

Canadians do not share their governments' distrust of competition

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Jonathan Deslauriers, Robert Gagné and Jonathan Paré

In seeking to understand why Quebec and Canadian firms have a lower propensity to invest and innovate than their counterparts in most Western economies, the researchers at the Centre for Productivity and Prosperity – Walter J. Somers Foundation (CPP) concluded that the intensity of competition in Canada is simply not sufficient to generate the incentives needed to stimulate business competitiveness.¹

Protected by federal public policies that have deliberately limited the intensity of competition in the domestic market, Quebec and Canadian firms have historically developed in isolation from competition and have not had a natural incentive to differentiate themselves through investment and innovation. Poorly equipped to compete, many firms have been unable to compete in increasingly integrated markets, and entire sectors were left behind when competition from emerging economies intensified in the early 2000s. And because nothing was done to improve the institutions that govern competition in Canada, the economy eventually became mired in a slow productivity dynamic, with ensuing consequences for economic growth.

¹ For more information, see: Deslauriers, Jonathan, Robert Gagné and Jonathan Paré, [Canada's Lagging Productivity: Could the Problem Be Insufficient Competition?](#) Centre for Productivity and Prosperity (CPP) – Walter J. Somers Foundation, HEC Montréal, November 2022.

About the Centre for Productivity and Prosperity – Walter J. Somers Foundation

The Centre for Productivity and Prosperity – Walter J. Somers Foundation has a twofold mission. First of all, it is devoted to research on productivity and prosperity, mainly in Quebec. The Centre then shares its research findings through knowledge transfer and educational activities.

For more information on the Centre, visit www.hec.ca/cpp or write us at info.cpp@hec.ca

About the Walter J. Somers Foundation

The Somers family established the Walter J. Somers Foundation in tribute to the founder of the Walter Group. Through different donations, the Foundation pursues the family heritage of commitment to the community and contributes to the prosperity of Quebec society, firstly by helping to improve its productivity but also by supporting excellence in youth education.



Knowing that solutions to this issue were clearly identified by the Macdonald Commission² in the early 1980s, the CPP sought to determine whether the lack of reform in the ensuing decades was the result of a popular desire to preserve jobs and protect national interests.

In January 2022, the Léger firm was commissioned to evaluate the perceptions of Quebecers and Canadians regarding competition. A perfect replica of a European survey,³ the exercise showed that Quebecers and Canadians in general did not share their government's distrust of competition. In fact, they would be just as aware of the fundamental role of competition as their counterparts in the European Union, where a culture of competition has developed since the end of the Second World War.

The survey also shows that more Quebecers and Canadians identify issues related to the lack of competition in key sectors such as telecommunications. On the other hand, the survey shows that Quebecers and Canadians have significantly less knowledge of the institutions that govern competition than Europeans.

THE SURVEY IN BRIEF

The online survey of 15 questions focused on the expected benefits of competition, the problems associated with the lack of competition, and the institutions of competition. It was conducted with a sample of 3,000 Canadian respondents. The sample was representative of the Canadian population and was drawn from each of the ten Canadian provinces as follows: Ontario (38%), Quebec (23%), British Columbia (14%), Alberta (11%), Atlantic Canada (7%), Manitoba (4%) and Saskatchewan (3%). In addition, the collection of personal information (including gender, level of education, labour market status and income) provides a socio-economic portrait of the sample. The sample is composed of 51% men and 49% women. Furthermore, 48% of respondents have a university degree, 31% have a college degree and 21% have the equivalent of a high school diploma or less. The sample is predominantly working and retired, representing 61% and 24% of those surveyed, respectively. Of the 2,676 people who responded to questions about their income, 20% reported incomes below \$40,000, 48% reported incomes in one of three income brackets between \$40,000 and \$99,999, and 32% of people reported incomes above \$100,000.

2 Government of Canada (1985). *Report – Royal Commission on Economic Union and Development Prospects for Canada*, Volumes 1-2-3

3 European Commission, Brussels (2019). [Flash Eurobarometer 476 \(Citizens' Perceptions of Competition Policy, January 2019\)](#). GESIS Data Archive, Cologne. ZA7498 Data file Version 1.0.0

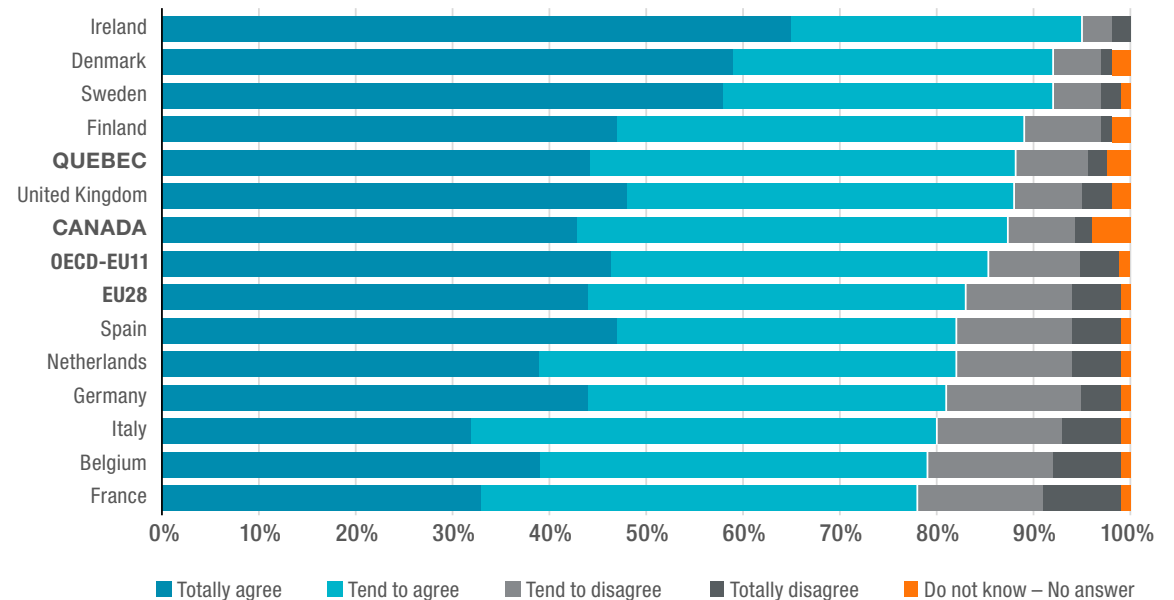
In the rest of the document, the results of the survey conducted in Canada in 2022 by the polling firm Léger are compared to those obtained by the European Commission in 2019 via a survey of the member states of the European Union.

