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Standing Committee on Agriculture and Agri-Food

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• (1835)

[English]

The Vice-Chair (Mr. John Barlow (Foothills, CPC)): Good evening, colleagues. I call this meeting of the Standing Committee on Agriculture and Agri-Food to order.

I'll start with a few reminders for our witness today, so he has some background information on how things work at the committee.

Today's meeting is taking place in a hybrid format. The proceedings will be made available via the House of Commons website. The webcast will always show the person speaking, rather than the entirety of the committee. Screenshots and taking photos of one's screen are not permitted.

Members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. If interpretation is lost, please inform me immediately. I will ensure interpretation is properly restored before resuming the process. Before speaking, please wait until I recognize you by name. If you are via video conference, like Mr. Gebara, please click on the microphone icon to unmute yourself when it's time. For those of us in this room, our microphones will be controlled by the proceedings and verification officer.

Mr. Gebara, when speaking, please speak slowly and clearly for the benefit of our translators. When you are not speaking, please have your microphone on mute.

I remind you that all comments by the members and witnesses should be addressed through the chair.

We have a few substitutions today. I'd like to welcome, on the Conservative side, Mr. Epp, who is subbing in for Mr. Steinley. We also have Mr. Aldag for Ms. Taylor Roy and Mr. Casey for Mr. Drouin.

We have one witness today and, pursuant to Standing Order 108(2) and the motion adopted by the committee on Wednesday, October 5, we are finishing up the study on food price inflation.

I would now like to welcome our witness. From Walmart Canada Corporation, we have Gonzalo Gebara, president and chief executive officer.

Mr. Gebara, you have up to five minutes for your opening remarks, after which we will proceed with the rounds of questioning from the various parties. I will signal you with a bit of a wave of

my hand when you have about one minute left to wrap up your opening remarks.

Welcome, everyone, to this meeting.

Mr. Gebara, I will turn it over to you for five minutes.

Mr. Gonzalo Gebara (President and Chief Executive Officer, Wal-Mart Canada Corp.): Good evening, Mr. Chair and members of the committee.

Thank you for the opportunity to provide Walmart's perspective on food inflation in Canada.

[Translation]

I want to thank the committee for inviting me today and giving me the opportunity to share Wal-Mart Canada Corporation's view on this important topic.

[English]

I am Gonzalo Gebara, and I was recently appointed president and CEO of Walmart Canada. I may be new to Canada, but I'm no stranger to Walmart, having been part of this business for more than 20 years.

We're committed to doing our part to help ease the burdens in the food aisles as well as in our general merchandise offerings. If you've shopped at Walmart, you'll know that we are different from our competitors because our core mission is to help Canadians save money and live better.

The Walmart brand is known globally for our EDLP—short for “everyday low price”—pricing strategy. This is not a stunt or a response to the challenging times we are living in. EDLP means that when you shop at Walmart, you know that you don't need to wait for a sale to get low prices. Every single day, we strive to maintain a price gap compared to Loblaws, Sobeys and Metro. Our EDLP is what differentiates us from our competitors. Reducing the noise of promotional activity also drives consistency and efficiency with our suppliers and helps drive savings for our customers.

With this philosophy, we proudly serve three million Canadians in-store and online every day. We operate more than 400 stores coast to coast. We employ more than 100,000 associates in towns and cities across Canada.

Our financially stretched customers have told us that in these inflationary times our everyday low prices are more important than ever. Walmart has experienced other inflationary environments. I lived in Argentina and led the Walmart business in a country where inflation went from 20% five years ago to almost 100% last year, so I know that our customers and all Canadians are feeling the pain from inflation. That's why I want to state clearly that Walmart Canada is not attempting to profit from these inflationary conditions.

In fact, Walmart Canada's gross profit rate for its food business actually declined last year, and our company's total operating profit in dollars also declined last year. The past two years have presented a perfect storm of external factors that have driven up food prices. These inflationary pressures are passed through the entire supply chain and ultimately impact pricing. While customers only see the final price on the shelf, the reality of food inflation is that there are multiple touchpoints along the way where inflation has taken hold. All stakeholders must do their part to control costs—from processors to suppliers to retailers.

The current challenges don't change Walmart's mission to help Canadians save more money to live better. Fighting inflation is in our DNA. We've taken a series of concrete measures, including controlling our internal operating costs and identifying improvements in our supply chains to help ensure our customers have access to the lowest prices. In addition, we've worked hard to help keep prices down on our private label products, offering savings against many national brands. We're continuously monitoring our costs so that we can pass on future savings to our customers. We're doing everything we can to fight inflation and keep prices low, but we also need the government's help.

We testified at the House transport committee last year on how Canada can create a more resilient supply chain. We're pleased to see the committee accept our recommendations, and we hope the government does too. We've also made other recommendations on a voluntary basis in response to the Competition Bureau's market study. We trust that the bureau will thoroughly assess all information it receives and make its independent recommendations to the government in due course.

While Canadians are spending more on the everyday items their families need, we are committed to doing our part to help them save money so they can live better.

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

Thank you very much.

• (1840)

The Vice-Chair (Mr. John Barlow): Thank you very much, Mr. Gebara. I appreciate your sticking right to the time.

I now will open the floor for questions.

