

TRURO, TUESDAY, JULY 20, 2004

SELECT COMMITTEE ON PETROLEUM PRODUCT PRICING

7:00 P.M.

CHAIRMAN

Mr. William Dooks

MR. CHAIRMAN: Good evening, ladies and gentlemen. We welcome you here this evening. It's nice to see a full house. My name is Bill Dooks, and I'm the Chairman for the Select Committee on Petroleum Product Pricing. We have been ordered, under Resolution No. 1676 from the House of Assembly, to come out and travel across Nova Scotia to find out and to listen to the views of Nova Scotians concerning the price of gasoline and other fuels. At this time, I have the great pleasure to permit the committee members to introduce themselves.

[The committee members introduced themselves.]

MR. CHAIRMAN: Sir, you do have the floor. State your name, please.

MR. CROWLEY: My name is Brian Crowley. Mr. Chairman and honourable members of the select committee, I really appreciate the permission to spend a few moments with you this evening to discuss what I think are very important issues that your committee has been charged to investigate on the issue of gasoline pricing and supply.

I would like to start, if I may, by saying a very brief word of introduction about my institute, the Atlantic Institute for Market Studies. We are Atlantic Canada's public policy think tank. We are about to celebrate our 10th Anniversary of work on public policy issues of concern to Canadians and Atlantic Canadians, in particular. We are nationally and internationally recognized for the quality of the public policy work we do, as evidenced by the fact that we are a four-time winner of the prestigious Sir Anthony Fisher Memorial Award for excellence in think tank publications. There are over 100 think tanks in 40 countries that are eligible for that award. Nobody has won it more times than we have.

We are doing, we think, world-class public policy analyses right here in Nova Scotia. We are totally privately financed. Since I know this question will come up, we get something on the order of 2 to 3 per cent of our budget from the oil and gas industry. I can tell you a lot

more about AIMS during the Q and A period but I don't think that is what we here to talk about now. So let me talk a little bit about the issues you are considering here.

I have not been able to attend all of your meetings but I have certainly been following your work. While I know that you are very much still at the investigation stage and that your report remains to be written, it has become clear to me from what I have read and heard about the testimony, and the hearings that you have been hearing, that your deliberations are starting to crystalize around a certain number of issues.

Those issues, as I understand them, deal chiefly with the situation of gasoline retailers; access of rural customers to gasoline and security of supply; the relationship between economic development in rural communities and the existence of gasoline retailers in those local communities; and allegations of improper behaviour by the major oil and gas companies.

Now, I hope if I have misunderstood, during the question time you will put me straight and we may be able to address other issues that are also of concern to you. For the moment I am going to concentrate my attention on the shorter list of issues. It seems to be the subject of the most attention.

Before I deal with those issues, though, I think it is important that I lay out a few assumptions. It is important to make them explicit because you may not agree with them and we will have a chance to talk about them during the Q and A.

My first assumption is that gasoline is a commodity. That means that it is market driven principally by price. A commodity is a good whose qualities do not vary significantly from one supplier to another, and this is certainly true of gasoline. No matter how much some consumers may feel that one brand puts a tiger in their tank and another brand is only putting in tired pussycats, gasolines are pretty much all alike. Commodity markets, like gasoline, are characterized by one dominant trait. There are no significant quality differences, so the market is driven by price. People choose where they go based on price. The lowest cost producer, therefore, has a big advantage in commodity markets.

Assumption number two, nobody makes money selling gasoline. In a commodity market, such as I've described, which is characterized by many competing suppliers, price will tend to be driven down, very low indeed, relative to the actual cost of production, because suppliers keep cutting prices in order to attract market share, because you don't get much selling each litre, you have to sell a lot of litres to make a living. The documented margins on retail gasoline, whether for independents or for retailers representing the majors, are very low, in the neighbourhood of 3 cents a litre, they can be as low as 2 cents, they can be 4 cents or higher, depending on the conditions at any particular moment.

It used to be that retailers could survive with just gas pumps and maybe a mechanic,

but there has been a huge evolution in gasoline retailing. Gasoline is only one of many products that are now sold by retailers, and you'll be familiar with the others, car washes, convenience stores, restaurants and so on. Gasoline actually usually makes a marginal contribution to the bottom line of the average retailer, and in fact is kind of a loss leader to attract customers to buy other goods and services on which the margins are actually better.

