

17, the existence of two secret price fixing agreements among manufacturers of steel rolls was brought to light. All the foregoing agreements are to be challenged by the Director of Fair Trading before the Restrictive Practices Court.

In May, 1981, the Monopolies and Mergers Commission issued its report on non-cost justified discounts to retailers, principally the retail food chains. While the Commission confirmed the existence of such discounts to the large chains, it found that many of the savings had been passed on to consumers and the practice had had pro-competitive effects. While it warned that future mergers in the distributive trades could be matters of concern, it did not recommend any new legislation to deal with price discrimination at present. Cases of price discrimination can be investigated under the Fair Trading Act of 1973 and the Competition Act of 1980.

In July, acting upon a report from the Monopolies and Mergers Commission, Trade Secretary John Biffen announced that the acquisition of The Observer by the Lonrho organization would be permitted subject to certain conditions. One of the conditions recommended by the Commission is that six independent directors be appointed to the board of The Observer to protect its editorial independence.

#### OECD RELEASES REPORT ON BUYING POWER

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The Organization for Economic Co-operation and Development in Paris has published a report entitled "Buying Power: The Exercise of Market Power by Dominant Buyers".

The report, which was prepared by a working party of the Committee of Experts on Restrictive Business Practices, is based largely upon replies by Member Countries to a questionnaire. It includes an analysis of the economic effects of buying power and a summary of approaches taken by Member Countries. There is an appendix of 80 pages describing the relevant laws in most Member Countries.

The concluding chapter emphasizes the ambivalent nature of buying power. For example, the development of large firms in the distributive sector has intensified competition to the benefit of consumers while at the same time creating competition problems associated with increased concentration and vertical integration. The principal measures cited for dealing with the harmful

effects of buying power are laws relating to anti-competitive agreements, mergers, abuses of dominant positions, and price discrimination.

The report stresses the danger that laws against price discrimination may restrict as well as promote competition. Reference is made to doubts which are now entertained in France, the United States and Australia about the desirability of their respective price discrimination laws. The report states:

"In the light of the experience of several Member Countries with a price discrimination prohibition, it must be questioned whether a strict ban on price discrimination would be a practical or effective means of dealing with buying power which is manifested as price discrimination. There would not seem to be sufficient empirical evidence of harmful effects, particularly on consumers and consumer prices, or evidence of a successful use of such a prohibition in curing the problems to run the risk of hampering competitive pressures exerted by powerful buyers. The anti-competitive effects of a rigid prohibition of discriminatory prices, added to the costs and problems of administration, would seem to outweigh the claimed benefits of such a policy. Therefore, if a law which deals with buying power by directly controlling certain forms of price discrimination is desired, it should concentrate on those forms of price discrimination which systematically favour large buyers or threaten to eliminate from the market firms that would otherwise be competitive. A discrimination should usually be acceptable, however, if it is based on an attempt to meet a competitor's price or if price discrimination is based on cost differences. In allocating the burden of proof, consideration should be given to the availability of evidence to the parties involved, recognizing that the firm applying the discrimination should be the one required to give reasonable estimates of the costs involved. Member countries whose price discrimination provision only covers products but not services might consider extending the provisions to certain services, such as transportation."

#### BOOKS AND ARTICLES RECEIVED

The Egg Marketing Board: A Case Study of Monopoly and its Social Costs, by Thomas Borcharding with Gary M. Dorosh, The Fraser Institute, Vancouver, 1981.

This study documents the high cost of the British Columbia Egg Marketing Board. It emphasizes the costs in terms of unnecessarily high prices