

~~CONSUMER PROBLEMS OF THE POOR: SUPERMARKET
OPERATIONS IN LOW-INCOME AREAS AND THE
FEDERAL RESPONSE~~ *127*

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HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
NINETIETH CONGRESS
SECOND SESSION

OCTOBER 12, NOVEMBER 24 AND 25, 1967

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1. The first part of the report is a general
introduction to the subject of the study.
2. The second part is a description of the
methodology used in the study.
3. The third part is a description of the
results of the study.
4. The fourth part is a discussion of the
results of the study.

CONSUMER PROBLEMS OF THE POOR: SUPERMARKET OPERATIONS IN LOW-INCOME AREAS AND THE FEDERAL RESPONSE

THURSDAY, OCTOBER 12, 1967

HOUSE OF REPRESENTATIVES,
SPECIAL CONSUMER INQUIRY,
SPECIAL STUDIES SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The Special Inquiry on Consumer Representation in the Federal Government, Special Studies Subcommittee, met, pursuant to notice, at 10 a.m., in room 2203, Rayburn House Office Building, the Honorable Benjamin S. Rosenthal (chairman of the Special Consumer Inquiry) presiding.

Present: Representatives Rosenthal, Dawson (chairman of the full committee), Reuss, Dwyer, Myers, and Gude.

Also present: Peter S. Barash, professional staff member in charge; I. Warren Harrison, professional staff, Special Consumer Inquiry; Louis I. Freed, staff administrator, Special Studies Subcommittee; Jacob N. Wasserman, counsel, Special Studies Subcommittee; James A. Lanigan, general counsel, House Committee on Government Operations; and William H. Copenhaver, minority counsel.

Mr. ROSENTHAL. The Special Inquiry on Consumer Representation in the Federal Government will come to order.

In October 1966, the Special Consumer Inquiry, as a part of its continuing examination of the effectiveness of Federal consumer protection activities, held in-depth hearings on the myriad problems faced by low-income persons as consumers in our society. Testimony was received which demonstrated that consumer injustices most frequently and tragically victimize the poor.

This problem was illustrated recently when allegations were made that Safeway Stores was guilty of price discrimination against the economically disadvantaged here in Washington. The other day, a second supermarket chain, which operates stores in suburban and inner-city Washington areas, was reported by the National Broadcasting Co. to discriminate against the poor in its pricing practices.

As chairman of this Special Consumer Inquiry and as a former member of the President's National Commission on Food Marketing, I am greatly disturbed by these charges. It is my personal conviction that equal justice in the marketplace is hardly less important to the poor than equal justice before the law. Price discrimination is intolerable under any circumstances, but particularly so because food expenditures account for about a third of the income of the urban poor.

The allegation that the poor pay more has been voiced in the past by witnesses before this committee and by the Nation's press. The Wall Street Journal of August 16, 1966, reported that "higher food prices are a major gripe of ghetto Negroes" and that "one of the bitterest com-

plaints among Hough (Cleveland) residents is that white businessmen raise their prices on 'Mother's Day'—the 10th of each month when mothers receive * * * welfare checks." Last year before this Special Inquiry, the Assistant Director of the Office of Economic Opportunity for Community Action testified that " * * * the poor pay higher rates of interest than their affluent fellow citizens." Significantly, the OEO also reported the findings of an OEO-funded survey in Bedford-Stuyvesant that "some merchants raised their prices on * * * the days that the welfare checks arrived."

On August 16, 1966, at a hearing of the Special Inquiry, I asked the Chairman of the Federal Trade Commission if the FTC has authority "to move against or expose the activities of chainstores or lending institutions that provide the economically disadvantaged with inferior commodities and inflated prices." Chairman Dixon replied that he didn't believe the FTC had looked into this problem in depth but added that, "We have a pilot program going here in the District of Columbia for well over a year * * * in an effort to find out what the disadvantaged section of our society is in fact subject to."

David Caplovitz, author of a definitive work on this subject entitled "The Poor Pay More" and a previous witness before this Inquiry, ended his testimony by stating that:

The problems that I have tried to describe here are extremely pressing and demand the attention of our Government if the war on poverty is to be won and if our ideals of justice are to be maintained.

Whether or not the present charges are sustained, events of the last few weeks lead me to the conclusion that problems such as the exploitation of the poor consumer are not receiving the kind of governmental attention they deserve. I am concerned that, in the backyard of the FTC and the OEO, two serious charges of price discrimination have been leveled.

I am concerned by statements of some Federal officials that the Federal Government lacks the detailed and comprehensive information necessary to answer the crucial question of whether price gouging of the type alleged here is widespread throughout the country. It is my belief that if comprehensive information of this kind is not now available to the Congress, and to the executive, then steps must be taken immediately to insure its future availability.

We are here as part of the Federal Government to express our concern that these allegations and many others like them can exist and to understand how our Government can address itself properly to them, so that solutions may be promptly and rapidly found.

I want to say for the record that these hearings are being held expressly because Chairman Dawson directed them, permitted them to be held, and this is a subject that he, like myself and other members of the committee, has had under constant attention, and it is of great concern to all of us.

Our first witnesses will be the three ladies seated at the table before us, who have brought these charges—Mrs. Marguerite Kelly, Mrs. Janie Boyd, and Mrs. Lisa Schlossberg.

Do you have prepared statements?

Mrs. KELLY. Yes, we do.

Mr. ROSENTHAL. Please speak up so that we can all hear you.

**STATEMENT OF MRS. MARGUERITE KELLY, DEMOCRATIC LEADER,
NEAR NORTHEAST, DEMOCRATIC CENTRAL COMMITTEE**

Mrs. KELLY. Mr. Chairman and members of the subcommittee, my name is Marguerite Kelly, representing six Democratic precincts in near Northeast. Joining forces with Merle Baumgart, the near Southeast ward leader, we have brought charges through the Democratic central committee against the Safeway Stores.

We have charged them, at some managerial level unknown to us, with a willful deception of the people, by systematically overpricing food in some low-income neighborhoods on the first of the month, when welfare checks are received. Specifically, we found this amounted to a 9.1-percent tax on poverty on September 1.

These charges are documented by the most respected evidence in a court of law: eyewitness accounts.

Before we go any further, let me emphasize that we realize the enormity of our statements. It hasn't been easy for us to bring these charges and, in candor, if I had thought there was more than a remote chance of their truth at first, I'm not sure I would have had the stomach to attack such a big cartel as the Safeway.

It started back in July, when I was cruising my alleys with an aide to Senator Robert Kennedy, checking off housing violations by slumlords. We stopped to talk with one of the key neighborhood leaders—Janie Boyd. Some have asked us since then: "Who is this Janie Boyd?" In 5 years, you will be amazed if anyone should ask that question. She has the greatest potential for grassroots leadership I've ever seen, talents which sprang full-blown 18 months ago when the Democrats had forced public and private parties to clear her alley of an illegal junkyard. Janie Boyd has kept that alley clean and started a block club to do it. Her meetings pull out 40 to 50 people. She began hearing the troubles of her neighbors and, characteristically, she did something about them. She started an emergency food and clothing center for the more desperate and for others who, like ourselves, just needed to stretch their food budget a little further—Janie Boyd did something about them, too. She started a branch of the rapidly growing Capitol Hill Wholesale Buying Club, the cooperative produced by the boycott to cut grocery costs. For the little children this summer, Janie Boyd ran a day camp in her clean, bare alley with a daily enrollment which grew from 75 to more than 100 children. It was here that we heard Mrs. Boyd's charges.

It was a hot day, six blocks from the Capitol itself, one block from H Street NE., where the action simmers year round. A week earlier, the Democrats had intervened to stop a wrecking company from burning a block of condemned houses in the alley at Sixth and G. This was the week that Newark was on fire.

I point this out, because you must know, gentlemen, that we were very conscious of our role, small as it was, to keep our city quiet. We knew that the trickle of city funds and the poor city facilities in our part of town were a major source of unrest, and these accusations of a markup in welfare area stores on food stamp days could have been the final incendiary touch.

So the Democrats did what any of you would have done. We said we'd look into it.

Even this was said with trepidation. We didn't believe the rumors,

but we felt they had to be stopped. We considered the possibility that they were true and what the upshot would be. As a former newspaperwoman, I figured we would have to face congressional and executive investigation—as we are—and skimp on the needs of our families and run up some pretty shocking babysitting bills—which we certainly are.

And at the risk of being schmaltzy, there was a moment of reckoning in that alley when I had to face the memories of my own poverty as a child and, as anyone who has ever had a basket left on their doorstep can tell you, the welfare syndrome leaves deep scars. For the rest of your life, you are inevitably and invisibly bound to those on relief, whatever their color or their education or their reason for poverty. That is your karass.

Mr. ROSENTHAL. We have been joined this morning by the distinguished ranking minority member, Congresswoman Florence P. Dwyer, from New Jersey.

Mrs. KELLY. While the horrors of hunger can be forgotten, the fear of hunger cannot. I tell you this so that you will know that for me at least, this investigation was more a debt of honor than a vote-reaching venture for my party. As unlikely as the charges were, I couldn't personally turn my back on the people on welfare any more than I could turn my back on myself.

Before giving her complaint, Mrs. Boyd and six of her friends had done comparative shopping at seven Safeways on July 1, with seven identical lists. Their bills were not the same.

Next, the Democrats did a preliminary check of four Safeways on a half-dozen items on August 1 and found enough discrepancies to warrant further study.

Mrs. Boyd became cochairman of the party's Ad Hoc Committee for Equal Pricing with Mrs. Lisa Schlossberg, an experienced comparative shopper who learned those ropes in the 1966 boycott. She is from Boston, a graduate in African studies at Goddard College, who worked in this field both in Africa and in the United States.

They organized this study of nine Safeways, using a list of 20 items, 18 of which had been supplied by Mrs. Boyd because of their popularity in her buying club.

Eight of us shopped, three times, on Tuesday, August 15, Friday, September 1, and Friday, September 15. Before going, we had legal advice, of course, as we have had throughout this study, and we found that neither the purchases nor the tapes would be as valid as eye-witness reports, and also that our reports were more conclusive than preprinted company pricing orders from headquarters. Besides, we couldn't afford to tie up our grocery money for this eventual confrontation, and we were still so sure it couldn't be true. I suppose we were just biding time until the long summer ended.

On Sunday, September 17, Mrs. Schlossberg and I met with Mrs. Boyd in her living room to compare the prices for the first time. Mrs. Schlossberg will discuss these figures with you in detail, but let us note now that the major September 1 poverty tax was levied almost exclusively in neighborhoods where the Safeway has monopolistic powers.

We also found three perishable items recorded at Safeway which were above the advertised prices.

The crux of our charges, however, is the devastating manner in

which the poor have been fleeced. The Safeway denies this, of course, and cites two other Government studies—both 2 years old—to exonerate them.

Neither study connects the timing of price increases to welfare checks.

One study was handled by the fledgling United Planning Organization over a 5-day timespan, covering four aspects of supermarket shopping, one of which covered the behavior of 30 customers in a supermarket.

The study, according to UPO spokesmen, did find the poor pay slightly more in the inner city slums, which we find remarkable. We find it remarkable because the study was made in connection with the National Association of Food Chains. The shoppers even carried letters of introduction from the association and UPO to ask the managers for permission to record prices. It is not recorded, however, which organization paid for the cost of the study or the purchases.

The other study, done by the Bureau of Labor Statistics, covered the 1st through the 30th of a month and would you believe, the investigators gave stores a 2-week notice? They found no discrepancies.

You won't find a reporter in this room who would write a story based on investigations like that and we hope the association does not continue to insult the intelligence of this panel with further mention of these "studies."

The representatives from Safeway will suggest, I'm sure, that we were incorrect, either out of malice or stupidity. We think we were, if not wise, then painfully careful. If any goods were unmarked, as many were, we asked the manager for the price. No shelf tabs were used—since many were absent. All items were recorded, then and there. Any items questioned later by the shoppers caused the entire section to be disqualified.

As for malice, we can only plead stupidity. Not one of these shoppers would have had the intelligence to rig their price charts to make graphs come out like that. It took an economist to figure these things out.

We have nothing to gain, and at this point we all lost quite a bit out of our personal funds—our grocery funds—to finance this investigation.

Nevertheless, we will continue it, Mr. Chairman. This is just the start. There are too many related, unsolicited reports pouring in to allow us to drop it. We have definite indications—and a lot stronger than we got in a northeast alley—that other chains are involved, other places, other charges connected with quality, shortchanging, customer service.

We hope you will continue your inquiry. We hope the Senate will pursue it, as part of the deceptive practices investigation in January. We have asked for an investigation, both by the Agriculture Department and Congress, of the obvious exploitation of the Federal food stamp program. We have asked for the Federal Trade Commission to rule that stores which advertise chainwide standards of quality, cleanliness, and customer service must give it equally in all neighborhoods, and stores which advertise chainwide sales imply chainwide prices for the unadvertised goods, too.

Have you ever seen a shopper go from Safeway to Safeway for a bargain here or a bargain there? They don't, because they have be-

lieved the ads. They think all Safeway prices are the same. They should be. All bus fares in the District are the same, even when a line runs at a loss. As long as the Government licenses a chain to operate in the District, we feel it should have uniform pricing.

We were pleased in Mr. Magowan's reply to Tilford Dudley, our party chairman, to read that he believes Safeway now follows this policy. Therefore, we feel sure he will join us in urging Congress and the FTC to insure this uniformity through legal enforcement.

Mrs. Schlossberg will discuss these figures with you in detail.

I would like now to present Mrs. Janie Boyd and Mrs. Schlossberg, who will present their statements.

STATEMENT OF MRS. JANIE BOYD, WASHINGTON, D.C., AD HOC COMMITTEE FOR EQUAL PRICING

Mrs. BOYD. Congressman Rosenthal, ladies and gentlemen. My name is Janie Boyd. I live at 624 Fourth Street NE., and have been there for 13 years. I am the PTA president for Logan Elementary School. Mr. Boyd, the principal, is no relation. I am on the parent council at Stuart Junior High School. Mr. Barton is the principal there. I am chairman for co-op month in the Northeast area, and I am also chairman of our civic group, the Willing Workers.

What brought Safeway's pricing practices to my attention was that in early spring I purchased a 3-pound can of Crisco, which is the brand I always use, for 79 cents in the middle of the month. On the first, I was out of Crisco so I walked down to the Safeway at Sixth and H Streets NE., with the intention of purchasing another can. When I picked up the can I noticed it was marked 95 cents. This was too much for me to pay and I thought it was a mistake, so I asked a checker. She verified that 95 cents was the price so I said, "But I just bought a can of Crisco 2 weeks ago and the price was 79 cents." I asked why there was such a difference and she said with a smile, "Things go up, you know."

Later a very dear friend of mine and I were talking about work and she remarked to me that her husband was angry when she got home at 12 midnight the day before from work. I asked why she worked so late and she said to me, "Janie, don't you know that just before the first of the month we work late upping the prices." She worked in what I would say was in an area that I would consider a little worse than mine. She added, "This is the time business is good, when the welfare checks come out and food stamps are most used."

We, the people in the area near Sixth and H Streets NE., Safeway store are not and have no intention of trying to make you close your doors, but we do intend to see that you give us fair prices on the first of each month as well as the 15th of the month plus just as nice a quality of meat and everything else you sell. You have no other competition there and the people in that area are quite aware of what is going on. If you, Mr. Winstead, Mr. Safeway Manager, and others refuse to give us, the poor, fair pricing we will surely seek and we are sure we will find, other sources of buying food. We the consumers—and a number of us belong to the Consumers Association of the District of Columbia—do not want to be pampered. We have our pride and our self-respect. We are asking you, Mr. Winstead, and other Safeway personnel to please stop taking advantage of us. Thank you.

Mrs. KELLY. Now Mrs. Schlossberg.

**STATEMENT OF MRS. KENNETH SCHLOSSBERG, COCHAIRMAN, AD
HOC COMMITTEE FOR EQUAL PRICING, WASHINGTON, D.C.**

Mrs. SCHLOSSBERG. Mr. Chairman and members of this subcommittee, I wish to emphasize that none of us on the Ad Hoc Committee for Equal Pricing are either economists, lawyers, or statisticians. Besides the fact that we are concerned and outraged by the unjust practices committed against fellow citizens who can least afford such discrimination, we are ourselves consumers. It is the consumer who goes out several times weekly to purchase the food her family needs. It is the consumer, the individual housewife and shopper, upon whom the economy of this country is ultimately based. The housewife must use her careful searching eye to shop out those items which her budget can afford. This perhaps is our most legitimate qualification. We are not examining price lists or statistics behind a desk in a neat office far removed from the shoppers' reality. We are out daily or weekly or monthly walking up and down supermarket aisles purchasing that which will appear on our families' tables. It is for this reason that we are geared to examining prices and to comparing them with a determination that professionals cannot employ.

The charts and graphs that we have prepared from our research speak for themselves. They point up without question the unfair pricing practices which exist. They show that prices on a given item on a given day are not consistent throughout the city. And, further, they are consistently higher in certain areas serving large numbers of welfare and low-income families. The most shocking and outrageous of our findings is the fact that the prices of items we used in our survey increase by from 3 to 57 percent in some lower income area stores on the first of the month, at which time welfare checks are issued and the largest number of food stamps are spent.

It is just this kind of practice that causes great discontent and bitterness in the slum areas of our major cities and is a primary factor in making situations ripe for violence, riots, and bloodshed.

Job opportunity programs and other very valuable and commendable projects being undertaken by the poverty program and other Government agencies will do much to improve the climate in these trouble areas. But it will not be, until all forms of discrimination and misuse such as the pricing practices of Safeway are stopped, that this country can eliminate summers of violence such as we had this past July and August.

We sincerely hope that justice will be served by your committee and that action will be taken quickly. People on welfare, as we all know, have less than enough to survive on and an average food overpayment of 9.1 percent which we believe is a poverty tax people in low-income areas are now paying on food, could determine whether or not a family has enough to eat from month to month.

Mr. ROSENTHAL. Thank you.

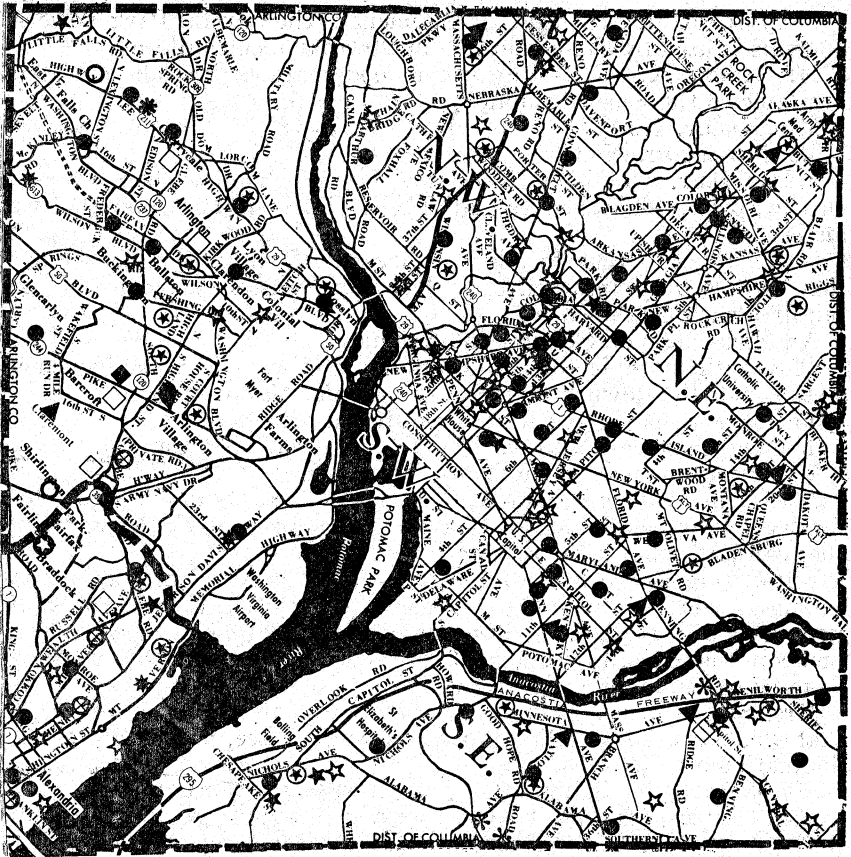
Mrs. KELLY. Do you want us to give out these graphs to the members of the subcommittee?

Mr. ROSENTHAL. Yes. Will you also tell us where the stores numbered 1 to 9 are located—and as to stores numbered 1, 2, and 3, where their nearest competition is, if any?

(The map referred to follows; graphs appear on pp. 19-22.)

- ★ ACME
- ▲ A & P
- ⊙ CONSUMERS DISCOUNT
- ☆ DGS SELF-SERVICE
- ✱ FEDERAL
- FOOD FAIR
- ✱ KROGER
- ⊙ GIANT
- ⊙ SUPER GIANT
- GRAND UNION
- ⊕ IGA
- ✱ JUMBO
- RED & WHITE
- SAFEWAY
- ▲ KORVETTE

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Mrs. KELLY. I can do that.

This is Merle Baumgart, Democratic ward leader in near Southeast.

This is the store at Fourth and M Streets, the Safeway store in the Southwest. This quadrant is the only quadrant in the city that has only one Safeway store. This is the only quadrant in the city, as I say, that has only one supermarket and that is the Safeway store. It is here [indicating]. It is No. 1.

Mr. ROSENTHAL. There are no other supermarkets in that area?

Mrs. KELLY. No. And this is the store where there were three prices that were recorded higher than advertised.

Mr. REUSS. In respect to store No. 1, is it not a fact that there is not only no supermarket in that area, but there are no other food retailers of any sort in that area?

Mrs. KELLY. I do not believe there are.

Mr. BAUMGART. There are some within the large high rise section. There is only one shopping center.

Mrs. KELLY. There is a market there, too.

Mr. REUSS. Where are these other food markets?

Mr. BAUMGART. No. 1 is in the basement of the Capital Park Towers, and this is used by those who live in the apartment building.

Mr. REUSS. Are there any other food markets in that quadrant available to the general public?

Mrs. KELLY. No.

Mr. BAUMGART. None.

Mrs. KELLY. This is at New Jersey and K Streets, where we also checked prices. This is Sixth and H NE. This is in the survey that we made.

Chevy Chase Circle store is over here [indicating]. This is the one that sounds very impressive. It has much customer service. I am familiar with that one.

Another one is on Connecticut Avenue.

The sixth store is the International Safeway—not the gourmet section, but the downstairs store, the regular Safeway store.

The seventh is the Safeway opposite Eastern Market.

The eighth store is also on Seventh Street, off East Capitol.

The ninth is near Kentucky Court, 13th and D. This is where competition is. There is an A. & P. right here [indicating] so this means that if people do not like the prices at the 13th Street store, they can walk a block or two over to the A. & P.

These were competitive to the Connecticut Avenue Safeway stores.

This is over here [indicating]. We were surprised. We did not want to investigate this because it seemed to us that they charged higher prices in these, No. 1, No. 2, No. 3, areas which are not within walking distance of any other chain outlet.

Mrs. SCHLOSSBERG. This chart is a blowup of the two-page graph that you have. The welfare stores, as you can see, have the greatest fluctuation of prices.

Mr. ROSENTHAL. Can you define "welfare stores" for us?

Mrs. SCHLOSSBERG. Stores in areas which serve a great number of welfare clients and food stamp users. There are others of these stores that are sort of mixed.

As you know, Capitol Hill, in the restoration area, has a mixture of low-income and some public housing with a large percentage of middle- and upper-income users.

This first one, the one in Southwest, Fourth and M Streets; this is near New Jersey and K NW., and this is Chevy Chase Circle [indicating]. And this is International Safeway—this is the Safeway across from Eastern Market, Southeast, 7th and East Capitol. And 13th and D SE. [indicating].

So that where there is this larger or wider line, that is the dividing line between the stores where we found the greatest differentiation in prices and the other chainstores.

All of these items were chosen before the investigation started. Nothing was changed. We went and sat down and Mrs. Boyd, particularly, picked out the items. And we typed up the list. And this is the list that we used throughout the whole investigation. There was no alteration whatsoever.

Mr. MYERS. What do they tell us?

Mr. ROSENTHAL. You have to explain that to us.

Mrs. SCHLOSSBERG. I have seen it so many times, excuse me.

The first dot underneath these, the red dot—August 15. This is the price in cents of each item.

Mr. ROSENTHAL. What was the price on August 15 in store No. 1?

Mrs. SCHLOSSBERG. 29 cents.

Mr. ROSENTHAL. For bananas?

Mrs. SCHLOSSBERG. Right.

Mr. ROSENTHAL. And what was the next price?

Mrs. SCHLOSSBERG. The blue dot is the first of September.

Mr. MYERS. May I ask a question there?

Mr. ROSENTHAL. Yes.

Mr. MYERS. Does that mean that 29 cents is the red dot? Maybe it starts a little bit higher. It is almost the same price on August 15 in all of the stores, is that correct?

Mrs. SCHLOSSBERG. Approximately, yes.

Mr. MYERS. In all nine stores?

Mrs. SCHLOSSBERG. Yes. The first of the month, which you see is the date of contention—

Mr. MYERS. I notice that.

Mrs. SCHLOSSBERG. As you can see, 34 cents, consistently, in these three stores.

Mr. ROSENTHAL. So that I can understand: Bananas, which is one of your items, on August 15 was 29 cents for 2 pounds in stores Nos. 1 through 3, and on September 1 it was 34 cents?

Mrs. SCHLOSSBERG. That is right.

Mr. ROSENTHAL. Tell us about each item—go down the line.

Mrs. SCHLOSSBERG. Right.

The next item is Town House peas. As you can see, these were very specific in weight. Town House peas is 25 cents on August 15, 27 cents on the 1st of September, and 27 cents on the 15th of September.

Mr. ROSENTHAL. In store No. 1.

Mrs. SCHLOSSBERG. Store No. 1.

Mr. ROSENTHAL. You must identify this for the record, because the man who is going to read this later on will not have the advantage of your finger pointing.

Mrs. SCHLOSSBERG. Right. OK.

In store No. 2, New Jersey and K—

Mr. ROSENTHAL. You do not have to identify those geographical locations. You have already done that. Call them by numbers.

Mrs. SCHLOSSBERG. It is 19½ cents on August 15, 34 cents on September 1—I mean 27 cents and 19½ cents on the 15th of September.

Mr. ROSENTHAL. So that between August 15 and September 1 in the stores the 1 pound can of peas went from what to what?

Mrs. SCHLOSSBERG. They went from 19½ cents to 27 cents, Town House peas. It is a substantial increase which is an average of 26 per cent increase over the other stores, as you can see.

Mr. ROSENTHAL. The Town House peas are in every other store—they all stayed at 19 cents on all dates involved?

Mrs. SCHLOSSBERG. Right. Right. In all of these stores, I might add, that they were not done by the same person and it would have been difficult to be that consistent unless it was actually the fact.

Del Monte peach halves, in the first low-income store, on the 15th of August it was 63. This was consistently 63 throughout.

In store No. 2 it was 63 on August 15, 69 on September 1, and down to 63 on the 15th of September.

Mr. ROSENTHAL. In stores Nos. 1 and 3, two large cans of Del Monte peach halves on August 15 were 63 and on September 1 in stores 2 and 3 it was 69.

Mrs. SCHLOSSBERG. 63 cents on August 15.

Mr. ROSENTHAL. 63 cents to 69 cents?

Mrs. SCHLOSSBERG. Right. It went up from 63 to 69.

Mr. ROSENTHAL. And then on September 15 it dropped back again?

Mrs. SCHLOSSBERG. That is right—that is right. It dropped back to the consistent price throughout the rest of the city with one exception. Then it goes a little bit further.

Crisco, 3-pound can was 82 on the 15th of August in No. 1; 89 in the store on the first of the month, again a significant increase, and back down again on the 15th of September.

Store No. 2, 79 to 89 on the first of the month—the 1st of September. It went down to 82 on the 15th.

No. 3, 79 on the 15th of August, 89 on the 1st of September and, I believe that is 86 on the 15th.

Mr. ROSENTHAL. I notice something interesting, that in store No. 4 for Crisco, the price went down on September 1—that is, in stores Nos. 4 and 5 the price went down for Crisco on September 1.

Mrs. SCHLOSSBERG. That is right.

Mr. MEYERS. It was higher on August 15 in stores 4 and 5.

Mr. ROSENTHAL. Is that right?

Mrs. SCHLOSSBERG. Yes.

Cheerios, on August 15 in store No. 1 was 28; on the 1st of September it was 34; and on the 15th of September it was 28 again.

Store No. 2 it went from 25 on the 15th of August to 28 and back down to 25.

And the same holds true for No. 3.

Mr. ROSENTHAL. Stores 4 to 9, in those stores there was no appreciable change from August 15 to September 15?

Mrs. SCHLOSSBERG. Right.

Eggs, were 39 cents on the 15th of August.

Mr. ROSENTHAL. Why do you not identify it by dozens?

Mrs. SCHLOSSBERG. One dozen, grade A medium, 49 cents on the first of the month at the 1st of September and it stayed at 49 cents on the 15th of September in store No. 1. And the same holds true in No. 2.

In store No. 3 it started out at 39, went up to 49, and then went back down to 39.

Mr. ROSENTHAL. The price for one dozen went up 10 cents on September 1 from August 15.

Mrs. SCHLOSSBERG. Yes.

Mr. ROSENTHAL. And back down again?

Mrs. SCHLOSSBERG. Right.

Mr. ROSENTHAL. And in stores No. 7 and No. 8 and No. 9 there was no appreciable, noticeable change?

Mrs. SCHLOSSBERG. Right. And the change, as you can see—what price change there was—was far lower in terms of actual price.

Mr. ROSENTHAL. Interestingly enough, store No. 6 went down on September 1.

Mrs. SCHLOSSBERG. Right. Right. And went up on the 15th of September, and went down to the lowest price because that was the 15th, when it went down to 25 cents in No. 9.

Domino sugar, a 5-pound bag—and this is one of the most consistent items that we have, that we had to have the managers check because it was seldom marked—61 cents on the 15th in No. 1, 65 on the 1st of September and back down to 61 cents on the 15th of September. All three stores had exactly the same fluctuation.

In 4, that is No. 4, it was 63 on the 15th, 63 on the 1st of September and down to 61 on the 15th of September. And these are all 63, 63, 63, 63, 63, up to here, where there is a 61—63, 63.

Mr. ROSENTHAL. Was the price of Domino sugar in stores 1, 2, and 3 exactly the same on September 1?

Mrs. SCHLOSSBERG. That is right; 65 cents.

Mr. ROSENTHAL. And they are all exactly the same on August 15?

Mrs. SCHLOSSBERG. Right; that is correct, 61 cents.

Mr. BAUMGART. You can see that that holds true for the rest of the stores involved. And if we have an equal pricing policy, that equal pricing policy should mean that we also have the same prices on all three dates, all across the chart, 1 through 9. There should be no fluctuation whatsoever—not even in the other stores outside of the poverty stores.

Mr. REUSS. That is the Domino theory. [Laughter.]

Mrs. SCHLOSSBERG. The point is, I think, too, that although there may be fluctuations in these stores, the fluctuations go up much higher in the first three. If it is any fluctuation in the other stores, it is usually the same or even a bit lower, especially on the first.

Lettuce, in store No. 1, 39 cents on the 15th of August, 39 cents on the 1st of September, and I think 29 cents—29 cents is right.

In the second store, 29 cents on the 15th of August, 39 on the 1st of September, and it got down to 29 on the 15th of September.

Mr. ROSENTHAL. A 10-cent increase?

Mrs. SCHLOSSBERG. Right. In store No. 3, 39 cents on the first of the month; it went down to 29 cents and down further to 19 cents. You can see that we even included those that do not favor our case.

Mr. ROSENTHAL. Store No. 3 has the same price as stores 6, 7, 8, and 9; it is interesting to see, for lettuce.

Mrs. SCHLOSSBERG. No.

Mr. ROSENTHAL. On the 15th of September.

Mrs. SCHLOSSBERG. At stores 4 and 5.

Mr. ROSENTHAL. Nos. 6, 7, 8, and 9.

Mrs. SCHLOSSBERG. I see—yes, these four; you are right.

Washington flour, 5-pound bag was 65 cents on August 15, 69 cents on the 1st of September and back down again to 65 cents on the 15th of September at store No. 1.

No. 2, 62 cents on the 15th of August; 65 cents on the 1st of September, and 60 cents on the 15th of September.

Store No. 3, 65 cents throughout all three dates.

No. 4, 63 cents on the 15th of August, 63 cents on the first of the month, and 65 cents on the 15th of September.

And this is, I believe, a little different.

Mr. FREED. What store is that?

Mrs. SCHLOSSBERG. This is the Chevy Chase Circle store. And the others on Connecticut Avenue.

Mr. ROSENTHAL. Are all of these items covered by Federal food stamps?

Mrs. SCHLOSSBERG. Anything that is not edible is not covered. Other things are food stamp items.

Mrs. KELLY. But not imported items.

Mrs. SCHLOSSBERG. Not imported items; yes.

Mrs. KELLY. We have done our homework.

Mrs. SCHLOSSBERG. We tried to choose items that would be used by the low-income people because this is one of the problems in the other studies, that they used imported things that the lower-income people just would not use.

Gerber's strained bananas—these are pretty straight across—65 cents on the 15th of August, 69 cents on the 1st of September—

Mr. FREED. That is store No. 1—please identify it.

Mrs. SCHLOSSBERG. In store No. 1. In stores 1, 2, and 3 they are 65 cents, on the first, 69 cents, and back down to 65 cents.

In stores 4, 5, 6, 7, and 8, the price is consistently 65 cents.

And in store No. 9 the fact is that it is 63 cents—consistently on all three dates.

Mr. BAUMGART. Are there any questions?

Mr. ROSENTHAL. I do not have any.

Mr. BAUMGART. Are there any further questions?

Mr. ROSENTHAL. Do you have any at this point?

Mrs. KELLY. I have just one thing that I do not believe either of us covered.

By the way, I was interested in reading the paper the other day that Safeway always has equal prices. My kid went over to the Safeway the other day to buy some apples, canned apples for some pies. And she got one can at 29 cents and one can at 27 cents, both stamped as such. And it was rung up on the register at 29 cents and 27 cents. And she said, "Say, why? That is the same size, the same quality." And they said, "Give her the 27 cents" but even in the same store we have this problem. We have a different problem with price marking. It is simply up to the customer to discover it.

We had 20 items in our list—I would like to point out—in our survey originally, and eight of them we disqualified because they were not in every store every time at the same quantity and quality and so forth. And only two remained constant at all stores. They were in every store in that size and were even. And these are the 10 items of everything that we looked at and they show a 9.1-percent increase on September 1.

Mr. MYERS. Mr. Baumgart, I did not get your association here—who are you?

Mr. BAUMGART. I am a District Democratic leader in the area in which Mrs. Kelly lives. I have five precincts in Southeast Washington. Mrs. Kelly has six precincts in Northeast Washington area and since we are all in what we call the Capitol area, we cooperate on things together.

Mr. ROSENTHAL. Do any of you own any stock in Safeway?

Mrs. KELLY. No.

Mr. ROSENTHAL. Do you own any stock in any other food company?

Mrs. KELLY. No.

Mrs. SCHLOSSBERG. No.

Mr. REUSS. Mrs. Kelly, at what Safeway store and on what date did your child run into this situation? That is, the two prices for sliced apples?

Mrs. KELLY. On Massachusetts and Third Street NE., which was not covered in our survey. It just happened to be the nearest store.

Mr. REUSS. When was this?

Mrs. KELLY. This was on Saturday, October 7.

Mr. REUSS. Last Saturday?

Mrs. KELLY. Yes, after Safeway made the announcement that absolutely all prices were the same. We have comparative pricing that Mr. Baumgart will show you.

Mrs. SCHLOSSBERG. You have a mimeographed sheet of this [indicating]. This is a blowup of that [indicating chart]. It is a comparison of Chevy Chase Safeway and the Safeway at Sixth and H Streets NE. The red line is the Safeway on H Street store, and the green line is the Chevy Chase store. This is your price index. This is just simply to graphically and more vividly show the variations in prices between the store receiving a larger number of welfare customers and a store in the upper Connecticut Avenue area with safe upper- and middle-income families.

Mr. REUSS. The chart shows that in each case for identical commodities they were higher?

Mrs. SCHLOSSBERG. Consistently.

Mr. REUSS. In the Connecticut Avenue store with the exception of lettuce.

Mrs. SCHLOSSBERG. Consistently higher in the lower income groups.

Mr. REUSS. Higher in the lower income stores?

Mrs. SCHLOSSBERG. Right. Right. And you can see it across the board. Bananas, this is the Sixth and H Streets store. I believe that with the exception of lettuce the price differential consistently is against the welfare stores.

Mr. ROSENTHAL. Would you want to tell us quickly what the percentage price differential on the 10 items were?

Mrs. SCHLOSSBERG. Right.

Mr. ROSENTHAL. Vis-a-vis the poor versus the Connecticut Avenue store?

Mrs. SCHLOSSBERG. Right. On bananas—do you want the prices, too?

Mr. ROSENTHAL. No, just the percentage differential.

Mrs. SCHLOSSBERG. On bananas, the price differential is 17 percent. On Town House peas, 26 percent. On Del Monte peaches, 10 percent. On Crisco, 8 percent. On Cheerios, 12 percent. On eggs, 1 dozen medium grade A, 32 percent. On Domino sugar, 3 percent. On Washington flour, 3 percent. On Gerber's strained bananas, 6 percent.

Mr. ROSENTHAL. Mr. Reuss.

Mr. REUSS. I would like to ask you ladies some questions. I have the impression that the Safeway stores deny all of this and say that there was no price discrimination.

Mrs. KELLY. They did in the telegram to Mr. Dudley. We have not heard from them directly.

Mr. REUSS. But they did in their telegram?

Mrs. KELLY. Yes.

Mr. REUSS. So that the issue is, I suppose—

Mrs. KELLY. The comparative—

Mr. REUSS (continuing). Is whether you ladies invented all of this.

Mrs. KELLY. Yes.

Mr. REUSS. Or whether Safeway did.

Mrs. KELLY. There was no reason to answer—we were there—I do not really think that the vice president of the company was out shopping there.

Mr. REUSS. Let me ask you how these three surveys on August 15, September 1, and September 15 were conducted. How many shoppers participated?

Mrs. KELLY. Eight.

Mr. REUSS. Eight on each of the 3 days?

Mrs. KELLY. No. We used a collection of eight shoppers.

Mr. REUSS. How many participated on August 15 and how many on September 1 and how many on September 15, respectively?

Mrs. KELLY. I am thinking.

Mr. ROSENTHAL. While you think of that, may I break in?

Congressman Dawson has to leave, and wants to say a word.

Mr. DAWSON. This has been very interesting. We wish to assure those present that we will look into this, into all of the phases thoroughly, and try to do something about it.

This is the greatest country in the world. As you have shown on this occasion, you have shown interest in things that touch the life of the average American citizen which makes it interesting and that you have a forum to which you can bring your grievances and have them listened to and acted upon.

I assure you that under Mr. Rosenthal you have one who is sincerely interested in the problems of the community. He is interested in your problems. And we will try to do something about it.

This is the greatest country in the world. And if the people of it would show their interest in each other that you are showing in what is happening in the different parts of your city and how it affects all citizens thereof, that is the kind of interest that will carry us to greater heights of service to the people of the community and the people who come under the jurisdiction of the Congress of the United States, as all citizens do and I want to assure you that your interest has not been in vain.

I do not think that you could find a better Representative than Mr. Rosenthal and Mrs. Dwyer, who has ever been interested in the problems of the common man, because a man who has everything does not need a few cents, but those who have sat here today and have listened to these people testify, to them a few cents can mean a lot as it does to the people of the whole community and we have a long way to go, as a Congress, to bring to everyone in the United States the benefits of what this Government and this country has to offer.

This has been a very enlightening morning to me to sit here and to see these young people, particularly these young women and to hear them speak and I will say first that I am one person who believes in the womanhood of America—they are the mothers of men—they are the mothers of our children—and they are interested in the prices and in those things that benefit the country. Certainly there are those who want to get rich, but to get rich at the expense, unfairly, of other human beings is a detestable thing.

This hearing this morning has been a great education to me, these few minutes that I have sat here. I will do all in my power to try to aid you in making America a better America by bringing to them help, by listening to their pleas and bringing to them the benefits that should be brought to everyone of America's citizens.

I thank you so much for what I have learned here today.

Mrs. KELLY. Thank you. [Applause.]

Mr. REUSS. You were telling me, Mrs. Kelly, how many shoppers participated on the 3 days.

Mrs. KELLY. There were six on the 15th, I think seven on the 1st of September, and six again on the 15th of September.

Mr. REUSS. Have you finished?

Mrs. KELLY. In each of the three stores. And just whatever was expected—although we did not expect some things—well, I personally expected that the 13th and D Street store, if there was going to be any discrepancies, would be higher on the first and it was not. We have no comparison.

These persons who shopped had roughly the same two sets of prices and when we got our original materials together that I have with me in Mrs. Boyd's living room, we each thought that we had no case, and we were just checking it out, but none of us had a real conflict on our lists. And when we put all of the prices together we were absolutely amazed.

Mr. REUSS. Did you make your composite check after each of these 3 shopping days?

Mrs. KELLY. No.

Mr. REUSS. Or after September 15?

Mrs. KELLY. September 17. And we did not do any comparison—we did not, you know, do any comparisons by phone, either. I was convinced myself that it was an absolutely worthless study. And we would do nothing more than a civic service to go into this.

Mr. REUSS. What form of reporting did the ladies use?

Mrs. KELLY. I have typed lists of this. We had lists. We brought them down.

Mr. REUSS. Have you got those?

Mrs. KELLY. Yes.

Mr. REUSS. Would you pick out any one of them that you would like so that we can see what they are—what the worksheets look like?

Mrs. KELLY. Yes, if you can read them.

Mrs. SCHLOSSBERG. We each had identical sheets.

Mr. REUSS. Let me ask you this, Mrs. Kelly, whether this one is typical—the one that you have shown me, which is a work sheet, I believe, of Mrs. Janie Boyd.

Mrs. KELLY. Yes. Right.

Mr. REUSS. Yes, for the No. 1 store at Fourth and M Streets SW.

Mrs. KELLY. Yes.

Mr. REUSS. And it is dated on the 3 days, August 15, September 1, and September 15.

Mrs. KELLY. Right.

Mr. REUSS. And the commodities listed correspond with the ones shown on your charts?

Mrs. KELLY. Yes.

Mr. REUSS. They are in the left-hand column, and then there is a place for the price on each one?

Mrs. KELLY. Yes. I drew the columns down and I divided each column to cover two stores.

Mr. REUSS. Did the ladies who did the shopping use their own resources to buy the groceries?

Mrs. KELLY. We did not buy the groceries.

Mr. REUSS. You did not buy them?

Mrs. KELLY. No.

Mrs. SCHLOSSBERG. No.

Mrs. KELLY. We did not have that kind of money.

Mrs. SCHLOSSBERG. There was no way of proving that you got them.

Mrs. KELLY. I suppose we should have done things like that.

Mr. FREED. May we have that for the record?

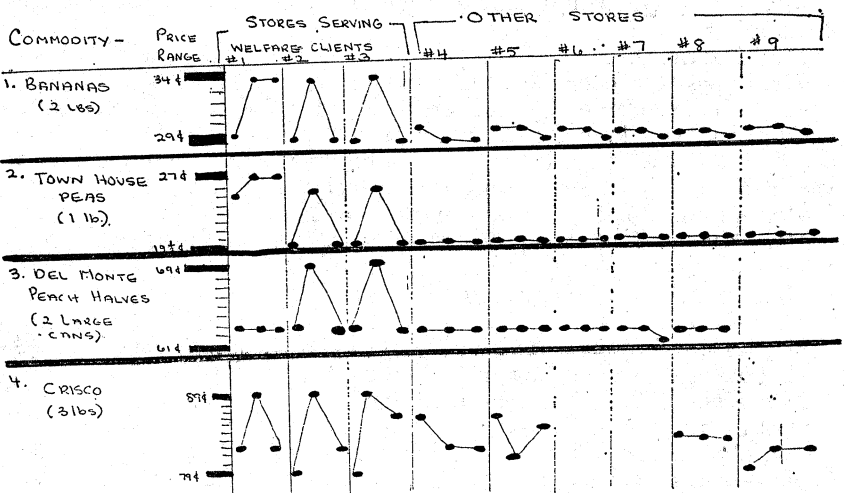
Mrs. KELLY. Yes. This is it.

Mr. ROSENTHAL. We will include at this point, without objection, all of the cumulative statistical material that has been offered here today.

(The statistical material referred to follows; in the chart on p. 21, stores 7, 8, and 9 are poverty stores.)

SAFEWAY PRICES ON AUGUST 15, SEPTEMBER 1, and SEPTEMBER 15

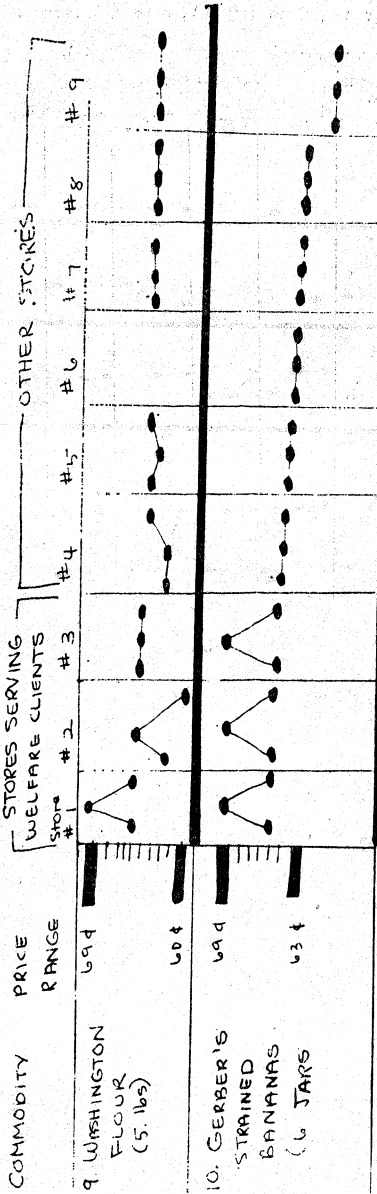
NOTE: WELFARE CHECKS WERE DISTRIBUTED ON SEPT. 1.



[illegible]

SAFEGWAY PRICES ON AUGUST 15, SEPTEMBER 1, AND SEPTEMBER 15

NOTE: WELFARE CHECKS WERE DISTRIBUTED ON SEPT. 1



EXPLANATION

FIRST DOT IN EACH SERIES IS AUG. 15; SECOND DOT, SEPT. 1; THIRD DOT, SEPT. 15.

BLANK SPACE INDICATES ITEM WAS NOT AVAILABLE FOR PRICING ON ONE OR MORE DATES

STORES:

- #1. 4th & M sts. SW
- #2. New Jersey Ave. and K sts. NW
- #3. 6th and H sts. N.E.
- #4. Chevy Chase Circle
- #5. 4900 Conn. Ave. NW.
- #6. International Safeway
- #7. Eastern Market Safeway
- #8. 7th and East Capitol St. NE
- #9. Kentucky, 13th and D sts. SE.

STORES	1	2	3	4	5	6	7	8	9
	1/15	2/15	3/15	4/15	5/15	6/15	7/15	8/15	9/15
BANANAS (2 lbs)	30 29	29 30	30 29	30 29	30 29	30 29	34 29	34 29	29 34
TOWN HOUSE PEAS (1 lb)	2/39	2/39	2/39	2/39	2/39	2/39	27 2/39	2/39	2/39
2 LARGE CANS DEL MONTE PEACH HALVES	63 63	63 63	63 63	63 63	63 63	63 63	63 63	63 63	63 63
CRISCO (3 lbs)	86 82	86 81	85 82	82 82	83 83	83 82	89 82	82 79	89 89
CHEERIOS (7 oz)	25 25	25 25	25 25	25 25	25 25	25 25	34 28	25 25	25 28
1 DOZEN MEDIUM GRADE A EGGS	-	-	-	37 41	37 37	37 37	49 49	49 49	39 49
5 lbs. Domino SUGAR	63 61	63 61	63 63	63 63	63 63	63 63	61 61	61 61	61 65
LETTUCE	29 29	29 29	29 29	29 29	29 29	29 29	39 29	29 29	29 29
WASHINGTON FLOUR (5 lbs)	63 63	65 65	65 65	65 65	65 65	65 65	65 65	65 65	65 65
5 JARS SPANISH GERBER'S BANANAS	65 65	65 65	65 65	65 65	65 65	65 65	69 65	65 65	65 69

INCREASE IN PRICES IN SAFEWAY STORES SERVING WELFARE CLIENTS,¹ AUG. 15 TO SEPT. 1

	Average price on Aug 15	Average price on Sept. 1	Percent in- crease in price to families on welfare
1. Bananas (2 pounds).....	\$0.29	\$0.34	17
2. Town House peas (1 pound).....	.213	.253	19
3. Del Monte peach halves (2 large cans).....	.63	.67	6
4. Crisco (3 pounds).....	.80	.89	11
5. Cheerios (7 ounces).....	.26	.30	15
6. Eggs (1 dozen grade A medium).....	.39	.49	26
7. Domino sugar (1 pound).....	.61	.65	7
8. Lettuce.....	.357	.357	-----
9. Washington flour (5 pounds).....	.64	.663	4
10. Gerber's strained bananas (6 jars).....	.65	.69	6

¹ Stores are: (1) 4th and M Sts. SW.; (2) New Jersey Ave. and K St. NW., and (3) 6th and H Sts. NE.

Note: Welfare checks are distributed on Sept. 1.

SAFEWAY PRICES ON SEPT. 1—CHEVY CHASE STORE COMPARED WITH 6TH AND H STS. NE.

	Chevy Chase price (cents)	6th and H Sts. NE. price (cents)	Percent higher in store serving welfare clients
1. Bananas (2 pounds).....	29	34	17
2. Town House peas (1 pound).....	19½	24½	26
3. Del Monte peach halves (2 large cans).....	63	69	10
4. Crisco (3 pounds).....	82	89	8
5. Cheerios (7 ounces).....	25	28	12
6. Eggs (1 dozen grade A medium).....	137	49	32
7. Domino sugar (5 pounds).....	63	65	3
8. Lettuce.....	29	29	-----
9. Washington flour (5 pounds).....	63	65	3
10. Gerber's strained bananas (6 jars).....	65	69	6

¹ Price at International Safeway—commodity not priced at Chevy Chase.

Note.—Welfare checks were distributed on Sept. 1.

COMPARATIVE PRICES AT SAFEWAY STORES ON SEPT. 1, 1967

Item	Average price in 3 stores serving large number of families on welfare ¹ (cents)	Average price in 6 other stores ² (cents)	Higher price paid by fam- ilies on welfare (percent)
1. Bananas (2 pounds).....	34.0	29.8	14
2. Town House peas (1 pound).....	25.3	19.5	30
3. Del Monte peach halves (2 large cans).....	67.0	63.0	6
4. Crisco (3 pound).....	89.0	82.0	6
5. Cheerios (7 ounces).....	30.0	25.0	20
6. Aluminum trash can (28 gallons).....	259.0	249.0	0
7. Eggs (1 dozen grade A medium).....	49.0	37.0	34
8. Domino sugar (5 pounds).....	65.0	62.3	4
9. Lettuce.....	35.7	22.8	54
10. Washington flour (5 pounds).....	66.3	64.4	7
11. Gerber's strained bananas (6 jars).....	69.0	64.7	3
			7

¹ 3 Safeway stores: 4th and M Sts. SW.; New Jersey Ave. and K St. NW., and 6th and H Sts. NE.

² 6 Safeway stores: Chevy Chase Circle; 4900 Connecticut Ave.; International Safeway; Eastern Market Safeway (7th St. SE.); 7th and East Capitol St. NE.; Kentucky, 13th, and D Sts. SE.

³ 5 stores compared on this item—product not available in either same size or brand at 1 store.

⁴ 4 stores compared on this item—product not available in either same size or brand at 2 stores.

Note.—Welfare checks were distributed on Sept. 1.

Mrs. SCHLOSSBERG. I would like to state that I am not in complete agreement with Mrs. Kelly as to how skeptical I was before we started simply because the same kind of accusations had been made in other

cities, I know in New York and in Boston. So this is not something that is all of a sudden that has been brought here. I believe that we went about it in a little different way, more thoroughly than has been done in the past. This is not a new accusation against a chainstore. It is not necessarily Safeway stores but major chainstores.

Mr. REUSS. What is the relationship of the September 1 date to the making available of welfare checks?

Mrs. KELLY. The checks are received by the people on September 1.

Mr. REUSS. They are mailed out prior to that?

Mrs. KELLY. Yes, they are mailed prior to that to arrive September 1.

Mr. REUSS. Do any of these ladies have any idea as to whether this September 1 discrepancy in these four districts and the Chevy Chase area, as you have noted in the survey, is the result of an overall Safeway store policy or is it the result of the action of individual managers of those stores?

Mrs. KELLY. I cannot begin to answer that question.

Mrs. BOYD. I have noticed at Sixth and H Streets when I have been shopping there—there were two prices listed there and I was in doubt. I have picked up items and asked the checker and he or she did not know. I also went to the manager and asked him. And then he would look at it and if he were in doubt himself—there were two prices like for eggs, I picked up some—I always buy eggs by the dozens, because I am the mother of five children and I buy three dozen, and when I took the first layer of eggs, this egg box had a little sticker over it, and had one price and the one right under there, it had the stamp with the machine, and there I had one dozen of eggs at one price and two dozen of eggs at another price. And this I was in doubt about, because it was the same grade of eggs. And so he said, "Well, you know, prices change." So then I questioned him—I said, "Well, do you mean to say that the eggs you have in the bottom of your egg case are as of yesterday and today already you have a full supply," because usually when I do go shopping it is in the a.m., and he could not give me an answer. You know, he just said, "No, this is the way it is."

Mrs. SCHLOSSBERG. It was a higher price.

Mr. REUSS. What did he say was the price?

Mrs. BOYD. He would not commit himself to say whether it was the one that I had one price or the two dozen I had at the other price.

Mrs. SCHLOSSBERG. How much did he charge you?

Mr. REUSS. How did you record it?

Mrs. BOYD. I put all three dozen back.

Mr. REUSS. How did you record the prices of those eggs?

Mrs. BOYD. At this time the eggs, the one dozen was 39 cents and the other was 43 cents, and this is when I was shopping. And, also, one other item.

Mr. REUSS. This was not when you were making the comparison?

Mrs. BOYD. No, indeed; no, indeed. At Sixth and H Streets it is convenient to me. Many people do not have cars. I can go to others by car. But I do not feel that it is fair to me or to any other mothers there because this store is there to serve the public, and I think that they should sell to us fairly and equally. For me to have to weigh and substitute with something else when there is a Safeway store there where I can go and purchase, but I refused to pay a higher price.

Also, on one occasion—I do not know the checker by name, but I do know him by sight—he was ringing my groceries up, and he was looking over and talking to someone, “Bring me a Coke from the lunch counter,” and ringing my food up, so fast, and when he finished I said to him, “You made a mistake—I am sure you did.” He said, “Oh, no, I did not.” I said, “I refuse to pay for it. Call the manager.” When the manager came with his little adding machine he found \$4 difference. I walked out and I said, “Honey, we are going some place where our dollars get the most.” I walked out with my husband and left all of the food there.

Mrs. KELLY. I had three people call in the last 3 days, people who claim they can substantiate their charges that they were systematically shortchanged. This was at three different Safeways in the city, and one A. & P.

Mr. REUSS. On your three checking dates, August 15, September 1, and September 15, would I be right in understanding that the prices that you recorded on your worksheets were those listed on the shelves?

Mrs. KELLY. No.

Mr. REUSS. And on the cans?

Mrs. SCHLOSSBERG. On the cans.

Mrs. KELLY. On the item itself. Usually the shelf tab is incorrect and the like. We used it on the item itself. If it was not there, we went to the manager and asked what was the price of it.

Mr. REUSS. That is not on the item itself?

Mrs. KELLY. But it was.

Mr. REUSS. It is on the bin?

Mrs. KELLY. It is on the placard, and it says, “Lettuce,” it is on a stick. I know that I weighed my lettuce. We all did. But we could not figure out what all of those answers really were. We did not know what to do with it. An economist did work up all of our percentages.

Mr. REUSS. You have pointed out the discrepancies in price on September 1, the welfare check day, and also the discrepancies of price in the three stores that serve a great number of welfare clients. What observations, if any, can any of you make about the type of service in the three welfare stores and in the other stores with respect, particularly, to waiting in line to have your charges tabulated?

Mrs. BOYD. I can truthfully say that waiting in line is one big problem. This is why all of the ladies who are at home in the mornings rush down to the Safeway at Sixth and H early, because the line is so long—I do not know what in the world the checkers are doing—but you have to wait so long until it is really terrible and I think—I hope I am right about saying this—that the floor is kind of messy, too. I know someone who slipped on a grape at Sixth and H. The manager at Sixth and H knows about this by now. You have to be real careful because there is water and grapes. This store—I think something has to do with the manager. I have nothing against the manager whatsoever, but just the condition of the store, because I feel that Safeway, the company itself, should have a standard policy that all of the stores should be kept the same. The building is fine, but the condition of the building inside; you know, slipping on a grape is awful. Water on the floor is quite dangerous.

One other thing I noticed in the storage department when the men come out with their carts, the dollies that can roll up and lift

up the cartons—you do not have to manhandle them, then—they do not either check or look to see if there is a mother or a father or a child—he comes and the doors fly open. This is really something. I was saying one day to someone that they will have to pay out some money because this thing has kind of a blade that really works under the carton and the case and elevates them up and takes them wherever you know they have to carry them.

Mrs. SCHLOSSBERG. I would like to add a few things to that. We are not concerned with the stores. They say that “all of our stores are spic and span and our managers are helpful and nice,” as they advertise.

You go up to the Chevy Chase store and you do not see flies in the store—you do not see dirty floors. The general appearance of the store is lovely. You do not find this in the low-income areas.

Further, in the upper Connecticut Avenue stores there are men in there. You have the pickup service or there is someone there helping you with the bag to the car. I know that I go into the store, in the low-income areas, and I have a little toddler, I am 6 months pregnant, and no one offers to help me. I am trying to lug my 20-pound shopping bag and hold onto the child. And no one would ask to help us. In Chevy Chase there is no question about; it is quite different.

Mr. REUSS. Can you make any comparison between the time required waiting for a checkout in, say, the Chevy Chase Circle Safeway and, say, in the Fourth and M Street SW. Safeway store?