Now, the next stage in this evolution is that much larger retailers are now entering the marketplace, offering gasoline as one service amongst a broad range. At the Superstore on the Dutch Village Road in Halifax, there is a Superstore gas bar. Such gas bars are increasingly a feature of Wal-Mart, Superstore, Sobeys, Canadian Tire and other large retail operations that are independent of the major gasoline producers and retailers, but because they're not trying to live from gasoline, but only have to recover their marginal cost of setting up the gas bar, those retailers are going to squeeze the margins even further than they have already been squeezed in the retail gasoline business.

Assumption number three, the consumer's interest should trump the producer's interest. Each of us is both a producer and a consumer, but each of us produces different goods or services from which we earn our living. If you're a lawyer, you want high prices for legal services, in other words you want high prices for the one thing you sell, but you want low prices for everything else, for all the things that you buy. If you're a plumber, you want high prices for plumbing services, what you sell, but low prices for everything else you buy. And so on.

Notice that plumbers and lawyers, teachers and bankers, truckers and gasoline retailers, farmers and electricity workers, insurance agents and book sellers, all producing different things, do not agree on the one thing that should be priced high. Each one of them wants their thing priced high. As consumers, on the other hand, they all agree, and agree strongly, that they have an interest in the lowest possible price on everything they want to buy. So the consumers' interest unites everyone in society in a common cause, which is the lowest possible price for things. The producers' interest divides everyone into their respective producers' camps. The consumers' interest, therefore, is the closest thing that we have to a measure of the common good that cuts across all other interests, and that's why the consumers' interest is the one that should always prevail over individual producer's interests.

Assumption number four, open markets in petroleum products limits the policy options that are available to policymakers. Under NAFTA and a host of other domestic and international rules, petroleum products move freely across boundaries. We cannot unilaterally set rules in Nova Scotia that undermine the profitability of the refining, wholesaling and retailing parts of the gasoline industry, because the consequence will simply be that supplies will be diverted to other jurisdictions where those rules do not

apply. No one is obliged to sell to Nova Scotians, for the same reason that Nova Scotians are not obliged to buy from anybody. It is not in the power of Nova Scotia to change this.

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My final assumption is that policy recommendations should have to meet certain tests of evidence. This committee represents the Legislature, and through it, both the government and the people of Nova Scotia. You enjoy the majesty and the protection of the law and the aura of legitimacy conferred by democratic institutions. By holding hearings in this manner, we are reminded of the traditional claims of all Legislatures under the British parliamentary tradition to be courts of law. Competing claims are advanced, evidence is brought to bear, reason and judgment are exercised, and conclusions reached, which will then be embodied in the law, which we all be compelled to obey.

But we don't obey the law simply because we would be punished if we didn't, any more than we obey the judgment of judges merely because the police will punish us if we don't. We obey these rulings because they are not arbitrary. We have established, over centuries, rules about how to assess the things that are said in the courtroom and in the Legislature, and we do not accept what is said at face value. We probe it, we contest it and we satisfy ourselves if it's truth or falsehood by thoughtful and rigorous testing according to rules of fairness. Everyone who represents the power and majesty of the state, as you do here in Nova Scotia, has an obligation to exercise this considerable power in accordance with this standard.

So, to make this concrete, and I'm intentionally using a lighthearted example, if a dozen people appeared before a committee like this one and claimed that they had been abducted by aliens or that the Loch Ness monster had set up shop in the Bras d'Or Lakes and were demanding that aliens or marine monsters be regulated by the province, the committee would have an obligation to take steps to establish the truth of these claims and not merely to accept them at face value, no matter how fervently they may be believed by those who brought them to the attention of the committee. Anecdote is not evidence, and lawmakers should be moved by evidence and reason, and not by emotion and prejudice. By the way, I expect that standard to be applied to me and what I have to say, just as much as I think it should be applied to anyone who appears before this committee.

So, with those assumptions on the table, I want to proceed to my consideration of the points that I mentioned as being the ones that your considerations seem to be crystallizing around. I've already mentioned that retailers can't survive on low retail margins, their survival is crucial to the economic integrity of rural communities, that major oil and gas

companies conspire together to undermine the existence of independents, and that the solution to these problems is a regulatory regime that ensures higher retail margins on the order of 3 cents to 5 cents higher than at present.

