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## SPECIAL COMMITTEE ON FOOD PRICES **HEARINGS**

Wednesday, September 2, 1981

Chairman: Doug Graham, M.L.A.

# **SPECIAL COMMITTEE ON FOOD PRICES**

**CHAIRMAN:** Doug Graham, M.L.A.

**MEMBERS:** Peter Hanson, M.L.A.

Tony Penikett, M.L.A.

Missy Follwell

Clerk to Committee

Wynne Krangle

Committee Researcher

Expert Advisor: Dr. Peter Dooley, Department of Economics and Political Science,  
University of Saskatchewan, Saskatoon.

## **WITNESSES:**

Susan Beaubier, President, Canadian Consumer Association, Whitehorse Branch

Patricia Timmermans, Member, Canadian Consumer Association, Whitehorse Branch

Larry Harding, Vice President, Marketing, Burns Meats

Mike Stitt, General Manager, Burns Meats, Whitehorse

Don Crowe-Swords, Chairman and Managing Director, Zenith Transport Ltd.

Lorne Kerr, President, Alberta Grocers

Paul Mitchell, Owner, Super A Food Ltd.

Vivian Kitchen, Owner, Super A Food Ltd.

**Wednesday, September 2, 1981**

**Mr. Chairman:** I will call this hearing to order please. Day two of the Special Committee on Food Prices sees us with the Consumers Association scheduled to appear first as a witness. I understand we have Susan Beaubier and Patricia Timmermans from the Consumers Association of Canada, Whitehorse Branch.

Ms Beaubier, as I see it, you have a report to the Special Committee. We would like to know if you would like to make this presentation to us and get everything on the record. Is that acceptable? Once you are finished with your presentation, if we have any questions we will ask them.

**Ms Beaubier:** Certainly, that is what we had anticipated. Mrs. Timmermans will be presenting the paper.

**Mr. Chairman:** Be our guests.

**Ms Timmermans:** The Consumers Association of the Whitehorse Branch is pleased to be provided this opportunity to express our concerns and make enquiries regarding food prices in the Yukon. Despite the fact that we do not consider ourselves as expert witnesses, we do however carry the responsibility as the only consumer group in the Yukon to which consumers may make their complaints regarding high food prices. As early as 1971, C.A.C. Whitehorse has taken an active role in pushing for a food prices enquiry, whereby the reasons for the high food prices would be exposed.

We are aware, as we trust the Government is aware, of the cost to the taxpayer to hold these hearings. We sincerely trust that the Government will respect this responsibility and delve deeply enough and carefully enough to bring forth the real reasons behind the high food prices in the Yukon. We are pleased to see that the Committee has followed our urgings to have present at these hearings, an expert in the field in the person of Dr. Dooley, who does not have personal or monetary interests in the Yukon food scene.

As it appears that most Yukoners feel that food prices are unnecessarily high, we would like the Committee to deal with these questions which have been formulated in part through an informal telephone survey of Yukon consumers.

Is the Committee aware that at least 45 percent of all grocery items have had their transportation costs prepaid by the producer? Kelly Douglas quotes from its report on Yukon food prices, March 7, 8, 1981 that transportation costs are between \$7.75 and \$8.50 per hundred weight. What percentage of this figure is rebated to the wholesaler/retailer? How does the consumer receive the benefit of this rebate? Would the Committee determine how much is prepaid and which companies do pre-pay freight. Where freight is not prepaid would the Committee also determine where the wholesalers/retailers make efforts to obtain the least expensive shipping or do they use companies in which they have related business interests?

In view of the fact that the retailers claim high overhead costs as the reason for high food prices, would the Committee obtain a percentage breakout of the retailers and wholesalers total costs? It would be interesting to compare these figures with those of southern businesses.

According to Walter Stewart, author of *Hard to Swallow - Why Food Prices Keep Rising and What Can be Done About It* food chains watch each others prices and match them whenever they can. It appears that this is also happening in the Yukon. Stores with obviously lower overheads, have marginally different prices from stores with higher overheads, thereby denying the consumer the opportunity to shop in a truly competitive market. We would like the Committee to determine if price fixing is occurring in the Yukon.

Would the Committee determine what percentage of the Yukon food dollar goes to Kelly Douglas and if this figure constitutes a monopoly? Until recently Kelly Douglas owned numerous Super Valu stores in the south as well as the Whitehorse Super Valu store. We ask the Committee to determine what percentage of sales and what percentage of profits was represented by the Whitehorse Super Valu store for the

three years prior to the selling of the southern stores. If the figures show Whitehorse contributed a much higher percentage of the profits than of the costs, then one might wonder if the dominant position of Super Valu in the Whitehorse market contributed to the discrepancy in the two percentages. We asked the Committee to seek these figures out and to evaluate them.

Perhaps the Committee might be interested to know that on Thursday, August 27th, 1981, a price comparison was done between the local Health Food Store and Super Valu. Fifteen Lifestream brand products were compared, all being exactly comparable. The total cost of the Health Food Store was \$49.94; the total cost at Super Value was, wait for it, \$82.15 — a difference of \$32.21. How can Super Valu substantiate the 60 percent higher cost? In the light of yesterdays hearings, it would be interesting to see if the wholesalers and retailers will use high wages and employee benefits as their new scapegoat.

Is the Committee aware that consumers in the Yukon are being overcharged at an incredible rate because of inaccurate dealings at the checkouts? C.A.C. members during the months of June, July and August of this year kept watch on checkout tallying and were angered to find out that in a majority of cases they had been overcharged but never undercharged. This was probably due to the fact that stores refused to mark the "special" prices on items and only some cashiers called out prices when ringing them through. Super Valu is to be commended for its practice of usually calling prices. We would urge consumers to check their cash slips and insist that all cashiers call out prices. It is unfortunate with the more modern machines when a consumer is buying more than one item of the same product, only the final tally appears on the display. We would recommend that the Committee insist that stores bring in unit pricing so that Yukon consumers have the same shopping benefits as their southern counterparts.

Feedback from Yukon C.A.C. shows that consumers want locally grown food. We urge the Minister of Renewable Resources to have a territorial agricultural policy developed so that this will become a possibility. Considering that this was due in 1978, further inaction on the part of the Yukon Territorial Government will make these hearings appear a farce.

We urge the Government also to provide education and assistance for the formation of viable food cooperatives. The Consumers Association feels that any Government assistance on basic foods, for example; milk, bread and eggs, would be very much appreciated.

In summary, we feel that we are only touching the surface in bringing these points forward. The untimely holding of these hearings immediately following summer holidays when many people have been away and therefore are unable to contribute to the extent they otherwise would have may undermine the impact of these hearings.

We do not deny the right of food businesses to make a profit, but we do demand it be a fair profit. In an area of relative isolation, such as the Yukon, competition decreases and with it so do the normal checks and balances on prices. It is for this reason that we see scrutiny of the food production, wholesale, delivery and retail systems in the Yukon of grave importance to the consumer. This scrutiny must not be used for political advantage or as a pacifier to the consumer. An examination such as this set of hearings must bring forth results. Too often issues are raised in the Yukon but there is no follow up and no effective solutions are implemented.

Hopefully as a result of these hearings, consumers in the Yukon will feel that they have a supportive element in their fight against high food prices.

**Mr. Chairman:** Thank you very much for your presentation. We have been operating under the principle that one of the Members of our Committee will lead off with questions and then if any of the others have something to add or something to ask, they will do so. In this case Mr. Penikett is going to lead off

questioning.

**Mr. Penikett:** I would like to thank Ms Beaubier and Ms Timmermans and compliment you on your report. I would comment in passing that you probably have been operating under the same difficulty as everybody else who is interested in this question and that is the problem of obtaining hard facts. If I could, I would like to go over some points you make in your report and ask you perhaps to clarify or to elaborate on remarks you make. Then, if the Chairman indulges me, go back to some other issues which you have previously remarked on as an association, and then ask you some questions about some assumptions you may be making or some conclusions you may have reached about the reasons for these prices without being able to perhaps support them with hard evidence, which is the problem we all have.

Now, I think the introduction you gave to the problem is well-stated. I think we are all aware of the long standing interest of the Consumers Association. I think many people who shared the interests in the Consumers Association have been somewhat dismayed by the way in which public opinion on this question fluctuates, or public interest in this question fluctuates, which may have to do with the immediacy of other issues.

The first hard point you make in your statement deals with the question of prepaid freight. You pose a question which is a bit rhetorical here. "Is the Committee aware that at least 45 percent of all grocery items have had their transportation costs prepaid by the producer?" I would ask you how you support that statement and I put it in context: yesterday we were told by one of the truckers who appeared before us, a representative of the transportation companies, that a very small percentage of the food freight carried by that company was prepaid, and in fact even then it was only partially prepaid. I would ask you what is the source of this assertion.

**Ms Timmermans:** Forty-five percent is the figure that Kelly Douglas admits to according to a consumer report who is present here right now.

**Mr. Penikett:** As you know, we have had some information from Kelly Douglas that I do not think included that figure so I was particularly curious about it. We may, if we need to, try to pursue the source of that, the time at which that statement was given because we have had it contradicted, that is why I am asking.

**Mr. Chairman:** If you would care to come and sit at the table with the Consumers Association representatives, perhaps we could ask some questions.

For the record, Ms Pam Carson — what is your present occupation.

**Ms Carson:** I am presently a realtor in Whitehorse but up until CBC went on strike I was the consumer reporter for CBC. About a year and a half ago I did go and ask Kelly Douglas — and it was their marketing sales person — about prepaid freight because I had been given information from a number of my own sources — which I cannot release — that there was this prepaid business. This person from Kelly Douglas told me at the time that 45 percent of the food from the major suppliers, that is Libby's and General Foods. Now it was quite a while ago so I have not got my details straight, but the major companies do have some kind of prepaid system, whereby the cost of transportation is incorporated into the original wholesale price of the product.

**Mr. Penikett:** Could you identify the source, the person who said that to you.

**Ms Carson:** The marketing sales manager.

**Mr. Penikett:** Here or in Vancouver?

**Ms Carson:** Here.

**Mr. Penikett:** Do you remember when? That would help to narrow it down a little bit.

**Ms Carson:** No, I cannot.

**Mr. Penikett:** I think this could be a critical point; let me try to be precise on it. Do you recall whether the 45 percent referred to 45 percent of the grocery products being partially prepaid or that 45 percent of the total volume was prepaid?

**Ms Carson:** He did not specify.

**Mr. Penikett:** Because we have indications that a fair amount of it partially prepaid but not wholly prepaid. If 45 percent was partially prepaid that would make a lot of difference.

**Ms Carson:** Well it would make a difference. What happened was, as soon as he said that, I asked him if he would be able to put that on record at which point he started to back off, and I could not get any more information from him.

**Mr. Penikett:** Did you, at the time you were having that discussion, raise the question that has come up previously about the practice first identified in record by Berle Plumtre in 1975, final report of The Food Prices Review Board. The practice of northern retailers of tacking the markup onto the wholesale price plus freight. If that was going on and the freight was prepaid, did you raise that, what would appear to be a questionable practice, in that light?

**Ms Carson:** Yes.

**Mr. Penikett:** Was there any reaction to that?

**Ms Carson:** Well, not really. He was fairly vague when I was trying to ask him direct questions. I can sort of understand it; he was talking to somebody who was about to put something on radio so he was not giving me very specific information. At the time I did ask some politicians to look into it, because I did not feel that it was my duty to take this project on myself. I was just more curious. I did not hear anything from the politicians to whom I did refer this information.

**Mr. Penikett:** Would you care to indicate to us who you made the request to.

**Ms Carson:** No.

**Mr. Penikett:** In this same paragraph: "Kelly Douglas quotes from its report on Yukon Food Prices... that transportation costs between \$7.75 and \$8.50 a hundredweight." Those prices may have been adjusted depending on what we heard yesterday and you ask what percentage of this figure is related to the wholesale and retailer. You asked these questions and hopefully most of the questions you asked we will be able to turn around and put to the appropriate people. Let me ask you though, do you know the answers?

**Ms Beaubier:** No, not in this particular situation.

**Mr. Penikett:** Are you in a position to make an educated guess, based on your research over the years?

**Ms Timmermans:** Going by food prices, I would say zero.

**Ms Beaubier:** Maybe we could just indicate, Mr. Penikett, that, throughout this, knowing that we are not going to have the opportunity to question, we have put a great deal of questions in here using the Committee as our spokesperson or questioner. This has been part of the plan in the way we presented it.

**Mr. Penikett:** Let me just step aside for a second because I have before me an article from the *Yukon News* dated Wednesday, March 25th, 1981, in which one Susan Beaubier is quoted as saying, in reference to the meeting that the Consumers Association had with Kelly Douglas, that she felt Kelly Douglas were obviously not playing a fair game in giving excuses for high food prices in the territory but not providing any facts to back up the statement. This article then goes on to quote you and says you are not pleased with the lack of information made available to the C.A.C. and that you tended to feel the company got more out of the meeting than you did; that the Association had hoped to get some concrete information that would support Kelly Douglas' stand that its prices are not high when all factors were taken into consideration and that that information was not forthcoming.

Later on you were also quoted as saying, that you felt the company had side-stepped many issues by refusing to answer questions put to them.

Could I ask you then, when we are going through the rest of your statement here and the questions that you have listed, if that really includes most of the items which you are feeling some urgency about.

**Ms Beaubier:** If the question is represented here?

**Mr. Penikett:** Yes.

**Ms Beaubier:** The ones that we feel at this point are most important, yes.

**Mr. Penikett:** Let me continue going through your report piece by piece with you because I would be interested in every case, where you have posed one of these questions, to see if you have any ideas about what the answers are.

I would like to move onto page three and the question of overhead costs. You say that in view of the fact that retailers claim high overhead costs as the reason for high food prices, could we obtain a percentage breakup. You will understand better than anyone the kind of difficulty we may have in obtaining that kind of information, so I would therefore ask you if you might have any reason to suggest what those figures might be, and if we cannot get any answers any other way perhaps we could pose that as a thesis to some people and see how they respond.

**Ms Beaubier:** We are questioned regarding overhead costs. To us this is important because we are constantly hearing this being used as a scapegoat, yet we never have any concrete answers. We have to take the word of the individual. We do not know. We know food prices are climbing everywhere but in a regulated industry, that industry has to be responsible and show that its overhead costs are not extraordinarily high. They have to more or less show that they are responsible, good business people. If we are scrutinizing, although not a regulated industry but an industry that has a limited amount of competition, a little more advantage than they might have in other areas, we see that the aspect of overhead costs should be broken out so it can be compared with other areas.

Are they being extremely efficient in what they are doing? They say that their energy costs are very high up here, in which case they should be as efficient as possible in their use of energy. This is why we see it as being very important. No, we do not really know what the answers are, but we would certainly like to have them scrutinized particularly by someone such as Dr. Dooley who can really look at these figures and make specific comparisons and evaluations.

**Ms Carson:** I would think that they would want to. If they are above board, and I have reason to believe that they could very well be, wouldn't they want to release this information, if there is enough interest on that topic to have these hearings and what not. If I was a good, reliable retailer in town and people were questioning my business, I would put it out in front of them and show them that I was being very honest about it. Could we not approach them in that sense.

**Mr. Chairman:** I think we are going to find that out when Kelly Douglas and Super Valu do appear. I think those questions will be asked.

**Mr. Chairman:** I want to get back to one other thing on the prepaid freight. You have, at the bottom of page two, asked: would the Committee also determine whether wholesalers/retailers make efforts to obtain the least expensive shipping or do they use companies in which they have related business interests? Do you have a specific company in mind when you say that?

**Ms Timmermans:** Well, a lot of our report is on heresay. We have heard that Zenith or Arrow, I'm not sure which one, has some business relationship with Kelly Douglas.

**Mr. Chairman:** Do you mean a contract just to haul freight or do you mean that Kelly Douglas owns it?

**Ms Timmermans:** Yes, associated in a corporate way. Mind you, as I said this is heresay; we do not have hard facts, but we would like you to look into that. Do they use Zenith or Arrow because they have this corporate interest when they could use White Pass for some goods which do not have to get here so quickly at a much lower cost and therefore at a much lower cost to us? That is the point we are making. Is that not a fair point.

**Mr. Chairman:** I was curious because it has been my information that Kelly Douglas has no business interest or corporate relationship with Zenith Transport and I was just wondering if you had some hard information that would indicate that

mine was wrong, that is all.

**Ms Timmermans:** I am sure that would be an easy thing to find out.

**Mr. Penikett:** I am sure in an environment where there is a lack of information, there is a lot of rumours flying.

Let me go back to the question of overhead costs, because I think we all recognize that in terms of establishing hard facts in this area it may be particularly difficult, not withstanding Mrs. Carson's assertion about her example were she in the business. If the Consumers Association were asked to give an estimate or position of the probable reasons for the higher cost of food here, given the suggested causes which have been the overhead cost or the energy cost — energy seems to be the most significant thing referred to in terms of overhead — wages, freight costs, volume, size of the market and the whole question of the mark up or some people would call it "rip-off profiteering", whatever, what would you guess is the most important reason, based on your experience of having watched this question since 1971?

I am asking this question of all the witnesses. Yesterday we asked them and, as you heard, the truckers, in essence, said that freight was not to blame but other people think otherwise. I would like to know what you think, because this is an important point of guidance for the Committee.

**Ms Timmermans:** I find it difficult to accept the reasons of employee benefits and high wages, considering the fact that you have such discrepancy in wages between two of the major stores here, namely Super Valu and Food Fair. Apparently Super Valu employees are much higher paid than Food Fair employees; however the price difference between the two stores is marginal. You do not find very much difference in prices between Super Valu and Food Fair.

**Mr. Penikett:** So you would put that very low on your list.

**Ms Timmermans:** I think so. I think that is probably going to be used as a scapegoat now that it has been mentioned at these hearings.

**Mr. Penikett:** What would you list as number one? If you had to present your best estimate of what the primary reason was, what would you guess it would be?

**Ms Timmermans:** I would like to think that it is high profits on the side of the retailers.

**Mr. Penikett:** What would you suggest is number two?

**Ms Timmermans:** I think that number two is probably that food prices are rising everywhere so you go back to the producer.

**Mr. Penikett:** That is not on my list for a reason for the discrepancy. Given that you have the other reasons that have been given like energy, including that sort of overhead figure, freight costs and volume, what would you think could be the next most significant on your list?

**Ms Carson:** Spoilage would probably be. I wonder what percentage of food has to be written off because of spoilage on produce.

**Mr. Penikett:** Would you think that is a function of freight and the distance.

**Ms Carson:** On some goods, yes.

**Mr. Penikett:** So you would put that as two on your list.

**Ms Timmermans:** Are you assuming that those items that you have there are the main causes.

**Mr. Penikett:** We have not been given any other causes yet, so I am giving the causes that all the witnesses so far have cited, and trying to put them on the spot, as you said quite frankly. "You say these are the reasons; what is the number one reason?"

I am assuming that people, having thought about these questions, have some conclusions about them. Between energy and the problem of location or small market and volume, what would you cite as more critical?

**Ms Beaubier:** Again, with information on overhead costs we might know but I would question the overall overhead costs due to inefficiencies as a possible component of high overhead cost.

**Mr. Penikett:** So you would put that higher than the problem of the size of the market in that factor.

**Ms Beaubier:** No, no I would not.

**Mr. Penikett:** You would put it lower. So I have a list.

**Ms Timmermans:** Maybe you could read that out to us.

**Mr. Penikett:** Well, as I understand it, what you are saying is that you think that the profiteering or the problem of the mark-up is number one; freight number two; energy number three, and at the bottom of your list you would put wages and benefits.

**Ms Carson:** A lot of our food is overdue, so I wonder how much is spoilage. I would like to find that out. How much has to go back because of overdue dates, produce sections, that kind of thing.

**Mr. Penikett:** Let us reserve that question because we will put it to the appropriate people at the right time.

**Ms Beaubier:** Can I just say one thing? I think you mentioned energy as a representation of my statement about inefficiency. I am not talking specifically about energy, but I am talking about management skills such as the inappropriate stocking, the loss due to spoilage.

**Mr. Penikett:** I want to get to the question of inefficiency with you if I can, because it gets into the next section of your report which is talking about price management. You use the word "monopoly" in another place in your report. Could I ask you, from your point of view, to define that word.

**Ms Timmermans:** We did not like to use the word "monopoly" but we could not think of another one. It is not an oligopoly, that is for sure. You might say it is but we have one wholesaler. Are you considering Super A as part of the Whitehorse shopping scene? I cannot consider Super A as part of this scene because I do not drive that far to shop. If you live in Porter Creek you do, but that is another segment of the population. But if you are looking at the downtown area of Whitehorse, you have one wholesaler providing —

**Mr. Penikett:** A lot of people in the territory do not live downtown.

**Ms Timmermans:** Yes, that is true. We must make sure that we do not just talk about Whitehorse. I would like to know, as far as the Yukon goes, how much does Kelly Douglas supply to the whole of the Yukon, and that is why we asked that question.

**Mr. Penikett:** I understand the point you are making. We will certainly be interested in the market share held by Kelly Douglas at the wholesale level and Super Valu at the retail level and there may be some interesting questions about that.

I want to get back to the question of efficiency, because your standards of efficiency may be different from Super Valu's standards. You remark about the price watching and price competition and that implies something which you have some concern about and yet at the same time one of the most often cited solutions to the problem given by people is they think more competition would solve the problem here. Is that the view of the Consumers Association, that the price situation here would be improved by more competition at the retail and wholesale level?

**Ms Timmermans:** Definitely, is that not taken for granted? Well no, not always, you are right.

**Mr. Penikett:** Let me suggest why, from an economic point of view, it might not be taken for granted. Would it be your view that if, for example, there was another major wholesaler and another major retailer here that that would probably lower prices.

**Ms Timmermans:** I think it would have a definite effect.

**Mr. Penikett:** Let me ask you the question then: how would you deal with the problem of the fact that the market may not be big enough to sustain two of them. What do you think the probable impact on prices would be in that case?