Mrs. SCHLOSSBERG. That I could not, because I do not shop at that store, but I would think—we went to the Chevy Chase store, we did not have to wait more than a few minutes—much more organized.

Mr. REUSS. I ask that because not long ago I happened to be in the Fourth and M Street SW., Safeway store, one of your welfare stores and while there I met a very responsible and respectable Congressman, a Republican, incidentally, who was outraged. We might as well make this bipartisan.

Mr. MYERS. We are.

Mr. REUSS. Outraged at the length of wait that was required and the general condition of the store. And he quite vocally was outraged right there on the spot.

Mrs. KELLY. I would like to say that we did make a verbal complaint last week to the Retail Stores Local No. 400, because of the use of child labor in the customer service there, that many of these Safeways have, to the point of encouraging truancy and delinquency as to a certain amount of protection racket going on. The little kids have to pay back to the older ones for the purpose of standing outside to carry out people's bags. The customer pays for it.

Mrs. SCHLOSSBERG. Which you pay for.

Mr. REUSS. I am going to ask the witnesses from Safeway, who will be given a full opportunity to be heard, for a breakdown of their service charges between, say, the Chevy Chase type of store and a poverty area store, because I cannot understand the discrepancy in service unless—

Mrs. KELLY. I think that it might be because of the security guards. They employ quite a few security guards in the low-income neighborhoods. But I have never heard of a security guard at any chainstore having to pull his gun and I question the use of them. I would prefer not to see an armed security guard standing there with the children

they encourage to be in there and that it would be better to spend the same money in more clerks.

Mr. REUSS. I recognize the right of any store to protect itself against pilferage, but I think that a store doing an areawide business has an obligation to provide equal service in all of its stores.

I have no further questions.

Mr. ROSENTHAL. Before Mrs. Dwyer begins, I would like to say that Mrs. Dwyer is well known not only in Congress and in New Jersey, but throughout the country as a constant champion of the consumer. She has been very much interested in this subject and has participated in the preparation of recent inquiries and in many others.

Mrs. DWYER. Thank you very much, Mr. Chairman.

I want to say to you how much I welcome these hearings and how pleased I am that the subcommittee has responded so quickly to evidence of possible price discrimination against the poor in certain food stores. Whatever may result from these hearings, I believe it is most important to investigate. Price discrimination is difficult to justify under any circumstances.

I would like to ask Mrs. Kelly this question:

To your knowledge has the Federal Trade Commission, the OEO or any other Federal agency sought information or complaints from individuals in your neighborhood concerning whether the poor pay more?

Mrs. KELLY. The gentleman from the Federal Trade Commission, Mr. Corkey, is here, and he is the one to answer that. To my knowledge the Federal Trade Commission has not until this particular incident came up. The OEO, the UPO, is doing a study currently. I question the value of it. Janie got the report on it. It goes in for things like filet mignon and strip steaks and that kind of thing.

They also did not have a questionnaire, apparently, like we did, so that when we go in and price bananas as of that day, and another one prices apples, and another prices oranges—

Mrs. DWYER. Have you personally, or has your group, gone to them with these complaints and the charges?

Mrs. KELLY. I checked with the consumer education person and found that they were doing this, but because we are political, the political party is sponsoring this, they are not allowed to work with us. We would have to drop our political affiliation to work with the poverty program. We did it better.

Mrs. DWYER. Of course, I would prefer that you organize as women rather than as a political party to fight for all consumers—not just for yourselves, because Republicans are just as much interested as the Democrats.

Mrs. KELLY. In fact, I understand that the UPO study is being done at the request of Senator Percy.

Mrs. DWYER. Thank you. That is all.

Mr. ROSENTHAL. Thank you.

At this point I would like to read into the record a telegram addressed to me as chairman of this special consumer inquiry.

I understand that you are conducting inquiries on the consumer problems of low-income groups and want to inform you that as chairman of Mayor Lindsay's Council on Consumer Affairs during the course of the past summer we have been doing neighborhood surveys of food prices, with particular attention to price differential by income level. There is some evidence that indeed in certain low-

income neighborhoods food prices are higher and further some evidence that price levels may change around the first of the month. Our studies are not complete and evidence is not as yet certain. We are continuing our work and I would be pleased to make the results of our survey available to your committee.

The telegram is signed "Timothy W. Costello, Deputy Mayor, City Administrator, New York City."

Mr. MYERS. I join with Mrs. Dwyer in reiterating that we Republicans, too, are concerned about this problem.

My question is whether you are or are not leaving your party to do this for the people; that is, whether you are willing to do so.

Mrs. KELLY. We thought that we were more efficiently organized. They were already doing that study, as I say, when we found out that they were doing it at the request of the Republican Senator.

Mr. MYERS. I believe in a two-party system, but my country comes first.

Let me ask you several more questions.

First of all, I was not quite clear in your answer to Mrs. Dwyer. Have you reported this to any Government agencies and requested help?

Mrs. KELLY. Yes. We have reported this to Secretary Freeman and asked for an investigation on the basis that we feel that the food stamp program is being systematically exploited, because these prices go up on food stamp days.

We have asked Betty Furness to investigate. And she said that the Department of Agriculture and the Federal Trade Commission are the parties to take remedial action.

We have had two sessions with Mr. Corkey as the result of our letter to the Federal Trade Commission asking him to investigate and to issue a ruling that a chainstore which has advertised sales with citywide prices implies that all their other items also have citywide prices—if they advertise their sales prices, that they are the same in every store then we would like that ruling to be expanded to give equal pricing for everything.

Mr. MYERS. What reply did you receive from Secretary Freeman and Betty Furness?

Mrs. KELLY. We have not heard yet from the Agriculture Department, except to supply material.

Mr. MYERS. You have known this for 3 weeks and you have not heard from them yet?

Mrs. KELLY. No. I am waiting.

Mr. MYERS. They are not quite as concerned as you and we are.

Mrs. KELLY. I think that they are waiting in line. They want to see Mr. Corkey and he has been—

Mr. MYERS. But they have not done anything, have they?

Mrs. KELLY. They may be doing things that I know nothing about.

Mr. MYERS. They have not answered your letter.

Mrs. KELLY. I am sure that they are thinking about it.

Mr. MYERS. I am sure that helps you an awful lot to have them think about it. And it helps the poor people.

Mrs. KELLY. The Federal Trade Commission has been putting a lot of work in. I am sure that you will want to question Mr. Corkey yourself, too, and find out what they are doing. Obviously they are.

Also, the last thing that we asked was help from the Justice Department. We felt that we had a good case here. We asked the Jus-

tice Department to investigate—Donald Turner in the Antitrust Division, on the ground that these three stores are located in the three quadrants of the city where there is no immediate chainstore, competition—we felt that the price increases were an abuse of monopolistic power.

Mr. MYERS. You are obviously well organized. Have you gone to other chainstores about getting some competition in your community—are you working toward that?

Mrs. KELLY. Not yet; no, we are not.

Mr. MYERS. This seems to be an attack toward Safeway. Did you conduct any other survey in any other stores?

Mrs. KELLY. No, simply because we felt that we should limit ourselves to just so much as working housewives can do and we wanted to do it right.

Mrs. SCHLOSSBERG. We also felt that Safeway has something like about 133 stores in the District—by far the largest—I do not know, but the largest number of chainstores in the District. And, also, from my own point of view, in working on the boycott, this is one of the big problems that we ran into. It did cover Safeway and A. & P. and I believe Giant. And we found that by spreading ourselves so thin we ended up with much less than I think we would have gotten if we had stuck to one chain.

We also thought if we got a ruling or some kind of a law passed concerning Safeway that it would also apply across the board to all chainstores. And we said in our letter that we are not saying this only as to Safeway, but its being the largest supermarket in the area, we used this so that we certainly, although we have not investigated any other chainstore, we believe that this might very well be the same case in other major chains.

Mrs. KELLY. In other words, the city's—

Mr. ROSENTHAL. In the areas that you were concerned with, Safeway has virtually a monopoly?

Mrs. SCHLOSSBERG. Yes.

Mr. MYERS. Not necessarily. You have some other 10 areas up here that have their stores.

Mr. ROSENTHAL. One, two and three.

Mrs. SCHLOSSBERG. No other chainstores there.

Mr. MYERS. I want to see your worksheets. I borrowed some. I noticed—

Mrs. KELLY. Can you read them?

Mr. MYERS. I do not get the same conclusions that you got on your charts when I read them here. For instance, I notice an item here that the store at New Jersey and K Streets was actually higher on the first of September on three or four items here that you did not list in the store at Fourth and M, Southwest.

Mrs. SCHLOSSBERG. Which item is that? As we said, we surveyed 20 items, but we disqualified eight items. They were not available at every store, or, in some cases, for example, coffee, we did not in some stores do that. They had Safeway brands of coffee, some of which were in the cans and in the other stores they had it in bags. We did not feel that we could compare these items, because they were not the same, although they were Safeway coffees. One was in a bag and one was in the can. The prices were different. We felt that these would not be fair to use in this.

Mr. MYERS. Del Monte peaches was one of them. Also I noticed that you did not include any meats. Is there any significant reason why you did not include the meats? That is a requirement of your families.

Mrs. KELLY. Because I forgot to type it.

Mr. MYERS. All right.

Mrs. KELLY. We did include bologna. It was one of the two items that were constant.

Mrs. SCHLOSSBERG. No, it was not. We disqualified bologna because one, I think, due to a human error on the part of some of us—the all-meat bologna—and in some stores we did have all beef. So we were not using the same product consistently. We felt that there was no basis for comparison.

Mr. MYERS. I think, Mrs. Kelly, you suggested a while ago that you had different ladies on different days come to the same—

Mrs. KELLY. No.

Mr. MYERS. I did not understand your answer a while ago to our chairman. Did the same ladies always check the same stores?

Mrs. KELLY. No; no.

Mr. MYERS. I have not had time to go through all of these.

Mrs. KELLY. We had six to eight shoppers doing this. I know one time I was out of town and somebody subbed for me. Somebody subbed for Janie at one store. Some of the other shoppers had substitutes. We had shopping in one or two stores. You know it was simply—it is a very mechanical, methodical thing. Here is the listing and you get the prices. If you do not know, ask the manager. That sort of thing.

Mr. MYERS. I am a farmer out in the Midwest. I suffer from the same problem in the fall of the year when we have a lot of grain to sell—the prices are down. I know that it varies from elevator to elevator. I do not think that I am being discriminated against, but I do not like it. I can appreciate your problem. I do not know what the solution is. Maybe that is what we are here for.

Thank you very much. That is all.

Mr. ROSENTHAL. Thank you, ladies, very much. We want to commend you for doing all of this work and for bringing it to our attention. As Chairman Dawson well said, I wish that more Americans would become involved.

Mrs. KELLY. I think they will.

Mr. ROSENTHAL. That may be very true.

Our next witness will be Mr. Magowan and Mr. Winstead from the Safeway Stores, Inc.

Mr. REUSS. Would you ask the ladies to remain in the hearing room?

Mr. ROSENTHAL. Will you do that?

Mrs. KELLY. We would not miss it.

Mr. ROSENTHAL. I do want to say, Commissioner Ross, you are available to stay with us a little longer, are you?

Mr. ROSS. Yes, sir, until the end of the morning.

Mr. ROSENTHAL. Do you have some other folks with you? They can all sit up at the table with you, if you would like.

Mr. VAN GEMERT. Thank you, possibly later.

Mr. ROSENTHAL. You may proceed.

**STATEMENT OF ROBERT J. VAN GEMERT, ASSISTANT SECRETARY
AND ASSISTANT GENERAL COUNSEL, SAFEWAY STORES, INC.**

Mr. VAN GEMERT. Chairman Rosenthal and Representatives, I am Robert J. Van Gemert, assistant secretary and assistant general counsel of Safeway Stores, Inc.

Mr. ROSENTHAL. May I interrupt for just a minute?

Mr. Magowan is chairman of the board and Mr. Winstead, who is the division manager of the Safeway Stores, were the gentlemen we addressed the request to. We requested them to appear. They are with you, or not with you?

Mr. VAN GEMERT. They are not with me, no, sir. They have asked me, however, to express their apologies to the subcommittee. Mr. Magowan was not available. He has been on a business trip.

Mr. ROSENTHAL. You are counsel for Safeway?

Mr. VAN GEMERT. I am assistant general counsel and I am house counsel.

Mr. ROSENTHAL. You appear here as a lawyer or as a principal?

Mr. VAN GEMERT. I appear here as a principal, and I would be very happy to give my testimony under oath.

Mr. ROSENTHAL. Well, no, we would be happy to take it under oath but in view of the facts I do not think that is necessary. I merely want to know, you are familiar with the management and the operating procedures in the Washington area?

Mr. VAN GEMERT. I am familiar with the management and the operating procedures of our company in general, and I have some detail regarding that in Washington.

Mr. ROSENTHAL. Where is your office?

Mr. VAN GEMERT. The headquarters office in Oakland, Calif.

Mr. ROSENTHAL. Where are you from?

Mr. VAN GEMERT. If I may explain for just a second, Mr. Chairman.

Mr. Winstead does extend his apologies for not being here. However, he is not here because Safeway is presently engaged in cooperating with the Federal Trade Commission in a study of the charges that these ladies have brought against Safeway.

Mr. ROSENTHAL. Is he down there this morning?

Mr. VAN GEMERT. No, sir; he is not down there this morning, but he has been there for 2 days testifying under oath, sir, and he is subject to recall. I considered it most inappropriate when he is exposing our company's operating records and policies, opening our books in a private investigation or hearing, for him to appear in a public forum.

Mr. ROSENTHAL. In other words he is appearing—rather he is not appearing here today not because he had another commitment or he is tied up—he is not appearing on the advice of counsel?

Mr. VAN GEMERT. For the reason I gave, sir, so that proper deference can be accorded to the judicial process of the Federal Trade Commission which is looking at this matter in a lawyerlike manner.

Mr. ROSENTHAL. In other words, he is not appearing here today based on your legal recommendations?

Mr. VAN GEMERT. Yes, sir; I want to make that clear. He wanted to be here. He believes deeply in our company's policies and operating procedures. He knows that they have been followed in this particular division and he would have liked to have been here and to have an-

swered any and all questions that any member of the committee might have had regarding our operations.

Mr. ROSENTHAL. Where is your office?

Mr. VAN GEMERT. My office is in Oakland, Calif., which is the headquarters office of Safeway Stores, Inc.

Mr. ROSENTHAL. And you are a lawyer rather than a managerial executive?

Mr. VAN GEMERT. That is true. However, over the years I have been exceedingly privileged in that I have been able to participate in many high-level managerial decisions.

Mr. ROSENTHAL. But you have no personal knowledge of the Safeway operation here in Washington?

Mr. VAN GEMERT. I cannot tell you whether the floors are dirty in our stores, but I can tell you regarding our operating procedures and policies; yes.

Mr. ROSENTHAL. Have you visited the Washington stores?

Mr. VAN GEMERT. I have attempted from time to time when I have come into the area, yes.

Mr. ROSENTHAL. You would like to make your statement?

Mr. VAN GEMERT. Yes, I would, and beyond that I would like to add one more thing.

This is not just a matter that pertains to the Washington, D.C., division. I think that this is a charge that goes to our total company.

Mr. ROSENTHAL. Throughout the entire country?

Mr. VAN GEMERT. And I think also to the entire industry. To that extent I think that a presentation here of Safeway's position by a head office official, who is appearing as the representative of the company, albeit, that he is a lawyer, is pertinent.

Mr. ROSENTHAL. I just simply wanted to understand your role.

Please excuse me for being persistent before you go forward. You have advised the Safeway management principals not to appear here.

Mr. VAN GEMERT. Those who either have appeared before the Federal Trade Commission or who have been scheduled to appear before the Federal Trade Commission.

Mr. ROSENTHAL. Yes. So, then, what you are doing now is going to present to us a legal brief, rather than any evidentiary material?

Mr. VAN GEMERT. We have no evidentiary material to present to you, for one, and only one, reason: All of our documents, our records, our bulletins to the stores that state our policy, that shape our uniform and demonstrate our uniform book prices in this area are now in the possession of the Federal Trade Commission.

Mr. ROSENTHAL. You are not in a position to refute the charges that the ladies made in your presence here today?

Mr. VAN GEMERT. I deny the charges. I know I can point to some things that I think should raise some very serious questions in the minds of the members of the subcommittee regarding—

Mr. ROSENTHAL. Were you in California on August 15?

Mr. VAN GEMERT. I believe I was.

Mr. ROSENTHAL. Were you there on September 1?

Mr. VAN GEMERT. I believe I was sir.

Mr. ROSENTHAL. And you are going to deny these charges today?

Mr. VAN GEMERT. Yes.

Mr. ROSENTHAL. Go ahead and proceed.

Mr. REUSS. May I ask a question?

Mr. VAN GEMERT. May I add one thing?

I deny them for the company, and I deny them personally, based upon my inspection of the operations of this division.

Mr. ROSENTHAL. OK.

Mr. REUSS. As a lawyer you are familiar with the hearsay rule?

Mr. VAN GEMERT. Yes, sir.

Mr. REUSS. And are you going to give us nonhearsay evidence this morning—are you going to rely on hearsay evidence?

Mr. VAN GEMERT. I have not directed myself to this technical distinction. I think that I should make it clear that I was the one in the company who was advised of the Federal Trade Commission investigation. This was Wednesday of last week. I flew to this area Friday. I have with me the manager of our economic research department from Oakland, Calif., and a member of the legal department, who works with me. We immediately went to the division office on Saturday morning, and from Saturday morning until now I have had a total of, approximately, 10 hours' sleep. I worked until 5 o'clock Sunday morning and Monday morning, and went into hearings at 10 o'clock that morning. I went back and I continued this to date.

The reason I mention this is this: When this sort of charge is made and it is heard at the administrative office, we, of course, are exceedingly concerned, but our interest extends beyond that concern. The charge is, as a member of the committee pointed out earlier today, really one of credibility. I studied the matter at length before I came here and it was apparent to me that this was a question of credibility or, possibly, even dishonesty. From our standpoint, if the charge were correct, it would have to mean dishonesty on Safeway's part. I tended to reject that because I know what our operation is and what our uniform pricing policies are around the country, but I did not close my mind. When I came into the area I did not come in to prepare Safeway's defense, although that was ultimately my responsibility as a lawyer for the company. I came into this area to investigate our own operation and to satisfy myself, personally, in depth, more than a lawyer in the Antitrust Division or the Federal Trade Commission would do as to where the truth in this matter did lie. And I have satisfied myself.

Now, I have inspected the records. And the people under me. And those who have helped me. I have inspected them in detail. And I am familiar with this type of record, because I have done this hundreds of times in our operation. I looked at every bulletin that had been issued through the stores. I looked at the price books that were in the stores. I sent a lawyer who was with me into the stores with no prior knowledge of anyone in our operation, to talk to the members of the night stocking crew, who are the ones who physically do the price marking in our stores, to talk with checkers. I did everything that an investigator would do. And I have personally convinced myself that there is no truth to this accusation. And I am here to so testify. And if this be hearsay evidence, so be it.

Mr. REUSS. Well, is it?

Mr. VAN GEMERT. I do not know.

Mr. REUSS. No further questions.

Mr. VAN GEMERT. Could I read the statement? This statement has been gone over with Mr. Basil Winstead, who had approved it and told me that it is true.

Mr. ROSENTHAL. He is not here.

Mr. VAN GEMERT. Mr. Winstead is not here.

Mr. ROSENTHAL. He is the division manager for the Washington area?

Mr. VAN GEMERT. I will say this, sir: It has been my advice to him, in view of my longstanding belief that deference should be given to an investigation that is going on by an agency of the Government, that he should not appear here.

Mr. ROSENTHAL. Do you think that his testimony here would damage his proceeding at the Federal Trade Commission?

Mr. VAN GEMERT. If it is your wish that you want him here, I will withdraw my instruction to him and I will ask him to appear here and testify.

Mr. ROSENTHAL. This is the first time—I have only been in Congress 5½ years—this is the first time that any private company has appeared without a principal and has sent a lawyer in. And dressed him up as a principal. This has never happened. Would you try cases in court without your parties? You would get on the stand and testify? It is incredible. You are not in a position to rebut the charges of these ladies. You were in California.

Mr. VAN GEMERT. I am here as a representative of the company. I think the company can speak through any of its officials. Your invitation was extended to any Safeway official. I am an elected officer of the company. I believe that I can state our case, and you can accept it or reject it or give it such credence as you wish.

Mr. ROSENTHAL. Would you proceed, Mr. Van Gemert?

Mr. VAN GEMERT. I will.

Chairman Rosenthal and Representatives, there is no truth to the accusation that Safeway charges the poor higher prices, or that Safeway raises prices in its poverty stores at the time welfare checks are issued.

It is now, and always has been, Safeway's policy and practice to have uniform prices at all times in all Safeway supermarkets within a pricing area. The sole exceptions are price reductions to move overstocks of perishable merchandise, and in infrequent, localized competitive situations. All Safeway supermarkets in the entire Washington, D.C., metropolitan area are included in the same Safeway pricing area. We do not distinguish between poverty neighborhood and other stores within a pricing area.

Safeway's prices are established by merchandising managers at the central division office and are set forth in price books furnished each store.

All Safeway stores in the Greater Metropolitan Washington, D.C., area, are furnished the identical price book. The book prices are identical for each and every one of the more than 150 Safeway supermarkets in that area, including the 40 or more stores serving what might be viewed as poverty areas.

The Safeway store managers have no authority at any time to sell any item at a price higher than the book price. Any store manager at-

tempting to sell over book would be detected in short order, and subjected to severe discipline, including termination.

In view of our policy of selling at uniform book prices within each pricing area, we were shocked when, late Monday morning, October 2, 1967, Basil Winstead, manager of our Washington, D.C., retail division, received a letter accusing Safeway of raising prices in its poverty-area stores at the time welfare checks are issued. The letter enclosed price tabulations purporting to document that accusation.

According to this material the survey claimed to have found Safeway's September 1, 1967, prices on 10 items in three stores described as serving welfare clients, as follows—compared with Safeway's actual book prices on that date—

Mr. ROSENTHAL. When you say at the top of that survey dated September 1, 1967, "Actual Safeway price," what do you mean—do you mean to say book prices—you do not know for a fact whether they were the actual prices?

Mr. VAN GEMERT. The actual prices.

Mr. ROSENTHAL. Why do you say that?

Mr. VAN GEMERT. I mean that these are the prices at which these products were sold in those stores on those dates subject only to the very infrequent human error that might come in from ringing the wrong key, or the like.

Mr. ROSENTHAL. You do not really mean to say that?

Mr. VAN GEMERT. Yes; I do.

Mr. ROSENTHAL. As a lawyer, you are prepared to say that?

Mr. VAN GEMERT. Yes, sir.

Mr. ROSENTHAL. You know that is not so. How can you be prepared to say what it was selling for when you were 3,000 miles away?

Mr. VAN GEMERT. Because I have reviewed every book, document, and record in this company.

Mr. ROSENTHAL. Why do you not make yourself more credible and say that was the book price at which this should have been sold. You have eliminated all human error and you have found that these women are not telling the truth.

Mr. VAN GEMERT. I will be happy to say that is book price. And I personally believe that these are the prices at which the products were sold.

Mr. ROSENTHAL. Fine.

Mr. VAN GEMERT. A good point. Thank you, Mr. Chairman.

This chart is dated September 1, 1967. And it contains for each item description the tabulated survey prices for three poverty-area stores.

And the next column is headed "Actual Safeway Price," for all Washington, D.C., stores, and the next is "Overstatement of Safeway Prices."

The first item is "Bananas, 2 pounds," and the tabulated price in all three stores was 34, 34, and 34, and the actual Safeway price was 30 cents and the overstatement was 4 cents for 2 pounds.

The next, No. 2, "Townhouse peas, 1 pound," and the tabulated prices were 27 cents in one store, and 24½ cents in two stores, whereas the actual Safeway price for all stores was—

Mr. ROSENTHAL. The book price.

Mr. VAN GEMERT (continuing). Was $19\frac{1}{2}$ cents per can or two for 39 cents, resulting in an overstatement of Safeway's price, book price, which I believe to be the actual price, of 5 to $7\frac{1}{2}$ cents per can.

Next is No. 3, "Del Monte peach halves, two large cans," the tabulated prices were 63 cents for one store, 69 cents for two of the other poverty-area stores, whereas the Safeway book price was 63 cents, representing a difference of 6 cents per two cans—representing an overstatement of Safeway's book price of 6 cents for two cans.

The next is No. 4, "Crisco, 3-pound can," the tabulated price was 89 cents, the book price at Safeway stores in all of the District of Columbia area was 86 cents, resulting in an overstatement of Safeway's price by 3 cents per can.

Next is No. 5, "Cheerios, 7 ounces," the tabulated prices were 28 cents in two stores and 34 cents in another store in the poverty area, whereas the Safeway book price at all stores in the metropolitan area was 25 cents, resulting in an overstatement of that price by from 3 to 9 cents per package.

The next is No. 6, "Eggs, Grade A, medium, per dozen." The tabulated price was 49 cents in all three stores, whereas the Safeway book price was 37 cents, resulting in an overstatement of that price of 12 cents per dozen.

The next is No. 7, "5 pounds of Domino sugar." The tabulated price was 65 cents. The book price for all stores was 61 cents, resulting in an overstatement of that price by 4 cents per package.

The next is No. 8, "lettuce, head." The tabulated price for the poverty area stores was 39 cents in two stores and 29 cents in one store, whereas the Safeway book price was $19\frac{1}{2}$ cents or two for 39 cents, resulting in an overstatement of $9\frac{1}{2}$ cents to $19\frac{1}{2}$ cents per head.

The next is No. 9, "Washington flour, 5 pounds, self-rising." The tabulated prices were 69 cents in one store, and 65 cents in two stores in the so-called poverty area, whereas the Safeway book price for all stores was 65 cents, resulting in an overstatement of 4 cents per package.

The next, No. 10, "Gerber's strained bananas, six jars," the last and 10th item in the survey, the tabulated price for the three poverty-area stores was 69 cents. The Safeway book price was 65 cents and this resulted in an overstatement of 4 cents for the six jars.

The prices tabulated for six other Safeway stores, which were merely described as "other stores," but which, in fact, included one store serving a poverty area, appear to be fairly accurate reporting of the book prices that were in effect in all our Safeway supermarkets in the metropolitan area on September 1, that is, allowing for inexperienced price reporter errors.

Mr. ROSENTHAL. You want to be on the record as saying that this is what was told to you?

Mr. VAN GEMERT. No, sir; from my personal observation of the record.

Mr. ROSENTHAL. Let me just understand something. As a lawyer, if you want to be sworn and you are prepared to say that, and we bring the ladies back and swear them, and we send the record to the Department of Justice, either you or the ladies are indictable for perjury. You do not want to put us in that position; do you?

Mr. VAN GEMERT. No. I personally did not observe—

Mr. ROSENTHAL. Fine.

Mr. VAN GEMERT (continuing). The sale of any of these items in any of these stores on those dates.

Mr. ROSENTHAL. And, accordingly—

Mr. VAN GEMERT. Technically, of course, I cannot swear to this.

Mr. ROSENTHAL. Right. And when you said that you were prepared to make these kind of statements under oath—I hope you were not.

Mr. VAN GEMERT. I feel confidence to a moral certainty that this is a fact. However—

Mr. ROSENTHAL. Do not do that—do not do that.

Mr. VAN GEMERT. Yes, sir. If I stated that I reviewed the record of this operation, as I have stated, and from those I have concluded, and it is my conclusion that these stores did, in fact, sell at the prices I have just stated—

Mr. ROSENTHAL. Perhaps that is better. I have so much respect for the law that I dislike to see a lawyer fall into a trap that even the ladies would not fall into.

Mr. VAN GEMERT. And when our records are released by the Federal Trade Commission, of course, we will be very happy to furnish them.

Mr. ROSENTHAL. The fact of the matter is, Mr. Reuss wanted to make an observation about it, that the Federal Trade Commission adjourned this hearing especially for today, so that Mr. Winstead could appear here. Is that not true?

Mr. REUSS. If you would yield.

Mr. ROSENTHAL. I will yield.

Mr. REUSS. I was interested in this assertion by the witness that he would be representing Safeway although the invitation had been issued to Mr. Robert Magowan, chairman of the board, and Mr. Basil Winstead, division manager of the area. I was interested in the witness' assertion that they should not be here because earlier this week they had been engaged in the Federal Trade Commission inquiry. I saw in the back of the hearing room Mr. James Corkey, who is legal adviser to the Restraint of Trade Branch of the Federal Trade Commission and intimately connected with the Federal Trade Commission case, and I asked him whether the Federal Trade Commission saw anything improper in the requested witnesses appearing before this congressional committee today or any Federal Trade Commission policy which would prevent it, and he informed me that there was nothing improper whatever with the requested witnesses appearing before us here; that the Federal Trade Commission welcomed their appearance before this congressional committee and, in fact, had canceled hearings scheduled for today so that it could make those witnesses perfectly free to attend. I think the record should show that it is neither the Congress nor the Federal Trade Commission which has invented this appearance rule whereby the nonhearsay witnesses have refused to come here, Mr. Chairman.

Mr. VAN GEMERT. Sir, they have not refused to come here.

Mr. REUSS. Are they here? Are they here?

Mr. VAN GEMERT. They are not here present physically, but I have several minutes ago indicated that if you wish to renew your request after hearing how I had advised them that I would arrange for Mr. Basil Winstead to be here. Mr. Magowan is not available. I have not talked with him since I left Oakland, but I understand that he is on a business trip that he had scheduled before this matter came up.

Mr. REUSS. Have you changed your position of a few minutes ago that you would not produce them?

Mr. VAN GEMERT. I changed my position about 5 minutes ago, sir, when I so advised the committee. I will remind the committee that the invitation refers to any official of Safeway Stores, Inc. I might also say, sir, that the Federal Trade Commission was aware that I was appearing before this committee, not Mr. Winstead, and that the session yesterday afternoon and this morning was adorned so that I could prepare for my appearance but, again, if you are now renewing your request for Mr. Winstead, I will go beyond that, sir. In view of the questions that you have raised I will arrange for Mr. Winstead to appear before this committee. At what time would like him, sir?

Mr. ROSENTHAL. 2 o'clock.

Mr. VAN GEMERT. He will be here. I would like, if I may, I believe, to complete the statement that I have brought with me. If I may repeat—

Mr. ROSENTHAL. Maybe we ought to put your statement in the record and not proceed with you in view of the fact that Mr. Winstead will be here. He has a good deal more personal knowledge of the subject than you have. We have Commissioner Arthur Ross of the Bureau of Labor Statistics sitting here. Maybe we can break in. We can put your statement in the record and we will start with Mr. Winstead at 2 o'clock.

Mr. VAN GEMERT. That will be fine with me. With just one possible thing.

Mr. ROSENTHAL. It will give you another hour or two to prepare.

Mr. VAN GEMERT. If I could say one thing or suggest one thing, sir, and that is, that Mr. Winstead did participate in the drafting of this statement and he reviewed it and he approved it, and I would like him to continue with this at the point that we were interrupted. And I will make the appropriate personal reference changes in it.

Mr. REUSS. Could I ask one question of the witness?

Mr. ROSENTHAL. Yes.

Mr. REUSS. You are not able to state either under oath or not under oath of your own observation, and not through hearsay, that anything testified to by these three ladies here this morning is not true; are you?

Just answer "Yes" or "No."

Mr. VAN GEMERT. Yes. I can testify that the charge against Safeway is not true. I cannot testify under oath they did not, in fact, report a price of x cents on such and such a date. To give you the reasons why I concluded that they did not—may I?

Mr. REUSS. Yes.

Mr. VAN GEMERT. If I properly drew my distinction.

Mr. REUSS. You drew it too fine for me. My question was whether you were able to testify of your own knowledge that on those days, on August 15, September 1, and September 15, the ladies did not, in fact, observe the prices which they said were being charged for the commodities mentioned.

Mr. VAN GEMERT. I can do so, sir, to the same degree that Mr. Winstead can. He was not in the store. He does not know whether a particular lady saw a particular price and wrote in down on a particular date. He, too, is going to be testifying—based upon his knowl-

edge of general operating procedure—what our store managers are required to do.

Mr. REUSS. That, of course, is irrelevant. We have here three ladies who came in and testified from their own knowledge and submitted themselves to cross examination.

Mr. VAN GEMERT. Yes, sir.

Mr. REUSS. They were subjected to it. If Mr. Winstead is simply going to come in this afternoon and repeat the tripled and quadrupled hearsay which you have given us, this committee will have no recourse, it seems to me, but to conclude that the ladies are telling the truth, and that Safeway is not producing any evidence to counter what they have said. The mere fact that the books in Oakland or in the central office here show that all is uniform is interesting, but really quite irrelevant. The question is what were the managers of these stores charging on that particular day.

Mr. VAN GEMERT. Sir, may I say this: If you call before you the manager of a division who has the responsibility for the division and for establishing procedures within the division and the policies, then say to him that, "Your conclusions as to what happened in the store on a particular day are irrelevant"——

Mr. REUSS. No; I will give your own answer to you. The chairman's invitation on October 9, which you have referred to, invited Mr. Magowan and Mr. Winstead, or any other Safeway personnel to come here. If Safeway does not want to send competent witnesses who can testify on a nonheresay basis as the three ladies did, that is Safeway's option. You chose this morning to send someone, with all due respect, who has no personal knowledge of what happened on those 3 days.

Mr. VAN GEMERT. Perhaps I reflect my west coast naivete in that I did not realize that there would be technical courtroom procedure followed in a congressional study. We are ready, and I here tender to you the manager of any one of our stores as a witness.

Mr. REUSS. You heard the witnesses. If they are guilty of perjury, you bring along someone who will refute their testimony.

Mr. MYERS. Would you yield?

Mr. REUSS. I will be glad to.

Mr. MYERS. On the minority side we had nothing to do with inviting the witnesses. Why do we not have the managers come in this afternoon?

Mr. REUSS. I think it would be well.

Mr. MYERS. Let us get them.

Mr. REUSS. That is an excellent suggestion, I agree. It is up to Safeway as to what witnesses it cares to produce.

Mr. VAN GEMERT. We will bring in the manager of our newest stores.

Mr. REUSS. If you expect this committee and the people generally to believe what you say, you are going to have to bring in somebody who knows something about this, not somebody in the head office who can produce a mimeographed book, which says that the price of lettuce is the same everywhere.

Mr. VAN GEMERT. Such as Mr. Magowan would have to do.

Mr. ROSENTHAL. If you will yield.

Mr. REUSS. Yes.

Mr. ROSENTHAL. The only advantage that Mr. Magowan has over you is that as to the salary arrangements and the incentive arrange-

ments that managers have here, he will know that; he has been to these stores.

Mr. VAN GEMERT. So am I familiar.

Mr. ROSENTHAL. It is his responsibility to direct prices and practices in these stores, is it not?

Mr. VAN GEMERT. Mr. Magowan is the chairman of our company.

Mr. ROSENTHAL. I mean Mr. Winstead.

Mr. VAN GEMERT. I was referring to Mr. Magowan, the chairman of our company.

Mr. ROSENTHAL. Mr. Winstead is the division manager for Washington?

Mr. VAN GEMERT. Yes. I agree with you.

Mr. ROSENTHAL. He has considerably more personal knowledge than you do.

Mr. VAN GEMERT. Of course.

Mr. ROSENTHAL. As to the practices observed on his visits to the stores.

Mr. VAN GEMERT. Yes, of course. Certainly.

Mr. ROSENTHAL. Why do we not do that if it is all right with the members of the subcommittee. And we will then hear Commissioner Ross. And at 2 o'clock you bring him with you. It is your responsibility. The burden has shifted—you bring anybody that you think is helpful to your case.

Mr. VAN GEMERT. We appreciate that.

(The complete prepared statement of Safeway Stores, Inc., follows:)

STATEMENT ON BEHALF OF SAFEWAY STORES, INC., BY ROBERT J. VAN GEMERT,
ASSISTANT SECRETARY AND ASSISTANT GENERAL COUNSEL

Chairman Rosenthal and Representatives, there is no truth to the accusation that Safeway charges the poor higher prices, or that Safeway raises prices in its poverty area stores at the time welfare checks are issued.

It is now, and always has been, Safeway's policy and practice to have uniform prices at all times in all Safeway supermarkets within a pricing area. The sole exceptions are price reductions to move overstocks of perishable merchandise, and in infrequent localized competitive situations. All Safeway supermarkets in the entire Washington, D.C., metropolitan area are included in the same Safeway pricing area. We do not distinguish between poverty neighborhood and other stores within a pricing area.

Safeway's prices are established by merchandising managers at the central division office and are set forth in price books furnished each store.

All Safeway stores in the greater Metropolitan Washington, D.C., area are furnished the identical price book. The "book" prices are identical for each and every one of the more than 150 Safeway supermarkets in that area, including the 40 or more stores serving what might be viewed as poverty areas.

The Safeway store managers have no authority at any time to sell any item at a price higher than the book price. Any store manager attempting to sell "over book" would be detected in short order, and subjected to severe discipline, including termination.

In view of our policy of selling at uniform book prices within each pricing area, we were shocked when, late Monday morning, October 2, 1967, Basil Winstead, manager of our Washington, D.C., retail division, received a letter accusing Safeway of raising prices in its poverty area stores at the time welfare checks are issued. The letter enclosed price tabulations purporting to document that accusation.

According to this material the "survey" claimed to have found Safeway's September 1, 1967, prices on 10 items in three stores described as serving welfare clients, as follows—compared with Safeway's actual book prices on that date:

Item description	Sept. 1, 1967		
	Tabulated "survey" prices for 3 "poverty" stores	Actual Safeway price for all Washington, D.C., stores	Overstatement of Safeway prices
1. Bananas, 2 pounds.....	34, 34, 34 cents.....	30 cents.....	4 cents per 2 pounds.
2. Townhouse peas, 1 pound.....	27, 24½, 24½ cents.....	19½ cents (2 for 39).....	5 to 7½ cents per can.
3. Del Monte peach halves, 2 large cans.....	63, 69, 69 cents.....	63 cents.....	6 cents per 2 cans.
4. Crisco, 3 pounds.....	89, 89, 89 cents.....	86 cents.....	3 cents per can.
5. Cheerios, 7 ounces.....	34, 28, 28 cents.....	25 cents.....	3 to 9 cents per package.
6. Eggs, grade A, medium, dozen.....	49, 49, 49 cents.....	37 cents.....	12 cents per dozen.
7. Domino sugar, 5 pounds.....	65, 65, 65 cents.....	61 cents.....	4 cents per package.
8. Lettuce, head.....	39, 39, 29 cents.....	19½ cents (2 for 39).....	9½ to 19½ cents per head.
9. Washington flour, 5 pounds (self-rising).....	69, 65, 65 cents.....	65 cents.....	4 cents per package.
10. Gerbers strained bananas, 6 jars.....	69, 69, 69 cents.....	65 cents.....	4 cents per 6 jars.

Note: The prices tabulated for 6 other Safeway stores, which were merely described as "other stores," but which, in fact, included 1 store serving a poverty area, appear to be fairly accurate reporting of the book prices that were in effect in all our Safeway Supermarkets in the metropolitan area on Sept. 1 (that is, allowing for inexperienced price report errors).

However, the prices tabulated for the three stores described as serving "welfare clients," were not the prices at which these 10 items were priced, or sold, in those stores. Nor were they the prices at which those items were sold in any of Safeway's supermarkets in the Greater Washington, D.C., metropolitan area.

Furthermore, it seems peculiar that for the seven dry grocery staple items, the group's survey showed a first-of-the-month rise for all seven items in the "poverty" stores. But for six of the items, Safeway's actual prices were not changed whatsoever in any of our Washington, D.C., stores over the entire period (from mid-August to mid-September), and the one item that did change in price during that period was lowered 2 cents (not raised) and just before the first of the month.

And on three perishable items, the survey showed for "poverty" stores either a price increase on September 1, or a price reduction after September 1—whereas Safeway's actual price on one of the perishables dropped on August 21; another perishable item was reduced in price on September 5 (after remaining unchanged since mid-August); and the price of the other perishable item indeed rose, but not until September 11.

Several of the deviations in the "survey" prices might reflect errors in price reporting—for example, confusion of side-by-side shelf items of different sizes or grades, or the recording of a "two for" multiple price as though it were the price for just one unit of the item. But however charitable an allowance is made for inadvertent errors, the publicized emergence from the survey of a "poverty pattern" impression just about defies explanation.

We believe it possible that the explanation may lie in the procedures followed by those conducting the three pricing surveys on which the tabulation is based. We suggest that the following information would be relevant to any consideration the committee may wish to give that question:

1. The written specifications given each shopper, on each date, as to the store to be shopped, and the items to be checked (i.e., brand, size, pack, variety, grade, quality, and where an item bore a "cents off" label, whether it or the "noncents off" item should be reported).

2. Whether purchases were made and cash register receipts were retained.

3. The actual survey pattern—e.g., on each date, which price reporter made the price survey at each store; and, more specifically, whether the same person made the survey at the three stores described as serving welfare clients.

Because of our deep concern regarding the unfounded accusation made against us, we are cooperating with the Federal Trade Commission in its study of that accusation. We have opened our pricing records and books to the Commission, and are currently engaged in hearings in which the Commission is receiving the sworn testimony of Safeway employees, including that of Mr. Winstead and various store managers. The FTC hearings began Monday, continued Tuesday and Wednesday, and will resume on Friday, after recessing for the purpose of our appearing before you.

I personally supervised and participated in the collection of Safeway's pricing and other relevant records, and am counsel representing Safeway at the hearings. It is my considered judgment that the evidence produced to date conclusively establishes that Safeway's selling prices on the 10 items were, on September 1, 1967, identically the same in all Safeway supermarkets serving the Greater Washington, D.C., metropolitan area, including our 40 or more stores serving poverty areas, and were as I stated them above.

The October 2 letter charging discriminatory pricing differentials was distributed to news media, to legislators, and to governmental agencies, even before its receipt by our division manager, to whom it was nominally addressed. That letter also demanded our "negotiation" with these individuals toward discontinuance of discriminatory pricing practices—practices in which Safeway had not, in fact, engaged.

These were and are dangerous accusations. Even though untrue, they are of the type that can ignite the fuse of further discontent and destructive disruptions of our central core cities. Even though untrue, they can destroy a business which has been built upon a commitment—followed up with a dedication in practice—to completely fair, nondiscriminatory treatment of all its customers.

As well as being dangerous, the charge is ridiculous. Well over half of the Safeway stores in the District are located in neighborhoods that probably would be classified as "poverty areas" by any logical standards. Residents of those areas are, hopefully, among our customers. And customers are the lifeblood of any retailing enterprise. Through advertising and other promotional efforts, we invite potential customers to our stores. We welcome them into our stores to inspect what we offer in the way of products, services, and conveniences—and our prices. We make every effort to assure that they like what they see. And we are delighted—and successful—when they stay to shop and come back as repeat customers. That is our business.

Yet these apparently publicity-prone individuals claim to have found a poverty pattern in Safeway prices and pricing. The prices they tabulated and the graphs they constructed might indeed give that impression. But they simply won't stand up under factual examination.

Our records of actual Safeway prices in those stores on those dates conclusively show that the alleged poverty pattern did not exist.

Safeway's general philosophy and policies as to retail pricing in our stores reflect a total commitment to fairness and equity in the prices of products offered—not only for all the customers who may patronize a given store, but also for the customers of our various stores in each trading area. Any other policy would be sheer business folly.

All of our Washington, D.C., stores are in the same Safeway price area. This means that it is Safeway's policy, implemented in practice through careful procedures and controls, that a given item bears the same price on the same date in each and every Safeway supermarket in the District of Columbia that handles the item, and that even the occasional human error is caught and corrected promptly.

If there has been or is any poverty pattern in our pricing, it is simply that the poor pay no more at Safeway.

MR. ROSENTHAL. We will next hear from Commissioner Arthur Ross.

Do you have a prepared statement?

MR. ROSS. No, sir.

MR. ROSENTHAL. Are there some general comments you want to make today on previous work that your Bureau has done in this field and what they might do in the future?

STATEMENT OF ARTHUR ROSS, COMMISSIONER OF LABOR STATISTICS, DEPARTMENT OF LABOR

MR. ROSS. Mr. Chairman and members of the subcommittee, I am very glad to be here at your invitation which I received yesterday. I did not have time to prepare a statement, but I will be glad to discuss informally whatever might be helpful to the committee that is within my knowledge.

I have with me Mr. Arnold Chase, Assistant Commissioner for Prices and Living Conditions.

The general program of the BLS, of course, is set by the legislation and appropriations which we receive from the Congress.

In the field of prices the general purpose is to establish monthly price indexes for about 400 goods and services at retail and about 2,300 at wholesale. It is not a part of our program to scrutinize the behavior of individual sellers and, in fact, the information that we receive from individual establishments is received under a pledge of confidence, so that the general price index program of the Bureau is not designed to throw light on the kinds of questions which you have before you.

Mr. ROSENTHAL. Has your Bureau addressed itself to whether or not the poor pay more?

Mr. ROSS. Yes.

Mr. ROSENTHAL. Under what circumstances, and what did you find?

Mr. ROSS. Last year we made a special study at the request of, and with the financial support of, the National Commission on Food Marketing and the Office of Economic Opportunity on the question of whether the poor do pay more in low-income areas. We conducted this study in Atlanta, Ga.; Chicago, Ill.; Houston, Tex.; Los Angeles, Calif.; New York, N.Y.; and Washington, D.C.

Our study of food prices was made during the week of February 21 to February 25 of 1966. We made a study of the prices of 18 foods, including flour, bread, steak, ground beef, pork chops, bacon, chicken, fresh milk, evaporated milk, margarine, eggs, grapefruit, lettuce, potatoes, canned peas, sugar, coffee, and a cola drink and these were done, as usual, with precise specifications to make sure that we priced the same thing in every store.

Within each of these six cities we selected a sample of 15 stores in the higher-income area and 15 stores in the lower-income area. These were selected to represent the chainstores, large independent stores, and small independent stores.

Mr. ROSENTHAL. Someone said here today, Commissioner, that your agents notified the chainstore manager or the store operator before they came in. Is that true?

Mr. ROSS. Yes, sir.

Mr. ROSENTHAL. They did do it?

Mr. ROSS. Yes. They were aware that the price agent would be there. They were not told, however, when the visit would be made.

Mr. ROSENTHAL. Were they told that it would be within a week or so?

Mr. ROSS. They knew that they would be visited during the week of February 21 to February 25.

Mr. ROSENTHAL. In your judgment does that in some way invalidate the surprise factor and thereby invalidate the survey?

Mr. ROSS. Well, I would say, obviously, that they were not surprised when the agent showed up. I have no evidence as to whether the prices were affected by their knowledge that the agent would be there.

Mr. ROSENTHAL. But they could have been.

Mr. ROSS. Certainly it is correct.

Mr. MYERS. If I may.

Mr. ROSENTHAL. Yes.

Mr. MYERS. Why did you do that—what was the reason?

Mr. ROSENTHAL. For notifying them?

Mr. MYERS. That notice.

Mr. ROSS. It is a general practice. As I indicated earlier, the purpose of our pricing is not to scrutinize or to evaluate the ethical behavior of sellers.

Mr. ROSENTHAL. Do you think it should be?

Mr. ROSS. I think that is up to Congress. Our program is to develop price indexes. We have no subpoena power. Every scrap of information that we receive is given voluntarily. So the flavor of it is not investigatory. If we were making investigations for violations of law or violations of practices, I think that would be another story.

Mr. MYERS. It really serves no purpose, does it?

Mr. ROSS. The idea of surprise is not necessarily an element in the kind of pricing that we do.

Mr. MYERS. I am not suggesting that, but then still this notice does not really help you.

Mr. ROSS. Oh, yes. You see, we price a great many commodities.

Mr. MYERS. Why not send a letter out to save you an awful lot of expense? And say to them, "Send us back what you charge on this." It would be a lot cheaper.

Mr. ROSS. No, it would not, for this type of visit, because it is very important to establish that you are pricing the same thing in each of many thousands of areas around the country.

Mr. MYERS. How can you know that the letter would not do exactly the same thing? He does not know—that is, the examiner who goes in, that he examines the same thing in the next store.

Mr. ROSS. I could not—

Mr. MYERS. It could be more evidence.

Mr. ROSS. I could not agree with that.

Mr. MYERS. A form letter could be used.

Mr. ROSS. We have trained agents. A very important part of their work and an important reason for them to visit these stores is not only to verify that that is the price, but to make sure that this is the same variant of the product. And many products come, you know, with all kinds of varieties and shapes and sizes and weights and all of that. To make sure that this is exactly the same thing which is being priced in thousands of other stores and for the purpose of maintaining specifications we feel that a personal visit is important in those cases. We do collect many prices by mail for other kinds of things, but in retail food stores—

Mr. MYERS. You are more concerned with the variants than as to whether you get the true picture on the price, are you not?

Mr. ROSS. No, sir.

Mr. MYERS. The way that you go about it, you indicate that you are.

Mr. ROSS. Thank you. Shall I go ahead with the survey?

Mr. ROSENTHAL. Yes.

Mr. ROSS. As I say, we had 15 stores in the low-income area and 15 stores in the high-income area for each of the cities.

The results that we obtained are summarized something as follows:

In general, the people who shopped in the poor neighborhoods did pay higher prices. This is a general conclusion with many variations and exceptions, of course.

In general, the prices were associated with different types of outlets. We did not find that the chains in the poor neighborhoods were systematically charging higher prices than the chains in the affluent neighborhoods. We found, in general, that the small independents charged higher prices than the chain, and delete the large independents, and that there was a paucity of chainstores in the poor neighborhoods. According to our findings, the higher prices paid by the shoppers in the poor neighborhoods were associated with the relative lack or the relative paucity of the chainstores and of the large independents.

Mr. ROSENTHAL. You did not direct yourself to the question of whether the same chain had different prices in the ghetto area as compared to an affluent area?

Mr. ROSS. No, sir.

Mr. ROSENTHAL. I think that you received \$50,000 for this study, is that not correct?

Mr. ROSS. My recollection is that it was \$35,000.

Mr. ROSENTHAL. My recollection is that it was \$50,000. You received \$35,000 from the Office of Economic Opportunity and \$15,000 from the National Commission on Food Marketing.

Mr. ROSS. Oh, well, did we?

Mr. Chairman, I would like to verify that. We will let the committee know what it was.

(The following was subsequently furnished:)

U.S. DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, D.C., November 1, 1967.

Mr. PETER BARASH,
House Government Operations Committee
Rayburn Office Building
Washington, D.C.

DEAR MR. BARASH: In connection with my testimony before your Special Studies Subcommittee of the House Committee on Government Operations on October 12, you asked me to clarify the cost of the work done by the Bureau of Labor Statistics on the project "Do the Poor Pay More?" I find that we received \$30,000 from the Office of Economic Opportunity for the housing and commodities and services other than food portions, and \$15,000 from the National Commission on Food Marketing for the food portion.

If I can be of further assistance in any way, please let me know.

Sincerely yours,

ARTHUR M. ROSS, *Commissioner*.

Mr. ROSENTHAL. Whether it was \$35,000 or \$50,000, that is quite a substantial amount of money, I think, and that would indicate that some members of the executive branch or the Congress felt that it was important to know whether the poor pay more; is that not so—would you draw that conclusion?

Mr. ROSS. It is.

Mr. ROSENTHAL. And in order to adequately find that out, particularly as to whether the chains are involved in what appears to me a rather nefarious practice, you would have to do it on a surprise basis, like the ladies did. Had the ladies called the Safeway manager and said, "We are coming in," you can bet that those charts would be different—there would be no charts.

Mr. MYERS. You weighted quality and service; did you not?

Mr. ROSS. Yes. I have not come to that yet. So that was the finding with respect to prices.

The finding with respect to the general condition of the food was that it was tackier in the low-income neighborhood.

Mr. ROSENTHAL. What does that mean?

Mr. Ross. The quality—the lettuce was not as fresh or the fruit was not as fresh. In general, those items where there would be variations in the quality were of lower quality in the low-income neighborhood and the physical condition of the premises was inferior in the low-income neighborhood, even as between one chainstore and another. That is, as between a chainstore in the low-income area and in the high-income area, there was a difference in the physical condition of the stores.

Mr. ROSENTHAL. That is what the ladies testified to here this morning.

Mr. Ross. Yes, sir. I might say here, since you mention it, that was not limited to foods. We also made a study of rents in high-income and low-income neighborhoods. We made a study of prices charged for non-food items.

(The text of the BLS food survey follows:)

A STUDY OF PRICES CHARGED IN FOOD STORES LOCATED IN LOW AND HIGHER INCOME AREAS OF SIX LARGE CITIES, FEBRUARY 1966

(Prepared by the U.S. Bureau of Labor Statistics for the National Commission on Food Marketing)

SUMMARY

The Bureau of Labor Statistics has found no significant differences in prices charged by foodstores located in low income areas versus those charged by stores in higher income areas, when the same types of stores (chains, large independents, small independents), the same qualities of foods, and the same sizes of packages are compared. Prices are usually higher, however, in the small independent stores which are most common in low-income neighborhoods, than in large independents and chainstores which predominate in the higher income areas. This conclusion is based on an analysis of data from a study conducted in six large cities in February 1966 for the National Commission on Food Marketing. This study also showed a tendency by patrons in low-income-area stores to purchase certain items in smaller sizes at higher unit costs than those in higher income area stores. Typically, prices are higher for smaller sizes when converted to the price per standard unit (pound, ounce, quart, etc.).

Stores located in low-income areas tend to be somewhat less orderly and clean than those located in higher income areas, and meats and produce do not appear as fresh. Selling prices are marked on most items in stores located in both low and higher income areas. The major exception is meat at a counter attended by a butcher. Few stores in either type of area extend credit or provide unlimited delivery service. Nearly all stores cash checks for their customers, but those located in low-income areas more often limit this service to Government or payroll checks, as against personal checks. Store hours vary more by city and type of store than by areas within a city. Independent stores, particularly those located in low-income neighborhoods, generally are open more days per week and longer hours than chainstores.

Many stores in low-income neighborhoods reported serious pilferage problems. Some of them also have taken special precautions against robbery and burglary. In the Watts area of Los Angeles, they reported difficulty in obtaining insurance; and to get it, they have to pay high rates.

SURVEY DESIGN

1. Selection of cities

Three criteria were used in selecting the cities: (1) the city must be in the CPI sample; (2) it must be large enough that it would likely have a sufficient number of foodstores in low-income areas to yield the required number of price

quotations per commodity; and (3) the six cities must be widely distributed geographically.

The six cities included in the study were Atlanta, Ga.; Chicago, Ill.; Houston, Tex.; Los Angeles, Calif.; New York, N.Y.; and Washington, D.C.

2. Selection of commodities

The approximate number of food commodities to be included had been agreed upon during the early discussion of the proposed survey in order to develop cost estimates of the project. The specific foods were selected on the basis of several criteria:

(a) That the specific commodity be important in the expenditure pattern of low-income urban families as reported in the 1960-61 BLS study of consumer expenditure and income, or that it represents a class of commodities that accounts for sizable expenditures of low-income families as reported in that survey.

(b) That the commodity be characterized by physical-quality characteristics, are sold under brand name, so that identical qualities can be identified in the retail marketplace.

(c) That one of the qualities of the commodity be priced for the CPI.

The 18 foods included were flour, bread, steak, ground beef, pork chops, bacon, chicken, fresh milk, evaporated milk, margarine, eggs, grapefruit, lettuce, potatoes, canned peas, sugar, coffee, and cola drink.

3. Selection of areas within each city from which the foodstore sample was drawn

The design of the project required that prices and related information be collected from a sample of foodstores located in low income areas and from a sample of foodstores located in higher income areas of the city. Individual city studies entitled "Income, Education, and Unemployment in Neighborhoods" based on selected social and economic data for census tracts from the 1960 Censuses of Population and Housing were used to classify the census tracts into the two income areas. No doubt there have been important population shifts since 1960. While it would have been preferable to have used later income data to define the areas, these were the most recent available at the time the study was initiated.

Low income areas were defined as those census tracts in which annual median family incomes fell in the lowest quartile for that city, as reported in the 1960 census. In an effort to limit the time required to inspect the low-income area and select a sample of independent stores representative of the areas in which low-income families reside, the Washington staff, in addition to identifying those tracts that constituted the low-income area, indicated those tracts in which it was preferred that the sample be selected. These preferred tracts consisted of groups of contiguous tracts in which median family incomes were in the lower part of the lowest quartile. Because of the differences in average family incomes in the six cities, the range of family incomes included in the lowest quartile varied from one city to another.

Higher income areas were defined as including all census tracts not included in the low-income area.

4. Selection of foodstore sample

In each of the six cities the sample consisted of 15 stores located in the low-income area and 15 located in the higher income area. These were selected to represent chains, large independents, and small independents; small independents were defined as those having annual sales volume of less than \$300,000.

Every important chain organization with a store located in the preferred low-income pricing area was designated for pricing. Two stores of the organization were priced—one in the low-income area and one in the higher. If the CPI store was located in the higher income area, another store of the same chain was selected in the low income area, or vice versa.

Since the analysis was to be done separately by type of store an attempt was made to select approximately the same proportion of large and small independents in both areas. The independent store sample in each income area was selected in the following manner:

A. Low income area: Few of the stores in the regular CPI sample are located in the preferred census tracts composing the low income area as defined in this survey. To assist the regional price economist in locating grocery stores in these tracts and selecting the sample, the Washington staff prepared lists of grocery store names and addresses developed from grocery route lists, telephone directories, and any other sources that were available. However, the regional price economist had the final responsibility for selecting the independent store sample,

and could select stores located outside these preferred tracts so long as the location was within the low income area. In making the selection the regional price economist was instructed to include only full line grocery stores insofar as possible in order to maximize the number of different items priced in a single store.

It should be pointed out that the distribution of the sample among the three types of stores should not be interpreted as representative of the distribution of full line grocery stores within the low-income area, or of the volume of sales of these types of stores. Data were not available for making the selection on either of these bases. Nor do we know what proportion of food purchases by low-income families are made in stores located in the neighborhoods in which they reside. The samples were selected by economists familiar with the various areas of the city and to the best of their knowledge consist of establishments typical of full line grocery stores located in the low-income areas.

B. Higher income area

The Washington staff selected 15 stores located in the higher income area of the city from the full CPI food store sample. Since the low-income areas were all within the city limits, higher income area stores located in the suburbs were excluded in most cases. Stores selected were located as far away as possible from the low income areas.

5. Data obtained

A. Prices: The goal of the project was to have two price quotations on each of the 18 food commodities from each of the reporting stores. One price would be for the quality of that item sold in greatest volume by those food stores located in the low income area that were included in the store sample for that area. The price on that quality was to relate to the quantity in which it was most commonly sold by the reporting store.