Well, given the assumptions I've already outlined, you'll understand that I'm here to contest each one of those claims as a sound basis on which this committee might formulate policy. The case that I've just laid out is a standard producer interest case, every producer of anything always wants to suggest that their narrow interest is somehow bound up with the greater good of society, but that is almost always a bogus claim, and it is certainly so in this

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case. Each year approximately 1.2 billion litres of gasoline is sold in Nova Scotia, therefore, to put an extra 3 cents per litre in the pocket of retailers will cost \$36 million, an extra 5 cents per litre in the pocket of retailers will cost an extra \$60 million. So the cost of an increased retailer margin would be between \$36 million and \$60 million.

If my assumption is correct, that continental open markets prevent us from taking regulatory action that would damage the profitability of the oil and gas industry, then the cost of this regulatory regime cannot be passed back to the industry. Any attempt to do so would not result in higher margins for retailers, but supply shortages for consumers and, in fact, it is well established that the price regulations in Prince Edward Island, for example, have chiefly damaged retailers and it resulted in the loss of retail capacity, chiefly in rural parts of the Island.

So, the extra margin that's being discussed can only be financed by consumers. It can only be financed by consumers. If ever, therefore, the regulation were proposed to support retailers' incomes through higher margins, by regulatory order, this committee should be in no doubt that that would amount to an effective gasoline tax increase on the order of \$36 million to \$60 million for Nova Scotians. Diplomatically put, that would be a rather peculiar outcome from a committee that was charged with making recommendations to deal with prices that were already felt to be too high.

Now we could talk about the importance of retailers to rural communities. I know that I've only got about a minute left, so perhaps we can come back to that during the question period, Mr. Chairman. I think it's a very important issue. Let me just turn now to the question of the charge that wholesaling operations of the majors are engaged in price and supply discrimination against retailers. I want to be very clear, when this suggestion was being made, that companies are being accused not merely of anti-competitive behaviour but of criminal actions under the Competition Act. These are extremely serious accusations and should be treated as such. They are certainly not to be treated as if they were obviously true, but rather should be treated as allegations against reputable companies that pay lots of taxes, have been in business in this province for many years,

and employ a great many Nova Scotians. They are allegations to be investigated, to see if they have any foundation.

Fortunately, we have resources that we can draw on in this regard and I would venture to say that the petroleum products industry is one of the most studied and investigated in this country. For example, we have in Canada a Competition Bureau headed by Sheridan Scott. That bureau has the responsibility of enforcing competition law and policy in Canada. It has frequently investigated, and I can go through the list, there are at least 10 inquiries in the last 10 years that have investigated exactly this kind of anti-competitive charge against the industry and all of those conclusions have been negative. Industry Canada has done the same thing. I could name a number of other investigations.

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[10:00 p.m.]

MR. CHAIRMAN: Sir, could we open up for some questions now?

MR. CROWLEY: Yes, absolutely.

MR. CHAIRMAN: You do have a moment at the end of the presentation to provide us with your closing comment.

I would like to recognize Mr. Brooke Taylor first.

MR. TAYLOR: Thank you, Mr. Chairman, and I would like to congratulate Mr. Crowley on his public policy think-tank. I do know that they do a lot of good work and they're certainly well read by Nova Scotians and Canadians. Yes, Mr. Crowley, you are right, when one is concerned about price discrimination, it certainly does upset without intent the oil companies, but the fact of the matter is we've heard from a number of presenters what I believe to be pretty overwhelming statements. What I consider fact and what you consider fact are, obviously, two different things and evidence and things of that nature. What do you propose, if it's a fair question, I put to you, and I would like to just refer if I could, Mr. Chairman, to this report that was drafted up, it's the final report that was put together by the Liberal Committee on Gasoline Pricing in Canada in 1998.

They spoke about economics and the supply and demand situation and that particular committee heard from some industry participants that it is ultimately supply and demand balances that account for price volatility at the pumps. The committee also felt that the wave of mergers in the last decade has led to an unreasonable level of concentration in the industry and that normal supply and demand economics cannot account for the large price swings that Canadians, i.e. Nova Scotians, are seeing at the pumps. Being a master of economics, or at least some of the specifics relative to economics, what's your thought on that statement that the committee made in 1998? I know it's a few years ago.