Perceptions concerning the benefits of competition

At its core, the mechanics by which competition influences the performance of an economy are simple. When faced with sufficiently strong competitive pressures, most firms have an incentive to invest and innovate to maintain or increase their market share. Through an accumulation effect, these pressures induce a cycle of economic growth that benefits society as a whole, whether through wage increases associated with productivity gains, through the expansion of government tax bases, or more simply through a supply of goods and services that diversifies in price and quality to the benefit of consumers. According to the survey results, Quebecers and Canadians are fully aware of the benefits associated with a healthy economic environment:

CHART I
COMPETITION BETWEEN COMPANIES ALLOWS FOR BETTER PRICES FOR CONSUMERS

88% of Quebecers and 87% of Canadians strongly or somewhat agree that competition between companies leads to better prices, compared to an average of 85% for the OECD-EU11⁴.



⁴ The OECD-EU11 reference group consists of 11 countries: Belgium, Denmark, Germany, Finland, France, Ireland, Italy, the Netherlands, Spain, Sweden and the United Kingdom. They are all members of the European Union in 2019, in the OECD19 group used in CPP analyses for purposes of comparison with Canada and its provinces. In charts concerning this survey, the results of Canada are compared to this reference group (OECD-EU11) and to the EU28 group, representing the average of the 28 member countries of the European Union.

CHART 2
COMPETITION BETWEEN COMPANIES ALLOWS FOR MORE CHOICE FOR CONSUMERS

92% of Quebecers and 91% of Canadians strongly or somewhat agree with the proposition that competition among firms provides more choice for consumers, compared to an OECD-EU11 average of 86%.

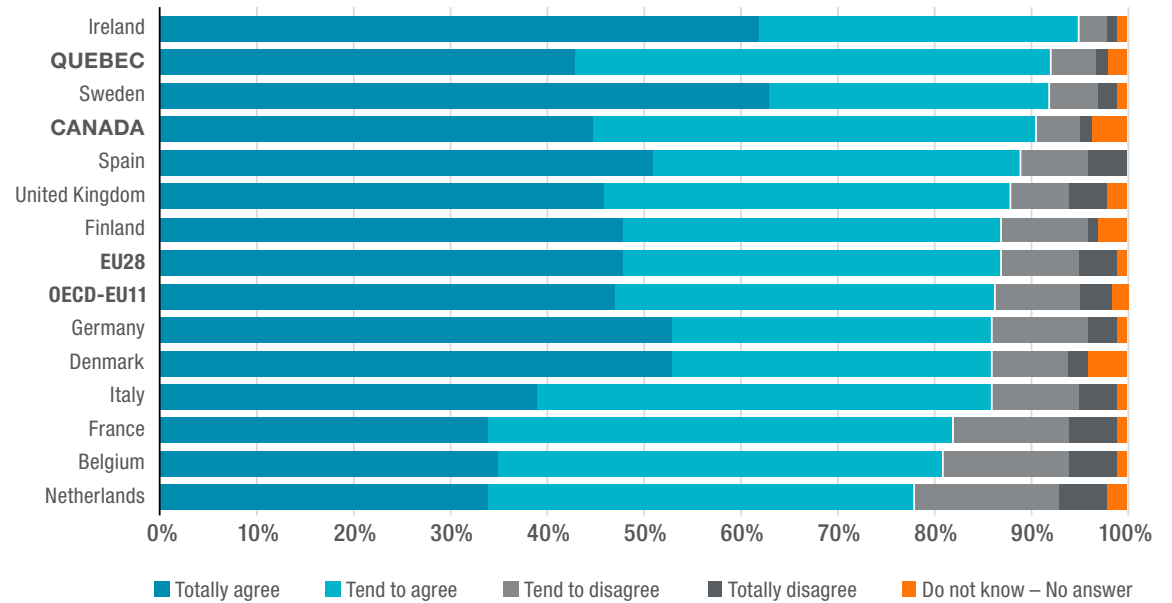


CHART 3
COMPETITION BETWEEN COMPANIES ALLOWS FOR HIGHER QUALITY GOODS AND SERVICES

77% of Quebecers and 80% of Canadians strongly or somewhat agree that competition promotes higher quality goods and services, while the OECD-EU11 average is 73%.