The second price was to be for the quality and quantity of the commodity for which prices are reported for the CPI; these represent those qualities and quantities most frequently sold in stores in middle to higher income areas. Brands or varieties for which prices were most frequently reported for the CPI in that city were entered on the schedules used for stores in both income areas in order to obtain the maximum number of price comparisons between stores in the two areas for the CPI quality. Price comparisons for the two areas were made only for identical brands, or (for unbranded commodities) for identical varieties, and between the same type of store (chain, large independent, small independent).

The BLS agents were instructed to complete data collection in their low income area assignment first in order to determine the volume selling quality and quantity of each of the 18 commodities in each of these stores, and the current price for that quality and quantity. Prices were also to be obtained for the quality and quantity of the commodity identified in the CPI specification, and for one of the brands previously listed on the schedule, if any of them were in stock. If none of the listed brands was available, but a competing brand in the same quality class was available, price and other requested information was to be reported on that brand.

Prior to visiting stores in the higher income area sample, the BLS agent was to make a record of the qualities and quantities reported as volume sellers in stores in his assignment in the low-income area, and endeavor to obtain quotations on the same brand and quantity in a corresponding type store in his higher income area outlet assignment. If none of these brands was carried in the latter stores, but they did carry another brand of the same quality, price and other information on this brand was to be entered.

B. Supplementary information was obtained relative to services provided and quality of selected items.

6. Pricing dates

Pricing in all six cities was scheduled for the period February 21-25 and agents were instructed to complete as much of their assignment as possible during the first 3 days of the week. If weekend special prices were reported for any item in stores priced on Thursday or Friday, the prices in effect earlier in the week for these items were used in this study.

7. BLS agent assignments

The BLS agents were assigned an equal number of stores in the two income areas of the city; the same agent collected data from the two stores (one in each

of the two income areas) of the same chain. This was considered essential because, in addition to collecting price data, each agent was to evaluate the quality of the fresh meat and produce to which the quoted prices related, and the appearance of the store relative to cleanliness, orderliness, and the completeness of inventory that would be typical of a store of that type and size. Since these evaluations required personal judgment, it was essential that each agent be assigned the same number of stores in each area so that the comparison between the two income areas would not be affected by differences in individual agents' evaluations.

PRICE COMPARISONS

1. Method of comparing prices

Prices were compared for the same brand, or for unbranded commodities, for the same variety and grade (e.g., pork chops, center cut loin, No. 1 grade), and for the same quantity. In all calculations the quality of the commodity designated in the CPI specification and that reported to be the volume selling quality by stores in the low-income area sample were handled separately. When two or more quotations on the same brand and size were reported by the same type of store (chain, large independent, small independent) within the same income area (low or higher) an average of the quotations were computed. In calculating an average price for chainstores, the quotations for the individual stores in each income area were assigned the weight used for that organization in averaging prices for the food component of the CPI for that city. If quotations on the same brand and size were reported by two or more stores in the large independent store sample or in the small independent store sample, a simple arithmetic average of the quotations was made. For example, the following averages for a 5-pound sack of X brand flour meeting the CPI specification were computed for one city :

	Prices reported by stores in—	
	Low-income area	Higher income area
Chainstores, chainstore wt.:		
Organization 1—34.....	\$0. 67	\$0. 67
Organization 2—34.....	. 65	. 49
Organization 3—30.....	. 65	. 65
Organization 4—2.....	. 72	. 72
Average price.....	. 658	. 604
Large independent stores.....	. 75	. 72
	. 69	. 69
	. 69	. 67
	. 71	. 69
	. 69	. 69
	. 69	. 65
	. 69	. 69
Average price.....	. 701	. 686
Small independent stores.....	. 71	. 69
	. 69	. 61
	. 69	. 73
		. 67
Average price.....	. 697	. 675

Two sets of relatives of average prices were computed :

A. Between income areas, by type of store, using the average price in the higher income area as the base. In the above example, these relatives are :

Chain stores	108. 94
Large independent stores	102. 19
Small independent stores	103. 26

When comparable quotations were reported by the same type stores in each of the two income areas for more than one brand, or for more than one size of the same brand, relatives for each were computed in the same manner as described above. For each of the three types of stores, an average of these relatives were used.

B. Within each income area, by type of store, using the small independent store average as the base for each area. In the above example, these relatives are:

	Low income area	Higher income area
Chainstores.....	94.40	89.48
Large independent stores.....	100.57	101.63

2. Findings

A. Between income areas, by type of store: For each city, the average price relatives for the 18 commodities described in 1-A above were arrayed, by type of store, and the median of each of the arrays calculated. As indicated in the table below, this comparison presents a very mixed picture for independents, while the medians in chainstores in all six cities were 100 for both the qualities defined by the CPI specification and the qualities reported as sold in largest quantity by respondent stores in the low-income area:

MEDIAN OF RELATIVES OF AVERAGE PRICES FOR 18 FOODS AVERAGE PRICES IN HIGHER INCOME AREA=100

	CPI quality			Low income area volume selling quality		
	Chain	Large independent	Small independent	Chain	Large independent	Small independent
Atlanta.....	\$100	\$101.00	\$101.50	\$100	\$101.00	\$100.00
Chicago.....	100	99.00	102.00	100	97.50	101.50
Houston.....	100	99.50	93.75	100	100.00	97.00
Los Angeles.....	100	100.00	100.00	100	101.50	99.50
New York City.....	100	101.50	96.50	100	99.50	99.00
Washington.....	100	102.00	100.00	100	102.50	99.50

Because the median relatives for chains in all six cities were 100, there did not appear to be any basis for the allegation that the chains often charge more for the same item in low-income areas than in higher income areas. But to make a further test, the distribution of relatives around the medians were examined.

CPI QUALITY

	\$112.50 and over	\$105-\$112.49	\$100.01-\$104.99	(Median) \$100	\$99.99-\$95	\$94.99-\$87.50	Less than \$87.50
Atlanta.....	1	2	3	5	5	2	-----
Chicago.....	-----	1	4	5	6	2	-----
Houston.....	-----	-----	3	11	4	-----	-----
Los Angeles ¹	1	-----	4	9	3	-----	-----
New York City ¹	-----	-----	7	7	2	-----	-----
Washington, D.C. ²	-----	-----	-----	15	1	-----	-----

VOLUME SELLING QUALITY IN LOW-INCOME AREA STORES

Atlanta.....	-----	1	6	4	5	2	-----
Chicago.....	-----	-----	6	5	7	-----	-----
Houston.....	-----	1	-----	15	2	-----	-----
Los Angeles.....	1	-----	4	10	2	1	-----
New York City.....	-----	-----	6	10	2	-----	-----
Washington, D.C.....	-----	1	-----	16	-----	-----	1

¹ CPI quality of 1 item not stocked in 1 chain in low-income area.

² CPI quality of 2 items not stocked in 1 chain in low-income area.

In most cities, prices were lower in the low-income area store about as frequently as they were higher. Several chainstore managers told the BLS field agents that they had received new price lists from headquarters but the store personnel had not had time to change store prices to conform to the new price list. It is known that situation accounts for some of the price differences reported by stores of the same chain in the two areas.

Although for the three types of stores prices in general showed little difference between the two areas there was usually a rather wide dispersion in the ratios of prices for the different items. In order to determine whether a few of the 18 commodities usually accounted for these extreme price differences between stores located in the different income areas, all price relatives of 105 or more, and of 95 or less, for the 6 cities combined were classed by commodity. It was found that these extremes in both the high and low ranges were scattered among the 18 commodities. The data on which this analysis is based are shown in detail in the appendix tables.

B. Within the same income area, by type of store: This study indicates that in both income areas prices charged by small independent food stores are usually higher than those charged by large independents or chains for the same quantity and the same brand (or quality) of the 18 items included in the survey. For this comparison, price relatives for all the individual comparisons between income areas for the same type of store were used. That is, if in large independent stores in both income areas of a city prices were reported for three brands of flour, all three price relatives were used. These relatives were then arrayed, and the median determined. There were usually 18 to 24 comparisons for each array; medians based on less than 10 comparisons are so indicated in the table below:

[Average price in small independent stores=100]

	Low-income area		Higher income area	
	Chains	Large independents	Chains	Large independents
CPI quality:				
Atlanta.....	98.50	99.50	97.00	99.50
Chicago.....	98.50	96.00	190.50	99.50
Houston.....	101.50	98.50	98.50	97.50
Los Angeles.....	92.00	99.00	90.50	98.00
New York City.....	97.50	100.00	96.00	97.50
Washington.....	100.00	98.00	93.00	92.50
Volume selling quality in low-income area stores:				
Atlanta.....	100.00	100.00	100.00	99.00
Chicago.....	¹ 99.50	96.00	97.50	100.00
Houston.....	102.50	98.50	100.00	98.00
Los Angeles.....	² 89.00	95.50	¹ 88.00	95.00
New York City.....	100.50	100.00	97.50	99.50
Washington.....	93.00	94.00	95.50	96.50

¹ Based on 8 comparisons.

² Based on 7 comparisons.

If the price relationships among the three types of stores found for the 18 food commodities included in this study are representative of the relationships for the full range of commodities purchased by low-income families, it is likely that there are differences in prices paid by low-income families and higher income families because of differences in the types of stores in which the two make the major volume of their purchases. There are no retail sales data for food by income area for these cities. Nor are there any family expenditure data to indicate the type of store, or the geographic area within the city, in which families in the various income groups make their purchases. However, based on the observation of the BLS agents who collected the data in this study, there are relatively few grocery chains in the very low income areas, especially in the larger cities. Many of the stores listed in the grocery route lists were not full line grocery stores, but were beer parlors or pool halls that sold a few food items or delicatessens.

If the major volume of purchases of the low-income families are made in the small neighborhood grocery stores, and the major volume of purchases of higher income families are made in large grocery stores, price differences for the same quality goods appear to be associated with the size of the store in which purchases are made rather than with differences in the geographic location of the stores.

CONDITION OF FRESH MEAT AND PRODUCE

Some foods are especially subject to deterioration as a result of such factors as conditions to which they are subjected in the distribution system, the manner and frequency with which they are handled by the stores' customers, and the

length of time they have been in the bin or meat case. Although prices in this study were compared only if the quotations related to the same size and grade of the commodity (e.g., U.S. grade No. 1 lettuce, size 48) the condition of two groups of lettuce meeting these criteria could be quite different if one were wilted and the other crisp and fresh. Although no monetary evaluations of such differences could be made, the BLS agents were requested to describe the conditions of seven commodities priced. These commodities were: Ground beef, beef steak, pork chops, chickens, grapefruit, lettuce, and potatoes. These conditions were to be described by four gradations: top, good, average, or inferior.

This assignment proved to be very difficult for several reasons. In those stores where meat was cut to order, the agent frequently did not see the merchandise for which the price was quoted. In other cases the evaluation of the condition necessarily had to be made by a rather quick inspection; cooperation by management in reporting prices and supplying supplementary data would likely have been endangered in many instances if agents had taken the time to sort through the merchandise in order to inspect it more closely. Nevertheless, an analysis of these reports indicates that there may be some basis to the allegation that the condition of goods available in stores in low income areas is inferior to that in stores in higher income areas. In this study there was no way of determining whether these differences were occasioned by the shipment of poorer quality of goods to the stores in low income areas, or whether the somewhat poorer qualities observed in the lower income areas were due to slower turnover in the stores or less careful handling of displayed merchandise by customers.

One indication that the usual condition of these seven commodities was somewhat less desirable in the outlets located in low-income areas is the relative proportion of times that these commodities were judged to be "top" or "inferior" in the two areas. For example, in one city the following conditions were reported for the lettuce priced:

Grade	Low income area		Higher income area	
	Number	Percent	Number	Percent
Top.....	3	27.28	7	50.00
Good.....	2	18.18	6	42.86
Average.....	3	27.27	1	7.14
Inferior.....	3	27.27	-----	-----

In this city, there was some top-quality lettuce reported in both income areas, but a larger percent in the higher income areas than in the low. There was some inferior quality reported in the low, but none in the higher. Combining the reports from all cities and for all items, it was found that more "top" quality assignments were made than "inferior," but that the "top" quality was more likely to relate to merchandise in stores in the higher income area and the inferior to that in stores in the low-income area.

	"Top" condition		"Inferior" condition	
	CPI quality	Volume selling quality	CPI quality	Volume selling quality
Some in both income areas:				
Larger percentage in higher area...	22	27	-----	3
Larger percentage in lower area...	6	6	-----	3
Same percentage in both areas.....	3	0	1	0
Some in higher, none in lower area...	5	2	2	2
Some in lower, none in higher area...	1	2	7	11

Codes assigned commodities priced in stores of the same chain in the two types of areas of the city were examined to see if these revealed any differences. The codes assigned the seven commodities in chainstores ranged from "top" to "inferior," but in no case did the codes assigned the two stores of the same chain in any city differ by more than one grade (i.e., top versus good, good versus average, or average versus inferior). Combining the codes for chains in the six cities for the qualities of the seven commodities defined by the CPI specification, the same code was assigned the merchandise available in the two stores of the chain in 88 percent of the cases; in 8 percent of the cases, the goods were in better

condition in the store in the higher income area, while in 4 percent of the cases, the quality was better in the store in the low-income area. The corresponding figures for the "volume selling" quality were 82, 12 and 6 percent.

PRICE MARKINGS FOR FOOD

The BLS agents were asked to report for the items included in the survey whether or not the prices were marked in each of the stores they visited and, for those that were marked, whether the marking was on the package or by other means (i.e., shelf, bin).

In a relatively few stores, prices were not marked for certain categories of goods; no case was reported in which prices were not marked on a wide range of items. Generally, commodities for which prices were not marked were those on which prices change relatively frequently or which are highly perishable. In outlets with meat counters attended by a butcher, prices were often not marked on fresh meats. With nonmarking so infrequently reported in both income areas, no valid comparisons can be drawn between the two areas with respect to this characteristic, but there does appear to be a tendency for fresh fruits and vegetables to be less frequently marked in outlets in low-income areas, and prices of fresh milk and eggs to be unmarked more frequently in higher income areas.

DIFFERENCES IN QUANTITY UNITS MOST COMMONLY SOLD IN THE TWO INCOME AREAS

One of the purposes of this study was to investigate the differences in the quantity units most commonly sold by stores located in the two income areas, and the effect of these differences on average prices when converted to standard units.

The quantities designated for pricing in the CPI specifications are based on the volume selling quantities as reported by the full CPI food outlet sample in that particular city; it was assumed that these represented the volume selling quantities of the outlets in the higher income area sample used for this study. Outlets in low-income areas frequently reported that for five items—flour, milk, sugar, bread, and cola drinks—the units they sold in greatest volume differed from those designated in the CPI specification. Frequently, prices were reported for different brands for these two sizes. In analyzing differences in prices in standard quantity units occasioned by differences in these sizes, only quotations reported within the same outlet on the same brand for the two different quantities were used.

In most cases when differences were reported, the outlets in the low-income area reported small quantities were more popular than those designated in the CPI specification. For flour, CPI quotations related to a 5-pound sack; outlets in low-income areas frequently reported a 2-pound sack to be the volume seller, but a few in Atlanta reported a 10-pound sack as the more popular. The price per pound ranged from 14 percent higher in New York City to 35 percent higher in Chicago when purchased in 2-pound sacks rather than in 5-pound sacks. Milk in half-gallon containers is priced for the CPI; sales in quart containers were more frequent in a number of outlets in the low-income area. When converted to a standard unit, consumers paid a premium ranging from less than 1 percent in Atlanta to 2 percent in Washington for purchasing in the quart sizes. Sugar was frequently sold in 2-pound packages rather than in 5 pounds; the price per pound ranged from 13 percent higher in Atlanta to 3 percent higher in Chicago when purchased in the smaller container.

A few low-income area outlets reported their volume of sales to be for larger-size loaves of bread than that designated for CPI pricing, while occasionally smaller loaves were reported to be more popular. Differences were too infrequently reported to draw any general conclusions, but it appears that the savings made by buying a large loaf usually exceeds the premium paid for a small loaf.

Cartons of cola drinks are priced for the CPI. Outlets in low-income areas frequently reported their volume of sales were for single bottles or cans and often for brands not available in the sample of outlets in the higher income area. In a number of low-income area outlets cola drinks were available only in chilled bottles from a dispensing machine.

AVAILABILITY OF SERVICES

Information was obtained from store managers about the availability of certain services to their customers in an effort to determine whether, in general

there is a difference between food stores located in the two areas with respect to services provided. Information reported about each of these services is described below:

1. Number of days per week stores are open

Of the 181 stores included in the sample, 80 are open 6 days per week, 101 are open 7 days per week. In a number of cases the store is open fewer hours on the seventh day than on the other six. There is considerable difference between the cities with respect to the number of days open; all stores in the Los Angeles sample, except one in the low-income area, are open 7 days per week, while only five in the New York City sample—one in the higher income area and four in the low—are open 6 days per week. In all cities a larger proportion, usually a much larger proportion, of stores in the low-income area is open 7 days per week than in the higher income area.

NUMBER OF DAYS STORES ARE OPEN

[In percent]

	Higher income area		Low-income area	
	6 days	7 days	6 days	7 days
Atlanta.....	67	33	27	73
Chicago.....	53	47	27	73
Houston.....	69	31	44	56
Los Angeles.....	0	100	7	93
New York City.....	93	7	73	27
Washington, D.C.....	47	53	27	73

2. Average number of hours per week stores are open

Among the low-income areas of the six cities, chains, on the average, were open fewer hours each week than independents in all cities except Los Angeles, where they differed by only 1 hour. In the higher income areas, chains were open more hours than independents in three cities and fewer in three.

Within a single city chainstores were usually open more hours in the higher income areas than in the low (more in four, no difference in two.) In all cities except Los Angeles, independents in low-income areas are open more hours than chain; in Los Angeles the difference is only 1 hour.

AVERAGE NUMBER OF HOURS PER WEEK STORES ARE OPEN

	Higher income area	Low income area
Atlanta:		
Chain.....	65	64
Independent.....	74	84
Chicago:		
Chain.....	72	67
Independent.....	70	76
Houston:		
Chain.....	83	83
Independent.....	77	86
Los Angeles:		
Chain.....	79	75
Independent.....	75	74
New York City:		
Chain.....	65	63
Independent.....	72	82
Washington, D.C.:		
Chain.....	72	72
Independent.....	78	77

3. Number of stores that offer credit and volume of sales accounted for by credit

A minority of the outlets surveyed in both income areas offer credit—30 percent in higher income areas and 35 percent in lower income areas.

No chains made credit sales to individuals although several had approved accounts for church and other organizations; these were not included as offering credit in the tabulations for this study. In only Houston and Washington did any outlet report that 50 percent or more of its volume was accounted for by credit sales. It appears both from the number of stores offering credit and the propor-

tion of sales on credit that the sale of groceries on credit is more important in Houston than in any of the other five cities; three stores in each of the two types of income areas reported that 50 percent or more of their sales were made on credit. In Washington 50 percent of the sales in two outlets in the higher income area and one in the low-income area were made on credit.

	Higher income area		Low income area	
	Number of stores offering credit	Percent sales volume on credit (range)	Number of stores offering credit	Percent sales volume on credit (range)
Atlanta.....	3	2 to 25 percent.....	4	5 to 10 percent.
Chicago.....	4	Not available.....	5	Less than 1 to 9 percent.
Houston.....	9	10 to 60 percent.....	6	3 to 60 percent.
Los Angeles.....	2	5 percent.....	4	5 to 10 percent.
New York City.....	3	2 to 30 percent.....	7	1 to 30 percent.
Washington, D.C.....	6	15 to 50 percent.....	6	5 to 50 percent.

4. Frequency of payment required on credit sales

Some respondents reported that the frequency of payment required varied, presumably according to the manager's evaluation of the credit rating of the individual. When such reports were made, the store was classified according to the shortest interval required.

The majority of stores providing credit facilities in both income areas required weekly payments—56 percent in higher income areas and 66 percent in low-income areas. Monthly payments were much more often required (33 percent) than biweekly (11 percent) in higher income areas; in low-income areas, the two time periods were equally important.

5. Delivery service

Few stores extended credit or provided unlimited delivery service. Although a larger number of stores in both income areas of the city usually provided delivery service than offered credit facilities, some had one or more limitations on this service. The most frequently reported limitation related to the minimum purchase that would be delivered; the smallest order that would be delivered ranged from \$2.50 to \$10. Some delivered only on weekends and some delivered only in the immediate vicinity of the stores. Limitations on delivery service were more frequently reported by stores in low-income areas than in higher income areas.

Charges for delivery service were more frequently reported by stores in high-income areas, but presumably the service was usually available throughout the week and over a wider geographic area than that provided in low-income areas since fewer limitations on the service were reported. Some stores charged a flat fee for each delivery, while others made the charge only if the order were below a certain minimum.

	Number of stores—			
	Higher income area—		Low-income area—	
	That deliver	That charge for delivery	That deliver	That charge for delivery
Atlanta.....	3	1	8	0
Chicago.....	12	6	10	3
Houston.....	4	1	7	2
Los Angeles.....	2	1	2	0
New York City.....	12	3	8	0
Washington, D.C.....	12	0	7	0

6. Check cashing service

Of the 181 stores in the sample, all except six independents located in low-income areas reported that they cashed customer's checks. Three that did not provide this service were located in Washington, D.C., two in Chicago, and one in Houston. Some stores that cashed checks do this only if the customer has been previously approved for this service; some cash checks only if the check is presented at the time of a grocery purchase.

Although nearly all stores cashed checks, there was a considerable difference between those located in the two income areas as to the types of checks cashed.

Stores located in higher income areas usually did not make a distinction as to the type of checks cashed, while those in low-income areas were much more likely to cash payroll and government checks than personal checks.

Twelve stores reported that they charged for cashing checks—nine in Houston and one each in New York, Los Angeles, and Washington. In Houston, three were in the higher income area and six in the low; all charged 10 cents per check. In the three stores in the higher income area and two in the low-income area of Houston the customer was charged the 10 cents fee but received a coupon redeemable for the same amount in making a grocery purchase. Three of the other stores in the low-income area made the charge only in some cases; one made a charge if no grocery purchase was made at the time the check was cashed; one did not make the charge in cashing pension or welfare checks; and one imposed the charge only on "a few customers."

PERCENT OF STORES CASHING CHECKS, BY TYPE OF CHECK

	Higher income area			Low income area		
	Personal	Payroll	Government	Personal	Payroll	Government
Atlanta.....	93	93	93	47	87	93
Chicago.....	87	93	100	27	87	87
Houston.....	94	88	81	75	94	88
Los Angeles.....	100	87	93	67	93	87
New York City.....	100	100	100	40	87	100
Washington, D.C.....	100	100	100	27	40	80

Note: Agents were not instructed as to whether government payroll checks were to be classified as "Payroll" or "Government." It is presumed that government payroll checks were classed as "Government" by respondents.

7. Redemption of Federal food stamps

This program was in operation in three of the cities surveyed. In all three cities all chainstores surveyed in both income areas redeem stamps issued under this program. This would seem to indicate that arrangements for participation in the program are made by the central office of the organization and are applicable for all its outlets.

It is somewhat surprising that a majority of the independent stores surveyed in the higher income area in the three cities participate in the program since it seems improbable that they would take the necessary steps to register, and assume the extra bookkeeping work involved, unless the volume of sales to eligible families warranted this. This may be the result of the limited sample of stores, shifts in population since 1960, or the fact that low-income families do buy outside their immediate neighborhoods.

8. Availability of frozen foods

The store managers were asked if they carried three types of frozen foods: fruits and juices, vegetables, prepared and partially prepared foods. Only three of the 181 stores included in the sample reported they did not carry any of these items—two in the low-income area are in New York and one in the higher income area in Washington. Nine additional stores in low-income areas did not stock prepared and partially prepared frozen foods—two each in low-income areas of Chicago, Los Angeles, and New York, and three in Washington. One other store in the higher income area of Washington did not stock prepared and partially prepared foods and one in the low-income area did not stock fruits and juices.

In an effort to determine whether there was any substantial difference between stores in the two income areas relative to the quantity of frozen foods usually stocked, the manager was asked the number of linear feet of freezer space in his store. The average space allocated to frozen foods by each of the three types of food stores is considerably less in low-income areas than in higher income areas.

Because of the difference in the volume of sales by the three types of stores, space allocated to frozen foods is not a good measure of the relative availability of a variety of frozen foods by type of store. Nevertheless, these figures do suggest that customers of stores in low-income areas probably have a much more limited variety of frozen foods from which to choose than do customers of similar types of stores in higher income areas.

AVERAGE NUMBER OF LINEAR FEET FREEZER SPACE

	Higher income area	Low income area
Atlanta:		
Chain.....	58	32
Large independent.....	43	18
Small independent.....	16	16
Chicago:		
Chain.....	143	110
Large independent.....	46	27
Small independent.....	40	7
Houston:		
Chain.....	54	55
Large independent.....	57	47
Small independent.....	42	25
Los Angeles:		
Chain.....	188	75
Large independent.....	80	31
Small independent.....	19	9
New York City:		
Chain.....	82	55
Large independent.....	36	20
Small independent.....	25	17
Washington, D.C.:		
Chain.....	100	100
Large independent.....	31	10
Small independent.....	12	9

APPEARANCE OF OUTLETS

The BLS agents were asked to make their own evaluations of each store from which they collected price data relative to its cleanliness, orderliness of stock, and completeness of inventory for a store of its type and size. These evaluations were reported by four gradations: top, good, average, and inferior. Even though the agents may differ among themselves in their interpretation of these grades, this should not affect the comparability of ratings between stores located in the different income areas within the same city, since an agent was assigned an equal number of stores in each of the two income areas within the city. However, because of the possibility of differences in agents' evaluations, no comparison should be made between cities.

In all six cities a considerably smaller proportion of the stores in the lower income areas were rated top in each of the three characteristics than were the stores in the higher income areas. For the six cities combined, half as many stores in the low as in the higher income area achieved the top rating in cleanliness and orderliness. Only about 40 percent as many stores in the low-income area as in the higher received this rating for completeness of stock.

At the other end of the scale, a much larger percent of the stores in low-income areas received an inferior rating than did those in the higher income area. Taking the six cities as a group, from six to seven times as many stores in the low-income area received an inferior rating relative to cleanliness and completeness of stock as did those in the higher income areas. The contrast between the two areas for the proportion of stores rated inferior so far as orderliness was concerned was less marked—about twice as many received this rating in the low-income area as in the high. This was because a larger number of stores in the higher income area were rated inferior for orderliness than for either of the other two characteristics. About the same number of stores in the low-income area—but not always the same stores—received the inferior rating for each of the characteristics.

For the six cities combined, a total of 57 comparisons should have been possible (19 matched chainstores, three characteristics each) for chainstores in the two income areas. Because in several cases the agent did not evaluate these characteristics in one or both of the income areas, 47 comparisons can be made. For these 47 comparisons, the agents assigned the same grade to the two stores of the same chain within the same city in 28 cases, and different grades in 19. In no case did the evaluation of stores of the same chain organization within the city differ by more than one grade (that is, top versus good, good versus average, average versus inferior). The differences were about equally divided between the three characteristics. Relative to cleanliness, in six comparisons the store in the higher income area received a better grade than did the one in the low-income area, while in one comparison the opposite was true. For orderliness, four stores in

the higher income area received the better score while in two other cases the one in the lower income area received the better score. For completeness of stock, the store in the higher income area received a better score in all six cases.

RELATIVES OF FOOD PRICES IN LOW-INCOME AREAS AND HIGHER INCOME AREAS, BY TYPE OF STORE AND QUALITY OF ITEM

[Higher income area=100]

ATLANTA, GA.

Food item	CPI quality			Volume selling quality in low-income area ¹		
	Chains	Independents		Chains	Independents	
		Large	Small		Large	Small
Flour.....	106.06	102.19	103.26	101.50	109.02	106.06
Bread.....	100.00	100.00	100.00	100.00	100.00	100.00
Beefsteak.....	105.70	82.36	87.84	100.19	64.03	-----
Ground beef.....	93.87	98.75	84.07	91.25	107.38	83.19
Pork chops.....	97.56	93.33	96.21	98.37	94.59	103.14
Bacon.....	100.45	96.35	101.16	100.95	126.81	91.93
Chicken.....	94.28	104.18	101.22	97.63	102.01	101.38
Fresh milk.....	100.00	101.39	101.82	100.00	100.30	100.00
Evaporated milk.....	100.00	100.31	100.00	99.07	100.31	100.00
Margarine.....	104.80	110.58	105.61	96.58	107.62	100.08
Eggs.....	97.64	108.64	103.32	93.96	97.52	94.60
Grapefruit.....	102.21	86.21	71.43	106.69	86.21	90.91
Lettuce.....	122.22	81.63	93.55	102.54	84.56	88.21
Potatoes.....	98.84	101.51	113.20	100.12	88.89	120.24
Canned peas.....	99.59	102.40	116.73	102.88	102.35	115.00
Sugar.....	99.35	101.11	104.76	99.56	101.57	107.06
Coffee.....	100.00	102.46	102.30	100.00	103.96	102.88
Cola drink.....	100.00	100.51	103.77	100.00	102.56	100.00

CHICAGO, ILL.

Flour.....	103.64	97.92	102.52	103.64	94.17	105.79
Bread.....	99.14	110.53	100.00	97.83	109.21	98.49
Beefsteak.....	100.00	102.30	105.12	100.00	97.16	103.16
Ground beef.....	92.83	104.59	104.42	95.03	104.76	106.09
Pork chops.....	100.94	87.01	84.20	100.63	80.81	95.42
Bacon.....	109.45	98.34	99.45	100.00	89.91	101.28
Chicken.....	95.97	84.50	101.01	95.97	93.03	100.63
Fresh milk.....	100.00	95.21	102.00	101.07	101.02	104.85
Evaporated milk.....	100.00	99.19	-----	100.00	100.00	-----
Margarine.....	100.00	103.74	-----	100.00	100.00	106.29
Eggs.....	98.99	117.79	100.92	98.83	-----	98.17
Grapefruit.....	93.69	97.47	104.70	97.18	90.14	96.03
Lettuce.....	97.74	86.05	72.19	97.74	87.88	72.39
Potatoes.....	100.45	103.99	97.19	103.06	98.32	103.03
Canned peas.....	100.00	99.53	93.69	100.00	88.73	92.65
Sugar.....	97.81	95.59	107.61	97.81	95.36	112.49
Coffee.....	99.65	97.02	103.95	102.44	97.85	107.47
Cola drinks.....	101.37	104.87	113.48	100.46	101.75	99.17

HOUSTON, TEX.

Flour.....	100.00	95.27	96.10	100.00	89.94	96.93
Bread.....	97.69	99.47	96.65	100.00	98.90	96.78
Beefsteak.....	99.10	96.17	87.37	100.00	100.21	86.76
Ground beef.....	100.00	100.00	87.72	100.00	107.89	89.83
Pork Chops.....	100.00	90.73	90.02	98.82	91.84	102.39
Bacon.....	100.00	95.18	93.02	100.00	93.79	97.05
Chicken.....	100.00	77.32	90.51	100.00	92.69	89.16
Fresh milk.....	98.63	99.02	97.89	100.00	90.99	97.89
Evaporated milk.....	100.00	100.00	104.46	100.00	100.00	104.46
Margarine.....	100.67	107.67	98.15	100.00	100.00	104.85
Eggs.....	102.95	99.30	94.98	100.00	106.13	93.46
Grapefruit.....	100.00	71.80	80.00	100.00	67.90	80.00
Lettuce.....	98.99	81.34	88.01	98.99	81.34	86.75
Potatoes.....	100.82	87.36	76.42	105.13	125.64	67.20
Canned peas.....	100.00	103.38	96.79	100.00	102.35	99.29
Sugar.....	100.00	102.47	97.54	100.00	107.36	98.68
Coffee.....	100.00	102.94	82.76	100.00	101.28	86.99
Cola drinks.....	100.00	105.94	116.84	100.00	107.75	104.54

See footnote on p. 58.

RELATIVES OF FOOD PRICES IN LOW-INCOME AREAS AND HIGHER INCOME AREAS, BY TYPE OF STORE AND QUALITY OF ITEM—Continued

[Higher income area=100]

LOS ANGELES, CALIF.

Food item	CPI quality			Volume selling quality in low-income area ¹		
	Independents			Independents		
	Chains	Large	Small	Chains	Large	Small
Flour.....	101.17	103.82	107.81	101.67	108.85	109.52
Bread.....	100.00	100.00	100.00	100.00	97.73	---
Beef steak.....	100.00	84.75	---	100.00	90.70	---
Ground beef.....	100.00	100.66	87.29	100.00	104.72	87.29
Pork chops.....	98.04	83.86	76.89	100.00	90.36	71.43
Bacon.....	99.53	95.62	94.68	100.00	96.86	94.68
Chicken.....	115.18	84.85	95.45	115.18	83.05	95.45
Fresh milk.....	---	100.00	---	100.00	100.00	---
Evaporated milk.....	100.00	108.50	102.94	100.00	106.70	102.94
Margarine.....	101.73	101.65	116.67	100.00	101.01	100.00
Eggs.....	104.90	102.58	96.83	98.12	104.35	96.83
Grapefruit.....	100.00	91.98	---	100.00	96.51	---
Lettuce.....	100.00	90.58	56.25	100.00	91.18	56.25
Potatoes.....	100.00	84.42	---	91.01	84.20	---
Canned peas.....	100.00	102.66	107.41	100.00	101.28	---
Sugar.....	99.23	103.22	114.75	99.23	103.22	114.75
Coffee.....	104.93	103.28	110.84	100.00	103.12	110.84
Cola drinks.....	100.00	99.42	100.00	100.00	104.23	100.00

NEW YORK, N.Y.

Flour.....	101.53	107.26	96.83	102.80	100.00	100.72
Bread.....	100.00	100.00	100.00	100.00	100.00	100.00
Beefsteak.....	100.00	72.53	94.90	100.00	96.87	86.59
Ground beef.....	96.73	113.74	104.74	100.00	119.15	99.72
Pork chops.....	100.58	85.38	81.11	101.55	88.01	91.06
Bacon.....	---	94.82	83.19	95.36	90.43	80.61
Chicken.....	100.44	90.11	93.66	100.00	100.89	99.44
Fresh milk.....	---	92.45	108.91	103.31	96.30	96.41
Evaporated milk.....	100.00	101.77	100.95	100.00	103.54	101.85
Margarine.....	100.16	102.09	120.69	100.00	90.85	100.00
Eggs.....	100.16	105.69	96.18	103.14	90.32	96.18
Grapefruit.....	100.00	105.71	84.60	100.00	107.27	73.57
Lettuce.....	95.52	78.61	75.00	99.16	79.05	75.00
Potatoes.....	100.00	93.46	93.81	100.00	93.43	94.00
Canned peas.....	100.00	101.89	95.74	100.00	95.91	107.41
Sugar.....	100.50	104.15	96.83	100.50	103.97	105.40
Coffee.....	100.00	103.10	98.45	100.00	99.09	96.14
Cola drinks.....	101.01	105.59	105.53	101.01	98.76	116.40

WASHINGTON, D.C.

Flour.....	100.00	108.41	98.68	100.00	103.45	101.11
Bread.....	---	101.30	100.87	100.00	102.17	100.00
Beefsteak.....	100.00	101.51	83.34	106.15	---	81.87
Ground beef.....	100.00	78.33	102.44	87.34	74.58	99.39
Pork chops.....	100.00	93.92	84.38	100.00	79.36	91.77
Bacon.....	100.00	97.61	97.66	100.00	112.00	104.08
Chicken.....	100.00	96.83	93.11	100.00	88.04	88.96
Fresh milk.....	---	112.24	102.07	100.00	---	105.78
Evaporated milk.....	100.00	102.40	102.29	100.00	101.08	99.68
Margarine.....	96.72	118.18	121.19	100.00	---	100.00
Eggs.....	100.00	100.00	97.84	100.00	92.14	93.66
Grapefruit.....	100.00	120.69	92.83	100.00	120.69	92.44
Lettuce.....	100.00	124.60	94.15	100.00	114.71	94.15
Potatoes.....	100.00	104.06	105.09	100.00	102.76	118.53
Canned peas.....	100.00	110.15	91.64	100.00	---	90.69
Sugar.....	100.00	102.66	107.44	100.00	108.20	105.00
Coffee.....	100.00	99.00	103.17	100.00	92.42	97.76
Cola drinks.....	100.00	98.74	114.83	100.00	121.82	106.81

¹ Volume selling quality of food item in reporting stores in low-income area. In some cases the quality was the same as that defined in the CPI specification and in some cases different.

Mr. ROSENTHAL. Do the poor pay more?

Mr. ROSS. I have summarized it for food—in the case of rents we found that the poor did pay higher rents for the same or equivalent space and facilities.

In the case of nonfood commodities, the results were not so clear. For example, for clothing we found differences in the prices charged in the two income areas were negligible for the same quality, brand and style, but were comparative, but generally the higher income areas had higher priced and higher quality items.

We found that the prices for washing machines and television sets were higher in the low-income areas.

For drugs we found widespread price variations from one store to another, but no systematic differences between the low-income and the high-income areas.

Prices for service items, like haircuts and other services, were generally lower in the low-income areas.

For cigarettes and household supplies, there were little differences. The differences were not great, except the one that I have already mentioned, that is, the prices were lower in the chainstores, and that there were not so many chainstores available in the low-income areas.

There was little or no difference between the low- and high-income areas as to the number of days or the average number of hours that the stores were open.

Mr. ROSENTHAL. Mr. Ross, you are really in the business of tabulating statistical information, are you not?

Mr. ROSS. Yes, sir.

Mr. ROSENTHAL. And your agency is a repository for many types of information?

Mr. ROSS. Yes, sir.

Mr. ROSENTHAL. And in your judgment, based on the things that you have heard today and the newspaper accounts and the other testimony before other committees about the fact that the poor pay more, do you think that the Federal Government has sufficient information on this subject?

Mr. ROSS. No. I think that it is a subject on which I would like to be able to do more. And, certainly with the emphasis on and the consciousness of urban problems, poverty problems that have emerged in recent years, I think that this particular element of the poverty problem, that is, the consumer problem, and particularly the credit problem, deserves a lot more attention.

Mr. ROSENTHAL. What would you recommend be done? What would you want to do?

Mr. ROSS. Well, Mr. Chairman, I had the pleasure of appearing before you in July and at that time you will recall I indicated some things that we hoped to do by way of consumer education, consumer information. I tried to indicate how we might utilize our data to bring more information and education to consumers. Subsequent to that testimony we have tried to price out such a program, what additional work we have to do in a proper or satisfactory way, in a fairly large number of cities. We ascertained that it would cost about \$400,000 a year.

Mr. ROSENTHAL. If there is a social need for the Federal Government to do something in this area, they cannot meet that need without the basic information as a condition precedent to doing anything.

Mr. ROSS. Right.

Mr. ROSENTHAL. Your office does not have the information, and no other branch of the executive has the information.

Mr. ROSS. As I was going to say, Mr. Chairman, we do not have that kind of money at the moment, but we are trying to see what we can do with what we have. I have scheduled a meeting of all of our regional directors in Washington to discuss fully what can be done within our existing resources to exploit our information and to make it usable for local and State problems.

Mr. ROSENTHAL. Do I conclude that you do not have the temerity to ask the Congress for more money?

Mr. ROSS. Mr. Chairman, I have asked the Congress for a great deal more money, but the problem is that the Congress has not given it. Of course, our budget is scrutinized by the Secretary of Labor and by the Budget Bureau. This year the increase recommended by the appropriations subcommittee, which, of course, we do not have yet is, I believe, less than 10 percent of what Secretary Wirtz and the president asked Congress for. The increased work by the BLS would have involved heavy emphasis on consumer price information.

Mr. ROSENTHAL. When you went to Vietnam was it on a matter related to consumer problems?

Mr. ROSS. No, sir.

Mr. REUSS. Will you yield?

Mr. ROSENTHAL. Yes.

Mr. REUSS. Thank you, Mr. Chairman.

As you know, I think that you and your associates are doing a good job. I am grateful to you for coming here this morning.

Mr. ROSS. Thank you.

Mr. REUSS. I have just two or three questions.

In your study of June 12, 1966, "Prices Charged in Food Stores Located in the Low- and Higher-Income Areas of Six Large Cities"—that is the one that you have been talking about?

Mr. ROSS. Yes, sir.

Mr. REUSS. You did not, as I read the study, gear it as the ladies did in their study, to a first-of-the-month date—the date when welfare checks are first available; a time when many low-income people do a large chunk of food shopping because the money has about run out?

Mr. ROSS. That is true, in general. We did make a little check in one area. I hesitate to mention, because it was so small.

Mr. REUSS. Was that in Washington?

Mr. ROSS. It was in the Watts area of Los Angeles. We did make a check there. It was extremely small. It was for 18 items. Let me make sure of the dates. We came back in the first week of March. You will recall I said that the pricing was the last week in February. We came back into a few stores and checked on the 18 items only in the area of Watts in the first week of March, which was after the welfare checks were disseminated in Watts. We did find that among the items where the prices were changed there had been more price increases in the Watts area than there had been in the higher income areas of Los Angeles. We found also that the price increases were more frequent for the items that were the volume sellers in the low-income area than they were for the items that were the volume sellers in the high-income area, where there was a difference. That was what we found, but as I say, it was a very small check. And I might say that this kind

of study, which is done at the request of the Food Marketing Commission and the Office of Economic Opportunity, naturally goes along the lines that they want investigated.

Mr. ROSENTHAL. As to food?

Mr. ROSS. The particular questions or issues that were looked into were the ones that they asked us to look into.

Mr. REUSS. That is right. This is somewhat of a new wrinkle, the relationship between the welfare check payment and the squibblings on the graphs of food prices. You heard the testimony of the three ladies from the District of Columbia this morning?

Mr. ROSS. Yes.

Mr. REUSS. I would ask you this question: Based on your expert knowledge of what I believe you called methodology, how you go about price sampling, would you agree with me that the ladies seemed to have done a pretty workmanlike job, assuming that they are telling the truth?

Mr. ROSS. Well, I did not hear their testimony, actually, Mr. Reuss. I came in during the questioning. I am really kind of reluctant to comment on it. You have, apparently, an issue of a flat contradiction between the company and these ladies, and I really think that it would be better for you to investigate what actually happened, than to get what would have to be a very offhand comment from me.

Mr. REUSS. You say that you came in during the lady's testimony?

Mr. ROSS. No, during the questioning.

Mr. REUSS. You did not even hear the testimony, then. I will, of course, not ask you about it, then. You were here, of course, for the testimony of the legal gentleman from the Safeway Stores?

Mr. ROSS. Yes.

Mr. REUSS. Let me ask you this, based upon knowledge of how it operates, if a large national chain were in the business of systematically discriminating against low-income people by jacking up the prices of food on welfare check day, you would not expect them to memorialize it and to incorporate that in their books and records, would you?

Mr. ROSS. Well, I think—

Mr. REUSS. As a matter of commonsense?

Mr. ROSS. I think that the question answers itself, Mr. Reuss.

Mr. REUSS. I will ask you just one more question. In a welfare area, in a supermarket, the amounts paid by their customers is simply added up on the adding machine without any particular reference on the tape as to what it is for?

Mr. ROSS. I think that is the case.

Mr. REUSS. Therefore, a branch manager anxious to maximize profits in his particular store, can, by overcharging on particular items, look better than if he did not overcharge, and since the only evidence of a particular sale is the adding machine tape, which does not relate to the item, the charge for the goods sold, there is an opportunity for such gouging, is there not?

Mr. ROSS. Well, I think that it is certainly conceivable; yes. I want to make that reply without any inference that I am commenting at all on the problem.

Mr. REUSS. I realize that that is clearly hypothetical.

Mr. ROSS. Because if counsel for Safeway does not have direct

knowledge of what was charged on those dates, certainly I have a lot less and I do not wish to comment in any way upon that controversy.

Mr. REUSS. I appreciate that. My question was in the field of general commonsense.

Mr. ROSS. As general commonsense it is possible to raise prices and increase profits; yes.

Mr. REUSS. That is all.

Mr. ROSENTHAL. Congressman Myers.

Mr. MYERS. Thank you, Mr. Chairman.

In your discussion with Mr. Reuss you were talking about the Watts area and your survey out there. Was it chainstores that you conducted the investigation in?

Mr. ROSS. Yes; yes.

Mr. MYERS. How many chainstores did you go into?

Mr. ROSS. No; we had chainstores, small independent stores, and large independent stores.

Mr. MYERS. They all showed similarly the same conditions; is that correct?

Mr. ROSS. Yes.

Mr. MYERS. Also, other stores—all of the stores in the Watts area then were in that?

Mr. ROSS. Well, we did not have every store in the Watts area.

Mr. MYERS. The ones—

Mr. ROSS. We had a sample; yes.

Mr. MYERS. In your monthly Labor Review of October of 1966 you make several notations, one of which is the fact that you say that some items in the poor areas are more expensive, while at the same time some of the items in the poor areas are cheaper; is that correct?

Mr. ROSS. Yes.

Mr. MYERS. Maybe one particular item will be higher in the poor area than it will be in the middle-class area?

Mr. ROSS. Yes.

Mr. MYERS. But also you state that some of it will be cheaper, is that correct?

Mr. ROSS. Yes, sir.

Mr. MYERS. Yes?

Mr. ROSS. On the average, the prices were higher but as you suggested there were many otherwise.

Mr. MYERS. They were generally higher. Did you really make enough of a sampling in these areas to draw any conclusion?

Mr. ROSS. I believe so.

Mr. MYERS. Your conclusion says that the food surveys which were published earlier have created widespread comment about the need of supermarkets and the cost advantage in the poor neighborhoods. You did not say anything about prices there. You said that few price comparisons can be made from the survey but that the buying habits differ from those in other areas, in 1966. You did not draw any such conclusion in 1966?

Mr. ROSS. I do not recall that particular article that you are quoting from. The study itself, which is a much longer study, did reach the conclusion that on the average that the food prices are higher in the low-income areas.

Mr. MYERS. You generally think from your surveys that they are higher in the poor-income areas?

Mr. ROSS. Yes, particularly associated with the fact that in many of these income areas there is a small number of the lower-priced stores.

Mr. MYERS. This is just across-the-board—every day of the month is higher or did you notice any significance otherwise?

Mr. ROSS. We did not price every day of the month. We only price once a month.

Mr. MYERS. Is there any given day?

Mr. ROSS. This survey was the last week in February, the year of 1966.

Mr. MYERS. The last of the month?

Mr. ROSS. The last week of the month. The 21st to the 25th.

Mr. MYERS. As I recall, my mother-in-law is in the grocery business and has stated that on Thursday they have their biggest sales or something. If you went in on certain days you might get different prices in different stores on different sales.

Mr. ROSS. Yes. Mr. Chase I think might be able to help us on that question of the week and specials with respect to food pricing.

Mr. CHASE. We do our pricing, generally, not in this study which has been referred to, but generally on Tuesdays, Wednesday, and Thursdays, so that we do get the weekend specials on Thursday.

Mr. MYERS. Thank you. That is all I have.

Mr. ROSENTHAL. Thank you very much, Commissioner Ross.

The subcommittee stands in recess until 2 o'clock this afternoon.

(Whereupon, at 12:30 the subcommittee adjourned to reconvene at 2 p.m. of the same day.)

AFTERNOON SESSION

Mr. ROSENTHAL. The subcommittee will please be in order.

Will the three women who appeared here this morning stand and raise your right hand?

Do you swear and affirm that all the testimony you have given in this proceeding here today is the truth, the whole truth, and nothing but the truth?

Mrs. KELLY. Yes.

Mrs. BOYD. I do.

Mrs. SCHLOSSBERG. I do.

Mr. ROSENTHAL. Now, Counsellor, can we do the same for all the Safeway personnel?

Mr. VAN GEMERT. Yes, I would appreciate it.

Mr. ROSENTHAL. Can we get their names and addresses, and then we can do it.

Mr. VAN GEMERT. In the center I would like to introduce Mr. Basil Winstead, manager of our Washington, D.C., retail division.

To his immediate left, or your right, Mr. Horace Alexander, Sixth and H Street NE., who is, incidentally, the manager of the store identified in the exhibit you saw this morning as No. 3.

Mr. REUSS. What is the address?

Mr. VAN GEMERT. The address is Sixth and H NE.

Mr. ALEXANDER. 610.

Mr. VAN GEMERT. 610 H is the specific address.

To Mr. Winstead's immediate right, your left, is Mr. Raj Dogra, manager of our international store, which is identified on the charts you have seen this morning as store No. 6.

To Mr. Dogra's right, your left, is Mr. Joe Taha, who is the manager of our store at New Jersey Avenue and K NW., and this is the store shown on the charts as store No. 2.

May I just give one brief explanation?

Of course, Mr. Winstead is here under specific request. The way I selected the other store managers is to use a selection used by the Federal Trade Commission. These three managers have been requested to appear before the Commission along with two others, whom I have also asked to come here, but we were unable to locate them.

When the other two arrive, if it is satisfactory with the committee, I would like to have them join us here at the table.

Mr. ROSENTHAL. Of course.

Would you three gentlemen please stand up.

Mr. VAN GEMERT. Four.

Mr. ROSENTHAL. Four gentlemen.

Do you swear and affirm that everything you will testify to in this proceeding is the truth, the whole truth, and nothing but the truth?

Mr. ALEXANDER. Yes.

Mr. DOGRA. I do.

Mr. TAHA. Yes, sir.

Mr. WINSTEAD. I do.

Mr. VAN GEMERT. May Mr. Winstead continue, then, with the statement?

Mr. ROSENTHAL. Mr. Winstead, we appreciate your appearance and are grateful to you for taking time out from what I know is a busy schedule to appear here today. And if you have a prepared statement or any remarks that you want to make to begin the dialog, why just go right ahead, sir.

You may sit down.

Mr. WINSTEAD. Thank you, sir.

Mr. Chairman, I will continue with our statement.

Mr. ROSENTHAL. Mr. Winstead, would you tell us what your responsibilities are, your area of jurisdiction, and where you are headquartered?

STATEMENT OF BASIL M. WINSTEAD; ACCOMPANIED BY RAJ DOGRA, JOE A. TAHA, H. C. ALEXANDER, HAROLD V. MILEY, AND RUSSELL COOL, STORE MANAGERS

Mr. WINSTEAD. I am manager of the Washington, D.C., Division of Safeway Stores, Inc. My division headquarters office is in Washington, D.C.; address, 6700 Columbia Park Road, Landover, Md.

The Washington, D.C., division includes all stores in the State of Virginia, the District of Columbia, the State of Maryland, the southern part of Delaware, and the central-southern part of Pennsylvania.

Mr. ROSENTHAL. How many stores do you have under your direct control and jurisdiction?

Mr. WINSTEAD. I have under my control 236 supermarkets.

Mr. ROSENTHAL. And how many employees do you have under your control?

Mr. WINSTEAD. We have approximately 8,400 employees in this division.

Is that accurate enough, sir?

Mr. ROSENTHAL. Yes.

Mr. WINSTEAD. Thank you.

Mr. ROSENTHAL. Go right ahead, sir.

Mr. WINSTEAD. The prices which are referred to in the remainder of this statement are our book prices for the entire metropolitan area. I have personally and thoroughly investigated this matter, and it is my sincere belief and considered judgment on the basis of this investigation, they are the actual prices charged in all stores on the dates indicated.

References hereafter in my statement to actual prices should be interpreted in this context.

The prices tabulated for six other Safeway stores which were merely described as "other stores," but which, in fact, include one store serving a poverty area, appear to be a very accurate reporting of the book prices that were in effect in all our Safeway supermarkets in the metropolitan area on September 1; that is, allowing for inexperienced price-reported errors.

However, the prices tabulated for the three stores described as serving "welfare clients," were not the prices at which these 10 items were priced, or sold, in those stores. Nor were they the prices at which those items were sold in any of Safeway's supermarkets in the Greater Washington, D.C., metropolitan area.

Furthermore, it seems peculiar that for the seven dry grocery staple items, the group's survey showed a first-of-the-month rise for all seven items in the poverty-area stores. But for six of the items, Safeway's actual prices were not changed whatsoever in any of our Washington, D.C., stores over the entire period (from mid-August to mid-September), and the one item that did change in price during that period was lowered 2 cents, not raised, and just before the first of the month.

Mr. ROSENTHAL. We want to welcome Congressman Gilbert Gude, who is going to join us for the hearing.

Mr. GUDE. Thank you, Mr. Chairman.

Mr. WINSTEAD. May I continue, sir?

Mr. ROSENTHAL. Yes; I am sorry, sir. I apologize for the interruption.

Mr. WINSTEAD. Thank you.

And on three perishable items, the survey showed for poverty-area stores either a price increase on September 1, or a price reduction after September 1—whereas Safeway's actual price on one of the perishables dropped on August 21; another perishable item was reduced in price on September 5, after remaining unchanged since mid-August; and the price of the other perishable item indeed rose, but not until September 11.

Several of the deviations in the survey prices might reflect errors in price reporting; for example, confusion of side-by-side shelf items of different sizes or grades, or the recording of a "2-for" multiple price as though it were the price for just one unit of the item. But, however charitable an allowance is made for inadvertent errors, the

publicized emergence from the survey of a poverty-pattern impression just about defies explanation.

We believe it possible that the explanation may lie in the procedures followed by those conducting the three pricing surveys on which the tabulation is based. We suggest that the following information would be relevant to any consideration the committee may wish to give that question:

1. The written specifications given each shopper, on each date, as to the store to be shopped, and the items to be checked (that is, brand, size, pack, variety, grade, quality, and where an item bore a "cents-off" label, whether it or the "non-cents-off" item should be reported).

2. Whether purchases were made and cash register receipts were retained.

3. The actual survey pattern, that is, on each date, which price reporter made the price survey at each store; and, more specifically, whether the same person made the survey at the three stores described as serving welfare clients?

Because of our deep concern regarding the accusation made against us, we are cooperating with the Federal Trade Commission in its study of that accusation. We have opened our pricing records and books to the Commission and are currently engaged in hearings in which the Commission is receiving the sworn testimony of Safeway employees, including that of myself and various store managers. The FTC hearings began Monday, continued Tuesday and Wednesday, and will resume on Friday, after recessing for the purpose of our appearing before you today.

I personally supervised and participated in the collection of Safeway's pricing and other relevant records and am the manager of Safeway's Washington, D.C., division. It is my personal belief and conviction that Safeway's selling prices on the 10 items were, except for possible human errors, identically the same on September 1 in all Safeway supermarkets serving the Greater Washington, D.C., metropolitan area, including our 40 or more stores serving poverty areas, and were as I stated them above.

The October 2 letter charging discriminatory pricing differentials was distributed to news media, to legislators, and to governmental agencies, even before its receipt by me to whom it was nominally addressed. That letter also demanded our "negotiation" with these individuals toward discontinuance of discriminatory pricing practices—practices in which Safeway had not, in fact, engaged.

These were and are dangerous accusations. Even though untrue, they are of the type that can ignite the fuse of further discontent and destructive disruptions of our central core cities. Even though untrue, they can destroy a business which has been built upon a commitment—followed up with a dedication in practice—to completely fair, nondiscriminatory treatment of all its customers.

As well as being dangerous, the charges are ridiculous. Well over half of the Safeway stores in the District are located in neighborhoods that probably would be classified as "poverty areas" by any logical standards. Residents of those areas are, hopefully, among our customers. And customers are the lifeblood of any retailing enterprise. Through advertising and other promotional efforts, we invite poten-

tial customers to our stores. We welcome them into our stores to inspect what we offer in the way of products, services, and conveniences—and our prices. We make every effort to assure that they like what they see. And we are delighted—and successful—when they stay to shop and come back as repeat customers. That is our business.

Yet these apparently publicity-prone individuals claim to have found a “poverty pattern” in Safeway prices and pricing. The prices they tabulated and the graphs they constructed might indeed give that impression. But it is my opinion they simply won’t stand up under factual examination.

Safeway’s general philosophy and policies as to retail pricing in our stores reflect a total commitment to fairness and equity in the prices of products offered—not only for all the customers who may patronize a given store, but also for the customers of our various stores in each trading area. Any other policy would be sheer business folly.

All of our Washington, D.C., stores are in the same Safeway price area. This means that it is Safeway’s policy, implemented in practice through careful procedures and controls, that a given item bears the same price on the same date in each and every Safeway supermarket in the District of Columbia that handles the item, and that even the occasional human error is caught and corrected promptly.

If there has been or is any “poverty pattern” in our pricing, it is simply that the poor pay no more at Safeway.

Mr. ROSENTHAL. Thank you very much, Mr. Winstead.

I wonder if you could look at this map, which is a blow-up map of a part of the District.

Store No. 1, at Fourth and M Streets SW., does that have any supermarket competition?

Mr. WINSTEAD. Yes, sir; it does.

Mr. ROSENTHAL. Where is the nearest competitive supermarket?

Mr. WINSTEAD. We have competition throughout the area, both in the District of Columbia and the surrounding suburbs.

Mr. ROSENTHAL. No, no. I mean within walking distance of that store.

Mr. WINSTEAD. I think you would have to define “walking distance” for me, sir.

Mr. REUSS. Between the freeway on the north and South Capitol.

Mr. ROSENTHAL. Between the freeway and the river?

Mr. WINSTEAD. That is a redevelopment area, and our store is the only supermarket between the freeway and the river.

There are independent stores along South Capitol Street.

Mr. ROSENTHAL. Yes. We had some testimony that there is a small independent store in the basement of Capitol Park Towers.

Mr. WINSTEAD. Also, on M Street there are stores, sir.

Mr. ROSENTHAL. Yes.

Now, store No. 2, what kind of supermarket competition do you have there?

Mr. WINSTEAD. The supermarket competition in the area of No. 2 would be located in the general area further down on K Street. This store is very close to the heart of Washington. It is in a redevelopment area. It is in the right-of-way of the new freeway that is going through there. There has not been any business development or progress in that area.

Mr. ROSENTHAL. Are there any other supermarkets within 10 blocks of that store?

Mr. WINSTEAD. In 10 blocks I would say "yes," but I would have to check the exact distance, sir. There are markets near Lafayette Square and various other stores near there.

Mr. ROSENTHAL. And store No. 3, where would you say the nearest supermarket, competitive-type supermarket is to that?

Mr. WINSTEAD. The nearest competitive-type supermarket to store No. 3 is an A. & P. store on Benning Road. There is a Giant store at 17th and Bladensburg Road.

Mr. ROSENTHAL. How close is the closest competitive supermarket?

Mr. WINSTEAD. In distance, six-tenths of a mile.

Is that correct?

Mr. ALEXANDER. Approximately.

Mr. WINSTEAD. Approximately.

May I use an approximate term in distances, sir, because it is difficult to define it exactly?

Mr. ROSENTHAL. Oh, yes. Sure.