MR. CROWLEY: Well, you know, everybody always feels that somehow it's an evasion to say that these are complicated matters. However, the truth is that these are very complicated matters. I would point out to the committee that something like 85 per cent of the final cost of gasoline at the pump is composed of two things. It's composed of the cost of crude and the cost of taxes. So every other cost that goes into it, we're talking about refining, the wholesaling, retailing, everything else, it only constitutes about 15 per cent of the pump price and, well, you have a lot more control over the taxes than the industry does. The industry is a price taker, not a price maker, in terms of the cost of crude.

I certainly don't think that the regulatory approach that has been suggested in which bureaucrats are going to give permission to companies about when to raise or lower their prices has been proven to be in the interest of consumers and, indeed, if you look at Prince

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Edward Island, the studies I think are very clear that if you add up the costs of gasoline over time, that consumers in unregulated Nova Scotia have paid less than consumers in Prince Edward Island once you factor out the tax difference because, as you know, we apply the HST on gasoline here and there is no provincial sales tax on gasoline in Prince Edward Island. You take out the tax difference and over a period of two years or so Nova Scotians pay less in total for gasoline than Prince Edward Island consumers. What happens in Prince Edward Island is you get rid of the volatility, you slow it down, but of course it's in those swings and roundabouts that the Nova Scotia consumer ends up accumulatively paying less.

MR. TAYLOR: If I might, Mr. Chairman, we have received some presentations with accompanying charts that indicate that that very statement is wrong and, in fact, in a presentation Friday evening from the Nova Scotia Government and General Employees Union and, you know, I take their researchers to be professional in their approach to this issue, they provided us with charts that indicated that for three straight years Prince Edward Islanders enjoyed lower prices than Nova Scotians.

MR. CROWLEY: All I can say, Mr. Chairman, is I can supply you with data that does not support that conclusion and I am glad to do that. It's data supplied by independent researchers and not hired by me and I would be glad to supply that information to the committee.

MR. TAYLOR: I think, Mr. Chairman, if I might, we would welcome that.

MR. CHAIRMAN: Very much so.

MR. TAYLOR: It is difficult, let's make no mistake about it, we have a lot of information and it doesn't always coincide.

MR. CROWLEY: I agree.

MR. TAYLOR: We have to, during our deliberations subsequent to these hearings, get down to some brass tacks and for those who do believe and most do, in the free enterprise capitalistic society, it's pretty difficult when you're wrestling with this issue. Anyway, I just want to say we appreciate your viewpoint.

MR. CHAIRMAN: Thank you, Mr. Taylor. Mr. Jim DeWolfe.

MR. DEWOLFE: Thank you, Mr. Chairman, just one question really. You indicated, in fact you said, during the course of one part of your presentation that any increase in margins would have to be funded by the consumers. I say why? It has been brought to our attention that throughout the province the wholesale price of fuel being sold to the retailers differs, sometimes by quite an amount, and there appears to me that there's enough wiggle room in this when some retailers - one told us that he was making between 7 cents and 14

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cents. Other ones are toughing it out, and toughing it out they are, at less than 2 cents. So there's obviously some room for movement to bring fairness to the retailers without putting that pressure on the consumer.

MR. CROWLEY: Well, Mr. Chairman, first of all as I indicated, we exist in a continental free market for refined petroleum product as well as crude petroleum. We cannot set rules that will undermine the profitability of the business in Nova Scotia and expect that people who could be selling those things at a better margin in other jurisdictions will continue to bring them here. So that's one of the limits on what we can do. I'm not saying that that means you can't do anything. It's a limit on what we can do.

The other thing you have to remember is that the margins that retailers enjoy that you referred to, some people have a margin of 2 cents, other people have a margin of perhaps 7 cents, 8 cents, 10 cents, those margins are not driven exclusively by what they're paying the wholesaler for gasoline. Those margins are the difference between their overall costs and what they're able to charge consumers. Now, it may be that there are gasoline stations, you know, they've been owned by the same person for a long time, their mortgage is paid off, they're in a rural area, they have low taxes, but there are all kinds of . . .

MR. DEWOLFE: We understand all those things.

MR. CROWLEY: All of those things go into making up the margin so that a regulatory solution that assumes that margins are somehow driven solely or even chiefly by the wholesale supply price I think is doomed to failure.

MR. DEWOLFE: Thank you, sir.

MR. CHAIRMAN: Thank you, Mr. DeWolfe. Howard Epstein, please.