Colleagues, we have just the one witness for the full hour, so I would assume that we'll go three rounds or until the questions are exhausted. If the parties don't have any other questions, we'll maybe throw it around at the end if we have a bit more time, but

I'm sure we'll get the three rounds in to start. Again, if there's some time at the end, we can address that then.

We'll start with the Conservatives and Ms. Rood for six minutes, please.

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

Thank you, Mr. Gebara, for being here with us today, and thank you for your statement.

This committee has heard from many witnesses about glaring faults in the practices of grocery giants and in how they treat our farmers and producers. Walmart is already considered to be one of the worst in the industry for imposing fees on its suppliers. I've heard numbers like \$900 for missing a label on a box or a bag of product, or a couple of thousand dollars for shorting an order by even two boxes. I've heard of late fines for truck drivers who were stopped because they didn't make their appointment time because they didn't have safety shoes on while they stayed in their own trucks.

It's this type of nickel-and-diming that makes Walmart stressful to do business with, and it also negatively impacts the livelihoods of those who do. When you find a wholesaler or a distributor, they can recoup those costs somewhere else down the supply chain, but a producer can't recoup costs from the dirt that it grows its food in. The buck stops with the grower and the farm family, and those are the ones who are being hit the hardest. Thankfully, the unscrupulous fee structure of megacompanies like Walmart has rightly drawn attention to the need for a grocery code of conduct.

I just have a couple of quick questions to start off with, sir, and they're the same questions that I've asked the heads of the other companies—grocery giants—that have come here before committee.

Will you once and for all abolish all the fees, fines and charge-backs and pay farmers a fair price, the price that's on their invoice?

Mr. Gonzalo Gebara: Let me just start by saying that we engage with all of our suppliers in a very transparent and very clear way, and we are flexible, depending on the type of industry that our suppliers are engaged with. We also give reasonable notice to all of our suppliers related to the way we engage with them.

As you know, many of the fees that you just mentioned are related to the cost of doing business. Our business has evolved in many ways over the years, so we have evolved in the ways we have engaged with our customers by having these types of relationships. I would say that those fees normally go both ways, because our suppliers also have their own particular evolutions of their businesses, and we receive cost increases.

I think that we have a very transparent and very arm's-length relationship with them. In all cases, we are flexible, and we consider each of our particular situations with our suppliers based on a case-by-case basis.

Ms. Lianne Rood: Thank you very much.

So the answer to my question was no.

My second question is this: Will you support and participate in the grocery code of conduct?

Mr. Gonzalo Gebara: I didn't say no to the question. I think that there's a need to continue to increase transparency, as I said—

Ms. Lianne Rood: I'm sorry. I don't have a lot of time here, but my question is this: Will you participate in the grocery code of conduct?

Mr. Gonzalo Gebara: Everything that brings transparency and that, ultimately, is in the best interests of all of the stakeholders, including our customers, we would support.

• (1845)

Ms. Lianne Rood: Thank you, sir.

My time is short here, but I'll take that as a no again.

Sir, I'm pro-business, but I've mentioned that other grocery giants are nickel-and-diming with the fees that are charged. Fees that are charged to suppliers by grocery giants, such as Walmart, amounted to over \$6 billion for renovations to their stores, a cost normally paid for by reinvesting profits in a business, not by creating new fees and offloading the responsibility on suppliers, farmers and producers. In fact, Sylvain Charlebois called this “supply chain bullying”, and according to the Fruit and Vegetable Growers of Canada, 44% of producers are selling at a loss.

During the pandemic, Walmart announced that it would be charging its suppliers a new fee, not just an increase to the current fee structure. This was a new fee, and it was to be charged retroactively to pay for store upgrades, such as improving the online-ordering system infrastructure.

My question is this: Did you go ahead and implement this fee during the pandemic?

Mr. Gonzalo Gebara: During the pandemic, we updated the way we engaged with customers and we implemented a new fee, but we think that it was the right thing to do at the time, based on the evolution of our business.

Again, we do this in a very transparent way, and we consider each of the different situations on a case-by-case basis with every supplier. We think that, again, we have a very transparent way to engage with our supplier community.

Ms. Lianne Rood: Most businesses, sir, reinvest their own profits in their business. They don't charge farmers and producers fees for the privilege of selling to them to reinvest in their business to run their own systems. A farmer is expected to pay for their own systems when they're doing business, so it seems really unreasonable. It's, quite frankly, shameful in this country that our big grocery chains charge what they do to our farmers and producers when it's not done anywhere else in the world. It just means that it's more expensive for consumers, and it puts Canadian jobs at risk.

With that fee that you said you implemented during COVID—and we only have about 40 seconds left, sir—were there any exemptions to who was charged this fee?

Mr. Gonzalo Gebara: What we did in the past with these fees was that we invited all of our suppliers to invest in the growth of their categories. As the business was changing and there were natural developments in the way our customers were choosing to buy, we thought that it was the right thing to do at the time.

The Vice-Chair (Mr. John Barlow): Thanks, Mr. Gebara. I appreciate your finishing up in a timely fashion.

We'll now turn to the Liberals and Mr. Turnbull for six minutes, please.

Mr. Ryan Turnbull (Whitby, Lib.): Thanks, Chair.