**Ms Carson:** I would say it would have to be a major food company; it could not be a small one.

**Mr. Penikett:** You would hope from the benefits of a price war.

**Ms Carson:** Yes, and may the best one win.

**Mr. Penikett:** In which case you would end up with one again, and you would be no further ahead.

**Ms Carson:** Well, true.

**Mr. Penikett:** I pose that because it is a serious question. Let me ask you the question from this point of view: would you say that in terms of the retailing capacity in this town now that we have enough, or too little, the number of stores, the amount of space in the stores, the number of goods offered.

**Ms Timmermans:** We have enough stores, I feel and also I think we have too much variety in some of the stores. We do not need seven different brands of canned peas.

**Mr. Penikett:** You are talking about a kind of inefficiency there that may have a negative impact on prices.

**Ms Timmermans:** Yes, exactly.

**Mr. Penikett:** So you are suggesting that, rather than having seven brands of peas, you might want to have two. In other words you are arguing, in essence, contrary to what you previously said; you are arguing for less competition, not more.

**Ms Timmermans:** That is competition within the store.

**Mr. Penikett:** I know. Much of the competition is a bit fictitious anyway, because you look at who owns some of the brands and it is all the same people. I might ask you to dwell on that point because it is something we might like to ask you about later.

**Ms Beaubier:** I am just curious, if we pictured ourselves into a position of a one-wholesaler situation — you are talking about reverting ourselves back into a monopoly — would that put that food company into the position of a regulated company?

**Mr. Chairman:** I do not think that you should assume that, by talking to us, you are talking to the government. We are strictly a Committee of the Legislature and we will present our report to the Legislature.

**Ms Beaubier:** You could make that sort of recommendation to the government.

**Mr. Penikett:** I do not think we could prejudge our recommendations. I think, if one would approve the case of a monopoly, given Canadian history, the arguments for regulating a monopoly would be much stronger. I think that is all you can say. I do not think you could prejudge this Committee's conclusions — given such well known quantities as the three of us.

**Mr. Chairman:** I have a couple of things to ask you with respect to your price matching. You have done price comparisons for all of the major stores in the Whitehorse area as I understand.

**Mr. Hanson:** Not Super A?

**Ms Timmermans:** Yes, Super A.

**Ms Beaubier:** We have not had a great deal of comparison in the last while because of the Economic Research and Planning Unit (ERPU) doing the price studies which we have the contract to do.

**Mr. Chairman:** Food baskets you do.

**Ms Beaubier:** That is right.

**Mr. Chairman:** What is your experience with those price comparisons between, shall we say, the major retailers in the Whitehorse area.

**Ms Beaubier:** Well in actual fact, we do not specifically have the opportunity to sit down and compare them. All that material simply goes straight to ERPU. We only collect it.

**Mr. Chairman:** Has one of the retailers, in the past while, been consistently lower than the others?

**Ms Saunders:** When I did my food survey with the Department of Consumer and Corporate Affairs, Super A was consistently lower.

**Ms Carson:** Yes, in mine too. I also found, it might be interesting to point out, that the quantities are different in most of the stores. It is very difficult to do a food comparison in this town because it seems that they all select different sizes and I wonder if that is so that there is not a price war. I wonder if they are doing that so that you cannot compare, I do not know. It is very difficult, if you survey 20 items, you have to be very

conscientious and still you will probably only get ten that are similar in all four stores. It is a hard thing.

**Mr. Chairman:** For the last six months I have lived at home, babysat my kids and did all of the shopping in our household as well. I moved around from store to store and my experience has been that Super A has been consistently lower, that is why I was totally amazed when you say that you did not really consider Super A as part of the Whitehorse scene because you were not willing to drive from Riverdale to Porter Creek. That would indicate to me that, as a consumer, we are not really all that concerned about the pricing as much as we are concerned about convenience and the various other aspects of the food purchase. You know, this has always been a question to me. Are we, as consumers in the Territory, really that concerned about the price or are we more concerned about the convenience and the nice wide aisles and well-lit store and the selection.

**Ms Beaubier:** It depends on where you live. Certainly in Porter Creek, I doubt if people would come for the specials in Riverdale Market, because, depending on where one's house is in Porter Creek or where one's house is in Riverdale, it could be 8 or 9 miles.

**Ms Timmermans:** It is a 16 mile trip. If you really want to buy 15 bottles of ketchup you might do it if it is a really good price. I found from the telephone survey that we did that many people feel that Super A has made a large retrograde step. One woman told me she used to — on a weekly shopping trip, she actually itemized everything in all the stores in town and found that she would save something like \$23.00 on a week's shopping; now it is three or four dollars. So something has happened there that they are not the big bargain store that they used to be.

**Mr. Penikett:** Ms Timmermans, can you give us some details about your telephone survey. Was this a random sample? How many people did you talk to; what did you ask them?

**Ms Timmermans:** I think you will notice we called it an informal survey.

**Mr. Penikett:** So how many people did you talk to?

**Ms Timmermans:** Well, all the member of the Consumers Association talked to about —

**Ms Beaubier:** There were 40 on each person's list.

**Ms Timmermans:** It was very difficult to get people home all summer.

**Mr. Penikett:** What did you ask them?

**Ms Timmermans:** First we asked them if they thought food prices were unnecessarily high. Everybody said yes, without any change at all. We asked them if they wanted more consumer education.

**Mr. Penikett:** What was the answer to that question?

**Ms Timmermans:** Most people were a little apathetic about that. They felt that it could help but nothing has helped in the past. Food prices are going to go up anyway. We found, on the whole, there was a lot of apathy because people were tired of trying to fight against it.

**Mr. Penikett:** Have you written up the conclusions?

**Ms Timmermans:** Well in a way, but nothing —

**Mr. Penikett:** Do you plan to?

**Ms Timmermans:** I do not think it is worth writing up conclusions from such a small thing as this.

**Mr. Penikett:** If you did, maybe you would provide us with them.

**Ms Timmermans:** We could look into that.

**Mr. Penikett:** Let me ask you about the next section of your report which really does deal with Kelly Douglas. I suppose, the most often-cited cause for the higher prices has been the magic word "freight"; the next most frequently cited villain, I suppose, is Kelly Douglas. Now, you make some statements in here which I gather in most cases really are questions, because you are not sure that you really have any data to back them up.

You asked us to determine what percentage of the Yukon food dollar goes to Kelly Douglas and if this figure constitutes a monopoly. Now, we may be able to get the answer to the first

question. There may be a precise economic definition of "monopoly", I do not know but I would doubt if they would even fall under that.

You talked about them having owned the Super Valu stores in the south but continuing to hold this store here. You asked about the percentages of sales and profits and we are going to attempt to obtain all of these figures. I would like to ask you about your views. You obviously feel, whether you call it a monopoly or not, that their position in the market, particularly the wholesale market, gives them some power in pricing, that I suspect you feel is unwarranted. Would that be a fair statement? Could I ask you if you would illustrate to the Committee, in what ways you think that power is unwarranted? Let me ask you two questions: at the wholesale level, do you think that they can set prices at will because many retailers have no choice but to deal with them? Would that describe your concern accurately?

**Ms Timmermans:** I do not know if "at will" is the right word.

**Mr. Penikett:** Perhaps you could put your concern about the wholesale pricing power in your own words.

**Ms Timmermans:** We do not know enough about it. We do not know.

**Mr. Penikett:** What is your suspicion? How would you describe your position?

**Ms Timmermans:** Our suspicion is that they have the centered market like this here and they have full go-aheads.

**Mr. Penikett:** There is no competitor powerful enough to moderate their influence on the prices, is that what you are saying?

**Ms Carson:** They have a volume that Super A does not have and that has got to be a big question. They are dealing in volume and yet they seem to be as expensive, if not more. We all know that if you buy in volume, you tend to get a discount from a wholesaler so why is it that their prices are higher than Super A's traditionally. You have to have that question in your mind.

**Ms Timmermans:** Or if you take our example of the Lifes-tream products, why is that? That is just a horrendous thing.

**Ms Carson:** It seems that a smaller retailer who makes an effort, can get their prices down.

**Mr. Penikett:** Those specific questions, I am sure we would like to put to the people who can answer them. Let me ask you about the retail question. You have indicated that Super Valu consistently has prices higher than Super A. What do you think, given that, and given our Chairman's remarks about availability and attractiveness of the store and so forth, as a consumer group and given your arguments previously about competition, why do you think that a lower priced competitor has not, in fact, taken away a large chunk of their market?

**Ms Carson:** I think Super A has.

**Mr. Penikett:** Do you think they will continue to do so.

**Ms Carson:** Well, when I drive by there, I do not know if they stock the cars in front of the parking lot or what, but I think that they are fairly busy. I know a lot of people who drive from Riverdale to Porter Creek to buy, and I certainly do go to Super A.

**Ms Beaubier:** I would say the same. I have seen a rise and fall in the interest in Super A, speaking as a Riverdale resident, with the type of performance or service provided. I know that I switched to shopping there almost exclusively and found it cheaper. Then I found that I would drive that trip of the total of 18 or 19 miles to find out that half of the specials were not there, and these sort of things. If the service does not match up, you can actually lose any advantage you hope to gain by shopping in the amount of gas you burn.

**Mr. Penikett:** Given that much of the time you do not shop at Super Valu, why do you remain concerned about the prices there.

**Ms Timmermans:** I shop at Super Valu.

**Ms Carson:** We are representing the people.

**Mr. Penikett:** Why do you shop there?

**Ms Timmermans:** First of all, I shop at the Health Food Store. I check the papers of course — any good consumer checks the paper. I don't mind running from shop to shop, but unless I have to go to Porter Creek, I do not like to drive that far, especially in the winter; a lot of people feel the same. We found from our telephone survey that a lot of people had that complaint about Super A not having the specials after they drove all that way. I think any good consumer in Whitehorse does the round trip of all the stores so I would not say I exclusively shop at Super Valu.

**Mr. Penikett:** Let me try and put the question in this form: if the Super Valu store were to suddenly come under your management, what would you do to lower prices there?

**Ms Carson:** First I would put all of my overhead in the paper.

**Mr. Penikett:** You would put all of your overhead in the paper.

**Ms Carson:** I would let everybody know exactly what the costs were so that people would not be skeptical.

**Ms Timmermans:** You are assuming that we are experts in the field of retailing and wholesaling. We are not; you cannot ask us: "What would you do?"

**Mr. Penikett:** I am assuming you have opinions. The whole problem in dealing with this question is, as you will understand, getting the kind of hard information that you are asking us and even if we do not get it we are going to have to —

**Ms Timmermans:** Why is it impossible to get a break-out of costs and profits? Is this something that they do not have to release.

**Mr. Penikett:** Well, I do not know whether it is something that they have to release but let me put the question to you — and I do this in all sincerity — if you were Mr. Kelly Douglas and somebody asked the question of you and they had an interest, say they were a competitor, Mr. Super A or Mr. Alberta Grocers, I suspect that you might be less than forthcoming in giving them the information.

**Ms Beaubier:** This is something that maybe we can ask Dr. Dooley. Why should it jeopardize a business organization to have the overhead broken-out as percentage of profits that they pay in the freight and the salaries, all of these things, the cost of heating, electricity. Are there areas, Dr. Dooley, that — if I may ask Dr. Dooley directly, No I may not?

**Mr. Penikett:** Dr. Dooley will probably be making a statement before the Committee later but let me say without going to Dr. Dooley that there is a certain learned academic that has certainly informed this Committee that there is a case where there was a public enquiry into the practice of the food industry that indicated that profits were of certain level in a certain market. As a result of that information becoming public another major competitor moved into the market, so people in the industry may have some concern about that information going outside of their circle.

**Ms Beaubier:** Is it appropriate to provide that type of information on a limited, confidential basis i.e. to the Committee?

**Mr. Chairman:** We have the ability to receive that information on a confidential basis. Of course if we do on a confidential basis, there is no way it is going to go into the report — just our conclusions about it. I guess the other point is that if Kelly Douglas is making the profit that some people seem to suspect that they are, could that be another reason why they would not want to release that information. That seems to me to be an obvious reason.

**Mr. Penikett:** If I may, Mr. Chairman, can I move onto another point, because we are probably pumping a dry well on that particular question. On page five of your report you talk about overcharging at the checkouts, exclamation mark, exclamation mark. You ask us this question: "Is the Committee aware that consumers in the Yukon are being overcharged at an incredible rate because of inaccurate dealings at checkouts?" Well the answer from this Member of the Committee is no.

**Ms Timmermans:** Do you not check your cash slips?

**Mr. Penikett:** I do check my cash slips; maybe that is why I am not being over-charged. I would like to ask you for some evidence on this because that is a fairly serious accusation.

**Ms Timmermans:** We have the evidence.

**Mr. Penikett:** Would you make it available to the Committee?

**Ms Timmermans:** Sure.

**Mr. Chairman:** That is one of the things that we have to have. It is one thing to have a verbal report but if you have some hard evidence, please bring it to us. We would like to put it in the report. If that kind of thing is happening, it should not be and we will make sure that it gets in the report.

**Mr. Penikett:** That is an undertaking.

**Ms Beaubier:** Yes.

**Mr. Penikett:** That request applies for that whole section of your brief where you are talking about those complaints. Let me ask you about page six. You make a reference to agricultural policy and I do not want to get into government policy questions here but how carefully have you studied the question of an agricultural policy? Has the Consumers Association any firm ideas about what this territory needs in that regard.

**Ms Beaubier:** No we have not specifically delved into that.

**Mr. Penikett:** Have you studied any of the Government reports on the question?

**Ms Beaubier:** No, not at this point. Part of the reason we put this in was because another of our questions in our telephone survey was what action would you like to see on the government's behalf to help food prices? Many people said they wanted to see locally grown food. There is a moratorium on agricultural lands, to my understanding, and when the agricultural policy is brought forth, then the lands can be released. So it is a matter of going at it step by step to get it done.

**Mr. Penikett:** I suspect, Mr. Chairman, that this is an area that we may get into some exploration of later in our hearings. I will make a comment. You made a critical comment about the timing of these hearings; I do not want to sound defensive but one of the things that you very quickly discover when you try to schedule something like this, is that no time is a good time in this territory.

**Ms Timmermans:** Especially not in the summer.

**Mr. Penikett:** If you do it any later than this you find that everybody is already so committed or so busy that they do not have any time to do anything. That also applies to Members of the Committee.

**Ms Timmermans:** We understood that there were problems.

**Mr. Penikett:** I would like to just thank you for your presentation and turn it back to you Mr. Chairman and see if there are any more questions.

**Mr. Chairman:** I have a couple. On page seven, you say, "We do not deny the right of food businesses to make a profit but we do demand it to be a fair profit." What, in your mind, is fair?

**Ms Timmermans:** Well that is something that you would have to ask an economist, but I am sure that there is a fair mark-up that is understood in the food marketing and we want to know if the profit here was much higher than in the south. We are not talking about figures but we are talking about comparisons.

**Mr. Chairman:** So you do not have a figure like 10 percent or 20 percent?

**Ms Timmermans:** No.

**Mr. Penikett:** The industry deals in volume and we understand that it is industry practice to have a small mark-up and high volume. Given the obvious reality of the size of this market, there is probably a finite limit to the volume, do you think a higher mark-up here would be justified?

**Ms Timmermans:** No.

**Mr. Penikett:** Would you argue that the mark-up here should be identical to that of southern Canada for example.

**Ms Timmermans:** Why should it not be?



**Mr. Penikett:** I am asking you the question.

**Ms. Timmermans:** That is my answer.

**Mr. Chairman:** I do not have any other questions. Mr. Hanson?

**Mr. Hanson:** No.

**Mr. Chairman:** Thank you very much, ladies, for your presentation. We look forward to receiving the additional information that you have undertaken to provide. We appreciate all of you attending and we hope you stick around and listen, especially tomorrow when Kelly Douglas will be here from 9:30 in the morning. On Friday, Dr. Dooley will be taking the stand as a witness and will be answering some of the questions, not only that you have put forward but some of the questions that occur to Committee Members as we interview each independent witness.

Thank you very much for coming.

We have to take a short break. Everyone is welcome to have a cup of coffee.

*Recess*

**Mr. Chairman:** At this time, we have Mike Stitt, who is the general manager of Burns in Whitehorse, and Larry Harding, who is the Vice President of Marketing of Burns Meats Limited from Calgary, Alberta. Welcome, gentlemen. Thank you very much for coming.

Perhaps we will start off by introducing the Committee Members. On my left is Mr. Tony Penikett, MLA for Whitehorse West. On my right is Mr. Swede Hanson, MLA for Mayo, and my name is Doug Graham, MLA for Porter Creek West.

What we try to do is start out with some very general questions, such as requesting that you describe your basic business structure, the relationship between the Calgary office and the Whitehorse warehouses and office. Perhaps you could give us some general background and describe your business a little bit for us.

**Mr. Harding:** I brought a few copies of a book which outlines our total corporate structure. I will give a brief outline of that, before we get to the Whitehorse branch. On the inside back cover is a Burns Foods organizational chart. Burns Foods Limited is the holding company of all the groups shown, with Burns Meats in the middle, being one of the divisions. It outlines our plants across Canada and our branches. Also note that we own Canbra Foods, Stafford Foods, Palm Dairies, Scott National, Food Services, which is a catering company and a restaurant in company in Quebec, Crawley and McCracken, which is another food services company, Snowcrest Packers and Flavorland Foods in the United States. This chart gives a full outline of Burns Foods.

Dealing at this point with the meat division; it is found under a separate president, as are all divisions. Once again, in this book, the president is outlined, and all the executive officers within Burns Meats. It also gives a full outline of all plants and branches throughout the company.

We run major integrated plants. By that, I mean killing operations and processing operations of full food lines, in Calgary, Winnipeg and Kitchener, Ontario. We have beef killing plants in Brandon under the Burns name, and under the Canadian Dressed Meat name, we run a beef killing plant in Toronto and Lethbridge. Branches, which handle product from all of the integrated plants, are located in Vancouver, Prince Rupert, Whitehorse, Yellowknife, Edmonton, Thunder Bay and Saskatoon. That covers the physical structure of Burns Meats.

Also in Burns Meats, which is not listed here, but outlined in the book, is what is called BFTL, which is a transportation company. This runs product across Canada for the company wherever possible. The Whitehorse branch receives product from our Calgary plant and also buys outside on its own in meat products. It receives product from Stafford Foods — we act as an agent for Stafford Foods. We distribute its product and we are paid a fee for warehousing, handling and invoicing.

We act as an agent for Palm Dairies and we receive a similar

fee for the handling, distribution and invoicing of that product.

We do handle a small amount of product for Scott National. Those are the three main sister companies whose product we use in the Whitehorse branch. The balance of the product is processed meat products of the Whitehorse branch. The branch has been here, not in its present location — I believe the present location is roughly twelve years old — prior to that we have had a branch here for at least 50 years; it was located downtown. Prior to that, according to the outline here, Pat Burns killed the first cattle in Dawson City, so our history in the North is old.

We maintain the Whitehorse branch, and the Prince Rupert and Yellowknife branches, for those reasons — because of our past history, and attempt to service locally wherever possible. The branch here does approximately 10 percent of its business to the retail outlets. The balance of its business is food service, which would be institutional outlets and restaurants.

I am not too happy about the 10 percent myself. I went for a tour of the stores yesterday — that is the way it is.

We have a small breaking operation inside the Whitehorse branch, which breaks cattle, converts it into steaks, cuts, et cetera, for the restaurant trade. Other than that, it is purely a distribution centre for product coming in and out. That is the only fabrication in the operation. We service Whitehorse proper, and the Highway, going both ways. That is it, as far as Whitehorse is concerned.

**Mr. Chairman:** Thank you. You say you are basically a distribution warehousing store for the other products. What kind of warehouse facilities do you have here in the Whitehorse operation?

**Mr. Harding:** We have the one plant located in Whitehorse, on the Highway. The square footage is small. The property is 70 feet by 60 feet.

**Mr. Chairman:** You have cold storage and some freezer space?

**Mr. Harding:** Freezer space, refrigerated area and dry storage.

**Mr. Chairman:** Then, what kind of products do you handle? I understand you also serve as the agent for Palm Dairies; do you physically bring Palm Dairies products into Whitehorse and then distribute them?

**Mr. Harding:** We do both. We bring right to the branch operations, and the other product for Palm Dairies would go directly to store. We would handle all of the invoicing and receivables for Palm Dairies for all shipments; so, we do both. Physically, it goes through the branch, and at the same time, it does not; it may be off-loaded directly from the truck to the retail store.

**Mr. Chairman:** What other products do you handle? I understand you handle meat and dairy products.

**Mr. Harding:** Under Stafford Foods, the products would then be soup bases, pickles and everything that a restaurant may handle. It is a full product line, if you wish, of the identical products we do handle.

**Mr. Chairman:** That is for the institutional trade.

**Mr. Chairman:** Another line we do handle in small way is grocery products under the Burns label. These are canned meats. The branch does stock and sell canned meat products. It is a small stock because the major wholesalers also handle it all and may or may not ship it from Edmonton or Vancouver to their own retail outlets.

**Mr. Chairman:** If a major wholesaler in the territory handled the same canned meat product line, can they handle it at a cheaper cost than you?

**Mr. Harding:** No, not at a lower cost, but certainly equal. By the time the branch got the product up here it would be equal and therefore would handle little of the canned meat products.

**Mr. Chairman:** I did not realize that Palm Dairies was one of the Burns group of companies. I wanted to see what your involvement was, because I understand that a local transportation company does the majority of the hauling of Palm

products, is that true?

**Mr. Stitt:** They are hauling in for Super Valu and Food Fair.

**Mr. Chairman:** Do they also bring in the Palm products that you put through your warehouse for yourselves?

**Mr. Stitt:** The majority of that would come in on our own trucks.

**Mr. Penikett:** The Palm products come directly from Edmonton, or wherever, to the major customers without your handling it at all; is that correct?

**Mr. Harding:** To the major customers. The balance comes through our operation.

**Mr. Penikett:** Given that your company owns Palm Dairies, your major customers are being handled by your own truck line, is that correct, or is it another company that is handling it?