MR. EPSTEIN: Mr. Crowley, I so profoundly and completely disagree with your world view that it's difficult to know where to start, but I do want to make a few points to you. Your comment that oil companies are reputable companies seems to overlook, for example, oil spills at sea, or the way gasoline is extracted in Nigeria, or the fact of wars in the Middle East that are primarily about oil. For you to ignore such facts and insist that oil companies are reputable either implies that you're very ignorant of the world or you think we are and I don't really like either explanation.

Your comment that gas is a commodity and, therefore, driven entirely by price, I don't find entirely helpful. Apples are a commodity, but we're not discussing apples. We're dealing with something that's a commodity that's also a necessity. Unfortunately, our world in North America is not built around apples the same way it's built around gasoline. We have to come to grips with that.

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Although you didn't say this next point, you rather implied that the entry of entities like the Superstore and Canadian Tire into the gas business is likely to be the way that consumers can find the cheapest product. I suggest to you, it may be cheapest until all others are put out of business and then we would find quite a different situation after that.

As for your point that because gasoline is an internationally traded commodity and, therefore, we couldn't attempt to control the price out of the refineries that might be in our territory, I also disagree and I disagree because, if the government sees itself as having a role in guaranteeing security of supply and is prepared to intervene, then, in fact, the government can make it clear that it will provide the commodity from the producers if necessary. If it was the choice in a regulated market that refiners chose not to import into this market, the government could do so. In any event, thank you for your comments.

MR. CROWLEY: Well, Mr. Chairman, if I may, since a number of points have been raised, may I respond to some of them?

MR. CHAIRMAN: You may, Howard, is it all right for a response?

MR. EPSTEIN: Yes.

MR. CHAIRMAN: At the pleasure of the committee member, you can continue.

MR. CROWLEY: Obviously we don't have time to deal with all of them. I would simply point out that the oil and gas companies are reputable corporate citizens in this country that obey the law and pay their taxes, and I think they should be treated as such. I think that with respect to the suggestion that somehow the existence of retail competition for the majors from large scale retailers like Wal-Mart and Superstore is somehow going to destroy the competitiveness of the market, on the contrary, I'm afraid I disagree very strongly. These are powerful companies that alone have the power to meet head on the competitive power of those international oil companies. Small independent retailers in rural communities in Nova Scotia don't have that kind of marketing power and what serves the interest of consumers is to have many powerful companies trying to meet their needs.

I would suggest that consumers have been voting very clearly and, indeed, that's part of the problem that this committee is wrestling with that is consumers have been voting very clearly to say that they want to go those places that are supplying the lowest prices because gasoline is a commodity and they have chosen voluntarily not to, in many cases, support higher cost of retailers in their community because they are seeking the lowest price and that's what matters to them.

MR. CHAIRMAN: Thank you, sir. At this time I'd like to recognize Mr. Danny Graham.

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MR. GRAHAM: Thank you, Mr. Chairman and thank you, Brian, for once again showing the courage to bring forward ideas that you recognize aren't universally held by everyone in Nova Scotia and I would acknowledge the work that your organization has done over the years, I think that the discussion that you have provoked and your organization has provoked over the last 10 years has been helpful in Atlantic Canada on a variety of issues.

On this one, however, I have yet to be convinced of the position that you take and I think principally rests with your assumption number three. You suggest that consumer interests are the trump over producers interest in all circumstances, and I think that there are clear limits to the extent to which you can take that. If there weren't limits to that, we wouldn't have labour standards, for example. We wouldn't be providing people with a reasonable standard of living, reasonable hours, reasonable age limits and all of those other things. I come from a background where I represented the biggest commercial retail leasing organization in Atlantic Canada and I'm quite familiar with the power and balance that exists between landlords and tenants in commercial property and we exercise that. I considered that, frankly, to be a vigorous exchange between landlord and tenant and I still operated on the basis that this is part of the way that the market works and sometimes

there's a competitive advantage that a landlord might have over a tenant. We'd largely say, take the lease as it reads or walk.

[10:15 p.m.]

The experience and the information that we have received from the retailers who have appeared before this committee, however, I would suggest, is qualitatively different from that, especially when we hear from a number of retailers who are suggesting that when they have a particular margin and they try to improve their margin by independently increasing their price, on their next bill, for example, they notice that the price goes up by exactly the amount that they intended to increase their margin by. Nobody to whom we have put this scenario in this committee, including industry representatives, have suggested that this is anything other than, presuming it exists and it seem to have been confirmed by a number of people, anything other than oppressive, that this is an unfair practice. I'm wondering in the limits that you might be describing, the first part of this because this is a values-based discussion, what are the limits on all of this and surely you would agree that action, if founded that is of the type that was described by these retailers, is unfair?