So that I can recount this testimony, No. 1 has no supermarket competition other than across the freeway, or across the river?

Mr. WINSTEAD. I would like to elaborate on that point, if I may.

Our supermarket in the Southwest Redevelopment Area is in the only shopping center in that area. It is an unusual supermarket in that it has been merchandised and operated to attract clientele from various parts of the city. And, yes, in fact, many of the customers shopping in that supermarket drive past the doors of chainstore competition, strong chainstore competition to shop in that store.

Mr. ROSENTHAL. You have a fair number of welfare customers in that store; do you not?

Mr. WINSTEAD. I could not give you the exact number.

However, our store manager just arrived, and I am sure he can help us on this point.

Mr. VAN GEMERT. May I introduce to the committee Mr. Harold Miley, manager of the store at Fourth and M Streets, who has already been identified as the manager of store No. 1 in the tabulation.

Mr. ROSENTHAL. Sir, would you raise your right hand.

Do you swear and affirm that all the testimony you give before this proceeding today is the truth, the whole truth, and nothing but the truth?

Mr. MILEY. I do, sir.

Mr. ROSENTHAL. Well, maybe he could help you out on where the nearest supermarket competition is.

Mr. WINSTEAD. Harold, would you like to tell us about the stores in the Southwest area?

I think we have confined this to the area immediately surrounding your store, meaning between South Capitol Street and the river and the Freeway, I believe is what the area is you defined.

Mr. MILEY. Well, there are no supermarkets within that area that Mr. Winstead just mentioned. The nearest competition, competitive store of a chain would be the A. & P., I believe, at 12th and Pennsylvania Avenue.

Mr. ROSENTHAL. How far is that in distance?

Mr. MILEY. Approximately 2 miles—maybe 18 to 20 blocks.

Mr. ROSENTHAL. You yourself would not classify that as walking competition, would you?

Mr. MILEY. I would not in a sense, and I would in another sense.

Mr. ROSENTHAL. Do you have welfare recipient customers in your store?

Mr. MILEY. We do.

Mr. ROSENTHAL. You are right next door to a public housing development, are you not?

Mr. MILEY. We are in front of it; yes, sir.

Mr. ROSENTHAL. Now, store No. 2, if we can just recount that, the nearest supermarket competition is how far?

Mr. MYERS. You have the manager here.

Mr. WINSTEAD. I have the manager here.

Joe, can you help us, give us the information?

Mr. TAHA. Actually, all the stores in that area are what you call corner stores, in that area. They are about three and four blocks away. There are quite a few of them.

Mr. ROSENTHAL. Right. And what is the nearest large competitive supermarket to you?

Mr. TAHA. There is a supermarket on Seventh Street before you get to Florida Avenue.

Mr. ROSENTHAL. And who is that?

Mr. TAHA. I do not recall the chain name, but I know there is one there.

Mr. ROSENTHAL. How far is that from you?

Mr. TAHA. Well, I will say it is about—it is on Seventh between S and Florida, and we are on Third and K.

Mr. ROSENTHAL. In blocks.

Mr. TAHA. It is about seven blocks, eight blocks actually.

Mr. ROSENTHAL. You do not know who that is?

Mr. TAHA. No, I do not know.

Mr. ROSENTHAL. It is A. & P., or one of those big stores?

Mr. TAHA. No, sir—no.

Mr. ROSENTHAL. Is it privately owned?

Mr. TAHA. Privately owned store.

Mr. ROSENTHAL. What I really want to know is, how far is the nearest supermarket in your range?

Mr. TAHA. Nothing on North Capitol, of course. And the only one has to come in on Pennsylvania Avenue, I will say.

Mr. ROSENTHAL. How far is that?

Mr. TAHA. Twelfth and Pennsylvania Avenue, I believe, Northeast or Southwest. I do not recall exactly.

Mr. ROSENTHAL. How far is that?

Mr. TAHA. Well, it is about—we are on Third and K NW.—about 15 blocks.

Mr. ROSENTHAL. And store No. 3, what is the nearest large-scale competitive supermarket?

Mr. ALEXANDER. As Mr. Winstead said, the A. & P. is on Benning Road, and the Giant is on Bladensburg Road about one-sixth of a mile away, and about three blocks straight up Sixth Street, the Florida Avenue market is there, and then there is the Ocean Farm Market two blocks from me.

Mr. ROSENTHAL. Ocean Farm?

Mr. ALEXANDER. Yes.

Mr. ROSENTHAL. Is that a store as large as yours?

Mr. ALEXANDER. No, sir.

Mr. ROSENTHAL. Do you consider them competition?

Mr. ALEXANDER. Yes, sir.

Mr. ROSENTHAL. And the A. & P. is how close?

Mr. ALEXANDER. Approximately one-sixth of a mile.

Mr. ROSENTHAL. In blocks what is that?

Mr. ALEXANDER. Well, I am on Sixth Street. It is around 6 blocks, 7 blocks. And the Giant approximately the same distance. And the Farmer's Market, as it is called, that is 3 blocks.

Mr. ROSENTHAL. Do you have many welfare customers in your store?

Mr. ALEXANDER. Yes, sir.

Mr. ROSENTHAL. I do not know that I asked you that.

Mr. TAHA. Also in ours.

Mr. ALEXANDER. I also have many working customers in my store.

Mr. ROSENTHAL. What percentage of your customers would you say are welfare recipients?

Mr. ALEXANDER. I would say less than—I would say approximately 40 percent.

Mr. ROSENTHAL. And you, sir?

Mr. TAHA. Well, I will say concerning the welfare business here—when I say “corner stores,” I would like to elaborate on that to say that they are the biggest competitors to us because—for one single reason. People who are receiving welfare, they are borrowing on the book during the month, and at the end of the month—very few of them actually come in to us during the month, only to come in and cash the checks, and so as the record will prove, of \$103, for instance, they spend \$2—and these amounts are marked on the backs of the checks. They hardly spend any money in the store. And we go and cash their checks, and we know they are living in the immediate area. And very few spend money there who are on welfare. People who have moved away or been replaced, they still come, and, of course, they are seeking good service and good merchandise.

Mr. ROSENTHAL. How much in food stamps do you take in a month?

Mr. TAHA. I will say no more than \$2,500 to \$3,000 monthly.

Mr. ROSENTHAL. Now, Mr. Winstead, could you tell us just generally what the salary or commission or bonus arrangements for managers are?

Mr. WINSTEAD. You want it for these specific men?

Mr. ROSENTHAL. Well, begin generally and then go specific.

Mr. WINSTEAD. All right.

The salary range for our store managers—

Mr. ROSENTHAL. No, I am not interested in the salary range.

Does a manager's salary or bonus depend upon any other figure, gross volume, gross sales, net sales, net profit?

Mr. WINSTEAD. The manager's salary is based on a weekly drawing account, salary and a bonus paid once each year on a percentage of the profits of the store. The bonus is limited to 60 percent of his regular weekly salary.

Mr. ROSENTHAL. So if a manager's base salary is \$10,000 a year, he can earn another \$6,000 if he is a good businessman and the store does well?

Mr. WINSTEAD. That is correct.

Mr. ROSENTHAL. Now, do you yourself check prices in any stores, Mr. Winstead?

Mr. WINSTEAD. Yes, sir; I do.

Mr. ROSENTHAL. How often?

Mr. WINSTEAD. I am in some of our stores every week. I am not a regular price checker as such because we have a department taking care of this, and others in our organization, but I am quite interested in the retail food business. I am basically a merchant.

Mr. ROSENTHAL. Who stands between you and the store manager? Is there a district supervisor that also checks prices?

Mr. WINSTEAD. I have a retail operations manager—the Washington, D.C., division is comprised of two retail areas, an eastern retail area and a western retail area, each with a retail operations manager.

Mr. ROSENTHAL. And is their annual salary also based on a salary plus profitability of the stores under their jurisdiction?

Mr. WINSTEAD. The retail operations manager's salary is a base salary plus a percentage of profits in their area.

Mr. ROSENTHAL. The salary bonus that the individual manager can make, up to 60 percent, this is based on the net profit of a store?

Mr. WINSTEAD. Excuse me, sir—

Mr. ROSENTHAL. It is based on the net profit of a store?

Mr. WINSTEAD. Would you repeat the entire question—I missed the first point—please?

Mr. ROSENTHAL. The salary plus bonus arrangement that a store manager has, is his net annual salary based on his base salary plus a proportion of the net profit of the store?

Mr. WINSTEAD. Plus a percentage of the profits of the store in the form of the bonus—excuse me, Mr. Chairman. I think we missed a point in the discussion of the people between me and the store manager.

I refer to two retail areas. Under each retail operations manager we have district managers. We have 17 district managers.

Mr. ROSENTHAL. Is his annual salary based on a salary plus a bonus arrangement based on net profits?

Mr. WINSTEAD. His annual salary is based on regular drawing salary plus a percentage of profits of his district.

Mr. ROSENTHAL. So that the total salary of each of your men, beginning with the store manager, the district manager, the regional manager, and maybe even yourself, has a relationship to net profits of the store or stores under their jurisdiction?

Mr. WINSTEAD. That is correct. But may I comment on that?

I would like to state that the two retail operations managers in this division, in fact, qualify for maximum bonus very early in the year.

I would also like to state that I myself draw maximum that I could draw. I have done so for the past 2 years, 1965-66—

Mr. ROSENTHAL. Does that apply to any one of stores 1, 2, or 3?

Mr. WINSTEAD. I would like Mr. Miley to comment on that.

Mr. MILEY. My maximum—I cannot tell you exactly, but my maximum bonus is arrived at approximately this time of the year or earlier, so that there is no use for me, no need for me to go ahead and make an attempt to increase the profits to hold it up there if I were in that position.

Mr. ROSENTHAL. How could you increase the profit, if you wanted to?

Mr. MILEY. I could not, other than merchandising, having a good volume of business, a quick turnover, which reduces your spoils, your distressed merchandise, a low expense by keeping my payroll within line, by keeping my lights out when they are not supposed to be on, by getting the trucks back to the warehouse—

Mr. ROSENTHAL. Now that you reached a maximum salary at about the halfway point in the year, is there any additional incentive for you to increase the sales of the store, perhaps another larger store or promotion up the line?

Mr. MILEY. There is no additional incentive other than that I am a Safeway employee, and I have been for over 35 years.

Mr. ROSENTHAL. How long have you been in this store?

Mr. MILEY. Since December 14, 1960, when it opened, the day it opened.

Mr. ROSENTHAL. Now, do you have an upsurge in customers at the first of the month, an upsurge in sales?

Mr. MILEY. We have an upsurge in cashing checks. We have an upsurge in—yes, we can call it an upsurge, but my volume of business runs rather level, consistent—regardless of whether it is the first of the month, second, third or fourth week in the month; my sales are average because I do, do cater to the public-assistance customers, because they come to the Southwest because they get treated right in Southwest. My other customers come in there because they get treated right. Customers move out of Southwest that continue to come back to me because they are treated right. There is never a question in price, attitude, or anything you want.

Mr. ROSENTHAL. Do you have any discretion in raising prices above the book price?

Mr. MILEY. Any discretion? Can I do it, you mean?

Mr. ROSENTHAL. Yes.

Mr. MILEY. No, sir.

Mr. ROSENTHAL. It is a violation of company rules if you do do it.

Mr. MILEY. That is correct.

Mr. ROSENTHAL. Have you ever heard of a Safeway manager raising prices above the book price?

Mr. MILEY. I cannot say that I truthfully have.

Mr. ROSENTHAL. If you raised the prices above the book price around the first of the month, this is a potential way of increasing the net profit, isn't it?

Mr. MILEY. If, but it is not.

Mr. ROSENTHAL. Well—

Mr. MILEY. The prices are not raised.

Mr. ROSENTHAL. In your area you have captive customers.

Mr. MILEY. We have captive customers as some may look at it. But all of those customers down there have some means of transportation to get to other stores.

Mr. ROSENTHAL. Even the 40 percent welfare customers?

Mr. MILEY. They have neighbors that are not on welfare; and they have friends.

Mr. ROSENTHAL. And is it your testimony that these neighbors get together in a carpool to go shop somewhere else?

Mr. MILEY. I cannot say that to be, but I believe it to be true because they come from other parts of the city in a car to my store to get their checks cashed, to go to some other bank to get their food coupons, and then come back and spend their coupons. And if they get \$100 worth of coupons at their bank, they will come back and spend the \$100 worth of coupons in one order, perhaps.

Mr. ROSENTHAL. Now, what percentage of your items are sold at book value?

Mr. MILEY. 100 percent.

Mr. ROSENTHAL. Well, sometimes you sell it below book value.

Mr. MILEY. That is if it has passed the—what you are referring to in that case, I feel sure, is vegetables and meats.

Mr. ROSENTHAL. I just want for the record whether you have authority to reduce prices.

Mr. MILEY. If we are overstocked on merchandise that will spoil before it can be sold at the regular price, we have the authority to reduce that price.

Mr. ROSENTHAL. Now, your district managers or supervisors do you ever see them checking prices in your store?

Mr. MILEY. Yes, sir. Yes, sir.

Mr. ROSENTHAL. They walk around and look at the cans?

Mr. MILEY. He doesn't walk around. He takes me with him.

Mr. ROSENTHAL. And looks—how often does he do that?

Mr. MILEY. I would say once perhaps every week. Sometimes I do not see him for 2 weeks.

Mr. ROSENTHAL. Why do they do that?

Mr. MILEY. Because they want to see if we are in line and following our rules and regulations, which is fair practices.

Mr. ROSENTHAL. But you have been there 30 years.

Mr. MILEY. Yes, sir; with Safeway over 35 years.

Mr. ROSENTHAL. Don't they have confidence in you?

Mr. MILEY. They do.

Mr. ROSENTHAL. But they still have to check you every week?

Mr. MILEY. They do. I feel everybody should be checked every week.

Mr. ROSENTHAL. Even a man who's been there 30 years?

Mr. MILEY. I think so.

Mr. ROSENTHAL. Now, these other two men, they have not reached—they do not reach their maximum bonus opportunities in their stores.

Mr. WINSTEAD. I do not believe your store qualifies maximum.

Mr. TAHA. I wouldn't even reach it by the end of the year.

Mr. WINSTEAD. The volume in his particular store is—I would like to comment, may I, sir—on Mr. Miley's earnings.

His bonus was reached this current year at approximately July 15. He earned maximum for the year. Our records will indicate that.

Mr. ROSENTHAL. Sir, have you been made aware of the charges that the ladies made that in your store prices go up on the first of the month?

Mr. TAHA. Yes, sir.

Mr. ROSENTHAL. And how do you explain that?

Mr. TAHA. I will say they are fabrications and have no truth whatsoever.

Mr. ROSENTHAL. You think the ladies are telling a lie?

Mr. TAHA. I will say the statements and those figures are complete fabrication and have no truth whatsoever in them as far as I am concerned—my operation is concerned—and my customers are not only two or three public assistance people. I have as customers judges; I have customers from the Congress and the Senate, their staffs. I have some ex-Presidential aides and they shop weekly in my store. I have known them for 10 and 12 years, and I have been managing this store since 1955.

Mr. ROSENTHAL. Do you cash many checks on the first of the month?

Mr. TAHA. I do cash, I would say, about, roughly, a hundred checks, but I will say I believe they won't bring—the value of the checks, they do not have any effect on the volume of the business. But, from the value of the check, they are, on the average, I will say, out of 110 checks, maybe, which I may receive—and I made a survey, as a matter of fact, last month—some spend about a dollar, which averages about 2 percent, maybe, or 3 percent.

Except for a few people, when Mr. Miley mentioned that they ride from different areas and come to your store, I have some customers who come in every month from a very far distance to shop, and I say they are the best spenders out of all the public-assistance people.

Mr. ROSENTHAL. Do you ever sell any products above the book price?

Mr. TAHA. Never.

Mr. ROSENTHAL. Never have?

Mr. TAHA. Never. I would not work for any human being or any company for one single minute if I had to do that. I would not—my reputation and my company's, I believe, is of much integrity and businesslike with everybody involved.

Mr. ROSENTHAL. It is against Safeway's rules to sell—

Mr. TAHA. Absolutely.

Mr. ROSENTHAL (continuing). Above the book price?

Mr. TAHA. Absolutely.

Mr. ROSENTHAL. But, if on the first of the month you had a flurry of customers, you raised prices, you could increase your net profit that way; is that correct?

Mr. TAHA. I wouldn't do it.

Mr. ROSENTHAL. But, if there was a manager in a store who was so inclined, he could do it?

Mr. TAHA. It could happen; yes.

Mr. ROSENTHAL. Have you ever heard any manager—

Mr. TAHA. I never heard—

Mr. ROSENTHAL (continuing). In any other store besides Safeway—

Mr. TAHA. I never heard of it; never.

Mr. ROSENTHAL. How much food-stamp money do you take in a month?

Mr. TAHA. I told you a while ago it's about \$2,500 to \$3,000.

Mr. ROSENTHAL. And do you get that at the end of the month?

Mr. TAHA. During the month, for instance, you can deposit—like yesterday, we deposited \$103, and every day you deposit the receipts of the food stamps and that will show exactly how much you get.

Mr. ROSENTHAL. You are allowed to reduce prices if you want.

Mr. TAHA. Only on items that I feel will be, for instance, spoiled. And in this case we give the customer the advantage of the price by reducing that merchandise instead of putting it in the garbage disposal.

Mr. ROSENTHAL. How often do any of your supervisors or district managers come around to check prices?

Mr. TAHA. Well, I see my district manager, who has been recently appointed—I have seen him every week once, except 2 weeks I saw him twice.

Mr. ROSENTHAL. Does he check prices?

Mr. TAHA. And I saw him once checking prices; yes, sir.

Mr. ROSENTHAL. He was recently appointed?

Mr. TAHA. Yes, sir.

Mr. ROSENTHAL. When was that?

Mr. TAHA. About 5 weeks, 6 weeks ago, I will say.

Mr. ROSENTHAL. Now, the man who was there before him, how often did he come around and check prices?

Mr. TAHA. I would say about the same routine, every 3 weeks or so.

Mr. ROSENTHAL. Every 3 weeks you walked around with him, and he looked at the prices?

Mr. TAHA. Sometimes, yes. If I am busy, if I don't have assistants, or if I have to be up front to OK checks, he would go along by himself.

Mr. ROSENTHAL. What time of the month did he come and do that?

Mr. TAHA. Well, the middle of the month, the third week of the month, the second week of the month. There's no actual table actually—whenever he feels like it.

Mr. ROSENTHAL. Why does he go around and check the prices?

Mr. TAHA. They check for carelessness. We have to protect our company—I know it's for carelessness because with the standard of employees at the present time, as everybody knows, as every company and the Government knows, everybody has lowered the standards, for instance, of hiring employees. You don't get, for instance, as ambitious employees as we used to get before, and those employees do make quite a few mistakes sometimes.

Mr. ROSENTHAL. Do you find a large number of mistakes in prices?

Mr. TAHA. Not very large. If I do find a few things, I have a record from which I write my employee a memo—

Mr. ROSENTHAL. These mistakes, do you find them below sometimes book value?

Mr. TAHA. Well, most below.

Mr. ROSENTHAL. Do you ever find a mistake above book value?

Mr. TAHA. Yes, sir.

Mr. ROSENTHAL. In what items?

Mr. TAHA. And I would say most of the mistakes, or 98 percent of the mistakes are in the very slow-seller lines which even the employees do not have very much, what you call, knowledge of it.

Mr. ROSENTHAL. So there would not be an item such as Townhouse peas or Del Monte peaches or Crisco or Cheerios, none of those items?

Mr. TAHA. Absolutely not, because the employee works these items every single day of the week, or every week once or twice, filling and refilling, and he is the least subject to make an error in such items.

Mr. ROSENTHAL. Do you have your best employees working on the fast-selling items?

Mr. TAHA. All the employees that we have are the two stockmen, and they are working—my assistants cut and mark for them right from the book, and they price them. And we catch, sometimes, prices that went down by mistake. There are human errors.

I will give you an example.

Let's take, for instance, chili con carne. An employee won't take the time to look at it, for instance, to see if it's with beans or without beans, and he will stamp them both 39 cents while one should be 45 cents. These are the human errors that happen very often in the store.

Mr. ROSENTHAL. Mr. Alexander, your store is where?

Mr. ALEXANDER. Sixth and H NE.

Mr. ROSENTHAL. And how long have you been a manager?

Mr. ALEXANDER. 1960.

Mr. ROSENTHAL. Seven years now.

You have been made aware of the charges that these ladies made about the prices going up on the first of the month?

Mr. ALEXANDER. Yes, sir.

Mr. ROSENTHAL. How do you explain that?

Mr. ALEXANDER. I don't feel there is any information that they are true.

Mr. ROSENTHAL. Do you think there is any possibility you may be mistaken?

Mr. ALEXANDER. There's a possibility, for wrong prices in one store, but never in the store intentionally.

Mr. ROSENTHAL. Now, are you permitted to raise prices in your store?

Mr. ALEXANDER. Only when I receive an advance and decline sheet from the zone office.

Mr. ROSENTHAL. And how often does your supervisor come around and check your prices?

Mr. ALEXANDER. He visits my store approximately three times a week.

Mr. ROSENTHAL. Now, why does he come to your store three times a week and to his store once every 3 weeks?

Mr. ALEXANDER. We have different supervisors—district managers. I am sorry. District managers.

Mr. WINSTEAD. He is correcting the title to district manager.

Mr. ROSENTHAL. Why is that, Mr. Winstead?

Mr. WINSTEAD. I do not believe that I could say that the same problems or the same complex work or requirements are required to operate every store within our division. Some stores require more supervision than others. Some require more help than others. And that is—the intent of our supervision is to give what is needed.

Mr. ROSENTHAL. What is the difference between these two stores that one requires three-times-a-week surveillance and one once every 3 weeks?

Mr. WINSTEAD. Correction, sir. I don't believe we said once every 3 weeks.

Mr. ROSENTHAL. I think you did.

Mr. TAHA. You asked about price checking.

Mr. ROSENTHAL. Oh, he comes around—

Mr. TAHA. That's right. He might check them once every 3 weeks, I say, not visiting once every 3 weeks.

Mr. ROSENTHAL. How often does he visit the store?

Mr. TAHA. He visits the store twice a week.

Mr. ROSENTHAL. Twice a week?

Mr. TAHA. Twice a week. Sometimes if it's maybe a busy time for him or they have a meeting, I might see him once. That's the situation.

Mr. ROSENTHAL. Yes, sir.

Mr. ALEXANDER. One of the reasons my district manager sees me quite often, we run the meat relief out of my store, and he comes in to set up his schedules for the district out of my store. Any excess help is put in my store, and if a smaller store has a wrapper call in sick, we are to replace him. In the small two-man markets we send men over in the evenings to relieve the meat men to go home. So he actually runs his meat department, meat district, out of my store.

That's the main reason he is there three times a week.

Mr. ROSENTHAL. And do you categorically deny you have ever raised prices above the book value that Safeway permits you to charge?

Mr. ALEXANDER. Yes, sir.

Mr. ROSENTHAL. You are permitted to reduce prices on perishable items or excess items, things of that nature?

Mr. ALEXANDER. Yes, sir.

Mr. ROSENTHAL. Has any district manager or supervisor ever said to you, "That price is above the book price. Let's cut it down"?

Mr. ALEXANDER. Not to my knowledge.

Mr. ROSENTHAL. Now, you could increase your annual salary by raising prices, for example, on the first of the month, if you were that type, couldn't you?

Mr. ALEXANDER. I would say no.

Mr. ROSENTHAL. Well, can you explain that?

Mr. ALEXANDER. If you was working for me and you know the book value, and I say, "Mr. Rosenthal, raise the price of bananas to 17 cents a pound," right there I lose control of you.

Mr. ROSENTHAL. Why is that?

Mr. ALEXANDER. If I see you in the back eating a banana, and when I ask you where your sales slip is—well, I don't have a slip. I am selling my bananas 2 cents a pound higher than what they should—I would lose control of you. There would be no way I could control my help. So I would say it would be quite foolish for me to raise prices. I would lose more than I would ever hope to gain, plus if the company would catch me, I would lose my bonus completely. It would definitely affect my bonus.

Mr. ROSENTHAL. It would probably affect more than your bonus if you were caught?

Mr. ALEXANDER. It would affect my job.

Mr. ROSENTHAL. Have you ever heard of a manager being caught doing that?

Mr. ALEXANDER. No, sir.

Mr. ROSENTHAL. Do you mean that the employees in your stores, the people who stamp the prices, know what the book value is?

Mr. ALEXANDER. They should. They write the orders. They make the entries in the book—when the price and decline sheets come

from the main office, they will take them and change them in the book, and then they go change them on the shelf with the price tag and all. That's part of their job function.

Mr. ROSENTHAL. Do all stores get these price changes at the same time?

Mr. ALEXANDER. Yes, sir. They come out of the mailroom.

Mr. ROSENTHAL. Do you tell the employees what price to put on the items, or do they themselves look it up to see what the prices should be?

Mr. ALEXANDER. They themselves look it up. They use the code book.

Mr. ROSENTHAL. Yes.

Are there any items at all that you tell employees to put prices on?

Mr. ALEXANDER. Only a reduced item. An unlabeled item, maybe, they might ask how much to mark this down. I may give them a price then.

Mr. ROSENTHAL. Without telling me the amounts, because I am not really interested, how close are you to making the maximum bonus?

Mr. ALEXANDER. I don't believe I will make it.

Mr. ROSENTHAL. You will make some bonus, though?

Mr. ALEXANDER. I think so.

Mr. ROSENTHAL. Would you say you will increase your salary by about 50 percent?

Mr. ALEXANDER. My salary?

Mr. ROSENTHAL. Yes.

Mr. ALEXANDER. No, sir; I don't think I will come that close.

Mr. ROSENTHAL. Do you have a pilferage problem in your store?

Mr. ALEXANDER. No more than any other store. I would say we are more aware of it than some of the finer neighborhoods.

Mr. ROSENTHAL. What percentage of your sales or profit does it amount to?

Mr. ALEXANDER. Well, I hate to say we don't catch them, so there would be no way to determine that figure.

Mr. ROSENTHAL. Well, you have a running inventory, do you not?

Mr. ALEXANDER. Right, but pilferage could not be the only problem in inventory. It's carelessness at the check stand, shortage on orders—

Mr. ROSENTHAL. Whatever amount the pilferage is, how do you make up that loss?

Mr. ALEXANDER. We don't make it up.

Mr. ROSENTHAL. You just take it—it's counted into your net profits?

Mr. ALEXANDER. Yes, sir.

Mr. ROSENTHAL. So if pilferage gets heavy in your store, it reduces your bonus?

Mr. ALEXANDER. If I don't control it; yes, sir. If we overload, over-order bananas and dump it in the garbage disposal, that affects it, also. So if I don't control my bananas or my ground beef, that will affect my bonus.

Mr. ROSENTHAL. Talking in nonperishable items, canned items, if they were pilfered, you couldn't make it up any way at all?

Mr. ALEXANDER. Well, we could make it up in multiple prices.

Mr. ROSENTHAL. What does that mean?

Mr. ALEXANDER. Well, we will charge—take Townhouse peas, two for 39. That's the way we charge for them. These people buy one can,

so we receive 40 cents—20 cents each time. They are buying them separate now.

Mr. ROSENTHAL. Do you ever go to visit your colleagues' stores, the other stores, and talk to your fellow managers?

Mr. ALEXANDER. I haven't seen Mr. Miley in approximately 2½ years, and Joe and I, we swap bags or something occasionally when we get behind.

Mr. ROSENTHAL. So you do not know whether their prices are the same as yours or not.

Mr. ALEXANDER. I know they are supposed to be. I have enough people within my own four walls without trying to help them.

Mr. ROSENTHAL. You don't know whether their prices are the same as yours?

Mr. ALEXANDER. No, sir.

Mr. ROSENTHAL. Mrs. Dwyer?

Mrs. DWYER. No questions at this time.

Mr. ROSENTHAL. Mr. Reuss?

Mr. REUSS. Thank you, Mr. Chairman.

And thank you, Mr. Winstead, for being with us this afternoon.

Mr. WINSTEAD. Thank you, Mr. Reuss.

Mr. REUSS. And your associates.

As I gather from your testimony, Mr. Winstead, in answer to the charges of the three ladies this morning on what happened on August 15, September 1, and September 15, your answer is that Safeway throughout this area has book prices which are uniform and give the same price and the same quality at all Safeway stores. And that, second, those book prices are actually observed in the stores.

Is that a fair restatement of your testimony?

Mr. WINSTEAD. That is approximately correct.

Mr. REUSS. Will you elaborate if I have misunderstood you?

Mr. WINSTEAD. The statement that we have and that our policy is a single price for all stores in this price area is correct. We must consider the element of human error in answer to the second part of your question, sir.

Mr. REUSS. Now, during the lunch hour between 12:30 and 2, I visited a number of your stores, three of them in poverty areas, and the beautiful store of Mr. Dogra's, which you have the honor of presiding over, the international store on 11th and F.

Mr. DOGRA. Eleventh and F; right, sir.

Mr. REUSS. I made some purchases, and I would like to talk to you about them.

I purchased at three stores a pepper, a head of bib lettuce, and a head of chicory lettuce.

At each of the stores I might say I was treated very courteously.

And the price of these three items at three stores was identical in each case. It was 48 cents for the three items.

I would now like to show you these items.

Mr. Chairman, could I have the assistance of counsel in identifying the exhibits?

If you would, after we have identified them and marked them, put them on the witness table so that the witnesses may examine them.

I have here purchases made between 12:30 and 2, as all of them were, at your store at 522 Seventh Street SE.

Mr. WINSTEAD. Our store numbered——

Mr. MILEY. 840.

Mr. WINSTEAD. Is that store No. 840? Is that correct?

Mr. ALEXANDER. I think so.

Mr. REUSS. And we will call these exhibit 1, and then you can make them 1-A, 1-B, 1-C, and so on.

From this store at 522 Seventh Street SE., is a pepper which I selected with several large holes in it.

Would you put that on the table?

Mr. MYERS. Pretty poor shopper; isn't he?

Mr. REUSS. A bib lettuce and a chicory with several detached fragments.

Then at your store at Seventh and North Carolina SE.——

Mr. WINSTEAD. Seventh and North Carolina SE.?

Mr. REUSS. It is a few——

Mrs. KELLY. Seventh and C.

Mr. REUSS. It is a few doors from North Carolina, Seventh and B.

Mr. MILEY. Is it across from Eastern Market?

Mr. REUSS. Yes; Seventh and C.

Mr. WINSTEAD. 666. I know them by numbers, sir, so please bear with me.

Mr. REUSS. We will call this exhibit 2 with its subdivisions.

Mr. MYERS. I hope you bought some salad dressing.

Mr. REUSS. Here is a pepper with a large hole in it, a bib lettuce and a—to show how honest I was—very nice-looking chicory.

Mr. MILEY. You purchased this at 2 o'clock, or before?

Mr. REUSS. And exhibit C, items purchased at the international store on F Street, 11th and F, a pepper, which is quite a beautiful pepper, unblemished, and a bib lettuce in cellophane, and a prize-winning chicory.

I would like you to look at those, because they were picked by me at random, and I invite you to retrace my footsteps and look at the same ones. It seems to me that the person who shops at the international store on 11th and F gets a lot more for his 48 cents than the people at the other two stores.

Mr. WINSTEAD. May I comment, sir?

Mr. VAN GEMERT. Could I interrupt, sir, to introduce Mr. Russell Cool? Mr. Russell Cool is manager of store No. 7 on the chart and apparently responsible for some of the comments regarding the perishables here on the table.

Mr. WINSTEAD. May I comment, please?

Mr. REUSS. Please.

Mr. WINSTEAD. First, I would recommend to Mrs. Reuss not to send you shopping again. And then I would make the comment that you are coming near now to qualifying as a district manager in one of our stores. I believe you could help us.

Mr. REUSS. I want to help you.

Mr. WINSTEAD. These items are certainly not of comparable quality. And if I would see this type merchandise sold to any customer, or any one of our managers, or if this was brought to their attention, without question, we would say that we would like to refund all the money for these items that are below standard, and we would like to make that offer to you, sir. We do not believe you have been treated fairly. Our

policy is fairness in all of our dealings. We guarantee everything that we sell. I do believe that in this particular case it is possible that you may have caught a careless operation in a particular store, and I do believe that you did select those items for your particular point here. I assume that we had other merchandise on display of better quality.

Mr. REUSS. Well, I invite you to retrace my footsteps—

Mr. WINSTEAD. Yes, I will.

Mr. REUSS (continuing). And make an honest judgment—

Mr. WINSTEAD. All right.

Mr. REUSS (continuing). As to whether the merchandise offered in these and allied lines at your F Street luxury store are not of a superior quality to those at the other two poor-district stores.

Mr. WINSTEAD. This information is helpful to us, and I thank you for it.

Mr. REUSS. It is offered in that spirit, and I know you will—

Mr. WINSTEAD. Thank you, sir.

Mr. REUSS. Make the trip. And if you find what I found you may want to divvy up the cornucopia and treat all alike in the future.

Mr. WINSTEAD. Mr. Dogra, would you like to make a comment?

Mr. DOGRA. I would like to make a statement as manager of Safeway International.

Mr. REUSS. And congratulations, sir.

Are you going to make your bonus this year?

Mr. DOGRA. Yes, sir.

Mr. REUSS. You deserve it.

Mr. DOGRA. One thing I would like to mention is that every day during the day, four or five times a day I go over the produce stand. I have picked up worse peppers from my stand than this, you know.

Mr. REUSS. You are too modest. You go there today and every one is a State fair prizewinner.

Mr. DOGRA. Well, the only thing I can tell you is that our company tells us not to sell something that we will not buy. They are not telling just me this. They are telling every manager—we have bulletins on these—do not sell anything that you would not buy yourself. And I can tell you this that I have picked up peppers worse than this one—as a matter of fact, half a pepper, rotten, out of my produce stand.

Mr. REUSS. Have you kept them on sale?

Mr. DOGRA. No, sir.

Mr. REUSS. Well, that is the difference between you and the other two stores.

Mr. DOGRA. I am just mentioning our company policy, what the company asks us to do. If we do not do it, it is our own fault.

Mr. REUSS. Well, now, let me turn to an adventure I had at your store at Third and Massachusetts NE.

What number is that?

Mr. WINSTEAD. 568, sir.

Mr. REUSS. I there bought three cans of your Sea Trader light chunk tuna for 89 cents, and the charge slip which I have here properly identifies that—three for 89. You will notice that each one is marked three for 89.

Mr. ROSENTHAL. Did you identify the store?

Mr. REUSS. Yes. It is the Third and Massachusetts NE., store, in a poverty area.

I then noticed on the same shelf this sign, which I will admit I snitched and which I herewith return to you, "Light meat chunk tuna, 4 6½-ounce cans—\$1", and I bought three of those for 75 cents.

So on the shelf the unwitting shopper—and I will admit that my wife could well get a better shopper—could have bought an identical can of tuna for 25 cents a can or for 29 and a fraction cents a can. I bought one set of each.

Do you want to comment on this—

Mr. WINSTEAD. Yes, I would be very happy to comment on this.

Mr. REUSS (continuing). Slippage of the dream of the book price and the reality of the price paid by the consumer?

Mr. WINSTEAD. The price card that you exhibited here is a special price that is advertised in our advertising of four cans for a dollar, which is a special featured price on this item.

I would have to refresh my memory on the regular price, but I assume that the three for 89 is the regular price. This, too—

Mr. REUSS. But I bought them off the same shelf: one for 25 cents a can; one for 29-plus cents a can.

Mr. WINSTEAD. We have, indeed, made an error in the store. All of these items should have been changed to the four-for-the dollar price and should have been sold to you at 25 cents per can. That is an error. We again owe you a refund, which we would be very happy to pay.

Mr. REUSS. I then went to the poverty-area store, which has already been referred to at Seventh and C SE. And I there bought for \$1, three cans of Hawaiian punch marked three for \$1, and that is what I was charged.

However, standing over the cans of Hawaiian punch was a sign similar to this saying, "Hawaiian punch—three for 89 cents." Despite that sign, which is there, I was charged \$1 for three of them.

Can you explain that?

Mr. WINSTEAD. This—

Mr. REUSS. I have here—yes, I now have and make that as part of the exhibit, the sign "three for \$1," which I snitched and which I herewith return to you, as I did the other sign, "Priced as marked."

Now, the checking official charged me the \$1 price which appears marked on the can rather than the 89-cent price which was visibly marked on the slip which you hold in your hand.

Mr. WINSTEAD. The correct price on this item is three for a dollar, as marked. This three for 89 cents price sign was a special feature last week that ended Saturday, and I do not know the date—

Mr. COOL. Saturday night.

Mr. WINSTEAD. Last Saturday night. This is a case of the store not removing last week's feature item sign. And may I ask these managers, was this an advertised item?

Mr. TAHA. This was an advertised item last week.

Mr. WINSTEAD. This was advertised last week?

Mr. TAHA. Yes, sir. And Monday morning, going back to the original regular price, three for a dollar.

Mr. WINSTEAD. May I comment on this?

Mr. REUSS. If you have any doubt as to the existence of that sign, I welcome your making a personal verification, but I plucked it down within the hour.

Mr. WINSTEAD. I do not question that at all, sir. This is certainly a human error. I was giving you the reason for it, or at least my feeling of the reason.

May I ask this: did you call the checker's attention to this sign?

Mr. REUSS. No, I did not.

Mr. WINSTEAD. You did not.

Mr. REUSS. No, I did not.

Mr. WINSTEAD. Well, our checkers are instructed to sell at the price marked, and should a customer come to the counter with these items marked three for a dollar, and you would have said, "No, they were on the shelf at three for 89," it is our instructions for that checker to charge you at the lower price, as marked, and, of course, take immediate action to get the price changed at the retail level.

Mr. REUSS. I now show you the results of my forays into salad dressing at your poverty-area store at Third Street and Massachusetts Avenue, Northeast, the store we have already referred to.

Attorney Van Gemert, perhaps you can tell me how many ounces are there in a pint.

Mr. VAN GEMERT. I gather 16.

Mr. REUSS. I had the same difficulty. We must have been to the same law school. They never taught us that there. I frankly had to wrack my recollection, too.

At any rate, on the same counter there was, and I purchased a can of Nu-Made salad dressing for 33 cents consisting of 1 pint 6 fluid ounces. After I got out in the car, I did a little arithmetic and discovered that that was 22 fluid ounces.

I also bought for 33 cents each, two containers of the same salad dressing, each containing 12 fluid ounces.

Both of these purchases, the 22 ounces for 39 cents and the 24 ounces for—33 times 2 is 66 cents, were made from the same counter. If I had not been so inquisitive, I would have settled for this, but I did get one of these, too.

Does that seem to be a reasonable price differential?

Mr. WINSTEAD. I would have to check with manufacturer on production cost in this particular case, but before I go to that, I would like to make one point on the recording of the weight on that label. That item is sold throughout our division, and it is also sold in the State of Virginia.

The State of Virginia requires us to record weight on products by pints and ounces, not 24 ounces. So this is a law we must comply with or we would record it as 24 ounces, I am sure. But I cannot answer your questions on the relative value of the two pints versus the, or rather the two 12-ounce containers versus the 1-pint-6-ounce container, other than this is a special offer offered to us by our manufacturer in which a production run, or the cost of the product was such that it could be passed on to us and we in turn could pass it on to our customers. This is a special item in the 1.8-ounce container. Our regular price on that item I cannot give you. Possibly one of our managers can.

Mr. REUSS. But the fact is on your same counter the identical merchandise sold 22 ounces for 33 cents and 24 ounces for 66 cents, depending where the customer happened to reach; is that not so?

Mr. WINSTEAD. You are speaking now of two different containers.

Mr. REUSS. Yes.

Mr. WINSTEAD. And the packaging cost, or the container cost is a large part of the cost in the distribution of items of this nature.

Mr. REUSS. Do you think it covers the entire differential?

Mr. WINSTEAD. As I say, I could not answer that until I have looked at cost figures and production figures. I am not prepared to give that answer here, sir.

Mr. REUSS. Well, if you find that it does cover the entire price differential and the prices are in effect comparably priced, would you at this point in the record let us know what your research shows?

Mr. WINSTEAD. Yes, we will.

Mr. REUSS. For an hour and a half shopping tour over the lunch hour, I put it to you that quite a bit of human error was discovered, wasn't it?

Mr. WINSTEAD. Yes, sir. Thank you. We will certainly work on this.

Mr. REUSS. May I say, because I want to approach this in a constructive spirit, I applaud Safeway for operating food stores in poor areas. Another company might well have decided, we are just going to take the cream in the Northwest and in the suburbs, and your stores in the poverty areas which I looked at this noon were clean, decent, and served by very obliging sales personnel.

In the light, however, of what has been said by the three ladies this morning, and in the light of what we have developed here this afternoon, is it not possible that there could be something to what the ladies say, and that they are not motivated by vindictiveness but by an effort to secure fairer treatment for people in poorer areas?

Mr. WINSTEAD. I submit to you, sir, that I believe a logical error or a logical reason for human error, or basis for human error has been stated in most of these cases here.

Mr. REUSS. Are you willing to review the situation with respect to Safeway stores in the Washington district and see whether to a larger extent than obtains at present error or whatever it is can be avoided so that people in poorer areas can be assured of the same quality and the same price as people in wealthier areas?

Mr. WINSTEAD. Sir, I believe an exhibit such as you have shown here is helpful to us. It would be helpful to any business concern. I believe it is very vividly shown. You are to be complimented for it. It is our policy to correct errors of this nature and not only in our poverty area stores, but if they exist in any of our stores throughout our division, we would certainly want to correct errors of this nature. We would strongly work on problems of this nature.

Mr. REUSS. Thank you. No further questions at this time.

Mr. ROSENTHAL. Mr. Myers.

Mr. MYERS. Well, Henry, we are glad to have you back. It looks to me like during your lucrative noon hour you might have been arrested for speeding and pilferage.

Mr. REUSS. Well, I did act as an involuntary bailee of those signs which I knew the manager would want to have, and I thought the best way was to bring them to him directly, and he has been more than gracious. I don't think he will prefer charges.

Mr. MYERS. I have been sitting here anxiously. I thought you were going to pull a rabbit out of there pretty soon, too.

You mentioned the food stamps, and that you have to go to the bank to purchase the food stamps.

Would each of the managers tell me how far the nearest bank is from your store that you can get these food stamps at?

Mr. ALEXANDER. We don't get food stamps.

Mr. MILEY. We don't purchase the stamps.

Mr. MYERS. The customer does, though.

How far is it from your store to the nearest banks?

Mr. ALEXANDER. Two blocks.

Mr. MYERS. Two blocks. And it's about the same distance to another store, I think, in your testimony.

Mr. ALEXANDER. Yes.

Mr. MYERS. Store No. 6?

Mr. COOL. Three blocks.

Mr. MYERS. Still about the same distance.

Store No. 1, I guess, isn't it?

Mr. MILEY. May I say something?

My bank is within two doors of my store, but my customers that do live in the poverty area, in the high rise and the tenant houses have to go uptown somewhere to purchase their stamps.

Mr. MYERS. They can't get them at the——

Mr. MILEY. They can't get them at this bank. The people from uptown have to come down to my bank to purchase their stamps.

Well, my customers come in, they get the checks cashed. They take off uptown somewhere, wherever they are designated to cash their—to buy their stamps, and then they come back with the stamps and make the purchases.

Mr. MYERS. So they do pass other chainstores going to get their stamps?

Mr. MILEY. They do.

Mr. MYERS. OK.

How about—you don't have any food stamps, I guess, in your area.

Mr. DOGRA. No, sir.

Mr. MYERS. OK.

Mr. TAHA. I would like to elaborate on those unfortunate people who have to buy those food stamps.

They go to the bank and the bank refuses to cash their checks, even if they have the card to buy their stamps from there. The bank refuses and will not cash their checks.

Mr. MYERS. Their welfare——

Mr. TAHA. Absolutely. We have to cash those checks for them. And I have a few customers—we could not, as a matter of fact, deal with this——

Mr. MYERS. Does the bank just refuse, or do they do it for a charge?

Mr. TAHA. Absolutely. They do not cash them at all. And I talked to some people from the bank, and I talked to the public welfare people, and I requested them that they should go to the Welfare Department and tell them that the bank refuses to cash their checks, and they have to go outside, travel so long somewhere where they are known, like some people come in from an area in, let's say, Northeast or Southeast who used to live in my area. And we cash the check for them as a courtesy, and they never come back to buy a thing.

Mr. MYERS. How far do they have to go to get their food stamps?

Mr. TAHA. That depends on a designated——

Mr. MYERS. The nearest distance from your store?

Mr. TAHA. I think it's about seven, eight blocks to get the stamps. But those people have to get their stamps from Northeast.

Mr. MYERS. They could go from the bank to another store, then, as well as to your store?

Mr. TAHA. Absolutely.

Mr. MYERS. Another chainstore?

Mr. TAHA. Absolutely.

Mr. MYERS. And still be within the same distance?

Mr. TAHA. Yes.

Mr. MYERS. OK.

Now, we realize in these inflationary times—and we certainly do have them now—prices change such as we have seen here.

Now, the mechanics—how do you go about changing your price?

There was something here three for 89 and four for a dollar.

Now, how mechanically—what kind of a control do you use?

Do you wash it off and put a new price on, or how do you go about changing the price?

Mr. TAHA. The employee is designated to do this.

First we give him the list of the specials, and I have a copy of it. He has to turn this list back to me after changing the prices. And there is a note to that sheet stating "Prices all changed, price tags changed, signs posted."

The same thing he will do next week when he has to take them off. And then I take that sheet from him after he signs it, and I put it on file.

Mr. MYERS. You all have the same practice, then——

Mr. TAHA. Yes.

Mr. MYERS (continuing). Where an employee does it, and he finds he has done it.

Mr. TAHA. And in the meantime we check on this notice.

Mr. MYERS. Now, Mr. Winstead, you talked about a price and decline sheet that is sent out to the stores; is that correct?

Mr. WINSTEAD. That is correct; yes.

Mr. MYERS. Now, you send the same stores in this area the same price and decline sheet the same day—I believe that was your testimony.

Mr. WINSTEAD. Yes. As I—let me refer back.

As I stated, we have one price throughout the entire Metropolitan Washington price area. We have a price book in our dry grocery departments, a printed book. We have a printed price sheet in our produce department. We have a printed price sheet in our meat department. Any movement of price, either up or down within that price book, must be supported by an advance and decline sheet, and we send that advance and decline sheet from our central division office to all stores in this price area.

It is a printed sheet that says, in fact, an item either went up or went down.

And on this basis, the people in the store change the prices on the shelves. They record the inventory on hand for accounting control, and then they return a copy of this to our accounting department for the bookkeeping records.

Mr. MYERS. But they are all treated exactly alike as far as time is concerned?

Mr. WINSTEAD. That is correct.

Mr. MYERS. They are all sent the same day?

Mr. WINSTEAD. Each advance and decline sheet has a date, has the listing of all items, including the nomenclature, and it includes the new price and the effective date.

Mr. MYERS. The effective date is always the same?

Mr. WINSTEAD. Always the same.

Mr. MYERS. For every store?

Mr. WINSTEAD. For all stores within the division.

Mr. MYERS. OK.

Now, Mr. Alexander, I think you stated that if you did not keep the price exactly as it was stated in your pricing guide, that you would be subject to supervision and possibly termination.

Now, how many people, Mr. Winstead—have you had any termination, we will say, in the last 2 years for this purpose? Have any managers been reprimanded in any form whatsoever?

Mr. WINSTEAD. I have no personal knowledge of the termination of a manager for this act. However, I will state that we would terminate a manager if he violated policy of this nature. And we would be—we would act very rapidly on something like this.

Mr. MYERS. Could I ask for permission, Mr. Chairman, that you might check for the last year and see if there has been any manager in your division who has been discharged or been reprimanded for price increases beyond your price fixing, your price book?

Mr. WINSTEAD. You are asking if we have this?

Mr. MYERS. Yes.

Will you send us a record of whether there has been?

Mr. WINSTEAD. Yes; we would be very happy to.

(The information follows:)

SAFeway STORES, INC.,
Landover, Md., October 31, 1967.

HON. BENJAMIN S. ROSENTHAL,
Chairman, Special Studies Subcommittee, Committee on Government Operations,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN ROSENTHAL: During Safeway's appearance on Thursday, October 12, 1967, before the Special Studies Subcommittee, we were requested to check our records and advise whether, during the year preceding our appearance, any store manager in Safeway's Washington, D.C., Division had been discharged or reprimanded for violation of Safeway's policy prohibiting managers from pricing or selling merchandise above the centrally announced "book" prices.

This will advise that there have been no instances during the past year of any store manager in this division having deliberately priced or sold merchandise above "book" prices. As we testified, we have various internal controls which would enable us to detect any such violations of our policy. These controls include internal price checks by personnel at various managerial levels, some of whom have no responsibility for retail operations. The price checks made during the past year disclosed only the infrequent errors that, unfortunately, cannot be avoided in an operation involving thousands of employees, thousands of items, and millions of transactions.

The checks showed that these errors usually occur on slow-moving, infrequently purchased items, and resulted in a random, mixed pattern of both "under" and "over" the book prices.

Our records showing the store managers' compliance with our policy prohibiting the selling of merchandise over the "book" prices, have been turned over to the Federal Trade Commission, and have not yet been returned to us.

We shall appreciate it if the subcommittee will have this response inserted at the appropriate place in the hearing record.

Sincerely yours,

BASIL WINSTEAD,
Vice President and Division Manager,
Washington, D.C., Division.

Mr. MYERS. Now, this turnover in merchandise such as the thing you have out here, that is pretty hard to control, is it not?

How do you break down—I remember back in the Army you had ration breakdown. How do you break down; send merchandise to one store or the other?

Do the same trucks deliver to all your 150 stores here in the—

Mr. WINSTEAD. We operate 236 supermarkets in this division. We also operate a division center at Landover, Md. It's a large division center. We serve all the stores throughout this division from the same produce warehouse.

I will direct my comments to the produce warehouse because I think this is the question in your mind.

Mr. MYERS. They are all served out of the same warehouse?

Mr. WINSTEAD. They are all served out of the same warehouse.

Mr. MYERS. At the same time?

Mr. WINSTEAD. Not necessarily at the same time.

Mr. MYERS. Oh, then, this could be the victim of a turnover. People don't buy bib lettuce at the same rate as they do in another store; is that right?

Mr. WINSTEAD. The local store managers order merchandise as they need it. The frequency of delivery will range from three deliveries per week to six deliveries per week, and that would occur primarily based on the volume of the store, the holding facilities at the store and various factors such as that.

Mr. MYERS. In other words, due to turnover they have some bib lettuce at Seventh and, what, C, SE.—this one store where it was kind of dilapidated—

Mr. WINSTEAD. That is right.

Mr. MYERS. And at the International, maybe they use a lot more, and therefore they have better quality. Is that what you are saying?

Mr. WINSTEAD. I don't know the movement of items in these three stores concerned, but I can say from personal knowledge of the store, I would suspect we sell more of these three items in the—Mr. Dogra's store than we probably sell in all the other stores that you have mentioned.

Mr. MYERS. Then this would be one reason why you would get better produce there.

But then as to the fixed items, there is no—

Mr. WINSTEAD. There's no excuse.

Mr. MYERS. It's sloppy operation.

Mr. WINSTEAD. This is not right.

Mr. MYERS. Now, what kind of records—I suppose you keep some kind of records on—I think you called them distress items, didn't you?

Mr. TAHA. This item, of course, this is not fit for distress. This has got to go into the garbage can. Distressed—items to be distressed have to be of good quality. Before we lose the quality of the item, we must distress it. We have to make a survey and see.

Suppose the warehouse sends me a unit of Boston lettuce. I know the movement of my store amounts to zero. And instead of sending that unit the next day or the third day back to the warehouse, to eliminate all that expense I will take the initiative either to distress it at a very low price, or try to exchange it with one of my stores around the area.

Mr. MYERS. Then some stores who might have an outlet for distressed items will buy this?

Mr. TAHA. Not the distressed, no, not distressed. I distress myself. If I feel I could transfer it to another store, I would send it there.

Mr. ROSENTHAL. What store would you transfer it to?

Mr. TAHA. Within my area, I have nobody right now, but I am talking about in the past.

Mr. WINSTEAD. May I address myself to that point, Mr. Chairman?

Mr. ROSENTHAL. Yes, sir.

Mr. WINSTEAD. I think there may have been a point of misunderstanding in Joe's comment, and we may have left the wrong impression.

We do not transfer this merchandise from one store to another store within the area. If Joe makes a mistake in ordering, Joe sells it. If any of the other men make a mistake in ordering, they sell it. If any of the other men make a mistake in ordering, they either throw it away, distress it or dispose of it, passing the savings on to their customers.

We ship every item from this produce warehouse to every store in the Washington, D.C., division based on a code number. Any of these three items came from the same produce warehouse at Landover, Md. They were ordered under the same code number. They were shipped at the same, or generally the same weights and of the same quality from the same stack in the same warehouse, regardless of what area we shipped the item to.

Mr. MYERS. Well, now, let me ask you, does the manager have a distress allowance or a throwaway allowance on perishable goods? Is he allowed so much—

Mr. WINSTEAD. Would any—

Mr. TAHA. No; there's no allowance.

Mr. MYERS. It comes out of your profit.

Mr. TAHA. It depends how smart you are and how you operate.

Mr. MYERS. It comes out of your net profit.

Mr. TAHA. Of course.

Mr. MYERS. If it is thrown away, it affects your net profit. There would not be any benefit—

Mr. TAHA. I would give the benefit to the customer and give the benefit to myself before I threw it in the garbage—while it is of good quality. I would not distress it if I wouldn't buy it myself. That is one single standard we have and I have myself, too.

Mr. MYERS. But here are some peppers that you say should not be sold. But if there is no throwaway allowance, the manager is going to try and sell it, is he not?

Mr. TAHA. Not this, no.

Mr. MYERS. That is your judgment, but you have 149 other managers here who may try to sell it. You didn't make your bonus, either.

Mr. TAHA. They are marked down, which is allowed, but every month we have an inventory in the produce department or meat department which shows actually the percentage of the spoilage in that store.

Mr. MYERS. Yes, but that still comes out of your profit. There is no allowance for you, is there?

Mr. TAHA. You are not going to get out of this. It's always going to come out some way or another. We cannot sell 100 percent of everything we get.

Mr. MYERS. Safeway does not allow you a certain percentage of your perishables that you can throw away before it is charged to your store, do they?

Mr. TAHA. No.

Mr. WINSTEAD. Mr. Chairman, may I comment on this?

Mr. MYERS. Sure.

Mr. WINSTEAD. There is an acceptable or a reasonable percentage of spoilage expected in a perishable operation such as produce, and certainly we observe that percentage for all of our stores. But under no condition do we set a quota or a tolerance figure on produce or any other perishable item for a retail store. We insist that the store managers sell only that type merchandise that they themselves would buy. Merchandise of this nature, as Joe has said, should go in the garbage can.

Mr. MYERS. If the price is right, I will buy. Heck, it is not to be completely thrown away.

Mr. WINSTEAD. That becomes a distress action which they have a prerogative of doing.

Mr. MYERS. Let me say, the poor people are not all out there.

See that tear? I have worn a torn shirt here today, sir.

Mr. WINSTEAD. We are trying real hard, too, sir.

Mr. MYERS. You are not with the right company, though.

Mr. MILEY. May I make a comment?

Any customer coming in a store with food stamps would not buy any of that merchandise there. They would not buy that pepper. So eventually it's going to be thrown away. This again with all due respect—

Mr. ROSENTHAL. Why wouldn't they buy that?

Mr. MILEY. Because it is not quality merchandise. They are the most particular customers that we have in buying quality merchandise. They would not buy that pepper. They would not buy the second pepper. The third pepper they would have bought.

Mr. ROSENTHAL. You mean the people on welfare are the most discriminating shoppers?

Mr. MILEY. They are the most particular ones, I will say, that we have.

Mr. ROSENTHAL. Most sophisticated?

Mr. MILEY. Well, sophisticated, I don't know about sophisticated, but they want their money's worth. They would buy neither one of those peppers.

Mr. MYERS. I would like to ask you one more question.

You speak about your periodic inspections which vary from time to time. They are on no given day; is that correct?

Mr. WINSTEAD. That is right.

Mr. MYERS. Do you keep any record after you make this inspection? Do you keep any record that you did inspect this and what the inspector found upon inspection, visiting this store?

Mr. WINSTEAD. We have a district established usually of about 14 stores and this district manager is the direct, is directly responsible for his stores in the district. And, yes, there is information on when he

visits stores and certainly some information on what he actually does in this store.

Mr. MYERS. He reports back to his supervisor, then?

Mr. WINSTEAD. He reports back to his retail operations manager.

Now, most of our work that is performed at the supervisory level, meaning the store managers' supervisory level, and the district managers' supervisory level, simply by the nature of retail business is handled verbally. In other words, we wouldn't have to write a manager a letter to tell him to get that pepper in the garbage can—whether I visited the store or any one of these other people. This would be something that you would tell the manager right on the spot, to take care of it, or the produce department manager.

Mr. MYERS. Do you do any—

What do you call that when you go out and spot buy without the manager knowing it?

Mr. MILEY. Spot check?

Mr. MYERS. Well, you go out and purchase, make purchases.

Mr. WINSTEAD. Yes, we do.

Mr. MYERS. Does the inspector always report to the manager so he knows he is there?

Could I go in on Monday morning maybe and buy—

Mr. WINSTEAD. No, he does not.

Mr. MYERS. They call that a type of buying—comparative shopping.

Mr. WINSTEAD. Yes. That is correct.

Mr. MYERS. Do you do that—does your store engage in that kind of—

Mr. WINSTEAD. We have on occasion.

Mr. MYERS. How occasionally?

Mr. WINSTEAD. It's handled through our security department when we want a shopping of a particular store, and we most times have a particular reason for shopping a store, or we want a special check on a store.

Mr. MYERS. But you have no periodic inspection of your 150 stores in this chain, in this division?

Mr. WINSTEAD. It would be based on, again, the anticipated need or the expected need.

Mr. MYERS. But there is no regular—you have no program, then, do you? It is only when you suspect something?

Mr. WINSTEAD. We are addressing ourselves to the point of outside shopper service. The outside shopper service is not a regularly scheduled program but on a request basis as needed, and we have on occasion had that. And if we need service of this nature, we would request it.

Mr. MYERS. But no program—you have no such program. Did I understand that correctly?

Mr. WINSTEAD. I meant no regularly scheduled program.

Mr. MYERS. Okay.

Mr. WINSTEAD. That is correct.

Mr. MYERS. I think that pretty well covers the questioning. Thank you very much.

Mr. ROSENTHAL. Congressman Gude?