**Mr. Harding:** No, the major customers are not handled by our own company trucks.

**Mr. Chairman:** They are handled by Yukon Freight Lines?

**Mr. Harding:** That is correct.

**Mr. Penikett:** Does Palm Dairies prepay or partially prepay the freight to the major customers?

**Mr. Harding:** Their pricing ends up on a net basis. It is added in or added out. Say, if we would even ship to our own branch, dependent upon the branch, we would ship them net, and build it into the price. "Prepaid" is a funny word.

**Mr. Chairman:** We understand that there has been a recent reduction in the price of Palm milk in Whitehorse, is that true?

**Mr. Harding:** At this point in time, there has been a reduction afoot. Palm Dairies has said, in its initial phases, that they will put in a reduction, and it is because of freight, as I understand it. They are now looking at the total area of whether they can, in fact, keep it up. Our reaction to them was that we, as Burns Meats, are on the market, and as a company, we would like to stay on the market. Their reaction was, okay, initially, we will give you this reduction. It was because of competitive factors, most definitely, and we will review it over the next 30 days, because we are not sure whether we can keep it up. So that is something that is up in the air right now. Mr. Stitt is reviewing his total pricing on all of the milk products, naturally, because if the reduction is for one, it is for all. That is where we stand right now.

**Mr. Chairman:** What kind of a reduction did it finally amount to? We have heard prices from eight to fourteen cents a quart on milk. Is that accurate?

**Mr. Harding:** No. It is not.

**Mr. Chairman:** Not that high?

**Mr. Harding:** Not at all.

**Mr. Chairman:** Can you give us an idea on what it was?

**Mr. Harding:** The actual reduction is netted back to be two cents a pound.

**Mr. Penikett:** I just want to get in a supplementary question, if I could, Mr. Harding. As I understood it, you want to be concerned, in terms of the Palm products in this market, to be selling them at the same price to all the customers?

**Mr. Harding:** The reductions must be the same.

**Mr. Penikett:** I would understand, then, that there would be volume discounts, and so forth, for the major dealers.

**Mr. Harding:** Yes.

**Mr. Penikett:** If you are dealing with a major customer here who would buy in such volume that it would be freighted directly to them, such as Kelly Douglas or Super Valu, they would get a much better price because of the volume, than myself, if I only ordered one quart from you?

**Mr. Harding:** The rebates involved there are set up by Palm Dairies, and as an agent, their deal is —

**Mr. Penikett:** So, they are not dealing through the Whitehorse office? They are dealing directly with Palm Dairies?

**Mr. Harding:** The pricing structure is set by Palm Dairies.

**Mr. Penikett:** Would that arrangement be between Super Valu and Palm Dairies or Kelly Douglas and Palm Dairies? Would you have any knowledge?

**Mr. Harding:** I assume the dealings would be to Super Valu, with ourselves in the middle, by saying, "If you wish to sell to this account, here is the level that they say they want to buy," and then Palm has to do the negotiating from there, because as an agent we cannot sell their product, for example, at a loss or at an unreasonable profit.

**Mr. Penikett:** There are other customers that are buying Palm products from your Whitehorse outlet?

**Mr. Harding:** That is correct.

**Mr. Penikett:** At what kind of volume would you require to start to deal directly with Palm Dairies, in terms of the shipping?

**Mr. Harding:** In all honesty, I cannot give you Palm's volume base. I could certainly obtain it for you.

**Mr. Penikett:** Is that the way the decision is made?

**Mr. Harding:** Yes it is. This would also hold true in the meat industry itself, where there are scaled, or your term, "rebates" for volume. Once you reach these plateaus, the rebate comes into effect.

**Mr. Chairman:** Does this operate on meat products, as well? As I understand it, you provide bulk meat — hinds or sides, or whatever — to a couple of the retail stores in Whitehorse; is that correct?

**Mr. Harding:** Yes.

**Mr. Chairman:** Then, they deal directly at that time with you?

**Mr. Harding:** They deal with ourselves. On all fresh meats, there are no rebates at all. The only time rebates come into effect are in branded, processed products, and these are arranged through the national offices, in a lot of cases, for pure volume rebates, which is what they are called. These are available, naturally, to all customers.

**Mr. Chairman:** When they reach that volume?

**Mr. Harding:** Whatever the minimum scale is, yes. But, fresh is not included.

**Mr. Chairman:** What stores do you sell to in the territory?

**Mr. Harding:** We sell to 114 outlets currently. I brought an aging sheet of our accounts receivable to give a rough idea of how many accounts we do sell. That would be about the average. As I said earlier, the sales to the retailer are 10 percent of the total business we do. The balance, to give examples, would be the White Pass & Yukon Route, the General Hospital, Keno Mines, Hot Springs Hotel, and this type of account. This is where the bulk of our business is.

**Mr. Chairman:** How many of them are retail?

**Mr. Harding:** Using 10 percent for retail, we are down to not very many stores.

**Mr. Chairman:** It appears to me that you provide meat in some form or another to almost all stores in the territory, do you not?

**Mr. Harding:** We attempt to, yes, but keep in mind that the biggest part of our business is not meat, unfortunately. It is related lines that we do handle, the Stafford products and this sort of thing. The biggest part of our business in meats is red meats, and that goes heavily to the restaurants and the institutions. If the local stores buy 10 hinds of beef, for example, that is tonnage, but it is certainly not necessarily what we would like to sell. In all honesty, we would like to sell processed, branded, identified products.

**Mr. Penikett:** For those people who do not deal with you, where do they get their meat?

**Mr. Harding:** They buy ex-Edmonton, I would assume, and Vancouver.

**Mr. Penikett:** Dealing directly with your competitors in those markets?

**Mr. Harding:** Yes.

**Mr. Penikett:** The reason for them doing that would be that the competitors can still ship their product to this market and compete with you effectively?

**Mr. Harding:** Yes, and I would think in many cases, the buying offices control who they will buy from. You can name any chain, they control to a high degree where their stores buy

their product.

**Mr. Penikett:** What you are telling us, in essence, is that Kelly Douglas does not buy meat from you?

**Mr. Harding:** I cannot say that. I am sure that Super Valu has some of our product.

**Mr. Penikett:** But, they do not buy most of their meat, or all their meat, from you?

**Mr. Harding:** No, they do not.

**Mr. Chairman:** I realize this is going to be a rather tough question for you to answer, but when it comes to retail prices for meat in the Whitehorse area and the Yukon, what kind of difference are we looking at between the retail price of meat here and, say, Edmonton or Calgary?

**Mr. Harding:** I took a look around yesterday and attempted to list a number of your prices so I could get a rough idea. I cannot honestly give you one yet, because I do not have the true comparison. That is a tough question to answer until I could get it back for you, as to what a Calgary list would be for a full chain. Some of your prices look reasonable. I can say that in all honesty.

It all depends, also, what the consumer wishes to buy. I give you an example, a candid one. Our wieners were in one store at \$1.49 and the opposition packer's price was \$2.59. Now, if the consumer wishes to pay \$2.59, there is nothing we can do about that.

**Mr. Chairman:** Do you have a rough idea of what your volume of sales is in the territory?

**Mr. Harding:** An exact idea.

**Mr. Chairman:** What is it?

**Mr. Harding:** I cannot give that at this point in time. Certainly, any information you require on that, we will give, but at this point in time, I cannot release it — strictly for competitive reasons, et cetera.

**Mr. Chairman:** Do you have any problems with spoilage? I suppose we are basically talking about the meat and dairy products now. Do you have any problems with the transportation of those products from your Edmonton/Calgary operations?

**Mr. Harding:** No.

**Mr. Chairman:** Probably not with meat, but how about with dairy products?

**Mr. Harding:** No, it is kept to a minimum.

**Mr. Chairman:** What kind of percentage — infinitesimal?

**Mr. Harding:** Yes, I would say so.

A comparable example is: we would ship from our Kitchener plant to Newfoundland on a regular basis and that takes eight to ten days. Certainly we have very, very small problems in that area, and far less here because you are quite close, considering other areas, using Newfoundland as a comparison.

**Mr. Chairman:** Using that as a base, I am curious what the series of events are, say, taking a live animal somewhere in Alberta, how does he get to the territory? Can you carry me through that?

**Mr. Harding:** Yes, a live animal would be purchased and brought to our killing plant in Calgary, say in this case. It is then killed, which is termed "dressed beef". The dressed beef ends up in the main cooler, shall we say. It goes through the full slaughtering operation, into the cooler operation. At that time, it is deemed which direction and in which fabricated type this beef will end up to our customers. It could be a block-ready form. Block-ready beef is where the beef is cut at packer level and vacuum packed and then shipped out. This is to reduce, as much as possible, shrinkage and bacteria and freight.

The "freight" word, one must really watch because you ship fewer bones when you ship block-ready but you are also paying a higher cost because the labour has been done for you. The other way, naturally, is in cut form and then carcass form which is a full carcass or a front or a hind.

In Whitehorse, we order block-ready beef and carcass beef. The product is probably shipped here two to three days after kill. By the time it gets here, it would be four and a half to five days after kill. Depending upon the customers which we intend

to sell that product to, it will either be shipped the same day to the retail outlet. He will age in his own cooler, if he is aging beef. We will break the balance for the restaurants and we will age it ourselves to our own specifications within the cooler. The beef operation is basically quite simple.

**Mr. Chairman:** I guess one of the conclusions we can draw from this is that we are getting exactly the same quality meat as you would get anywhere else in your operation in western Canada.

**Mr. Harding:** Identical, yes.

**Mr. Chairman:** The quality of foodstuffs that we are getting here has been one of the concerns of some of the public that we have talked to, not only produce but also meat products, dairy products and that kind of stuff. It is reassuring to know that.

**Mr. Harding:** I can certainly say very confidently that the quality of the products you are getting, certainly in meat products, differ not at all from anywhere in Canada, especially western Canada because the beef is better. I exclude eastern Canada.

**Mr. Chairman:** Do you have any competitors in the Whitehorse area for the service that you are providing?

**Mr. Harding:** We have many competitors. Certainly we have competitors in the retail end. As I said prior, we are not doing very well at store level, which is our problem, obviously.

We do have competitors in the food service end. They do come up; they make trips up; they sell in, so we are certainly not alone at all in the business we are doing. In fact, we are not overly pleased with the meat end of our business in this area at this point in time. Once again, that is our problem and one which we are looking at.

**Mr. Chairman:** What about the dairy end?

**Mr. Harding:** As I look around, I would say that Palm Dairies does a considerable amount of business in your area — probably the lion's share, although I do not have anything to back this up at this point in time. I would think that Palm Dairies does very well in Whitehorse.

**Mr. Chairman:** Do all of the Palm products that are here go through your operation? They are invoiced or whatever through your operation?

**Mr. Harding:** We handle the physical invoicing and the receivables, et cetera, through our operation, yes.

**Mr. Chairman:** The reason I ask that is because Super A does also use the Palm products in their store and yet I believe they are shipped up here by their own transportation network.

**Mr. Harding:** Yes, I could not say that. That may well be. If they want to have full loads, it may be the most advisable thing for them to do to reduce their freight.

**Mr. Chairman:** But you would still handle the invoicing?

**Mr. Harding:** Not on that.

**Mr. Stitt:** Yes, we do.

**Mr. Harding:** We do on that one?

**Mr. Stitt:** Yes.

**Mr. Harding:** We do. I am sorry.

**Mr. Penikett:** There is one question that we touched on that has been an often-cited consumer concern here. We often hear that it is cheaper for retailers to buy meat from other retailers than it is from Burns. An example we heard was that people — I cannot remember who it was who told us this, but that we could buy cheaper from Food Fair, one of the retail outlets in town here. In fact the price was better there than it was at Burns, if they were running a small restaurant or a small lodge operation.

**Mr. Harding:** That could very well be true.

**Mr. Penikett:** How could that happen?

**Mr. Harding:** Well, it would depend upon how the individual wished to run his business, and if he looks at an overall profit and loss and wants to "fringe" some of that business to the smaller outlets to balance his whole stock, then it may well be advisable for him to do that.

**Mr. Penikett:** Food Fair would be able to do that, because it would be to their advantage.

**Mr. Harding:** That is correct, but it also would be to the

account's advantage, who is buying it, if it is cheaper. If we are speaking of beef, he may have cuts which he cannot readily move through his own counter, therefore he is probably better off to take a lesser price to move it out. It can be done. It is done, and happens all the time.

**Mr. Penikett:** That would shave away your business.

**Mr. Harding:** Yes.

**Mr. Penikett:** There are a couple of questions I am asking all of the witnesses who appear here. Our basic reason for being is a continuing concern in the territory about higher prices here, and we have statistics that indicate that the prices range between twenty and thirty-five per cent higher than a couple of southern points that we are observing, Edmonton and Vancouver.

Let me ask, as a consumer here to a person in the industry, why are prices higher here?

**Mr. Harding:** My immediate reaction, for myself and for our company, is that we have to have higher prices to cover two things: one is the freight. We are located in Calgary. That freight must come on to our normal Calgary return. And we have, in our case, the overhead of our own physical operation here. Those are the only two things we consider in our pricing; those are the only two things which we must cover.

**Mr. Penikett:** Let me ask you about the overhead? What is your major cost there?

**Mr. Harding:** The full physical operation, including labour, everything there is within the operation.

**Mr. Chairman:** How much higher is it, on the average, than an operation of comparable size in southern Canada? Can you give me a rough idea?

**Mr. Harding:** I cannot, because we only run the northern branches and we do not have an operation this size, therefore operations of this size are always inefficient, because they must be to take care of the type of trade. You do more than one thing; you do not run full lines; your productivity is not the same. I am not saying that we are totally inefficient, but the cost of doing business inside your own operation is higher than a huge plant.

**Mr. Penikett:** Because of the volume and the size of the market?

**Mr. Harding:** That is correct.

**Mr. Harding:** You would cite freight as the number one cause?

**Mr. Harding:** It is the cause because it is the cost of getting our product here. All that freight must go onto our product.

**Mr. Penikett:** We ask you this because yesterday the truckers were here telling us that they did not believe that freight was the number one reason for the higher costs.

**Mr. Harding:** I am not saying this overall, I am only talking about ourselves. We will take a Calgary price list, for example, and the freight must go on top of that Calgary price list.

**Mr. Penikett:** Let me ask you about that. As a business practice, do you put your mark-up, whatever you decide it should be, on the wholesale price plus freight, or do you add the freight costs after you have done the wholesale plus mark-up.

**Mr. Harding:** We work our freight right into our total base cost, shall we say, and that happens in every area. I must remember that Alberta and the Yukon are different in the meat business and certainly the meat business is different than the grocery business. In Alberta, almost all points are collect. In the grocery business, your freight costs are spread in most cases. You will sell three provinces at one price, whereas in the meat business you do not do this. Everything is collect.

**Mr. Penikett:** Are you saying that on grocery products, as an industry practice, we should not be paying that price, and that the total market would normally absorb the costs of our freight?

**Mr. Harding:** No, I am saying you are being subsidized.

**Mr. Penikett:** That is what I am saying, that in the grocery business we could normally expect to have our freight costs subsidized?

**Mr. Harding:** If one looked at the actual freight costs of a

total area and said, "I am in Edmonton; my product costs this and I want to sell this whole area, but I want to average my freight to ensure that my selling prices will be the same in all points."

**Mr. Penikett:** For whom would that be true? It is not true for you, you say, but whom?

**Mr. Harding:** Most grocery businesses ship on a prepaid basis, on a one-price basis, to a lot of areas.

**Mr. Penikett:** So if the major wholesaler here was following the industry practice, the cost of freight in getting groceries here would be absorbed. In other words, we would be subsidized by the rest of the market, is that what you are saying?

**Mr. Harding:** What I am saying is that you would not pay the normal full freight rate. You may have a surcharge. In some areas, we ourselves have a surcharge. We will ship to point A and, say, have \$3.00 freight allowance on top of that. That will not cover the extra nine cents.

**Mr. Penikett:** I am not sure you realize how astounding a declaration that is, Mr. Harding.

**Mr. Harding:** I hope I have not fouled it up. Keep in mind that I am speaking for us.

**Mr. Penikett:** Do you have branches in Yellowknife and in Whitehorse?

**Mr. Harding:** Yes.

**Mr. Penikett:** How do the freight costs compare between moving goods to those two points?

**Mr. Harding:** They are comparable.

**Mr. Penikett:** Are we higher? Are we lower?

**Mr. Harding:** To Yellowknife, at times, is higher.

**Mr. Penikett:** When the bridge is out.

**Mr. Harding:** Also, there are weight problems for us, too. Our rates vary with our weights, too, as you are all aware.

**Mr. Chairman:** You do not put the volume through your Yellowknife operation that you are putting through Whitehorse?

**Mr. Harding:** That is correct.

**Mr. Hanson:** What is the rate that you set on shipping? It is your own trucking outfit that hauls the product in here; what rates do you set per pound?

**Mr. Harding:** We pay the common carrier tariff.

**Mr. Hanson:** What is the flat rate?

**Mr. Harding:** Offhand, I do not know. Whatever the local rate is, we pay the local rate. In other words, our own freight companies, in all areas, are in business, the same as a transportation company.

**Mr. Chairman:** So you would pay the nine and a half cents a pound that we are looking at with Yukon Freight Lines?

**Mr. Harding:** That is correct.

**Mr. Penikett:** We have been discussing the various reasons why food prices are higher here. Would it be accurate to say that the reasons for higher costs, from the point of view of your company, are: number one - freight, and second would be the overhead and energy cost and wages, as a kind of hierarchy like that?

**Mr. Harding:** Yes.

**Mr. Chairman:** I do not have any more questions. Do you have anything more you wish to add in summary, Mr. Harding?

**Mr. Harding:** Not really. We certainly would like to keep abreast of what is happening. Will there be transcripts available after?

**Mr. Chairman:** There will be transcripts available. Also, we hope to have a report to present to the Legislature sometime in the month of November, and we would be only too happy to send you a copy of that report, as well as the transcripts, if you wish.

**Mr. Harding:** I certainly would appreciate that.

**Mr. Penikett:** Mr. Chairman, on a procedural point, I hope that would be a courtesy we may extend to every witness.

**Mr. Chairman:** Yes, we will.

We appreciate very much your appearing, Mr. Harding and Mr. Stitt. Thank you.

**Mr. Penikett:** I understand that you gave an undertaking that if we needed certain specific information later that you would provide it in some form. We may wish to follow up on that, Mr. Harding, and I hope we can have your understanding of that.

**Mr. Harding:** Absolutely. In all cases, all we want is confidentiality of the financial information we release.

**Mr. Chairman:** Yes, we can understand that. We do not have any problem with that, at all.

Thank you very much, both of you, for attending. We appreciate it very much. What you have been able to tell us has definitely been illuminating in some areas.

**Mr. Harding:** I better go and review what I have said.

**Mr. Chairman:** We do not have any other witnesses scheduled for this morning so we will adjourn until 1:30 this afternoon, at which time Zenith Transport will be appearing. At 3:00, we have representatives from Alberta Grocers and, I believe, Super A store in Whitehorse. Until 1:30, thank you very much for coming. We will see you then.

*Recess*

**Mr. Chairman:** I will call the afternoon session to order. It is my pleasure to introduce Mr. Crowe-Swords, who is the Chairman and Managing Director of Zenith Transport Limited. Thank you very much for appearing this afternoon, Mr. Crowe-Swords.

I will introduce the Members of the Committee: Mr. Swede Hanson, MLA for Mayo; I am the MLA for Porter Creek West, the Chairman of the Committee, and Mr. Tony Penikett, MLA for Whitehorse West, who will be sitting on my far left.

What we have been doing is: one Member of the Committee will lead off with questions and if either of the other Committee Members have anything to ask, they will cut in from time to time. Mr. Hanson will begin the questioning.

**Mr. Hanson:** First, we are asking the same question of everybody. We would like you to give a description of your business structure, how long you have been in operation, the number of employees and number of trucks, if you will, please.

**Mr. Crowe-Swords:** Zenith Transport was formed in 1958. It is a wholly-owned Canadian company. We operate from various states, primarily foodstuffs, and the majority of the U.S. operation is from California to various different markets throughout BC, the Yukon and Alberta. We employ approximately 122 people, including drivers, staff and warehouse people. We are the owners of 365 pieces of equipment and we lease approximately another 50. We distribute food products to wholesale houses throughout British Columbia, Prince Rupert, Prince George, Quesnel, all the various areas, as well as distributing into Alberta, primarily Edmonton, Calgary and Red Deer. We have backhauls, which consist of food products, fibre, pulp and paper and forestry products.

We began in California in 1958. Five years later, we acquired another company called Pacific Cartage, and that did the major distribution for Kelly Douglas. At the present time, we are doing the major portion of the distribution for Kelly Douglas. By distribution, I mean transportation.

That is a brief history of the company.

**Mr. Hanson:** Do any other companies have any kind of financial interest in Zenith?

**Mr. Crowe-Swords:** None whatsoever. It is owned by a Mr. Lee Bennett and myself.

**Mr. Chairman:** Kelly Douglas does not have any money invested in your company?

**Mr. Crowe-Swords:** None whatsoever.

**Mr. Hanson:** Do you contract out some of your hauling to other companies?

**Mr. Crowe-Swords:** Yes.

**Mr. Hanson:** For whom do you truck in the Yukon?

**Mr. Crowe-Swords:** Kelly Douglas.

**Mr. Chairman:** Do you truck only for Kelly Douglas?

**Mr. Crowe-Swords:** Only for Kelly Douglas.

**Mr. Chairman:** How about backhaul? Do you haul anything out of the territory?

**Mr. Crowe-Swords:** No, none whatsoever. We go to Cassiar and haul fibre back. Some of that fibre goes to California.

**Mr. Chairman:** And some to Vancouver?

**Mr. Crowe-Swords:** Yes.

**Mr. Hanson:** How long have you been hauling for Kelly Douglas in the Yukon?

**Mr. Crowe-Swords:** From California, approximately six years.

**Mr. Chairman:** You have been hauling produce into the territory for six years?

**Mr. Crowe-Swords:** For Kelly Douglas.

**Mr. Chairman:** Under whose authority did you do this?

**Mr. Crowe-Swords:** Zenith Transport. My original licence in the Yukon was for fresh fruit and vegetables from California. Then, I think it was two and a half years ago, we started hauling what we call B-trains over the road from Vancouver with their hard goods, as well as ice cream and perishables.