Thanks to Mr. Gebara for being here today.

Thank you for your testimony.

I appreciated your opening testimony, and I want to follow up.

In your Canadian subsidiary, you mentioned that Walmart has over 400 stores operating in Canada. I note that online we can see that Walmart Inc., the global company, is reporting a net income that has increased significantly over the course of the pandemic. I would note that, in January 2019, your net income was \$6.6 billion. That went up in 2020 over the course of the year to \$14.8 billion, and then it started to decline gradually over the next two or three years.

I see the trend, and I want to ask you about the net income across your Canadian stores. Could you quickly give us some of those figures so we can understand whether it follows the same trend line?

Mr. Gonzalo Gebara: As I said in my opening statement, our operating profit for the year last year declined compared to previous years. Our gross profit margin from the food business was lower than previous years.

When we look at Walmart's business globally, it's a business that operates in different markets with different dynamics and with different businesses. I can comment on the Canadian business. As I said, our profits were lower last year compared to previous years.

Mr. Ryan Turnbull: You've said that your profits were lower on food items in your Canadian stores. Is that correct?

Mr. Gonzalo Gebara: We grew our sales on food items compared to previous years mostly as a result of the price inflation, which is the matter that we're discussing here, of course. Our gross margin on those sales was lower last year compared to the previous years. Our overall gross profit for the whole enterprise in Canada was lower, and—

• (1850)

Mr. Ryan Turnbull: I'm sorry, Mr. Gebara. I don't mean to interrupt you, but I have very limited time. I'm looking for some short answers. I apologize.

When you say that your gross margins have decreased on food, are you comparing to prepandemic levels, or are you just comparing to the last year? We know that sales volumes have decreased a little bit. We can see the trend line from your net income, but I want to know this. From prepandemic levels, your food sales have gone up dramatically, and your gross margin would have gone up too. Would it not?

Mr. Gonzalo Gebara: No, in the case of our business, our sales went up during the pandemic because, as you know, we were counter-cyclical to other industries. Our sales grew, and last year our gross margin on those sales was lower than in previous years for the reasons I explained earlier on, this perfect storm around inflation and cost inflation.

Mr. Ryan Turnbull: Great. In terms of the Competition Bureau, I know that, when other CEOs of major grocery chains came before this committee, they talked about voluntarily providing detailed financial information to the Competition Bureau. Have you done the same? Give just a short answer, please.

Mr. Gonzalo Gebara: Yes. We provided the relevant financial information to the bureau.

Mr. Ryan Turnbull: Thank you.

I noted, in some media reports that I saw, that Walmart Canada has stopped doing price matching. I would note that among consumer prices across a large cross-section of products, when compared, Walmart did have the lowest prices in Canada, based on the information that I saw. That matches with your opening remarks, where you said that everyday low prices keep your prices low.

It's not true across every single product that your prices are the lowest. It's just that the average price on a basket of products is generally lower at Walmart by a certain margin. It's not that much lower, but....

I can't understand why you would not price match any longer. Can you explain how that decision was made?

Mr. Gonzalo Gebara: That decision, as you know, was made way before my time. However, I can tell you that we work every day to keep our prices low. Everyday low prices are at the centre of what we do. I am happy to hear from you, Mr. Turnbull, that you see those low prices on our shelves. We will continue to work to keep our prices low to offer the lowest prices to Canadians.

Mr. Ryan Turnbull: I appreciate that, but it would be good to revisit price matching, because many customers can use that to ensure they get the lowest price. Would you consider implementing price matching again at your stores? It once was the case, right?

Mr. Gonzalo Gebara: We used to have that practice. With every practice, we continue to revisit what we think is best for our customers.

The Vice-Chair (Mr. John Barlow): Thank you very much, Mr. Turnbull.

Next, we have Mr. Perron,

[*Translation*]

Go ahead, Mr. Perron. You have six minutes.

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

Mr. Gebara, thank you for being with us today. We're glad you're here. I would be grateful if you could keep your answers short, because time is of the essence.

Ms. Rood brought up the fees that were introduced in 2020 during the COVID-19 pandemic. Pressure was then brought to bear on the sector, and there was a call for a grocer code of conduct or grocer best practices. Those negotiations are under way, in fact.

Are you involved in that?

Mr. Gonzalo Gebara: Forgive me, Mr. Perron. I speak a bit of French, but I didn't get the English interpretation of what you said. If I could get the interpretation, I could answer your question.

Mr. Yves Perron: The witness may not have selected the right channel, Mr. Chair.

[*English*]

The Vice-Chair (Mr. John Barlow): Mr. Gebara, there should be a button on your screen which allows you to change the translation to English. Can you see it there?

• (1855)

Mr. Gonzalo Gebara: Yes, I have the English.

The Vice-Chair (Mr. John Barlow): Mr. Perron, try that again, and we'll see if the translation comes through.

[Translation]

Mr. Yves Perron: Mr. Gebara, much was made in the media of the 5% fee imposed on online ordering and the 1.25% fee for store upgrades. There was an outcry, and it led to the call for a grocer code of conduct.

Are you involved in that process? Please keep your answer short.

[English]

Mr. Gonzalo Gebara: We received a draft of the code of conduct very recently. We are reviewing it. As I said earlier, we will support any initiative that would bring better conditions and the ability to have more transparency in the whole chain.