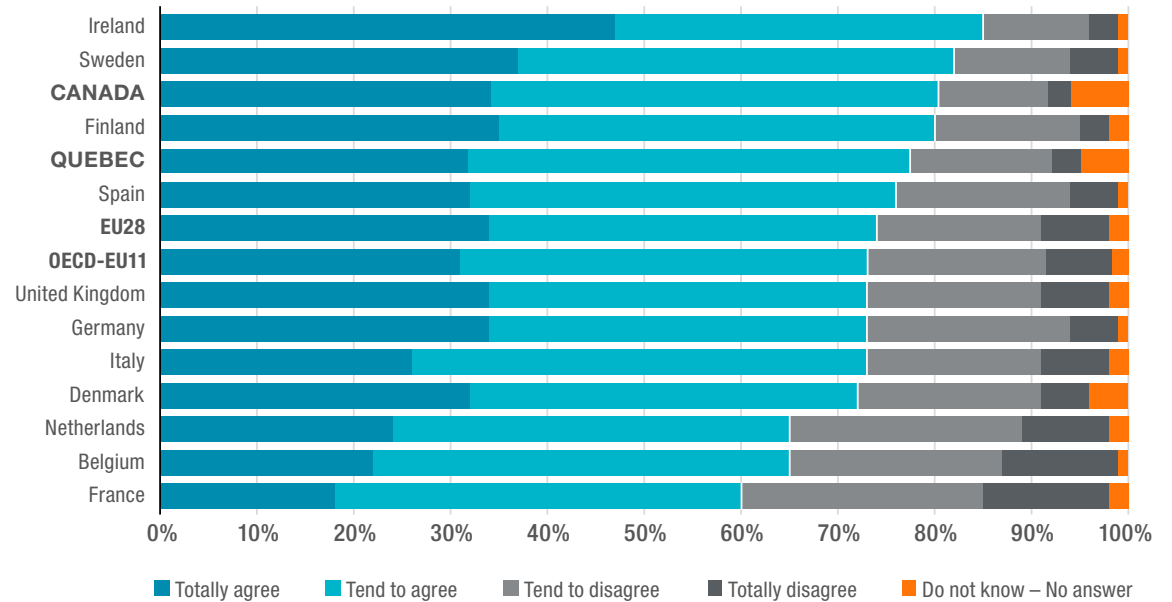


CHART 4

WHAT IMPACT DOES EFFICIENT COMPETITION HAVE ON YOU AS A CONSUMER?

80% of Quebecers and 76% of Canadians believe that effective competition has a very positive or somewhat positive impact on consumers, compared to 80% of respondents in OECD-EU11 countries.

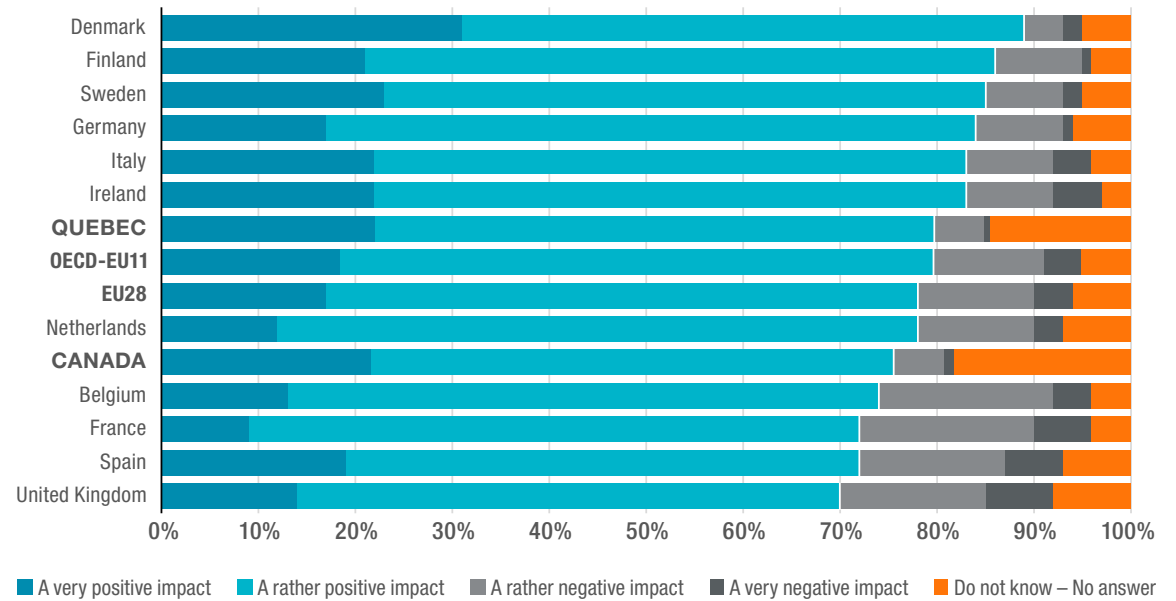


CHART 5

COMPETITION BETWEEN COMPANIES ENCOURAGES INNOVATION AND ECONOMIC GROWTH

80% of Quebecers and 76% of Canadians believe that effective competition has a very positive or somewhat positive impact on consumers, compared to 80% of respondents in OECD-EU11 countries.