**Mr. Hanson:** What are the drivers' responsibilities toward their loads?

**Mr. Crowe-Swords:** To answer that properly, I would have to take the California section and the Canadian section. In California, we get the order, and it might be picked up at five different packing houses. The driver's responsibility in that case is to pulp temperature everything that is put onto that truck, maintain the refrigeration all the way up, and examine the load. In the case of Vancouver to here, any product we put on that truck is examined by our warehouse people, or, when it is picked up, by the local driver; primarily the same thing applies. Enroute up here, the drivers are required to check that unit every four hours for temperature, winter or summer. In the wintertime, he is responsible for keeping the heaters on as well as the reefer.

**Mr. Hanson:** How many truck loads do you haul in here in a week?

**Mr. Crowe-Swords:** On produce, it would average, year round, I would say, three to four. Of that, a minimum of two would be from California. That could increase or decrease. Then, we average approximately eight B-trains a week into the Yukon.

**Mr. Chairman:** How long has that been going on?

**Mr. Crowe-Swords:** The B-trains?

**Mr. Chairman:** The B-trains. That is, I take it, just other grocery products.

**Mr. Crowe-Swords:** Well, combined goods, ice cream or any perishables, because those units are equipped for frozen product, or whatever. We run about six to eight of those a week, depending, again, on the fluctuations of supply.

**Mr. Hanson:** I should have asked this when we discussed sub-contracting out trucking. To what other trucking companies in the Yukon do you sub-contract?

**Mr. Crowe-Swords:** We have two leased operators here. As well, we use Arrow Transport on a portion of the hauling. When I say eight B-trains, that includes the ones that haul directly for Kelly Douglas. They do not engage in the California perishable haul at all.

**Mr. Chairman:** Does that include all of the grocery products that you bring into the territory for Kelly Douglas?

**Mr. Crowe-Swords:** That is correct.

**Mr. Chairman:** That is only eight B-trains a week, approximately.

**Mr. Crowe-Swords:** Yes, but that is times up to approximately 70,000 pounds. I have the tonnage figures, if you are interested. All I can give you is a sample. From January 1 to June 30 this year, which is six months — and these figures are reasonably accurate — 11,676,000 pounds. It consisted of 179 B-trains, 42 forty to forty-five foot loads and 40 California produce loads.

**Mr. Chairman:** At the present time, are you bringing up the truckloads of fresh vegetables that are being sold in the parking lot over at the former Super Valu store? Are you involved in that one at all?

**Mr. Crowe-Swords:** No, not at all.

**Mr. Hanson:** Would you give a brief description of picking up products from California and what happens from the time they are picked up there and brought into Whitehorse? Are they re-handled?

**Mr. Crowe-Swords:** Basically, what happens on a full California load consisting of approximately 44,000 pounds of produce, is that we will get the order in our office and as we have a continuous running dispatch, we have a truck in California that is capable of going to Whitehorse with a trailer. We will have an order and it might consist of five to six pickups of various items, lettuce, whatever is in season. That load is picked up, pulp temperatured, examined and is brought into Vancouver. We switch the power there. Because of the roads and the extreme conditions up here, you have to have much more substantial tractor equipment, obviously. That load is then examined visually. The reefer and tractor are completely serviced, and it proceeds up the Highway. That load is not touched. In the case where the California market is down, or they do not have enough product to fill a truck, we will bring that into Vancouver, take off some merchandise for Vancouver, and add on local produce. A typical example is this time of year when there is local produce out of the Vancouver area.

**Mr. Chairman:** Tell me about your warehouse in Vancouver and what happens there.

**Mr. Crowe-Swords:** Our warehouse in Vancouver is specifically equipped to what we call an enclosure warehouse. The suppliers would bring product into our warehouse and we would cross-dock it and load it in trailers, and that could apply to any branch in British Columbia. In the case of the Yukon, the suppliers bring in the product, we handle it, sort it and load it into our trailers.

**Mr. Chairman:** Let us take an example of a single truckload of produce from California that you intend to take out to three of four outlets in the BC and Yukon area.

**Mr. Crowe-Swords:** That very seldom happens, because in the case of the Yukon we would take it directly to the Kelly Douglas warehouse. We do not take it anywhere else. That would apply in the case of Prince Rupert, or Prince George.

**Mr. Chairman:** What other facilities do you have in your warehouse there, such as packaging?

**Mr. Crowe-Swords:** We have a shrink-wrap machine to safeguard product against damage on the rear of the trailer, where most of the damage occurs, and for dust. We have scales, a fuel depot, repair shops. In the warehouse itself we have scales, forklifts, all that is required to handle the product. We keep cooler trailers there. One is capable of bringing temperatures down to 20 below zero, and one is for holding, for instance, meat products or dairy products.

**Mr. Chairman:** How much meat and dairy product do you bring to the territory for Kelly Douglas?

**Mr. Crowe-Swords:** Very little meat. It is mostly prepared fancy sausages, and things like that. I do not believe we haul any substantial quantity of meat. I would assume it comes out of Alberta.

**Mr. Hanson:** How about dairy products?

**Mr. Crowe-Swords:** Dairy products, not including milk, because we do not haul milk, I do not have broken out, but, for instance, I can give you the figure for eggs. In that period, again, from January 1 to June 30, 1981 there were 329,000 pounds of eggs.

**Mr. Penikett:** I gather that in terms of the specific commodities that you are carrying, you really do not have any competitors in this market to your customer?

**Mr. Crowe-Swords:** No. I am not competing against another carrier in the sense that I have only one customer.

**Mr. Penikett:** And as far as you know, Kelly Douglas does not have any other truckers carrying the type of commodity you are carrying?

**Mr. Crowe-Swords:** That is correct.

**Mr. Penikett:** So, that is a simple relationship. You are the only one carrying produce for them, and they are the only one you supply.

**Mr. Crowe-Swords:** Yes. Into the Yukon.

**Mr. Hanson:** We have seen sale notices recently for whole truckloads of fresh vegetables and fruit coming in. What would be the per pound rate if you would bring in a full truckload of one kind of produce from California to the Yukon?

**Mr. Crowe-Swords:** It is a competitive market, as you probably realize, in the transportation business, and if it is not absolutely necessary, I do not think I can feel free to give out that information.

**Mr. Chairman:** Do you have a published tariff?

**Mr. Crowe-Swords:** No. We are contract a carrier.

**Mr. Penikett:** Without divulging what you charge Kelly Douglas, let us assume that is some kind of competitive relationship, if I were to ask you to bring up a truckload of something — California oranges, or something — what kind of ball-park cost would I pay?

**Mr. Crowe-Swords:** I could not do it. I am not licenced to haul for you or anyone else other than Kelly Douglas.

**Mr. Penikett:** Without involving licencing, would you know what my cost would be.

**Mr. Crowe-Swords:** I could not say what the other trucking companies would charge. To the best of my knowledge I am competitive, or I would not be hauling here.

**Mr. Penikett:** I take that as given. I just wanted to get an idea of what it would cost to bring up a truckload of oranges or something else from that part of the world to here?

**Mr. Crowe-Swords:** Really, I would rather not divulge my rates, because it is a contract relationship. What the other trucking companies would charge, frankly, I would not be too sure without looking into it.

**Mr. Chairman:** How is your contract with Kelly Douglas negotiated? Is it on a yearly basis, is it an open-ended agreement, or what?

**Mr. Crowe-Swords:** I think the term "contract" is probably the wrong term to use. It is an arrangement. As long as I am competitive and I give the service, I see no reason that I would lose it, but I do not have a contract, as such.

**Mr. Chairman:** So, if Kelly Douglas found someone tomorrow who would haul for \$250 a load cheaper from Vancouver, you would probably lose the business.

**Mr. Crowe-Swords:** No, I would not say that, because we have established the service that they require. It was difficult to establish and it took us a long time.

**Mr. Hanson:** How long would it take produce from California to get to Whitehorse?

**Mr. Crowe-Swords:** We would probably start the load on a Wednesday, depending on the various pickups, and it would probably arrive here very early Monday morning.

**Mr. Hanson:** Kelly Douglas claims in some of their letters that there is an awful problem collecting for damaged produce from the transportation companies. Would you say they have that problem collecting from you?

**Mr. Crowe-Swords:** None whatsoever.

**Mr. Hanson:** It is not, then, a very good argument?

**Mr. Crowe-Swords:** I think, perhaps, produce being what it is, if that product was to get to Vancouver or Whitehorse and it was a problem with the shipper, sometimes I assume they may have difficulties that way. In the case of what I regard as a common carrier, perhaps there are problems, but I am not aware of any with Zenith Transport.

**Mr. Hanson:** You are their main hauler, but you are not agreeing with them; there is no difficulty in settling claims with you then?

**Mr. Crowe-Swords:** Not to the best of my knowledge, no.

**Mr. Chairman:** You backhaul out of Cassiar on this run. Has that made any great difference to the cost to Kelly Douglas to haul goods into the territory?

**Mr. Crowe-Swords:** By all means. If I was running back empty, obviously my cost to Kelly Douglas would be higher. The rate is predicated not only on the haul into Whitehorse, but is offset substantially by the haul out of Cassiar.

**Mr. Penikett:** Since this question is bound to come up some-



where, I may as well ask it. Presumably you have to do something to your trucks after hauling asbestos before you put food back into them.

**Mr. Crowe-Swords:** Yes, we have the records of them. They are completely steamed and washed upon the return to Vancouver.

**Mr. Penikett:** Occasionally we will see wide discrepancies in prices on a certain type of fruit which we know comes from California or Mexico, or somewhere, in two different stores here. As you may have heard, part of the local mythology here is that it is the freight that makes the difference. Without betraying any great commercial secrets, could you give us some kind of idea, from your point of view, of what percentage of that final cost is freight? I do not mean to the final micro-decimal point.

**Mr. Crowe-Swords:** I am afraid I could not break that out for you, because I am not in the wholesale business, but there is no doubt in my mind that transportation, whether from California or Vancouver, to the Yukon is a substantial portion of their costs.

**Mr. Penikett:** If you were making an estimate of the reasons for the relatively much higher prices here — we have documented ranges between 20 and 25 percent higher than Vancouver and Edmonton markets — would you put freight as the number one cause?

**Mr. Crowe-Swords:** I think I would have to say that it would be a substantial cost. I would not have any idea of the percentage, because I have no idea of their labour costs or anything. I really could not answer that question.

**Mr. Penikett:** We had a number of people in the transportation business with us yesterday who were giving the reasons as energy, wages, overhead and small volume, and that it was not freight. We have heard some different opinions today, and I wonder if you may have some conclusions about that, based on your experience in the business.

**Mr. Crowe-Swords:** In my experience in the Yukon, and running the northern BC roads, our costs are, quite frankly, high going over that road. I think the public is going to be faced with further increases because of the oil situation. As those increases are put into effect, they have to be passed on to the customer, in our case. But, again, what that percentage of their gross sales would be, I would not have any idea.

**Mr. Penikett:** Let me ask you a question about efficiency. Does your unit cost of bringing the product here go down if the number of loads increase?

**Mr. Crowe-Swords:** There is a basic cost per mile. Obviously, if you can keep that equipment working to the maximum benefit, your costs will go down. Your costs would rise if the capital cost of the equipment is just sitting parked. To answer your question, that is probably true.

I could make a further remark. The basis for what I term a contract carrier is because of the total volume, your costs should be less than that of a common carrier.

**Mr. Penikett:** Do you have a set arrival schedule here? Do your trucks arrive on certain days? Could consumers here go to the Super Valu store on a certain day of the week with the knowledge that another truckload of your product had just arrived the day before, or that morning?

**Mr. Crowe-Swords:** I gather you are speaking about fresh produce. In that case, barring difficulties such as weather problems, I would say that Monday or Tuesday they are going to have the freshest produce that they can get.

**Mr. Penikett:** There were some advertisements in the *Whitehorse Star* this week to the effect that Kelly Douglas and its trucker — I guess that must mean you — were offering another truckload of specials. This happened the week of August 3 and August 31. This implied that this was a special arrangement that you had worked out. Is this a deal that you have worked out with Kelly Douglas? I mean, are you part of the special discount that consumers are getting on these occasions?

**Mr. Crowe-Swords:** I was aware that they were having

sales, but it is not my decision to partake in that. We haul it up here, but where they arrive at their discounts —

**Mr. Penikett:** We ask, because in a sense your company's name was taken in vain, and I think it referred to some kind of a special arrangement.

**Mr. Crowe-Swords:** We have a special arrangement on certain loads, yes.

You are talking about a financial arrangement?

**Mr. Penikett:** Yes.

**Mr. Crowe-Swords:** As their contract carrier, we do everything we possibly can, on their behalf, to lower their food costs; and, yes, we do give them a consideration on certain loads.

**Mr. Penikett:** We have not seen very many of these. I was curious, because the ad said, for example, "Another truckload of super specials brought to the people of the Yukon through the cooperation of Kelly Douglas, Zenith Transport and your local merchants". This was effective September 1 to Saturday, September 5.

**Mr. Penikett:** I forget the items it was on, to tell you the truth.

**Mr. Penikett:** Pears, prunes, plums, oranges, carrots, onions, grapefruit, cucumbers —

**Mr. Crowe-Swords:** I believe it applied to the pears and the prune plums, which was a local BC commodity.

**Mr. Chairman:** You picked those up wherever and bring them directly here?

**Mr. Crowe-Swords:** No, in that case, they were picked up in, I believe, Summerland or Kelowna. They were brought down to our warehouse by our trucks; we loaded them in B-trains and brought them up.

**Mr. Penikett:** So, those were full truckloads of pears and peaches?

**Mr. Crowe-Swords:** No. It was part of a load. I believe that the pears amounted to approximately 10,000 pounds.

**Mr. Penikett:** I understand, given your previous remarks, that you would not be prepared to share with us some knowledge of how the costs of that special were shared between you and the company.

**Mr. Crowe-Swords:** I would not have any knowledge of what portion my concession would be of the total price. I would have no idea.

**Mr. Penikett:** This is one of your employees who worked this out?

**Mr. Crowe-Swords:** No, I worked a consideration out for a special with Kelly Douglas, but what percentage that would be of their selling cost, I would not have any clue, because I have not even seen the ad.

**Mr. Penikett:** You gave them a reduced rate on some special load?

**Mr. Crowe-Swords:** That is correct.

**Mr. Chairman:** Tell me then, you picked up this load in Kelowna, took it to Vancouver, and I take it it is spread between three or four different trucks, at that time, because obviously you are not going to bring 40,000 pounds of pears to Yukon.

**Mr. Crowe-Swords:** No, that is right. The market would not bear it.

**Mr. Chairman:** What I am trying to establish is the quality of the vegetables and fruit produce that we are getting in the territory, because one of the problems that consumers have pointed out to us is that the quality of produce, of fruit, and certain products, is not as good here as it is in southern communities outside of Whitehorse. What would be your answer to that?

**Mr. Crowe-Swords:** My answer to that is: any product that we pick up in California, Washington, Oregon or British Columbia is identical to any product that is bought for any other branch throughout BC or the Yukon. For instance, we could have five trucks in California, all loading for Kelly Douglas, and I will name Kelly Douglas because that is who you are interested in in the Yukon. Those five trucks might be for five different branches and they are all loading at the same time at

the different packing houses, so your product that goes to Prince Rupert is identical to what is coming to Whitehorse. It is all purchased the same way, it is picked up the same way, it is the same equipment that hauls it. As far as I am concerned, in transportation, the people of Yukon are getting as good a product as the people in Prince Rupert or anywhere else.

**Mr. Penikett:** Could you compare the travelling time between Prince Rupert and Whitehorse from California?

**Mr. Crowe-Swords:** You have probably got an additional 12 hours.

**Mr. Chairman:** This extra 12 hours travelling time is obviously on the Alaska Highway or the Stewart-Cassiar Highway, both of which are not the ideal travelling surface, as you have already indicated. Do you think that this makes much difference to the end quality of produce that we are getting?

**Mr. Crowe-Swords:** In the case of produce from California, I would say very, very little. There is a certain amount of crushing, of course, but we have been very careful about how we load it and protect it, and I would say it is minimal.

**Mr. Chairman:** I should explain that I have had the opportunity to talk to Mr. Crowe-Swords before, and I am trying to get the same information out that I had received before. One of the other things that I would like brought out is the responsibility of the drivers. When we talked about it before, the drivers had the responsibility to reject produce if it was not up to your quality.

**Mr. Crowe-Swords:** That is correct. Part of our agreement with Kelly Douglas is that responsibility. Their buyers buy; our trucks go in and they are virtually a second buyer for the produce company. Our drivers are trained to examine the product in California, and if there is any problem with that product they immediately call our office. If the buyer is not available, we will reject it. That includes the case of something that is running too hot, because it will break down, as well as something that has been chilled, in the case of bananas. If it is an iced product and not pre-cooled, the drivers are charged with the responsibility of re-icing that truck on the way up, too. Then, we examine it in Vancouver. The driver who takes over from Vancouver is responsible for that truck all the way up.

**Mr. Penikett:** Is this the most distant point you are hauling produce to from California?

**Mr. Crowe-Swords:** That is correct.

**Mr. Penikett:** There is no place as far.

**Mr. Crowe-Swords:** We haul from the Mexican border, and our longest haul is to the Yukon.

**Mr. Chairman:** Do your drivers get some premium for travelling on the Alaska Highway or the Stewart-Cassiar Highway?

**Mr. Crowe-Swords:** By all means. A leased operator would be paid, I believe, thirty-three cents per mile more than that same leased operator would be paid in British Columbia. I am not exact on those figures.

**Mr. Chairman:** You have two leased operators working for you out of Whitehorse?

**Mr. Crowe-Swords:** That is correct.

**Mr. Chairman:** I do not have any other questions that I would like to ask. Would you have anything to say, Mr. Crowe-Swords?

**Mr. Crowe-Swords:** No. I think I have tried to explain the service we are offering. It is obvious to me that if it was not economic to Kelly Douglas I would not be hauling for them. I think that the important thing in the food industry, and I think especially in the Yukon, is the arrival times, the frequency of service, which in effect lowers your cost. Your quality should be up there, and your cost of inventory should be down, because we are running a daily service, virtually. As far as I know our customer is happy with it, and we have had very few problems in the last year and a half after we organized it.

**Mr. Chairman:** Tell me, then, do you do any consolidation of grocery products in your warehouse in Vancouver for Kelly Douglas?

**Mr. Crowe-Swords:** By all means.

**Mr. Chairman:** So they do not consolidate a large order in a separate warehouse and then have someone else bring it to you, and then you just load it on your truck and bring it up?

**Mr. Crowe-Swords:** Oh, yes. Some of the product comes from Kelly Douglas. It is hauled down to our place, again, by our trucks. The majority, I would say, would be coming direct from shippers to Whitehorse to reduce the cost of handling. For instance Nalley's, various items, pork and beans, anything and they might have three orders on it, one for Prince George, Whitehorse and Kelowna. We would take it off the truck and enclose it in the appropriate trailer. It reduces the cost of handling the product.

**Mr. Chairman:** You are telling us then that we are getting the same quality, the same basic product as anyone else in BC who has a Super Valu store.

**Mr. Crowe-Swords:** Any Kelly Douglas branch, because I primarily haul for the branches. I do not haul direct to a Super Valu store, say, in Prince George.

**Mr. Penikett:** You teased us a little while ago with references to your competitive rates and the high level of your service. Was some of what you are now hauling once hauled by White Pass?

**Mr. Crowe-Swords:** That is correct.

**Mr. Penikett:** When did you take over that business?

**Mr. Crowe-Swords:** That would encompass the freezer and grocery items that were being sent up from Vancouver via the White Pass. I believe it was around January, 1980.

**Mr. Penikett:** Mr. King was here yesterday and sang the praises of the marine/rail combination and stated what we had always understood to be the case, that that was really the very cheapest form of transportation. Would you be prepared to comment at all on why that company might have lost that contract and how you were able to compete as a trucker?

**Mr. Crowe-Swords:** The only comments I can make are from my standpoint only. We proposed this over-the-road service, and it was primarily proposed because of the slow service over the water/rail route, certainly not because of White Pass. They were just unable to give the type of service that we are presently giving.

**Mr. Penikett:** It was not just that the price was right; it was more than the price, it was, in fact, the schedule and the service.

**Mr. Crowe-Swords:** Correct.

**Mr. Penikett:** Without you making a prejudicial comment, would it be fair to say that while consumers here have not always had the cheapest way of getting food in, we have had, what you would call, the most efficient, the most regular service, as we are getting through Zenith?

**Mr. Crowe-Swords:** Certainly I like to believe that.

**Mr. Chairman:** The fact that you haul for Kelly Douglas warehouses throughout BC—I would understand you probably have an all-encompassing price—does that affect your price in hauling into the territory—the fact that you haul everywhere else in BC and parts of Alberta. Because you have these, you are willing to take Yukon route which is probably not as profitable as say a Kelowna route?

**Mr. Crowe-Swords:** No. No other route has any bearing on what we do in the Yukon. This is specialized equipment. It is what I term a separate contract. From Vancouver to Prince George, the only product I haul for Kelly Douglas is produce. All groceries go via BC Rail, because they can give the overnight service and there is no need for that specialized service. So, they use BC Rail. I should not say I haul everything for them; I do not. I have to be competitive and I could not be competitive with BC Rail, in that case, on service or cost.

**Mr. Penikett:** In terms of the long-term prospects for your company, is your increasing presence here entirely dependent upon the volume of Kelly Douglas' business going up? You do not see yourself having other clients here in the future?

