I will now turn to Dr. Charlebois. I would like to know if the carbon tax is driving up the price of the food we buy in stores.

Dr. Sylvain Charlebois: As I said to Mr. Williams in response to a question, it's very difficult to create a coefficient that accurately measures the impact of this policy on retail prices. The situation is different on the industrial and wholesale side, where there is currently quite a significant price differential between the United States and Canada.

[English]

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Généreux.

We have MP Gaheer for five minutes.

Mr. Iqwinder Gaheer (Mississauga—Malton, Lib.): Thank you, Chair.

Thank you to the witnesses for appearing before the committee to provide your input.

My questions are for Mr. Charlebois.

Sir, in your opening testimony, you spoke about supporting SMEs in the agri-food industry. I think you mentioned subsidies, but could you elaborate perhaps a little bit on what else you would like to see from all levels of government to support the agri-food industry?

Dr. Sylvain Charlebois: That's a very good question. Thank you.

Essentially, as Mr. Williams mentioned, I do consider processing the forgotten job of the entire food industry. I've always considered processing as the roots of the tree. We all see the tree, the branches and the leaves, but we never see the roots, and the roots will hold the tree up and straight. In Canada we've done a poor job of supporting SMEs in that particular node of the supply chain.

What I've seen over the years are SMEs dealing with listing fees, food safety compliance fees, R and D fees and lots of different things they need to pay but they never plan for. I do believe that there is something there that perhaps the government can do to support small and medium-sized businesses trying to venture into food processing.

We're really struggling with processing in Canada coast to coast, particularly in both the Atlantic and B.C. right now for different reasons. I don't think we've done a good job supporting food processing in general and how we accompany these enterprises that don't necessarily have the resources to compete against the larger CPG companies that come from abroad.

Mr. Iqwinder Gaheer: Thank you.

I would assume that when you talk about processing, it's very capital-intensive, especially at the beginning, and that perhaps that's a barrier to entry for SMEs. What role do you think government could play? I think it would be hard to upfront that cost to set up a processing plant. What else could government do?

• (1725)

Dr. Sylvain Charlebois: It's more about regulations. I think some things could be revised in terms of leniency, for example, with approvals. Lots of policy-driven obstacles actually get in the way. I can think of how to have access to land, for example, or where to build, working with cities, access to water and treatment of water. I'm not suggesting we should be lenient on every front, but I do think costs are prohibitive for SMEs when looking at food processing.

Often the government will actually look at food manufacturing the same way they would look at car manufacturing or manufacturing in other sectors. The reality is that margins are incredibly low, which means that the margin for error is almost nil. That's why we're seeing a lot of plants, whether it's in Ontario or elsewhere, that are undercapitalized. They need to focus on automation right now. They need to focus on the use of robotics, and we're not seeing the investments. Even Cargill has one plant that is on strike right now in Guelph, and there's another plant owned by Cargill that could go on strike within days in Calgary. Cargill is a massive organization, with \$170 billion in revenue last year, and it's hesitating to invest in Canada just because of some of the regulations we have.

I've actually had discussions with Mr. Champagne about this. Creating competition is a bit of a false narrative, in my view. I think what's important for governments to recognize is that it needs to enable conditions in order for competition to emerge. That's really the most important thing. We haven't seen that in the food sector.

Mr. Iqwinder Gaheer: Great. Thank you.

I do want to highlight that some of the things you talk about would be municipal regulations. I think all levels of government perhaps have to do a little bit more to create or to spur that environment for competition.

In your opening testimony, you also spoke about the food distribution networks. Could you speak about that in terms of perhaps bottlenecks being in place? What can we do on the regulation side to help food distribution networks?

Dr. Sylvain Charlebois: Absolutely. I'll use as an example the Ontario Food Terminal, which I think is a great case study for Canada. It's been around for many, many years and has allowed new businesses to be created. It has also allowed food service and food retailers to connect with wholesalers and with farmers as well. That's just one example.

In fact, the Ontario government is about to conduct a review of the Ontario Food Terminal. It needs to continue to operate and it needs to be expanded. It's in Etobicoke, and there's no space, so something will need to happen there. I would say that there is a need for an Ontario Food Terminal in many different places in the country, including right here in the Atlantic. Here in Halifax there

is definitely a need for that in order for restaurants, retailers and independent grocers to have access to some supplies.

Food distribution is a complicated issue in Canada. We have a lot of space, but distribution is very costly. We have to be strategic. The strategic establishment of food hubs would be critical to support retailing and food service at the same time so that consumers can actually have access to more local foods.

Mr. Iqwinder Gaheer: Great. Thank you.

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Gaheer.

Next up is MP Garon.

You have roughly two and a half minutes.

[*Translation*]

Mr. Jean-Denis Garon: Thank you, Mr. Chair.

Mr. Péladeau, I'll go back to Glentel.

My colleague Mr. Généreux asked some very interesting questions. I agree with him when he plays devil's advocate by saying that there's nothing to prevent you from selling your services elsewhere.

However, as an economist, I believe that the same business practice in two different environments can produce different results.

From what I understand, you're saying that you were a threat to the major players in the west, because you were anticipating price drops and that the joint venture form created by the big two, essentially, was explicitly intended to hinder your entry into this market.

Do you think that was the explicit purpose?

What do you think the effect is on consumers? What could be widely offered to consumers in Manitoba, for example, that wouldn't be now that Glentel has taken those shares?

• (1730)

Mr. Pierre Karl Péladeau: I'll start by answering your question, and I'll let Jean Péladeau give the details.

I would say that one doesn't preclude the other. Just because we're staying in the retail network doesn't mean we're going to stop marketing through other channels. Indeed, this is the case. Mr. Généreux was talking about Quebec. Here in Quebec, we also do a lot of sales at call centres, which isn't a widespread practice in other Canadian regions. More and more sales will be done through the web. Again, it varies from region to region.

However, that doesn't mean getting kicked out is a good thing. On the contrary, it will reduce the possibility for those who wish to continue. As the saying goes, shopping around is important in Quebec as well. It's important elsewhere as well. If you reduce customers' ability to choose, I don't see how that's going to help competition. That's definitely the case.