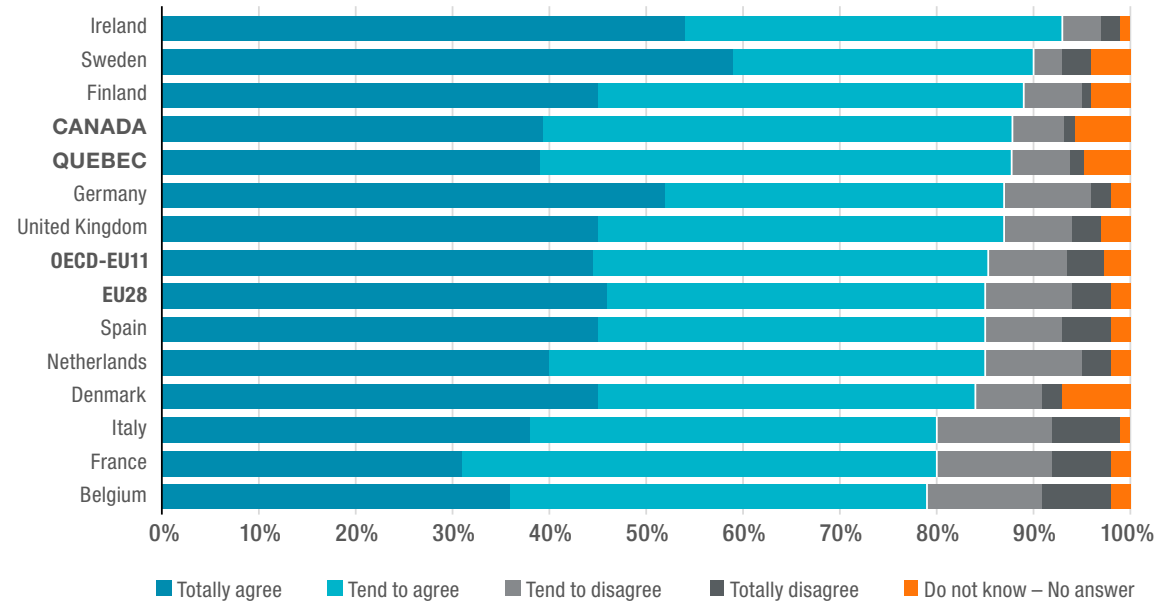
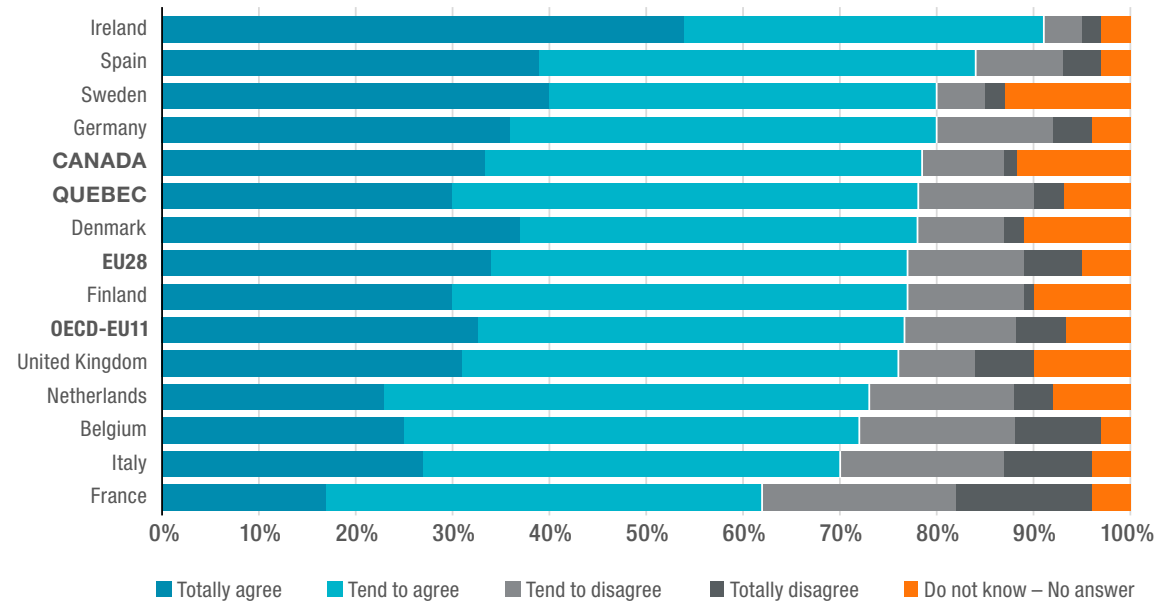


CHART 6

COMPETITION HELPS COMPANIES TO BECOME MORE COMPETITIVE ON GLOBAL MARKETS

78% of Quebecers and Canadians strongly or somewhat agree that competition allows companies to be more competitive in global markets, compared to an OECD-EU11 average of 77%.

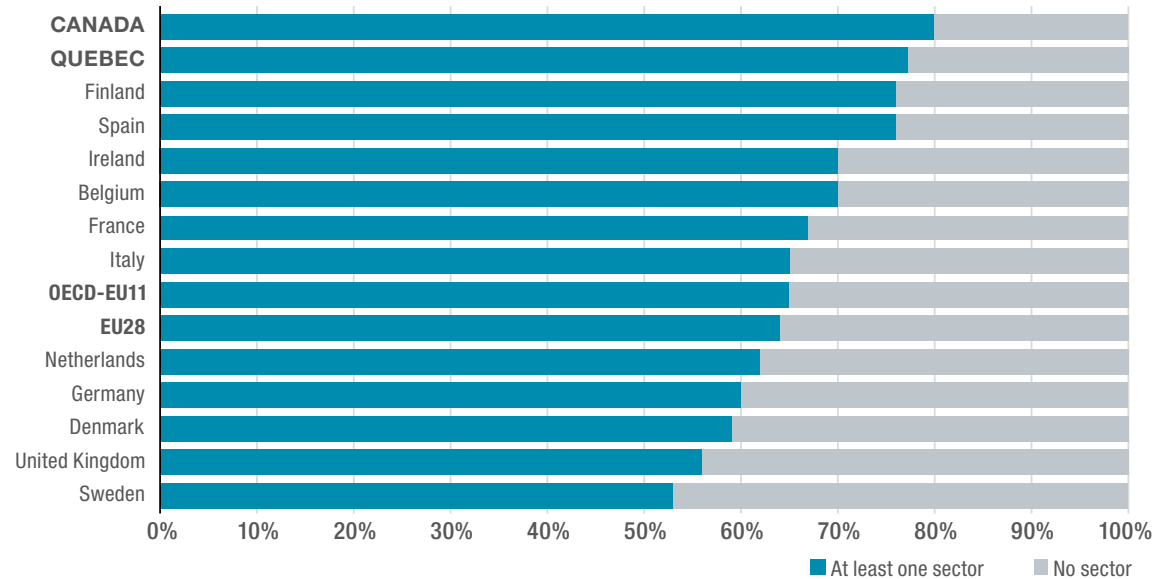


Perceptions of a lack of competition in economic sectors

In addition to demonstrating that Canada's rigid institutional framework for competition is not consistent with the public's desire to preserve jobs and protect national interests, the survey also points to significant competition shortcomings. This is evidenced by the fact that consumers are more likely to face competition issues in the domestic market. According to the survey results:

CHART 7
HAVE YOU EVER EXPERIENCED PROBLEMS DUE TO A LACK OF COMPETITION IN ONE OR MORE OF THESE SECTORS OF THE ECONOMY?

77% of Quebecers and 80% of Canadians have experienced difficulties⁵ due to a lack of competition in at least one sector of the economy while the OECD-EU11 average is 65%.



⁵ Difficulties that led to problems such as higher prices, less product or supplier choice, or lower quality.

CHART 8
SECTOR PRESENTING THE MOST PROBLEMS IN TERMS OF COMPETITION

Quebecers and Canadians are at least twice as likely as Europeans to identify the telecommunications and Internet access sector as the most problematic in terms of competition.

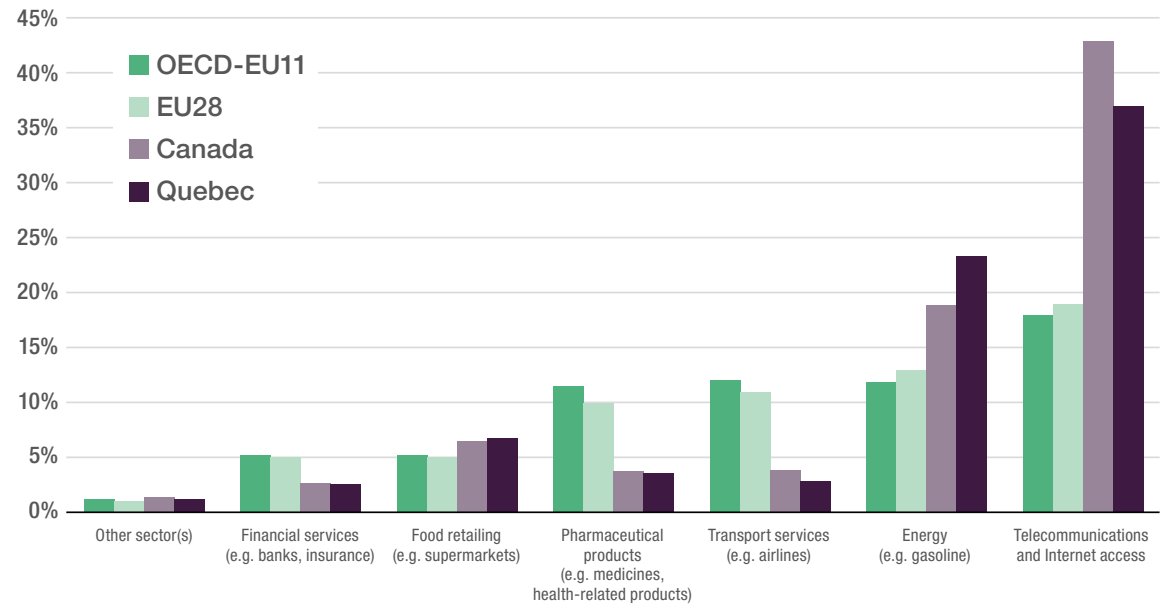
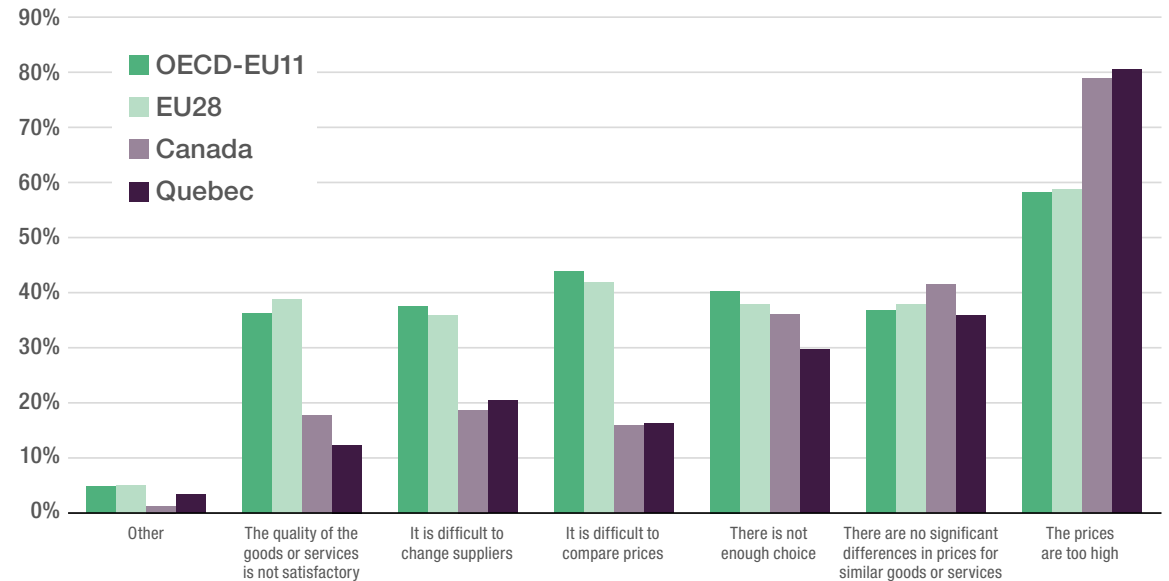


CHART 9
MAIN PROBLEMS IN THE SECTOR IN WHICH RESPONDENTS EXPERIENCED THE MOST PROBLEMS DUE TO A LACK OF COMPETITION

81% of Quebecers and 79% of Canadians consider high prices to be the main problem in the sector they identified as the one where they had the most difficulty due to a lack of competition, while the OECD-EU11 average is 59%.