**Mr. Crowe-Swords:** No, none whatsoever.

**Mr. Chairman:** Are you not interested in them?

**Mr. Crowe-Swords:** I do not have authority to haul for



them., and my prime concern is in the food business and the Kelly Douglas organization.

**Mr. Penikett:** So, even if you saw room in the market, you would not be interested in applying for other authorities?

**Mr. Crowe-Swords:** No, there are carriers here, such as White Pass and Yukon Freight Lines, that are giving an adequate service.

**Mr. Penikett:** We are pleased to hear you say that.

**Mr. Chairman:** What exactly is your authority for? Strictly as a contract carrier for Kelly Douglas?

**Mr. Crowe-Swords:** My authority reads, general freight for the account of Kelly Douglas only, into and out of the Yukon.

**Mr. Chairman:** The figure you gave was 11,676,000 pounds for six months, is that correct?

**Mr. Crowe-Swords:** From January 1 to June 30, 1981, it was 11,676,306 pounds.

**Mr. Chairman:** And you are not going to tell us the rest.

**Mr. Crowe-Swords:** I can give you the number of loads, the average weights, anything else you may want.

**Mr. Chairman:** What is the average weight?

**Mr. Crowe-Swords:** The average weight for a 40 to 45 foot trailer was 42,639 pounds, in that period, and the average B-train weight worked out to 61,982 pounds. Now that will go up to 70,000 pounds, depending on the product. Some produce loads would be as high as 45,000 pounds, but obviously if you had a light product, such as spinach, you are not going to get it in.

**Mr. Chairman:** Using these figures, and also using what the other trucking companies have told us, we are going to be able to extrapolate some kind of a base price, or what we think is reasonable price per pound for freight, which will be an educated guess, so we appreciate at least that much information because it gives us a basis from which to make our own educated guesses.

**Mr. Hanson:** Could we ask Mr. Crowe-Swords to table that sheet?

**Mr. Crowe-Swords:** Certainly.

**Mr. Chairman:** I appreciate very much your appearance before the Committee, Mr. Crowe-Swords, and spending this time with us. A few of the Committee Members will be in Vancouver in the next few weeks, and had planned a trip to your warehouse, if possible. They would like to tour it.

**Mr. Crowe-Swords:** By all means. We will cooperate in any way we can. I would prefer as much notice as possible because I am doing a considerable amount of travelling right now.

**Mr. Chairman:** Thank you. We will take a short break at this time.

*Recess*

**Mr. Chairman:** We will call the session back to order. It is my pleasure at this time to present as witnesses, Lorne Kerr, the president of Alberta Grocers, as well as Paul Mitchell and Vivian Kitchen from Super A Groceries here in Whitehorse. Thank you very much for coming this afternoon. We appreciate it very much. You will probably have noticed that you are the first of the wholesale/retail operations to be called before the Committee so if we have a tendency to blunder around once in awhile, please bear with us.

I will take the opportunity now to introduce the Members of the Committee to you. We have, on my far left, Tony Penikett, the MLA for Whitehorse West, Swede Hanson, who is the MLA for Mayo immediately on my right. I am the MLA for Porter Creek West, which includes your retail operation, and Chairman of the Committee.

What we have been doing with most of the witnesses that have been appearing before us today is first of all asking some general questions about the business, the structure of the business and the relationship of the retail outlet to the wholesale operation and maybe just a little bit of background about the operation itself. Perhaps we can start with the background and the structure of the operation.

**Mr. Kerr:** Thank you very much. Alberta Grocers has been in existence for 21 years. It was formed as a company to create a distribution point for independent operators in Alberta. This

was achieved some years ago. We now service approximately 275 independent members in Alberta, Northwest Territories and Yukon.

Our company is unique in that it is a member-owned company. In other words, each one of the members belonging to Alberta Grocers in fact owns Alberta Grocers on a share basis. As president of Alberta Grocers, I work for Vivian and Paul and 275 other people. It was set up to give the independent operator the same buying power as the corporate chains where possible. This is not always possible when we start talking about companies like Safeway which are very large conglomerates, but it has helped the independent out extensively in the last 21 years.

The growth of Alberta Grocers is considerable at this point in time. We have new members coming in weekly wanting to join Alberta Grocers. The theory that the company was founded on is — it is doing the job it set out to do.

**Mr. Mitchell:** Which is to secure our source of supply. I think that is the answer.

**Mr. Chairman:** Maybe you can explain to me then, you say "secure your source of supply", does Alberta Grocers — It is based in Edmonton, I understand.

**Mr. Kerr:** That is correct.

**Mr. Chairman:** Do you maintain a warehouse facility there where you consolidate the goods before distributing them to your retail outlets?

**Mr. Kerr:** That is right. We have 150,000 square foot warehouse. We are just going to be clearing ground on our new warehouse which we hope to have open in the spring of 1983 and which will be approximately 300 to 320 thousand square feet. From our distribution point, we supply our member retailers with all products that they require in their store. That is everything from frozen food, meat, produce, eggs, groceries and everything else that is carried in the store for resale.

**Mr. Chairman:** I guess Alberta Grocers then is constantly on the lookout trying to obtain better deals for your member customers.

**Mr. Kerr:** That is right.

**Mr. Chairman:** Do you have retailers who buy from Alberta Grocers who do not have a share in the Alberta Grocers' outlet?

**Mr. Kerr:** No.

**Mr. Chairman:** You do not?

**Mr. Kerr:** No. With the exception: there has been the odd exploration company that have bought from Alberta Grocers at a higher up-charge but that is usually only on a once over basis type of thing.

The philosophy behind it is: you must be a member to belong to Alberta Grocers.

**Mr. Chairman:** How many stores do you have in the territory buying from Alberta Grocers at the present time?

**Mr. Kerr:** I think five or six.

**Mr. Chairman:** And they are all members?

**Mr. Kerr:** In Yukon?

**Mr. Chairman:** Yes.

**Mr. Kerr:** That is correct.

**Mr. Chairman:** I was under a misapprehension then. I had the idea in my head that a retailer could purchase from Alberta Grocers without actually being a member company.

**Mr. Kerr:** He could, but he is going to pay a higher fee.

**Mr. Chairman:** You do not encourage that.

**Mr. Kerr:** That is right. He is not going to benefit through this; he is going to benefit by being a member of Alberta Grocers. Our advertising programs are set up to deal with the three corporate structures we have: Super A, the Big Way and our Q-Mart, Speedy Mart convenience and convenience gas bar outlets.

**Mr. Penikett:** You imply a special relationship between retailers and the wholesaler in this case. It probably does not exist in very many companies. How typical is it for a retailer to join the co-op? Can they be blackballed?

**Mr. Kerr:** It is not a co-op.

**Mr. Penikett:** I mean in the sense that they have a share in the wholesale company.

**Mr. Kerr:** It is not difficult. They must be an independent retail operator; they must be financially viable and we do give the present members the opportunity if a member is going to —

**Mr. Chairman:** Adversely affect their sales or something.

**Mr. Kerr:** We do have problems in this area because there have been times that we have had to tell the retailer that they are withholding their permission without any due cause. If a retailer wanted to open up a store here in Whitehorse — now, I do not know Whitehorse very well so — on the far side of the city from where Paul is located, and Paul said, "No, I don't want another member here," we are in a position to go to the board of directors of Alberta Grocers and really, that is being withheld without any grounds.

**Mr. Penikett:** But you would submit that it is reasonable grounds that if Dougie Graham, for example, wanted to open a store next door to Paul and Vivian in Porter Creek, you would probably say "no".

**Mr. Kerr:** Dougie Graham would not make it.

**Mr. Chairman:** Do not say that.

**Mr. Kerr:** I mean that there has to be some viability here. We want our members to be successful and they of course cannot be successful if we start setting up a competitor next door to them and this type of thing.

**Mr. Chairman:** What would it cost me to become a member of Alberta Grocers?

**Mr. Kerr:** Totally about \$4,500. That is for your shares. These, of course, can be reimbursed to you.

**Mr. Chairman:** And that is it, no hidden costs, no fees that I have to pay each year.

**Mr. Kerr:** Remember, I work for these people.

**Mr. Chairman:** There are no yearly fees or anything like that?

**Mr. Kerr:** No.

**Mr. Penikett:** That figure begs a question. To your knowledge, are there any other people applying to become members of Alberta Grocers in Yukon?

**Mr. Kerr:** At this point in time?

**Mr. Penikett:** Yes.

**Mr. Kerr:** I really do not know. Right now we have an account in Atlin, Watson Lake, Whitehorse, Mayo, Faro, Dawson City and Carmacks so we have seven members.

**Mr. Hanson:** Stewart Crossing.

**Mr. Kerr:** Being what?

**Mr. Hanson:** There is one in Mayo and one in Stewart Crossing.

**Mr. Chairman:** They operate together though.

**Mr. Hanson:** No.

**Mr. Kerr:** Other than two or three, these are all in the past year or two.

**Mr. Chairman:** I guess you answered the question about where they were located.

I am kind of curious just exactly how the Alberta Grocers operation — have these people all come to you or do you go out and solicit new members?

**Mr. Kerr:** Right now we do not have to solicit. Initially, 21 years ago, yes, an awful lot of solicitation took place at that point in time, to get the warehouse going. At that time, many people in the food industry thought Alberta Grocers would never become an entity to contend with. Of course that has proven to be incorrect.

When you say "solicit", yes, we will solicit to the degree that if there is an independent operator that we feel would be a good member for Alberta Grocers, we will approach that person. At this point in time we are not having to solicit.

**Mr. Chairman:** What volume of business does Alberta Grocers do in the Yukon Territory on an annual basis or monthly basis?

**Mr. Kerr:** I am sorry I cannot tell you that. It is not that I do not want to — I will give you any figures that I can, but totally in taking these seven stores —

Now, as I explained to Ms Follwell earlier, I am afraid I came here and I did not really know what information you were going to require so I could be compiling information for weeks and weeks —

**Mr. Chairman:** You would not mind giving us that information? There are bound to be other questions that you cannot answer right off the top of your head here today, and if we put those in the form of a letter to you, you do not mind answering those questions?

**Mr. Kerr:** The only time I will withhold information is if the member does not require that information divulged. I feel I owe that to our members.

**Mr. Chairman:** We do not have any problem with that. Perhaps I can address this question to Mr. Mitchell and Ms Kitchen: do you have any problem divulging what your annual sales are out of your store here in Whitehorse?

**Mr. Mitchell:** Yes, we do.

**Mr. Kerr:** I think if I divulged to you the total sales for the seven members, I think that would suffice and it does not really come down to giving anybody's confidential information away.

**Mr. Chairman:** That was the next question.

**Mr. Penikett:** Being that you have agreed to give us that global figure — I do not think we may need any more than that — would it be an unfair question to ask if you have any idea what your wholesale market share is in Yukon?

**Mr. Mitchell:** It would be pure speculation, I would imagine.

**Mr. Penikett:** I am inviting you to speculate because I am assuming, in the business, you have some sense of what your position is.

**Mr. Mitchell:** Between 20 and 25 percent.

**Mr. Chairman:** That much?

**Mr. Mitchell:** That little.

**Mr. Chairman:** I like your attitude.

**Mr. Penikett:** Mr. Mitchell, you are obviously prepared to answer this. It is apparent to a lot of people here that you have increased your market share in recent years, and you have done that fairly considerably with some price competition with the major presence here; can you give us some idea of the kind of growth you have had?

**Mr. Mitchell:** Well, going from 1,000 square feet and one shopping cart to 10,000 square feet and several shopping carts in a few years has been phenomenal, but our commitment — it is not a job or an investment alone, it is a commitment to what we are doing in Whitehorse. Along with our wholesale company, I think we are just doing a better job.

**Mr. Penikett:** How many years have you been in business now, just for the record?

**Mr. Mitchell:** I think we started — what year was it?

**Ms Kitchen:** In 1975, I think, with groceries.

**Mr. Mitchell:** Since 1975 in the store; we have been in business since 1972, I think, in Whitehorse, moving here from Dawson City. I think we have been in the grocery business since 1975. Just going back to Alberta Grocers, it took us quite awhile to make our commitment; it is not just simply a matter of dollars and cents that we went to Alberta Grocers; it was a commitment.

**Ms Kitchen:** I think figure-wise, our growth from our first year was about 100 percent over our first year's business.

**Mr. Mitchell:** That is in our new store.

**Ms Kitchen:** That is right.

**Mr. Mitchell:** In the new store we have been up about 111 percent.

**Mr. Chairman:** Did you go to Alberta Grocers simply because of the fact that it would get you away from the dominant wholesaler in the territory, the dominant wholesaler at that time, two years ago.

**Mr. Mitchell:** Originally we were buying from Kelly Douglas, and as we became more and more aware of the needs of our customers and we became more and more aware of our competitive situation, we had made more and more pleas to Kelly Douglas at that particular time and the same consistent

answer came back. At that time the warehouse was on the opposite side of the street from Super Valu and I just got this, "Well, there is your answer across the street. The reason you are getting 30 percent shorts on your orders is because it goes to Super Valu first."

**Mr. Penikett:** You refer to a number of pleas. What kind of pleas?

**Mr. Mitchell:** We were consistently being shorted on our order items. We were a little store and starting to pick up gradually in our volume and as we kept re-ordering and re-ordering, we would be faced with, when our orders were delivered, maybe as high as 30 percent shorts.

**Mr. Penikett:** Did you feel there was any kind of discrimination towards you in terms of wholesale prices?

**Mr. Mitchell:** We never thought of it as such in the beginning; we just thought that in some instances, it was cheaper for us to go buy it off of the Super Valu shelves than it was to buy it from Kelly Douglas. Here we were trying to —

**Mr. Penikett:** — compete with Super Valu.

**Mr. Mitchell:** — trying to compete with them, even though we were in 1,000 square foot store. At one time, Vivian and I did approach Kelly Douglas, when we first took over the store. They had a new manager, Mr. Eby, I think it was, and they did give us an extra discount.

**Ms Kitchen:** It was prior to Mr. Eby; it was the man just before him. I brought in a load from Outside — I forget the wholesaler at that point —

**Mr. Mitchell:** Western Grocers.

**Ms Kitchen:** He came around to see us because our business was picking up and asked why we were not buying as much as we had been previously. I showed him a set of invoices and said, "This is why," and my prices dropped five percent right there.

**Mr. Chairman:** Tell me, when you started to buy from a wholesaler other than Kelly Douglas, did you get any pressure from Kelly Douglas — "If you do not buy from us, we are not going to supply you with anything anymore" — or just the opposite?

**Ms Kitchen:** I do not think you would ever find that kind of open — No, I could not say that.

**Mr. Chairman:** Perhaps I can get into some of the financial questions. I do not know if you want to answer these or not. Kelly Douglas has given us a figure that they feel is a reasonable return on their investment. Have you ever sat down and thought about what you consider a reasonable return on the investment that you now have in Whitehorse? Would you care to reveal that to us?

**Mr. Mitchell:** We just did not want to go broke.

**Mr. Chairman:** That was the primary concern.

**Mr. Mitchell:** Our primary concern was that we wanted to do a good job of what we were doing and no one has successfully made a stand against Kelly Douglas in this City and we were determined that we were going to do our job well. We did not want to go broke and we had never considered the fact that we wanted to get rich in a year or two years or anything like that. That was never a consideration; we simply wanted to, if we could, own our store, and even looking on a term basis, we wanted to make money so that the company can grow and do a better job. We did not want to go broke — that was our primary consideration.

**Mr. Chairman:** So you have never sat down and said, "What we require is an eighteen and a half percent return on our investment because we could make that much if we put our money in the bank."

**Mr. Mitchell:** We could make ten times probably, with the same money invested in the clothing business but we have never considered that. We just did not want to go broke, that was our primary concern.

**Mr. Chairman:** Again, this is probably a sensitive question: on an average item you stock in your shelves right now, what is your gross mark-up? What kind of margin do you operate on?

**Mr. Kerr:** It varies. Each product in the store — you get into

higher competitive items and you do take a lesser mark-up. You talk about milk — I do not know what margin you can take on milk, but milk is a very expensive item to produce for resale because of the cost of equipment that is needed to keep it fresh and you do get a very, very poor return on that — butter, eggs, items like this. Other items: biscuits, yes, gives you a little better mark-up but basically, you cannot come down and say that a given item in a store is going to — a total across the board.

**Mr. Mitchell:** We cannot apply a margin straight across the board to anything. Basically every one of our items are related again to Edmonton suggested retail. Every single item is different right down to a decimal, and we are the only store in town, to our knowledge, that calculates our mark-up based on the cost of our item and then we add the freight. We do not add our freight and then take our mark-up. We are the only store that adds their freight as a totally separate cost.

**Mr. Chairman:** So you do not consider your freight as a cost of doing business.

**Mr. Mitchell:** It is a cost of doing business but it is not an item that —

**Ms Kitchen:** It is not one we make a profit on.

**Mr. Mitchell:** No, we do not make a profit on it. We simply add it as a straight factor after we calculate our mark-up, so our mark-up per item in this instance is almost not relative because of how we do it. We are the only store, to our knowledge, that does that.

**Mr. Penikett:** Could I just ask a couple of questions about your pricing practices. You seem to do it in a very different way than your major competitor. You said "Edmonton suggested retail prices", Alberta Grocers suggests to you some retail prices of the goods they are supplying to you?

**Mr. Mitchell:** Yes.

**Mr. Penikett:** Are those suggested prices like Edmonton prices or —?

**Mr. Kerr:** Basically they are based on Edmonton, and then as Mr. Mitchell has said, in the different areas 10 miles out of Edmonton there possibly is not a freight factor where Mr. Mitchell has a freight factor. Now, he has to take this into consideration.

**Mr. Penikett:** Given that your retailer here is working on the basis of your suggestions, and I do not know if he accepts them always, could you give us some idea about how you establish those suggested prices?

**Mr. Kerr:** Through price checks in the City of Edmonton. It is hard to say that every one of our prices — we will not say that every one of our prices is competitive with Safeway in Edmonton; that is impossible because Safeway sells so many private label products which we do not carry. We try to come in on what would be competitive situation if we were operating a supermarket in the City of Edmonton.

**Mr. Penikett:** Let me try to understand that a little better, if you do not mind, because, not having been in the business, I do not know the details. You look at what Safeway is selling bread for and you look at what Safeway is selling eggs for and you try to compete with them on those presumably high volume items. As I understand, as an industry practice, you try to achieve high volume with a relatively low mark-up in order to be competitive.

**Mr. Kerr:** Again, I would just point out, what we recommend does not necessarily mean what the retailer does.

**Mr. Penikett:** I understand that and the market conditions may be different. Presumably, would it be as a general rule, in your suggested prices based on the Edmonton market, that the mark-up would be higher on lower volume items than it would be on high volume items. Would that be a fair general rule of thumb?

**Mr. Kerr:** No, not necessarily. What we do is work in families. You have your family of vegetables: now spinach, I do not know how many people in here buy spinach on a weekly basis but I would suggest darn few, there would be a slight extra percentage taken because it costs to have that item sitting on

your self. In other words, it is your inventory that is not turning over. That may be one or two percent higher than pork and beans, as was brought forward earlier. Yes, that can happen, but basically what we try to do is treat it in family groups.

**Mr. Penikett:** There is a different mark-up for the different families then?

**Mr. Kerr:** Not necessarily different, no. You may wind up with 10 different mark-ups, or 15.

**Mr. Penikett:** Within a family, but the family averages —

**Mr. Kerr:** No, in all the families. That variance may only be one half a percent. As an example: detergents, a product like that does have a higher mark-up than pork and beans; number one, because you get into a weight factor of freight. When we ship freight, we ship per 100 pounds. There are eight sales in a case of detergent; there are 24 in a case of pork and beans so you have to try to figure the amenities here to equalize themselves.

**Mr. Mitchell:** A computer does most of the work in trying to figure out what your product mix is to some degree.

**Mr. Kerr:** What will be happening in the future, and we hope to have this in existence in our warehouse by the end of this year: we are computerizing for every independent member. He will have a computerized pricing structure, set up by himself, incorporated into our computer. Everytime there is a price change, an increase or decline, the computer will automatically calculate that. This is a labour-saving situation here. Once Mr. Mitchell sets down the guidelines for all the products in his store, unless a new product comes on the market, he can nearly forget about that. When he gets the tag for that product into his store, anyone in his store can take that item out, price it and it is giving Mr. Mitchell the mark-up he feels he needs to sell that item.

**Mr. Penikett:** Obviously the markets would be, in some significant ways, different here. It is a smaller market but maybe the people's tastes, needs or wants are different here than they would be in perhaps a big urban centre like Edmonton. How many different items do you stock in Alberta Grocers?

**Mr. Kerr:** Groceries? Dry groceries — I would say 3,600.

**Mr. Penikett:** And how many do you stock, Mr. Mitchell? The full range?

**Mr. Mitchell:** No, we cannot. We do not carry a complete range of products but every new catalogue from our wholesale company is structured so that the best selling items are listed first in order. They do not reflect the fact that we know what our customers want here in Whitehorse; we will be ordering maybe certain family lines from the bottom of the list. It just depends on what our customers want. The wholesale is trying to help us with guidelines as to what the best selling items are. We try to order what our customers want. As for the item count of a couple of thousand, we try to squeeze more variety — that is one of the things that people like about our store. We try to get more variety per square foot, per four foot of running shelf than any other store in town.

**Mr. Kerr:** I quoted you dry grocery items. We carry 7,000 items in our grocery wholesale. This is where you get into your tobaccos, chewing gum and chocolate bars, frozen food and dairy products. When I spoke of dry grocery, I am speaking of just what you would see on the grocery shelves, the canned goods and boxed goods.

**Mr. Chairman:** I want to get back to the Edmonton suggested retail prices. I will assume that, quite naturally, the prices are going to be higher in Whitehorse than they are in Edmonton, on the average. What kind of an average are we looking at? Can you give me a rough idea? Are they 10 percent higher, 20 percent higher?