Mr. GUDE. Thank you very much, Mr. Rosenthal.

I am not a member of this subcommittee. I appreciate the courtesy of being able to sit in on this hearing.

There is one question I would like to ask.

I am a cosponsor of a rather strong meat-inspection bill with Congressmen Smith and Foley, and others, and this has to do with getting additional meats included under Federal inspection.

We have received samples of meat that were purchased in Maryland that were not inspected by the Department of Agriculture, and a number of them were of poor quality, and adulterated, and so on.

What type of meats do you handle? Is it USDA inspected?

Do you handle meats that are not inspected by the Department of Agriculture?

Mr. WINSTEAD. We are so proud of our meat reputation. That is the most important part of our store. We sell only USDA-inspected, choice-grade beef in our stores, and we sell some prime beef.

Other items, I would have to refresh my memory on the source of origin on the other meat items, but we always buy the best top-quality merchandise, whether it be packaged, carcass, or whatever product it might be. I am not familiar enough with the grades of which you speak to make a definite statement on some package items that might be sold in the store.

Mr. GUDE. The meats that were purchased in these particular samples, in these surveys, were uninspected. I mean they weren't marked "inspected" by the Department of Agriculture.

Do you handle meats that are not inspected by the Department of Agriculture?

Mr. WINSTEAD. I would like to refer to our records on that, but I would like to make this comment, and then I will explain to you why I want to refer to records.

We operate a meat warehouse along with the other warehouses in this distribution center. We ship meats to all stores in the division from the one central warehouse. This warehouse is under U.S. Government inspection—complete.

Now, the reason I asked deference on the one question, on occasion in some localities we buy some delicatessen items, as an example, at a local source, and I cannot truthfully give the full answer on that until I have had an opportunity to look at all the records.

Mr. GUDE. Well, would you mean, then, that all of your fresh meats are USDA inspected?

Mr. WINSTEAD. No question about beef.

May I refer to records on this, please?

Mr. GUDE. I wonder if you could give us a statement at this point in the record on meat.

Mr. WINSTEAD. In my comment on full U.S. Government inspection, of course, I referenced our warehouse information. I would like to get the background before I answer fully, sir.

(The information was subsequently furnished, as follows:)

SAFEWAY STORES, INC.,
Landover, Md., October 31, 1967.

HON. BENJAMIN S. ROSENTHAL,
Chairman, Special Studies Subcommittee, Committee on Government Operations,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN ROSENTHAL: During Safeway's appearance on Thursday, October 12, 1967, before the Special Studies Subcommittee, we were requested to submit for the hearing record a statement regarding the extent to which the fresh meats stocked by the stores in Safeway's Washington, D.C. Retail Division, were inspected by the U.S. Department of Agriculture.

This will advise that all fresh meats stocked in this Division are inspected by the Meat Inspection Division of the U.S. Department of Agriculture.

Sincerely Yours,

BASIL WINSTEAD,
Vice President and Division Manager,
Washington, D.C., Division.

Mr. GUDE. In regard to the district managers, their job is the routine checking of prices—I mean that is one of their duties.

Mr. WINSTEAD. The district managers are totally responsible for the management and the operation of the stores in their particular district, and price checks are a part of both their responsibility and duty. And they are completely responsible to see that proper prices are charged in those stores under their supervision at their level.

Mr. GUDE. All right.

How many stores on the average does each district manager supervise?

Mr. WINSTEAD. Average, about 14 stores per district.

Mr. GUDE. Per district?

Mr. WINSTEAD. That's right.

Mr. GUDE. One manager has 14 stores?

Mr. WINSTEAD. Approximately.

Mr. GUDE. Would there be any rough estimate that could be made of what percentage of their time is spent checking food prices, or is it lumped in with the many other duties on visiting the stores?

Mr. WINSTEAD. We have not made a complete time study on this particular facet of our business. We do not have that information.

Mr. GUDE. Well, Mr. Chairman, I certainly want to congratulate you on having these hearings. I think this is a two-edged sword. Certainly, you know, if evidence could be uncovered that systematically lower prices were charged in, you might say, areas where there was a higher economic level, why we certainly should take some very direct action. On the other hand, if this cannot be proven, I think that full public record should be made of that, also, in fairness to the chainstores.

Mr. ROSENTHAL. Thank you, Congressman.

Mr. WINSTEAD. Mr. Chairman—

Mr. ROSENTHAL. We are going to try and finish in 5 minutes because we have one other witness today.

Mr. WINSTEAD. May I comment?

Mr. ROSENTHAL. Yes, sir.

Mr. WINSTEAD. Make one comment on district management, please? And I think this is important.

You have here these store managers today, and the three stores referred to as poverty-area stores managed by three managers here are in fact on three separate districts. Our districts come in in a wedge shape to the city. These are all in different districts managed by a different man in each case.

Mr. ROSENTHAL. Mr. Dogra, you represent what we have classified, or what the women have classified as store No. 6?

Mr. DOGRA. Yes, sir.

Mr. ROSENTHAL. Yours is really a quality store and apparently sells quality merchandise.

Have you seen this chart before that's up on the wall?

Mr. DOGRA. Yes, sir.

Mr. ROSENTHAL. And you can see that for your store prices are

consistently in keeping with what we understand to be the book value of the company and in this regard you are to be congratulated.

Mr. DOGRA. Thank you.

Mr. ROSENTHAL. How do you—how could you explain the price differentials showing on that chart for stores 1, 2, and 3?

Mr. DOGRA. Sir, I can't explain it. I don't believe it, because I have worked in the Southeast area. I have worked in the store where the first of the month we used to get relief checks with the policy at that time that I am following in this store. There hasn't been any change in the policy of pricing or any other thing. To me I just couldn't believe it.

Mr. ROSENTHAL. You can't believe it?

Mr. DOGRA. No, sir. It's unbelievable. I think it's—I hate to say it—it's just not true. I just couldn't believe it.

Mr. ROSENTHAL. Mr. Winstead, do you occasionally have meetings with your district managers and with your store managers?

Mr. WINSTEAD. Yes, sir. We have regularly scheduled district managers' meetings at the division office. These are always scheduled regularly every 4 weeks and more often when necessary.

Mr. ROSENTHAL. How often do your district managers meet with your store managers in terms of—

Mr. WINSTEAD. I think you will find most district managers have a store-manager meeting, also, each 4-week period, and this also can change. When a number of subjects need to be discussed, they will call them in more often. Possibly these managers could give you the frequency of their meeting as a group with their district manager.

Mr. ROSENTHAL. Would you say that the theme for those meetings and your meetings with the supervisors is how to increase sales, how to increase net profits?

Mr. WINSTEAD. The theme for most meetings naturally includes sales and profits. Sales are the lifeblood of our business. We also include in those meetings all other items of interest or need for the improvement of the operation within our store. It may include items about personnel. It may include items about merchandising.

Mr. ROSENTHAL. In other words, you are not prepared to say that increasing sales or increasing volume is the principle thrust of these meetings?

Mr. WINSTEAD. The principle thrust of these meetings is successful management and merchandising of retail food stores. Sales are the byproduct of that type management.

Mr. ROSENTHAL. Now, if an individual manager was under the gun to increase his net profits, and if he had a store where he had virtually no competition from another major supermarket chain, and if he had a large number of customers whose principle source of income arrived around the first of the month, he could increase his net profits by raising prices for a few days around the first of the month; is that correct, if he was so disposed?

Mr. WINSTEAD. I would like to say that this is not in fact true in the supermarket business. Practices of this kind would be a deterrent to sales.

Our business is built on a premise of—we are volume-oriented. We are sales-oriented. These people understand sales figures. They also understand dollar gross, which might be a lesser percentage of gross but, because of the volume, yields them a much better return for their particular store.

Mr. ROSENTHAL. If he wanted to increase—if he had what we consider, at least what I consider to be a captive customer in his immediate

area, and if he wanted to increase his net profit, and if the first of the month was the time when these people principally had their source of income, he could raise his gross income by raising prices for a few days.

Mr. WINSTEAD. I do not—

Mr. ROSENTHAL. He could, if he wanted to.

Mr. WINSTEAD. I do not believe this could occur. This is a short-sighted view of the operation of a supermarket.

Mr. ROSENTHAL. Is it your view that people who buy in supermarkets know from day to day and week to week what prices are?

Mr. WINSTEAD. I would suspect that the knowledge of prices today would be in the neighborhood of double or even as much as three times as important a factor in the mind of a customer as it was just 2 years ago in our business. I believe most supermarket shoppers believe themselves to be sophisticated, and I am using that word because that word was used in questioning some of our people.

I believe they believe that they are sophisticated. I believe that they believe that they are knowledgeable. Price is a factor in our economy. Money is not plentiful—

Mr. ROSENTHAL. If they have nowhere else to go, price is not as important a factor as if they had an option to walk across the street.

Mr. WINSTEAD. I would question whether we can say that the people in Washington, D.C., have no other place to go. This city is covered with supermarkets, and we have surrounding-area supermarkets—

Mr. ROSENTHAL. At your store No. 1 they have no place else to go. The welfare client has nowhere else to go.

Mr. WINSTEAD. I do not agree with that, sir.

Mr. ROSENTHAL. Well, they would have to get a car to go somewhere else. A welfare recipient would have to get a car to shop outside of your No. 1 store if he lived in public housing next to your store.

Mr. ALEXANDER. They find transportation. On the first of the month we have anywhere from six to seven Cadillacs pulling into our package pickup for welfare recipients. So I am sure that this Cadillac could make it to Northwest Washington. We have six to seven every month with Cadillacs.

Mr. ROSENTHAL. Do most of the welfare people come there in Cadillacs?

Mr. ALEXANDER. I don't think many in Northwest come in Cadillacs; no, sir.

Mr. ROSENTHAL. I am just trying to find out, Mr. Winstead, is it mechanically possible— I know you and your people suggest that it has never happened. I am just trying to find out, is it mechanically possible to do what these ladies imply happened?

Mr. WINSTEAD. I do not believe this is mechanically possible to happen without us knowing about this at our division office, because we operate a customer service department. It is listed in the book. It can be reached by telephone.

Mr. ROSENTHAL. Do you think these welfare recipients know that, know how to find it?

Mr. WINSTEAD. I believe they certainly could use it. Welfare recipients are more knowledgeable today than possibly we give them credit for.

Mr. ROSENTHAL. Is it possible to have happened without your knowing about it?

Mr. WINSTEAD. I do not believe that it could happen without me knowing about it.

Mr. ROSENTHAL. So that if it did happen, you, of course, would have been a party to this.

Mr. WINSTEAD. I repeat my statement that I do not believe this could happen without me having some indication of it occurring, or people reporting directly to me having sufficient information on it to give me the information on the problem.

Mr. MYERS. Mr. Chairman, may I ask a question here relative to this?

You say you keep some records.

Do you have any records where you have made inspections of these three questioned stores here about the date of September 1, any place close to that date so you can substantiate whether these stores are true or not?

Mr. WINSTEAD. I would have to refer to records to get you the specific items.

Mr. MYERS. Well, if you have them, can you send them to us, if you made an inspection of your stores about that time?

(No information was received by the subcommittee.)

Mr. WINSTEAD. May I refer to counsel?

(Short interval.)

Mr. WINSTEAD. Mr. Myers?

Mr. MYERS. Yes.

Mr. WINSTEAD. You referred to a check on these stores. At the time of receipt of this survey at approximately 11 o'clock on October 2, three people were dispatched from our buying department and our grocery merchandising department to make an on-the-spot check.

Mr. MYERS. The day after the first, on October 2.

Mr. ROSENTHAL. That was after the complaint was received.

Mr. MYERS. Yes. That's about the date some people receive their checks, wouldn't it be?

Mr. WINSTEAD. The date of the first this prior month, or this present month was on a Sunday. So check day, as it's known, was really, in fact, the 2d. The date of receipt of this letter was the 2d in my office at about 11 o'clock. We had three of our buyers check prices in these three stores.

Mr. MYERS. These three stores?

Mr. WINSTEAD. These three stores.

Mr. MYERS. One, two, and three.

Mr. WINSTEAD. One, two, and three—without the knowledge of these managers, and I do not believe the managers knew those people. They may have known one of them, but I question whether they knew the others at all, and we made a check of these items, and we did not reveal this pattern in our check on October 2 which was, in fact, welfare check day and also food stamp day in the three stores shown in this chart.

Mr. MYERS. You found no irregularities then?

Mr. WINSTEAD. Yes, we did find an irregularity. We found an error on peas, the regular price being three for 59, and the price on one can on a shelf was five for a dollar, similar to this problem here. We found an error on eggs and —

Mr. ROSENTHAL. Was the error up or down?

Mr. WINSTEAD. The error up on peas was one-sixth of 1 cent up, one-sixth, sir. Three for 59 versus five for a dollar is one-sixth of 1 cent difference.

We found an error on eggs, and I am not sure the number of dozen involved, but it was three or four dozen eggs. I would have to refer to records to give it to you exactly.

Mr. MYERS. Was this in one store or all three stores you found this same pattern?

Mr. WINSTEAD. I found this pattern in store No. 869, which is Sixth and H, and I found no errors in store No. 730 at all. We found one error in store No. 828, Town Center, in which Crisco was marked at 89 cents, the correct price is 86.

Mr. WASSERMAN. Pardon me, Mr. Chairman. I think his arithmetic is wrong—on what you said was the difference per can on peas.

Mr. WINSTEAD. Correct me on my arithmetic if I am in error. The price was marked—the correct price was three for 59.

Mr. WASSERMAN. Three for 59 and six for a dollar.

Mr. WINSTEAD. Five for a dollar.

Mr. WASSERMAN. Oh, five for a dollar. I am sorry.

Mr. WINSTEAD. I believe I am correct.

Mr. ROSENTHAL. Crisco was 6 cents over book price?

Mr. WINSTEAD. Crisco was incorrectly priced in the Town Center store.

Mr. ROSENTHAL. How do you explain that?

Mr. WINSTEAD. I think this really—that item could be explained logically.

Mr. ROSENTHAL. That was 3 cents over book value.

Mr. WINSTEAD. This is an item priced in which the number also could be interchangeable. We have some problems with errors in our pricing where the numeral 8, which is reversible either way, and the numeral 6 or 9 reverses the value when it is reversed, and this is particularly true where you use a band marker, and the employee looks at the marker's head directly and when it turns it reverses it, and this is a problem. We may mark a 99-cent item through error at 66 cents on the same premise.

Mr. ROSENTHAL. Which way do you think it happens, 99 for 66 or 66 for 99?

Mr. WINSTEAD. I don't believe I could give you the details on that.

Mr. ROSENTHAL. Thank you very much.

Thank you very much, gentlemen.

Our next witness will be Mr. William H. Bozman.

(Short interval.)

Mr. ROSENTHAL. Mr. Winstead, this survey of October 2; would you send us a copy of that so we can put it in the record?

Mr. VAN GEMERT. Sir, we will have to get it back from the FTC.

Mr. ROSENTHAL. You can send us a photostatic copy, can't you?

Mr. VAN GEMERT. Sir, the FTC can give you anything that we gave to them.

Mr. ROSENTHAL. If you can make a copy of it, all right.

Mr. VAN GEMERT. All right.

(The material referred to follows:)

SAFeway STORES, INC.,
Landover, Md., October 31, 1967.

Hon. BENJAMIN S. ROSENTHAL,
Chairman, Special Studies Subcommittee, Committee on Government Operations,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN ROSENTHAL: During Safeway's appearance on Thursday, October 12, 1967, before the Special Studies Subcommittee, I testified that on

October 2, within minutes after opening the letter from the Ad Hoc Committee on Equal Pricing, I sent three buyers from the division office to the three poverty area stores in which we were charged with having raised prices, to check and record the prices on the 10 items questioned.

Pursuant to the request you made during the hearing, I'm enclosing photocopies of the three October 2 price check reports by the three buyers, together with the related material turned over to the Federal Trade Commission. This consists of (1) the certifications of the three buyers to the effect that they commenced their price checks at approximately 11:30 a.m. on October 2, and that at the time they conducted the checks they did not know either the book prices or the prices set forth in the complaint letter, and (2) a tabulation comparing the price check results with the book prices on the 10 items.

Our store managers have testified in the Federal Trade Commission hearings, that these three price checks were made without their knowledge, and before they were aware that any complaint had been made against Safeway.

When I first read the complaint letter at about 11 a.m. on October 2, it was clear to me (as it still is) that we were being charged with raising our prices in poverty area stores, around the first of every month, and not just on September 1. I therefore ordered immediate price checks made of the three stores complained about, and without the knowledge of the store manager, for if the charges were true (which I could not conceive) the price checks would necessarily reveal raised prices on October 2.

However, out of 30 instances (three stores, 10 items per store), the October 2 price checks showed only four deviations from the book prices. One was the reporter's error in recording the wrong brand. One was an error in price marking, where a "6" was reversed and appeared as a "9". The other two involved only one can of peas, and one carton of eggs, the other shelf stock of those products being properly marked with the book price.

The subcommittee will note that the buyer's certification for store No. 730 has been conformed to the original in the possession of the Federal Trade Commission. If the subcommittee wishes to inspect or copy the original of that certification, or of any of the attached material, we are hereby authorizing the Commission to make the originals available to the subcommittee for that purpose.

We shall appreciate it if the subcommittee will have this letter and the attached material inserted at the appropriate place in the hearing record.

Very truly yours,

BASIL WINSTEAD,
Vice President and Division Manager,
Washington, D.C., Division.

EXHIBIT A.—PRICE CHECKS CONDUCTED BEFORE NOON ON OCT. 2, 1967, BY RETAIL DIVISION STAFF, PURSUANT TO INSTRUCTIONS OF DIVISION GROCERY MERCHANDISING MANAGER IN "POVERTY STORES" NOS. 730, 828, AND 869

[Checks covered items listed in attachments to letter of Sept. 29, 1967, and summary of tabulation of results is shown below]

Item	"Book" price as of Oct. 2, 1967	Price at—		
		Store No. 730	Store No. 828	Store No. 869
	(1)	(2)	(3)	(4)
Townhouse peas, 16-oz.....	3 for 59 cents....	3 for 59 cents....	3 for 59 cents....	3 for 59 cents. 5 for \$1.1
Del Monte cling peaches, 30-oz.....	2 for 63 cents....	2 for 63 cents....	2 for 63 cents....	2 for 63 cents.
Crisco, 3-lb.....	86 cents.....	86 cents.....	89 cents.....	86 cents.
Cheerios, 7-oz.....	23 cents.....	23 cents.....	23 cents.....	23 cents.
Breakfast Gem eggs, medium.....	39 cents.....	39 cents.....	39 cents.....	39 cents. 43 cents. ²
Domino sugar, 5-lb.....	61 cents.....	Out.....	61 cents.....	61 cents.
Washington self-rising flour, 5-lb.....	65 cents.....	65 cents.....	65 cents.....	65 cents.
Gerber's strained baby foods.....	6 for 65 cents....	6 for 65 cents....	6 for 65 cents....	6 for 59 cents. ³
Bananas.....	17 cents.....	17 cents.....	17 cents.....	17 cents.
Lettuce.....	25 cents.....	25 cents.....	25 cents.....	25 cents.

¹ 2 cans on shelf: 1 marked 3 for 59 cents; other one 5 for \$1.

² Only 1 carton at 43 cents; remaining eggs, full case, at 39 cents.

³ Upon noting price, checker realized that this was price for Beechnut rather than Gerber strained baby food.

Mr. ROSENTHAL. Do I pronounce it correctly? Is it Mr. Bozman?

Mr. BOZMAN. Yes, sir.

Mr. ROSENTHAL. Mr. Bozman, do you have a prepared statement?

Mr. BOZMAN. Well, sir, I have some—

Mr. ROSENTHAL. Could you identify yourself and your colleagues, and if you have a prepared statement, you may commence. And if you have not, you may commence, too.

Mr. BOZMAN. Ok. Thank you.

STATEMENT OF WILLIAM BOZMAN, DEPUTY DIRECTOR, COMMUNITY ACTION PROGRAM, OFFICE OF ECONOMIC OPPORTUNITY; ACCOMPANIED BY GARY ELLIS, CONGRESSIONAL RELATIONS STAFF; RICHARD SAUL, COMMUNITY SERVICES DIVISION; OLLIE TAYLOR, FIELD DIRECTOR, WATTS CONSUMER ACTION DEMONSTRATION PROJECT

Mr. BOZMAN. Mr. Chairman, I am William H. Bozman, Deputy Director, community action program, Office of Economic Opportunity.

Mr. Shriver regrets that he had a prior commitment preventing him from appearing before your subcommittee, sir.

I have with me Gary Ellis of our congressional relations staff; Richard Saul of our Community Services Division; Ollie Taylor, who is field director of our Watts consumer action demonstration project. He happens to be in the District for a training program, and I thought he would be interested in what you gentlemen are doing.

Mr. ROSENTHAL. We would be more interested in what he is doing.

Mr. BOZMAN. We at OEO share your concern for the problems of the low-income consumer—and we know that these problems are many. The recent news stories in our own Washington newspapers are, unfortunately, not unique. They are being duplicated in other cities. In Philadelphia angry consumers are running their own candidate for mayor on a consumer protection ticket. There is increasing evidence to suggest that discontent and disorder in cities across the country are in no small part consumer revolt against a system that has for years permitted the unscrupulous to take advantage of those least able to pay—a system that has at the same time deprived the poor of any real choice in the quality of goods they can buy, the prices they pay or the method of financing or source of credit available to them. OEO is convinced that the consumer problems of the poor must be solved if they are ever to be victors in the war against poverty. Traditional programs of consumer education are not the answer. Changes must come in the economic and legal structure of the marketplace. New institutions must be built which serve the needs of poor people in ways which permit them to improve their standard of living and give them greater economic freedom rather than making them victims of spiraling indebtedness, wage garnishment, the confession of judgment, and powerless before the holder in due course.

You have asked what we at OEO have in the way of hard data to support the charges of price gouging and other forms of exploitation of the poor consumer. We have a little and we need much more; but we have enough to know that we must be committed to a program which will bring about the needed changes and which will develop the needed

institutions. We are committed to such a program, which we call consumer action, and through this program we plan to accumulate the hard data which can guide us, as well as the Congress, other Government agencies, and the business community in helping to provide the means to a better life for millions of poor people.

PLANS FOR ACQUIRING HARD DATA

OEO has under its research and demonstration program funded five new consumer action projects in Chicago, Tulsa, the Watts area of Los Angeles, the Bedford-Stuyvesant area of Brooklyn, and in rural Appalachian Ohio. We also have an ongoing program in the San Francisco Bay area. In addition, a number of community action agencies across the country have strong and active consumer action components which have been started this year.

We are now developing a comprehensive plan to use these programs as sources of hard data on consumer problems of the poor. Directors of these projects are being invited to attend a conference in Washington during the week of October 23, a major part of which will be devoted to the design of an indepth analysis of the consumer problems in the areas they serve, and an ongoing system of fact retrieval which will build a solid base of knowledge about the nature and scope of consumer problems in low-income neighborhoods.

These studies will include the pricing, quality of merchandise and credit practices of existing retail facilities, as well as more precise definition of the needs of the residents for goods, services, transportation, and credit which are not now being met.

These studies will seek answers to specific questions such as the relation of pricing to welfare check issuance, the shifting of produce from high-income area stores to low-income area stores, availability of advertised specials, bait and switch selling, interest and carrying charge rates on installment purchases, repossession practices, and other similar issues about which we have some knowledge and about which allegations have frequently been made. At the same time we will be prepared to discover new facts that we do not now know.

FACTS WHICH WE NOW HAVE

What do we now have, first, in terms of hard data, concerning whether the poor in fact do pay more?

Under a contract financed by OEO, The Bureau of Federal Credit Unions, has for over a year been conducting courses in credit union operations and management called Operation Moneywise. As part of these courses, the trainees have conducted comparison shopping trips in seven different cities, pricing television sets in low-income areas in the so-called easy-credit stores, and also in ethical downtown stores. Although the quoted prices resulted from a training demonstration and should not be considered official Government figures, they are revealing, consistent, and certainly as reliable as any other figures available.

Mr. Chairman, I will only cite a few typical examples here, and I am furnishing with my prepared statement a complete set of the comparative shopping analyses for Washington, D.C., New York City,

New Orleans, Los Angeles, Chicago, Miami, Florida, and Boston, Mass.

Some examples: In Washington, D.C., a portable Admiral television set selling for \$129.95 on the ethical market in downtown District of Columbia sold in low-income areas for as high as \$269 with most stores in the low-income areas selling the set at prices between \$150 and \$200. An Emerson portable available for \$119.88 on the ethical market, in one case was priced in a low-income area at \$289 and in the same area a repossessed set of the same make and model sold for \$166.

In New Orleans, an Admiral television set selling for \$118 on the legitimate or ethical market, was priced at from \$169.60 to \$249 in all but one of the stores visited in the low-income areas.

In comparison shopping trips made just last week in Boston, a Philco television set selling for \$149.95 on the legitimate market was priced at \$179.95 and \$210 in the low-income market.

And we must not forget that most of the sales in low-income areas are installment sales which cost the buyer, in addition to the inflated prices, interest and carrying charges often amounting to about 30 percent per year. In the area of food market prices, the most recent, and apparently most reliable, data available to OEO—and I am not here including the recent news items in Washington, D.C., newspapers—have come from a consumer price survey conducted this past summer by Prof. Carleton Wright of Cornell University, under the auspices of the office of Deputy Mayor Costello of New York. We have been promised a copy of Professor Wright's final report which I will be happy to submit for the record, hopefully early next week.

In the meantime, I have attached to the prepared text of my statement transcripts of a series of radio broadcasts made by Dr. Costello over station WNYC, based on the survey findings. A sample of these findings indicates that in food purchases, as in television set buying, the poor in fact do pay more:

1. On one given day, a food basket in Jackson Heights, Queens, a middle-class neighborhood, was bought for \$8.99. In a neighboring, low-income shopping district (Astoria), the same shopping basket on the same day was priced at \$9.47. The quoted prices are derived from a combination of common lows from each neighborhood.

2. Tomatoes on one given day in Astoria were priced at 55 cents per pound, while in Jackson Heights the price was only 39 cents.

3. In Fort Greene and East Harlem, both low-income districts, one day the price of tomatoes was 55 cents, while in other parts of the city the price was only 45 cents.

There are, certainly, causative factors which operate here other than a lack of concern for the poor on the part of merchants or chain-store managers, or a desire on their part to exploit the consumer. It is undoubtedly true that luxury or specialty items, like caviar or *pâté de foie gras*, which are higher profit items than the staples, do not sell in a poor neighborhood. This means that the store has less margin within which to operate. Other overhead costs may be higher. Unhappily, breakage and pilferage will often be higher, as will the cost of insurance.

The high cost of insurance is a serious problem, not just for the business in the poor neighborhood, but for the consumer—the homeowner, the automobile owner—as well. But for the business it can often be prohibitive, or not available at all. For example, take the case of a certain Los Angeles businessman. For several years he has wanted to go into the cosmetics business and build a warehouse in the Watts area of Los Angeles. He is the west coast representative for two large cosmetics firms. He is prepared to hire and train up to 50 local Watts residents. But he cannot buy insurance to insure inventory which would be stored in the warehouse.

These problems are real. But unfortunately, some of them have grown out of, and fed upon, mutual attitudes of distrust and lack of confidence between some local businesses and the residents of poor neighborhoods. And some of these attitudes have been due to unconscionable business practices by businesses of every kind. It is no accident that five markets of one chain in Watts were burned down in 1965, while three ABC markets in the riot area did not suffer even a broken window.

Mr. ROSENTHAL. Who operates the ABC markets?

Mr. BOZMAN. That is a local firm. I hope that by next week we will have for submission in the record a copy of a consumer survey that was made in the Watts riot area shortly after the Watts riot of 1965. An OEO staff member has spoken to persons involved in that survey who have stated that it, too, indicates price discrimination on food and other products against the low-income neighborhoods. Poor food quality was also a recurring complaint. Another is that in certain supermarkets in the Watts area, some residents stated they have never found the advertised special in stock and available and that they never received a substitute value or a so-called raincheck—until on a few occasions one patron complained personally to the management. Residents questioned also pointed out that to their knowledge not one supermarket in the Watts area has ever had an express checkout line, as do all the stores in the more affluent neighborhoods. These are, I realize, but indications of the kinds of problems facing the low-income consumer. We need much more and better information. We will work hard to get it. In the meantime, we do know enough about these problems to have undertaken a comprehensive attack on them.

THE PROGRAMS WE PROPOSE

OEO is proceeding with a program of consumer action which will attack these problems in ways which will develop lasting solutions. This means involvement of the poor people themselves in the building of institutions based on the principle of self-help. It also means involvement of the private sector, for public tax dollars alone cannot do the job. It means imaginative use of OEO funds to attract private investment which can bring the benefits of the affluent society to the ghetto marketplace. Finally, it means taking a close look at the needs of poor consumers—working with them to define and articulate these needs more precisely—and working for changes in the laws which govern the relationships between seller and buyer, borrower and lender, so that those being exploited will be provided the protection

which will stop the exploitation. Only then will the poor person be able to use with dignity and confidence the tools which our economy has devised to enable individuals to better themselves and improve their living standards. One of the greatest needs of the poor is a source of low-cost credit. Consumer action has this as one of its prime goals, either through use of existing institutions or through development of credit unions.

Mr. ROSENTHAL. Did you gentlemen hear the testimony of store manager No. 2 who said he cashes a hundred or some odd checks?

Mr. BOZMAN. I did hear that; yes, sir.

Mr. ROSENTHAL. And he actually gets very little purchases from that, maybe a dollar or two from about 10 customers. How does that sound to you?

Mr. BOZMAN. Well, I was impressed by the fact that he said they could not get their checks cashed at the banks; that they had to come to his particular store. I have no reaction as to whether or not the people buy there. I could not possibly react to that. But I was interested to note that the banks would not take the checks, but the grocery store had to.

Mr. ROSENTHAL. Well, why would you think he could cash some 90 checks without purchases?

Mr. BOZMAN. I am assuming that he does not know when they cash the check whether they are going to spend the money there or not.

Mr. ROSENTHAL. Well, if he testifies this is a monthly procedure; he is bound to know about it by now.

Mr. BOZMAN. Yes; but every individual that comes up may very well end up buying.

Mr. ROSENTHAL. I just wondered if you had any reaction to that statement.

Mr. BOZMAN. None.

May I go back and repeat the sentence I was on?

Mr. ROSENTHAL. Sure. Go ahead.

Mr. BOZMAN. An effective credit union can be the source of many effective services to the poor: check cashing—in Watts today welfare recipients are being charged a dollar to cash their welfare checks; prorating of debts, to permit those caught in a mountain of debts to extricate themselves; financial counseling, so that once above water, a family can begin to build and plan and save; legal services which can help the poor person to avoid the crooked deal and defend himself against the unscrupulous merchant.

The credit union also helps to teach its members how to make decisions, to manage their affairs, to govern themselves, because it is a cooperative enterprise, in which people learn to work together for their common good, to attack their common problems. And it can lead to other group efforts to attack directly the consumer problems of high prices and low quality. Through buying clubs, organized shopping trips, availability of credit to small local merchants, consumers acting together can, with our help, bring better merchandise to their neighborhoods at lower prices, and on better terms.

Finally, consumer action must attack the problems of consumer protection legislation: of wage garnishment, confession of judgment,

and other archaic legal doctrines which for the poor person symbolize the "system" which in their eyes keeps the rich, rich and the poor, poor.

Take the confession of judgment as an example. It seems clear that there is no justification for the confession of judgment other than that the creditor in the typical consumer credit situation is in such a strong position vis-a-vis the debtor that he can insist on the inclusion of any terms that he desires. Certainly no borrower would agree to the inclusion of a confession of judgment if he had the bargaining power to avoid it—and if he understood its consequences. The confession of judgment is typical of the complicated, obtuse legal doctrines which have grown up around credit transactions as a means of stimulating the use of commercial credit. Having been developed as a tool of commerce between merchants, it has been transplanted to the arena of consumer credit where it is not needed, and where it can cause real hardship. I am sure that there is not a borrower in a thousand who understands the legal consequences of his signing a note which contains a confession of judgment.

Mr. Chairman, while I am on the subject of obtuse legal doctrines, let me mention a few more about which something should be done. To the person without a job, with inadequate education, in substandard housing, to the resident of the big city ghetto, to these people the world of comfort and affluence to which they are denied entry operates with rules they do not understand, but whose goals seem to them to be to put them down and keep them down. Nowhere does this world and its rules confront them more directly—or in their eyes more unjustly—than in their dealings with the merchant and the money lender, who come armed with the weapons of the law which make it legal to collect finance charges of over 50 percent, to take away all one's household furnishings, and to deprive the buyer of any recourse where the goods are shoddy or don't live up to warranty. These legal doctrines, such as confession of judgment, time sale price, the after-acquired property clause, and the holder in due course, represent to the poor person precisely what is evil and unjust about the system, and perhaps even more important, they demonstrate to the poor man the hopelessness of ever achieving anything within the system.

We are not prepared at this time to spell out in detail the reforms which we believe are necessary. Let me just suggest a few possibilities: (1) limitation of security interest to the goods purchased in the particular transaction; (2) recourse against the assignee of loan paper as well as against the seller in case of failure of the goods sold to live up to a warranty; (3) limitation of right of acceleration to cases of actual default plus a reasonable opportunity to make payment; and (4) limitation of the amount of default judgment, after repossession and sale, to the amount of the debt outstanding at the time of the repossession. These are a few needed reforms.

In closing, Mr. Chairman, let me stress the point that as much as these legal reforms are needed, they will not solve all the consumer problems of the poor. One important problem it will not solve is the ready availability of low-cost credit. In fact enforcement of needed reforms may well tend to dry up sources of credit rather than simply reducing their cost and curbing their abuses. The low-income con-

sumer will still be faced with the problem of finding sources of credit from which he can borrow at reasonable rates and with the protection of adequate safeguards. He will still need accessible retail outlets with quality merchandise at fair prices. We hope that OEO's consumer action program can find the way to solve some of these difficult problems. We will soon have more and better information about the exact nature and extent of these problems. We will always stand ready to work with the Congress, with the Federal Trade Commission, with other concerned Government and private agencies and with the business community, to help bring a better life and a more valuable dollar to the low-income consumer.

I would like to submit for the record these tables that I have with me on the prices that were found in these various areas.

Mr. ROSENTHAL. Without objection, they will be received.
(The material referred to follows:)

COMPARISON SHOPPING ANALYSIS, LOS ANGELES

Item	Low-income market					Legitimate market
	Central	Five Points	Vermont	Boyle Heights	Raoul and Phoenix	
19 inch portable Emerson TV.....	(1)	\$204.00 239.95 228.75 189.95	\$176.75 280.00	\$169.60	(1)	\$139.88 119.88 104.88
19-inch portable Olympic TV.....	(1)	229.95 259.95	280.00 249.95	176.75 199.95	\$229.95	(1)

RANGE

Item	Comparison of low-income to legitimate market			Comparison of prices within low-income market		
	High	Low	Difference	High	Low	Difference
Emerson.....	² \$280.00 239.95	\$104.88	\$175.12	² \$280.00 239.95	\$169.60	\$110.40 70.35
Olympic.....	² \$280.00 259.95	³ \$110.00	170.00 149.95	² \$280.00 259.95	176.75	103.25 83.20

¹ Not available.

² Quoted price probably inflated by salesman attempting to divert business to another store in which he had financial interest.

³ 19-inch portable Olympic TV not available in stores in the legitimate market used for this comparative shopping analysis. Average price from previous shopping trips used for comparative purposes.

COMPARATIVE SHOPPING ANALYSIS, NEW ORLEANS

Item	Low-income market			Legitimate market, Area D
	Area A	Area B	Area C	
19-inch portable Emerson TV.....	\$199.95 189.95	\$147.88 169.60 199.95	\$199.95 176.75 189.95	\$129.95 139.88
19-inch portable Olympic TV.....	194.95	(1)	194.95	² \$110.00
19-inch portable Admiral TV.....	249.00 229.00 239.95 199.95	135.77 210.00 228.75 176.75	249.00 169.60 189.95 179.95	118.00 119.95

¹ Not available.

² This set not available in the legitimate market used for this comparative shopping analysis. Average price from previous shopping trips used for comparative purposes.

RANGE

Item	Comparison of prices in low-income market			Overall comparison of prices between the low-income and the legitimate markets		
	High	Low	Difference	High	Low	Difference
Emerson.....	\$199.95	\$147.00	\$52.17	\$199.95	\$129.95	\$70.00
Olympic.....	194.95	-----	-----	194.95	110.00	84.95
Admiral.....	249.00	135.77	113.23	249.00	118.00	131.00

Note: This shopping trip was conducted as a training demonstration only and prices obtained should not be construed as official Government figures.

COMPARISON SHOPPING ANALYSIS, MIAMI

Item	Low-income market				Legitimate market
	Area 1	Area 2	Area 3	Area 4	
19-inch portable Emerson TV.....	\$219.00	-----	\$199.50	\$199	-----
	229.00	-----	-----	¹ 150	\$145
	171.88	-----	-----	210	-----
		-----	-----	229	-----
Admiral.....	169.88	\$169.99	199.50	-----	125
	-----	165.00	159.00	-----	145
Olympic.....	-----	-----	189.50	-----	110
GE.....	169.88	159.00	-----	-----	149

RANGE

Item	Comparison of low-income to legitimate market			Comparison of prices within low-income market		
	High	Low	Difference	High	Low	Difference
Emerson.....	\$229.00	\$145	\$84.00	\$229.00	\$150.00	\$79.00
Admiral.....	199.50	125	74.50	199.50	159.00	40.50
Olympic.....	189.50	110	79.50	-----	-----	-----
GE.....	169.88	149	20.88	169.88	159.00	10.88

¹ Cash.

COMPARISON SHOPPING ANALYSIS, BOSTON (1967)

Item	Low-income market				Legitimate market
	Upper Wash	Uphams	Stuart	Broadway	
19-inch portable Emerson TV.....	\$239.00	\$149.00	-----	-----	\$129.00
	-----	138.00	-----	-----	-----
	-----	148.00	-----	-----	-----
Admiral.....	169.95	¹ 116.95	² \$179.00	\$169.00	-----
	189.95	138.00	^{1,3} 129.00	169.95	-----
Olympic.....	¹ 115.95	138.00	¹ 129.50	-----	-----
	200.00	-----	159.50	-----	-----
	210.00	-----	-----	-----	110.00
	⁴ 179.00	-----	-----	-----	-----
RCA.....	189.95	-----	-----	-----	-----
	189.95	-----	-----	-----	159.95
Philco.....	189.00	-----	179.00	-----	-----
	210.00	-----	-----	-----	149.95
	179.95	-----	-----	-----	-----

¹ Ethical store in low-income area.

² 1966 model.

³ Wholesale.

⁴ 1967 model.

RANGE

Item	Comparison of low-income to legitimate market			Comparison of prices within low-income market		
	High	Low	Difference	High	Low	Difference
Emerson.....	\$239.00	\$129.00	\$110.00	\$239.00	\$138.00	\$101.00
Admiral.....	189.95	115.95	74.00	189.95	138.00	51.95
Olympic.....	210.00	110.00	100.00	210.00	159.50	50.50
RCA.....	189.95	159.95	30.00	189.95	179.00	10.95
Philco.....	210.00	149.95	60.05	210.00	179.95	30.05

PROJECT MONEYWISE—BOSTON—COMPARISON SHOPPING ANALYSIS

Item	Low-income market				Ethical market	
	Store A	Store B	Store C	Store D	Discount store	Department store
19-inch portable Olympic TV.....	\$169.50	\$159.95	\$179.95	\$198.89	\$89.95	\$98.95
Range.....	Comparison of low-income to legitimate market			Comparison of prices within low income market		
	High	Low	Difference	High	Low	Difference
Range.....	\$198.89	\$89.95	\$108.94	\$198.89	\$159.95	\$38.94

COMPARATIVE SHOPPING ANALYSIS, WASHINGTON, D.C.

Item	Low-income market					Ethical market	
	Area A	Area B	Area C	Area D	Area E	Downtown District of Columbia	Area F
19-inch portable Admiral TV.....	\$169.99 179.99 139.95 269.00 135.00 159.00 149.00 \$ (\$199-229.00)	\$179.95 189.00 2126.95 149.95	\$189.00 126.95 149.95	(1)	\$159.00 179.00	\$129.95	(1)
19-inch portable Emerson TV....	(1)	185.00 179.00 169.00	\$110.00	(1)	289.00 199.00 175.00 \$ 166.95	139.95 149.00	119.88
19-inch portable Olympic.....	129.00 151.90 189.00	189.00 149.95	(1)	(1)	179.00 \$ 166.95 145.00 199.00	(1)	(1)

RANGE

Item	Comparison of low-income to ethical market			Comparison within low-income market		
	High	Low	Difference	High	Low	Difference
Admiral.....	\$269	\$129.95	\$139.05	\$269	\$135	\$134
Emerson.....	289	119.88	169.12	289	169	120
Olympic.....	199	\$110.00	89.00	199	129	70

¹ Not available.² Cash discount store (not low-income marketplace).³ Lower price stated if bought with furniture.⁴ Used set.⁵ Repossessed set.⁶ 19-inch portable Olympic TV not available in stores in the legitimate market used for this comparative shopping analysis. Average price from previous shopping trips used for comparative purposes.

Note: Shopping trip conducted as training demonstration: Prices should not be construed as official Government figures.

COMPARISON SHOPPING ANALYSIS, NEW YORK

Item	Park Ave. market	125th St.	Caines	Brooklyn	Lower East Side	Legiti- mate market
Olympic 19-inch portable TV.....	\$269	\$199.95	(¹)	² \$279.95 ² 199.95	\$129.95 199.00	\$119.95 110.89
Emerson 19-inch portable TV.....	229 210 263	----- ----- -----	----- ----- -----	----- ----- 279.95	----- ----- -----	----- ----- 129.95 109.00

RANGE

Item	Overall			Low-income market		
	High	Low	Difference	High	Low	Difference
Olympic.....	\$279	\$110	\$169	\$279	\$199	\$80
Emerson.....	263	109	154	203	210	53

¹ Refused to show.² Range in same store.

COMPARATIVE SHOPPING ANALYSIS, CHICAGO

Item	Low-income market					Legitimate market	
	Madison and Pulaski	North and Sedgwick	63d and Halstead	47th and South Parkway	Roosevelt and Hal- stead	Communi- ty discount	Down- town
19-inch portable Emerson TV.....	\$229	\$170	(\$239)	\$139	\$169	-----	\$116
-----	-----	150	¹ (125)	220	-----	-----	-----
-----	-----	-----	179	180	-----	-----	-----
-----	-----	-----	-----	(259)	-----	-----	-----
-----	-----	-----	-----	¹ (150)	-----	-----	-----
19-inch portable RCA TV.....	-----	159	154	-----	-----	\$153	140
-----	-----	-----	-----	-----	-----	135	130
-----	-----	-----	-----	-----	-----	138	-----
19-inch portable Olympic TV ²	118	-----	189	139	200	-----	-----
-----	198	-----	170	200	140	-----	-----
-----	-----	-----	-----	170	139	-----	-----
-----	-----	-----	-----	130	-----	-----	-----

RANGE

Item	Ranges from low-income market to legitimate market			Ranges within low-income market		
	High	Low	Difference	High	Low	Difference
19-inch Emerson TV.....	\$259	\$110	\$149	\$259	\$125	\$134
19-inch RCA TV.....	159	130	29	159	154	5
19-inch Olympic TV.....	200	110	90	200	118	82

¹ Lower price obtained after bargaining with the merchant.² This set not available in the legitimate market used for this comparative shopping analysis. Average price from previous shopping trips used for comparative purposes.

Note: This shopping trip was conducted as a training demonstration only and the prices obtained should not be construed as official Government figures.

MR. ROSENTHAL. Have you had any complaints made to any of your consumer groups or community-action groups that prices in super-markets were raised on Mother's Day, or the first of the month, or the kinds of things we have heard about here today?

MR. BOZMAN. We have heard some indication about prices going up on the days that checks are known to be in the poor community.

MR. ROSENTHAL. Where have you heard this from?

How about your colleague from California?

Mr. TAYLOR. We have this documented in California. We did a survey immediately after the riot. We have been doing surveys since before the riots. And when this Safeway thing came up, I was particularly interested, because they were our No. 1 offenders in California.

Mr. ROSENTHAL. Safeway was the No. 1 offender?

Mr. TAYLOR. Yes, they were.

Mr. ROSENTHAL. In what way?

Mr. TAYLOR. Safeway never had their specials in the low-income neighborhoods. We have testimony taken from people by the staff of the legal commission of the—McCone commission, I should say, taken in my presence.

Mr. ROSENTHAL. Could you furnish us with a copy of that?

Mr. TAYLOR. We intend to. If I had known this was going to happen today, I would have brought it along.

Mr. ROSENTHAL. If I had known you were going to say that, I would have kept the Safeway people here.

Mr. TAYLOR. I called this morning and asked that it be sent.

Mr. ROSENTHAL. Would you do that so we can include it in the record?

Mr. TAYLOR. We definitely will.

Mr. ROSENTHAL. Was Safeway the biggest store in the Watts area?

Mr. TAYLOR. One of the biggest; yes. They had more stores.

Mr. ROSENTHAL. They had the most stores in the Watts area?

Mr. TAYLOR. Yes; they did. I think they lost five stores in that area at that particular time.

Mr. ROSENTHAL. Have they rebuilt them there?

Mr. TAYLOR. No.

Mr. ROSENTHAL. Has anybody else gone in there?

Mr. TAYLOR. About the only market chain that has expanded in there is the ABC Markets.

Mr. ROSENTHAL. And that's a private, community-owned group?

Mr. TAYLOR. Well, it is not owned by the community. It is owned by, I guess you would say, an individual who cares. He had three markets in that vicinity during the times of the riots and did not suffer a broken window.

Mr. ROSENTHAL. Nothing happened to his markets?

Mr. TAYLOR. Nothing happened to his markets. This was one of the things that was brought out in the commission during the investigation.

We have—in Los Angeles in doing our survey we have the little chips that Safeway gave out, you know, if you cashed a check. If you purchased in that store, then they would cash your check. If you were not going to purchase anything, it was an outright \$1 or an outright 50 cents to cash your check. We have them from a Mrs. Rochelle who lived near one of the Safeway stores, and she confronted the president of Safeway in Oakland with all of these things that happened at this particular store, and she had a record of her calling the people at Safeway and making these complaints. She also had proof that, I guess you would say, they were soothing her a bit. They had a special on eggs one weekend, and they did not have them in the store, so when she complained the manager brought her two dozen.

Mr. ROSENTHAL. Now, you say that Safeway was the biggest offender of these type practices in Watts. Have you heard that about any other areas like Hough in Cleveland or other places where there has been turmoil?

Mr. TAYLOR. No; I have not. I just heard about this yesterday.

Mr. BOZMAN. Mr. Taylor would probably know about Los Angeles and Watts—

Mr. TAYLOR. Yes, I do; very well.

Mr. BOZMAN (continuing). Rather than these other areas. We have some consumer-action programs in those areas, and we are going to try to get this kind of information for you.

Mr. ROSENTHAL. Well, the unfortunate thing is consumer action is an infinitesimal part of your budget.

Mr. BOZMAN. That is very true.

Mr. ROSENTHAL. You are as guilty as the rest of the Federal agencies. You are doing virtually nothing.

Mr. BOZMAN. I think we are doing what we can. We try under community action to give local communities as much of the responsibility as is consistent with law for determining what programs they go into.

Mr. ROSENTHAL. Your consumer community-action programs represent about one-half of 1 percent of your budget.

Mr. BOZMAN. That is true, sir, but those determinations, Mr. Chairman, are by and large made in the communities.

Mr. ROSENTHAL. Could you do more if you had more?

Mr. BOZMAN. Absolutely. The fact of the matter is that our local initiative funds are the source under title 2 of the act for these particular types of programs, and those are the funds that ought to be augmented so that we can give the communities at least the option of augmenting this particular program.

Mr. ROSENTHAL. Congressman Reuss?

Mr. REUSS. No questions.

Mr. ROSENTHAL. Congressman Gude?

Mr. GUDE. Thank you, Mr. Rosenthal.

How many employees does OEO have assigned full time to conducting price surveys?

Mr. BOZMAN. We do not have any employees directly in that particular activity. However, we do have a number of consumer-action demonstration projects where the projects are in part devoted to finding out what the prices of things are in various stores.

Now, the total number of projects that we have in this area of consumer action is about, oh, I think it is six; is it not?

Mr. SAUL. Six.

Mr. BOZMAN. Six.

And in each of those programs, rather small demonstration programs, there might be no more than eight or 10 people doing this, and this is not a full-time job with anyone.

Mr. GUDE. The two surveys that you could supply us as to price differentials would be the Cornell survey and the one for Watts; would that be correct?

Mr. BOZMAN. We would be able to provide information from the Cornell survey. We have another—

Mr. SAUL. We are bringing in the directors of the six consumer-action demonstrations in these different cities, plus some community-action people from the local agencies, such as Boston and St. Louis, that have active programs, on the 23d of October, and then we will work with them so that we can get comparable information from all of them. We want—we are going to spend at least a day just designing a system for getting just what information we feel we want and need.

Mr. Taylor is one of these people. He is here now. He is going to take over——

Mr. ROSENTHAL. Mr. Taylor, the comments you made about Safeway in Los Angeles, were you personally involved in the investigation or did you observe any of these practices?

Mr. TAYLOR. In most of them I was.

Mr. ROSENTHAL. So that when you made that charge you speak from personal knowledge?

Mr. TAYLOR. Yes; I do.

Mr. ROSENTHAL. Mr. Reuss, anything else?

Mr. REUSS. What is the name of the grocery chain which is now expanding in Watts?

Mr. TAYLOR. ABC Markets.

Mr. REUSS. You said the owner of that was a humane person.

Mr. TAYLOR. Very much so.

Mr. REUSS. What happens to be his race, white, Negro, Chinese?

Mr. TAYLOR. I suppose he would be Caucasian. His name is Kothenmeyer, so I really couldn't say.

Mr. REUSS. I do not know what a Caucasian is.

Mr. TAYLOR. White.

Mr. REUSS. He is white. Yes. Thank you.

Mr. GUDE. What was the food chain in New York that the Cornell survey was based on?

Mr. BOZMAN. I am not familiar with that. I believe those were privately owned markets.

Mr. SAUL. It was made across the board, I think, in different stores.

Mr. GUDE. It was not on one chain?

Mr. BOZMAN. No, sir.

If I understand his process, it was to shop in each place, a number of markets and then take the low average and say this is what the market basket costs in this neighborhood, low average prices, and this is what it cost in the other neighborhood, low average prices.

Mr. GUDE. So it could have been some chain and some "ma and pa" delicatessen, a mixture?

Mr. BOZMAN. Right. I have a feeling that it was a combination of chain and privately owned, or individually owned, excuse me.

Mr. GUDE. Thank you very much.

Mr. ROSENTHAL. You are going to furnish us with all the things from the McCone commission and the Watts survey, and you are going to furnish the Cornell report, et cetera?

Mr. BOZMAN. Yes.

Mr. ROSENTHAL. Fine.

The subcommittee stands adjourned.

(Whereupon, at 4:20 p.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.)

The first part of the report deals with the general situation of the country. It is a very interesting and informative study of the country's development. The author has done a great deal of research and has gathered a wealth of material. The report is well written and is a valuable contribution to the study of the country's development.

The second part of the report deals with the economic situation of the country. It is a very interesting and informative study of the country's economic development. The author has done a great deal of research and has gathered a wealth of material. The report is well written and is a valuable contribution to the study of the country's economic development.

The third part of the report deals with the social situation of the country. It is a very interesting and informative study of the country's social development. The author has done a great deal of research and has gathered a wealth of material. The report is well written and is a valuable contribution to the study of the country's social development.

The fourth part of the report deals with the political situation of the country. It is a very interesting and informative study of the country's political development. The author has done a great deal of research and has gathered a wealth of material. The report is well written and is a valuable contribution to the study of the country's political development.

The fifth part of the report deals with the cultural situation of the country. It is a very interesting and informative study of the country's cultural development. The author has done a great deal of research and has gathered a wealth of material. The report is well written and is a valuable contribution to the study of the country's cultural development.

The sixth part of the report deals with the future of the country. It is a very interesting and informative study of the country's future. The author has done a great deal of research and has gathered a wealth of material. The report is well written and is a valuable contribution to the study of the country's future.

CONSUMER PROBLEMS OF THE POOR: SUPERMARKET OPERATIONS IN LOW-INCOME AREAS AND THE FEDERAL RESPONSE

FRIDAY, NOVEMBER 24, 1967

HOUSE OF REPRESENTATIVES,
SPECIAL CONSUMER INQUIRY,
SPECIAL STUDIES SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
New York, N.Y.

The subcommittee met at 10 a.m. at the Intermediate School 201, 2005 Madison Avenue, East 127th Street, New York City, Hon. Benjamin S. Rosenthal presiding.

Present: Representatives Rosenthal, Gallagher, Reid, and Erlenborn.

Also present: Messrs. Barash, Harrison, and Copenhaver, staff members, Committee on Government Operations, Washington, D.C.

Mr. ROSENTHAL. The subcommittee will be in order. Today's hearing by the Special Consumer Inquiry of the House Committee on Government Operations continues and broadens an investigation begun last month in Washington, D.C., on charges that certain supermarket chainstores discriminate in their pricing and marketing practices against the poor. Subsequent to our Washington, D.C., hearing, numerous reports of similar practices in other cities, including New York and St. Louis, have been received. We are confronted, therefore, with allegations that there may be exploitation of the poor in their most essential human activity—the consumption of food.

Whether or not the charges being heard today are sustained, events of the last month lead me to the conclusion that consumer problems of the poor in our society have not received the kind of attention that they deserve. No less than five Federal agencies have either a legal responsibility or a moral obligation, or both, to confront the types of consumer injustices to be alleged here today.

Federal responsibility in this area is clear:

The Federal Trade Commission has broad legal responsibilities to safeguard the consuming public by preventing unfair or deceptive acts or practices and also has a responsibility for putting the spotlight of publicity on economic developments adverse to the public interest which may fall short of specific law violations.

The Office of Economic Opportunity represents the institutional embodiment of U.S. policy to eliminate the paradox of "poverty in the midst of plenty" in this Nation by opening to everyone the opportunity to live in decency and dignity.

The U.S. Department of Agriculture, in its administration of the food stamp program, has a responsibility both to the beneficiaries of that plan and the fiscal integrity of the food stamps themselves.

The Welfare Administration of the Department of Health, Education, and Welfare underwrites a large part of the costs to the States for welfare assistance to needy families spending approximately a third of their income on food.

The Bureau of Labor Statistics of the Department of Labor has responsibility for identifying and developing family-budget studies, including budget studies for the poor consumer.

The House Committee on Government Operations, of which this subcommittee is a part, under the Rules of the House of Representatives, and under the Legislative Reorganization Act of 1946, has responsibilities and duties which cover a wide range of Government activities. Primary among these duties is our statutory mandate to study the operation of Government activities at all levels with a view to determining its economy and efficiency. Whether the operations of the agency activities described above are efficient relative to the problem being discussed here, is the long-range question we seek to answer.

We are here today to examine into the nature and extent of the problem itself and to express our concern that these allegations and many others like them can exist and to understand how our Government can address itself properly to them so that solutions may be properly and rapidly found. Equal justice in the marketplace is hardly less important to the poor than equal justice before the law. Price discrimination is intolerable under any circumstances but particularly so because food expenditures account for about a third of the income of the urban poor.

One, I want to say this: I am delighted that my colleagues could join me today, the day after Thanksgiving. It isn't always our congressional custom to be working Thanksgiving weekend, but this matter was of concern to us and that is why we are here. I want to particularly welcome those members from out of State: Congressman Gallagher, from New Jersey and Congressman Erlenborn, from Illinois; also, of course, Congressman Reid from Westchester County. Our first witness this morning will be Timothy Costello. Dr. Costello.

STATEMENT OF DR. TIMOTHY W. COSTELLO, DEPUTY MAYOR, CITY ADMINISTRATOR, CHAIRMAN, NEW YORK CITY COUNCIL ON CONSUMER AFFAIRS, CITY OF NEW YORK

Mr. COSTELLO. Congressman Rosenthal, fellow congressional Members, fellow witnesses, ladies and gentlemen, I too would like to thank the committee for breaking into their holiday to concern themselves with what is indeed a very significant problem.

My name is Timothy W. Costello. I am the deputy mayor—city administrator of the city of New York by appointment of Mayor John V. Lindsay. I am also chairman of the Mayor's Council on Consumer Affairs, an agency Mayor Lindsay established in April by Executive order to coordinate the city's attack on consumer problems.

First let me commend this subcommittee for its decision to hold today's hearing in intermediate school 201. Not only is this building an example of New York's finest and most modern public schools, but the

controversy that surrounded the school called national attention to the issue of community participation in public education. And the site is convenient to the people most concerned with the subject of the hearing.

Before presenting my own testimony I would like to express my admiration and respect for the work being done in this community and other ghetto markets throughout the city by such people as Mrs. Gladys Aponte, Steve Press, and Mrs. Florence Rice. I assume all of these people will be represented today during your hearings. I had the chance to work with them, share their concern and to draw them into Mayor Lindsay's Council on Consumer Affairs, and I want to take this public opportunity of thanking them for their efforts in this regard.

The purpose of today's session, as I understand it, is to study food prices in ghetto areas, comparable prices outside the ghetto, and the reasons, if any, for the difference. This is an important subject which was investigated this summer by the Council on Consumer Affairs, and I want to report to you on our study.

Under a grant from the 20th century fund, we engaged Prof. Carlton E. Wright, who teaches consumer education at Cornell University. He is the author of the standard text on "Food Buying." Under Dr. Wright's direction, a group of 40 Urban Corps members spent the summer combing the city's foodstores.

(The text of the Wright study appears at the conclusion of Dr. Costello's testimony.)

May I describe this? This is a total group of some 2,500 students from 100 colleges across the country who spent the summer working in one or another city department. Forty were assigned to the Mayor's Council on Consumer Affairs, and I will be talking principally about the work of this group of 40 college students. They looked up prices for a shopping basket of 37 items in each store. Approximately 2,500 stores were covered by the survey, ranging in size from mom-and-pop groceries to supermarkets. The city was divided into 58 community districts, following the brand new lines laid down by the city planning commission. Results were compiled, and broadcast over the radio daily, on a district-by-district basis. This was the first time that a citywide food price survey was conducted on a community district basis, and results obtained for each of the city's 58 communities. A copy of the survey was submitted several weeks ago to the staff of this subcommittee, and additional copies are available on request. May I add, also, that we are continuing these surveys although on a limited basis with the help of the city's volunteer coordination council. We have volunteer shoppers distributed across the city who report prices to us on a weekly basis and these prices are also conveyed to the consumers of New York City on a daily basis through New York's radio stations.