[Translation]

Mr. Yves Perron: You're saying that even if it wasn't mandatory to adhere to the code, your company would comply and participate in the process along with the other companies, to bring more transparency to the industry and consumers.

Do I have that right?

[English]

Mr. Gonzalo Gebara: Yes. We think that we already work in a very transparent way with our customers and with all of our stakeholders. We have our own code of conduct and policy on how that should be done in our company. Also, anything that can be done to continue to improve the general conditions of retail, we are happy to contribute to that. As long as it's a good thing for consumers, we will support it.

[Translation]

Mr. Yves Perron: That's a commitment, then, to comply with the code of conduct. That's good news. Thank you.

Will you also commit to reviewing the code a year into its implementation? The concern I and many other parliamentarians have is that the code will serve merely as decoration, to make the companies look good, with no real impact on how prices are set.

That's why I'd like to know whether you will also commit to taking part in a review of the code a year into its implementation? Will you commit to Wal-Mart's ongoing participation in the process, yes or no?

[English]

Mr. Gonzalo Gebara: Our business is a very dynamic business. There's a natural evolution of the business all the time. Any natural evolution of the business should be supported with whatever addition or deletion from whatever conditions we see today.

I think that is just part of the natural way that we need to conduct business.

[Translation]

Mr. Yves Perron: Now, Mr. Gebara, I'd like to revisit the issue Ms. Rood raised. I'm talking about the store upgrade fees, late fines and other charges.

You said that your company is transparent. Do you think your suppliers truly have any negotiating power? How does it work when a supplier negotiates prices with Wal-Mart?

[English]

Mr. Gonzalo Gebara: In terms of negotiation, we have this approach of engaging with our suppliers in a very transparent way. They are arm's length negotiations and, I would say, very intense negotiations, where we cover all of the merits of the business, depending on the activities and on the different industries in which our suppliers operate.

As you know, the supply chain has different costs. We have a position of—

[Translation]

Mr. Yves Perron: Sorry to cut you off, Mr. Gebara, but I don't have a lot of time.

I gather that you negotiate, but I want to follow up on your profits, your margin.

Mr. Turnbull asked you about your profit breakdown. You said that you would provide all the financial information requested by the Competition Bureau, which is currently investigating that very issue. Is that correct?

• (1900)

[English]

Mr. Gonzalo Gebara: We have voluntarily provided all of the relevant information that was requested. That's already been given to the bureau.

[Translation]

Mr. Yves Perron: Mr. Gebara, I realize that your stores sell a wide range of products. What is your profit margin on food products?

[English]

Mr. Gonzalo Gebara: As you know, we sell a wide variety of items. In general, our margins on food items are lower than on non-food items or, as we call them, general merchandise items.

The Vice-Chair (Mr. John Barlow): Thank you very much. I appreciate it.

Your time's up. You got it pretty good there. I gave you a little extra because of the translation issues.

We'll now turn to our colleague from the New Democrats.

Mr. MacGregor, you have six minutes, please.

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

Thank you, Mr. Gebara, for appearing before our committee and answering some questions about an issue that many Canadians from coast to coast to coast are very concerned about.

I want to change to a slightly different tack. I want to ask you first of all, as CEO and president, what you would say is the average hourly wage of your sales associates across Canada.

Mr. Gonzalo Gebara: As we have said in many opportunities, we believe that we serve as a really good employment opportunity for everybody.

Mr. Alistair MacGregor: With respect, I'm just looking for... Do you have a number?

Do you know what the average hourly wage is? What is the specific number?

Mr. Gonzalo Gebara: Yes, all of our associates make more than the minimum wage. That's for sure.

I don't have the average number at this point, Mr. MacGregor. I will need to take that away.

Mr. Alistair MacGregor: I looked it up. They say, across Canada, it's approximately \$15 to \$16 per hour.

Does that sound about right to you?

Mr. Gonzalo Gebara: As I said, I'll have to get back to you, without having to compromise on anything that I'm not aware of.

Mr. Alistair MacGregor: Sure.

You are aware that the food price inflation has been climbing at a rate much higher than the general rate of inflation. Is that right? Do you acknowledge that?

Mr. Gonzalo Gebara: Yes.

Mr. Alistair MacGregor: I guess what I'm trying to get at, Mr. Gebara, is this: Do you feel that your company pays your employees a high enough wage that they can actually afford healthy, nutritious food each and every week?

If it comes back to us that it's true, that the average wage is somewhere between \$15 and \$16 an hour for the employees of your company, a major food retailer in Canada—and say we can extrapolate that out to an income of \$30,000 a year—do you feel, sir, that your employees are able to afford to put enough on the table for their own families?

These are your employees, in a very profitable company that's selling food as the main part of its business.

Mr. Gonzalo Gebara: Yes. The first thing I'll say is that we are in the people business. Our people are what make a difference in our company. We believe that we provide a very good environment for our associates to work in. We are a values-based company. Respect for the individual is one of our main values.

We have very competitive pay in Canada. I personally believe that we offer a very good environment for people to bring their true selves, to enjoy a very diverse setting in which we appreciate everyone for who they are and we enjoy the contributions that each of us makes. We provide very good development opportunities. We have thousands of cases of associates who have started with in what looked like a short-term job and ended up in a long-term career.