Now, is there an intent to harm competition? It's hard to say. I can't know, I don't have the tools to determine that. However, there may be reason to believe that these measures are indeed being taken to significantly curtail and reduce competition in the retail sector, which is the most important channel in the Canadian provinces.

Mr. Jean Péladeau: To continue in the same vein as his initial answer, it's clear that the decision to proceed with a joint venture of this type was a deliberate decision to curb our momentum in the market at this time and, precisely, to reduce the speed at which we are able to obtain market share from clients and offer our service delivery to Canadians.

That said, I would like to add a comment.

In his opening remarks, Pierre Karl Péladeau mentioned that we nevertheless contacted Glentel to discuss the situation and to tell them that we understand that they have a new agreement, but that we would like to partner with them and be marketed as a neutral retailer.

I will repeat what they said in English, since we were told in English:

[English]

"I don't think we have anything to discuss on the topic you wanted to chat."

[Translation]

In other words, it's not even worth sitting down and talking about it. It was a total rejection.

[English]

The Vice-Chair (Mr. Rick Perkins): Thank you, Monsieur Garon.

It's now MP Masse, for two and a half minutes.

Mr. Brian Masse: Thank you, Mr. Chair.

This is for either of the Péladeaus. I'll let you choose.

In your submission to the Competition Bureau, you noted that the oligopoly could potentially or actually get to 62.5% of all third party retailers. Can you expand on your predictions and the percentage by which they could conquer the market?

Mr. Pierre Karl Péladeau: Mr. Masse, I'm sorry. It's not going to be either of the Péladeaus.

It will be Jean-François Lescadres. He's our CFO and VP of finance. He's well aware about it and will give you the proper and precise answer.

Mr. Brian Masse: Fair enough. Thank you.

Mr. Jean-François Lescadres: Basically, we're talking about the Mobile Shop here, which is clearly like the situation we're going through right now. This way of proceeding, of excluding competition, was already taking place in a lot of stores.

It was taking place actually in Costco, which we just talked about. Their store is called WIRELESS etc., or SANS-FIL etc. in Quebec. There were already stores that were distributed by GLENTEL and were excluding Freedom Mobile products.

There are other models like WOW! Mobile, which is also a joint venture, this time between Telus and Rogers. That's another case of two incumbents going together and excluding other brands from what they're selling.

I don't want to repeat myself. As Pierre Karl said before, we can't think of any other example in the world of two players in a oligopoly putting their forces together to exclude the other ones. We searched. Do we have anything comparable? We still haven't found anything comparable to that.

• (1735)

Mr. Brian Masse: Very good.

One of the challenges that we've had over the last number of decades is that, basically, new entrants have been swallowed up and their brands sometimes have been kept the same in name, or they've been altered. The end result is that I'm not sure there's quite clear customer education and acknowledgement that some of these companies are basically just offshoots of Bell, Rogers and Telus.

if you have a position on this, I'm wondering at this point in time whether or not there should be more truth in advertising so that those types of entrants and market providers should also have to identify publicly on their advertisements whom they're owned by.

Mr. Pierre Karl Péladeau: MP Masse, that's a good idea, but why not go up the food chain and just prohibit that kind of situation?

Mr. Brian Masse: That's fair enough.

Mr. Pierre Karl Péladeau: If you block the retail channel, which is one of the most important ones, whatever you advertise or not.... We've been seeing Bell advertising.... We can't see, so how large the advertising will need to be is, I guess, a bit too much and it's too complicated. I'm not sure that you're going to be able to have the results you're looking for if you prohibit the situation entirely.

Mr. Brian Masse: Thank you.

Thank you, Mr. Chair.

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Masse.

MP Vis is now up for five minutes.

Mr. Brad Vis (Mission—Matsqui—Fraser Canyon, CPC): Mr. Charlebois, I'm really happy to have you here today. I follow you on Twitter.

I think you're a breath of fresh air in the academic community, especially because you talked about food hubs. I come from the Fraser Valley, and we've started one in the Abbotsford-Mission area. Your comments on scaling up food processing are especially relevant where I live.

Earlier this year, I went to the Fraser Valley's Mainland Milk Producers Association meeting, where we had Phil Vanderpol appear. He put up on screen during his presentation what it actually costs to build the new butter factory we're building in my riding. Basically, it's not even feasible anymore to do the project he started a few years ago, mainly due to the increased input costs, the high production of labour and the lack of a competitive taxation system as it relates to investing in equipment.

Specifically, to help food producers who want to process, what can we do, from a taxation perspective, to incentivize the purchasing of that new equipment you talked about when you mentioned that we need more automation?

Dr. Sylvain Charlebois: That's a great question.

I recall seeing the government in Quebec provide a financial incentive to Kraft Heinz to build a ketchup plant in Montreal. Why not do that with Canadian companies?

You see, in the last decade or so in America, they've been able to build over 4,000 greenfield food processing plants. During the same period in Canada, we have built fewer than 30.

When building new plants, it is quite costly because you're often confronted by a government, sometimes at the federal level—actually, a lot of the time, it's at the federal level, because if you want to have a federally licensed facility, you have to deal with the CFIA. There are a lot of costs involved and inspections. There's a lot of bureaucracy involved.

I think at some point, we need to decide whether or not we want to support processing and new ventures along the way. Your butter example is under supply management. Of all places, we should invest in supply management.

Mr. Brad Vis: Yes.

Dr. Sylvain Charlebois: In Kingston, Ontario, we allowed China to build Canada Royal Milk to manufacture baby formula. That is a sign that we're not doing a good enough job to vertically integrate in this country. We're allowing other countries to invest in our own country to do the work we're supposed to be doing.

• (1740)

Mr. Brad Vis: Thank you for that.

Can you say anything specifically...? I totally agree with you on the CFIA. It does not seem to want to work with our existing processors, and it actually makes their job quite hard.

Do you have any concrete recommendations about how we could reform the way the CFIA conducts its inspections?