**Mr. Kerr:** I think there are too many factors to be considered here that you can add to that question. Number one, you have got freight rates here — you can correct me if I am wrong, but I would suggest your cost of heating fuel is higher. I do not know if your cost of electricity is higher. I really do not know about your cost of labour but all of these factors have to be

taken in. I do not know what your tax structure is; I do not know your cost of building a store the size of Mr. Mitchell's is. All of these factors have to be taken in to try to come down on an answer to that.

**Mr. Chairman:** If Edmonton is suggesting a retail price, they must have taken those factors into consideration when they suggested that retail price.

**Mr. Kerr:** If we tried to take every last facet within the industry that is representative of the bottom line, we would need five staff members just to look after that.

**Mr. Penikett:** You said you were suggesting Edmonton retail prices, not Whitehorse retail prices.

**Mr. Kerr:** Yes.

**Mr. Mitchell:** It would relate more to Edmonton. This is the suggested retail to remain competitive in Edmonton with a Safeway market essentially. Even though the invoices come here to Whitehorse, they are really a guideline for stores in the Edmonton area. They are not really made for here. The computer does that for all of the stores and we just happen to be 1,300 miles from our source of supply; therefore, looking at what we are trying to do, we try to use the Edmonton suggested retail as a guideline. It is an asset to us to try to establish some sort of pricing structure based on what the difference is all about, what the difference is and why are we so different up here than Vancouver or Edmonton.

**Mr. Chairman:** Okay, but if you see those suggested retail prices for Edmonton, on the average — I guess what I am trying to pin down is: do you agree with our surveys that say we are 30 percent higher. What are we —?

**Mr. Penikett:** Between 20 and 35.

**Mr. Chairman:** Between 20 and 35 percent higher than Edmonton today?

**Mr. Mitchell:** I have to agree with them. Even if they were done in our store, if I were to really look at that very seriously, I would like to sit down and compare operating expenses between our store and — We have independents in our group that have the same size, identical equipment and so on, and look at the difference in operating costs. I know they are tremendous here compared to our fellow members —

**Mr. Chairman:** That same size store in Edmonton.

**Mr. Mitchell:** Absolutely.

**Mr. Chairman:** I guess what I am asking you is —

**Mr. Mitchell:** I guess we could effectively say, "Yes, between 20 and 30 percent higher." We would have to agree.

**Ms Kitchen:** I do not see what we have to compare it to.

**Mr. Chairman:** I am just kind of curious if our surveys are —

**Mr. Kerr:** What are you comparing it to? I am not familiar with this.

**Mr. Chairman:** We do a food basket and we try to get the same quality, same quantities and the same products in stores in Edmonton, Vancouver and Whitehorse. Based on those products, we do a food basket price. I think the last one was 118 percent of Vancouver and very close to 130 percent of Edmonton prices.

**Mr. Mitchell:** I do not know what the food basket consists of. I would imagine they are basic, staple items, or should be.

**Mr. Penikett:** We heard that it is now 125 items.

**Mr. Mitchell:** Ms Kitchen looks after the sale ads. Quite often Edmonton will suggest a price to us that they are going to put the items on sale for in Alberta and we put ours on for less here, a few cents less, but we have still done it, looking at a competitive situation. We have guidelines coming in from Edmonton that suggest we should sell something at \$1.99 and when we put it on sale, we might put that same item on for \$1.85 instead.

**Ms Kitchen:** Or it might be more, on the other hand.

**Mr. Mitchell:** Very seldom prices go down, but in using that guideline, we apply it to the city. Looking at what that particular item does volume-wise and so on, there might be a greater demand here and there is no need for us to make that extra few percent so she will drop the price as compared to Edmonton

suggested retail.

**Mr. Chairman:** When we are talking about higher operating costs and why the price of food in the territory is 130 percent of what it is in Edmonton, what do you rate as the reasons? This is a question that we have asked pretty well everybody. The standards reasons seem to be freight, higher heating costs, electrical costs, wages. What do you think are the reasons?

**Mr. Mitchell:** I could not go down them in order. Right off the top of my head, with us being owner-operators, I think the big bills that hit us all the time: the power bills are just incredible to run a store that size.

**Mr. Penikett:** Would you put energy near the top?

**Mr. Mitchell:** That is one of the biggest ones. We are looking very seriously at putting something in our store right now that runs on electricity and I have been wondering how the power bills are going to reflect this. I do not know what they are monthly now, but even compared to when we first opened, they are taking such incredible leaps when they go up.

**Ms Kitchen:** I think, on an average, our power bill would be about — if I said \$1,000 more a month than when we opened, I am not telling you a lie. It is anywhere from \$800 to \$1,000 a month. I can show you a power bill from the day we opened and a power bill now and —

**Mr. Mitchell:** They were about \$1,300 average then?

**Ms Kitchen:** \$1,300 to \$1,500 and I am looking at one now of \$2,300.

**Mr. Chairman:** And that is in the summer.

**Mr. Penikett:** What about freight? How critical a factor is that?

**Ms Kitchen:** It is a big item. I do not care who denies it; it certainly is. When you can take a bag of flour in Edmonton and bag of flour in Whitehorse and say that that is going to cost me about a buck more a bag because I live in Whitehorse, we are talking freight, nothing else.

**Mr. Penikett:** Your wage costs are obviously much lower than your competitors, too.

**Mr. Mitchell:** Not necessarily.

**Mr. Penikett:** In terms of hourly rates, your total wage may not be.

**Ms Kitchen:** To tell you the truth, I do not know what Super Valu's wages are. I have a rough idea but I do not know for sure what they are in detail. We pay less for obvious reasons.

**Mr. Chairman:** You do not always pay less, if I may interject. We did a little checking to find out what the wage differences were and we found in many cases that you did not pay much less and in a couple of cases you do pay more in wages. I was curious, after looking at that, how big a difference does the cost of wages make in the Yukon as compared to Edmonton.

**Mr. Mitchell:** It is a very difficult thing to attract people to an independent operation, as compared to a chain. A lot of people are looking for a place to settle in, and they look for a corporate chain that is very well structured so they know exactly what their guidelines are. If I may use the term loosely, they are looking for a government-type of job person. The grocery business happens to be one of those businesses where people just do not go to school to learn it, and most people have to learn it the hard way. You have to take a job and work your way up from the bottom. So, we try to offer a bit more in certain positions. For example, bakers are notorious for flying off the handle and quitting, getting fired, and so on. It is harder to get people for jobs like that. We have drawn people from as far east as New Brunswick and Nova Scotia. To try to get people, we have run ads in the papers back east.

**Mr. Chairman:** From your experience, then, wages and the associated cost of bringing people here, is important?

**Mr. Mitchell:** It is an important factor. We offer them a rebate after six months, on their expenses to come here, and we have to offer them certain benefits. All our staff receive grocery discounts, which even corporate chains do not offer. We do try to treat our people well, the ones who stay.

**Mr. Kerr:** There is also another factor when you speak of wages and you want to compare Edmonton and Whitehorse,

the economies of velocity. Take, for example, a store like a good Canada Safeway store that is perhaps doing one million dollars a week. They may operate between a five and six percent wage factor, whereas a store up here may be forced to operate at between eight and nine, and perhaps ten, because the volume of product movement is not equitable.

**Mr. Penikett:** That hits the nail on the head. Would you be prepared to say what Super A wage costs are in percentages?

**Ms Kitchen:** In the first year of operation, they were too high. I think they were about 11.6 percent, which is too high. I think they are less now. I do not have the figures here.

**Mr. Mitchell:** As volume increases, we try to maintain the same number of staff. We have become more efficient at what we are doing, now.

**Mr. Kerr:** That is where the economies of velocity begin to come in.

**Mr. Penikett:** Let me ask you about that. You call them velocities; I am not used to using that word, but I understand efficiencies. You have, to anyone observing the scene, increased your share of the market here, and the market has not grown that much. Presumably you have done it at the expense of your major competitor. I would be interested in how that competitor would normally respond to that challenge. You obviously have a neighbourhood market, which I think it would be very hard for them to penetrate, but beyond that, would you say you are competing with them in terms of sales per square foot effectively?

**Ms Kitchen:** How would we know that?

**Mr. Penikett:** As professionals in the business, presumably you make observations on those things all the time.

**Mr. Mitchell:** We do not know what their sales are to start with, and, even being a professional, I cannot observe a store and state that they are doing X dollar volume per week. I sure would like to have someone on my staff like that though.

**Mr. Penikett:** If you walked into a market, such as the Whitehorse market, being a wholesaler, and looked at the retail space, I would be surprised if you would not be able to say that there is too little retail space and that there would be room for someone else, or that there is too much retail space here.

**Mr. Kerr:** It would be an assumption only, at that point in time. That would take a one to two week study to really evaluate that and come up with an accurate figure.

**Mr. Penikett:** So, you would not have any opinion on that in Whitehorse, at the moment?

**Mr. Kerr:** I could not have. I have only driven by the Super Valu store. There is no way that you could come down on anything like this; neither could they.

**Mr. Penikett:** If Mr. Graham were to come along and say that he was building a shopping centre, out of his MLA salary, and wanted to have a 35,000 square foot supermarket in it, what would your response be to the economics of that proposition?

**Mr. Kerr:** First, we would do a survey. We would start with a population census and what we would consider to be the drawing area of that store. Then, what competition is there, and how much volume can be taken from the competition. Many of these answers are very speculative. When we arrive at a final analysis, we usually adopt a pessimistic outlook, because we are guiding an independent operator in proceeding with the investment of his life savings, or something. Being pessimistic, if we feel that it is a very viable opportunity, we will tell him that, but he has to make the final decision, and we always stipulate that.

**Mr. Penikett:** I think you have previously told us the size of your store; how much more could your volume increase before you would have to expand?

**Ms Kitchen:** I think probably we should look at expanding right now. There is only so much you can display in a certain area, without having wipe-out on your shelves all the time, just for lack of space to stock the items.

**Mr. Chairman:** Is that a problem at the present time?

**Ms Kitchen:** Yes. We are doing a volume that is geared to a larger store, at the present time.

**Mr. Chairman:** One of the criticisms of the Super A store that we have heard is that in some instances, especially when you have a good sale, someone from Riverdale drives to Porter Creek and by the time they get there that afternoon, everything is sold out.

**Ms Kitchen:** That is valid, I think. We do offer a raincheck to people, which I do not believe the other stores in town do, so that they can always capture that sale item the next time out.

**Mr. Chairman:** I wonder how many people realize that, because I suspect that if that happens it is a valid criticism.

**Mr. Mitchell:** We try to watch that very carefully, and two copies of all rainchecks are made as they come through, and we try to follow up, so that when we reorder, it is available for them, perhaps next week.

**Ms Kitchen:** Even if that item costs us more money two weeks later, we honour our rainchecks, always.

**Mr. Penikett:** When you were talking about doing your analysis of a market such as Whitehorse, which is presumably a pretty finite area — we know how big it is and there are not many errors you could make, even using Statistics Canada statistics for the population — what kind of sales volume per square foot would you look for in order to make a store viable or could you state the proposition in those terms?

**Mr. Kerr:** No, you could not, because there are too many cost factors to be considered to try to make an across-the-board statement. I would rather not confuse this hearing with speculation on something like that. If I had a specific situation and cost, then I would be glad to give you what I think would be required in sales per square foot, and that is something I could compile for you, based again on costs. To be quite honest, I do not know if in Whitehorse today, the cost of developing a store would be \$35 a square foot or \$65 dollars a square foot.

**Mr. Penikett:** Do you know those figures for Edmonton?

**Mr. Kerr:** Not off the top of my hat. I am not involved in this area that extensively, and I would have to consult some of my people to get my facts complete.

**Mr. Penikett:** If you had those figures available, without going to too much work, I am sure we would be interested in them.

**Mr. Kerr:** Those could be compiled.

**Mr. Chairman:** I suppose one of the costs of operation is your initial capital outlay.

**Mr. Kerr:** That is right.

**Mr. Chairman:** One of the things we are interested in is whether or not it is really that much greater in Whitehorse than in Edmonton, when you consider the much higher cost of land in major centres as opposed to Whitehorse.

**Mr. Kerr:** As far as the cost of development, I do not know that. I do not know what one would pay for a prime acre of land here, which would be what you would buy in the City of Edmonton to put up a supermarket.

**Mr. Mitchell:** I would suggest that the Canadian Federation of Retail Grocers would probably be a good source of information for all parts of the country, and Mr. Gadd (?), who is the president of the organization — we are a member of it as well — can supply information for Ontario, and what it costs per square foot for some stores. We have information exchanges.

**Mr. Penikett:** Our problem is finding someone here so we can check and see how reliable those figures are in this market.

**Mr. Kerr:** We can get you figures for Edmonton, and we can give you figures here, if we have accurate figures to work with.

**Mr. Penikett:** We appreciate that. Let me return to Mr. Mitchell. You began to answer my question about probable causes for the price discrepancy here, and we touched on freight, energy and the difficulty of comparing wage costs, because apparently you have some employee benefits that we did not know about. If you had to give a short oration on that, could you think of any other reasons or causes? Is the size of the market here a problem, and the limited volume?

**Mr. Mitchell:** If you looked at the Yukon as a businessman from Outside, I think you might be a little apprehensive. You might think of the Yukon as being a very delicate area, because

you do not know if it would be viable or not. There just are not enough people here, and the Yukon is very spread out. I think we have made our commitment, of course, because we have lived here for a long time and we want to stay here. People from Outside would think it is a very touchy area, population-wise. Originally, on that property, we wanted to build a shopping centre with eight stores on the end of our Super A. Most of them said we had a very fine presentation and a very good idea, but they would not even look at Whitehorse unless it had forty or fifty thousand people.

**Mr. Penikett:** Let me deal with a specific on that point. When you talk about these people Outside, presumably you include some of our noble Canadian institutions, the chartered banks. Has it been your experience that, presumably if you were to open a store in Edmonton, the bank would give you some money and you would have to amortize the debt over a certain period. Is it your experience that they would give you a much shorter period to pay off that loan here, and the interest rates might be marginally higher; is that one of the costs that would be higher here?

**Ms Kitchen:** I do not know how one would compare that. Certainly, I think if you are considering the difference between the bank attitude towards the Super Valu and us, you could definitely say those points are true, but how do we compare ourselves with someone Outside?

**Mr. Kerr:** I do not think that would be the case. As we are well aware, the banks deal on the prime lending rate, basically. I am not suggesting that they do not have customers who will get a better rate than another, but I would suggest that when you are dealing with the bank on prime plus one, one and a half or two percent, this would not differ from Edmonton in any way, shape or form.

**Mr. Penikett:** It would sure make a difference if you were starting a business, though, how much time you had to pay off the note.

**Mr. Kerr:** And at what rate of interest. Anyone who had developed a super market three to five years ago, and locked in on long term money at nine and a half, ten or eleven percent, as compared to someone today or a year ago who is locking in, the longest term he would get is possibly five years at prime plus two percent, which would place it at about 24 percent today. That is a vast difference. That has to be a cost of operating.

**Mr. Mitchell:** There are vast differences between Ms Kitchen and myself and Kelly Douglas, if we are looking for money to build a supermarket. I do not think that they would even look for money, to start with, but the banks would certainly treat us differently, which has certainly been our experience. Whether or not we would pay more is pure speculation. I do not know what they would negotiate, but just from their structure and their size, and so on — if that answers your question — they would definitely get a better deal than anyone.

**Mr. Penikett:** Do you have any other comments about the reasons for the price discrepancy here?

**Mr. Mitchell:** Of course, I always think that taxes are too high, but what can I say? I think that for the type of zoning that we have, you can see where Porter Creek has certainly been catching up with the rest of the city, since it has been taken over. I am not really complaining about them; they are something to consider when I think that nothing has really been done to that particular area of Porter Creek, except for street lights, which I am very pleased are there. Taxes are high, when you look at value for your dollar, as compared to Edmonton. Value for your money is certainly greater elsewhere than here.

Cost of building was another big factor for us. When we built the store, we did not look at what sales we needed per square foot or what was needed to make the store viable. We had to look and say that we had X number of dollars to put up a building. Alberta Grocers gave us all the assistance they could with planners and so on, and we did surveys and tried to get the most for our money. We had no idea as to what the store would actually do at that particular time, and we are very pleased with the way we have been received.



**Mr. Chairman:** Alberta Grocers serves as a wholesale outlet for food products for all of their member stores. Do you make a profit on that wholesale operation?

**Mr. Kerr:** Yes.

**Mr. Chairman:** Where does it go?

**Mr. Kerr:** It goes towards having the company grow larger.

**Mr. Chairman:** The member companies do not get a dividend at the end of each year?

**Mr. Kerr:** They can get the dividend, depending on the year. If the company has had a viable year, there could be a volume rebate paid to members at the end of that year.

I will tell you a little more about our company. We have a situation where it is owned by the members and every member who deals with Alberta Grocers is treated equally, whether it is a small store or a large store. The service charge they pay is the same. If we do pay a volume rebate at the end of the year, we recognize the largest store volume in some way. This is paid on a sliding scale percentage of the store's purchases. One of the things that every member of Alberta Grocers has to do is leave on deposit with Alberta Grocers one week's purchases.

Let us assume that a store is doing \$100,000 a week, that store, at the end of five years, would have to have on deposit with Alberta Grocers \$100,000, on which no interest is paid. This is his company. We are looking at the equalities, the different volumes. A smaller store doing \$5,000 a week will have \$5,000 on deposit with us at the end of five years.

We ran into a problem where some of our members had already paid up their five weeks, so we thought that that was not very good, so we introduced another one week's deposit, only on the second week's purchase deposit we pay them 10 percent interest. So, our members are investing one week's purchase deposit in their company in the first five years, one week's sales from their store, and they do not get interest on that money. After they have surpassed that figure, they will pay a second week's purchase, which would be another \$100,000, if that is what its sales were, and we will pay 10 percent interest on that.

**Mr. Chairman:** I take it that Alberta Grocers uses this money for purchases and wholesaling?

**Mr. Kerr:** That is correct. The company's growth has been very, very good. The members have an opportunity to purchase the B-class shares, which are a trading share and do increase in value, and this now becomes a long-term investment for them.

**Mr. Chairman:** Tell me about the volume rebate. Perhaps it is a question I should ask Mr. Mitchell and Ms Kitchen. If you get a volume rebate at the end of this year, do you have some method to pass it along to your customers, or is that money to take a trip?

**Mr. Kerr:** I would answer that. Of whatever monies paid to them, they only get about enough cash to pay the taxes on the rebate. The rest is placed in purchase deposits, in B-shares, other deposits that they can make. We want the members to re-invest in their company, in their wholesale. Through this we can develop a 320,000 square foot warehouse, which we are working on now. Again, this is for the independent, and in order for the independent to survive, he has to be strong. I know you are probably well aware of the situation in Alberta with Canada Safeway being dominant — well, we are trying to take a slice out there.

**Mr. Chairman:** From what I understand, you sell your grocery products at the exact same wholesale cost to Mr. Mitchell and Ms Kitchen in Whitehorse as a larger Super A store in Edmonton, is that right?

**Mr. Kerr:** Yes, other than freight.

**Mr. Chairman:** The wholesale price is the same, so the only way that you can make any headway in increasing your volume is by a volume rebate at the end of the year if you have a good year?

**Mr. Kerr:** That is right.

**Mr. Penikett:** In Edmonton, you are competing against a company that is in such a dominant position in the market that

they have actually been taken to court — Canada Safeway — and that must be tough competition, because I gather that their practice is that as soon as a market opens up, they just build another store, or that was their situation for a long time. Mr. Mitchell and Ms Kitchen are in a market where they compete with another company that has a dominant position in the market, but is a different company. Would either of you be prepared to comment on the difference in that experience? Safeway has had a pretty voracious appetite in Alberta. Kelly Douglas has some competition here but may not have quite the dominant position that Safeway has in Alberta. You have to compete with them both.

**Mr. Kerr:** I will use Edmonton. We cannot compete with Safeway in Edmonton. We try to give our members a competitive pricing system, we take into consideration the fact that he has to survive also. If we tried to have him sell everything at Safeway prices then we would not have any independents left in Alberta. Safeway is in a position where they may pay \$6.00 a square foot for rent, and I just use that as an example. If we ever had the opportunity to get the same location, I will lay odds we would pay \$9.00 a square foot.

**Mr. Penikett:** Why is that?

**Mr. Kerr:** Because Safeway is the major food force in Alberta, and all shopping centre developers feel that if Safeway is in the center, they are in a position to raise the other rentals to other tenants in the shopping centre accordingly to compensate for that, because Safeway is a major food operator and the major draw in that shopping centre.

**Mr. Penikett:** So, if you are that big, there are all sorts of advantages built into the system for you?

**Mr. Kerr:** This is what we keep working at with the Government of Alberta. We try to get some equities for the independent operator. Developers will very, very seldom talk to a company like Horne & Pitfield, with which I am sure you are all aware, which is I.G.A., Alberta Grocers, Associated Grocers, if Safeway say they are interested in going into that centre. Even if we were to offer them \$9.00, we would not get it.

**Mr. Chairman:** What are you looking for from the government in Alberta?

**Mr. Kerr:** To have a fair trade practice in regards to new shopping centres, where a company would have the opportunity to tender on the space available, and base it on true tender of rental paid. In other words, if we are willing to pay 50 cents more a square foot than Safeway, why should Safeway get it?

**Mr. Chairman:** Has Alberta Grocers done a lot of research in this area?

**Mr. Kerr:** We are working now. Even independent competitors are working together in this area. The day could come when Safeway will have a stranglehold in Western Canada and independents will be gone, and any real, severe competition will be gone, and then Safeway will call the shot the way they want it.

**Mr. Penikett:** Is it not true that the Federal Court in Alberta had ordered them to restrain their tendency to build new stores?

**Mr. Kerr:** Seven years ago, that is right.

**Mr. Mitchell:** I think they managed to get around it.

**Mr. Kerr:** They said they could not build stores, they did not say they could not buy properties for stores when they could build again. I do not think it restricted them.

**Mr. Mitchell:** They did not say that they could not lease from another company.

**Mr. Kerr:** They could add on to the present stores they had.

In the case of Whitehorse, I do not think Super Valu have any advantages; I do not know that for a fact. Perhaps Mr. Mitchell could answer better, but I do not see why they would have any advantages.