• (1905)

Mr. Alistair MacGregor: Thank you.

I'm sorry to cut you off. Time goes by quickly.

I was looking at your "Investor Relations" website, and it stated that for Walmart International, Mexico, China and Canada lead the way for revenue generation.

In the Canadian operations for which you are responsible, overall, what has been the net profit margin for Walmart Canada?

Mr. Gonzalo Gebara: As you know, we are a private company in Canada, and that is competitively sensitive information, but as I said, we have provided all of that relevant financial information to the bureau for it to consider in the analysis it's doing.

Mr. Alistair MacGregor: How does the information that you provide to Canadian regulators compare with what your parent company gives to United States' regulators?

Mr. Gonzalo Gebara: As I said earlier, our business in Canada is very different from our business around the world in the intricacies and particularities of the information.

We shared all of the relevant information with the bureau, as I said, for them to continue their study.

Mr. Alistair MacGregor: Mr. Gebara, I understand that you are saying it's private information for your company and it relates to your ability to compete. However, in the absence of such information, a lot of people are left doing guesswork on it.

Do you not see how being a bit more forthcoming and a bit more transparent could maybe help alleviate some of the crisis in confidence and trust that so many Canadians are having with large-scale retailers such as you?

Mr. Gonzalo Gebara: We believe that we earn the trust of our customers every day in every store as we deploy our customer value proposition in all of our 400-plus stores across all of Canada. That's the most important thing for us in terms of building trust.

Together with that, we are, of course, voluntarily sharing information with the appropriate bureau to help continue the study so that we can continue to build trust and transparency.

The Vice-Chair (Mr. John Barlow): Thanks, Mr. MacGregor.

Thanks, Mr. Gebara.

We now go into our second round of questions. I will go back to the Conservatives—and Mr. Epp—for five minutes, please.

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

Thank you, sincerely, Mr. Gebara, for joining us today as we tackle some of the challenges in the food value system.

Before coming to this honoured place, I had the opportunity to develop many relationships in the food value chain. With the opportunities in this committee, I've had many suppliers reach out to me voluntarily—without my approaching them—with some statements. Some have said that the fees and the fines they receive feel more like a planned revenue stream for Walmart, rather than a mechanism to adjust the behaviour of suppliers.

How would you respond to that statement?

Mr. Gonzalo Gebara: As I said earlier, we engage with customers in a very transparent and arm's-length way. We have a set of definitions for the way we engage with our suppliers, which we believe is the right way to conduct business. We do it in a very planned way. We do it always—as I said in my opening remarks—without making last-minute calls. We know that our suppliers need enough time so that they can plan accordingly. Then, we can—

Mr. Dave Epp: I'm sorry to cut you off, but our time is so limited.

You've mentioned transparency a number of times, yet I have heard that some fees are a surprise to your suppliers. To your company's credit, with negotiations, some of those have been rolled back with discussions. Would you acknowledge that adds administrative costs both to suppliers and to your company?

Mr. Gonzalo Gebara: Excuse me, Mr. Epp, would you please repeat the question? I just got—

Mr. Dave Epp: Yes. On the back and forth in negotiating fees with your suppliers, would you acknowledge that that adds administrative costs, both for the suppliers and yourselves?

Mr. Gonzalo Gebara: No. I think that many of those conditions are meant to reduce some costs that are natural costs of inefficiencies in the supply chain. We think that in many ways we can streamline those costs by having different conditions and solving those problems in different ways.

• (1910)

Mr. Dave Epp: Thank you.

Walmart operates in many countries around the world. Can you tell the committee a bit about the differences in the American landscape versus the Canadian landscape, from your Walmart perspective? Now, I'm not talking about your relationship with the suppliers so much, but your own internal costs: your shipping costs, your handling costs, and your packaging costs.

We have a carbon tax that's about to go up again. Are you seeing that in your differential cost structures in Canada versus the U.S.?

Mr. Gonzalo Gebara: Again, as I said earlier, the nature of our businesses is quite different because of the reach, because of the particular intricacies of each of the different markets, and of course because of the different market conditions in each of the markets. I don't think that they are comparable in any way.

Mr. Dave Epp: Thank you.

You mentioned that you just received the grocery code of conduct. Is it correct then that you did not participate in the negotiations that led up to this draft?

Mr. Gonzalo Gebara: We just recently received it, so we are getting engaged right now. As I said earlier, we would support any

evolution of that draft so that we can create good conditions for the whole industry.

Mr. Dave Epp: Are you involved with present discussions?

Mr. Gonzalo Gebara: We just received the draft, and we're going to get engaged shortly.

Mr. Dave Epp: Okay. Walmart owned Asda in the U.K. and sold it in 2021. Your company has experience with a grocery code of conduct in the U.K.

Can you tell me what Walmart's experience was in the U.K.?

Mr. Gonzalo Gebara: I don't have enough information to share what the situation was in the U.K. relating to the code of conduct, Mr. Epp.

Mr. Dave Epp: Your company would have that. Would you be willing to table a response to that question on behalf of Walmart?

Mr. Gonzalo Gebara: The ways we have engaged ourselves with codes of conduct are very particular to each of the different markets, Mr. Epp. I don't know that we would have enough information to share with you, but let me take that back.