Mr. ROSENTHAL. If I might interrupt, you say the results of your survey were made available daily? In other words, I conclude that all of the stores knew you were making the survey. In other words, anyone who had a radio knew you were making the survey.

Dr. COSTELLO. Anyone who had a radio knew 2 days after I made the survey that I had been in their neighborhood, yes. We didn't publicize in advance that tomorrow we would go to Harlem, the next day we would go to Bedford-Stuyvesant.

Mr. ROSENTHAL. But they did know there was a continuing survey and there was a possibility of their being surveyed any time that week or the week after that?

Dr. COSTELLO. Indeed they know about my survey, and I have been subject to rather regular harassment by the newspapers that supply the larger chains throughout the city.

My point is that the merchants of New York City know for the past 6 months they have been subject to food price surveys; yes.

Mr. ROSENTHAL. My question, precisely, is: Is it fair to assume that a store would have known that they were going to be surveyed?

Dr. COSTELLO. That is the very purpose of my survey, to make sure that the stores in New York City know that they are subject to shopping surveys, and so will keep their prices in line on a long-term basis. This is one of the accomplishments of the survey, I would think.

The survey's conclusion was as follows: "Overall food prices appear to be higher in poor areas, bearing out the belief that the poor indeed do pay more." We also found that "There are fewer large stores in the poor areas and prices tend to be lower in large stores. Therefore, on a communitywide basis it follows that at least one reason why the poor pay more is that they buy their food in small stores."

This is a direct statement from the survey, prepared by Dr. Carlton Wright. May I add that this is not a situation reflecting the poor's own choice; it reflects the absence of large stores in poor areas, which our survey documented.

If I can point this up, in surveys taken one day after the other, one in Queens, another in a ghetto area, we sampled approximately 25 stores in each of these two areas, and the ratio of poor to large stores was precisely the opposite. In the large middle-class area of Queens there were about 20 large supermarkets and four or five small neighborhood groceries. In the ghetto market, there were 20 small neighborhood groceries and four or five large supermarkets.

Dr. Wright was also asked about the pricing practices of chainstores. He wrote: "It is generally believed that chains charge higher prices for identical commodities in their stores in poor areas."

I want to make this statement very, very carefully. Let me repeat what I just said. It is generally believed that chains charge higher prices for identical commodities in their stores in poor areas. If this is true, it didn't show up in our survey. I want to emphasize further detailed study is needed on a large number of items to confirm pricing practices in chainstores. If we are going to assess this statement scientifically, additional study is certainly needed. On the basis of our sample, however, we didn't find evidence that would support a statement that chainstores systematically have different price ranges for poor areas as compared to middle-class areas.

Mr. ROSENTHAL. But they knew you were coming.

Dr. COSTELLO. Did they know I was coming Tuesday or Wednesday?

Mr. ROSENTHAL. They knew it was inevitable that within the next few weeks—they knew it had to happen during the summer, because that is when the Urban Corps was in business.

Dr. COSTELLO. I guess I'd better say that one of the functions of the systematic food price survey that we were doing is that merchants in New York City are alert to the fact that their prices are being surveyed on a regular basis. Right.

Mr. ROSENTHAL. The only point I was trying to make, and I'm not being critical, you can't do it always with a surprise move, but the Bureau of Labor Statistics spent \$45,000 for a survey to find out whether the poor pay more or whether the chainstores charge more, so what they did was call up the chainstores in advance and said they would be there Tuesday or Wednesday, and it was a nice, happy relationship. Yours was not quite—

Dr. COSTELLO. Not anywhere near that.

Mr. ROSENTHAL. But they did know you were coming.

Dr. COSTELLO. Well, just like I know it's going to rain someday soon. They knew I was coming, yes, that's right, but I'm trying to emphasize that one of the functions of any person working in the consumer area, is to generate a sense of concern on the merchant that they are subject to regular inspection and survey, and if this caused anyone to lower his prices, I'm very happy about that.

Mr. ROSENTHAL. It's like a police car riding the turnpike. When people see him, they slow down.

Dr. COSTELLO. Yes. Or the policeman on the beat. It's very valuable to have their presence felt throughout the community.

Mr. ROSENTHAL. But in terms of an investigative tool, its efficacy is kind of weak.

Dr. COSTELLO. Well, that's your conclusion. I don't happen to agree with it.

Mr. REID. In the same general area, permit me first to welcome you most warmly to this subcommittee this morning. We have checked in the last week on two types of allegations which you don't cover in your testimony, and you may want to touch on it in this general area this morning.

One, we received reports of instances where prices are increased on welfare check day and also in some instances prices have been increased on common paydays for certain factories in this area, particularly prices on staples.

The other allegation we received, and I believe we have some documentation for the allegation, indicates that some—and this is an allegation, I repeat—chainstores have advertised on Wednesdays in the papers certain lead items, staples, which are marked down theoretically, Thursday, Friday, and Saturday, but reportedly the prices on the cans have not been changed, have not been marked down, and as a result, unless there is considerable awareness on the part of the consumer, they go into the store and see the old price.

Have you seen instances either of price variations on welfare check days or factory paydays, or have you seen instances where chainstores or other stores have not marked down the price on the can consistent with their advertising?

Dr. COSTELLO. Yes. Our surveys have evidence, provide evidence on the first point. We did a survey of food prices across some 25 stores in the ghetto area on June 26, which would be several days before welfare checks were distributed, and established what we call our price for the basket. We went back on July 1 and July 3, and found that there was an increase in the average cost of about 15 percent.

Now this kind of survey has got to be continued, has got to be done over neighborhoods, has got to be done over a course of time, but the one test of this that we did, we did find there was a differentiation in

cost between June 26 and July 1 and July 3. In between those two events, of course, welfare checks had been distributed in neighborhoods.

Mr. REID. So that you have found at least on one instance correlation between an increase and the dates when welfare checks or factory pay checks might have been available?

Dr. COSTELLO. Right. With regard to the second point you made, our commissioner of markets, Wiseberg, has recently developed a program he calls Operation Lamb Chop in which he develops a cooperative program between neighborhood consumers and his investigators. Neighborhood consumers are given some money, asked to go in and buy merchandise. This is then compared against advertised prices, and in a recent foray, he did find there was a differentiation between the prices marked on the merchandise and prices previously advertised.

Mr. REID. Might I ask one question following that? Representatives of chains here may wish to respond as well. Did Mr. Wiseberg, commissioner of markets, then talk to the relevant stores or chains and ask whether they brought in a crew Wednesday night to change the prices on the cans, so that there could be no question as to the individual chain or store of a chain sending in a crew to change it?

Dr. COSTELLO. I don't have that information.

Mr. REID. Would that be an appropriate area for the commissioner of markets to check?

Dr. COSTELLO. I think it would. It would be appropriate to discover what efforts are made by all stores to realine their prices on the basis of advertising that they do.

Mr. REID. It's my understanding, from members of the committee who worked in supermarkets, that it is normal for a crew to come in Wednesday night and physically change the markings on the cans; and if this is not—

Dr. COSTELLO. To correspond with the advertised prices?

Mr. REID. Correct. What we got reports on is that this is not done, that the manager of the store says, "Well, of course the salesmen didn't know there had been a change in the price, and of course the price is not correct. It's advertised otherwise."

But unless the store takes an affirmative responsibility to change it and remark all the cans, the consumer may not be aware of it.

Dr. COSTELLO. I would agree with that very definitely. I think I ought to add that for the past 6 months there is no question at all about my own concern with the inadequacies of the ghetto market and with the fact that very frequently there is a lack of correspondence between the proper price and the marked price. On regular radio programs I have named stores and addresses where there are price discrepancies. I am reporting this morning on the basis of a careful survey. That survey, as I have already indicated, substantially indicates that those with the least amount of money to spend on consumer goods frequently are asked to pay the highest prices. At the same time, in honesty and in deference to the need to nail down things on a scientific basis, I am required by the evidence to indicate that I do not have any signs of any systematic price variations across a chainstore network.

Mr. ROSENTHAL. Are the welfare checks in the city of New York all distributed on the first of the month?

Dr. COSTELLO. No. They are distributed at biweekly intervals. The 15th of the month and the first of the month.

Mr. ROSENTHAL. But I think you told us that when you made the check you made it only July 1, so you didn't cover the 15th period.

Dr. COSTELLO. That's right. Yes. And I emphasized also that this was a single attempt to test this statement. It indicated that further studies very definitely are needed on this, because there could be nothing more contemptible than a systematic adjustment in prices after welfare checks or regular paychecks are distributed in the neighborhood.

Mr. REID. Or indeed a failure to mark down a can when in fact it is so advertised, would be equally contemptible.

Dr. COSTELLO. That's right.

Mr. ERLÉNORN. Might I ask, the one check you did make does not provide evidence of a systematic attempt to raise prices at the time the checks go out. The one check couldn't possibly do that, could it?

Dr. COSTELLO. It does not.

Mr. ERLÉNORN. So all this does indicate to you is that further investigation is necessary?

Dr. COSTELLO. Well, it's disturbing to find it existed in the single case and it certainly does indicate that further investigation is needed, and while I'm talking to a group of Congressmen, I wonder if I might call to your attention that perhaps Federal legislation providing funds for systematic testing of these statements should be made to some of the larger cities. We feel we could make excellent use of a research team that would go out quietly, without fanfare, without informing merchants in advance, to test some of these things.

We think for one thing, knowing about this might provide the basis for legislation and ultimately doing it would cause merchants to become concerned about it and perhaps stop them from doing it.

I wonder, might I proceed with my prepared statement?

Mr. GALLAGHER. May I ask one question before you proceed? The welfare checks go out twice a month?

Dr. COSTELLO. Yes. The 15th and the 1st.

Mr. GALLAGHER. What is the influx of money into the consumer market on those days? What is the amount of money that goes out on welfare checks, say on the 1st and 15th?

Dr. COSTELLO. In New York City? Let me report the figure I know and check with Mr. Stern who may have a more precise figure. Our welfare budget on an annual basis, as I recall, it is some \$600 million. Not all of this is available of course for consumer purchases by welfare clients. Let's agree that it's a substantial sum of money and it would be having a major impact on the consumer industry, the food industry, in the city of New York.

Mr. GALLAGHER. Approximately \$600 million a year?

Dr. COSTELLO. That is the total budget, yes. As I recall it.

Mr. GALLAGHER. Figure that one-third of that is normally—

Dr. COSTELLO. Right. It would be \$400 million perhaps that would go directly into the hands of the clients.

Mr. GALLAGHER. All right.

Dr. COSTELLO. Going back to the report, now, I mentioned originally, this report does not mean that pricing variations do not exist, or that they are defensible. It does mean that we found no general pattern of

major chains consistently charging higher prices in ghetto areas. There is a substantial variation, ranging from 15 to 30 percent, on food prices from store to store in both rich and poor areas. The careful shopper can save substantial sums on her food bill by watching prices, comparing values, and looking for specials. The nature of our free economy provides for price variations, and with the limited choice available to ghetto shoppers, they are least able to benefit and most likely to suffer from these variations.

Our talks with food industry people have confirmed their reluctance to make substantial investments in poverty areas. The argument has been raised that costs of doing business are higher in the ghetto. Storemen point to such costs as pilferage and theft, insurance rates, delivery difficulties, labor problems, danger of riots, low spending levels of the population and the hazards of urban renewal to justify their avoidance of ghetto sites. In fact, supermarkets have closed down and left Harlem, and other chains maintain obsolete, small units rather than expanding them.

The industry feels responsible to its stockholders to invest in the most profitable markets, and more money can be made in Harrison or Hartsdale than in Harlem. My point is that business has a responsibility to the community, to all the people, not just to the affluent. If the people of the South Bronx cannot buy good food at fair prices, that will some day soon affect the digestion of the people of South Orange, and some day later will be felt as far as Southampton.

Mr. ROSENTHAL. Mayor Lindsay is chairman of the urban coalition that is attempting to coax private enterprise and business into helping improve society. Have they concerned themselves with this problem?

Dr. COSTELLO. They have indeed, and we have been meeting with a small delegation of progressive supermarket owners together with representatives of the meatcutters union to see if we can't obtain the credit and provide the management know-how to increase the number of supermarkets in ghetto areas. I'll talk about that a little bit later in my testimony. But our goal is to establish a larger number of supermarkets employing local talent not only at the checkout counters but at the managerial counters as well, so we can meet this problem of higher food costs.

Mr. ROSENTHAL. Have you gone to the big chains, A. & P., Safeway, the people that have enormous financial resources, to try and get them to cooperate?

Dr. COSTELLO. We have regularly been meeting with representatives of the largest chains, as I pointed out, and have had particular appeal to the more progressive leaders of those chains who are right now attempting, in line with the New York coalition, to provide the capital to increase the number of supermarkets in our ghetto areas.

Mr. REID. Have you done the same thing with cooperative food stores, co-op concept?

Dr. COSTELLO. I would not want to take responsibility for either initiating or doing anything directly with that. Through our radio programs, we have, of course, been supporting the cooperative food buying and furniture buying effort in the city of New York. We have attempted to identify cooperative markets where ghetto residents might purchase food on a cooperative basis at lower costs, and indeed, purchase furniture on a cooperative basis at a lower cost.

Mr. GALLAGHER. South Orange is just a little north of my district.

Dr. COSTELLO. Thank you. No personal innuendo is meant, Congressman. At the same time, supermarkets that build in ghetto areas, employing local people in responsible positions, should receive community support. They cannot charge more than their branches in other locations, but they should not be expected to charge less. They should be held to the same standards of quality in all stores, for quality is one area in which the ghetto consumer has often been shortchanged.

The members of this congressional delegation indeed during the break in the hearings might want to walk through some of the very few supermarkets that exist in this area, and I'm afraid that you will not find either the environment there or the quality of merchandise provided there to be equal to that which you might find in your own residential neighborhoods.

It's in quality particularly that the supermarkets don't come up—supermarkets in the ghetto areas don't come up to the supermarkets in other areas of the city.

Mr. REID. Is this true in staples as well as more specific items?

Dr. COSTELLO. Packaged items, I would say. I think for one thing it has to do with the nature of the store itself. Spaciousness, cleanliness, the degree to which it's attractive to come into to shop. Quality differentials probably apply more to produce and meats than they do to packaged goods or staples. It's the quality area in which the ghetto consumer has often been shortchanged. And if pricing variations occur from time to time, they should be settled promptly and fairly with cooperation between store management and local groups, without the need for communitywide mobilization. That is a responsibility for the stores, as well as for the antipoverty and other neighborhood organizations.

The local merchant has an important place in the economy as well as the supermarket. He provides extra services, delivery, credit, late hours, unusual foods—all items often unavailable in the supermarket. He needs help to be able to compete effectively for the consumer dollar, at the same time as we caution him not to take too much of it.

The examples which will be cited today of higher food prices in ghetto areas represent a situation which cries out for correction. The fact that they may be isolated cases does not absolve anyone. Crime involves essentially occasional acts, but it still must be suppressed whenever it occurs. And deliberate overcharge of those least able to pay is economic crime, a variety of petty larceny which becomes grand when you multiply the number of helpless victims.

At the same time, I would add some words about not burning down the barn to catch the vagrants. In general, supermarkets and other food stores are helpful institutions in the ghetto. They are far better than the rows of vacant stores that haunt some decaying urban areas. Stores provide liveliness, economic vitality and social interchange. They bring people the necessities of life, as well as luxuries they can and cannot afford. Business and commerce have helped make New York City great, and they are not enemies of the people. If stores are well behaved, they can be good neighbors.

By shining the light on discriminatory pricing practices, this subcommittee and the witnesses appearing before it are providing a real service. This is the first time that the Federal Government has taken

an interest in these local conditions, and we on the urban frontier in New York welcome Washington's concern. Federal assistance may be necessary to enable business in the ghetto to serve the public at fair prices and at fair profits. We hope that your interest is not transitory, but consistent, and that it will result in a substantial improvement in the life of the people of the ghetto, who have hurt so much for so long.

Thank you very much. I want to thank Congressman Rosenthal and his colleagues in Congress for appearing here in Harlem and concerning themselves with what is, indeed, one of the problems at the very heart of the plight of the urban resident. We very much appreciate the time that you have invested in this problem.

Mr. ROSENTHAL. We thank you for appearing here today. I know I speak for all my colleagues when I say you are to be commended for all the good, enormously good work you have done in this field. I think the final answer is that all of us have to do a little more and do it a bit better on occasions, but this is an experiment. We are sort of going into a new field, and I think with your cooperation and the help you have given in this field, I am hopeful we can accomplish something together.

Mr. REID. I would merely like to add, we certainly welcome the creative leadership you and Mayor Lindsay have given us and we will try to help on our end.

Dr. COSTELLO. Thank you very much.

(The Wright study referred to above follows:)

SUMMER PARTICIPATION IN THE PROGRAM OF THE NEW YORK CITY COUNCIL ON CONSUMER AFFAIRS

(By Carlton E. Wright, professor of consumer education, Cornell University¹)

When Mayor Lindsay established the council on consumer affairs on April 23, 1967, the first of the charges he gave the council was "to develop an overall plan for governmental programs for consumer education and protection." This, and other stated functions, lay out the hopes and aspirations of the city's top administrator for helping the consumers of New York City (see app. A).

The importance which Mayor Lindsay attached to the council is indicated by his appointment of Dr. Timothy W. Costello, deputy mayor-city administrator, as its chairman. Dr. Costello saw the opportunity, at once, to start a service to New York's consumers by instigating an informative program of reporting retail food prices by neighborhoods. This he did and the response to his efforts suggests that the information provided has served a genuine need.

"The poor pay more" has become the battlecry of the economically deprived and the motto of many who work with them. If indeed they do pay more, the question follows (as seen on printed shopping bags in one poverty area), "Why should the poor pay more?" Herein lies the challenge—to find the facts and to use the facts as a basis for action.

WORK WITH THE COUNCIL

It was a singular honor to be invited to work during the summer of 1967 with the professors in public agencies program (financed by the 20th century fund) with the council on consumer affairs. While a major responsibility was to assist in the establishment and operation of the retail food price survey (described later), this was but one aspect of the summer program. If the council and its chairman profited from my presence and participation as much as I, personally, gained from the experience, it was indeed a successful summer.

The council

The council, under the able leadership of Deputy Mayor Timothy W. Costello, represents a strong move toward providing assistance to the consumers of New

¹ Professors in public agencies program, New York City, summer, 1967.

York City. Its very existence evidences interest on the part of city administration in the welfare of the consumer. It also provides an entity to which consumers can go with their problems and complaints.

The work of the council seems to divide into three logical aspects: (1) projects or activities the council, per se, can instigate and carry out; (2) coordination of the consumer programs or functions of the various city departments and agencies; and (3) assignment to particular city agencies certain activities, programs, or studies as they arise. To these a fourth dimension should be added—that of becoming aware of nonpublic consumer programs and giving encouragement and support to worthy efforts.

The program of the council, as it takes shape, has two functions—consumer protection and consumer education. While efforts are being exerted toward the latter—the information handbook, the price survey, the daily and weekly radio programs of the chairman, are examples—much emphasis is being placed on protection. And so it should. From an educator's point of view, however, the best form of protection is education—on a longer range basis. One of the important steps being taken along this line is the consumer education course being developed by the board of education through the council for introduction on a limited basis in six schools this fall. It should be expanded to include students beyond those in distributive education and to other schools in addition to the six. In fact, introduction of consumer economic content into existing courses and curriculums, from the elementary school on up, would be of the most beneficial and lasting influence.

Protection by legislation is good, as evidenced by such things as meat inspection, product labeling, and other controls of a similar nature. Truth in packaging and truth in lending are certainly essential and should have the support of the council. Perhaps as important is the implementation and enforcement of existing laws and regulations. One example is that of regulation 49 requiring prices to be posted on goods sold in retail stores. This regulation is not enforced and often, as the food price survey illustrated many times, the consumer does not know what he pays for what he buys and is not able to compare prices between stores and among commodities. It would be helpful for the council to encourage its constituent departments to look into existing regulations and methods to enforcing them, as well as to look to new legislation.

As the council moves forward with its work it would seem to be increasingly important that specific assignments be given to specific individuals or departments to carry out. This, then, would be supported by subcommittees and, in some cases, lay advisory groups. While this is currently being done to some extent, it should be followed with consistency and vigor.

The effectiveness of the council depends on its membership. My observation is that the members of the council, as well as the staff members who carry out their program, are talented and dedicated public servants. (See app. B.) It has been a pleasure knowing many of them personally and especially satisfying being associated with them professionally. My association with Dr. Costello has been particularly enjoyable. He is a man whom I observe to be held in high regard by all—a recognition well deserved.

The staff of the council consists of representatives of the council members. These are capable persons; it has been a pleasure being associated with them in the biweekly meetings. Staff leadership is carried out by Lewis Feldstein, assistant to Mayor Lindsay, and Henry Stern, special assistant to Deputy Mayor Costello. Working closely with them during the summer months, I have found them both to be both competent and congenial.

I should also like to mention the friendly and satisfying relationship I have had with Phillip Finkelstein, executive assistant to Dr. Costello. While he has many other demanding duties, he has ably engineered the daily and weekly radio programs presented over WNYC by Dr. Costello. Having had a small hand in them, and having appeared personally many times on the weekly show, I know how effective he has been in this activity.

THE RETAIL FOOD PRICE SURVEY

A major purpose of the retail food price survey is to provide current, timely, and pertinent information to consumers on a neighborhood basis to serve as a guide to them in their day-to-day food shopping. This is of vital importance since food takes the largest share of the take-home pay of any of the family living costs—18 percent on a national average. Significantly, however, in ac-

accordance with Engle's law, the lower the income the larger the proportion that goes for food. With low-income families, this proportion may go to one-third, one-half, or even higher. This suggests the importance of careful spending to conserve the food dollar. In times when great emphasis is placed on increased wages, it may be less popular but equally significant to work at getting more for the money at hand.

Two other retail food price surveys are conducted within New York City (see appendix C), but neither reports on a neighborhood basis. And low-income families, in particular, shop in their own neighborhoods. The guideline approach provides valuable information to these neighborhood shoppers and can assist them in stretching their food dollars. Conducted with the assistance of some 35 Urban Corps workers, the survey covered all 58 planning districts of New York City. Usually, two or three districts were surveyed each day with 20 to 30 stores reported for each. During July well over 1,400 stores were checked; all but five of the planning districts were covered that month. Nearly as many more stores were surveyed in August, many for the second time. The results were tabulated, analyzed, and reported 5 days a week. The daily 5-minute radio program by Dr. Costello on WNYC provides the medium for early dissemination of this neighborhood information.

Few large stores in poor areas

Of 1,418 stores surveyed during the first 4 weeks in July (54 districts) the ratio of large stores to smaller ones was 1 to 4. In the poorer areas the proportion of large stores was much smaller—in some areas 1 to 7 or 8. This suggests that those living in poor neighborhoods enjoy neither the choice of foods nor the lower prices found in larger stores.

Prices were the sole basis of the survey. The reports reflected the prices shoppers found in the stores in which they shopped. They did not show the quality or condition of the foods nor the condition of the store. Nor were store services studied. Presumably, some smaller stores justify their higher prices on the basis of extra services. The fact that the small stores are there indicates a service to the neighborhood even though prices may be high.

Higher prices in smaller stores

Cursory observation suggests that prices are higher in small stores, regardless of area, even to the eyes of the uninformed. Survey results bear this out although there are always exceptions. By and large, the range of prices is greater among small stores but generally the low of the range is higher in small stores, as is the high of the range. Results are shown in detail in appendix D for one low-income area (Bushwick), surveyed on July 22. On the 26 grocery items surveyed, the prices averaged 7.1 percent higher in the 18 smaller stores than in the seven large ones.

In another low-income area (Central Harlem), checked on August 8, the food basket of 26 food staples in eight small stores averaged 10.1 percent more than the same basket in six large stores. The average cost of the basket in 11 medium-sized stores was slightly higher than in the eight small stores (1.1 percent) in this area.

Higher prices in poor areas

Overall food prices appear to be higher in poor areas bearing out the belief that the poor indeed do pay more. A comparison of the cost of a 20-item food basket in five areas on July 18 and 19 is reported in detail in appendix E. In brief, the prices were higher for the identical food basket in Astoria and Hunts Point (low-income areas) than in Sheepshead Bay, Bensonhurst or Jackson Heights. In Astoria (a poor area) the highest price of \$9.47 was reported, compared to Jackson Heights (a middle-income area) where the same basket cost \$8.97. This represents a 5½-percent differential.

This same relationship was reported several times over but for some areas the results were not that clear cut. It should be pointed out, too, that the list of items was limited, though comparable.

As reported earlier, there are fewer large stores in the poor areas and prices tend to be lower in large stores. Therefore, on a communitywide basis it follows that at least one reason why the poor pay more is that they buy their food in small stores.

No pattern for chainstore prices by area

It is generally believed that chains charge higher prices for identical commodities in their stores in poor areas. If this is true, it did not show up in this

survey. Further detailed study is needed on a large number of items to confirm pricing practices in chainstores. Such a study should seek further information as to the quality and condition of foods offered, the breadth of selection carried, and the size, condition, and orderliness of the store, in addition to the actual prices charged.

In one large chain, 94 stores were found, spread among 38 city districts, for an average of 2.5 stores per district. Eighty-two of the stores were located in 27 districts considered to be middle income or higher, or 2.7 stores per district. In contrast, 12 stores were located in seven recognized low-income districts, or 1.7 stores per district. (No stores in this chain were reported in four districts.) This bears out the obvious—fewer chain outlets in poorer districts.

For this chain, although there was a modest variation in prices among the stores, there was no pattern by borough or district, or by low-income or other area, of higher or lower prices. For example, a can of nationally advertised brand of peas was priced at 27 cents in 83 stores spread over 29 districts, including such diversity as South Jamaica (Queens), Williamsburg (Brooklyn), and Hunts Point (Bronx) on the one hand, and Murray Hill (Manhattan), Flushing (Queens), and University Heights (Bronx) on the other.

A 2-cent higher price was reported for the identical can of peas in stores in two middle-income areas in Brooklyn, while a 2-cent lower price was found in one less affluent area of the Bronx.

A similar check of 39 stores of another chain showed a greater variation in prices among individual stores, but the data revealed no pattern of higher or lower prices.

A survey of 14 stores of another chain, was taken on a given day (August 28), in Manhattan. This covered stores in east, central, and west Harlem, as well as in the upper East Side, upper West Side, Washington Heights, and Murray Hill. While identical prices were not found on identical items in all stores, there was no pattern of higher or lower prices in the poorer areas for the 37 items on our list.

Further study suggested

Special projects of a research nature, taking advantage of the existing summer survey data but requiring additional field work, would provide answers to several questions. These, researchable by undergraduate or graduate students in marketing, economics, statistics, sociology, or other disciplines, might include the following:

(a) What is the quality and condition of foods in stores in poverty areas versus nonpoverty ones? Equate with price.

(b) What is the extent of stock and selection in stores in poor areas? Number and kind on hand, variety of goods, opportunity for selection, range of quality—all this compared to stores in middle-income areas.

(c) What is the condition of the stores in poor areas compared to those in more affluent areas? Cleanliness, orderliness, attractiveness, space, display, etc.

(d) To what extent are "specials" offered in poorer areas? How much do they mean to consumers? Do consumers take full advantage of them?

(e) To what extent do grocery stores carry nonfood items (soap, detergents, etc.) in poverty areas versus middle-income areas? What prices are charged?

(f) To what extent are food ads deceptive, if they are? A careful study of ads, and practices attached to their use, would be a real service to the consumer.

(g) To what extent do small stores, particularly in poor areas, provide extra services (as often claimed)? Check cashing, delivery, store hours, days open, etc. What do these stores charge for cashing welfare (or other) checks?

(h) Do prices rise on welfare check days, and if so, how extensive is the practice? Might be conducted on a "complaint" basis and by the purchasing of food.

(i) What are the pricing practices of major food chains in the poor areas versus others. Compare statements of company officials with actual survey in the field.

(j) To what extent do families in poor areas utilize delicatessens? How much extra do they pay for this practice?

(k) What is the product cost in small stores versus large? What is the extent of their markup? What are these buying practices?

(l) What are the increased costs of operating in poor areas, particularly for chainstores where a comparison is possible? Compare costs of rent, insurance, protection from pilferage, and other.

(m) What are the operating costs and profits of chainstores in poor versus other areas?

APPENDIX A

CITY OF NEW YORK,
OFFICE OF THE MAYOR,
New York, N.Y., April 23, 1967.

EXECUTIVE ORDER No. 41: ESTABLISHMENT OF A COUNCIL ON CONSUMER AFFAIRS

Whereas it is the policy of the administration to take affirmative action to protect the consumer interests of the citizens of New York and

Whereas the city government is vested with important powers to safeguard consumer interests, and

Whereas the development of a coherent and comprehensive program of consumer education and protection will enhance the effectiveness of various city programs now underway or contemplated, and

Whereas there is at present no coordination of the planning, development, and operation of programs for consumer protection and education,

Now, therefore, by virtue of the power vested in me as mayor of the city of New York, it is hereby ordered as follows:

SECTION 1. There is established the council on consumer affairs which shall consist of the chief officer of each of the following departments and agencies of the city of New York: Community development agency, council against poverty, health services administration, law department, department of licenses, department of markets and the department of welfare. The mayor shall appoint the chairman and the secretary of the council of consumer affairs and the council shall meet at the call of the chairman.

SEC. 2. The president of the board of education and the chairman of the housing authority shall also be invited to be members.

SEC. 3. The Secretary to the council on consumer affairs shall serve as the staff to the council. Subject to applicable provisions of law, the council may retain consultants.

SEC. 4. The council shall have the following functions, powers and duties:

(a) To develop an overall plan for governmental programs for consumer education and protection.

(b) To facilitate the exchange of information between agencies and groups working in this area.

(c) To review and evaluate the effectiveness of existing programs of consumer protection and education subject to the jurisdiction of the mayor in New York City.

(d) To make recommendations for the improved coordination of existing programs, and for the establishment of new programs.

(e) To develop an inventory of city, State, Federal and private resources available for consumer protection and education programs.

(f) To consult with State and Federal officials, commercial interests and other institutions and persons with respect to consumer protection and education programs.

(g) To determine legislative priorities and to develop city, State and Federal legislative programs relating to consumer protection and education in the city.

(h) To convene conferences and to hold public hearings to discuss existing programs and to develop new programs.

SEC. 5. The council may require such reports, analyses and statements from the agencies of the city as it may deem to be necessary for the proper performance of its duties hereunder.

JOHN V. LINDSAY, Mayor.

APPENDIX B

City of New York, Office of the Mayor

COUNCIL ON CONSUMER AFFAIRS

Dr. Timothy W. Costello, chairman, deputy mayor-city administrator, New York, N.Y.

Dr. Howard J. Brown, administrator of health services, New York, N.Y.

Mitchell I. Ginsberg, commissioner, Department of Welfare, New York, N.Y.

Rev. H. Carl McCall, chairman, council against poverty.

George Nicolau, commissioner, community development agency, New York, N.Y.
 J. Lee Rankin, corporation counsel, New York, N.Y.
 Norman Redlich, Esq.
 Mrs. Rose Shapiro, member, board of education, Brooklyn, N.Y.
 Joel J. Tyler, commissioner, department of licenses, New York, N.Y.
 Walter E. Washington, chairman, New York City Housing Authority, New York, N.Y.
 Gerard M. Weisberg, commissioner, department of markets, New York, N.Y.
 Richard W. Brevoort.
 Lewis M. Feldstein, assistant to the mayor, New York, N.Y.
 Lewis M. Feldstein, secretary, assistant to the mayor, New York, N.Y.
 Henry J. Stern, special assistant to the deputy mayor, New York, N.Y.

APPENDIX C

RETAIL FOOD PRICE SURVEYS, NEW YORK CITY

THREE PRICE SURVEYS

Three separate retail food price surveys are being conducted within New York City, as follows:

1. Federal, by the Bureau of Labor Statistics;
2. State, by the New York State Department of Agriculture and Markets;
3. City, by the Mayor's Council on Consumer Affairs.

Each provides different information and each serves a different purpose. The city survey should complement, not duplicate, the Federal and State efforts.

1. Bureau of Labor Statistics (monthly)

(a) Reports one citywide price for selected individual basic food items and shows the level of prices and the month-to-month movement on prices of individual foods.

(b) Since many cities across the Nation are similarly surveyed each month, the report permits comparison of actual prices of individual food items in New York City with those in Chicago, Los Angeles, and elsewhere.

(c) Translated into the food price index, related to a base period (currently 1957-59 average), the trend in the cost of food can be traced. The index for New York City shows the extent of change from the base period, as it does elsewhere. It also shows which food prices have gone up faster in one city than another. It is possible to compare food price changes in New York City with those of other cities and with the average changes for the United States.

(d) The index does not indicate whether food prices are higher or lower in New York City than elsewhere.

(e) Neither the specific food prices nor the index give any information by boroughs or neighborhoods, nor does the report reflect prices by store size or location.

2. New York State Department of Markets (weekly)

(a) Reports one citywide price, with a range and the "mostly" price for perishable foods. Special sale prices expected for the weekend are indicated.

(b) The report reflects the week-to-week movement of prices of individual foods, making it possible to spot items in good supply as indicated by lower prices.

(c) It does not provide a statistical series but rather guidelines to follow from week to week.

(d) The prices reported are for large markets representing a large volume of trade; they do not represent prices families pay in smaller stores, predominant in lower income neighborhoods.

(e) The report is based on Monday, Tuesday, and Wednesday morning prices; it is summarized Wednesday afternoon and made available to press and radio on Thursday.

(f) Accompanying the prices in this report are market tips based on wholesale market receipts and prices. This information is helpful in predicting both supplies and retail prices for days and weeks ahead.

3. Mayor's council on consumer affairs (daily)

(a) The retail food price survey of the council offers the opportunity of providing neighborhood information, a function not performed by the Federal and State reports.

(b) It reports on staple grocery items; most are not found in the State report.
 (c) It permits comparisons of prices on like items in large stores and those in small stores.

(d) It permits direct comparison of prices on identical items in affluent, middle-income, and low-income areas.

(e) It does not reveal unethical trade practices, such as charging different prices to different persons, or recording (for credit) a higher price than is either posted or stated. Nor does it reflect differences in quality of foods between areas. These are important considerations and deserve attention but they are not part of a retail price survey, per se.

APPENDIX D

PRICES IN SMALL AND LARGE STORES IN A LOW-INCOME AREA, BUSHWICK DISTRICT, BROOKLYN, JULY 27, 1967

[In cents]

26 items	7 large stores		18 small stores	
	Range	Average	Range	Average
Butter.....	43-45	43.5	45-50	47.6
Margarine.....	30-33	32.0	31-40	36.3
Cheese.....	41-49	44.0	39-49	44.5
Cottage cheese.....	20-23	21.5	27-29	28.0
Flour.....	61-69	65.0	59-75	67.8
Canned peas.....	25-27	26.3	25-27	26.6
Canned corn.....	23-27	25.0	25-27	25.4
Frozen beans.....	23-26	24.7	25-29	26.5
Frozen broccoli.....	29-31	30.0	31	31.0
Baby food, meat.....	19-24	22.0	24-29	24.0
Baby food, vegetables.....	10-12	10.7	11-13	11.9
Tuna fish.....	37-45	42.5	44-53	46.8
Corn flakes.....	31-33	32.1	29-39	35.4
Rice.....	19-21	20.7	21-25	22.2
Sugar.....	59-69	63.3	55-73	66.8
Coffee, canned.....	75-83	80.0	79-89	86.9
Coffee, instant.....	81-99	90.6	85-115	101.9
Coca-Cola.....	79-90	86.1	85-102	90.0
Beer.....	115-120	116.3	115-125	121.6
Milk.....	25-28	26.4	25-29	26.8
Eggs.....	49-59	54.1	55-69	61.8
Whole chicken.....	29-43	35.0	39-49	40.7
Bananas.....	13-17	15.2	13-17	15.2
Tomatoes.....	39-59	45.5	29-59	43.3
Potatoes.....	35-55	47.0	25-53	39.9
Lettuce.....	29-30	29.2	20-35	29.7
Total.....	10.39-12.17	11.29	10.61-13.31	11.99

SUMMARY

1. Prices in the 18 small stores averaged more than 7 percent higher than those in the seven large stores for the basket of 26 items included.

Small stores versus large stores

	Percent
Low of range.....	+2.1
High of range.....	+8.4
Average.....	+7.1

2. Seven items of twenty-six showed a lower price in the small stores; 15 showed a lower price in the large stores. Nineteen of the twenty-six items showed a higher price in the small stores; one was reported higher in the large stores. Three items averaged lower in price in small stores; 23 items averaged lower in price in the large stores.

APPENDIX E

COST OF TWO-ITEM FOOD BASKET, FIVE AREAS, JULY 11 AND 19, 1967

Item	Jackson Heights (Queens)	Bensonhurst (Brooklyn)	Sheepshead Bay (Brooklyn)	Hunts Point (Bronx)	Astoria (Queens)
	(14)	(48)	(40)	(8)	(18)
Margarine.....	\$0.30	\$0.35	\$0.32	\$0.32	\$0.35
Cheese.....	.43	.43	.43	.43	.43
Flour.....	.63	.63	.63	.63	.67
Canned peas.....	.25	.27	.27	.27	.27
Frozen green beans.....	.25	.25	.25	.25	.25
Frozen orange juice.....	.20	.22	.20	.23	.22
Baby food, meat.....	.25	.25	.25	.25	.25
Tunafish.....	.40	.43	.39	.45	.43
Corn flakes.....	.33	.33	.33	.35	.32
Rice.....	.21	.21	.21	.21	.21
Instant coffee.....	.89	.89	.89	.89	.89
Coca-Cola.....	.89	.89	.89	.89	.89
Milk.....	.27	.27	.27	.25	.28
Eggs.....	.55	.55	.59	.59	.59
Chuck steak.....	.59	.59	.59	.59	.59
Pork chops.....	1.09	1.09	1.19	1.19	1.19
Chicken.....	.43	.43	.45	.43	.45
Tomatoes.....	.39	.39	.49	.59	.55
Potatoes.....	.39	.39	.39	.39	.39
Dried beans.....	.23	.25	.25	.23	.25
Total.....	8.97	9.11	9.28	9.43	9.47
Percentage increase.....	-----	+1.5	+3.4	+5.1	+5.6

Mr. ROSENTHAL. Our next witness will be Mrs. Gladys Aponte.

Mrs. Aponte, we welcome you here this morning and I note from your statement, you are executive director of the Consumer Action Program of Bedford-Stuyvesant, Inc. You have a printed statement, and if you like, you can proceed by reading it.

**STATEMENT OF MRS. GLADYS R. APONTE, EXECUTIVE DIRECTOR
OF THE CONSUMER ACTION PROGRAM OF BEDFORD-STUYVESANT,
INC.**

Mrs. APONTE. Yes, sir.

First of all, I would like to thank you and the other witnesses, as well as the other Congressmen here for——

Mr. ROSENTHAL. Are these gentlemen with you?

Mrs. APONTE. Yes, sir.

Mr. ROSENTHAL. Let them all sit right here at the table.

Mrs. APONTE. Will you excuse me a minute, please? I apologize because of the fact I decided to bring all this food as evidence of what I have gone through on different days. As a matter of fact, I was shopping for 2 different days, November 14 and November 16, and findings were so—I would like to use the word——

Mr. ROSENTHAL. Why don't you just tell us the facts, and we will characterize it.

Mrs. APONTE. I want to make it clear that I come here to testify about the consumer problems that particularly affect the low-income consumer of our "ghetto" area. I want to stress the fact that the purpose of my testimony is to point out existing conditions and not to make accusations.

There is a nationwide concern on consumer problems which is expressed in the Government spheres by the creation of President John-

son's Committee on Consumer Affairs, different bills presented in the Congress, and the hearings that are conducted on a nationwide basis, such as this one of today.

This concern is not only shared by the Government, the rich consumer, the middle-class consumer; but also by the "poor" consumer. I have been a witness on how the "poor" consumer is getting alerted to their daily problems as consumers and how they, themselves, are looking for the ways and means to overcome such problems.

In our Bedford-Stuyvesant community, the residents have been asking themselves on a day-to-day basis, Why is it that they pay such high prices, particularly for food? The concern of this community has been brought by many residents to our organization and to me, personally. Plans of action to analyze the reasons behind their concerns have taken place. Questions like the following are being asked by these "ghetto" residents:

1. Why is it that my money goes "down the drain" when I enter a supermarket?

2. Why is it that when the welfare checks are received I have the feeling I am paying more?

3. Why is it that some of my family and friends who have been able to move to the so-called better neighborhoods are telling me that "over there" things are cheaper?

Do we have a definite answer? No. Are we looking for reasons and answers? Yes. How?

First. Community meetings were held by the different consumer block committees organized by our staff, in order to analyze and put into a frame of reference the complaints of the residents.

Second. The residents decided to carry out a comparison shopping survey.

Third. Five residents and myself conducted the comparison shopping survey.

The consumer block committee leaders employed "poor" residents of the CABS Corp.; requested these residents to submit a regular shopping list of the items, amounts, brands, and chainstores where they regularly buy. Tabulation and analysis of the submitted lists was made; the outcome being a resident's typical shopping list of 20 items and five major chainstores.

Plans were made to conduct the survey of these 20 items on the five different major chainstores on November 14 and November 16. The dates were picked in accordance with the residents' complaints of variance in price on welfare checks arrival date; namely, the 1st and 16th of the month.

The five major chainstores were surveyed on the same dates in Flatbush, a middle-class-income area. The actual purchase of the items took place on November 14 in the five major chainstores in Bedford-Stuyvesant and the same 20 items were purchased on the same day in the same major chainstores in the Flatbush community.

On November 16, the same five residents purchased the same 20 items on the same Bedford-Stuyvesant major chainstores as well as in the corresponding major chainstores in Flatbush. It is now that we can talk about findings.

For reporting purposes, we identified the major chainstores with the letters A to E.

What were our findings in the Bedford-Stuyvesant and Flatbush areas on November 14?

We found that:

(1) A store charged \$0.78 more in Bedford-Stuyvesant than in Flatbush.

Mr. ERLNBORN. Is this for all 20 items?

Mrs. APONTE. Yes.

Mr. ERLNBORN. The total?

Mrs. APONTE. Yes.

(2) B store charged \$0.07 more in Bedford-Stuyvesant than in Flatbush.

(3) C store charged \$0.21 more in Bedford-Stuyvesant than in Flatbush.

(4) D store charged \$0.08 more in Bedford-Stuyvesant than in Flatbush.

(5) E store had no difference between the two areas, but we have to note that within this specific store, although there was no change in the total price of the shopping list, there were quite a few variances of prices among the items which counteracted each other, bringing about a balance of zero.

Mr. ROSENTHAL. Could you tell us what the total cost of some of these things were, so we get some percentage relationship to the total?

Mrs. APONTE. Yes, sir.

Mr. ROSENTHAL. I also think it would be useful if you identified the stores. Who is A, B, C, and D, so the people from those stores can respond?

Mrs. APONTE. Well, I decided at the specific time and because of what I would like to say later, not to identify these stores by name, but if at the end of the statement you request such, I will be willing to do it.

At the A chainstore, on November 14, we paid \$12.60 for the 20 items compared. On November 16—this is on page 9—we paid \$12.78. You can see the change of \$0.18.

B store was \$10.87. On November 16, it was—excuse me, there is a mistake—on the B store we had \$10.29 and \$10.14—this is in the C store. This is a mistake, I am sorry. This was the typewriter.

Mr. BARASH. The chart on page 9 relates to the differences in prices between November 14 and November 16?

Mrs. APONTE. Yes. This is why I would like, if you let me to continue as I started, because you are asking questions I have answered already on the other pages.

May I please continue?

Mr. ROSENTHAL. Yes, go ahead.

Mrs. APONTE. What were our findings in both areas 1 day later, that is November 16? We found that:

(1) A store charged \$1 more in Bedford-Stuyvesant than in Flatbush.

(2) B store charged \$0.25 more in Bedford-Stuyvesant than in Flatbush.

(3) C store charged \$0.33 more in Bedford-Stuyvesant than in Flatbush.

(4) D store charged \$0.49 more in Bedford-Stuyvesant than in Flatbush.

(5) E store charged \$0.34 more in Bedford-Stuyvesant than in Flatbush.

Are these facts conclusive that prices in major chainstores are higher in "ghetto" areas than in "nonghetto" areas? No and yes.

No, because they do not point out a general trend and it is my measured professional opinion that at least for a period of 2 months these comparison-shopping surveys have to be carried out in order to bring conclusive data to point out a possible general trend of operations of these major chainstores.

Yes, because it shows clearly that there are differences. We cannot point out any immediate reasons for these changes. But it brings out the need for continued research upon these lines in order to see if the residents of the "ghetto" are discriminated on an economic and residency basis.

Nevertheless, Mrs. Brown, Mrs. Perez, and other residents of the Bedford-Stuyvesant area and the ones who conducted the shopping survey, Mrs. Mateo, Mrs. Fagan, Mrs. Lopez, Mrs. Livermore, Miss Soto, and myself, are questioning the fact that on those specific dates, regardless of the reasons for these differences, the fact of the matter is that we paid from \$0.01 to \$1 more on different and particular items.

If we tabulate the changes in these 2 days, November 14 and November 16, we can clearly see that the change increases in November 16 are higher than the change increases on November 14.

Continuing on page 8, we see on A store, the change on November 14 was \$0.78 and the change on November 16 was \$1.

Mr. ROSENTHAL. I don't understand what that means. You mean it was \$0.78 higher in Bedford-Stuyvesant than Flatbush on November 14?

Mrs. APONTE. That's right. In other words, A store charged \$0.78 more on November 14 in Bedford-Stuyvesant than in Flatbush on the same date of November 14.

Mr. ROSENTHAL. And on November 16 they charged \$1 more?

Mrs. APONTE. On November 16 it was \$1 more.

B store charged, on November 14, \$0.07 more in Bedford-Stuyvesant than in Flatbush. But on November 16 it was \$0.25 the change.

C store charged \$0.21 more on November 14 in Bedford-Stuyvesant than in Flatbush, and on November 16 it was \$0.33.

D store charged November 14 \$0.08 more in Bedford-Stuyvesant than in Flatbush and \$0.49 on November 16 in Bedford-Stuyvesant.

E store had a change of zero, but nevertheless—

Mr. ROSENTHAL. When you say "A change of zero," you mean that on November 14 the market-basket price was exactly the same in store E between Bedford-Stuyvesant and Flatbush?

Mrs. APONTE. Yes, but on November 16 E store had a change of— increase, I would say, of \$0.34.

Mr. REID. On either the 14th or the 16th, had specials been advertised, and were there any differences between the advertised price and the price marked on the can or the commodity?

Mrs. APONTE. This is what I would like to proceed later on. I brought the articles in order to show in these hearings that we can point out even by the stamped price on the cans, that these changes occurred.

Mr. REID. My question is, Did you find instances where the prices stamped on the bottle or the can was not the price advertised?

Mrs. APONTE. Yes, sir. As, for example, we have here one Velveeta cheese that was purchased in one of the stores.

Mr. REID. It looks like you have several, Mrs. Aponte.

Mrs. APONTE. Where you have the price on one side of \$1.28 and then on the other side you have \$0.99.

Mr. REID. What was the price you paid?

Mrs. APONTE. \$1.28.

Mr. REID. Did you ask why—

Mrs. APONTE. Not at any specific time.

Mr. REID. What was the advertised price of the Velveeta that day?

Mrs. APONTE. It was \$1.28.

Mr. REID. Advertised in the newspapers?

Mrs. APONTE. We didn't look to the newspaper. As a matter of fact, we didn't make any type of presurvey for the survey. In other words, we conducted the survey as if we were a housewife that decides to buy 20 articles in one store.

Mr. REID. Thank you.

Mr. GALLAGHER. Excuse me, it was marked on there \$0.99, yet you paid \$1.28?

Mrs. APONTE. Yes.

Mr. GALLAGHER. Without making an inquiry?

Mrs. APONTE. Because of the fact that the price was here.

Mr. GALLAGHER. Yes; but I also see on the side, \$0.99.

Mrs. APONTE. Yes. We didn't make any inquiries in relationship to these. We thought for the purpose of the shopping survey, it is not of our concern to analyze with the cashier or the manager, "Why is it that you are charging \$1.28 or \$0.99?" It is my experience that the average housewife, especially the poor housewife, doesn't even look, because of the lack of consumer sophistication, doesn't even look to the price that is on the can.

Mr. REID. On the day you purchased that for \$1.28 in one store, what was the price of the Velveeta in another store? Was it \$0.99?

Mrs. APONTE. This is why I brought so many packages of Velveeta. This is the real difference in price you can see. In one store we had \$1.23, the same November 14. In another store we had \$1.19. It is the same brand.

Mr. REID. The same chain?

Mrs. APONTE. The same chain.

Then we have \$1.14, which is rather confusing.

In another one we didn't have the price—in this one, this is very important, you can see we have \$0.89 here but behind it—as a matter of fact, I don't know why they decided to put a sticker—there is the price of \$1.15 apparently. So this is what happened with the Velveeta cheese.

Mr. GALLAGHER. Did anyone ask about the \$0.99 figure?

Wouldn't anyone ask or be interested in the \$0.99 figure being stamped?

Mrs. APONTE. No; we didn't. We didn't ask.

Mr. GALLAGHER. Why?

Mrs. APONTE. Our purpose was not to ask for the price or why the situation was occurring. Our purpose was to demonstrate that any housewife that goes to a supermarket and finds the situation, if she is not aware or if she doesn't look at the package, which many of us

do because we are always in a hurry, you are going to be paying more regardless of the price stamped on the specific box.

Mr. ROSENTHAL. Had you been doing your own personal shopping you would have fought it out for the \$0.99?

Mrs. APONTE. Yes, sir.

Mr. ROSENTHAL. But to show this committee that there are frequent differences in prices on packages, you purchased the package at the price they wanted, to bring it along?

Mrs. APONTE. Exactly.

Mr. GALLAGHER. Do you think this reflects the chain's thinking or the individual cashier's thinking?

Mrs. APONTE. I don't know. I am going, as I always say, by the facts. I don't know what reasons are behind this, but the facts are here and as I said before, and I want to stress and repeat, a poor housewife or even a middle-class housewife is not—

Mr. GALLAGHER. All housewives are poor.

Mrs. APONTE. I don't have that opinion, sir. I know in my ghetto area—I know our housewives are very, very poor.

What were the findings in relation to the residents' complaints that prices changed on welfare checks arrival date; that is; on the 1st and the 16th of the month?

The following table presents the changes between November 14 and November 16 in the five major chainstores in the Bedford-Stuyvesant area only.

This is where we had a problem with the typewriter, but we have another evidence here that we can pass around which corrects the mistake. On "A" store, November 14, we paid \$12.60 in Bedford-Stuyvesant. On November 14 in the Flatbush "A" store, we paid \$11.82. The change therefore on November 14 is \$0.78.

Mr. GALLAGHER. Is this reflected in your chart here on page 9?

Mrs. APONTE. Yes. The changes only.

Mr. BARASH. The chart on page 8 relates to the differences in prices between Bedford-Stuyvesant and Flatbush on the dates November 14 and November 16. The chart on page 9 relates to the increase in prices in Bedford-Stuyvesant and in Flatbush between the dates November 14 and November 16?

Mrs. APONTE. Exactly.

May I continue?

Mr. BARASH. Please do.

Mrs. APONTE. Then as I said, in "B" store we paid on November 14, \$10.32. In Flatbush we paid \$10.25.

In Bedford-Stuyvesant, this is "C" store, we paid \$10.29. In Flatbush November 14, \$10.08.

In one place we paid \$8.41 and—on November 14, and on November 14 in Flatbush we paid \$8.33.

In "E" store we paid \$10.31, same amount in Flatbush.

Now, let's go to the 16th now. On November 16 in "A" store, we paid in Bedford-Stuyvesant \$12.78. Then in Flatbush in the same store on the 16th we paid \$11.78.

"B" store we paid \$10.50 in Bedford-Stuyvesant; \$10.25 in Flatbush.

"C" store we paid \$10.41 in Bedford-Stuyvesant and \$10.08 in Flatbush.

"D" store we paid \$8.70 in Bedford-Stuyvesant and \$8.21 in Flatbush.

In "E" store we paid \$10.90 in Bedford-Stuyvesant and \$10.58 in Flatbush.

Therefore, the change on November 16 was, in "A" store, \$1; "B" store, \$0.25; in "C" store \$0.33; in "D" store \$0.49 and "E" store \$0.34.

Mr. ROSENTHAL. I think it absolutely essential that you identify these stores so we have an opportunity to permit these people to respond.

Mrs. APONTE. Yes, sir. I will do that.

The "A" store is Key Food.

The "B" store is Associated Food Stores.

The "C" store is A. & P.

The "D" store is Waldbaum's.

The "E" store is Royal Farms.

Mr. ROSENTHAL. You heard Dr. Costello say he had a survey made and did find an instance of a price rise on welfare check date. Do you want to comment on that?

Mrs. APONTE. Well, I would like to say, Congressman, that the facts speak for themselves.

Now, are we going to make conclusions on those facts? These conclusions, professionally speaking, I will not make because of the fact that for making that type of conclusion, to establish a pattern followed by these stores, that on the 16th of the month, when the welfare checks arrive, they purposely change the prices, I would think that we would have to conduct more surveys like the one I conducted on a monthly or weekly basis for about, let's say, 6 months.

Mr. ROSENTHAL. Did the stores know you were making the survey?

Mrs. APONTE. Of course not.

Mr. ROSENTHAL. Once it became public knowledge that you were going to do it every month, it probably wouldn't happen again, would it?

Mrs. APONTE. I wouldn't know. My opinion has been that since this concern for the consumer problems, and since the book "The Poor Pay More," the chainstores are concerned with maintaining the prices in different areas the same, but nevertheless, I don't know why it is that still, with all the publicity, you can find, as we did with facts, variance of prices.

Mr. GALLAGHER. May I say was this more than 1 day shopping spree, or was this a one-shop proposition?

Mrs. APONTE. Say that again, please?

Mr. GALLAGHER. November 14 and November 16 reflects an increase in food prices after relief checks have been issued.

Mrs. APONTE. It shows that, but I don't know if this increase in prices are due to the arrival of the welfare checks on the 16th.

Mr. GALLAGHER. I am not asking that. I am asking whether this was a one-shot proposition, or had you done this previously?

Mrs. APONTE. We did this about—we did a survey like this about 2 years ago, and at that specific time we still have the survey with us, there apparently was a change in prices.

Mr. REID. To follow the same line of reasoning and get back to a point I made earlier, have you done any checking or received any reports with regard to special days to check whether the amounts stamped

on the Velveeta or the cans correspond to what is advertised for a special?

Mrs. APONTE. I have not done that survey yet. We intend to do it.

Mr. REID. Have you received any reports or any indications that prices stamped have not been changed on special days?

Mrs. APONTE. Oh, yes. I found that, but we have not conducted any further investigations.

Mr. REID. You received reports of this, but have not confirmed them?

Mrs. APONTE. Yes.

Mr. ROSENTHAL. Two or three more questions.

In your experience, other than just shopping on these two days, when any one of these five stores advertise in the newspaper that Crisco or Wesson oil, or something else is on special that day, and if you go into the store and they don't have it, what do you do about it? If you go to the manager or clerk and say, "This advertised special is out," what happens?

Mrs. APONTE. Well, for example, in one case, and this was some time ago, about 6 months ago, one of my shoppers that was purchasing food with the welfare recipient found there was a sale in one of these chainstores, but there was no article, as a matter of fact, so she demanded the article, and believe me in a half hour, she got the article. I don't know where they got it from. I think it was from the back.

Mr. ROSENTHAL. Is that your experience, too?

Mrs. APONTE. Yes, sir.

Mr. ROSENTHAL. In other words, if they are out of an advertised special, somehow if you complain, they produce it? Is that what you are telling us?

Mrs. APONTE. Yes, sir.

Mr. ROSENTHAL. Have you, yourself, found any difference in quality of, for example, meats or perishables, between the stores in Bedford-Stuyvesant and the stores in Flatbush?

Mrs. APONTE. Well, at the present time in this specific survey we conducted, we didn't look into that specific matter. We wanted to see what the value of the dollar in Bedford-Stuyvesant was in relationship to the value of the dollar in Flatbush. At that specified time, we didn't look for the quality of it, just the price.

Mr. ROSENTHAL. Do you have any feeling that there may be more of a problem with pilferage in some stores, as compared to others?

Mrs. APONTE. No, sir.

Mr. GALLAGHER. Where did the money come from to purchase these articles?

Mrs. APONTE. Well, this money was given to us on a loan basis from the Comparative League to conduct the survey.

The opinions expressed here are those of the author and should not be construed as representing the opinions or policy of any agency of the U.S. Government.

In other words, this program of ours is called the consumer education and action program of Bedford-Stuyvesant and this is—as a matter of fact, a corporation that is called by the same name. We received a 207 demonstration grant to educate the consumer—

Mr. GALLAGHER. Grant from whom?

Mrs. APONTE. From the Office of Economic Opportunity.

Mr. GALLAGHER. What amount?

Mrs. APONTE. 207 demonstration.

Mr. GALLAGHER. What amount?

Mrs. APONTE. \$200,000. And in that specific budget, no money was allocated to do comparison shopping the way we are supposed to be doing it, by buying the same articles. We requested a loan from the Comparative League in order to be able to purchase the articles. U.S. Comparative League.

Mr. GALLAGHER. Who sponsors the U.S. Comparative League?

Mrs. APONTE. The U.S. Comparative League is an independent organization, as far as I know.

Mr. GALLAGHER. How is that funded?

Mrs. APONTE. I don't know. It has to be an individual transaction.

Mr. GALLAGHER. What were the other purposes of the \$200,000 grant?

Mrs. APONTE. Well, the \$200,000 grant is for the purpose of demonstrating through a consumer education project that the poor in the residence areas come together with the merchants, can overcome their problems as consumers, to establish a credit union for the poor, to deal with problems of garnishees through the assistance of a lawyer for the specific residents, refer the residents to the different social services of the city like the welfare department, have them fill in applications, but basically it is to demonstrate that through an economic tool which is the credit union and through consumer education, the poorest consumer can get sophisticated and alerted enough as to get the best value for their dollar spent.

Mr. GALLAGHER. Was anything more done to determine whether or not this was a pattern, than the purchases made on November 14 and November 16?