**Mr. Mitchell:** I think the advantage Super Valu has over us is the local distribution centre, which they have here at their disposal. I would not have empty holes on my shelves if I could send a truck five minutes up to Burns Road and pick up a case of whatever I need. All our goods, everything, is trucked in.

The only accounts I have locally are the two pop companies and, once in a while, bread when we run short, but everything comes in from Edmonton. I could only speculate on what items are prepaid to the door because of volume. We can all drop-ship items, as they are called. We can all buy 100 cases of Libby's beans or 100 cases of another product, if we are doing that type of volume, and have it freight prepaid from Edmonton or Vancouver right to the door. However, we buy everything from the our wholesale company. That certainly gives them an advantage; if we had a wholesale company here, we would probably be able to do that.

**Mr. Chairman:** Let us take an example. Say Nabob coffee had a deal on where they would prepay freight here to the Kelly Douglas warehouse in Whitehorse. You mean you cannot take advantage of that same offer from Nabob?

**Mr. Mitchell:** They would probably not offer it to us.

**Mr. Kerr:** This is where I was mistaken. I did not know Kelly Douglas had a distribution point here; I thought it was all coming out of Vancouver. What happens is that certain manufacturers prepay to warehouse, and they prepay to our warehouse in Edmonton, the same as to Kelly Douglas in Vancouver, and yes, they would also prepay many items to Kelly Douglas' warehouse here.

**Mr. Chairman:** So if you had a warehouse here in Whitehorse, they would probably prepay to here too?

**Mr. Kerr:** That is right. There would be a difference in freight costs on many of their products.

**Mr. Mitchell:** It certainly hurts on staple items such as flour, sugar and that type of thing where it is hard to compete because of the freight. I am not saying, though, that they get theirs prepaid.

**Ms Kitchen:** Their corporate strength makes a big difference, the same as Safeway in Alberta. They have all kinds of advantages. Nabob Foods is owned by them somewhere along the link. There is a series of profits being made.

**Mr. Chairman:** They had to sell it. Nabob is no longer owned by Kelly Douglas.

**Mr. Kerr:** My understanding is that it was sold to a company that they own in Europe.

**Ms Kitchen:** The advantages are there, all the way along the chain, and that is where the strength is. Super Valu has 80 stores. If they want a war tomorrow, they are warring with an independent that can go under easily from their war — the switch of the customers going wherever they get the price, and they would swallow it up in 79 other stores.

**Mr. Penikett:** Are you saying that if Super Valu and Kelly Douglas here decided that they wanted to put you under, they could?

**Mr. Mitchell:** Absolutely.

**Mr. Penikett:** So, there is an implied understanding between you, that you have your share of the market.

**Ms Kitchen:** I do not think that is so. I think that they sort of laugh us off.

**Mr. Penikett:** Because you are not big enough yet to be a real nuisance?

**Mr. Chairman:** What happens when you get a little bigger?

**Mr. Mitchell:** The risk gets greater. They can transfer the loss from this Super Valu store to another. I understand they just sold their interest in the Sobeys stores in the maritimes, but they could effectively transfer the loss to some obscure town in Ontario that we have never heard of. If Vivian and I lose \$100,000, we are out of business, and that is all there is to it, and 35 people are out of work. There is no problem for them to do it, if they decide that they want to put us out of business. The onus at that point would be on the consumer.

**Ms Kitchen:** Probably until this enquiry came up, the effect that we had on the market did not really bother them. I do think I have seen some changes since the enquiry began.

**Mr. Penikett:** Does that bother you? I want to ask you about that. Does that prospect bother you, that they could snuff you out very quickly?

**Ms Kitchen:** It is a fact of life.

**Mr. Penikett:** That is what you call free enterprise.

**Ms Kitchen:** It is not free enterprise when you are talking about conglomerates. Free enterprise is somewhere in a myth, I think, when you come to that.

**Mr. Penikett:** Let me ask you: you say that you have seen changes since this enquiry came about. What are you talking about?

**Ms Kitchen:** I think they have made a big effort in their advertising program. We always used to watch the ads and say, "Well, for a smaller store, we are running maybe 80 items a week," and we would look at their ads and they would be running 40 items. I think it was pretty fair to say that the items they were running were not major items in a shopping list.

**Mr. Chairman:** On sale, you mean?

**Ms Kitchen:** Yes. I look at the ads in the last little while and say, "Well, gee, they are running 80 items." They are offering a better selection.

**Mr. Penikett:** Are you suggesting that the best way to keep prices down might be to have an enquiry sitting all of the time?

**Mr. Mitchell:** If we have to. I think that since we have opened, we have helped to keep prices down.

**Mr. Penikett:** In their store?

**Mr. Mitchell:** In their store, yes. I think that we still run the best flyer in town as for selected items on sale. I make that without any reservation whatsoever. Since we opened that store, we have always run the best selection of items. Occasionally we used to compare, and with Super Valu three times our size is running 45 items and they are running just what everyone needs: avocados and the things that people do not really need.

**Mr. Penikett:** To the extent that you understand this term, is Super Valu the price leader here?

**Mr. Mitchell:** In order to say that they are a price leader means that everyone else has to be price follower and we set our prices independently of Super Valu. We do not follow them.

**Mr. Penikett:** We just heard, though, that your wholesaler watches what Safeway does in the Edmonton market in order to set your prices but you set your prices according to your wholesale. You do not watch what they do.

**Mr. Mitchell:** We do not watch what Super Valu does. I should not say we do not; it pays to watch what your competition is doing. We go through and see what is new and how they are merchandising. They have a very "Vancouver style" of merchandising and we try to bring in something a little different.

**Mr. Penikett:** What is a "Vancouver style" of merchandising?

**Mr. Mitchell:** If you were in the department store business, you would look at how Eatons operate and how they run their stores. You would probably refer to it as a certain style.

**Mr. Penikett:** Eatons is a "Toronto style", Hudsons Bay is a "Winnipeg style"?

**Mr. Mitchell:** Sort of, following along that line. When Super Valu came here, they brought that "Vancouver style" of merchandising which they have in their store.

**Mr. Penikett:** What do you call your style? The "Porter Creek style"?

**Ms Kitchen:** I do not think you could class it as a style.

**Mr. Kerr:** I would like to clarify a point here. When I told you that we watch Safeway's prices, we watch Woodward's prices also. We watch Super Valu's and IGA's prices. This also works in return. We are not the only ones watching other people's prices in Edmonton. Safeway watches our prices and they watch Woodward's and they watch IGA. If Safeway are undercut by an ad item in Super A's stores, they will come out and print another flyer and change that price, or they will change it on the radio. I do not want you to think that we are the only ones watching Safeway's prices; they are watching everybody else's also. It is a competitive market; everybody watches what everybody else does.

**Mr. Chairman:** One of the comments that we heard at some



point in time was that when Super A first opened, you could go and shop there for your normal weekly grocery basket and find that you were consistently 15 to 25 percent, say 20 percent lower than Super Valu. Yet, over the past few months or year, you will find that if you shop for the same food basket at Super A as you do at Super Valu, you are only five percent lower, possibly. Is that true?

**Ms Kitchen:** We have not changed our pricing policy so the answer is there in itself.

**Mr. Mitchell:** If we have not come up, they must have come down.

**Mr. Chairman:** I guess that is one of the things that we are trying to get at. Did you intentionally increase your prices because you were too low?

**Ms Kitchen:** We have not. As I say, we have not changed our pricing policy.

**Mr. Chairman:** From that we can extrapolate that Super Valu have probably come down.

**Mr. Mitchell:** They have increased the items in their ads since the food price enquiry thing has started. If I may stretch my neck out a bit, referring to that ad in this week's flyer about a truckload of produce, I find it a little misleading where they have implied that they brought this truckload of pears which in fact it was not a truckload. Our ad is coming out today with pears and prune plums, and they beat us by 10 cents a pound. Of course they never know what we are doing out in Porter Creek. That is the problem: they can never figure out what we are doing with our ads because everything is done with Edmonton. They have effectively just tried to make some stab back at the fact that there is another fruit stand in town, plus they never know what we are doing out in Porter Creek.

It is misleading. They have increased their items and so on, but I feel there should be some truth in advertising. We are still the only people in town that, from the day we opened, have advertised in metric. We are trying to set a new trend. We try to be very specific in our ads as to what is on sale, rather than "government inspected". Everything is government inspected, even the paper it is printed on is government inspected. You know, for a piece of meat they should specify what brand it is, whether it is Gainers or some junk brand that they brought out of British Columbia somewhere.

**Mr. Penikett:** Is that part of the "Vancouver style"?

**Mr. Mitchell:** Right. We like to be very specific, whether we have Gainers bacon on sale. We do not like to say just plain "bacon ends" or something. Or produce, whether it is a number one. We have been very specific for people. We have tried to run the best ads that we can.

**Mr. Chairman:** We are going to get into transportation and the future of Super A and the future of your business in the territory, but perhaps we should take a short break before we get into those things because if our first page of questions is any indication, I have three more left and we might be here for awhile. Perhaps we will take a short break.

*Recess*

**Mr. Chairman:** We will call the hearing back into session. Welcome back.

I would like you to go into the transportation, how the food products sold in your store are brought into the territory, how often do the trucks arrive, who transports your product and that sort of thing. So perhaps we could start out with the transportation company that brings your produce in.

**Mr. Kerr:** We have our own transportation company.

**Mr. Chairman:** You do?

**Mr. Kerr:** Alberta Grocers, that is right.

**Mr. Chairman:** I guess, they bring everything in do they?

**Mr. Kerr:** No, from time to time, we will end up with overload situations, and quantities do come up on White Pass.

**Mr. Chairman:** On White Pass from Edmonton?

**Mr. Kerr:** Yes, that is right. If we have a 40,000 pound load and there are 10,000 pounds left on the dock, possibly what will happen — and I do not know that it always happens — but hopefully someone will call Paul and say, "This is what is left

on the dock, can it wait until the next truck?" If Paul needs that product badly then we will put it on another carrier and usually that is White Pass.

**Mr. Chairman:** How many trucks a week are you running into the territory at the present time?

**Mr. Kerr:** Into Yukon?

**Mr. Chairman:** Yes.

**Mr. Kerr:** Well I do not know, five, six, seven, eight, I am not sure. I think you have three coming in a week.

**Mr. Mitchell:** There is one loading every day apparently.

**Mr. Kerr:** We operate 25 trailers. We have 15 tractors and we have, I believe, six or seven lease tractor operators.

**Mr. Chairman:** These are owned by Alberta Grocers.

**Mr. Kerr:** All but the leased tractors.

**Mr. Chairman:** I realize that, but the others are all owned by Alberta Grocers.

**Mr. Kerr:** That is right.

**Mr. Chairman:** You are running one a day into the territory at the present time?

**Mr. Kerr:** Well, not necessarily to Porter Creek; we are also running to these other areas. I am being a little evasive on the figure I am giving you, but I would suggest it is anywhere from five to eight a week.

**Mr. Chairman:** And those are all 40 foot trailers they are not B-trains.

**Mr. Kerr:** Forty-five foot trailers, 40,000 pounds maximum, and we certainly try to fill each truck — because of the economies again. If we run at 30,000 pounds, it costs the transportation division of the company.

**Mr. Chairman:** The reason we are asking these questions is because it will probably give us a fairly precise idea of what percentage of the market you do have in the territory at the present time. I think we have somewhere in the neighbourhood of 11 million pounds being brought in by Kelly Douglas in the last six months, so we hope to bring that kind of information forward.

**Mr. Kerr:** Again, through correspondence, I can give you the exact tonnage that comes into the territory.

**Mr. Chairman:** If you will do that, we will send you a letter requesting that kind of information. I guess the next thing we are going to get into, if you will answer the questions, is the cost of bringing these goods in; what does it cost you to bring a trailer load of products for your store into Whitehorse.

**Mr. Kerr:** What does it cost us?

**Mr. Chairman:** What do you charge Mr. Mitchell?

**Mr. Kerr:** I will only quote Whitehorse because I have not spoken to anyone else in the territory. The cost is \$6.91 per hundred on dry groceries.

**Mr. Chairman:** \$6.91.

**Mr. Kerr:** Yes, and \$8.14 on your repack items: cigarettes, the smaller quantity items and \$8.93 on perishable products being milk, produce, frozen food —

**Mr. Chairman:** Perhaps I will just ask you a few other questions. Does this cover the cost of transportation?

**Mr. Kerr:** No.

**Mr. Chairman:** So you are actually shipping at a slight loss or is it a major loss.

**Mr. Kerr:** You can ask my board of directors. No it is a loss; I do not know if the company has ever been in the black in our transportation division and I believe we run a very good transportation operation, but we may lose \$100 to \$150 thousand to \$200,000 in a given year on our transportation.

**Mr. Chairman:** How many stores do you have outside the City of Edmonton?

**Mr. Kerr:** Most of them.

**Mr. Chairman:** So the cost is distributed over quite a number of stores.

**Mr. Kerr:** Yes. I am not bringing that cost specifically down on the Yukon.

**Mr. Chairman:** I realize this. Are the Yukon points the furthest away that Alberta Grocers services?

**Mr. Kerr:** No, we go to Yellowknife. We have been asked to

truck to Inuvik but we backed off of that one.

**Mr. Penikett:** Do you charge the same rate to your other —?

**Mr. Kerr:** Oh no, no.

**Mr. Penikett:** It is a different rate depending on where you are. So you are not recovering the cost here but it is still a different rate from stores depending on where you are.

**Mr. Kerr:** We could not charge a store 40 miles out of Edmonton, the same charge as we —

**Mr. Penikett:** I mean in unit costs.

**Mr. Chairman:** We are not even getting into that because I think the field surcharges are almost standard across the board.

**Mr. Kerr:** Well standard, but there is the six percent. We have just gone into it. We would like to see our transportation department on a break-even point. We do not want it to be a profit entity. We also would like to keep it very close to the break-even line.

**Mr. Chairman:** Which is why you have added the fuel surcharge.

**Mr. Kerr:** That is right, because again I maintain within our company we have the different divisions and if you do not try to bring a certain division to a break-even, then that division may not be operating effectively or productively.

**Mr. Chairman:** When you are bringing a truck load of goods into the territory, does that truck have the ability to stop at Watson Lake, drop in Watson Lake and then drop in Whitehorse? Does it happen very often or do you find that now most of it coming to Whitehorse is a full load?

**Mr. Kerr:** No most of them are split loads.

**Mr. Chairman:** They are. You find it more economical to do that.

**Mr. Kerr:** Well, not economical - it is the service level being performed for the retailer. Number one: if we brought in two 45 foot trailers back to back say Wednesday and Thursday to Paul, I do not know where he would put it, nor do I know where Watson Lake would put it. It really does not matter — if we have to come up here three times a week —

**Mr. Chairman:** So by bringing in split loads, you can make sure you get milk three or four times a week instead of only once.

**Mr. Kerr:** And produce and frozen foods and this kind of thing.

**Mr. Chairman:** How often do you bring in things like produce and frozen foods to your individual stores?

**Mr. Kerr:** Every load.

**Mr. Chairman:** So Monday, Wednesday and Friday are not "produce days" and that is it.

**Mr. Kerr:** We are looking at this because there is an economy there. Everyone of our units is reefered and that is an expensive proposition. Now if we ever can reach the point where we can only reefer 50 percent of our units and the rest can run with dry grocery, then of course there is a cost economy there.

**Mr. Chairman:** You do ship goods to Yellowknife I understand.

**Mr. Kerr:** Yes.

**Mr. Chairman:** Can you compare cost per hundred between Edmonton and Whitehorse? Do you have that available?

**Mr. Kerr:** I have but I will not quote it; I will only quote Whitehorse. It would be an equitable rate.

**Mr. Chairman:** Can you tell me if it is higher or lower? That is all we really want to know.

**Mr. Kerr:** I think it would be higher because it is farther.

**Mr. Chairman:** Yellowknife is not farther, is it?

**Mr. Kerr:** No, I guess it would not be. All right then, maybe it is lower. I really honestly do not know. I brought the information for the Yukon and I haven't anything else. I will not quote the other Yukon customers because I have not asked their permission.

**Mr. Penikett:** Is the road better to Yellowknife or worse?

**Mr. Kerr:** It is better. The road into Whitehorse really is very, very hard on equipment.

**Mr. Chairman:** Whitehorse is the last major store on your route here. Do you have any arrangement for shipping between Whitehorse and the smaller stores north or do your trucks do that as well?

**Mr. Kerr:** Our trucks do that.

**Mr. Chairman:** They do that as well.

**Mr. Kerr:** But we come to economies here again. I do not know what town I can use. If a small store in a town, say 150 miles north of here wanted us to run our truck in, he is going to have to do one of two things: either bring in sufficient quantity to warrant us taking our truck in there or pay the differential. Otherwise it will have to go out of Whitehorse on White Pass or some other carrier.

**Mr. Penikett:** I assume that you have nothing to backhaul.

**Mr. Kerr:** No, we have nothing in backhaul, and that is unfortunate. It is really too bad but there is nothing that we can backhaul.

**Mr. Chairman:** Do you have operating authority to backhaul out of the territory?

**Mr. Kerr:** No.

**Mr. Chairman:** You mentioned that your storage spaces is fairly limited. What kind of storage space do you have here in Whitehorse?

**Mr. Mitchell:** It is probably not as big as this room.

**Ms Kitchen:** It was intended to be — I am not sure of the term for it — mainly an unloading dock for groceries in progress and nothing for storage.

**Mr. Chairman:** Why did you do it that way?

**Mr. Mitchell:** It costs money to have it sitting around in the warehouse.

**Ms Kitchen:** We are not a wholesaler, we are a retailer.

**Mr. Chairman:** You were banking on this daily service to keep your shelves stocked and keep the small unloading area for any storage if necessary. Do you find that you are going to change that in the next while?

**Ms Kitchen:** In the next while, I guess we would have to define that.

**Mr. Chairman:** Well in the next year or so.

**Ms Kitchen:** Yes, I think we have to. We need more space. Period.

**Mr. Chairman:** You are finding that you cannot sustain your volume with daily trucking.

**Mr. Mitchell:** It is not that we would like more warehouse space. If it is out in the shelves for sale, it is better. I would not mind having the same warehouse space but double the retail space.

**Ms Kitchen:** Along with that though, there is business that we certainly could benefit from with a bit of a warehouse; the mining business in the summer is big up here and we cannot really capture that market because we do not have a space to store goods in for them to draw on.

**Mr. Chairman:** Do you think you could capture a bit of it, if you had the space?

**Ms Kitchen:** Oh, definitely. Yes.

**Mr. Chairman:** We have heard in the past that you have trouble keeping staff. I realize we got into it a little bit a while ago, but do you have a problem with staff turnover at Super A?

**Ms Kitchen:** I am not sure that it is any different from anybody else up here. I would say that about half of our staff is good and steady; the rest is part of your transient crowd, wives who want to work for three months and stay home for nine.

**Mr. Kerr:** This is a factor that you are now settled on here that is very, very important. I am sure everyone here is aware that the federal and provincial governments have settled on an oil pricing agreement. What effect this will have on Whitehorse at this point in time, I do not really know. I know that if the pipeline ever gets underway, it will have a major effect on Whitehorse, and it then effects your staff turnover. The more you turn your staff over, the less your productivity is.

We have gone through a summer in Edmonton, and I will be quite honest with you, where young gentlemen come in and they decide they want to work for us and they stay there two or

three weeks and then they decide that they want to go to Banff for a holiday. As the demand created by the oil pricing agreement evolves it is going to become worse. Again, it is a productivity factor that now creates a higher wage cost factor. If you have one good man, he can accomplish twice as much as two inexperienced men who you are paying twice as much for, so to speak.

**Mr. Mitchell:** It has sort of always been our policy not to take people from the competition. We have always tried to take people from the community and train them, whenever possible. I do not know the exact number of staff we have, but I would say that just about every one is local except our meat manager. We brought our meat manager in from Outside.

**Mr. Chairman:** One other question I forgot to ask you just a little earlier was about the Palm Dairies arrangement. As I understand it, Burns here handles all the invoicing and everything for Palm Dairies. Do they do that for Super A as well?

**Mr. Mitchell:** Originally we bought it on our own but they do that now.

**Mr. Chairman:** Has it made any difference in the price to you?

**Mr. Mitchell:** When we did it locally through Burns we got an 11 percent discount on fluid milk. When we bought directly from Palm Dairies, we were not getting that.

**Mr. Chairman:** So it has actually been of benefit to you?

**Mr. Mitchell:** It has been a benefit to us, yes.

**Mr. Chairman:** Lately, I guess Palm Dairies has started a new program of prepaying a percentage of the freight. Has that helped you at all?

**Ms Kitchen:** Actually we are not aware of that. I think we are sort of aware of it but it is not happening —.

**Mr. Chairman:** It has not made any difference to your prices?

**Mr. Mitchell:** We had a discussion yesterday, or the day before, with the local manager of Burns and we are going to be offered the same two cents a pound or two cents a litre discount, I am not sure how it worked out, but this has only been because of the Northern Alberta Dairy Products' offer to supply us with milk from the Dawson Creek area.

**Mr. Chairman:** At a better price?

**Mr. Mitchell:** At a better price, but we have been skeptical only from the fact that there might be a surplus of milk presently in the Peace River area or Dawson Creek area, and I am not so sure it will really last that long.

It is like bringing out a new product, you will offer it at a substantial discount to see if you can get a certain share of the market. I am not so sure that we wanted to upset our customers to that extent. If it meant something cheaper for the consumer, we are certainly going to have a look at it, by all means, but now they are both the same.

**Mr. Chairman:** One other thing that we talked about here today was meat and meat products. Do you buy from Burns in Whitehorse or do you ship that up from Alberta and do your own cutting?

**Mr. Mitchell:** We buy from Burns locally only if we are out of stock on items.

**Mr. Chairman:** Other than that, you bring it up from Alberta and do your own butchering in your store?

**Mr. Mitchell:** Yes. We bring it from the packing houses in Calgary. They are not all located in Edmonton any longer like Swifts, Gainers, Burns.