Mr. Dave Epp: Thank you.

Some observers have noted that retail food prices can be—in a term often used—“sticky”, when it comes to adjusting them downwards. I know Walmart prides itself on every day low pricing, but they seem to react faster on the way up. Can you comment?

Mr. Gonzalo Gebara: In my opening remarks, I made a reference to our EDLP philosophy, which is much more than just a commercial line. Our philosophy is to always be the last one to go up and the first one to go down, in terms of prices. We also, as I said, are very fanatical about operating at low costs and streamlining the supply chain network, so we can pass the savings on to our customers.

The Vice-Chair (Mr. John Barlow): Thank you, Mr. Epp.

Thank you, Mr. Gebara.

I will now turn to Mrs. Valdez for five minutes.

Mrs. Rechie Valdez (Mississauga—Streetsville, Lib.): Thank you, Mr. Chair.

Thank you, Mr. Gebara, for joining this committee.

I'm looking at Walmart's profit. This was published by Walmart directly. It has e-commerce growth at 17% or 18%, on a two-year stack. There was an increase in international sales, and Canada was ranked as one of the top consumers.

The first thing I want to establish is how many of these sales came from food, either in dollars or as a percentage.

Mr. Gonzalo Gebara: Mrs. Valdez, our business has grown, as I mentioned earlier, over the last several years, in very particular conditions during a pandemic. As you know, our sales numbers in Canada are competitively sensitive. As I said earlier, we shared the relevant information with the bureau so that it can continue its analysis.

Mrs. Rechie Valdez: There are often discussions about the compensation of CEOs of large grocery chains. Do you know the ratio of, or gap between, executive salaries and the average salary of non-executives in Walmart stores?

Mr. Gonzalo Gebara: Again, as I stated earlier, we believe we have very well-balanced and competitive pay in all the different structures of our business. Individual pay, by level of responsibility, is also sensitive information that I'm not in a position to share right now.

• (1915)

Mrs. Rechie Valdez: What is Walmart's priority, when it comes to providing basic necessities to Canadians? Is it to make the most amount of profit possible, or to provide Canadians with the basic necessities at an affordable cost?

Mr. Gonzalo Gebara: Our purpose, as I stated in my opening, is to help people save money so they can live better. All we do, every day, is chase that purpose and ambition. We do so by streamlining our processes. We do so by investing in technology, training and development across our organization, and we do so by investing in growth and new capabilities. We work, every day, to provide Canadians with low prices so they don't have to choose between the items they want and the prices they can pay.

Mrs. Rechie Valdez: Thank you.

I'm sharing this because Canadians, especially constituents with whom I've spoken in my riding, feel that billion-dollar corporations such as Walmart only seem to care about making a profit, not so much about providing the basic necessities to survive at an affordable cost.

During the COVID pandemic, some chains increased the wages of grocery workers. In view of high inflation, some have instituted price freezes on their brands.

What initiatives of this kind have been implemented by Walmart?

Mr. Gonzalo Gebara: First of all, let me say, one more time, that Walmart Canada is not part of the narrative of record profits during this time of inflation. As I said earlier, we decreased our profits last year, compared with the previous year.

The other thing I'll say is that we conduct our business and engage with suppliers in many different ways—in a very transparent and arm's-length way—so we can deliver on that promise and purpose while saving Canadians money so they can live better.

Mrs. Rechie Valdez: My last question is this: I recently saw an article reporting that Walmart was overcharging customers as a result of a price-scanning error. In some cases, the misrepresentation of the cost was about 5% to 10% more. This is where the price on the shelf doesn't match the price at a register.

Could you elaborate on this?

Mr. Gonzalo Gebara: For any error we can have at the register, we have a very strict practice and policy. That needs to be corrected at the cash register immediately, so we can comply with the prices we show on the shelf. We have different technology. We continue to invest to minimize those price errors so that we can continue to run a very trustworthy and transparent business with our customers.

Mrs. Rechie Valdez: Thank you.

The Vice-Chair (Mr. John Barlow): Thank you very much, Mrs. Valdez.

We'll now turn to Monsieur Perron for two and a half minutes, please.

[*Translation*]

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

Since the beginning of the meeting, Mr. Gebara, you've been saying that you are in favour of great transparency. However, with all due respect, I would say that your answers have been less than transparent. You said that your profit margin on food items was lower than your profit margin on all your other items. Can you give us an idea of that percentage in relation to all of your products?

[*English*]

Mr. Gonzalo Gebara: Again, our business comprises different categories. I will repeat that our food margins are lower than general merchandise margins, but that is competitively sensitive information.

[*Translation*]

Mr. Yves Perron: Thank you, Mr. Gebara. I see that I'm not going to get an answer to that question.

You alluded to the fact that the fees you charge suppliers are used to develop your infrastructure. What were you able to pay for using that money? When you asked suppliers to reduce their profit margins in order to fund your infrastructure, what did you spend the money on?

[*English*]

Mr. Gonzalo Gebara: We have announced a program to invest \$3.5 billion in the Canadian market related to growth and growth opportunities. Those investments are going to come in the form of new technology for our omnichannel business. It will come in the form of improving and investing in our supply chain network so that we can have the network ready for the new and modern ways that Canadians shop, whether online or in the stores. We have invited—

• (1920)

[*Translation*]

Mr. Yves Perron: That was yet another overly general answer.