Dr. Sylvain Charlebois: I could provide you with some detailed recommendations, but not at this time.

Mr. Brad Vis: Thank you so much. I look forward—

Dr. Sylvain Charlebois: I can, after the—

Mr. Brad Vis: Thank you.

The reason we're here today and have this bill before us is because the leader of the New Democratic Party, Mr. Singh, talked a lot about grocery stores having excess profits. To this day, I have not received a definition of what an excess profit is and what an ex-

cess profit would specifically be as it relates to grocery stores and the purchasing of food.

Given that you're one of the leading experts in the country, can you tell us what an excess profit is?

Dr. Sylvain Charlebois: No, I cannot. I've asked the same question of Mr. Singh. I don't think there should be a definition. We should remind ourselves as to why companies exist in the first place—to make profits.

I think what really needs to be underscored here is our ability to foster innovation and to support competition, but also to regulate. I actually do think a lot of the anger out there coming from Canadians comes from a place where they don't feel protected. This is why I think this bill is really important—to empower the company to do its job.

We have a bread price-fixing investigation that has been going on for nine years, and it's still not done. Canadians have every right to feel angry and skeptical about what's going on. What we've seen in recent days from the Competition Bureau about property controls is a breath of fresh air. I think we need to see more of that.

Mr. Brad Vis: Thank you.

I appreciated your comments during your exchange with Mr. Gaheer about ensuring that we have the conditions to foster competition. I don't believe we have those conditions, especially in the retail grocery store sector in our country. That is why I am pessimistic about any of the provisions our party has even agreed to support to reduce the costs that Canadians are seeing at the grocery store. I think it's going to take a while to see competition come forward in this sector.

What are a couple of key things that come to your mind about ensuring that the conditions for competition emerge?

Dr. Sylvain Charlebois: Address interprovincial barriers as soon as possible. We need to deal with that. Talk to any agri-food company, including in your own riding, I suppose, in the Fraser Valley. It is easier to do business with the United States than with other provinces. That's a really big problem.

In Nova Scotia, right here, we have lots of great businesses, but they can't expand, because of some of these barriers.

That's certainly the one thing I would do as quickly as possible.

Mr. Brad Vis: Thank you.

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Vis.

Next is MP Turnbull for five minutes.

Mr. Ryan Turnbull: Thanks, Chair.

Thanks to all of the witnesses for being here today. This is an important conversation, as are many that we have here at the INDU committee.

Mr. Péladeau, I'll start with you, perhaps. I note that a recent media article just yesterday reported that the Federal Court judge ordered both parent companies, Loblaw and Sobeys, to hand over documents to Canada's Competition Bureau, which is consistent with the new power that our work together in Parliament gave to the Competition Bureau. This is to compel documentation and do deeper market studies, which I think we've all noted is a good thing, but also to investigate cross-industry collaborations that would be considered anti-competitive.

I think you're dealing right now with a very similar situation. In this particular one that I'm referencing, it's property controls. Can you speak to the fact that the Competition Bureau now has this new power to investigate and compel documents, which is being upheld by the courts? I'm sure you can agree that, in your circumstance that you've brought to this committee, this is a positive development in the bureau having more teeth to address the issue that you've come here to speak about.

• (1745)

Mr. Pierre Karl Péladeau: Yes, the more tools you can offer the Competition Bureau to investigate a specific situation, the more efficient they will be to make sure that anti-competitive measures will be prohibited and sanctioned. I would say that the best is to come, if they have the capacity to do so.

I reiterate that on top of that, at the end of the day you need to have the leadership, which is paramount to make sure that the law will be applied. If they don't have something that will force them to act, it's a question of priorities. They'll go on regarding the means they have and the priorities they establish. Therefore, if in some aspect of the daily life of consumers in Canada, they consider this not to be important, then it's not going to be on top of the file, and you'll wait until it's the pleasure or the sentiment of the management of the bureau to consider it.

Mr. Ryan Turnbull: Thank you for that.

Mr. Sylvain Charlebois, I'm going to ask you a similar question about Bill C-56. The example that I have given is a recent report where the Federal Court judge has upheld in a way the new powers that Parliament has given the Competition Bureau.

We know, or at least the Competition Bureau suspects, that there are anti-competitive practices within those property controls that are embedded and that, in some cases, Loblaw and other companies have substantive stakes in the REITs that control the plazas and shopping centres.

Essentially there are covenants and requirements within there. There may be ways that they are blocking—or it's embedded in those contracts that they are blocking—competitors from operating within those same plazas.

Can you speak to the fact that the Competition Bureau now has this new power? Do you see this as a positive sign that an investigation can go deeper into what's really going on in those collaborations that may be anti-competitive?

Dr. Sylvain Charlebois: I would say that it is a step in the right direction, for sure.

Here's what I think is going on here. On the one side, you have grocers who I think firmly believe that what they are doing is right and legal, because a lot of people know that these things have been going on for a very long time.

I have been studying food distribution for 25 years. I don't remember the first time I heard about these practices, and these practices have been normalized over the years. Now what we're seeing is a public that has become less tolerant of some of these practices. They have come to light because of higher food prices, and people are expecting something different.

That's where I think the Competition Bureau has a role to play to really set a different tone to create that cultural shift within the industry, saying to grocers that while this was probably socially acceptable in the past, it is not anymore.

Mr. Ryan Turnbull: Yes.

Dr. Sylvain Charlebois: I think that's what Mr. Péladeau is talking about, that leadership that could bring grocers to realize that they are not in Kansas anymore.

Mr. Ryan Turnbull: Thank you.

I think that's a good sign, and it's good to hear that both witnesses today agree with that change.

One other notable change in Bill C-56, a government bill, is the repeal of the efficiencies defence, which, under merger review for a long time, was used as a way to justify mergers that would otherwise be considered to substantially lessen competition.

Would you agree that repealing the efficiencies defence, which is a tool that was used to justify mergers that often increased the concentration in markets, is a good thing for increasing competition?