Knowledge of institutions governing competition and their decisions

The fact that more Quebecers and Canadians are identifying competition issues on a daily basis is not the only evidence that the mechanics of competition in Canada are failing. While more Quebecers have clearly experienced difficulties due to a lack of competition, Quebecers and Canadians would not know where to turn once the issues were identified. According to the survey results:

CHART 10
WOULD YOU KNOW WHERE OR WHO TO TURN TO IF YOU WERE TO IDENTIFY A MAJOR PROBLEM IN TERMS OF COMPETITION?

65% of Quebecers and Canadians would not know where to report a major competition problem compared to an OECD-EU11 average of 56%.

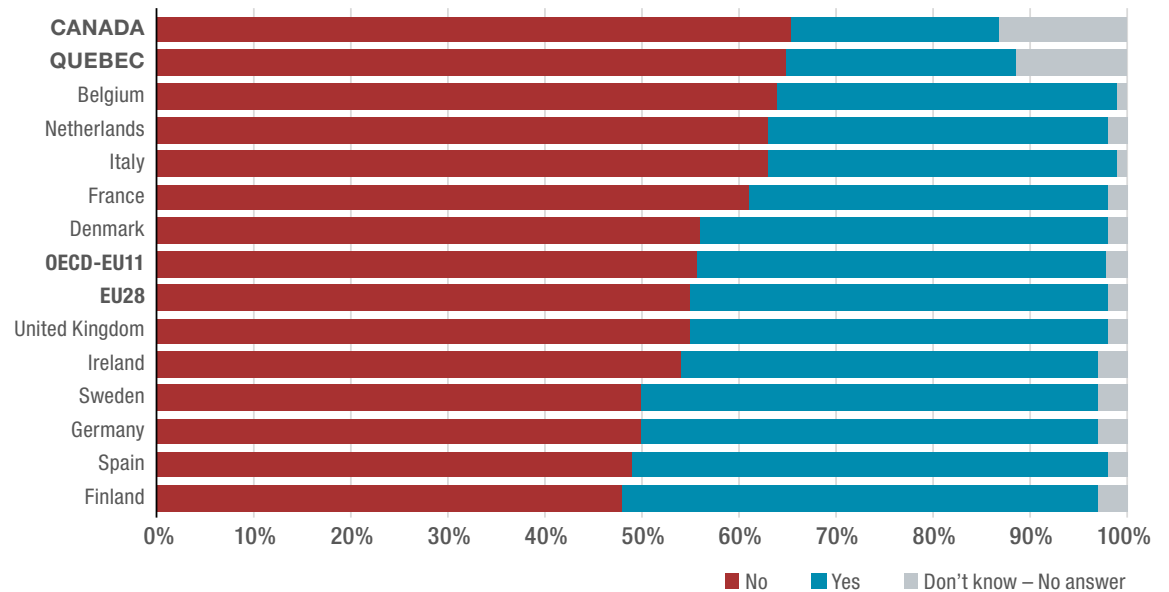


CHART 11

WHERE OR WHO WOULD YOU TURN TO IN CASE OF A MAJOR PROBLEM IN TERMS OF COMPETITION?

Among the competition institutions that Quebecers might turn to, the Consumer Protection Bureau (and other consumer associations) is their first choice, followed by their country's competition authority, the Competition Bureau in the case of Canada.

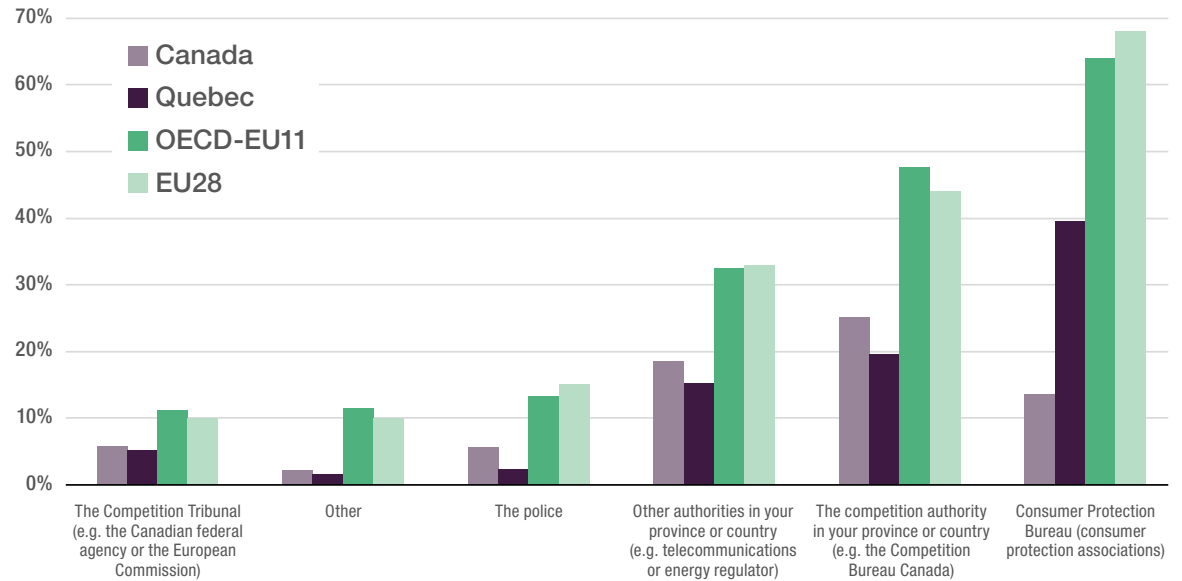


CHART 12

WITHIN THE PAST 12 MONTHS, HAVE YOU HEARD OR READ ABOUT COMPETITION CASES, SUCH AS CARTELS, MERGERS OR STATE AID CONTROL, ETC.?