MR. CROWLEY: Mr. Chairman, if I may in response to that question?

MR. CHAIRMAN: Yes, through me, and if you would address the member by his name, Mr. Graham.

MR. CROWLEY: Of course. He called me Brian. (Laughter) Mr. Chairman, look, as I alluded to very briefly in my remarks, many of the forms of behaviour that are described by many of the retailers, are in fact, illegal in Canada. Predatory pricing is illegal in Canada.

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I have not conducted the investigations. Industry Canada conducted the investigation. The Competition Bureau which is charged with applying competition law has investigated over and over again. I can go through the list for you if you want of all the investigations, the Competition Bureau has one of the most intrusive sets of investigative powers of any organization in Canada. If it is the case that the retailers have what they claim to have, which is documentary proof of predatory pricing and other anti-competitive behaviours, why have they not brought them forward when the Competition Bureau was publically asking for evidence of anti-competitive behaviour by the oil and gas companies? Why did they not bring it forward when Industry Canada was publically asking for documentary proof of anti-competitive by the oil and gas companies? People making these allegations have an obligation to provide proof that would be convincing to an independent uninvolved party. I have to say, Danny, I have not seen this evidence. I've heard a lot of talk, but talk is cheap. Where's the beef?

MR. GRAHAM: Well, if you'd been with us travelling around the province and listening to the retailers over the last period of time, I think that while it doesn't satisfy any standard beyond a reasonable doubt. The members of this committee have been charged by the people of Nova Scotia to exercise their common sense when they listen to people and the common sense that they have been hearing from retailers across this province is that they are in some respects, certainly in the circumstance that was described by Mr. Grace, confirmed by Mr. Cormier and others, when this notion of increasing prices, trying to increase your margin and then when one increases prices afterward what is happening, then we believe - certainly I can't speak for the rest of the committee - this type of action is a small window into a mysterious big something out there that is difficult, frankly, for even a committee with our resources, to get our hands on, but it seems to suggest an attitude and it, in some respects, corroborates the other suggestion about the way that these other groups feel that they are being, in their words, preyed upon.

If I could, and I know that time is limited, I'd like to just turn to the suggestion that consumer interests are always the trump card and I would like to suggest that what we've heard is a modification on that, that consumer interests, in some respects, relate to the notion of smoothing. That in some respects, consumers may make the choice that we would like to have the smoothing that's associated with some form of regulation. The other consumers that need to be spoken for are not the ones on Dutch Village Road, but the ones in Canso and the ones in Pleasant Bay, who won't have a supply at the end of the day and if we allow Adam Smith and his theories to decide where gas is being sold and at what price, it's not going to be available to the people in rural communities.

We have just heard from one of the most informed people in this province about oil prices that there's a risk that in the not too distance future, one-third of service stations in this province are going to disappear and it's going to be largely in rural communities, and that's a matter, frankly, that this committee needs to take seriously. You didn't have an opportunity to make your central points with respect to the closure of rural service stations and perhaps

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this is your best opportunity to do that. I know that our time is tight so I'll limit my comments to that.

MR. CROWLEY: Okay, very quickly, Mr. Chairman. In response to the first point that Mr. Graham raised, all I would say is, if you are convinced of the argument about the anti-competitive behaviour of the oil and gas companies, then I invite the committee to ask the Competition Commissioner Sheridan Scott, to come and tell you what the results have been of her profound investigation using extremely powerful investigative tools as to what evidence can actually be found. I'm sure that she or her representative would be

happy to come and I think you have an obligation to find out what the best evidence is available on these points.

With respect to rural supply, I would point out that it's always been available to rural consumers to support local retailers by willingly paying a higher price locally for service, convenience and security of local supply. But the fact of the matter is, they have chosen not to do that. They prefer to save money by filling up on their regular trip to the Superstore or the bank or the community college class or the Price Club or Canadian Tire or whatever. I know that you represent largely rural constituencies - I wonder what percentage of the cars in each one of the rural constituencies represented on this committee makes a weekly trip to a major town or city in Nova Scotia or drives past a filling station on a major highway or past an Indian reserve with a filling station, et cetera, et cetera. I would be willing to bet that it is something on the order of 60 per cent or 80 per cent and possibly higher.