Dr. Sylvain Charlebois: I would say yes. I believe that the food distribution landscape in Canada would be very different today if that had happened, I would say, before 1998, when Provigo was acquired by Loblaw's; and in 2005, I believe, when A&P was acquired by Metro; and in 2013 when Sobeys acquired Safeway.

Those three specific acquisitions wouldn't have happened if Bill C-56 had been approved or ratified before 1998.

• (1750)

Mr. Ryan Turnbull: Just building on that, I know that the really reputable lawyers and witnesses we had earlier in the week spoke of Bill C-352 as perhaps inadvertently reintroducing the efficiencies defence back into competition law, and that's something that hasn't been done. It's one of the questions that still sits. There were three questions, and maybe if I get another chance to ask questions, I will focus on the other two.

I think you would agree, based on your testimony, that reintroducing the efficiencies defence back into competition law would be going backwards in time and not be conducive to increased competition.

Dr. Sylvain Charlebois: I would agree, Mr. Turnbull. I think it would be a step back, for sure.

I'm not a legal expert, and I just want to make sure that people know that. I look at food distribution as a social scientist and economist.

Mr. Ryan Turnbull: Thank you, sir.

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Turnbull.

MP Garon, you are up next.

An hon. member: [*Inaudible—Editor*]

The Vice-Chair (Mr. Rick Perkins): No, you're right. It's MP Williams. I'm sorry. I was too far down the list already.

Mr. Ryan Williams: You're doing a great job otherwise, Mr. Chair.

The Vice-Chair (Mr. Rick Perkins): MP Williams, you're up next for five minutes.

Mr. Ryan Williams: Thank you, Mr. Chair.

Mr. Charlebois, the Grain Growers of Canada revealed today that the capital gains inclusion rate changes will increase taxes by 30% on family-run grain farms—30%. They talked about this being an impact on those farms as a whole. The question I have for you is this: Do any increases on farms like those of the grain farmers of Canada find their way down to the grocery stores, yes or no?

Dr. Sylvain Charlebois: Is that for the capital gains tax specifically, Mr. Williams?

Mr. Ryan Williams: Yes. The Grain Growers of Canada specifically revealed that the capital gains inclusion rate change will result in a 30% increase of taxes to those farmers.

Dr. Sylvain Charlebois: I haven't seen the evaluation today, unfortunately, but I would say that I'm surprised that this hasn't come up before. We did hear from other groups in the economy.

However, to suggest that this change affects only a minimal number of Canadians, I think, is misleading. I think it actually affects a lot of businesses, including in the agri-food sector, and I would start with farmers. Therefore, I'm not surprised to hear what I'm hearing right now.

Mr. Ryan Williams: Tell me what you've heard, then, in terms of these tax changes. Will they affect farmers, then? Are they going to affect manufacturers? Tell us what you're hearing in terms of how these capital gains tax changes will affect other Canadians.

Dr. Sylvain Charlebois: It affects planning for businesses and farmers. They have to think about the next generation.

We've had issues with farming and the next generation and how we get more people involved in farming, so that's certainly not something you want to do. You're discouraging investments. You're discouraging people from considering farming. As well, of course, you have to look at processing.

The thing about the agri-food sector is that we have a lot of family businesses, and this is what's unique about the agri-food sector compared to other sectors. A lot of family businesses would look at this capital gains tax as detrimental to their own wealth and to their next generation as well.

I'm not sure that we've discussed this enough since the introduction of this new bill by Parliament.

Mr. Ryan Williams: Given the fact that it's going to affect families and family farms and that a lot of them are, of course, concerned about prices already, and given that—through the Grain Growers of Canada—they're saying that these prices are going to be added to the food bill, in your experience, is that going to potentially result in increased costs to consumers?

Dr. Sylvain Charlebois: As I said, I haven't seen the evaluation from the Grain Growers of Canada, unfortunately, but to suggest that this could actually have an impact on food prices would be premature at this point. We haven't done the evaluation. However, I would consider that it may actually be the same argument given for the carbon tax, for example, where it's very difficult to really narrow down that one factor and how that one factor can impact. It will actually impact the productivity of our agri-food sector and the competitiveness of our food sector, but retail is always difficult.

Over time, this could have an impact on our food security because we could actually see fewer farms or fewer players in the industry.

• (1755)

Mr. Ryan Williams: You've talked about bread price-fixing. Given that the Competition Bureau's investigation into bread price-fixing has been ongoing for over nine years with limited action, resulting in only Canada Bread receiving a fine, how do you view the Liberal government's inaction in addressing this issue?

As well, what do we need to do and make changes on to ensure that this doesn't happen again and be prolonged for nine years, especially given the fact that the U.S. seems to have made arrests and had bigger fines compared to Canada?

Dr. Sylvain Charlebois: That's right. For example, just to compare what's going on in the U.S. versus Canada, in the U.S., they had one case involving canned tuna. The CEO of Bumble Bee Foods was jailed for 40 months because he was found guilty of fixing prices for three years.

In Canada with bread, allegedly the scheme was running for 14 years, from 2001 to 2015. The investigation started in 2015 with Loblaw's disclosure. In 2017, we all learned about what went on, and we didn't hear anything about the investigation until last year when Canada Bread admitted guilt and paid a fine.

This is just not acceptable, and that's why a lot of people are skeptical of the Competition Bureau's ability to solve anything. With this property controls investigation, my hope is to see the bureau act very quickly on this issue—because I think it's a real issue—and provide public recommendations so that people can feel more reassured about what's going on.

Mr. Ryan Williams: Thank you.

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Williams.

We go now to MP Turnbull for five minutes, please.

Mr. Ryan Turnbull: Thanks, Chair.

Just following up on my last line of questioning, I'd like to focus my remaining time on two other lines of questions. Two other pieces of Bill C-352, which is the private member's bill we're talking about, have not been addressed.

What I think we heard from witnesses is that about 98% or 99% of all the things that are in Mr. Singh's private member's bill have already been dealt with in Bill C-19, Bill C-56 and Bill C-59, which have made successive rounds of changes—I would call it a comprehensive package of amendments—over time, in three different bills, to our competition laws. I could go through all those changes, but we would run out of time very quickly.