In the past 12 months, 70% of Quebecers and Canadians say they have never heard or read anything about competition policy compared to an OECD-EU11 average of 57%.

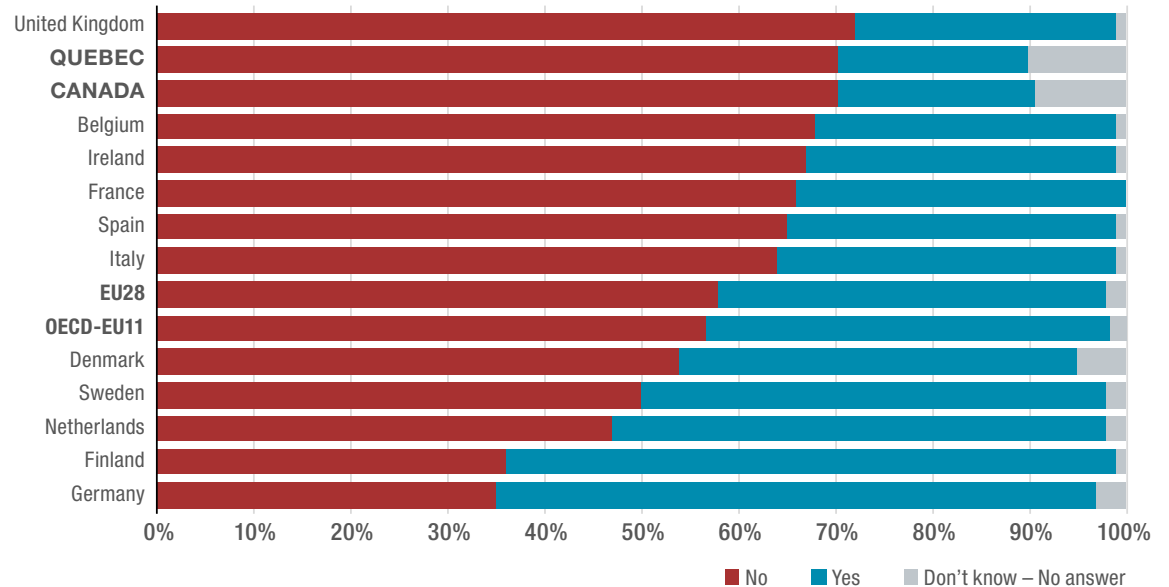


CHART 13

WHERE DID YOU HEAR OR READ ABOUT THESE COMPETITION CASES?

Among Quebecer, Canadian and European respondents who said they had heard or read something about competition policy, newspapers, magazines and television were their main sources of information.

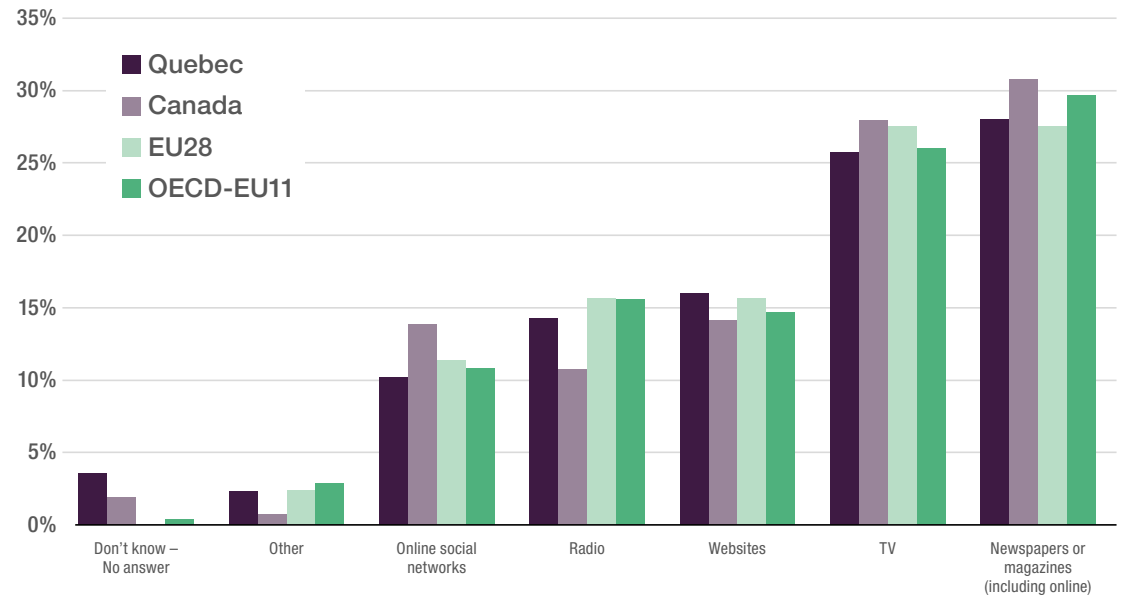


CHART 14

HAVE YOU EVER HEARD OF A COMPETITION-RELATED DECISION HAVING BEEN TAKEN BY A COMPETITION AUTHORITY AGAINST A COMPANY?