Mrs. APONTE. No, sir. As I said before, we can't be talking of priority of a pattern taking place. I said, and I repeated clearly, that this comparison shopping tour is a tool. If we find in our purchases, or if any housewife finds in her purchases, that she can buy products at a lower price in Flatbush than in Bedford-Stuyvesant, that the owners or the managers of these stores sit down in roundtable meetings with the persons or the consumer to sit down with what are the causes of this situation, and find the ways and the means for a beneficial solution to both.

Mr. GALLAGHER. Did anyone go back after the 16th, say on the 17th or 18th, to see if the prices dropped again?

Mrs. APONTE. No, sir; we are going to follow up.

Mr. GALLAGHER. Could this be interpreted as a normal rise, or do you think it might be specifically aimed at—

Mrs. APONTE. I can't project what is going to happen. I have to go and see and then I will be able to know.

Mr. GALLAGHER. That is why I was just wondering whether or not it might be reflecting a price increase generally, and therefore, if someone went back on the 17th or the 18th, it might be of interest to see whether or not the prices drop.

Mrs. APONTE. It will be interesting.

As a matter of fact, we are going to follow up, but we can't make any statements prior to the fact.

Mr. GALLAGHER. I have no further questions.

Mr. ROSENTHAL. Thank you very much.

(Mrs. Aponte has furnished the committee with original workpapers and cash register tapes of all surveys. Complete text of hearing statement appears below.)

PREPARED STATEMENT OF MRS. GLADYS R. APONTE, EXECUTIVE DIRECTOR, CONSUMER ACTION PROGRAM OF BEDFORD-STUYVESANT, INC.

Honorable Congressmen, I am Mrs. Gladys R. Aponte, executive director of the consumer action program of Bedford-Stuyvesant, Inc., mother, housewife and all-time consumer.

It is an honor to have been invited to testify before this committee.

I want to make it clear that I come here to testify about the consumer problems that particularly affect the low-income consumer of our ghetto area. I want to stress the fact that the purpose of my testimony is to point out existing conditions and not to make accusations.

There is a nationwide concern on consumer problems which is expressed in the Government spheres by the creation of President Johnson's Committee on Consumer Affairs, different bills presented in the Congress, and the hearings that are conducted on a nationwide basis, such as this one of today.

This concern is not only shared by the Government, the rich consumer, the middle-class consumer, but also by the poor consumer. I have been a witness on how the poor consumer is getting alerted to their daily problems as consumers and how they, themselves, are looking for the ways and means to overcome such problems.

In our Bedford-Stuyvesant community, the residents have been asking themselves on a day-to-day basis, why is it that they pay such high prices, particularly for food. The concern of this community has been brought by many residents to our organization and to me, personally. Plans of action to analyze the reasons behind their concerns have taken place. Questions like the following are being asked by these ghetto residents:

1. Why is it that my money goes "down the drain" when I enter a super-market?
2. Why is it that when the welfare checks are received I have the feeling I am paying more?
3. Why is it that some of my family and friends who have been able to move to the so-called better neighborhoods are telling me that over there things are cheaper?

Do we have a definite answer? No. Are we looking for reasons and answers? Yes. How?

First. Community meetings were held by the different consumer block committees organized by our staff, in order to analyze and put into a frame of reference the complaints of the residents.

Second. The residents decided to carry out a comparison shopping survey.

Third. Five residents and myself conducted the comparison shopping survey.

The consumer block committee leaders, employed poor residents of the CABS Corp., requested these residents to submit a regular shopping list of the items, amounts, brands, and chainstores where they regularly buy. Tabulation and analysis of the submitted lists were made, the outcome being a residents' typical shopping list of 20 items and five major chainstores.

Plans were made to conduct the survey of these 20 items on the five different major chainstores on November 14, and November 16. The dates were picked in accordance with the residents' complaints of variance in price on welfare checks arrival's date; namely, the 1st and the 16th of the month.

The five major chainstores were surveyed on the same dates in Flatbush, a middle-class income area. The actual purchase of the items took place on November 14 in the five major chainstores in Bedford-Stuyvesant and the same 20 items were purchased the same day in the same major chainstores in the Flatbush community.

On November 16, the same five residents purchased the same 20 items on the same Bedford-Stuyvesant major chainstores as well as in the corresponding major chainstores in Flatbush. It is now that we can talk about findings.

For reporting purposes, we identified the major chainstores with the letters "A" to "E."

What were our findings in the Bedford-Stuyvesant and Flatbush areas on November 14?

We found that:

- (1) "A" store charged \$0.78 more in Bedford-Stuyvesant than in Flatbush.
- (2) "B" store charged \$0.07 more in Bedford-Stuyvesant than in Flatbush.
- (3) "C" store charged \$0.21 more in Bedford-Stuyvesant than in Flatbush.
- (4) "D" store charged \$0.08 more in Bedford-Stuyvesant than in Flatbush.
- (5) "E" store had no difference between the two areas; but we have to note that within this specific store, although there was no change in the total price of the shopping list, there were quite a few variances of prices among the items which counteracted each other, bringing about a balance of zero.

What were our findings in both areas one date later, that is November 16? We found that:

- (1) "A" store charged \$1 more in Bedford-Stuyvesant than in Flatbush.
- (2) "B" store charged \$0.25 more in Bedford-Stuyvesant than in Flatbush.
- (3) "C" store charged \$0.33 more in Bedford-Stuyvesant than in Flatbush.
- (4) "D" store charged \$0.49 more in Bedford-Stuyvesant than in Flatbush.
- (5) "E" store charged \$0.34 more in Bedford-Stuyvesant than in Flatbush.

Are these facts conclusive that prices in major chainstores are higher in "ghetto" areas than in non-ghetto areas? No, and yes.

No, because they do not point out a general trend and it is my measured professional opinion that at least for a period of 2 months these comparison shopping surveys have to be carried out in order to bring conclusive "data" to point out a possible general trend of operations of these major chainstores.

Yes, because it shows clearly that there are differences. We cannot point out any immediate reasons for these changes. But it brings out the need for continued research upon these lines in order to see if the residents of the ghetto are discriminated on an economic and residency basis.

Nevertheless, Mrs. Brown, Mrs. Pérez, and other residents of the Bedford-Stuyvesant area, and the ones who conducted the shopping survey: Mrs. Mateo, Mrs. Fagan, Mrs. Lopez, Mrs. Livermore, Miss Soto and myself are questioning the fact that on those specific dates, regardless of the reason for these differences, the fact of the matter is that we paid from \$0.01 to \$0.28 more on different and particular items.

If we tabulate the changes in these 2 days (November 14 and November 16) we can clearly see that the change increases on November 16 are higher than the change increases on November 14.

TABULATION OF CHANGES BETWEEN BEDFORD-STUYVESANT AND FLATBUSH¹

Chainstore	Change on Nov. 14	Change on Nov. 16
A (Key Food).....	+\$0.78	+\$1.00
B (Associated Grocers).....	+ .07	+ .25
C (A. & P.).....	+ .21	+ .33
D (Waldbaum's).....	+ .08	+ .49
E (Royal Farms).....	0	+ .34

¹ All these increases are on Bedford-Stuyvesant.

What were the findings in relation to the residents' complaints that prices changed on welfare checks arrival's date; that is, on the 1st and the 16th of the month?

The following table presents the changes between November 14 and November 16 in the five major chainstores in the Bedford-Stuyvesant area only.

CHANGES IN PRICES IN BEDFORD-STUYVESANT CHAINSTORES BETWEEN NOV. 14 AND NOV. 16

Chainstore	Total price		Change
	Nov. 14	Nov. 16	
A (Key Food).....	\$12.60	\$12.78	+\$0.18
B (Associated Grocers).....	10.87	11.05	+ .18
C (A. & P.).....	10.29	10.41	+ .12
D (Waldbaum's).....	8.60	9.05	+ .45
E (Royal Farms).....	10.31	10.65	+ .34

The findings were:

- (1) That in "A" store we paid \$0.18 more on November 16 than on November 14.
- (2) That in "B" store we paid also \$0.18 more on November 16 than on November 14.
- (3) That in "C" store we paid \$0.12 more on November 16 than on November 14.
- (4) That in "D" store we paid \$0.45 more on November 16 than on November 14.
- (5) That in "E" store we paid \$0.34 more on November 16 than on November 14.

What do these facts mean to the Bedford-Stuyvesant residents?

What do they mean to the businesses involved?

What do they mean to CABS Corp. as an interested and concerned party?

As the executive director and the delegate of the 2,000 members of the CABS Corp., I want to stress once and for all that "comparison shopping" is not a weapon for patronizing or discrediting any store, but rather as a tool of negotiation in order to achieve one of our most innovative goals, that is to bridge the gap between consumer and business.

As a consumer action program our highest goal is to promote, develop, and preserve a healthy free enterprise system within the "ghetto" marketing conditions.

Dialog has to take place. The door is open. Let's make the best of it.

Mr. ROSENTHAL. Our next witness is Mr. Stephen Press, director, MEND consumer education program.

Mr. Press, if you are ready we will begin in a moment. Mrs. Aponte, I wanted to compliment you for all the good work you have done, and regardless of what one thinks of the conclusions or the outcome, any dialog is a very useful thing, and certainly a plus in making ours a more viable democracy.

Mr. Press, do you want to begin, please?

STATEMENT OF STEPHEN PRESS, DIRECTOR, MEND CONSUMER EDUCATION PROGRAM, NEW YORK, N.Y.

Mr. PRESS. Yes. Before I get into my prepared remarks, I would like to say a few things related to what I will talk about. First of all, I am sure my program would have been able to do a far more effective job if our funds would not have been cut off on the 15th of September.

We were not extended by the city of New York, and since there are problems in Washington with the poverty program, we had to let most of our staff go. We did exist a while on foundation funds, and they ran out, and we are presently existing on myself, an assistant and a secretary as far as directly paid staff is concerned.

The second thing I wanted to comment on is that of all the chains I will talk about, and that have been talked about here today, the A. & P. is the only chain, as far as I am concerned, that has shown any real interest in dealing with its own problems and has worked closely with us on the various things that we have dealt with, the various problems they have in their own chain.

The third thing is, if you turn to exhibit A in the back of my testimony [the complete text of Mr. Press' remarks appears at the conclusion of his testimony] you will see that I have a copy of the Congressional Record from July 13, 1965, and marked in that copy is a little section of a letter to Mrs. Esther Peterson, and that section

talks about the fact that many large chains charge higher prices in the stores than the advertised price.

I just threw this in there because this is something that has been going on for many years.

Mr. ROSENTHAL. We want facts, not conclusions. Do you have facts to support that?

Mr. PRESS. Yes.

Mr. ROSENTHAL. Why don't we get to them?

Mr. PRESS. All right. I will get into my testimony.

I might as well go right into surveys that I have done. First of all, our program started in the summer of 1966, an antipoverty program in East Harlem, and we have 10 offices which cover an area of 96th to 132d Street from the East River to Fifth Avenue.

In the summer of 1966, we were concerned with only one of those areas, so we only dealt with the stores in that particular area and at that time we did surveys in two supermarkets, two major chains, actually. One, Sloan's, which has 15 stores in the Manhattan area, and the A. & P.

Now, in the A. & P. we didn't find any major price discrepancies. I say "major," because we have thrown aside any time we have seen a few pennies' difference or a few items' difference, we haven't included them in our surveys. We did find in the A. & P. stores at that time a major difference in quality. We found things like moldy pies on the shelves and what we felt was inferior-quality meats.

We brought this to the attention of the A. & P. and these particular things were corrected. Now, in relation to the other chain, we did a survey over a 4-week period, and in the testimony I have included the last week, which is the week we actually purchased the goods, and we held a little conference in which we invited the general manager of Sloan's to that conference.

I would say the price discrepancies are about 15 to 20 percent. As you can see on page 2, things like, well, Libby's peaches were 39 cents on 72d Street, which is an upper income area—

Mr. ROSENTHAL. Why don't you just read the list. One store is on 72d Street, Manhattan, and the other store is 120th Street, Manhattan; is that correct?

Mr. PRESS. Right. The one on 72d Street was an upper middle or upper income area. The one on 120th Street is a low-income area. We had done other stores in the chain which showed the same type of price discrepancy, but these two are the most striking.

I also have it on this chart right here. Now, the Sweet Life—I will start with the list in the testimony. Libby's peaches halves on 72d Street were 39 cents. On 120th Street, were 45 cents. Mazola, half pint of oil was 59 cents on 72d Street. Sweet Life mayonnaise was 31 cents on 72d Street and 41 cents on 120th Street.

Mr. ROSENTHAL. Miracle Whip dressing was 41 cents on 72d Street and 45 cents on 120th Street.

Mr. PRESS. Safeguard soap was two for 33 cents on 72d, and two for 35 cents on 120th Street. Ajax cleanser was two for 29c on 72d Street, two for 33 cents on 120th Street. Sweet Life vinegar was 18 cents on 72d Street and 25 cents on 120th Street.

Sweet Life sauerkraut was two for 31 cents on 72d Street and two for 35 cents on 120th Street.

Mr. ROSENTHAL. Is Sweet Life their own brand?

Mr. PRESS. Sweet Life is the lower cost line of the store. It's not really their own brand, but they use it as such. In the surveys, we did find the items that were the low-cost brands were higher priced in the low-income neighborhood.

In other words, the items people would be more likely to buy in a low-income neighborhood were higher priced in the low-income neighborhood. Sweet Life tuna was 33 cents on 72d Street and 35 cents on 120th Street. Del Monte spinach was two for 42 cents on 72d Street, two for 45 cents on 120th Street.

Gold Medal flour was 59 cents on 72d Street and 63 cents on 120th Street. Dock's minced clams was 29 cents on 72d Street and 33 cents on 120th Street. Sweet Life fruit cocktail was 25 cents on 72d Street and 33 cents on 120th Street. Sweet Life orange juice was two for 35 cents on 72d Street and two for 38 cents on 120th Street.

Mr. ERLNBORN. Might I ask at this point, since every one of these items is higher on 120th Street, did you choose only those items where this discrepancy appeared, or would there be, in some instances, items that were comparably priced at 120th Street or even lower priced?

Mr. PRESS. There were some items that were lower priced. Very few. And there were some items that were comparably priced. Also, many other items which were also higher priced on 120th Street that we didn't include in the survey where there was a penny or two difference.

At the time we actually went out and purchased these goods on a particular day in both stores, and we wanted to have the most striking differences apparent. We have thrown out surveys in relation to some chains in which we found as many items to be higher priced as lower priced, and this has happened.

It's just a general inefficiency on the part of the manager to have as many prices higher and lower. This was quite apparent early in the survey. We only did about 13 items the first week. This was the first-week survey in which a number of items showed up higher, including baby food, 1 cent a can, and at that point we felt that since anybody that does have young children and babies would buy so much of this that it seemed to be pretty obvious there was some kind of price discrepancy, and we expanded our survey a little and we did it week after week until we finally essentially brought this thing to a halt by publicizing it last year.

I think in this whole vein that there have been a tremendous amount of surveys run in ghetto areas, and I think the storekeepers are aware of this, and I think that they are trying more today to keep their prices in line than they were a year ago.

I will also comment: I remember the Bureau of Labor Statistics doing a survey in New York a year ago and finding that prices were the same in low- and middle-income areas, and at that time I spoke to Mr. Bienstock and he told me he asked the permission of each manager, asked him whether he could survey or not, and Sloan's was one of those stores that turned him down.

It can be pretty interesting if you are going to do a survey in the store, any store can say no and you don't do a survey. It's quite obvious the stores turning you down could be the stores charging the higher prices. I brought this to his attention last year. I really feel strongly you can't run a survey if the storekeepers will know you are doing it.

Mr. ROSENTHAL. What else besides this Sloan survey do you want to tell us about?

Mr. PRESS. Well, in the area of the other practices that I think are going on in the city today, and more than in just the city, are the practices of charging higher prices in the store than the advertisement in the newspaper. On page 4 of my testimony, you see an ad which deals with a key foodstore on 110th Street between Lexington and Third.

The actual list for that week is a little longer than the list on the testimony, but essentially what we found the practice to be in a large number of stores is that these stores will advertise sales in the paper to get people to come into the stores, but the items in the stores are marked incorrectly. And this list shows what I have marked exhibits B and C in the back—

Mr. ROSENTHAL. Tell us what date this was, what the items were, where they were advertised, and what the prices were.

Mr. PRESS. All right. The advertisement was placed in the New York Post on October 25, 1967. The store on 110th Street between Lexington and Third had the following items marked higher in the store: Chock Full of Nuts coffee was advertised at 69 cents. It was 79 cents in the store.

Nestle's chocolate bars was three for 89 cents in the paper, but one for 39 cents in the store. Key tea bags were 75 cents in the newspaper but 93 cents in the store. Del Monte peas were two for 43 cents in the newspaper and two for 49 cents in the store. Key peaches were three for 79 cents in the newspaper and one for 31 cents in the store.

Key frozen orange juice was six for 79 cents in the newspaper and six for 87 cents in the store. Key frozen asparagus was 45 cents in the newspaper, 51 cents in the store. Coney Island potatoes were 25 cents in the newspaper and 33 cents in the store. Frozen Carnation shrimp was \$1.79 in the newspaper and \$2.15 in the store. Eat Good wheat bread was for two for 35 cents in the newspaper and two for 39 cents in the store.

Now, I have another list, exhibit C—

Mr. ROSENTHAL. Is that on page 3 of your statement?

Mr. PRESS. No, this is in addition to the statement. It is the third—it is marked exhibit C. It is one of the pages in the back. These are two other stores which were surveyed the same day and I might add that all of these stores were visited by the department of markets and my program, volunteers who came out, shopped for these goods on the list, actually went through the cash register and were charged higher prices on the items.

At that point the department of markets issued about 50-some-odd summonses to six food stores for overcharging. Now, let me get back to the Key Food on 91st Street and Broadway which, by the way, is not a low-income area. It's a middle-income area.

Key pineapple and grape drink advertised at two for 55 cents was in the store for 29 cents. Del Monte pineapple and grape drink was 29 cents advertised and 35 cents in the store. Del Monte peas and carrots were two for 43 cents advertised and two for 45 cents in the store. Mazola oil was two for 25 cents advertised and two for 29 cents in the store.

Cold-Water All was 75 cents advertised but sold for 77 cents in the store. Sunshine Rinso, 32 cents advertised, 33 cents in the store. Brace

detergent advertised 33 cents, but sold for 35 cents. Key quality slice peaches, three for 79 cents advertised and two for 55 cents in the store.

Del Monte peas, two for 43 cents advertised and two for 49 cents in the store. Carnation shrimp, \$1.79 advertised and \$1.99 in the store. Key margarine, two for 35 cents advertised and two for 39 cents in the store. Kraft baby Gouda, 55 cents advertised and 59 cents in the store.

Key quality tea bags, 75 cents advertised and 93 cents in the store. Lux soap, two for 33 cents advertised and two for 37 cents in the store. Lifebuoy soap, two for 27 cents advertised and two for 29 cents in the store. The larger size was two for 37 cents advertised and two for 39 cents in the store.

Phase 3 soap was two for 37 cents advertised and two for 39 cents in the store.

MR. ROSENTHAL. Did anybody say anything to the manager of these stores about the pricing being higher in the store than the advertised price?

MR. PRESS. Yes.

MR. ROSENTHAL. What happened then?

MR. PRESS. The manager consistently said that the cashiers know the right price, so therefore the consumer who comes into the store will end up getting the price that is advertised because the cashier, when he rings up the price, regardless of what is marked on the can—

MR. ROSENTHAL. This is what the manager says?

MR. PRESS. Yes.

MR. ROSENTHAL. What is your feeling about it?

MR. PRESS. It's obvious that it's not true, because the department of markets went in there with these lists, these very same lists, and shoppers who picked out only the items marked higher, and they went to the cash register with these items and the cashiers rang up the wrong prices.

MR. REID. Mr. Press, if I might, did you then ask the manager whether he brought a crew in, we will say on Wednesday night, if the special was Thursday, Friday, and Saturday, to change all of the stamped prices on the items that were advertised for a lower figure on the succeeding days?

MR. PRESS. We haven't really spoken at all to Key Food. Key Food is the particular chain involved here. We have spoken to the local managers.

MR. REID. For example, in Westchester it's frequently the case where this is done that a whole crew will come in Wednesday night, will take all of the cans off the shelves that will be a special, and then mark down the prices that night for the 3 days, say, that they are advertised and then, if they are going back up to a regular price for the 3 days in the beginning of the week, they will bring another crew in Sunday night and rechange them so in this case there is no question whatsoever.

MR. ROSENTHAL. The store takes responsibility to make sure the cans are properly labeled consistent with the advertised price.

MR. PRESS. There is no doubt about it that this is what we want. The same thing came up with A. & P. chain last summer and that is what they have done. We have checked them ever since, and the prices are correct. They are giving the same prices as they advertise.

Many other chains seem to be a little more recalcitrant in doing the things they should be doing, which is—I have personally spoken to managers of these same stores, and they, up to this point, they have steadily argued that their cashiers know the prices and therefore they don't have to change the prices.

Mr. ROSENTHAL. So they make no attempt to change the prices?

Mr. PRESS. That is right. They made some attempt on some of the lead items and you must realize they put in very large ads in the newspaper so they take their lead items and change the prices on those, but the rest of the ad which is the bulk of the ad, they don't change the prices on.

In a middle-income area, a middle-income housewife many times will go into the store with an ad in her hand and argue with the cashier and say, this is the way the price should be and in that particular case, in a middle-income area, she will get the right price, but in the low-income areas I feel that many of the store managers take advantage of the fact that people don't shop as alertly as they do in other areas, and they don't come into the stores with the ads in their hands.

Mr. ROSENTHAL. Did you meet a situation where advertised items were physically unavailable in the store? What happens when the housewife asks for one of those items they claim to be out of?

Mr. PRESS. We have run into many situations like that. With Key, it has been a matter of them really charging higher prices. Several items have not been available. They will promise they will be in later. They don't offer any rainchecks. With the A. & P., and we brought that to the attention of the A. & P. management, there have been a large number of items in the East Harlem stores which have not been available and many of these items are never going to be available, so the raincheck policy just doesn't work in that particular case.

Mr. ROSENTHAL. This raincheck policy, do they have signs?

Mr. PRESS. They have signs in the A. & P. stores that they have a raincheck policy, and that any item that isn't available that is on sale can be picked up at a later time at the same price. The problem is that these items—up to this point, these items would never be available.

I say "up to this point" because I understand that the A. & P. has done quite a bit in the East Harlem area to make sure that all the items that it advertises are available in the stores. This has been a late thing. This is over the last month or so.

I have in my testimony, and also as exhibit D, a list of items—

Mr. ROSENTHAL. What is the list on page 3? What is that all about?

Mr. PRESS. That is the same—the page 3 list is essentially the same as one of the lists on exhibit D. The page 3 list is a list in one particular A. & P. store in East Harlem of goods that were advertised in the newspaper on September 27, 1967.

Mr. ROSENTHAL. What newspaper?

Mr. PRESS. They were advertised in the Daily News and the New York Post. By the way, I brought along copies of the newspapers.

Mr. BARASH. Can we have them for our files?

Mr. PRESS. Yes.

Mr. ROSENTHAL. Without objection, they will be included in the committee's files.

Mr. PRESS. The list of the store at 119th Street and Third Avenue is 16 items long, and many are everyday household items. There is soap

on there, cheese, meat. Also, in exhibit D there are two other stores we visited the same day on 106th Street and Third Avenue and 110th and Third Avenue.

Mr. ROSENTHAL. Let me understand you. On September 27, 1967, you went into the A. & P. store at 119th Street and Third Avenue and these 16 items that are listed here were advertised and weren't available?

Mr. PRESS. That is right.

Mr. ROSENTHAL. Did anyone ask the manager if and when they could obtain these items?

Mr. PRESS. They did.

Mr. ROSENTHAL. What happened?

Mr. PRESS. They were told they just weren't going to have them, because they didn't have—for some of the things they didn't have enough sufficient freezer space or floorspace to hold these items.

Mr. ROSENTHAL. Do you have any notion as to the time of day these items were requested?

Mr. PRESS. We visited twice, Wednesday afternoon and Friday, because we wanted to find out if by the end of the week some of these items would be available.

Mr. ROSENTHAL. Do any of the stores you visited have raincheck signs?

Mr. PRESS. Yes. All the A. & P. stores we visited have these raincheck signs.

Mr. ROSENTHAL. Do any other stores?

Mr. PRESS. No. Most don't.

Mr. ROSENTHAL. So, notwithstanding what you say about A. & P. having the sign, they don't deliver on the raincheck?

Mr. PRESS. They can't, because up to now they have had an inability to hold as many products as they advertise in some of these stores. I heard a comment before—

Mr. ROSENTHAL. That is their problem. Maybe they shouldn't advertise products they can't sell.

Mr. PRESS. I have discussed the fact that possibly they should change their advertisements to indicate that not all the items that they advertise are available, will be available in their stores in the New York metropolitan area. I think that might cover—

Mr. ROSENTHAL. What did they tell you?

Mr. PRESS. I understood that they have been discussing this. I don't know what their final decision is.

Mr. ROSENTHAL. Maybe we will find out momentarily.

Mr. PRESS. There was a comment made before in relation to the overhead of the ghetto stores being much higher. I know there have been many comments made on it. I have my own point of view on it, and I think it's a fairly decent point of view.

Many of the stores in the ghetto areas, particularly the A. & P. chain, but in other chains also, have been there an awful long time. They are run down. They have insufficient help, too much part-time help. The stores aren't painted. They are not renovated.

I would say from looking at them that their overhead is not as high as it should be. I think they have been losing a lot of money in these areas because they refuse to realize that the poor person can be just as good a customer as the middle-income person if he is treated the right way.

Many of these stores have been losing business to other, more energetic chains that move into these Harlem communities. The basic problems arise when you don't have another chain. There is an area in East Harlem where new projects were put up which extend from about 120th to 125th Street from the East River through about three city blocks wide in which there is not one supermarket, and the only supermarket, really, between 116th and 125th Street in that area is this Sloan supermarket that we surveyed.

MR. ROSENTHAL. Does Sloan's have a physical monopoly of their immediate community?

MR. PRESS. Well, they happen to be the only major supermarket—the only chain supermarket between 116th and 125th Street between the river and Third Avenue, which is a rather large area. Many of the people go out of this area to shop. In fact, it's been our experience that many of the shoppers in our area who really looked for their bargains don't shop in East Harlem. They go elsewhere.

The ladies that did the comparison price surveys last year, when they did their surveys outside of the East Harlem area, also did a lot of shopping when they were at the Sloan's or A. & P. downtown, and I think this is a fact that these supermarket chains have to reckon with.

They just have to start providing the same kind of quality and service and prices in the ghetto areas that they provide elsewhere. Otherwise, they will continue to run a poor operation. Their overhead will be higher because their intake will be low.

They are just not drawing a lot of shoppers they should be drawing into their stores. I don't know if I have too much more to say on the subject. One more thing: I have added a survey from November 15, which wasn't in the original testimony, which I added—

MR. ROSENTHAL. November 15, 1967?

MR. PRESS. That is right.

MR. ROSENTHAL. You mean a couple days ago?

MR. PRESS. Well, last week. It is exhibit B. We did this because we wanted to see what the reaction of the store would be to the visit of the department of markets. This particular store received a fine of \$280 for—

MR. ROSENTHAL. What store?

MR. PRESS. 110th Street between Lexington and Third. Exhibit B.

MR. ROSENTHAL. Is it an A. & P. store?

MR. PRESS. No. This is a Key foodstore. Again on advertised prices. This is a store that received \$280, as I said, in fines from the department of markets. We went back last week to find out if they had changed their practices and that exhibit, exhibit B, will show you—

MR. ROSENTHAL. Exhibit D; isn't it?

MR. PRESS. Exhibit B. The advertisement of November 15, 1967. That particular list of prices will show you that not much has changed from the previous time. I would also like to say that we did survey them this week, and this week we found the store's prices to be perfect. I wonder if there is any coincidence with this hearing and the fact that the prices were the same.

MR. ROSENTHAL. In other words, this Key foodstore, 110th Street and Lexington Avenue, after the department of markets had been there and after you had been there, on November 15, they advertised

the 12 or 14 items listed here, and the price marked was considerably higher?

Mr. PRESS. Right.

As I said, I am not sure if you caught it, we went back this week. We surveyed on Wednesday because we were interested, also, in bringing you a shopping basket, but when we surveyed on Wednesday we found the prices were all fine. Wednesday of this week.

Mr. ROSENTHAL. How do you figure your November 15 findings?

Mr. PRESS. Well, this has been going on regularly. The only way I can figure—the only change has been that this week the prices are right and the only reason I can see for the prices being right this week is that Key food finally decided to do exactly what the Congressman suggested before and hire extra people to change prices when they have a sale, because I was in the store and I spoke to a couple of people who told me they weren't regular employees and they were busy changing prices and I imagine that they decided to start changing prices in accordance with their advertisement. It's the only thing I can see in this particular situation.

I would also like to say in the earlier surveys where we found prices higher in the ghetto areas than in the upper-income areas, we spoke to the general manager of the firm involved, and he told us that his prices were the same in both areas and that we should come up and look at his books, because the books would indicate the prices were the same and I suggested that I didn't have to look at his books, because the prices in the store were different, and it seems to me that they were a better qualification of what his prices really were than his books.

Actually, I could say that I don't think the management of these stores are purposefully carrying out these kinds of practices, the upper management, but I would say that they need to spend more time in making sure that the managers on the lower level are not doing just what I talk about here today.

Mr. REID. To just ask one final question, if I understand correctly from your testimony: You certainly found instances where they have not marked certain items or not marked down certain items consistent with advertising?

Mr. PRESS. Right.

Mr. REID. In your earlier shopping sample in 1966 you found one chain in which there was no great difference between a store in one area versus one in the inner city or ghetto area, whereas another chainstore did show considerable difference of about 15 percent. Is it your impression now that there are some chains where there are significant disparities, compared with your 1966 concern?

Mr. PRESS. I have to say, and again we only deal with the chains in our area, so we are a little limited in that sense—I would have to say that there does not seem to be any evidence of significant disparities in price. We found some, but nothing worth while talking about, in the East Harlem area. But again we have kept up a steady stream of pressure on the stores on this type of thing, and they know they are being surveyed.

They don't know whether they are being surveyed, but they know occasionally they are being surveyed. I think this type of situation for

them is one where they have to be on guard, and they have been on guard.

I am afraid—I was afraid last year when the publicity died that the stores would go back to their former practices.

MR. REID. You found no great change on factory paydays or welfare check days?

MR. PRESS. We haven't really done surveys in that area. I have been familiar with some in the past, and I would say it's a very sophisticated way of raising prices.

MR. REID. But in the main, what we are talking about is deceptive practices in terms of not marking down certain items as advertised?

MR. PRESS. Yes. This year, this is what our main thrust in our program has been to.

MR. REID. Thank you.

MR. ROSENTHAL. Mr. Gallagher?

MR. GALLAGHER. No questions.

MR. ERLENBORN. I would just ask, since you checked Wednesday of this week and found the prices had been marked in accordance with the advertising, do you think it's quite fitting that the next day we celebrated Thanksgiving?

MR. PRESS. I guess so.

MR. ROSENTHAL. Thank you very much. You, too, are to be commended. Our next witness will be Mr. William Vitulli of the A. & P.

(The complete text of Mr. Press' prepared statement appears below:)

PREPARED STATEMENT OF STEPHEN PRESS, DIRECTOR, MEND CONSUMER EDUCATION PROGRAM, NEW YORK, N.Y.

If there have been any voices raised in support of increased consumer protection, the consumer education program of MEND would like to join the chorus. MEND (Massive Economic Neighborhood Development, Inc.) is an antipoverty agency operating in East Harlem. Its consumer education program, of which I am Director, is trying to make the poor consumer alert to the problems he faces, as well as to provide him with the practical and technical know-how to cope with these problems and the deceptive methods with which East Harlem residents are confronted. In educating our consumers we have had to make them aware of the pitfalls of dealing with storekeepers who seek to take advantage of their weaknesses.

Utilizing community people as comparison shoppers, MEND's consumer program has run a series of surveys which have clearly pointed out many irregularities in the treatment of low-income consumers by major food chains.

In 1966 we surveyed prices of two major chains in East Harlem to see whether their prices were higher in East Harlem stores (a low-income area) than in their stores in higher income areas. In one of these chains, the A. & P. we could find no significant difference in prices in comparison with the A. & P. store on East 64th Street, for example. We found, however, lower quality meats, moldy pies and cakes and abominable conditions in the stores servicing low-income clientele. The aisles of the East Harlem stores were cluttered, the stores were dirty and needed paint, and the help was not as plentiful.

In another chainstore, Sloans, we found a large disparity in prices between the stores in East Harlem and those on 65th, 72d, and 78th Streets (Middle- and upper-income areas). Our findings, based on a 4-week-long survey of about 50 items, seemed to indicate that it would cost the low-income consumer of East Harlem almost 15 percent more to shop on 116th or 120th streets rather than in the stores first mentioned. From our survey of August 11, 1966, here are some of the price discrepancies.

SLOANS

Product	72d St.	120th St.
Libbys peach halves.....	39 cents.	45 cents.
Mazola ($\frac{1}{2}$ pint) oil.....	59 cents.	65 cents.
Sweet Life (1 pint) mayonnaise.....	31 cents.	41 cents.
Wish Bone dressing (8 ounces).....	35 cents.	39 cents.
Miracle Whip (1 pint).....	41 cents.	45 cents.
Safeguard soap.....	2 for 33 cents	2 for 35 cents.
Ajax cleanser.....	2 for 29 cents	2 for 33 cents.
Sweet Life (1 quart) vinegar.....	18 cents.	25 cents.
Sweet Life sauerkraut (14 ounces).....	2 for 31 cents	2 for 35 cents.
Sweet Life tuna (6 $\frac{1}{2}$ ounces).....	33 cents.	35 cents.
Del Monte spinach (15 ounces).....	2 for 42 cents	2 for 45 cents.
Gold Medal flour.....	59 cents.	63 cents.
Doxsee minced clams.....	29 cents.	33 cents.
Sweet Life fruit cocktail.....	25 cents.	33 cents.
Sweet Life orange juice (1 pint, 2 ounces).....	2 for 35 cents	2 for 38 cents.

The Sweet Life products, the lower cost line of Sloans, were consistently higher priced in East Harlem. After having been told by the Sloans general manager that there were no such discrepancies and that our surveyors were "too ignorant" to survey correctly, we called a press conference during which we displayed some 15 items purchased that same day in two of Sloans stores; one on 120th Street the other on 72d Street. The above mentioned items were included on that list. The subsequent publicity caused Sloans to immediately lower their prices in their East Harlem stores. Their excuse was that the price discrepancies were caused by human error not by choice. We have no present evidence that these price disparities have continued.

In another food survey our program attempted to determine whether chain-stores were selling items at a higher price than advertised. It was here that we found a great deal of fault with the A. & P. chain. In the three A. & P. stores in East Harlem that we surveyed we found at least 20 items in each store that were either higher priced than advertised or unavailable altogether. Some items were even listed as being on sale in the window but were marked at a higher price in the store.

When we brought this practice to the attention of the local area manager of the A. & P. and threatened action, he took immediate action to rectify this practice in East Harlem. However, we know this practice has continued in many other areas of the city and even in other chains in East Harlem.

It was this belief which led us to extend our surveys into the operations of other chains in 1967. Our surveys clearly showed that many supermarkets in and out of ghetto areas share practices harmful to the consumer. These practices include advertising products for sale in local newspapers which products are not available for sale in the stores. Also, advertising products for sale at one price and selling them at a higher price.

An example of the first practice can be seen from a list of items which were advertised as being on sale in the New York Daily News on Wednesday, September 27, 1967, but which were not available in the A. & P. store on 119th Street and Third Avenue that week.

1. Band Aids, Johnson & Johnson.....	79 cents.
2. Bagels, plain or onion, 11 ounces.....	2 for 49 cents.
3. Schraffts Chicken or Beef, 13 $\frac{1}{2}$ ounces.....	75 cents.
4. Sliced Beef (Banquet) 5 ounces.....	29 cents.
5. Mealtime Maid Beef Cube Steak, 1 pound.....	85 cents.
6. Welch's Grape Juice, 6 ounces.....	2 for 43 cents.
7. Golden Cake, 12 ounces.....	49 cents.
8. Cracker Barrel Cheese:	
Mellow.....	49 cents.
Sharp.....	55 cents.
9. Cream cheese, Temptee, 8oz.....	39 cents.
10. Purex (Super Bleach 3 cents off label), $\frac{1}{2}$ gallon.....	26 cents.
11. Palmolive Soap.....	2 for 25 cents.
12. Burry's Vanilla Scooter Pies, 14 ounces.....	49 cents.
13. Codfish fillets, 2/1 pound.....	89 cents.
14. Halibut Steaks (frozen).....	79 cents.
15. Flounder Fillet (fresh).....	79 cents.
16. Jumbo Shrimp—21-25 Count Frozen.....	\$1.35

As to stores charging higher prices in the store than they advertise, I think MEND has proved its point. On October 26, 1967, we surveyed six chain foodstores both in and out of ghetto areas. Here is the example of the Key foodstore at 110th Street and Third Avenue:

Product	Advertised price in New York Post, Oct. 25, 1967	Price actually marked on cans and charged in store
Chock Full O' Nuts coffee.....	\$0.69.....	\$0.79.
Nestle chocolate bars.....	3 for \$0.89.....	1 for \$0.39.
Key tea bags (100).....	\$0.75.....	\$0.93.
Del Monte peas.....	2 for \$0.43.....	2 for \$0.49.
Key peaches.....	3 for \$0.79.....	1 for \$0.31.
Key frozen orange juice.....	6 for \$0.79.....	6 for \$0.87.
Key frozen asparagus.....	\$0.45.....	\$0.51.
Coney Island potatoes.....	\$0.25.....	\$0.33.
Frozen Carnation shrimp.....	\$1.79.....	\$2.15.
Eat Good white bread.....	2 for \$0.35.....	2 for \$0.39.

All of the six foodstores in question received summonses on that date because of the fact their prices were higher than advertised. The summonses were handed out after the cashiers rang up the higher prices. Again it is interesting to note that one of the stores carrying on this practice was in a middle-income area. I bring this up to point out that practices like this are also used outside of ghetto areas against all different kinds of consumers.

Can we change these sort of practices. We at MEND certainly hope so. But from our point of view ineffective laws enforced by ineffective agencies certainly can't do the job. From looking at the type of protection the consumer gets in our country, you would never believe he is in the majority. It's about time we started using the phrase "Let the seller beware instead of the buyer."

EXHIBIT A

[From the Congressional Record, July 13, 1965]

TRUTH IN PACKAGING

Mr. HART. Mr. President, much has been said by opponents of the truth-in-packaging bill (S. 985) concerning the alleged lack of interest in the bill by the average consumer. Much also has been said by the opponents—all of it laudatory—about the intelligence of our American women. As opponents tell the story, women are much too smart to be fooled by the packaging they face in today's supermarket. Therefore, the argument continues, women have no interest in a bill which would correct some of those packaging practices.

There is no question in my mind as to the capabilities of American women. As a matter of fact, I have contributed several thousand words of praise to the ever-swelling collection of tributes.

However, one thing has struck me. That is that all of the defenders of the "too-smart-to-be-fooled" American women are American men. Women themselves have another story to tell.

Recently, Special Assistant to the President for Consumer Affairs Esther Peterson—a very intelligent woman who strongly supports the truth-in-packaging bill—exchanged letters with another of our intelligent American women who also strongly supports—and wants—the bill. Mrs. Peterson thought the exchange so typical—as do I—that she wanted to share the letters with the Members of Congress.

Mr. President, I ask unanimous consent that the correspondence of Mrs. Stephen Press, of New York City, with Mrs. Peterson be printed in the Record. There being no objection, the correspondence was ordered to be printed in the Record, as follows:

"NEW YORK, N.Y.,
May 18, 1965.

"Mrs. ESTHER PETERSON,
"Special Assistant to the President for Consumer Affairs, Executive Office of the President, Washington, D.C.

"DEAR MRS. PETERSON: Thank you so much for your letter of May 10.
"I would certainly have no objection to having any part or all of my letter inserted in the Congressional Record. Would it be possible for me to obtain a

copy of the section of the Congressional Record in which it will appear or else to find out just where in the Record to look for it myself? My curiosity also prompts me to ask whether you would not recall on what television program it was that you quoted from my letter.

"In my previous letter to you, I had made a statement to the effect that there did not seem to be any agency to which the consumer group that I had been heading could turn. Since this was a rather vague statement, I would like to present to you a sampling of the problems that we discovered and seek your advice in regard to them.

"We were surveying food stores, for example, to see how faithfully they adhered to their advertisements in the newspapers. We discovered that, of the large chains, the A. & P. stores were among the most consistent offenders, in terms of charging more than advertised or of not having the products advertised available. We collected factual proof of discrepancies between prices advertised on certain products and the prices actually charged for them, and the first place that we turned to with this information was the New York City Department of Markets. The department of markets expressed interest in the matter, but, despite our numerous and protracted efforts, we were never able to find out what, if anything, had been done in regard to the situation. We turned to the Better Business Bureau, and this agency never inspected the matter at first hand at all; they simply talked to the executives at the A. & P., gave us the A. & P.'s version of the story (which we already knew) and said they trusted the matter had been explained to our satisfaction. The New York State attorney general's office and the Federal Trade Commission were of no help either. The false advertising was a fact, we had proof of it, but no one was interested.

"As a second example, we determined through surveys that the price of milk in the city of New York varied fantastically in different parts of the city. At the time of the survey, the price of a half-gallon container of milk, for instance, averaged 57-58 cents in the lower and middle portions of Manhattan, 49 cents in upper Manhattan and the lower Bronx, and progressively less as one advanced further north in the Bronx; in the adjoining Borough of Queens, it averaged 45 cents. We also analyzed the prices from the point of view of what certain specific chainstores were charging in different sections of the city. Our results showed that the prices in the chainstore branches correspond to the average prices mentioned above. Thus, for example, the price of milk in one chain—the A. & P.—on one brand of milk—Borden's—differed according to the section of the city the branch store was located in . . ."

EXHIBIT B

KEY FOOD, 110 ST. BETWEEN LEXINGTON AND THIRD AVES.

[Based on New York Post Advertisement of Nov. 15, 1967]

Item	Advertised price	Price marked in store
Ocean Spray cranberry sauce	10 cents	2 for 29 cents.
Diamond walnuts (pound)	45 cents	55 cents.
Motts apple sauce (25 ounces)	31 cents	36 cents.
Welch's tomato juice (1 quart)	29 cents	32 cents.
Del Monte cream style corn	2 for 41 cents	2 for 47 cents.
Key frozen broccoli	2 for 43 cents	2 for 47 cents.
Birds Eye peas	2 for 31 cents	2 for 39 cents.
SauSea shrimp cocktail	3 for 79 cents	3 for 85 cents.
Ardley ice cream (½ gallon)	79 cents	85 cents.
Ken-L Ration	2 for 33 cents	2 for 37 cents.
Wesson oil (gallon)	\$1.95	\$2.15.
H-O oats (16 ounces)	27 cents	28 cents.
Key paper towels (giant size)	27 cents	33 cents.
Key paper towels (2 rolls)	35 cents	43 cents.

EXHIBIT C

KEY FOOD, 91 ST. AND BROADWAY

[Based on New York Post advertisement of Oct. 25, 1967]

Item	Advertised price	Price marked in store
Key pineapple and grape drink.....	2 for 55 cents.....	29 cents.
Del Monte pineapple and grape drink.....	29 cents.....	35 cents.
Del Monte peas and carrots.....	2 for 43 cents.....	2 for 45 cents.
Mazola oil.....	2 for 25 cents.....	2 for 29 cents.
Coldwater All.....	75 cents.....	77 cents.
Sunshine Rinso.....	32 cents.....	33 cents.
Breeze detergent.....	33 cents.....	35 cents.
Key quality sliced peaches.....	3 for 79 cents.....	2 for 55 cents.
Del Monte peas.....	2 for 43 cents.....	2 for 49 cents.
Carnation shrimp.....	\$1.79.....	\$1.99.
Key margarine.....	2 for 35 cents.....	2 for 39 cents.
Kraft Baby Gouda.....	55 cents.....	59 cents.
Key quality tea bags (100).....	75 cents.....	93 cents.
Lux soap (2 bath bars).....	2 for 33 cents.....	2 for 37 cents.
Lifebuoy soap.....	2 for 27 cents.....	2 for 29 cents.
Do.....	2 for 37 cents.....	2 for 39 cents.
Phase III soap.....	2 for 37 cents.....	2 for 39 cents.

KEY FOOD, 106 ST. AND THIRD AVE.

Eggs (Jersey).....	2 for 75 cents.....	49 cents.
Knock Full o' Nuts coffee.....	69 cents.....	79 cents.
Key apple cider (gallon).....	59 cents.....	79 cents.
Key tea bags (100).....	75 cents.....	93 cents.
Del Monte peas.....	2 for 43 cents.....	2 for 49 cents.
Key peaches.....	3 for 79 cents.....	31 cents.
Key frozen asparagus.....	45 cents.....	53 cents.
Birds Eye broccoli (10 ounces).....	2 for 49 cents.....	2 for 55 cents.
Alcoa aluminum foil (25 feet).....	25 cents.....	29 cents.
Crisco oil (1 gallon).....	\$2.05.....	\$2.25.
Del Monte peas and carrots.....	2 for 43 cents.....	2 for 45 cents.
Swan Liquid (22 ounces).....	57 cents.....	60 cents.
H-O Oats (16 ounces).....	27 cents.....	29 cents.
Key paper towels.....	2 for 35 cents.....	2 for 39 cents.

EXHIBIT D

SURVEY OF A. & P. SUPERMARKETS

Items advertised in New York Post on September 27, 1967, that were unavailable in the following stores:

119th Street and Third Avenue

1. Band-aids, Johnson & Johnson, 70 in package.
2. Bagels, plain or onion, 11 ounces.
3. Schrafft's chicken or beef pie, 13½-ounce package.
4. Sliced beef with gravy, Banquet, 3-ounce package.
5. Beef cube steak, Mealtime Maid, 1-pound package.
6. Welch's grape juice, 6-ounce cans.
7. Golden cake, 12-ounce package.
8. Cracker barrel, Kraft, mellow and sharp, 10-ounce package.
9. Cream cheese, Temptee, 8-ounce package.
10. Purex super bleach, one-half gallons.
11. Palmolive soap, regular size and gold bath size bars.
12. Burry's vanilla Scooter Pies, 14 ounces.
13. Codfish fillets, 1-pound packages.
14. Halibut steaks, frozen.
15. Flounder fillet, fresh.
16. Jumbo shrimp, frozen, 21 to 25 count.

106th Street and Third Avenue

1. Fresh prunes.
2. Bagels, plain and onion, 11-ounce packages.
3. Schrafft's chicken or beef pies, 13½-ounce package.
4. Sliced beef with gravy, Banquet, 5-ounce package.
5. Golden cake, 12-ounce package.
6. Cracker barrel, Kraft, mellow and sharp, 10-ounce package.
7. Bromo-Seltzer, 3¼-ounce bottle.
8. Bufferin tablets, 36-in bottle.
9. Daily dog meal, 5- and 10-pound bags.
10. Purex super bleach, one-half gallons.
11. Burrey's vanilla Scooter Pies—14 ounces.

110th Street and Third Avenue

1. Medallion dog food, 14½-ounce cans.
2. Dog meal—Daily, 5- and 10-pound bags.
3. Cracker barrel, Kraft, mellow and sharp, 10-ounce package.
4. Bagels, plain and onion, 11-ounce package.
5. Schrafft's chicken and beef pies, 13½-ounce package.
6. Beef cube steaks, Mealtime Maid, 1-pound package.
7. Golden cake, 12-ounce package.
8. Purex super bleach—one-half gallons.
9. Burry's vanilla Scooter Pies, 14-ounce package.

Mr. ROSENTHAL. Mr. Vitulli, we welcome you here and are delighted you could come. If you want to, you might identify your associates who are with you.

STATEMENT OF WILLIAM VITULLI, ASSISTANT GENERAL SUPER-INTENDENT, EASTERN DIVISION, GREAT ATLANTIC & PACIFIC TEA CO., INC.

Mr. VITULLI. My name is William Vitulli. I am assistant general superintendent of A. & P. stores located in the Bronx and Manhattan, and I am responsible for the general supervision of some 115 stores in those areas. With me here today is Louis Van Lenten, director of sales for A. & P.'s eastern division, covering the Metropolitan New York area and the New England States, which is divided into seven units, including the Brooklyn-Long Island unit and the Bronx-Manhattan unit. With us is Denis McInerney, a member of the firm of Cahill, Gordon, Sonnett, Reindel & Ohl, counsel for A. & P.

At the outset, I would like to say that I am happy and proud to represent my company on this occasion because I feel that A. & P. has made a real contribution to the health of this Nation by its policy of selling at prices so low that they yield only about a 1-percent return on sales. As a result of that pricing policy, and of A. & P.'s insistence on selling the best quality food available, millions of people in the poorer areas in this country are able to get better food at lower prices than they would otherwise be able to obtain. I know of no private organization, and certainly no profitmaking organization, which has done a better job in helping the poor to obtain high-quality merchandise at the lowest possible prices.

A. & P.'s merchandising policy is carried out in this area by Mr. Van Lenten, who is here with me today. He is responsible for setting the retail prices for all products in all of the stores in this division and has followed the practice of having completely uniform prices in all of our stores in Manhattan, Brooklyn, Bronx, Westchester, Queens, Nassau, and Suffolk, which I will call the Metropolitan New York area. These

prices are the same in the approximately 450 A. & P. stores in that area, regardless of whether the store is located in a high-, low- or middle-income neighborhood.

Some variations from these uniform prices may arise in particular competitive situations, or with respect to perishable commodities.

Mr. ROSENTHAL. Those would all be downward adjustments, wouldn't they?

Mr. VITULLI. Yes. They are not permitted to make any adjustment other than downward. However, and I cannot emphasize this too strongly, all of those variations would be in the form of a reduction in price rather than an increase. Similarly, store managers have no authority over prices except to reduce them on food that might spoil if not moved promptly. In other words, they have no authority to increase prices.

As soon as the divisional sales department makes any change in our retail prices, those changes are communicated to the store managers immediately. They are instructed as a matter of general policy to change those prices which are reduced before they proceed to mark any increases in prices.

Store personnel are periodically reminded, by bulletins to the store managers, of the necessity of strictly adhering to the company's policies on accurate pricing. I have samples of such bulletins here with me today. These bulletins are followed up by our store supervisors, who generally are responsible for a group of about 15 stores and who periodically spot check prices to be sure that they are correct.

Mr. REID. How often is periodically?

Mr. VITULLI. Approximately once to twice a week.

Mr. REID. Might I ask when you have a special item that you advertise on Wednesday in the papers, do you then send a crew into the individual stores at night to change those prices if there is a decrease on those special items? What is the procedure you follow?

Mr. VITULLI. No, sir. Our procedure is to send the price changes to the stores in their Saturday morning mail.

Mr. REID. For the following week?

Mr. VITULLI. Yes, sir, Mr. Reid. These prices that are reduced are changed on Saturday. Then, as a matter of procedure, on Monday they start to advance any prices that might have increased in retail.

Mr. REID. Don't you run specials in the morning papers, say Wednesday, for Thursday, Friday, and Saturday?

Mr. VITULLI. Pertaining to meat and produce. Our grocery prices are changed on Saturday.

Mr. REID. I see. The canned goods and staples?

Mr. VITULLI. Yes. On a rare occasion there might be a special reduction on Wednesday. That is not the usual practice. The prices that you see in the ads, as far as groceries are concerned, they are our normal regular everyday low prices. They are not just changed for the sake of advertising them except, as I said, under unusual circumstances where we feel we might want to feature some items.

Mr. REID. But if there is a change in one of your bulletins, a crew then on Saturday night changes these so the shopper coming in Monday gets the new price; is that the way it works?

Mr. VITULLI. Our regular store personnel change them during the course of the day.

Mr. REID. During the course of the day?

Mr. VITULLI. Yes.

Mr. REID. Is that technically possible? Suppose you change all the prices of tomato juice or Velveeta cheese or whatever; could you change it all during the course of the day?

Mr. VITULLI. Yes.

Mr. REID. Because we have received reports here of some items being advertised, without reference to a particular chain, where the items weren't changed on the date they allegedly were advertised at a lower price.

Mr. VITULLI. That is not our policy to change the prices on Wednesday. Within the limits of the space available, we try to keep every A. & P. store completely stocked with every item and size of item that our customers might want. As a result, there are some 5,000 to 7,500 items stocked in A. & P. stores, and virtually all of these are individually price marked. Making sure that each of these thousands of items is properly marked with the appropriate retail price in each of the thousands of A. & P. stores is a monumental task. We recognize that 100-percent accuracy is not possible because of human error, but I am happy to say that we have approximately 99.8-percent accuracy. You may wonder how I am able to make such a statement with such confidence. The answer is that A. & P. has for decades followed a very exacting and expensive but worthwhile procedure of having audits taken of the prices in its stores. This is done not only for purposes of inventory—which are taken about three times a year in each of our stores in this area—but also by way of unannounced or surprise price audits at least twice a year. These audits are not taken by the store personnel themselves, but by a staff of field auditors who report to our unit office managers. The store managers have absolutely no jurisdiction over these auditors.

As you know, Mr. Chairman, A. & P. received notice of this hearing only this week, and it was only Thanksgiving Eve that we received any particulars as to the matters that would be discussed. In this short time we have not been able to do all the research that we would like to.

We have, however, surveyed the results of the regular and surprise audits in the Bedford-Stuyvesant area as compared with the Flatbush Bay Bridge area in Brooklyn and of the Harlem area as compared with a like number of stores in middle- and high-income areas in New York City and Westchester. This survey shows that the average number of items found erroneously priced on each audit was only about 10 items out of more than 5,000 items which are subject to these price checks, so that our percentage of error is less than one-fifth of 1 percent, and those errors included underpricing items as well as overpricing them. As the attached survey shows (see attachment to statement, p. 170) we have a very high degree of accuracy in pricing in all of our stores.

Not only does A. & P. insist on strict accuracy of retail prices, but there is no reason for the store manager or anyone else to increase the prices in A. & P. stores. There is no compensation or bonus system which might possibly reward any such misconduct at A. & P. stores.

I mentioned earlier that space limitations will not permit us to carry every conceivable item that any customer may want, and yet our prices are advertised in newspapers serving the metropolitan area. As a re-

sult of these facts, or of unexpected demand, it sometimes happens that a customer is unable to obtain an advertised item at her local A. & P. store. When this happens, we have a well-established and well-advertised procedure known as our raincheck policy. The raincheck is simply a receipt given the customer allowing her to secure any advertised item at the advertised price the next time she visits her A. & P. store during the following week. We are proud of this policy and insist that all our stores prominently display signs describing it. These signs, incidentally, are in both English and Spanish, and I have examples of both here with me today.

Mr. ROSENTHAL. For how long a period of time has it been your practice to put these signs up in stores?

Mr. VITULLI. Several years, Mr. Chairman. I don't know exactly when we started to post this particular sign but it has been our practice for a number of years to issue rainchecks both—this is the English sign and in stores where we consider it appropriate, we display this. This word is exactly the same.

Mr. ROSENTHAL. Is it your testimony in every A. & P. store a sign like this hangs somewhere?

Mr. VITULLI. Over the front checkout by policy and procedure. The store is required to hang the sign in the proximity of the front checkout so every customer can see it. These signs, incidentally, are in both English and Spanish. In addition, our newspaper ads containing specially priced items frequently contain a statement of the raincheck policy, and I also have an example of such ads.

Here are samples.

To put it very briefly, gentlemen, there is absolutely no truth whatever to the allegation that A. & P. discriminates against the poor in any way. Quite the contrary, we are proud of our history of over 100 years of service to the American people of all income groups.

On behalf of A. & P., I want to express our appreciation for this opportunity to state the facts concerning A. & P.'s record on this important issue. Thank you.

Mr. ROSENTHAL. Thank you very much for what I consider a very useful and enlightening statement.

One thing I am interested in: Your managers are all on a straight-salary basis?

Mr. VITULLI. Yes.

Mr. ROSENTHAL. In other words there is no bonus or net profit arrangement whereby they could increase their income in any way based on the performance of the store?

Mr. VITULLI. None whatsoever.

Mr. ROSENTHAL. Does each store have a profitability or a net-profit picture or is there assigned to each store a profit they must turn in for their operation for a year?

Mr. VITULLI. No, sir.

Mr. ROSENTHAL. In other words there is no incentive arrangement under which a manager operates?

Mr. VITULLI. No, sir.

Mr. ROSENTHAL. Is that true throughout the industry?

Mr. VITULLI. It is unique to an A. & P.

Mr. ROSENTHAL. In other words, most other chain managers do have a bonus or other arrangement.

Mr. VITULLI. I can't speak for all, but to the best of my knowledge chains do have an incentive program of that nature.

Mr. ROSENTHAL. Now, you have a book price for the many thousands of items you have. A manager is not permitted to raise prices above the book price under any condition?

Mr. VITULLI. That is correct.

Mr. ROSENTHAL. This I gather is a reprehensible act and would be punished in some fashion.

Mr. VITULLI. Yes. There would be disciplinary action taken if—I can think of no reason why a manager would want to do this. However, if we were to uncover such a situation, there would be some action taken.

Mr. ROSENTHAL. In other words, all A. & P. stores in the metropolitan area, the 115 stores under your jurisdiction, are supposed to have the same price?

Mr. VITULLI. Yes.

Mr. ROSENTHAL. And it would be surprising to you if they didn't have the same price?

Mr. VITULLI. Yes.

Mr. ROSENTHAL. Well now, you heard Mrs. Aponte testify as to the comparison between Bedford-Stuyvesant and Flatbush on a number of items. How do you account for her testimony? How do you explain it?

Mr. McINERNEY. If I may, she was speaking of the Bedford-Stuyvesant area which is not within his area. That is why we have two witnesses here.

Mr. ROSENTHAL. We can change jurisdictions in midstream.

Mr. VAN LENTEN. I would like to answer you as directly as I can.

Mr. ROSENTHAL. Your name?

Mr. VAN LENTEN. We have had very little time to investigate this. We only had a few hours actually but considering the fact that there is the human element in these things, both in the operation of our stores, as well as the purchasing of this merchandise, and from what I understand a list of merchandise, there could be perhaps some difference there. I think this is the answer in our case. One thing that makes me say this, I am not trying to discredit the purchaser, but the orange juice question, to the best of my knowledge, from what I have been furnished, we don't have Tropicana in the 1 quart and consequently it could have been a Tropicana in a half gallon, which of course would have been approximately 22 cents more. As I say, we haven't had a—

Mr. ROSENTHAL. We could use a little Tropicana in this cold room today. [Laughter.]