I want to focus on two points.

One is that the fines that are being introduced in Bill C-352 put an upper limit on the fines.

We heard from the lawyers who were here earlier in the week that, in fact, allowing the discretion of the courts to basically determine a maximum fine is better—to have harsher penalties—than actually including a maximum upper limit to the fines people could be ordered to pay.

Mr. Charlebois, would you agree with the expertise of the lawyers that we shouldn't be reintroducing an upper limit?

Most legal proceedings that happen don't end up starting at a maximum penalty and over time, the courts could decide, if there's repeated behaviour, to surpass any upper limit we might conceive of here today.

What would you say about that, Mr. Charlebois?

Dr. Sylvain Charlebois: Absolutely. I think you raise a good point, Mr. Turnbull.

I didn't comment on the amounts presented in the bill, but I did question why we would put an actual sum there.

In the agri-food sector in particular, not all firms are created equal and penalties would vary greatly. I would argue that for Grupo Bimbo, the owner of Canada Bread, \$50 million is not very much.

That's why I would say that if you really want to send a clear message, I certainly would advocate for not putting an exact sum there and allow the discretion of the court to decide what is the appropriate penalty for certain circumstances.

• (1800)

Mr. Ryan Turnbull: Thank you.

My last question is around is another point of debate that is left over, I think.

In previous rounds and consultations that were done after Bill C-19 was passed, in the lead-up to Bill C-56 and Bill C-59, and those rounds of changes there were lots of conversations about

what are called structural presumptions and the idea that within a merger review, we're looking at a number of different factors.

I think a lot of what we heard in the consultation was that market share could be an indicator of a substantial lessening of competition, but is not sufficient in itself to determine whether a merger should be blocked or not.

Bill C-352, the private member's bill that we're discussing, reinserts that into the bill. We repealed that, on the one hand, in Bill C-59. We repealed the section of the Competition Act that expressly prohibits the tribunal from concluding that a merger is likely to harm competition “solely on the basis of evidence of concentration or market share.”

The reason is that most of the experts say that market share isn't sufficient in itself because there are contextual factors. There are times where market share or concentration may increase slightly with a merger, but that doesn't necessarily harm competition in every case. The point is that the tribunal can still consider any factors. It's the same with the efficiencies defence. The tribunal can still consider efficiencies within its merger review process and it can still consider market share and concentration, but we don't want to reinsert that as a structural presumption that is the only factor that determines their decisions.

Mr. Charlebois, maybe I could ask you if you concur with that finding as well.

Should we stick with the things we heard in the consultation, which led to the change that Bill C-59 introduced or should we go backwards and reintroduce market share back into it?

Dr. Sylvain Charlebois: I'm afraid, Mr. Turnbull, that we won't have a debate, because I still agree with you. I actually do think that using market share as a sole metric is misleading.

Loblaw is a good example of that. Loblaw has 29% of the market when it comes to food retail in Canada. The 29% is a bit misleading because Loblaw is a heavily vertically integrated company. It has President's Choice and No Name, and hundreds of companies revolve around Loblaw, which gives it tremendous power in the agri-food sector. Not dealing with Loblaw.... For most companies, Loblaw is their number one customer because of that. That's why it's extremely reckless and dangerous to only look at that one metric. You have to look at many other metrics, including vertical integration, in my view.

Mr. Ryan Turnbull: Thank you.

That's all the questions I had. I appreciate it.

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Turnbull.

For two and a half minutes, we'll go to MP Garon.

[*Translation*]

Mr. Jean-Denis Garon: Thank you, Mr. Chair.

Dr. Charlebois, earlier, my colleague Mr. Vis asked you about excess profit, a concept taught in first-year economics. Excess profit is a level of profit that, if taxed, would prevent investors from moving their capital to another sector at equal risk.

The witnesses we've heard from so far, including Professor Ross from the University of British Columbia, have told us that there isn't necessarily an excess profit problem in the grocery sector; rather, we have a competition problem. This is demonstrated by the fact that, between 1984 and today, we have gone from 13 major chains to five, including Walmart and Costco, which share 80% of the market.

Dr. Charlebois, you talked to us about a number of interesting points, which is why I'm addressing you. What has been raised by some witnesses is that regulatory barriers to investment make foreign retail businesses reluctant to come to Canada.

Anecdotally, the Minister of Innovation, Science and Industry is very active, but he goes across the border to try to persuade grocery distributors to invest in Canada, when, on average, the margin is 5% in Canada and 2% in the United States. There must be barriers that make these companies not want to come to Canada.

What are those barriers?

• (1805)

Dr. Sylvain Charlebois: First, stop inviting grocery CEOs to Ottawa to ask them why they're making too much money. The Lidl's and Aldi's of the world read the headlines, like everyone else.

Second, I think it's important to recognize that the companies currently in Canada are very well managed. They're very market savvy. Metro, Empire, Sobeys and Loblaws are very well-run companies. They're taking advantage of the fact that the market is letting them grow. We must not forget that Empire, Metro and Loblaws responded to the American threat 30 years ago, with the arrival of Walmart and Costco. That's why we've seen a lot of consolidation.

Since we weren't able to regulate or stop transactions, we ended up with a high concentration in the market. What we're seeing now is that Mr. Champagne wants to recreate the same phenomenon.

Personally, I've always believed that, at the national level, the priority should be to create conditions that allow a grocer to achieve better results. Interprovincial barriers and taxation levels are examples. We tax a lot of retail products. For example, at Loblaws, 4,600 products are taxed at the retail level. Many are taxed as a result of shrinkflation. People realize that. It makes groceries less competitive and more expensive for everyone.

We need to look at these kinds of changes to give Canadians a little more breathing room.

Mr. Jean-Denis Garon: Thank you very much.

[*English*]

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Garon.

For two and a half minutes, we'll go to MP Masse.

Mr. Brian Masse: I couldn't hear, so I'm assuming I have the floor, I hope.