We have a meat desk at Alberta Grocers that coordinates all of these shipments for us and they provide us with ad items on sale. The wholesale company looks after giving us price quotes weekly on who has the best price on what. They do a lot of work for us, so we do not order anything directly from the packing house or from Burns; it all goes through our wholesale company.

**Mr. Chairman:** Let us get back to wages just for a second. You said it is not your policy, generally, to hire people away from competitive retailers. In your experience, how many of the people that you have picked up and trained have gone to

other retailers?

**Ms Kitchen:** Last month I know of three.

**Mr. Mitchell:** Three of our staff went to the competition.

**Mr. Chairman:** Does that happen very often?

**Ms Kitchen:** No.

**Mr. Mitchell:** It depends.

**Ms Kitchen:** I do not know if I just know about these three in particular or if it has never happened before. I really do not follow around to see. Somebody might mention to me that somebody is working there now or whatever but, this is what happened with this. I just happened to hear that, I do not know.

**Mr. Mitchell:** It has happened before but we did not pay much attention to it.

**Mr. Penikett:** Presumably if it started to happen frequently, you would be raising your wages if you thought that that was the problem.

**Ms Kitchen:** Probably, if I thought that was the problem. But there is a certain limit to what we can pay as compared to our competition.

**Mr. Chairman:** Are you saying that you do not think that you could compete with them on wages?

**Ms Kitchen:** I really do not think so, no.

**Mr. Mitchell:** We look at our operation differently as each job is worth so much money. I think it is ridiculous to pay a pack boy, just because he happens to be in the union, \$8.00 an hour or something.

Sorry, I am not here to discuss the pros and cons of unions since I have worked for one myself at one time, but I can certainly look at the job that needs to be done in a particular store, and we just attach a certain dollar figure to that job.

**Ms Kitchen:** Getting back to whether we could or we could not, I think that Super Valu generally operates on a higher mark-up than we do and their margin is not particularly better, but it has its advantages as well. I think that they can certainly swallow wages and things like that a heck of a lot better than we can.

**Mr. Chairman:** Do you sell much to retailers or to, shall we say, restaurants or anything like that around here? In particular, meat, meat products, that kind of stuff.

**Mr. Mitchell:** Not necessarily meat products but we do a product mix for some of them, yes.

**Mr. Chairman:** When you do this, do you charge a jobbers fee or do you just have a wholesale price you sell to them for? How do you work it?

**Ms Kitchen:** We sell to the guy off the street at the same price we sell to a restaurant.

**Mr. Mitchell:** We might give a discount if it is by the case.

**Ms Kitchen:** We have a case lot discount price. I think, if you were to take meat, it would depend mainly on how much they bought. With produce, we are finding it is pretty much straight across the board. If it is a particularly big customer, we might give him a bit more of a break but if we wanted to take a general average, we sell the same to them as we do anybody.

**Mr. Mitchell:** If we have to deliver it, we have to charge them a delivery fee. Five years ago we did not have to bother with it, but now operation costs are just too high, by the time you pay a guy to drive all the way downtown and all the way back again. It takes him 20 minutes to drive there and back or half an hour at least. We have a uniform thing for everyone. We are, firstly, a retailer and we will try to accommodate anyone who wants to buy produce or meat and we have been approached by a lot of local restaurants and hotels and so on. If we had the proper facilities we could certainly do a much better job.

**Mr. Chairman:** I have one last question on prices and I think Tony got into it once before, but I am kind of curious again, maybe I was not listening properly or something. Would you consider yourselves as the price setter or the price leader in Whitehorse retail operations right now?

**Ms Kitchen:** I do not think we really look at it that way. We just do what we do and we really do not look at it in those terms.

**Mr. Mitchell:** We just try to prove that you do not have to be

big to be better.

**Mr. Chairman:** I think the studies show that if you lower the retail cost one percent in this area, you should get 16 percent higher volume or something to that effect. You have not considered that kind of stuff, you just set your price to what you consider you need to run a viable operation and that is it?

**Mr. Mitchell:** Yes. If we suddenly discovered that we had a huge surplus of money at the end of the year, Vivian and I would both turn around and say, "Well obviously we are charging too much."

**Ms Kitchen:** We are not out to see what the market can bear; that is not our philosophy at all.

**Mr. Chairman:** I take it you have not had that problem yet?

**Mr. Mitchell:** No, we have not had that problem. If someone comes up to us in the store and said that this particular identical item is a dollar more than Super Valu or two dollars less, it happens both ways. Sometimes they are mispriced, but we will certainly seriously have a look at it. We are not out to, as Vivian said, see what the market will bear.

**Mr. Chairman:** Perhaps that answers one of the questions that someone asked yesterday. That was in August of this year, Super Valu had squash on at a price of 79 or 80 cents a pounds, something like that and the squash at your store was in the neighbourhood of \$2.00 a pound at that particular time.

**Mr. Mitchell:** It sounds like too much of a price difference to start with.

**Mr. Kerr:** You can sell squash at 29 cents a pound.

**Mr. Penikett:** The day was August 14, to be specific — 79 cents and \$2.00.

**Ms Kitchen:** I really do not know about that one but what Mr. Kerr is saying is: take avocados again or lemons. You can sell them for 29 cents a pound and you are still only going to sell a case. Now put carrots or potatoes on sale and you are talking a different story.

**Mr. Chairman:** I see what you mean.

**Mr. Mitchell:** That is true. In our ad we try to have the best possible product for sale items and you could do planning buying from our ads. I could put on Johnsons band-aids — which we do as well — but that is not an important item. Or avocados, — even though jumbo avocados from Hawaii cost me a dollar a piece, I could put them on for 29 cents and still only sell a case; I might only lose three bucks but it looks good in the ad.

**Ms Kitchen:** If you put potatoes on sale like that you might lose your shirt on it.

**Mr. Mitchell:** Yes, I would lose my shirt. We do not try to trade off items. We do not say, "Let's put round steaks and rump roasts on for a certain price and we will lose money on that, but let us take our bacon and mark it up 50 cents. We know we are going to sell lots of bacon, so let us knock that up 50 cents more per pound and we can make our round steaks and rump roasts look good." We are losing money on those but we are making it up on the bacon. If we put too many meat items on sale, say ten items, we will go down the produce counter and knock all our oranges up 10 cents or something. People do this in a retail business, but that is not our policy.

**Mr. Penikett:** Which people would that be?

**Ms Kitchen:** We would not have any idea really.

**Mr. Mitchell:** It could be from Vancouver again.

**Mr. Penikett:** Vancouver people?

**Mr. Chairman:** I am kind of curious about what the future holds for Super A and Alberta Grocers in the Yukon Territory.

**Mr. Kerr:** I would say that the future is tremendous, not necessarily for Super A now, because all our stores of course are not Super A.

**Mr. Chairman:** No, but for Alberta Grocers in the territory.

**Mr. Kerr:** For Alberta Grocers and its members, it is tremendous. Our growth throughout northern Alberta, the Northwest Territories and Yukon over the last four years has been really phenomenal and far above the market average. It kind of tells you that we must be doing something right. I think our members are highly pleased with the dealings they have

with Alberta Grocers. Again, it is their company; they have something to work towards and something to support. That in itself is a plus.

**Mr. Chairman:** Someone in the Yukon is a director, Gerry Toner.

**Mr. Kerr:** That is right. Gerry Toner from Watson Lake is a director of Alberta Grocers.

**Mr. Chairman:** He was the first Super A in the territory was he not?

**Mr. Kerr:** I believe so, yes.

**Mr. Chairman:** Tell us about the future of Super A in Porter Creek? Notice that it is not "Whitehorse", it is "Porter Creek".

**Ms Kitchen:** We have always tried to put our money back into our business. We have not stopped doing that yet and I think we plan to do that in the future. We are going to be putting in a bakery very shortly. We are kind of cramped for space now and that is one of the high demand items the customers want and we are going to try to supply that. Our plans are to expand in the next two to three years to double or triple our size.

**Mr. Chairman:** Can you see any other large scale operators? I think with 20 to 25 percent of the market, we have to consider Alberta Grocers now a large-scale operator in the territory. Can you see the possibility of any other operators coming into the territory? We have heard comments to the effect that if we had an IGA or a Safeway here that that would lower the prices. What are your observations in that area?

**Mr. Kerr:** They are no different than we are. They have to freight the products up here; they have to live with the same cost factors that present retailers in Whitehorse have to live with, whether it be a shoe store, food store, drug store. They all have to live with these cost factors. I am not suggesting it would not lower prices; I am also not suggesting it would. Competition always will improve your competitive situation.

**Mr. Chairman:** To a certain extent.

**Mr. Kerr:** That is right, but there is only a point to which you can go. Let us say Safeway came in here and drove Super Valu and Super A out of business, as an example, I do not think you would see much difference.

**Mr. Chairman:** In your opinion, is the market in the territory too small to support another major actor?

**Mr. Kerr:** I do not really know how many stores you have here.

**Mr. Mitchell:** He just arrived this morning and we have not had time to —

**Mr. Kerr:** I am afraid I am not too familiar with the food industry in Whitehorse.

**Mr. Penikett:** As a wholesaler, you know that Kelly Douglas is in this market already. They are probably the major actor. Do you see any room for another major wholesaler?

**Mr. Kerr:** I thought we were talking about a major retailer.

**Mr. Penikett:** Well let us talk about wholesalers for a second.

**Mr. Kerr:** No, not a major wholesaler. In fact, I would have to wonder if Kelly Douglas' operation here is viable. I do not know whether it is or it is not. But if we were to come here now and set up a wholesale operation, to carry all the products we would need to carry, it would have to be so expansive. Again we would probably have to be up into the 140,000 or 150,000 square foot area.

**Mr. Penikett:** Could you elaborate on your comment about the viability of the Kelly Douglas operation? I do not mean from your specific knowledge of the operation here, but just in terms of your knowledge of the market.

**Mr. Kerr:** I do not even know how big their operation is but I would think that unless they are doing substantial volume out of this operation that maybe it is not viable. I do not know whether it is or it is not, but if we were to come up here and open up a new wholesale, 100 to 150 thousand square feet, which is what we would require to carry the product needed for the people in the Yukon — and you have to buy from manufacturers on a minimum order basis — we would probably lose considerable monies.

**Mr. Chairman:** Statistics Canada tell us there is roughly 14 to 16 million dollars of total grocery business done in the territory a year.

**Mr. Kerr:** I could maybe open a 10,000 square foot warehouse.

**Mr. Mitchell:** I do not see those figures as correct.

**Mr. Chairman:** They tell us that the retail business in the territory is \$14.8 million.

**Mr. Kerr:** I am speaking of today's costs of putting in a new wholesale. I do not know what Kelly Douglas are paying for rent or anything like that. I really do not know too much about their operation.

**Mr. Mitchell:** The only thing I could add to that: my main objection to Safeway would be that it is an American company. I hate to see my hard earned Canadian dollar going south of the border. It is hurting all Canadians.

**Mr. Penikett:** Is it purely a question of patriotism when you say you have a preference for a Canadian multi-national or an American multi-national or what?

**Mr. Mitchell:** No, that is not saying that Super Valu is a Canadian company either. The ultimate owner of Weston Foundations is in England.

**Mr. Penikett:** It started off in Toronto.

**Mr. Kerr:** It is a pretty good Canadian company.

**Ms Kitchen:** Maybe Mr. Kerr would know better than I, but I think some of the circumstances Outside when Super Valu and Safeway are across the street from each other tend to coordinate their prices anyway.

**Mr. Mitchell:** They probably have a comfortable relationship.

**Mr. Kerr:** I would not suggest that. The predominant conglomerates in eastern Canada are Dominion and Loblaws. Safeway is really the giant in the west and I think they watch their competition, but I do not think they are —

**Mr. Chairman:** — particularly concerned about it.

**Mr. Penikett:** Weston is no punk either; they are a giant in world terms.

**Mr. Kerr:** No, but they are in eastern Canada; their strength is not in western Canada.

**Mr. Chairman:** Do you have any plans in the future of introducing a computerized pricing system in your store here or in any of the stores in Yukon?

**Mr. Kerr:** It will be computerized through the wholesale.

**Mr. Chairman:** What about the retail?

**Mr. Mitchell:** Do you mean scanners?

**Mr. Chairman:** Yes.

**Mr. Mitchell:** The wholesale company is looking at scanners for all the member stores. We tried to have a meeting this summer with all the Super A store owners to look at scanners. I think, from a retailer's point of view, it is certainly worth looking at. If you can save \$40 or \$50 thousand dollars a year per store, labour wise, I think it is nothing but good for the consumer eventually, if they can just get accustomed to the scanner.

**Mr. Penikett:** The consumer objection usually is that they want to see the price on the item.

**Ms Kitchen:** Well, the price would be on the shelf and it is printed out on your sales slip that your cream corn cost 59 cents.

**Mr. Mitchell:** It would be a tremendous help to the retailer, especially the independent retailer. The only thing I wanted to bring up that no one seems to have any knowledge of, or has not mentioned for some time, has been the new government tax on health and beauty aids in the stores. No one seems to do much price comparing there, but we do handle them. All supermarkets carry an extensive line. Since we buy from our wholesale company we have to pay the extra 10 percent government tax now, and corporate chains do not have to pay this tax.

**Mr. Chairman:** Why is that?

**Mr. Kerr:** They are treated as the distributor, whereas we are not. We are the distributor selling to independents.

**Mr. Mitchell:** A giant inequity exists there. This is a situation that has much support across Canada through the Cana-

dian Federation of Retail Grocers and other organizations as to why the Legislation came down in this way. All the telegrams and letters sent to Mr. Trudeau or whomever in Ottawa had no effect on this. So what happened here is that it is costing the independent, and I would suggest companies like Super Valu also, 10 percent more, whereas a company like Safeway is not.

**Mr. Chairman:** The big get bigger.

**Mr. Mitchell:** That is what they say.

**Mr. Chairman:** How many square feet do you have in your store? Have we asked you that question?

**Ms Kitchen:** Close to 10,000, I think 9,500.

**Mr. Mitchell:** The overall store is just short of 10,000 square feet.

**Mr. Penikett:** But that includes the storage area you have in the back?

**Mr. Mitchell:** Yes that is correct.

**Mr. Penikett:** What is your selling area?

**Ms Kitchen:** I think 65 to 67.

**Mr. Mitchell:** No, it is a little larger than that, I think.

**Ms Kitchen:** Right around there.

**Mr. Mitchell:** It is probably in the area of 7,000 square feet.

**Mr. Chairman:** All we need is a rough idea.

**Mr. Mitchell:** Since the basic thing here concerns mostly Kelly Douglas and ourselves, Alberta Grocers wholesale, there is only one other observation I would not mind making before we leave. Some time ago Kelly Douglas and Company sold off their corporate stores throughout BC, and they have only managed to keep one corporate store in Whitehorse. I would like to see the Government establish a uniform thing as to what exactly an independent is. I think it would help true independents a great deal. I think, looking at what Kelly Douglas did, it would certainly be especially good for the British Columbia consumer to watch carefully. The fact that they did sell off their Super Valu stores in British Columbia might mean that they are planning to make a bid to take over another independent chain which is Overwaitea. Nobody seems to pay much attention to what they are doing in that area.

It is a concern to me because I watch what they are doing as well. I am not suggesting that they are trying to do this; I am saying that the possibility certainly is there and it would be bad for independent businesses.

**Mr. Chairman:** Well, Kelly Douglas is appearing tomorrow and I imagine that there are a few of those types of questions going to be asked. If anybody saw the front page of the *Financial Times* on August 24, 1981, there are some interesting observations on the front page made by the Chief Executive Officer of the Loblaws, Richard Currie. I think the type of questions we will be asking tomorrow will be along that line, so it should be very interesting.

We have a couple of other questions that I did not ask. I realize this is perhaps insignificant to you, but it does bother people sometimes. The bags in the store say that double bagging is unnecessary and yet it continues to go on, although the last time I was in your store I did not get a double bag. Do you have any observations in that area?

**Mr. Kerr:** Yes, it depends on the product you are putting in that bag and it depends on the bag boy. Unfortunately the bag boy winds up getting six loaves of bread, seven loaves of bread in one bag and a hundred and fifty pounds of cans in the other. Under normal circumstances, single bagging is sufficient but if you get into the situation where that bag boy really puts the weight in those bags — I mean they can only take so much and if there are sharp corners and things like this, they can tear the bag. I am sure that the lady would rather have a double bag than her eggs and cans spread all over the parking lot.

**Mr. Mitchell:** People do complain to me; they like them in boxes and as soon as they step out of the door, the bottom falls out. It is the same thing with the paper bags. We try to tell the pack boys that they are expensive. At one time we had even considered some sort of arrangement to buy them back from people; if they would bring their empty bags back and we were

going to look at this.

**Mr. Chairman:** They make great garbage bags.

**Mr. Mitchell:** Even though it says that double bagging is not necessary, if you fill it completely up with canned goods you really need to double bag it. We do not want to see any waste in the store either.

**Mr. Penikett:** May I invite our guests to make any final comments? You understand basically that what we are still trying to get at is the reason for the higher prices here and you have been very helpful today, but if you have any last words on that subject, I am sure we would like to hear them.

**Mr. Kerr:** I think what you are trying to find the bottom line to is very good. I think as long as you take all factors into consideration and not only transportation and the fact that you have done a comparison price between Edmonton and Whitehorse as the end-all to your research. Many things can happen. Price changes can affect either Edmonton and/or Whitehorse and the vast amount of product in a store like Safeway can be a factor. As an example: if you checked one of the items in Safeway on a Wednesday and checked that same item in a store in Whitehorse on the following Monday, that product may have gone up in price substantially. There is a comparison there but sometimes you can be deceived by some factors that you are not aware of.

**Mr. Penikett:** I should explain to you, Mr. Kerr, that this is something that the government has been doing for five years now, so these are not figures on a one time-basis.

**Mr. Kerr:** It was a point I wanted to make; I was not sure how your survey was handled.

**Mr. Penikett:** They were extremely well-coordinated. They were done on the same day, possibly in the morning or in the afternoon of that day, and we try and get the same brands names.

**Mr. Kerr:** The only reason I pointed this out is: the number of food price increases from the manufacturer that are taking place today is a factor that could have a bearing.

**Ms Kitchen:** You do have figures on what the power rates are here as compared to Edmonton, in percentages?

**Mr. Chairman:** A lot of those things will be coming out in the report.

**Mr. Mitchell:** Building costs and taxes.

**Mr. Chairman:** We will have to estimate in some areas.

**Ms Kitchen:** I am interested in whether you have taken that into consideration.

**Mr. Penikett:** The difficulty is that you can compare power rates between here and Vancouver, but it is not just the unit cost; you are going to use a great deal more fuel here than you are in Vancouver so comparisons are not always correct.

**Mr. Chairman:** It is kind of difficult to estimate. The only way we are going to be able to do that kind of stuff is to subpoena your records. I do not think anyone is going to give us that kind of information for general public view. You are trying to maintain the competitive edge in the market and I do not imagine — maybe you will — give us the total run-down of your present operating costs.

**Mr. Mitchell:** I do not see any reason why not, for most of it. It is just because of our unique position in the marketplace here that we are reluctant to divulge the sales figures and so on.

**Mr. Kerr:** I think the Committee can also treat it as information for Committee only. I think then you may get more willingness to divulge figures.

**Mr. Chairman:** If we can even reach a firm conclusion about the reasons for the higher prices without even being able to do anything about them, we will have done something useful in terms of the public mind, I would think.

**Mr. Mitchell:** I feel that the Government should perhaps look at some of the things that can help bring the prices down. For instance our trucks do run back empty all the time; there is not much here that needs to be transported out to Edmonton and so on but that certainly is something that would be of help. Freight is one of the major things, and we do not backhaul

anything except our empty pallets and freezer boxes.

**Ms Kitchen:** We are paying for a round trip every time the truck comes up here, and we are only getting goods one way.

**Mr. Mitchell:** There are probably a lot of things that would lower the cost. Without playing favourites, the rate of return on investment, which you mentioned, most grocery retailers might look at one or two percent net profit. I know some stores look for a lot more but I think it is pretty standard, between one and two percent for most grocery operators. There are independents who like to hit for maybe half of a percent.

**Mr. Penikett:** According to the *Canadian Grocer* this year, the 1980 average return on goods purchased by members was 2.8 percent.

**Mr. Mitchell:** 2.8 percent?

**Ms Kitchen:** That is net profit.

**Mr. Penikett:** That is gross.

**Mr. Mitchell:** 2.8 percent return on net?

**Mr. Penikett:** I do not have the specific —

**Ms Krangle:** The average return on goods purchased through your co-op, Alberta Grocers, was 2.8 percent.

**Mr. Kerr:** Co-op is not Alberta Grocers.

**Ms Krangle:** I did not mean co-op in that sense. Through Alberta Grocers.

**Mr. Kerr:** I would like to clarify that. Are you talking about wholesale?

**Ms Krangle:** No. All I have is the fact that members of Alberta Grocers received 2.8 percent return on goods purchased.

**Mr. Kerr:** Where did you get that information?

**Ms Krangle:** An article in *Canadian Grocer* from last year.

**Mr. Kerr:** If it is in there, it is fine.

**Mr. Mitchell:** But the average used to be between one and two percent. There are independents who hit for half a percent. As I say, compared to another type of business where you do not have enquiries all the time and so on, they might be 25 or 30 percent and nobody seems to notice those. They just sort of drive their Lincolns on by.

**Mr. Kerr:** I think that would be before taxes; we pay 50 percent tax so it sure knocks that.

**Mr. Chairman:** That just means you make a lot more money than the rest of us.

**Mr. Kerr:** It means we have been in business for 21 years.

**Mr. Chairman:** We thank you very much for appearing. We realize you have taken a lot of time out of your busy day and I want you to know that we all appreciate it very much. It has been very illuminating.

**Ms Kitchen:** It has been our pleasure.

*Adjourned.*