32% of Quebecers and 29% of Canadians have already heard of a competition-related decision by a competition authority against a company, as compared with an average of 49% for the OECD-EU11 group.

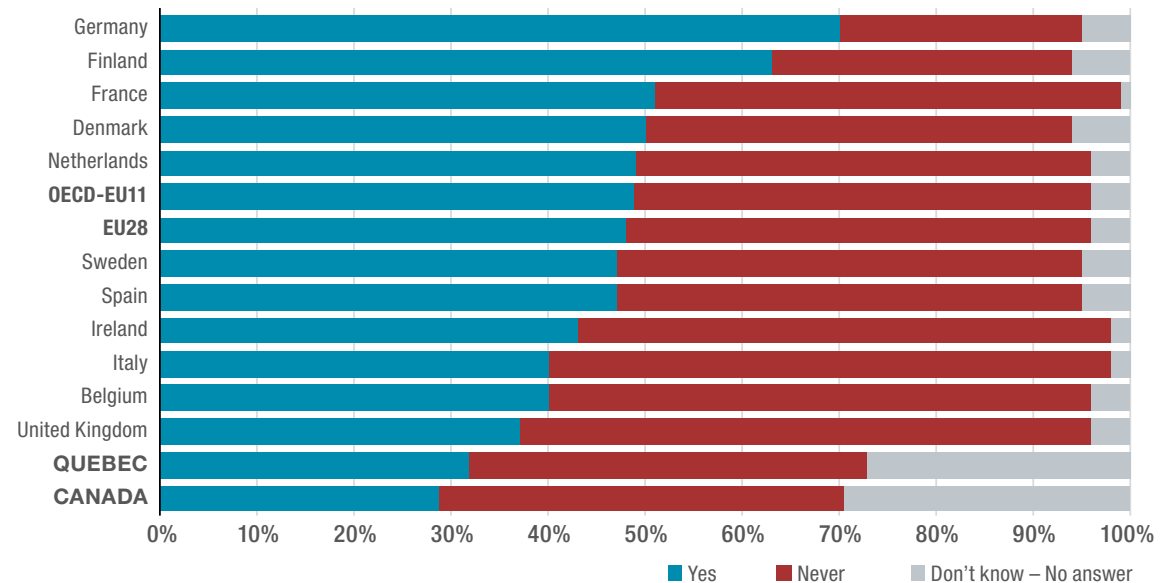
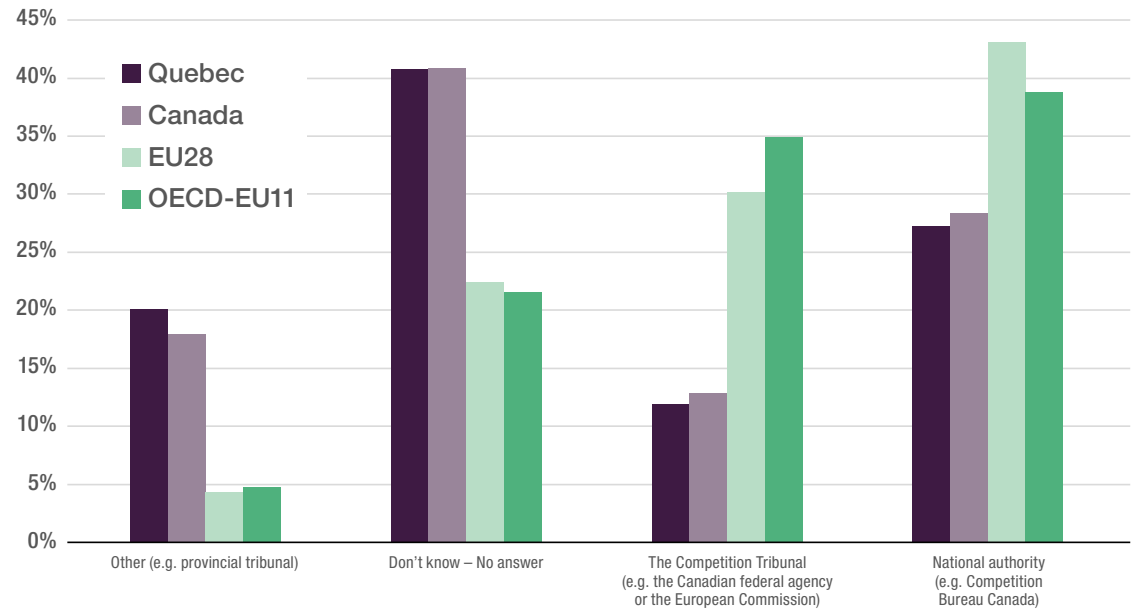


CHART 15

DO YOU KNOW WHAT COMPETITION AUTHORITY MADE THIS DECISION?

The Competition Bureau remains the competition institution most recognized by Quebecers and Canadians for its competition-related decisions.



Conclusion

Ultimately, these results send a clear signal to the various federal jurisdictions that regulate competition in Canada: Quebecers and Canadians in general do not share their distrust of competition.

While the dithering over the Rogers–Shaw and Air Transat–Air Canada merger suggests that their government is prepared to limit the intensity of competition to promote the development of the Canadian economy, the vast majority of Quebecers and Canadians would obviously give more room to competition to benefit from a greater choice of goods and services, of better quality and at better prices.

The survey also shows that the lack of action by federal institutions on competition matters is not without consequences: more Quebecers and Canadians are experiencing problems in highly regulated sectors than their European counterparts, especially with respect to prices. And because the country's competition culture has not reached the level of maturity of the European Union, Quebecers and Canadians are ill-equipped to maintain a healthy competitive environment.