The Vice-Chair (Mr. Rick Perkins): Yes, you do, MP Masse.

Mr. Brian Masse: With regard to the discussion, I want to add something for the record here. For "excess profit tax", "greedflation", or "windfall tax", they have different connotations, but often those are the three that are mentioned. They're actually very familiar here in North America.

What the U.S. implemented in 1917, 1935, 1933, 1940, 1943, 1950 and 1953 all dealt with the fact that profits to large corporations were excessive, because they weren't from the work they were doing: They were the benefactors of economic and social conditions during those times. That's why the United States has actually done that.

In fact, when you look across the ocean, with regard to the United Kingdom and Great Britain, the Conservative PM has actually put in place a 25% energy profits levy, and that's also been raised, with him as prime minister now, the Conservative prime minister, to 35% on energy profits. That will stay in place. He announced most recently that up until 2029 that will be in place.

When you look at the other countries in the world that are looking at this issue, a quick review of that would be Austria, which actually has implemented a windfall profit tax on electricity and oil and gas companies; Belgium, which is doing it for electricity producers; Bulgaria, which is doing it for electricity and refining industries; Croatia, which is doing it for electricity and also doing it for other companies as well; and the Czech Republic, which is doing electricity and also the banks and other energy fossil fuels, similar to many of the other European states.

Finland is doing this for electricity, gas and oil companies. France is doing it for electricity producers, mining, refining of petroleum and manufacturing of coke products. Germany is doing it for electricity producers. In Greece, they're doing certain energy sectors as well. You also have Hungary, which is doing petroleum producers, pharmaceutical distributors, mining royalties, airline companies, credit and financial institutions. They are all included. You have Ireland doing it for electricity producers. As well, you have Italy doing this for the sale of electricity and oil and gas and the distribution of products in the banking sector. You also have Latvia, which is doing it for the banks and energy sector companies, and Lithuania, which is doing it for domestic banks and branches of foreign members licensed in the United States and the European Economic Area.

You have Luxembourg, which is doing this for electricity producers. You have the Netherlands—electricity again—and in Norway, wind farms are actually getting the excise profit tax. Poland is doing coal and mining companies. Portugal is doing oil and refining of gas and, also, interestingly enough, food distribution. Romania is doing it for oil, natural gas, coal and refining companies, and Slovakia for electricity producers, natural gas and refining companies.

I'll conclude with this, Mr. Chair. The fact is that the issue of having an excise profit tax is not foreign with regard to public policy in North America and it is actually the public policy of the European Union. I would conclude with this. If we look at our history that we've gone through just recently with regard to the excess amount of corporate tax cuts/reductions that were done from the year 2000 to 2020, on top of that we had the financial mess and had the Harper administration do a rescue plan for many different industries, including the banking sector, which actually received a significant amount of public money.

Lastly, we had COVID-19. The actual amount of money that was spent by the public on that created the profit margins that are now being abused in terms of Canadian consumers. I'll conclude by saying that this is not a concept foreign to North America or to the European Union, and other countries are dealing with it because people are suffering.

The profit margins that they actually got from these profits were not from their business practices but because of public and social policy.

Thank you.

• (1810)

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Masse.

Before I go to the next five-minute round and MP Vis, maybe the committee could indulge me.

Since we have one of the premier—if not the premier—business leaders in Quebec before our committee on that question, I'm just wondering, Mr. Péladeau, if you got charged a special tax, would you absorb it or would you pass it on to the consumer, like I understand—from my time of writing strategic plans for businesses—we always do? It's just the cost of business, is it not?

Mr. Pierre Karl Péladeau: Well, you know what? I would say, Chairman, that, again, we introduced competition, and since it's there, it will remain competitive. At the end of the day, if you pass on the tax or not, the market will be that people will be interested in having the product at the lowest price as possible and for the highest quality. I would say that it doesn't really matter if all the conditions are together, are assembled, to make sure that the competitive environment will remain and will be strong and viable.

The Vice-Chair (Mr. Rick Perkins): Thank you, committee and Monsieur Péladeau, for the indulgence.

We have MP Vis for five minutes.

I would say that we have 15 minutes. There is another round for the government side if they wish, after that. We can have an open round, too. I'm in the committee's hands.

Mr. Brad Vis: Thank you.

I'll go back to you, Mr. Charlebois, before turning it over in about two minutes to Mr. Généreux.

We had a great exchange with Mr. Schaan from the Department of Industry when we were talking about apples. I'll bring up apples again. I bought a bag of apples on the weekend at the superstore. I think I paid about \$7 or \$8 for a bag of apples produced in Washington state but consumed regularly in B.C.

In that bag of apples I purchased, what do you think the breakdown is for what I paid? Where would that go?

Dr. Sylvain Charlebois: Well, first of all, I can't believe you bought American apples [*Inaudible—Editor*].

Voices: Oh, oh!

Mr. Brad Vis: I know. It's shameful.

Dr. Sylvain Charlebois: I would say that, obviously, out of \$8, if you want to use that sum—

Mr. Brad Vis: Yes.

Dr. Sylvain Charlebois: —very little goes to the farmer.

On average, a farmer will get anywhere between, I'd say, 3% to 10% of the product you buy at the grocery store. Of course, it depends on the level of processing. For an apple, there's very little processing, so my guess is that it's closer to 10%. After that, you have brokers, merchandisers, shippers and, of course, distributors.

It is a fresh product. Margins are pretty high in the fresh section of the grocery store. It varies quite a bit between 30% and 50%, depending on the food category, so—

• (1815)

Mr. Brad Vis: What about applesauce?

Dr. Sylvain Charlebois: For applesauce, the margins are much smaller. There's more processing involved. There's a lot more markup in processing, in particular. The apple grower will get much less—close to 3% or 4% for that apple.

Mr. Brad Vis: Thank you.

[*Translation*]

Mr. Bernard Généreux: Mr. Péladeau, what are your real expectations regarding the complaint you filed with the Competition Bureau today?

