The majority of the members of the Committee see no grounds for objecting to price-cutting of the class referred to in (1) above. To deny the justification of such price competition would be to suggest the elimination of all price competition, or, in other words, to challenge one of the fundamental principles upon which commerce the world over is based. Competition in price and its counterpart, competition in quality, are two most important factors in trade in any community, and it is to both of these that the consuming public must look for protection from exploitation and progress in distributive methods. The evidence in this inquiry shows that it is mainly price competition of this class which has given rise to objection by wholesalers and certain sections of the retail trades concerned. In some few cases goods have certainly been sold by retailers at net cost, and in many instances at prices which represent only a small percentage addition on net cost. In so far as net cost has merely been covered, distribution has been carried out at a loss equivalent to the cost of selling; but these instances are so immaterial in extent that it would be unreasonable to impugn the validity of the general price practice of the retailer in question. Such exceptional instances of price-cutting are usually of a sporadic nature, and constitute extreme instances of the general sales policy of such retailers rather than special "draw lines" having a special objective. The effect of such sales, both from the point of view of buyer and seller, is lost in the averaging of prices and profits on many other lines of goods. Retailers doing business on the basis of a generally low level of prices have been shown to possess certain definite and fundamental advantages over these competitors. The advantages of these retailers may be enumerated as follows:—

(1) They pay cash and secure special discounts from suppliers;
(2) They buy in large quantities and secure "quantity" discounts;
(3) They buy direct from manufacturers abroad;
(4) They make in some instances their own shipping arrangements;
(5) They eliminate from their costs the expenses incidental to credit and delivery services;
(6) By selling at lower prices for cash they secure a greater volume of business than they otherwise would do, and consequently reduce overhead and selling expenses;
(7) By contrast with such businesses as those of retail chemists they have evident savings in selling-costs.

The majority of the members of the Committee consider that nothing should be done to limit the power of traders to bring producer and consumer as close together as circumstances will allow. While some improvement has been made in recent years in the Dominion in retail distributive services, there is a continuous need for progress in that matter; and the experience of other countries indicates possibilities of much greater improvements, as, for example, in the increased adoption of the system of grocerterias already referred to in this report.

Bearing further upon the matter of the extent and nature of so-called price-cutting, it may be said that the general explanation of this lies in the fact that the selling and overhead costs of some retail grocers is as low as 6 per cent. on turnover, while with other grocers (giving additional service by way of credit and delivery, and organized and conducted on fundamentally different principles) the distributive cost runs as high as 20 per cent. on turnover. Retail chemists—the other class of retail trader concerned in this inquiry—find it necessary to have a still greater average margin, which approximates 30 per cent. To suggest that the first-mentioned class of trader is "cutting" prices merely because he sells below the prices of the other classes referred to is manifestly unreasonable.

In relation to the matter of sales below cost having the objective of attracting custom, the majority of the Committee is of opinion that this is an evil, and that, like its converse, the selling of goods at unreasonably high prices, it is detrimental to public interest.

Whilst the Board of Trade Act gives power for the making of regulations for the suppression of methods of competition, trading, or business which are considered to be unfair or prejudicial to the public welfare, and further gives power to maintain the prosperity of the industries and the economic welfare of the Dominion, the Committee is of opinion that such regulations are unnecessary in view of the limited extent to which harmful price-cutting is practised. We consider that the position is adequately safeguarded by the powers of investigation contained in the Board of Trade Act, and we would suggest that in any cases where traders or manufacturers feel aggrieved by the selling of goods below cost the Department of Industries and Commerce should be asked to make such investigation as in each case appears necessary. It seems probable that in all such instances adjustments could be effected without recourse to the extreme step of fixing, under the Act, minimum retail selling-prices.