I'm going to switch topics. Earlier, Mr. MacGregor talked about your employee wages. If any of your employees wanted to unionize, would you support that? Would you ever agree to the unionization of Wal-Mart employees?

[English]

Mr. Gonzalo Gebara: As I said, our people are the most important thing we have in our organization. We engage with our associates in ways that provide a very safe and great environment for them. At the same time, we respect—

The Vice-Chair (Mr. John Barlow): Mr. Perron, that is your time. Thank you.

Mr. MacGregor might be able to pick up on the union question. I'll leave that to Mr. MacGregor.

Mr. MacGregor, you have two and a half minutes, please.

Mr. Alistair MacGregor: Very quickly, Mr. Gebara, your company has had a very troubled relationship with workers who attempted to unionize in the past. I think, for some of your stores, management shut them down in response to workers trying to unionize.

What's your view if your present-day workers tried to join a large-scale union and tried to do those efforts? What would be the response from the corporate board?

Mr. Gonzalo Gebara: As I was saying, Mr. MacGregor, we support our associates in many ways, providing a really good environment for development, and we pay very competitive wages. We think we have, and we do have, a very open, honest and direct dialogue with our associates. At the same time I understand that each individual has a choice to engage with an associate's federation. We respect every individual's decision.

Mr. Alistair MacGregor: Okay. We'll have to leave it at that.

I'd mentioned earlier that many Canadians are experiencing a crisis in confidence and trust with large grocery retailers. This isn't just happening out of thin air. Back in 2017, your company was implicated in a charge that it had conspired with other retailers for bread price-fixing. The Competition Bureau has confirmed with us that those investigations are ongoing. Some of them are criminal in nature. We have heard, of course, from Ms. Rood. She relayed the experiences many of our producers and processors have. We're getting it from both sides here.

I think the onus is on large companies like yours to address that crisis of confidence and trust. I guess my question to you, in the 30 seconds you have, is this: How will you, as a relatively new CEO and president, address that? I do believe the Canadian public is owed something a little bit more than what we're getting from large-scale retailers like yours.

Mr. Gonzalo Gebara: Yes. As I've been saying, Mr. MacGregor, it's honest, transparent, arm's-length negotiations with our suppliers.

At Walmart, we always comply with the law. We always comply with regulation. We have our own code of conduct to run our business the right way. That's what we're committed to doing every day to make sure that we can continue to provide low prices to our customers.

The Vice-Chair (Mr. John Barlow): Thank you, Mr. Gebara.

Thank you, Mr. MacGregor.

Now we go to our final two questions. They are five minutes each—one Conservative and one Liberal. If you don't want to use your entire five minutes, feel free to let me know.

Now we go to Mr. Lehoux for five minutes, please.

[Translation]

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

Thank you for being here, Mr. Gebara.

Given your experience in various countries, you said it was hard to compare costs. In Canada, are your transportation costs higher? A simple yes or no will do.

[English]

Mr. Gonzalo Gebara: The supply chain networks are not comparable because they are different, based on the shape of the networks we have in different countries and with different businesses. The way the network works is completely different from one place to another.

• (1925)

[Translation]

Mr. Richard Lehoux: Mr. Gebara, I was asking about transportation costs. Do you pay more for transportation in Canada than you do in the other countries where you do business?

[English]

Mr. Gonzalo Gebara: As I was trying to say, there are different ways to look at the cost. I believe that it's difficult to do an apples-to-apples comparison because there are different components of it.

In the interest of transparency, let me take that back to the team and come back on that one.

[Translation]

Mr. Richard Lehoux: The committee thanks you, Mr. Gebara.

What percentage of food products do you buy under supplier agreements as opposed to the percentage of food products you buy at market prices?

[English]

Mr. Gonzalo Gebara: Excuse me, may I get the question again, please?

[Translation]

Mr. Richard Lehoux: What percentage of packaged foods do you buy at prices you negotiate with suppliers? How does that compare with the percentage of produce you buy? Surely, there's a difference. Quickly, can you tell us what it is?

[English]

Mr. Gonzalo Gebara: Again, as you know, we have a very broad business. Our food business is less than 50% of our business.

[Translation]

Mr. Richard Lehoux: Thank you. I'm going to let Ms. Rood have the floor.

[English]

Ms. Lianne Rood: Thank you.

Mr. Gebara, we know how Canadian food is produced. Our growers and producers provide Canadians with ethically and sustainably produced food, grown with high standards. When I go into your stores, I often see more imported produce than local, domestic produce.

How does favouring imports and outsourcing supplies help Canadians?

Secondly, do you have any initiatives to support local growers?

Mr. Gonzalo Gebara: In order for us to fulfill our purpose, we believe that we are agents for our customers. We try to source in ways that are both responsible and also in ways that can drive low prices.

In the case of Canada, we have a very strong relationship with more than 2,000 local suppliers. We source more than \$20 billion from local suppliers. We have a very robust program.

Ms. Lianne Rood: Mr. Gebara, do you favour Canadian growers, then, over imports for produce?