Mr. Pierre Karl Péladeau: Mr. Généreux, we're operating in an industry that was considered to be an oligopoly. You've discussed this a number of times at this committee and elsewhere, that wireless prices in Canada were among the highest in the world.

The purpose of our complaint to the Competition Bureau is to counter one of the measures that hinder competition. We hope that this complaint will result in an investigation, an analysis and, if necessary, initiatives that will make it possible to avoid measures being taken to slow down competition. That's what we want.

As you mentioned earlier, we've demonstrated beyond a shadow of a doubt that we're a player that isn't afraid of competition, having always evolved in this sector. When we entered the telecommunications sector, we were confronted with a culture that was unfamiliar to us. For many, many years, cable TV had been a monopoly, but not necessarily in the best interests of Canadians. Competition always tastes better and is better for citizens.

Mr. Bernard Généreux: What's the current situation with regard to competition in Quebec? We know that Videotron, which in fact provides very good service, is an extremely important player when it comes to cable TV, among other things. You've also expanded the services you offer in Quebec.

Do the latest CRTC decisions on MVNOs, or mobile virtual network operators, play into the competitive element that you want to see more and more, particularly in Quebec?

Mr. Pierre Karl Péladeau: You're right to point that out, Mr. Généreux, because the measures that have been taken in recent years promote competition, both in terms of switching from one network to another, and in terms of being able to take advantage of the policy you mentioned, the MVNOs, with conditions for network construction.

Players are prevented from engaging in speculation in what are called spectrum auctions, because there's now an obligation attached to that. When you buy spectrum, you have an obligation to build a network over the next seven years. If you don't, you lose the right to use that spectrum. As a result, all of these measures have ensured that Canadians can ultimately benefit from the best competitive conditions.

That said, some considerations are sometimes extremely surprising. For the same product, called fibre optics, or FTTH, the price will be \$69 in Quebec compared to \$89 in Toronto.

Could that be considered dumping or anti-competitive measures? Of course, Quebecers benefit, but give us access to the networks as well, just as we, Videotron, give access to users. It's called third-party Internet access. Bell, on the other hand, has just bought almost all of these network users. There are measures like that.

Obviously, we're aware of this because it's what we do every day. However, everything has to be analyzed by the Competition Bureau, and you can well imagine that, as players in this industry, we don't hesitate to inform the Competition Bureau to put an end to these practices, which are harmful to Quebecers and Canadians.

Mr. Bernard Généreux: Thank you, Mr. Péladeau.

[English]

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Généreux.

For the next round for another five minutes we go to MP Turnbull, please.

• (1820)

Mr. Ryan Turnbull: Mr. Charlebois, I'm going back to you.

I know that the Competition Bureau did a study on grocery prices way back now; it seems like a long time ago. It was when I was on the agriculture and agri-food standing committee. We received that report, and it really felt like it didn't get to the bottom of

the issues, the heart of the issues, with grocery prices in Canada being inflated. I think part of the challenge they identified was that the Competition Bureau was limited in its powers to compel data. One of my concerns from hearing from the grocery giants in Canada on that committee at the time was that they were saying that, in fact, their margins weren't that much higher, when I think the data shows that their gross margins are somewhat higher—although low as a sector as a whole, for sure. What I wanted to say was that it seemed as though they were saying that their health and beauty products and lines were the reasons they were making a lot more money—or at least that's what Loblaw's CEO Galen Weston told us.

What I want to ask you is this. Do you think that the Competition Bureau with the new powers that have been added to it to compel documents and data.... If they were to be able to get to bottom of the issue with those new powers, what do you suspect is the real heart of the issue with grocery prices and the concentration in the market that we see in Canada? Certainly part of the issue that we have, and I don't think anyone's going to doubt this, is that concentration is part of the problem. It might not be the whole problem, but it's certainly a big piece of it. Can you comment on those powers to compel data and what you think we would uncover, or the Competition Bureau would uncover?

Dr. Sylvain Charlebois: In response to your question, I have two comments.

One is about net margins. Yes, net margins are very low in Canada compared with other sectors. But if you compare the net margins of Empire, Sobeys, Loblaw's, and Metro, the net margins are actually, on average, double of what they are in the U.S. if you look at Albertsons and Kroger there. So, yes, it's a competitive market in Canada, but it's been comfortable for them too.

Most of them are integrated businesses; they do carry products with higher margins like cosmetics, and pharmacies and things like that. But it's been comfortable for the main players here in Canada, I do want to say.

Secondly, our most important recommendation, we believe, for Bill C-352 is our first one, which is very much about data. This is probably the most frustrating thing that I've experienced as a scholar working with businesses, that we fly in the dark in Canada. I think that the Competition Bureau has a role to play to democratize data as much as possible so that the public would know some of these things about margins and and some of these things about competition in Canada.

Also, it would help businesses that are looking at that space too. The lab that we have at Dalhousie is all about democratizing data, but we can't do everything ourselves, and that's why we wanted to recommend this specific thing. Even though it may not be in the scope of Bill C-352, we still believe that democratized data should be a priority for the bureau.

Mr. Ryan Turnbull: Thank you. I will move on and ask you one more question.

I noted in that report back when I read it that they had recommended a lot more independent grocery stores in Canada, but really gave no path forward, in my view, to actually getting there.

I agree with their recommendation that we need more independent grocery stores in Canada—perhaps to break up that oligopoly and have more competition. At the same time, I believe that concentration exists throughout the entire supply chain in most cases. Primary agriculture has been consolidated over many years. I've seen the statistics, and food distribution and wholesaling have also been concentrated.

I note you mentioned that regional and local food systems are important, and I couldn't agree more with you on that. My feeling is that we need to build small-scale supply chains to really have the independent grocers have the supply chains that support them in being able to exist and compete. Would you agree with that sentiment? You noted food hubs, and here I think that regional food hubs are part of the missing middle of that small-scale supply chain in Canada that could coexist with the big players and increase competition. Would you agree with the way I'm framing it, that we need more regional supply chains that support independent grocers?