So, your own constituents, in order to save money, have themselves chosen to abandon the local retailer and the spread of gas bars at Sobeys and Superstore and Canadian Tire will put greater gasoline supply and lower prices within the reach of the vast majority of consumers in the next few years, including in rural areas. So I'm afraid I'm completely unmoved by this argument.

MR. CHAIRMAN: Thank you, sir. Is that your question, Danny?

MR. GRAHAM: Yes.

MR. CHAIRMAN: Thank you. At this time I'd like to recognize Mr. Brooke Taylor for a quick one, Brooke?

MR. TAYLOR: Just a quick one, Mr. Crowley. You speak about of the Competition Act and what powerful tools that particular piece of legislation has to deal with some of these allegations. I want to reinforce my view that we're receiving a lot of good information here and a lot of it doesn't coincide. This committee report that the Ontario Gas Prices Review Task Force completed June 29, 2000, it says completely opposite to what you're saying. The task force repeatedly heard that the federal competition legislation, the Competition Act and the federal Competition Bureau were ineffective, toothless, slow to respond. As one presenter

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noted, a government agency, the Competition Bureau, that takes 10 months to investigate one small complaint is clearly ineffective.

I just want to point out that we're receiving lots of good information about a lot of different things and it doesn't always coincide.

MR. CROWLEY: Thank you.

MR. CHAIRMAN: Thank you. Mr. Parker.

MR. PARKER: Thank you, Mr. Chairman. Mr. Crowley, you mentioned earlier on in your comments that you are funded privately, I guess 100 per cent, your think tank? Part of that funding is from the oil companies so in some ways, I guess you have some vested interest in protecting their interests and I'm sure perhaps that's part of the reason you're here this evening.

We also talked about large retailers the gas companies are heading towards like Wal-Mart and Canadian Tire, Superstore and so on. Do any of those also support your foundation?

MR. CROWLEY: I mentioned at the outset that less than 3 per cent of my funding would come from oil and gas companies. We make a point of trying to spread our support across a very broad range of businesses, industries and foundations. By the way, 60 per cent of our funding comes from charitable foundations and only about 30 per cent from corporations and small businesses and individuals.

In response to your question, maybe 1 or 2 per cent would come from large retail operations. Somewhere in the order of 4 per cent or 5 per cent maybe, tops, would come from those two interests combined.

MR. PARKER: So certainly a vested interest that you're supporting here tonight.

MR. CROWLEY: Well, I like to think of it, they are supporting me because I'm doing top quality public policy work.

MR. CHAIRMAN: Thank you very much, Charlie, for your question. Sir, we did say that you would have one minute for a final comment and with courtesy of the committee and the public waiting to do their presentations, I would ask that you keep it to one minute, sir.

MR. CROWLEY: Absolutely. If you'll give me one second to find exactly what I want to say, Mr. Chairman, I would give you my conclusions. I wanted to make some suggestions about things that might be done.

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I think there are a lot of things that could be done. The Nova Scotia Government would do well to expand the pricing information that's available on its Web site about gasoline prices. That would improve the transparency of the gasoline market, it would improve the power of consumers. Ottawa could contribute to drawing the political sting and the

volatility of gasoline prices by creating a National Petroleum Information Agency such as already exists in the United States. I think that's very helpful.

I think we need to examine very seriously the tax take on gasoline - I pointed out that 85 per cent of the price at the pump is composed of crude and taxes. If you remove taxes in both United States and Canada, the underlying price of gasoline in Canada is actually lower than the United States, which most people consider to be the lowest cost gasoline market in the world.

I would suggest that if retailers are having the kind of difficulties that we've been discussing, I think they ought to seriously consider forming a buyers' co-op. In the great Nova Scotia co-operative tradition, there are other companies such as Emera which are buying very large quantities of gas. There are no doubt many ways in which companies could combine in order to build their buying power. I think the truth of the matter is, the old independent business model for gasoline retailing is fading because consumers won't support it and there's no compelling public policy reason for this committee to recommend the government intervene to change that and many compelling reasons why it should not.

MR. TAYLOR: Thank you, sir.

MR. CROWLEY: Thank you very much, Mr. Chairman.