Mr. Gonzalo Gebara: Yes. For the most part, our produce is sourced from local sources.

Ms. Lianne Rood: For my second question, during your tenured career with Walmart you developed the business intelligence and data analytics division.

Is your grocery chain storing and selling mass amounts of customer data to third parties?

Mr. Gonzalo Gebara: As you know, I have only been with the business for two months. I haven't been briefed on that.

Honestly, that's not what we do. What we do with data analytics is analyze the business so we can develop a better customer value proposition.

Again, I'll have to take that back and get back to you, Ms. Rood, on a very straight answer.

Ms. Lianne Rood: Thank you.

Is the business development fee that we spoke about being used to gather customer information and fund the development of technology to predict consumer behaviour?

Mr. Gonzalo Gebara: It's used to improve the ways we can engage with customers to continue to grow our business together with our suppliers.

Ms. Lianne Rood: Thank you very much.

I believe my time is just about up.

The Vice-Chair (Mr. John Barlow): Yes.

Thank you very much, Ms. Rood and Mr. Lehoux.

Now we'll go to Mr. Louis for five minutes, please.

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Thank you, Mr. Gebara, for being here. I appreciate this.

A previous Walmart Canada president said that he feels "There's healthy competition in the market." We're hearing there may be competition between a few companies in the market, but just five grocers sell over 80% of all the food we eat in Canada. Those are

Loblaws, Sobeys, Metro, Walmart and Costco. We've heard from most of them, so we appreciate your time and your being here today.

You have a relationship with your customers, but you also have a relationship with suppliers. These are Canadian companies and farmers. What we're hearing from questions and what we're hearing from constituents is this pattern of squeezing suppliers. You're charging more and more fees that make those suppliers and food manufacturers' lives difficult just because of the size that you have, and those fees and charges seem to continue to multiply. If squeezing Canadian suppliers is one way that you're saving your company money, those very suppliers are the same Canadians who may shop at your stores, and this becomes a fairness issue now.

You've said that your fees to suppliers are planned, but in my opinion, that doesn't make it right so I wanted to clear things up.

Does Walmart fine deliveries that do not make appointments on time?

• (1930)

Mr. Gonzalo Gebara: On the point of competition, I believe that there is very strong competition in the Canadian market. I've been in different markets, and I think it's a highly competitive market—

Mr. Tim Louis: In the interest of time, I'll skip that.

Do you know that you fine deliveries that don't make appointments on time?

Mr. Gonzalo Gebara: We have different conditions in which we.... We'd prefer not to charge, of course. We'd prefer that every one of our suppliers delivered their commitments in the way they were committed. We have different charges, because operating in such conditions is troublesome for the whole supply chain network.

Mr. Tim Louis: Would you credit companies if the delivery is waiting to be unloaded? Sometimes they're waiting for hours. That seems to go both ways.

Mr. Gonzalo Gebara: Yes, but we don't credit the companies.

Mr. Tim Louis: Do you charge suppliers a listing fee to get their products on your shelves?

Mr. Gonzalo Gebara: No. As I've said, we conduct our business in a very transparent way, and most of the charges that we have are related to operational costs.

Mr. Tim Louis: I think we heard testimony today that you've added a service fee to deliveries in order to pay for store expansions and new distribution centres.

Can you explain why suppliers are being forced to pay this fee for you to build new facilities? I'm not sure I understood your explanation well enough.

Mr. Gonzalo Gebara: What was defined in the past was that we were projecting high growth based on our investment—as I've said—of \$3.5 billion to grow our business and our supply partners' business. That invitation was related to that growth opportunity.

Mr. Tim Louis: In the beginning of March, we heard the CEOs of Canada's three largest grocery chains—Empire, Loblaws and Metro—all explain that they're participating in the creation of a code of conduct. Again, the previous Walmart Canada president said he would not support a grocery code of conduct.

I'm not sure we've heard that you've changed your mind yet, but to what extent are you participating in those developments of a code? Are you at the table? You said you've just received information, but are you willing to go to the table?

With your experience in the industry, what provisions would be imperative to have you be included or to have you reject such a code?

Mr. Gonzalo Gebara: As you very well said, we just recently got a first draft of that code. We are starting to actively engage in discussions around the code. I acknowledge that in the past, we didn't participate, but we are willing to participate now.

Mr. Tim Louis: Okay. I thank you for that information.

Thank you, Chair.

The Vice-Chair (Mr. John Barlow): Thank you very much, Mr. Louis.

Thank you to our witness.

Mr. Gebara, you did commit to table a couple of things with the committee. One was the comparison of transportation costs between Canada and the United States, and there was also your mandate on data collection. That's just a reminder to table that information with the committee when you have it.

I have one quick question, Mr. Gebara. Did Walmart participate in the code of conduct negotiations in process in the U.K., for example?

Mr. Gonzalo Gebara: I am not familiar with that. My understanding is yes, but I'll have to confirm that.

The Vice-Chair (Mr. John Barlow): Thanks very much, everybody. We will suspend this meeting for a couple of minutes. Then we will be coming back in camera.

Thank you, Mr. Gebara, for taking the time to appear at committee today. We certainly appreciate your comments and the information you've provided us.

We'll reconvene in about five minutes.

[Proceedings continue in camera]

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