• (1825)

Dr. Sylvain Charlebois: Yes, I think the path is pretty simple in my mind. You have two elements: the code of conduct and processing.

The code of conduct would obviously bring more depth to our food processing sector because they'll be able to have a voice to negotiate with grocers, so you will increase chances of processors surviving and thriving in Canada. In doing so, you actually give more choices to independent grocers. You level the playing field for the big five and independent grocers, and you give more choices up the food chain.

Right now what we have is a group of five grocers essentially selling the same thing because they can dictate who wins and who loses up the food chain. By allowing a food processing sector to become stronger, you actually give an opportunity to independent grocers to sell something else, something different, something unique. Yes, we want more independent grocers, but the governance of the industry needs to be addressed by implementing more discipline, more rigour, and I think a lot of people are hopeful that the code would do that.

The Vice-Chair (Mr. Rick Perkins): Thank you.

With the indulgence of the committee, I would suggest two and a half minutes for Monsieur Garon, two and a half minutes for Monsieur Masse, and I think MP Williams has one question he'd like to ask at the end after those.

I would also just like to remind members, before everyone starts thinking about leaving, that amendments for this bill, Bill C-352, are due at noon tomorrow, if you have any.

MP Garon, you have two and a half minutes.

[*Translation*]

Mr. Jean-Denis Garon: Thank you, Mr. Chair.

I'd like to thank the committee for its generosity, as they so aptly put it.

Mr. Péladeau, there's a new energy at the Competition Bureau. This is evident in the new powers it's been given, such as the fact that it will soon be launching a study on airfares.

As for mobile stores in grocery stores, we've seen the competition commissioner for the first time use his power to issue subpoenas. We can feel this new energy.

You're certainly aware that, on Monday, the Competition Bureau announced an agreement with Bell in the Outfront Media case, where it was recognized that a merger would have a significant impact on competition in more than 600 stores in Toronto, Montreal, Sherbrooke, among others.

Is that the kind of agreement or the kind of proactive, efficient way of doing things that you expect, particularly in the case you're dealing with in Manitoba?

Mr. Pierre Karl Péladeau: You're right to mention that. This example is a good illustration of the capacity and leadership we feel. We're also feeling it from the CRTC, the chair of which is from the same background.

I think measures designed to promote competition are neither “anti” nor “pro” undertakings; they are to the benefit of citizens. They also require companies to become even more involved in innovation. Ultimately, everyone benefits. Making our companies more competitive, more attentive, and more dedicated to innovation can only be beneficial. You're right to point out that we acted quickly.

As you can probably imagine, we informed the bureau of this situation and they took it head on. It conducted its own investigation and analysis with the various players in the industry. The result is that we acted swiftly enough to ensure that it will be good for competitors on both sides, although the results remain to be seen. It will also give Canadians more choice.

Mr. Jean-Denis Garon: Thank you, Mr. Péladeau.

[*English*]

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Garon.

We have MP Masse for two and a half minutes.

• (1830)

Mr. Brian Masse: Thank you, Mr. Chair.

Mr. Péladeau, I was just feeling through this and thinking in terms of the identification of companies for products and so forth. You brought up an excellent point: why even bother having to notify? Am I correct in that you would be in support of having one brand for the major company?

I went on the website of one of your competitors and couldn't find any of the affiliated companies they have through their corporate structure being advertised there. You really have to do some extra work to identify these companies. I don't think that's good for competition, in the sense that it's false competition in many respects, once they gobble them up.

What are your thoughts on that, please?

Mr. Pierre Karl Péladeau: That's in this industry. In the meantime, it's also equivalent in other industries. You have premium brands, then low-cost brands. We call these “flanker brands” and “fighter brands”. These will address specific segments of the customer base. Should Fido be known as Rogers? Usually, if you go into a shopping mall, you'll find that Fido is just beside Rogers. That doesn't mean they address the same market. I think it's different.

At the end of the day, giving choices until.... You know, obviously, there are many players in the marketplace that will be beneficial for consumers.

Mr. Brian Masse: Thank you.

That's my last question, Mr. Chair.

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Masse.

For the last question or two, we have MP Williams.

Mr. Ryan Williams: Thank you, Mr. Chair. I'll be pretty quick.

Mr. Charlebois, we spent a lot of time talking about grocery stores, but manufacturers are showing record profits. There are only so many of them—PepsiCo, Tyson Foods, Nestlé and Kraft Heinz. Besides the profits, one way these manufacturers get away with increased prices is by shrinking their products. Shrinkflation means they slowly shrink their products down, so there's less product for more money.

Should shrinkflation be outlawed?

Dr. Sylvain Charlebois: I don't think so. It is a practice that has been around for decades.

I have two concerns about shrinkflation.

One is that we have some data at the lab showing that, perhaps, Statistic Canada doesn't really take into account the impact of shrinkflation on food inflation, generally speaking. In other words, because it doesn't do that—and it mentions on a website that it measures that, but we don't see the evidence of it—it could mean that Statistics Canada is underestimating food inflation. That's one thing.

The other thing goes back to taxation at retail. A CRA rule suggests that for certain products, if they're reduced to a certain point, they become snacks. We call it the snack tax. They go from a food to a snack. For example, if you see a container of ice cream going under 500 millilitres, it becomes a taxable item. A lot of Canadians don't recognize that when they go to a grocery store, they have to look at the receipt. Sometimes, taxes aren't itemized on receipts, so it's hard to tell.

Those are the things I think we need to address here in order for Canadians to understand what shrinkflation is actually doing to them directly, other than the fact that they're getting less for the same amount. I think that with Statistics Canada and the CRA, these are two things that we need to look into more seriously.

The Vice-Chair (Mr. Rick Perkins): Thank you, MP Williams.

I want to thank the witnesses. This has been an interesting study on Bill C-352, MP Singh's private member's bill.

I want to thank Professor Charlebois for his testimony, as well as Messieurs Pierre Karl Péladeau, Jean Péladeau, and Monsieur Lescadres. Thank you very much for your time and your testimony. It was very insightful.

With the committee's permission, this meeting is adjourned.

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