Mr. VAN LENTEN. We have our own A. & P. orange juice and that is why I say, we could have things—our men may have been inefficient in some regard and perhaps may be the same thing as far as the shopping.

Mr. ROSENTHAL. I may be wrong, but doesn't inefficiency always fall hardest on the ghetto store as compared to the middle-income store?

Mr. VAN LENTEN. No, sir. I wouldn't say that. I have no reason to believe that.

Mr. ROSENTHAL. You see, Mr. Van Lenten, what distresses me and what I don't understand is that in the Flatbush store, on November 14, the market basket of 20 items was \$10.08. In Flatbush on November 16, the day after welfare checks were received it was also \$10.08. In the

Bedford-Stuyvesant A. & P. it was \$10.29 on November 14, and \$10.41 on November 16. There are two problems there.

One, the discrepancy between \$10.29 and \$10.08 on November 14; and the amazing allegation that prices in Flatbush didn't change at all between the 14th and 16th while in Bedford-Stuyvesant they did change. They were higher to begin with and they changed.

Mr. VAN LENTEN. As I said before, we haven't had an opportunity to investigate it. The prices have not changed and the prices in the first store mentioned are correct. The second store, as I say, we will try to find out what did happen and correct it. We feel there are errors.

Mr. ERLBORN. I think, according to the testimony, you only change your prices once a week and that is over the weekend, is that correct?

Mr. VAN LENTEN. Yes, sir.

Mr. ERLBORN. So theoretically, Mr. Van Lenten, there should be no change whatsoever between November 14 and 16, that 2-day period, not including the weekend? All items in the store should be priced the same one day as the next, is that correct?

Mr. VAN LENTEN. Yes.

Mr. ROSENTHAL. For the record, November 15, 1967, was a Wednesday. Pursuant to Mr. Erlenborn's colloquy, there couldn't have been any change in an A. & P. store on Wednesday?

Mr. VAN LENTEN. That is right. There shouldn't have been.

Mr. ROSENTHAL. There shouldn't have been. Let's put it that way. But these ladies found in Bedford-Stuyvesant that there was a change.

Mr. VAN LENTEN. This is what we are led to believe, yes.

Mr. ROSENTHAL. This policy of maintaining the same prices, does this apply to canned goods and that sort of item only, or does it also apply to vegetables, fresh meat and so forth?

I am just curious. Do you change your meat prices during the week?

Mr. VAN LENTEN. The meat prices are changed. We have an early week special and weekend special. We have it in perishables. We have it on produce, too. But the groceries, as Mr. Vitulli testified, the list goes out Saturday morning and they start the reductions first. Then the advances. And these grocery items are, in most cases I can almost say every case, advertised on Wednesday so that the stores have a real leadtime and we shouldn't run into this problem.

Mr. ERLBORN. Do we have any testimony as to what these 20 items were, Mr. Chairman, and whether they included produce or meat items?

Mr. ROSENTHAL. I think Mrs. Aponte is still here. Do you have your worksheet that we could put into the record to show the items?

Mrs. APONTE. Yes. I will send for them. They are coming. Yes.

(Xerox copies of register tapes are in subcommittee files, the tabulated worksheet follows:)

COMPARISON SHOPPING

Item	Brand	Amount	A. & P.—Bedford-Stuyvesant		A. & P.—Flatbush	
			Nov. 14	Nov. 16	Nov. 14	Nov. 16
Rice.....	Carolina.....	2 lb.....	\$0. 41	\$0. 41	\$0. 41	\$0. 41
Sugar.....	Jack Frost.....	5 lb.....	.63	.63	.63	.63
Orange juice.....	Tropicana.....	1 qt.....	.31	.37	.31	.31
Coffee, drip grind.....	Maxwell.....	1 lb.....	.75	.75	.75	.75
Eggs.....	Grade A, large.....	1 doz.....	.47	.57	.45	.45
Tomato sauce.....	Del Monte.....	8 oz.....	.12	.12	.12	.12
Butter.....	Hotel Bar.....	1 lb.....	.87	.87	.87	.87
Tomato soup.....	Campbell's.....	10½ oz.....	.10	.13	.13	.13
Bologna.....	Oscar Mayer.....	8 oz.....	.49	.49	.49	.49
Salt.....	Red Cross.....	1 lb. 10 oz.....	.10	.10	.10	.10
Cheese.....	Velveeta.....	2 lb.....	1.23	1.23	1.23	1.23
Frankfurters.....	Armour.....	1 lb.....	.79	.79	.79	.79
Fruit cocktail.....	Del Monte.....	1 lb. 14 oz.....	.45	.45	.45	.45
Flour.....	Gold Medal.....	2 lb.....	.33	.33	.33	.33
Milk, evaporated.....	Pet.....	13 oz.....	.18	.18	.18	.18
Cooking oil.....	Wesson.....	1 qt. 6 oz.....	.75	.75	.75	.75
Potatoes.....	Idaho.....	5 lb.....	.55	.55	.57	.57
Bacon.....	Swift Premium.....	1 lb.....	1.06	1.06	.89	.89
Canned corn, (whole kernel).....	Green Giant.....	12 oz.....	.25	.25	.25	.25
Canned whole tomatoes.....	Progresso.....	2 lb 3 oz.....	.45	.38	.38	.38
Total.....			10.29	10.41	10.08	10.08

Mr. McINERNEY. We have received some information as to what went into that market basket in A. & P. stores, and among other things, listed Tropicana orange juice in the one-quart size, which as you just heard, they don't sell. We also—

Mr. ROSENTHAL. To add to the informality of the hearing we have a lady that seems to be all excited back there.

VOICE. Please, we want to hear what they are saying, but it is impossible to hear.

Mr. ROSENTHAL. Why don't you move up closer.

VOICE. Can they speak on the microphones?

Mr. ROSENTHAL. Our fault. We have no heat and the microphones are about as good as the heat. My first suggestion is, why not move up here.

VOICE. They all feel the same way. Not just me.

Mr. ROSENTHAL. The reason for that is I am facing this way and counsel is facing me. We will do our best to use the microphone.

Mr. McINERNEY. This one doesn't seem to work very well, but we will do our best.

Mr. ROSENTHAL. Use mine.

Mr. VAN LENTEN. I mentioned the Tropicana orange juice in quarts. There is also the Progresso tomatoes. That comes in the same size can with and without puree. Perhaps it could have been an error there. Also on eggs. We have two brands of both grade A eggs. One is mixed colors, brown and white, and the other is white. There is a difference in the price. There could have been errors on the shopping.

I am not discrediting it. I am not saying it happened, but without positive items, it would be difficult to justify.

Mr. ROSENTHAL. Do you have that list handy?

Mrs. APONTE. Yes. Here it is.

Mr. ROSENTHAL. Why don't you show it to this gentleman right here?

Mr. McINERNEY. It's difficult to tell from these graphs for instance, what brand of egg and what size and quality.

Mr. ROSENTHAL. I have an idea. We might adjourn now until 1:30 and if you had an hour's time to look this over, do you think you could be precise in responding to the charge?

Mr. VAN LENTEN. I think we can probably identify it as being items which perhaps we carry but as far as investigating it all the way through, we wouldn't have time to make—

Mr. ROSENTHAL. In an investigation all the way through you will never come up with anything because you can't have anyone say what the price on a can was that day. But what you can do is if she has some products there that you don't carry, you could say that pretty quickly.

Mr. McINERNEY. We should be able to. I believe we have the basket here. Do we have the basket you bought?

Mrs. APONTE. Not specifically the whole basket of A. & P. but if you look at the picture and the slips, you will have to relate to the A. & P. slip that we got with the amount, total amount and the pictures that we took of the food because we couldn't carry your specific basket here.

Mr. ROSENTHAL. We will have an example of massive cooperation. She will work with you. You stay here and work with them for an hour and—

Mr. ERLNBORN. No lunch?

Mr. ROSENTHAL. Yes, that is right.

Mr. GALLAGHER. You can eat the Velveeta cheese. [Laughter.]

Mr. ROSENTHAL. We will be back at—Mr. Reid has a question.

Mr. REID. Mr. Vitulli, I would like to just pursue one question a little further because we received reports, some of them fairly recent, not necessarily with respect to a particular practice that seems to occur, and that is where a store or a chain advertises certain staples at a lower price on certain days, that some stores do not mark these items down on the day in question.

You said that most of your changes occur on Saturday, if I understand you. My question is this: Do you have the administrative system to be sure that all of your stores, and I think we are talking about 115 in the Bronx and Manhattan, actually do change the prices that are stamped, the actual label, on the commodity in the day in question where you have advertised A. & P. changes? Have you got the means of being sure those changes in prices are in fact on the items to be sold?

I am not talking about this being done deliberately in any sense, but just the failure of an individual store to do it.

Mr. VITULLI. The system we use in our stores, and this is required by policy and it is up to my supervisory staff to see it is followed and I observe it has been followed, is to take the price change list with them on Saturday. This list shows the items that are being reduced and the new retail.

Mr. REID. How many items would that be Mr. Vitulli?

Mr. VITULLI. It could vary anywhere from 40 to 60 items that are being reduced.

Mr. REID. And you would advertise those items on what day?

Mr. VITULLI. Oh. I would like to clarify a point at this time. The items that are reduced on Saturday are not reduced for the purpose of being advertised. We have a constant price structure where the grocery items are concerned and these we feel are the lowest and the fairest prices in the metropolitan area.

Mr. REID. But do you advertise some specials?

Mr. VITULLI. As a general practice, on groceries, no, sir.

Mr. REID. Don't you have some specials that you carry on certain days that are reduced?

Mr. VITULLI. Now, are you referring to the general practice in the entire store? On meat items, on Wednesday, we are speaking of meat now, we will take specific items and reduce those items. Those items invariably will be found in the case on Wednesday morning correctly priced. Because the meat department takes necessary preparations—this is a primary function of the department. Our produce departments are set up practically on a day-to-day basis, with fresh merchandise and those prices are checked by the produce department head who has a program responsibility—

Mr. REID. Aren't there certain days where there is produce or staples, whether rice or flour or sugar or eggs or whatever it may be, on certain days, prices are lower than they might be the following week and that item, for 2 or 3 days, is a special item. Don't you advertise special items?

Mr. VITULLI. Yes, we do.

Mr. REID. Now, my question then is not what is in the Saturday list, but what you do on the special items and how you change the price on the specials.

Mr. VITULLI. The produce department receives their meat and produce price list in Saturday's mail for the prices that will be in effect the following Monday and Tuesday.

Now, being that these items are perishable, they are not set up too far in advance. It is a matter of pricing them as you produce them for display as opposed to—

Mr. REID. What about the item that is a canned goods or cheese that is not perishable in the same sense, where you have a special on those? When do you re-mark those?

Mr. VITULLI. Saturday.

Mr. REID. And they are advertised when? In which paper? Monday and Tuesday papers?

Mr. VITULLI. Perhaps Monday and Tuesday or Wednesday.

Mr. REID. So in this case, it might be a cheese item that would be a special on Monday, Tuesday, and Wednesday.

Mr. VITULLI. Yes.

Mr. REID. Is that correct?

Mr. VITULLI. Yes.

Mr. REID. And it would be changed on a Saturday?

Mr. VITULLI. Yes.

Mr. ROSENTHAL. That is your busiest day of the week.

Mr. VITULLI. Regardless, it is necessary to change these prices and if you go into any A. & P. supermarket on a Saturday, you will see a young man with a set of price stamps and a list and a piece of steel wool to remove the old price going up and down the aisles making these changes.

[Chorus of noes.]

Mr. VITULLI. This young man takes an actual count, checks it off and moves on to the next item.

Mr. REID. How many men would you have doing this?

Mr. VITULLI. One or two.

Mr. REID. What we are receiving reports on, and we are trying to substantiate, is that in effect in some stores—and I am not talking specifically about a particular chain—in fact these items are not changed. The customer comes to the checkout counter, perhaps is not aware of the special items, the checker at the cash register goes fast and the individual customer may not notice it, but the fact is that frequently, some of these items are not changed. What I am getting at here is should there not be a better administrative procedure where you do have these special items to make sure all the items are in fact fully changed because there are some stores that bring in a crew at night when there is no one in the store and physically pull all the items off the shelves and change it so that it's systematically done and there is no question that an occasional can or box is missed.

Mr. VITULLI. Congressman, may I point out the difference between our practice—I believe now I understand fully the point that you are getting at. We don't as a matter of policy, reduce items on Saturday and advance them the following week. The prices that we change are reduced on a permanent basis, unless market changes dictate the necessity of readvancing them.

Mr. REID. I understand that and I am not questioning that. What I am talking about are the items that are specials that you have a systematic means of changing the price on these nonrelatively perishable items and what I gather is that in these instances, you have one or two men on Saturday during store hours doing it and they may or may not get it all done during the day in question.

What I am asking is, if you do have specials in volume, should you not have a procedure that would more nearly insure in nonbusiness hours perhaps or whenever you can do it, that all the items are changed because there are reports reaching the subcommittee that some of these items just are not marked down.

Mr. VITULLI. Our system is to change the items in the selling area. Perhaps you are under the impression that a large quantity has to be changed initially.

Mr. REID. All the tomato juice or a certain type of cheese or all the rice or flour or something, that would be a fair amount to be stamped, wouldn't it?

Mr. VITULLI. Only a moderate amount, because the majority of the merchandise will be in the storage area. That will not be price marked until it is ready to come into the selling area. So we will mark the merchandise on the shelves.

Mr. REID. All I am trying to call to your attention is the fact that there seem to be some instances where this has not occurred. Isn't this worth your looking at to see whether procedures could be improved to insure that the items on the shelves, where they are special items, are all remarked before the store opens?

Mr. VITULLI. Yes; it is.

Mr. McINERNEY. As we mentioned at the outset, Mr. Vitulli speaks for the area of his jurisdiction which is Bronx and Manhattan.

Mr. Van Lenten, who has jurisdiction over all of the New England States and the metropolitan area, I think, is better able to answer the question of whether there is any broad policy of marking price changes during business hours.

Mr. REID. Certainly Mr. Van Lenten can respond.

Mr. VAN LENTEN. Congressman Reid, in this area, perhaps Mr. Vitulli is more familiar with this; we have probably very few night crews. You take in the entire metropolitan area you go into a wider scope. I assume you are interested in this subject, not only for the New York area, but for a much wider area.

Mr. REID. I am told in Westchester, crews do come in in some stores and make the changes when that is appropriate with specials.

Mr. VAN LENTEN. We do have more flexibility. Because of this, many of the stores operate almost 24 hours a day. Consequently, you could pick your time. Some areas where we are restricted in these schedules, and don't have the ability to do it, of course we must do it during store hours because we have no one working other than store hours.

Mr. REID. What we get at here is, it seems to me in some of the inner-city areas, in the ghetto areas, where food price is particularly important because it is such a large share of the family budget, there ought to be haste, hopefully in the public interest, to get these changes effected.

I am well aware that in certain other areas, more affluent, there are more crews and longer hours and these changes are made. But to the extent they are made as an overall price and it is a low price and you are trying to give the best value to the consumer, shouldn't you make perhaps greater efforts in areas where a failure to do this for administrative reasons will invoke a hardship?

Mr. VAN LENTEN. I think it is a very good suggestion. We will certainly consider it.

Mr. GALLAGHER. I would like to ask one question. I think the allegation is a very dreadful allegation that on the 16th, when relief checks come out, that there is an increase, a broad increase, in many of the stores as opposed to prior to the day when relief checks come out. Would you care to comment on it?

Mr. VAN LENTEN. These audits which were part of the statement, these are prepared and these are taken any day of the week, at any time, so this would indicate, too, that this would be a surprise. It would come in at a time when no one suspected it. These would pretty much authenticate, as far as we can distinguish, how accurate we are.

Now, I would like to see this merchandise. I think there is an element of—human element in this because we have so many items, we have people working for us, some for short periods of time, some for longer periods. The longer working people have more responsible jobs, such as head cashiers. They wouldn't be changing merchandise or stocking shelves.

Our policy is our advertising, window sign, shelf ticket, price marking on the merchandise as well as the register's receipt should all be identical on the item. This is why we insist, and this is a program even put through our personnel department in training, that the receipt be given to the customer so if a child even comes to the store with a \$1 bill, when she or he gets home, the mother can take the receipt and change and this should tie in with advertising and the price marking on the package. As I said before, without an opportunity to thoroughly investigate this, this is all I can say.

Mr. GALLAGHER. You then would come to the conclusion, Mr. Van Lenten, there is no evidence at all to support that charge as it pertains to your stores?

Mr. VAN LENTEN. No, sir.

Mr. GALLAGHER. I hear a lot of grunts.

VOICE. That is right. We know.

Mr. ERLBORN. Let me preface my question by saying if this reveals anything about your merchandising practices you can feel free not to answer it, but do you have any practice of comparison shopping in other chainstores to find out how your prices compare with theirs?

Mr. VAN LENTEN. Well, certainly we always compare ads, and I think at times we are inquisitive inasmuch as the stores are open to the public as shoppers, we avail ourselves of the opportunity to determine what the competition is presenting, too.

Mr. ERLBORN. From this, have you drawn or can you draw any conclusions as to the variance in prices in other chainstores between ghetto areas and other areas?

Mr. VAN LENTEN. No, I wouldn't be able to do that.

VOICE. We can tell you, though.

Mr. ERLBORN. Have you been able to draw any conclusions as to the efficiency in the other stores of marking the product to compare with the advertised price?

Mr. VAN LENTEN. No. I don't think I would be qualified to—

Mr. GALLAGHER. I would say the Chair would yield. What would you like to ask?

VOICE. My name is Mrs. Fox. I am an East Harlem parent. I trade with A. & P. store here in East Harlem and it is quite often as late as Wednesday when I went in to get groceries. I got two cans of string beans, french-style string beans, which was 31 cents and when I brought them to the counter the lady say that the price had been changed.

They were two cans for 39 cents. That is after I got to the counter. I am looking on the price list and seeing what is happening there and oftentimes when you go—I am speaking about the A. & P. store here between 93d and 92d Street. The price list that you go there and see when you take it up to the counter to the lady, she tells you got to pay something else. Such as napkins, two for 27 cents, and when I get down to the counter, it's two for 29 cents. You know what I mean. This is what is going on.

Mr. GALLAGHER. That appears to be the basis of a great deal of the complaint. Just that sort of thing. How would you account for that?

Mr. VITULLI. Well—

Mr. REID. Before Mrs. Fox continues, could I ask her whether there are some other items—

Mrs. Fox. An awful lot.

Mr. REID. Could you get us a brief list of some of the times where you found a difference between the advertised price and the marked price?

Mrs. Fox. Sure. Campbell's pork and beans. They are supposed to be two for 29 cents, and they says that when we get up there they say no not 29 cents, two for 33 cents, but what happens is they got a 29-cent stamp, they got a 33-cent stamp. Somebody forgot to take out

the 29-cent stamp. It's one of these things. They have two and three stamps on a can.

Mr. REID. It was advertised for 29 cents, but the stamp was still 33 cents.

Mrs. Fox. Yes.

Mr. REID. What are some other examples, Mrs. Fox? Pork and beans is one. Is this true of tomato juice or cheese?

Mrs. Fox. Again, if you go into one of these A. & P. stores, you can see, as I understood the gentleman saying, that the man takes a piece of tissue or something to rub those prices off, but this is not true. Not here in East Harlem. Here they take something, they stamp two and three prices over these things.

Mr. REID. Similar to what we saw with the cheese, where there are two different—

Mrs. Fox. Yes. And I have been trading with them over the past 10 years.

Mr. REID. Now for cheese, which is \$1.29 on one stamp and 99 cents on another and you go to the cashier—its not the lower price.

Mrs. Fox. That is right.

Mr. REID. Do you take out the ad occasionally and show them this is what it is—

Mrs. Fox. The man says, "Well, no, we don't have this on sale. This is just the price what you got there."

Mr. REID. That at another store.

Mrs. Fox. So what do you do? You need the food. You buy it. This is it.

Mr. GALLAGHER. Thank you very much. [Applause.]

The Chair would like to know whether or not you would like to respond?

Mr. VITULLI. Yes. First of all, I can't understand the comments that were made by Mrs. Fox. The managers that we have managing our stores, in any area of the Bronx unit, Westchester County, Bronx, and Manhattan, are all very honorable gentlemen. They have consciences. They have families and I can see no reason under the sun why they would intentionally charge a wrong price. Now a specific item was mentioned here. Campbell's pork and beans. Naturally we don't have managers price marking merchandise. An employee assigned to price mark the pork and beans, for example, at the time the price of Campbell's pork and beans was two for 33 cents. That was the correct retail. Right alongside is our own brand of Ann Page beans which sell at two for 29 cents.

A price marker looking at the price on the shelf, having a case in front of him, marks that two for 29 cents. The important thing I am sure you are interested in, Mrs. Fox: Are you charged the correct price? Certainly it is a little annoying to feel that the correct price is two for 29 cents and get charged two for 33 cents but I can assure everyone in this room there is no organization that tries as hard in any area to give you complete accuracy and our price checks and our price surveys show that we do succeed, to a very suitable degree, in achieving that purpose.

Mr. GALLAGHER. I am sure you can sense there would be some dissatisfaction if there were, on a can of pork and beans—whatever the item might be—a two-for-29-cent label and a two-for-33-cent label.

How should that be resolved if you will have a satisfied customer who feels they are getting a fair deal?

Mr. VITULLI. The person should be charged the price marked on the can. That is our policy.

Mr. GALLAGHER. If there are two prices?

Mr. VITULLI. The lower price should be charged if there were two prices on an item. That is our policy.

Mrs. FOX. That is never done. Not in our area.

Mr. GALLAGHER. May I say from now on you will have a reasonable basis to say the management said the lower price should be charged? The lady in green?

VOICE. What the A. & P. managers on their top staff is saying is very nice, but whether it comes down to the stores we deal with—I live in East Harlem. My mother lives in what they would call south Bronx and she happens to work up in the Kingsbridge area. She does most of her shopping up there. She is 62. She carries it down and brings it home because the store in her particular area does not charge the same prices. Not only that, when she makes a comment to the manager about it, he knows her now so he says to her, "Shop in that area where you can get it at that price." They might have very good policies but I think it shouldn't be made, so much so, not be made to be called the scapegoat when they ask about prices. There should be a sign in the door stating where the consumer can get in touch with the main office to report these managers and clerks or whatever.

The consumers should have this opportunity. If they are saying they are running their store this way and their managers and their little stores are like their children, a consumer should have a place to write to explain to them so they can check this.

Mr. REID. Might I ask whether you had any problems with availability of chuck steak, or whatever is advertised in some stores?

VOICE. These are some of the complaints we had. They advertise chuck steaks on sale all the time. Go in in the morning, the trucker is not there. Go in the afternoon, he didn't come. Go at night, they are sold out. [Laughter.] This is very fine. Many a day—

Mr. GALLAGHER. Could you identify yourself?

VOICE. I am Mrs. Mason. I worked with the consumer program. Many times I went there to get a chuck steak. They didn't have it. I bought other items. Not that I really needed them, but I was in the store. It hurts me because I didn't get what I went out to get.

Mr. ERLBORN. Since we had the testimony here about the rain-check policy at A. & P., are you referring specifically to A. & P. when you talk about the availability of the chuck steak?

Mrs. MASON. Right.

Mr. ERLBORN. Have you on any occasion—

Mrs. MASON. I have a raincheck in my pocketbook. When I went back the next day, I didn't think about it or I didn't get it, but if they say their policy is they want this done and this should be done, they should have a large sign in the store for a consumer: "If you have any problems in this store, these are the places or this is the address to write a letter or call or complain."

The average consumer does not know who else to contact after they speak to the manager.

Mr. GALLAGHER. I would like to say before we adjourn that I think you ladies have performed a useful service in making these suggestions to the management here and—

Mr. McINERNEY. Obviously, we are not the entire management. We will have to take these suggestions under advisement, which we certainly will do. I would like to point out the organization that Mrs. Mason represents, MEND, has already testified here that an A. & P. has uniform prices as near as they can determine.

Mrs. MASON. I am just giving certain instances outside of areas—

Mr. GALLAGHER. Can I let the gentleman testify? Thank you.

Mr. McINERNEY. The price audits, the results of which are attached to our statement, are audits totaling well over 200 audits of well over 5,000 items.

Comparing those with the way I can only assume are isolated instances—we don't deny them. They may very well occur. But the overwhelming majority of these reports are the same with respect to area, with respect to whether they were overpriced, or underpriced, or so on. Instances, I am sure, where human error does result in this. Insofar as any such arrogance by store employees, I am sure that is worth looking into, but we have no direct knowledge of it.

Mr. GALLAGHER. The Chair would like to announce we will now stand adjourned until 2 p.m.

(Recess 12:55 p.m.)

(The complete prepared text of Mr. Vitulli's remarks appears below:)

PREPARED STATEMENT OF WILLIAM VITULLI OF THE GREAT ATLANTIC & PACIFIC TEA Co., INC.

My name is William Vitulli. I am assistant general superintendent of A. & P. stores located in the Bronx and Manhattan, and I am responsible for the general supervision of some 115 stores in those areas. With me here today is Louis Van Lenten, director of sales for A. & P. eastern division, covering the metropolitan New York area and the New England States, which is divided into seven units, including the Brooklyn-Long Island unit and the Bronx-Manhattan unit. With us is Denis McInerney, a member of the firm of Cahill, Gordon, Sonnett, Reindel & Ohl, counsel for A. & P.

At the outset, I would like to say that I am very happy and proud to represent my company on this occasion because I feel that A. & P. has made a real contribution to the health of this Nation by its policy of selling at prices so low that they yield only about a 1-percent return on sales. As a result of that pricing policy, and of A. & P.'s insistence on selling the best quality food available, millions of people in the poorer areas in this country are able to get better food at lower prices than they would otherwise be able to obtain. I know of no private organization, and certainly no profitmaking organization, which has done a better job in helping the poor to obtain high-quality merchandise at the lowest possible prices.

A. & P.'s merchandising policy is carried out in this area by Mr. Van Lenten, who is here with me today. He is responsible for setting the retail prices for all products in all of the stores in this division and has followed the practice of having completely uniform prices in all of our stores in Manhattan, Brooklyn, Bronx, Westchester, Queens, Nassau, and Suffolk, which I will call the Metropolitan New York area. These prices are the same in the approximately 450 A. & P. stores in that area, regardless of whether the store is located in a high-, low-, or middle-income neighborhood.

Some variations from these uniform prices may arise in particular competitive situations, or with respect to perishable commodities. However, and I cannot emphasize this too strongly, all of those variations would be in a form of a reduction in price rather than an increase. Similarly, store managers have no authority over prices except to reduce them on food that might spoil if not moved promptly. In other words, they have no authority to increase prices.

As soon as the divisional sales department makes any change in our retail prices, those changes are communicated to the store managers immediately. They are instructed as a matter of general policy to change those prices which are reduced before they proceed to mark any increases in prices.

Store personnel are periodically reminded, by bulletins to the store managers, of the necessity of strictly adhering to the company's policies on accurate pricing. I have samples of such bulletins here with me today. These bulletins are followed up by our store supervisors, who generally are responsible for a group of about 15 stores and who periodically spotcheck prices to be sure that they are correct.

Within the limits of the space available, we try to keep every A. & P. store completely stocked with every item and size of item that our customers might want. As a result, there are some 5,000 to 7,500 items stocked in A. & P. stores, and virtually all of these are individually price marked. Making sure that each of these thousands of items is properly marked with the appropriate retail price in each of the thousands of A. & P. stores is a monumental task. We recognize that 100-percent accuracy is not possible because of human error, but I am happy to say that we have approximately 99.8-percent accuracy. You may wonder how I am able to make such a statement with such confidence. The answer is that A. & P. has for decades followed a very exacting and expensive but worthwhile procedure of having audits taken of the prices in its stores. This is not done only for purposes of inventory (which are taken about three times a year in each of our stores in this area) but also by ways of unannounced or surprise price audits at least twice a year. These audits are not taken by the store personnel themselves, but by a staff of field auditors who report to our unit office managers. The store managers have absolutely no jurisdiction over these auditors.

As you know, Mr Chairman, A. & P. received notice of this hearing only this week, and it was only Thanksgiving Eve that we received any particulars as to the matters that would be discussed. In this short time we have not been able to do all the research that we would like to.

We have, however, surveyed the results of the regular and surprise audits in the Bedford-Stuyvesant area as compared with the Flatbush-Bay Ridge area in Brooklyn and of the Harlem area as compared with a like number of stores in middle- and high-income areas in New York City and Westchester. This survey shows that the average number of items found erroneously priced on each audit was only about 10 items out of more than 5,000 items which are subject to these price checks, so that our percentage of error is less than one-fifth of 1 percent, and those errors included underpricing items as well as overpricing them. As the attached survey shows, we have a very high degree of accuracy in pricing in all of our stores.

Not only does A. & P. insist on strict accuracy of retail prices, but there is no reason for the store manager or anyone else to increase the prices in A. & P. stores. There is no compensation or bonus system which might possibly reward any such misconduct at A. & P. stores.

I mentioned earlier that space limitations will not permit us to carry every conceivable item that any customer may want, and yet our prices are advertised in newspapers serving the metropolitan area. As a result of these facts, or of unexpected demand, it sometimes happens that a customer is unable to obtain an advertised item at her local A. & P. store. When this happens, we have a well-established and well-advertised procedure known as our raincheck policy. The raincheck is simply a receipt given the customer allowing her to secure any advertised item at the advertised price the next time she visits her A. & P. store during the following week. We are proud of this policy and insist that all our stores prominently display signs describing it. These signs, incidentally, are in both English and Spanish, and I have examples of both here with me today. In addition, our newspaper ads containing specially priced items frequently contain a statement of the raincheck policy, and I also have an example of such ads.

To put it very briefly, gentlemen, there is absolutely no truth whatever to the allegation that A. & P. discriminates against the poor in any way. Quite the contrary, we are proud of our history of over 100 years of service to the American people of all income groups.

On behalf of A. & P., I want to express our appreciation for this opportunity to state the facts concerning A. & P. record on this important issue. Thank you.

SURVEY OF PRICE AUDITS¹

I.—HARLEM AND OTHER COMMUNITIES (taken from Aug. 30, 1966, through Aug. 9, 1967)

Trading area	Number of audits	Average Number of errors per audit	Prices over per audit	Prices under per audit
9 Harlem stores.....	54	10.3	7.5	2.8
9 stores in middle and higher income areas ²	54	10.8	7.9	2.9

II.—BEDFORD-STUYVESANT AND OTHER COMMUNITIES (taken from Aug. 1, 1966, through Oct. 27, 1967)

10 Bedford-Stuyvesant stores.....	51	10.8	7.5	3.3
10 Flatbush-Bay Ridge stores.....	50	8.7	5.4	3.3

¹ Over 5,000 items are subject to price checks, and errors average less than one-fifth of 1 percent.

² These 9 stores were selected at random. They are located at Hartsdale, Scarsdale, Tuckahoe, Bronxville, Yonkers, and New York City (6th Ave. at 11th St., 3d Ave. at 70th St., Zeraga Ave. near Havemeyer Ave., and Bruckner Blvd. at Tremont Ave.).

AFTERNOON SESSION

Mr. ROSENTHAL. The subcommittee will be in order.

We apologize for being late. We made a little shopping tour of the A. & P. store at 119th Street and Third Avenue. One of the questions Mr. Gallagher asked before we adjourned is, Who could one complain to if one had a complaint involving A. & P.? and I think you wanted to respond to that.

Mr. McINERNEY. Yes, sir. As part of A. & P.'s "we care" program, we have from time to time listed A. & P.'s telephone number and said that any grievances could be communicated by using the phone.

We had a question before the recess as to who, specifically in these areas one could talk to. Now, in the Bedford-Stuyvesant area and in the rest of Brooklyn and Long Island the gentleman's name is Robert Phelan, at PI 10-500. In Harlem and in the rest of Manhattan and the Bronx, the gentleman's name is Edward Gilbert, at CY 22-300. We wanted to give that for the benefit of anyone who has any complaint and we do want to hear these complaints, because we want to—

Mr. ROSENTHAL. Good. I have one for you. In the A. & P. store at 119th Street and Third Avenue a couple of things were observed. First we examined meat, packaged meat, and in the lower left-hand corner of the label is a code number from 1 to 5 which is supposed to indicate the day the meat was packaged. We had some meat, all the meat in the counter as far as I could see, was marked No. 5, which means Friday. We asked both the manager of the store and the meat manager what is done with the meat if it is left over as of store closing tomorrow afternoon, and it looks reasonable; that is it doesn't lay moldy or green or black? They both responded that the meat would be repackaged on Monday. And we asked them what number do you put on it, and they said No. 1, which would indicate, which would leave the impression that it was packaged for the first time on Monday.

I have two suggestions. First, why does there have to be a secret code system whereby only people in the industry or in the store can understand the date. This would apply also to milk, perishables. Why can't you on the meat label put down, if it was packaged Monday put down Monday. Put down Tuesday, Wednesday. Let everybody in on the secret. Point 1.

Point 2 is if meat is to be repackaged on Monday that was originally packaged on Friday, you can't, in all honesty and fairness, repackaging it and let people think it was packaged for the first time on Monday. This is what the whole truth in labeling law was all about.

MR. VITULLI. Mr. Rosenthal, the package, the merchandise that is repackaged is often the best buy that you can get in our stores. Frequently, I can cite many examples.

The meat starts to discolor. We put a new pork roast out. As you know, meat gets better with age. When that is brought back in, I hope you don't misunderstand that it's repackaged as is. The meat butcher or the department head faces that meat off and trims it. Most of what he takes off that cut of meat would ordinarily be a wasteful piece of meat. After that is repackaged, it is the equivalent of a new piece of meat. It has appeal and it's still priced at the same price per pound, with considerably less waste. You will find a steak that is carried over say on Tuesday, every morning they must go through the case and bring in merchandise, in order to make that presentable for sale, because no housewife will purchase a piece of meat that doesn't look appetizing. That means they must trim more of the fat, more of the waste, and cut it down to a better piece of meat. This has—

MR. ROSENTHAL. And they reweigh it?

MR. VITULLI. It's reweighed and repackaged.

MR. ROSENTHAL. But it's not nearly as fresh as it was 3 or 4 days ago.

MR. VITULLI. Three or 4 days—this is quite an exaggeration. We don't—when we talk about meat, if we can't sell a piece of meat in 2 days, there must be something drastically wrong with the particular store. For example, anything in that meat case today that is retrimmed and put in the case tomorrow, that will be sold. You must have constant turnover with perishables.

MR. ROSENTHAL. Let me give you another complaint. Congressman Reid bought a lot of frozen food, but none of it was frozen. He was standing around out in front of your store shaking the cans of orange juice, and it felt like water. He bought a container of ice cream that was just completely liquid.

MR. VITULLI. That, to me is—

MR. ROSENTHAL. Every vegetable he bought, you could take the package and crush it in your fingers like this. Frozen vegetables, Mr. Vitulli.

MR. VITULLI. May I ask this—was that merchandise back beyond—this is our responsibility. We have a very, very strong policy that they are not to go over the refrigeration line for two reasons. No. 1, it's detrimental to the equipment. It blocks circulation and the equipment will break down. No. 2, the merchandise will defrost. If they pile it too high. However, under ordinary circumstances that such a thing would happen—

MR. ROSENTHAL. It was low down in the case. Is there a health problem if food becomes unfrozen and then is refrozen?

MR. VITULLI. With meats; yes, very definitely.

MR. ROSENTHAL. How about with orange juice and ice cream?

MR. VITULLI. No—well, we don't know. This is contrary to what should happen. Is this particular piece of equipment functioning properly at this time? Did you speak to the manager? Did he say this is a commonplace thing?

Mr. ROSENTHAL. They were selling it to everybody else.

Mr. VITULLI. What I mean is this. Any time we check our refrigeration equipment, we check our refrigeration equipment daily, the first thing a manager does automatically, because a refrigeration breakdown is costly and involves a lot of work. That means everything has to be taken out and thrown out when you have a refrigeration breakdown.

Now, if that merchandise is not freezing, then he must put a call in immediately to our maintenance department. Perhaps it does need recharging. We do have breakdowns in refrigeration equipment, and coincidental with your visit this might have happened, but it certainly wouldn't be logical to assume that we would allow our merchandise to continually—

Mr. ROSENTHAL. I'm sure you wouldn't, but it would be highly coincidental.

Mr. VITULLI. Yes, sir.

Mr. ROSENTHAL. The manager told us you will start altering that store on Monday, so maybe—

Mr. VITULLI. We would have started months ago, but it was a matter of getting bids and—yes, this store, we will spend between \$80,000 and \$100,000 in that store and the store just below it on 110th, and within the last year the nearest supermarket to this building, at 132d Street, and Fifth Avenue, we spent very close to \$100,000 remodeling that.

(The subcommittee was advised on January 4, 1968, that remodeling of the A. & P. store at 119th Street and Third Avenue will be completed at the end of January at a cost in excess of \$85,000.)

Mr. ROSENTHAL. This A. & P. on 119th and Third, you have no competition from any other supermarket except one one block north of A. & P.—and they're not in the same league with you in terms of purchasing power or flexibility. So virtually, for all practical intents and purposes, you have no competition.

Mr. VITULLI. Yes, sir.

Mr. McINERNEY. That was one thing we meant to supplement this record on. Concern had been expressed earlier about the number of stores, or the lack of stores, in these poorer areas, as well as the condition of the stores. Of the 115 stores over which Mr. Vitulli has jurisdiction, some 29 of them are in the South Bronx and Harlem and similarly in other poorer areas.

We wanted to offer, as an exhibit, a letter received from Governor Hughes' office in New Jersey at the time of the Newark riots, as to the work the A. & P. men did in manning those stores throughout the riot. I think you will find that very few of A. & P.'s competitors compete with them in this way.

Mr. ROSENTHAL. Without objection, it shall be included in the record. Without my having the benefit of reading the letter, I commend you for it. I think it's a useful thing. I think you probably agree with me that more can be done.

(The letter referred to above follows:)

STATE OF NEW JERSEY,
OFFICE OF THE GOVERNOR,
Trenton, July 27, 1967.

Mr. WILLIAM WALSH,
River Vale, N.J.

DEAR MR. WALSH: Now that things have calmed down a little bit, I would like to take this opportunity to express my personal appreciation, as well as

that of many other people in the State, for the fine cooperation of your company, which resulted in the operation of six stores in the area of the recent disturbances in Newark on Sunday, July 16. Not only did your company make sure that all the stores which normally would be open on Sunday were operating, but in addition you kept a store which normally closes at 1 p.m. open all day and all your stores open for an additional hour until 7 p.m. This effect was significant in helping to return the city to normalcy and I want you to know I am grateful to you.

I would appreciate it if you would call my thanks to the attention of the appropriate officials of your company, and would hope that you could also advise them of how helpful the manager of your Spruce Street store, Mr. William Schweikert, District Manager Harold B. Cohen, and all the others engaged in this operation were.

Sincerely yours,

RICHARD J. HUGHES,
Governor.

Mr. McINERNEY. We're trying very hard. One other thing, this "raincheck" ad—commencing as soon as possible, we are going to put on all our ads that if the customer is unable to purchase any item, please request a raincheck, so it's clear to the customer that this merchandise, even if it wouldn't normally be available in the store, that that merchandise can be had within the following week.

Mr. ROSENTHAL. I also want to say we saw the "raincheck" ad posted in the back against the wall in this store. It would seem to me it might be more useful if you hung it on a wire above the cash register.

Mr. ERLNBORN. It was there.

Mr. VITULLI. We have two in some stores.

Mr. ROSENTHAL. That's very good.

Mr. McINERNEY. May we include in the record these "raincheck" signs in English and Spanish, as well as the policy bulletins we spoke of earlier?

Mr. ROSENTHAL. They shall be printed in the record at this point. (The information referred to above follows:)

AUGUST 22, 1967.

To the manager, Bronx unit,
New York City stores only.

DEAR SIR: For your information and compliance, we are directing your attention to the following article which appeared in the Modern Grocer publication on August 18.

"STORES STILL FAILING TO PRICE MARK, IS WARNING

"Spot checks by consumer volunteers indicate that many local chains still fail to price mark all items. Clerks are still careless and managers are failing to follow through when clerks are ordered to price mark."

"SEVERAL WARNINGS

"While the department of markets has issued several warnings and Commissioner Wiesberg, himself, is on the record, with a statement that far too many consumers have registered complaints about food store items not price marked, little corrective action has been taken, according to the information."

Many stores may have avoided being brought up sharp on failure to price mark, because the department of markets is seriously understaffed it admits. Commissioner Wiesberg has been trying to augment his number of inspectors; but he also is relying on volunteers among women shoppers as did his predecessors. They may bring to the attention of the markets department stores missed by the salaried inspectors.

COMPLAINTS CONTINUE

"If complaints continue, it was stressed, the markets department will have no alternative but allocate more inspectors to certain areas to check certain stores. Once an unmarked item is detected in these stores it will bring unpleasant publicity and penalties in its wake."

New York City Department of Markets' regulation No. 49 requires that any commodity, whether edible or inedible, sold, exposed for sale, or offered for sale at retail, shall have conspicuously, plainly, and clearly displayed the price per unit of weight, dry or liquid measure, or numerical count by a stamp, tag, or label or by a sign at the point of display.

Very truly yours,

H. BOESENBERG,
Sales Manager.

To the manager, Long Island unit:

PRICE MARKING

From time to time it becomes necessary to solicit your particular support in an effort to maintain and improve our standards on the topic of price marking. This is an important function of our store operation and needs your constant followup if we are to present an acceptable image.

First of all, your equipment must be in good order. Check this to satisfy yourself such is the case. Make sure the tips are clean and make a legible, distinct, impression free from smears and blurs.

In the case of advances and reductions, the old price must be completely obliterated or removed before a new price is marked on any article of merchandise, or if a kum-kleen label is affixed thereto, it must entirely obscure the prior retail. Under no circumstances are two retail prices to appear on any item offered for sale.

Finally, prices must be checked with the official price book to insure accuracy, and shelf tickets, floor displays, and shelf stocks must be in conformity with respect to the price structure at all times.

Your cooperation is again requested.

SALES DEPARTMENT.

THE GREAT ATLANTIC & PACIFIC TEA CO., INC.

To the manager:

COMPANY POLICY CORRECT WEIGHTS AND PRICES

Company policy regarding accurate pricing and weighing of merchandise is of prime importance. It is therefore essential that at no time should any letdown be permitted in surveillance of this phase of our operation.

Correct price marking involves the following five factors:

1. Tare.
2. Price per pound.
3. Extension.
4. Identification.
5. Accurate scales.

During any part of this operation, the smallest oversight or carelessness can lead to unnecessary embarrassment. Please inform all personnel involved in pricing merchandise to be alert to prevent mistakes. Have case attendant look at price labels when displaying merchandise. Frozen poultry, not displayed in low temperature case, but prepared the night before should be rechecked in the morning for loss of weight through partial defrosting. This also applies to frozen fish items on display.

Those who handle our pricing also handle our reputation, and should be fully aware of this responsibility.

It is absolutely necessary that all packaged merchandise be weighed and priced correctly before being placed on sale. Also be sure all scales are in good working order. Check scales periodically throughout the day. Remember, 16 ounces to the pound and correct retail.

Be sure to reset the "tare" when you change the item being scaled.

Review weighing and scaling policy with all scalers. Every scaler must use their own assigned code number or letter, whatever the case may be.

SALES DEPARTMENT.

THE GREAT ATLANTIC & PACIFIC TEA Co., INC.,
EASTERN DIVISION—BRONX OFFICES,
Bronx, N.Y., November 1, 1967.

To: The supervisor; the manager, Bronx unit.
Subject: Price marking.

DEAR SIR: Prices must be clearly marked on all items except those indicated on the exempt list.

All merchandise bearing a "cent off" label must be price marked the deal retail—the retail the customer is to pay.

The price tag must agree with the price marked on the item.

Floor displays must be price marked.

Recent reports have indicated that some stores have been delinquent in behalf of carrying out this procedure properly. This must be corrected at once by way of your covering the subject with each employee to insure that all merchandise is correctly price marked and price tagged at all times.

Very truly yours,

H. BOESENBERG,
Sales Manager.

THE GREAT ATLANTIC & PACIFIC TEA Co., INC.,

To the manager: Attention first meat man, Bronx unit. (Copy to supervisor and meat specialist):

IMPORTANT

You are familiar with our everyday A. & P. company policy that customers must receive 16 ounces to the pound and be charged the correct price.

It is the responsibility of the store manager and the meat department head to see that our instructions for the proper and accurate weighing of all meats are carried out.

Please review the following scaling operation with everyone.

PROPER WEIGHING AND SCALING

Each meat department must have a sample tare of each foodtainer with the proper size paper included, wrapped in cello or plico film.

Each meat department has a cabinet or rack to hold sample tare foodtainers and wrapping materials. These should be over or adjacent to scale, within reach of all personnel doing the scaling.

A sample tare of all packages should be available at all times.

Prior to scaling any package, place sample tare corresponding to item to be weighed on scale, then set scale to zero position. Before removing sample tare from scale platform eject one label from scale by pressing start button. If scale reads zero all across you may remove tare and proceed to weigh.

If further settings must be made repeat until you get a zero reading across and only then are you to start weighing. These blanks may be placed in empty 5-pound cheese box, or a bag provided for that purpose.

This sequence must be repeated prior to weighing the next item, even though the next item to be weighed has the same tare. This method of scaling must be followed by everyone without exception.

Any failure to allow tare will lead to a weight violation.

GUARD OUR GOOD WILL AND YOUR JOB

Every morning the scale should be set for the day of the week and the scaler's letter, which has been assigned to employee scaling. If another employee is assigned to scaling, the letter must be changed.

Do not precode. Do not place label over label.

Seal packages tightly and thoroughly.

When other than the Hobart No. 2000 Scale is used for special orders it is advisable to weigh unwrapped, then boat wrap.

Post in meat department.

SALES DEPARTMENT.

we care



we never "run out" on a sale!

We never advertise a special sale item
unless we have an ample supply.
Once in a great while, the special
is more popular than we imagined.
So occasionally, we do run out of the item.

But we never "run out" on a sale.
If the item is sold out,
just ask the manager for a
"RAIN CHECK".

<i>The A&P Rain Check</i>	This A&P Rain Check entitles you to purchase the following at today's special price: ITEM _____	SPECIAL PRICE _____
	It is A&P policy to always have an ample supply of any advertised special. But the item was even more popular than we anticipated. We apologize for any inconvenience caused you.	(store stamp)
	NAME _____	DATE _____

This "rain check" is good for one week from above date.
NOTE: Returning only should show information date A&P store not receipt color.

An A&P Rain Check is a certificate
that entitles you to buy the item
at the same special price, the following week.

We think that's the fair thing to do.
We think that shows "WE CARE".

Not every store can care that much.
A&P can...and does.
Shouldn't A&P be your store?

The Great Atlantic & Pacific Tea Company, Inc.

Eastern Division

Three Hundred Seventy Southern Boulevard
Bronx, N. Y. 10454Office of the Vice-President
Bronx Unit

November 3, 1967

TO THE MANAGER

Dear Sir:

I am sending this letter, which includes the Company Pledge, to be signed by you and each of your employees.

IT IS THE A&P POLICY:

ALWAYS:

Do what is honest, fair, sincere and in the best interest of each customer.

Extend friendly satisfying service to everyone.

Give every customer the most good food for her money.

Assure accurate weight every time -- 16 ounces to the pound.

Give accurate count and full measure.

Charge the correct price.

Cheerfully refund customer's money if for any reason any purchase is not satisfactory.

After you have read this letter, please sign it yourself and have each of your employees do likewise (including Part Time).

Please take care of this request immediately and return the signed letter to -
Miss A. Schinzel, Bronx Sales Department, no later than Wednesday, November 8th.

Very truly yours,

R. J. Whittaker

Dear Mr. Whittaker:

I have read your letter of November 3rd, concerning Company Policy. I am in full accord with this policy and will do everything in my power to see that it is carried out.

STORE STAMP_____
Manager's signature

(Employees sign on reverse side)

Mr. BARASH. If I may ask a question or two: How would the statement which you intend to insert in your ads relative to rain checks be responsive to the allegations of the prior witness, Mr. Press, that these items are simply not available week after week after week?

Mr. McINERNEY. Sir, I think if you look at the list Mr. Press had, you will understand that not every size of every item will be in each store. For instance, he claims that on 119th Street and Third Avenue, the store you visited, they don't stock bagels. Well, I think that that is perfectly understandable. If anybody requests bagels, they can get them the following week.

Mr. BARASH. The staff has been advised that A. & P. stores and other stores in low-income areas, stock items that are peculiar to the tastes of the individuals in that area.

Mr. ROSENTHAL. The opposite of the bagel story.

Mr. BARASH. Items frequently and almost exclusively found in stores in Negro areas, are such foods as chitterlings, pork skins, pig ears, pork feet, pork kidney—I won't read the entire list, Mr. Chairman, but with your permission I would like to insert it in the record at this point.

Mr. ROSENTHAL. All right.

(The list referred to follows:)

FRESH PRODUCE

Collard greens
Kale

Mustard greens

Turnip greens

MEATS AND MEAT PRODUCTS

Chitterlings
Pork skins
Pig ears
Pig feet
Pork liver
Pork kidney

Pork neckbones
Melts
Snouts
Tripe
Brains
Souise

Pork maws
Pork lips
Joints
Pig tails
Salt bellies
Fatback

Mr. BARASH. The staff has done a little price sampling on its own and I was wondering first of all if I might ask you, are the margins on the items like those mentioned in your A. & P. stores in Negro ghettos the same approximately as the margins on comparable items that you find in all stores?

Mr. McINERNEY. I think one of these other gentlemen would be better qualified than I, but I think you already heard the testimony that prices are the same all over regardless of the area.

Mr. BARASH. I am referring to those items that are not stocked in your stores in Scarsdale or Garden City—

Mr. McINERNEY. Wherever there is a demand for them.

Mr. BARASH. Would you stipulate they are not carried in those areas?

Mr. McINERNEY. I don't know. I'll have to ask.

Mr. ROSENTHAL. The thrust of the question, is whether the margins on these items are higher than in comparable foods or meats sold throughout the chain?

Mr. VAN LENTEN. I think you have to be more specific. If you take the total line I could answer that it's the same. If you take, for instance some of this merchandise would be considered the offal items. Beef liver is also an offal item.

Mr. BARASH. Your answer then is, as far as you know is, that the margins on the items that I have read would be the same as comparable items, pork chops, steak—

Mr. VAN LENTEN. Pork chops would be another kind of classification.

Mr. BARASH. With your permission, Mr. Chairman—well, let me ask the witness. If I furnished you with a list of items, would you furnish the subcommittee with the retail prices of those items in some of your A. & P. stores in the Negro ghetto areas?

Mr. VAN LENTEN. This price would be the same all over. In other words, what you would be asking for would be our regular price list.

Mr. BARASH. That's correct, but you will agree that you don't carry these items in all your stores or in stores outside of the ghetto areas.

Mr. VAN LENTEN. Excuse me—but what would happen—we publish

a list of available items through the warehouses and each store manager or in the case of the meat department, the meat department head would decide what he wanted to merchandise. If we have sufficient demand for anything on that list, he gets it.

Mr. BARASH. The question, specifically, is this: On those items, such as chitterlings, pig ears, pig feet, pork kidney, pork neckbones, tripe, pork lips, pig tails, fatback, on those items which are not carried throughout the chain, but are limited, so far as I am aware, exclusively to certain areas, would you furnish us with the retail prices of those items where you do carry them?

Mr. VAN LENTEN. Yes.

(The information was furnished, as follows:)

<i>Items</i>	<i>Retail</i>	<i>Items</i>	<i>Retail</i>
Fresh produce:		Meats and meat products—continued	
Collard greens-----	0.19	Pork kidney-----	0.39
Kale-----	0.29	Pork neck bones-----	0.29
Mustard greens-----	0.19	Snouts-----	0.39
Turnip greens-----	0.19	Tripe-----	0.39
Meats and meat products:		Brains (frozen)-----	0.49
Chitterlings-----	0.45	Pork maws-----	0.29
Pork skin-----	0.33	Pig tails-----	0.25
Pig ears-----	0.39	Salt bellies, light-----	0.59
Pig feet (forefeet)-----	0.29	Fat back, thick-----	0.35
Pork liver-----	0.45	Beef liver-----	0.49

Melts, pork lips, souse, joints, 5-7# spareribs, salt bellies, heavy and fat back, thin are not sold in this area.

Mr. BARASH. I might say for the record, Mr. Chairman, at this point, that we have done some pricing of our own, not in A. & P. stores I would like to make clear at this point, and have found that whereas the average margin in the meat department of the average supermarket is 22.1 percent, according to the National Commission on Food Marketing study published in June of 1966, the average margin on the kinds of items that I have just enumerated are approximately 60.1 percent, and we will be very interested in seeing whether the prices you furnish us correspond to some of the findings that we have made in other stores.

Mr. McINERNEY. Just for completeness, that doesn't pertain to A. & P. as far as you know?

Mr. BARASH. I think I made that clear.

Mr. ROSENTHAL. Did you resolve any of the factual discrepancies between yourselves and Mrs. Aponte's survey findings during the lunch hour?

Mr. McINERNEY. We weren't able to get a complete fiscal inventory of what Mrs. Aponte's group bought and I think during the noon hour she wanted to use those graphs for some other purpose having to do with another witness to appear before us.

Mrs. APONTE. I would like to mention that the items we brought here were the items we bought, generally speaking. They don't correspond at all to the A. & P. supermarket. We didn't come here prepared. We came here with an example of the items that we bought in the different five chainstores in Bedford-Stuyvesant on the 14th and on the—in Flatbush on both days. In other words, 20 items on the 14th in Flatbush and Bedford-Stuyvesant, the same 20 items on the 16th in Flatbush and Bedford-Stuyvesant.

Mr. ROSENTHAL. Two questions and we want to thank you gentlemen for spending so much time with us. Are all of your stores in, for example, Bedford-Stuyvesant, run at a profit?

Mr. VAN LENTEN. This I am not in a position to be able to say off-hand. I really don't know, exactly.

Mr. ROSENTHAL. If a store doesn't run at a profit, do you keep the operation going or do you close it down?

Mr. VAN LENTEN. This would be dependent on many conditions such as lease term, certainly. What you can do to make it profitable. Renovation is something. You have to upgrade—

Mr. ROSENTHAL. Mr. Van Lenten, we hear a lot of stories that in slum areas excessive pilferage is a problem that one has to accommodate to or make up for in prices. Do you find that a problem?

Mr. VAN LENTEN. Let me say this, Mr. Chairman. We find that we have—you can put the definition to it as you may think of it—as good, but we have good stores in all areas, we have problem stores in all areas, and a lot of it is dependent on the management within the store itself. You can have a good manager that can take a poor store in any area. We don't think of the poor area as a poor area as such. All stores get merchandise as they come up to be selected. They are all in the same price schedule. As far as we were talking about upgrading stores, we can't upgrade a store unless we certainly have enough protection, police protection and so forth, to protect the investment. This applies to all stores.

So we don't segregate—we do a very fine job on many items of our own line which we are very proud of in areas where we say we have working type people who shop for value. We are very proud of our A. & P. products as pointed up in the many "Who Cares" ads that we have.

Mr. ROSENTHAL. In other words, you don't feel that in stores located in ghetto areas, there are special things you have to take into account such as high insurance risk or other social phenomena?

Mr. VAN LENTEN. No. We can have a good store in say a poor area, as you mention, and we can have inventory problems in one of the wealthiest towns.

Mr. ROSENTHAL. Some sources say that it is a problem. You are not necessarily impressed by that?

Mr. VAN LENTEN. Not too.

VOICE. They are self-insured it should be noted, because of their resources.

Mr. ROSENTHAL. Someone from the audience volunteered you are self-insured. That doesn't make much difference to me, because it would be the same ratio of cost, regardless of whether you pay it to a private carrier or insure it yourself.

Mr. MCINERNEY. May we have the gentleman identified for the record?

VOICE. Irving Stern, Greater New York Labor Food Council.

Mr. ROSENTHAL. Thank you very much.

The next witness will be Mr. Samuel Mandell, Key Foods. Mr. Mandell, thank you for appearing. You are the president of Key Foods.

STATEMENT OF SAMUEL MANDELL, PRESIDENT, KEY FOOD STORES COOPERATIVE, NEW YORK, N.Y.

Mr. MANDELL. Congressman Rosenthal, gentlemen of the committee, ladies and gentlemen: I am Sam Mandell, president of Key Foods, which is a cooperative and individually owned.

It comprises about 147-148 stores, depending on how many drop out and how many we take in. They are independently owned, and I am elected by the board, which in turn is elected by the general members.

In order to acquaint you—I am sure you probably are—the working of a co-op is that all independent members have banded together, put up a certain amount of money, and we in turn operate together as a voluntary chain.

Mr. ROSENTHAL. Let me ask you one question. Key Food runs full-page ads in papers so you do advertise jointly.

Mr. MANDELL. Yes. The specials.

Mr. ROSENTHAL. When you run those ads, do you represent to the public that all Key Food Stores have all of the items in the ad and will sell them at the price in the ad?

Mr. MANDELL. Absolutely. The same as the chain. I might add, the basic difference between us, we are in a chain, the warehouses own the stores, and in our case the stores own the warehouses. Outside of that, when we advertise we expect the members, because—to explain the whole operation would take me a whole day. It's quite complex, our food business is—however, we have ways of enforcing and we are very much concerned with—

Mr. ROSENTHAL. That is what I was going to ask. Do you have disciplinary powers over members charging more than the ads?

Mr. MANDELL. Yes. The disciplinary powers are based only on the specials. We have no policy. Anybody who wants to charge less are welcome to it, but they can't charge more. If we are apprised of the condition and we take that very seriously, if a member is brought up on charges and we have cases—I don't want to mention the cases, but we have them—if they don't follow up these rules, we take away their franchises, which is very serious.

Mr. ROSENTHAL. Without mentioning names, has this happened where you have taken away a Key Food franchise?

Mr. MANDELL. Yes.

Mr. ROSENTHAL. How many times in the last 5 years?

Mr. MANDELL. I don't know about the last 5 years, but I would say in the last year we took away about four franchises and look upon that as very serious.

Mr. ROSENTHAL. Was that for reasons—

Mr. MANDELL. Basically, it's for reasons that they didn't comply with the image which we are trying to create. We, as a co-op, more so than anybody else, we are very much aware of public opinion, and we know the dearest thing we can do is lose a customer.

Mr. ROSENTHAL. What was the character or thrust of the violations that they failed to comply with?

Mr. MANDELL. That they don't honor the ads. If we get enough complaints, we take away the franchise and take away the sign.

Mr. ROSENTHAL. These four stores that were expelled in the last year, were they in any particular area of the city?

Mr. MANDELL. Yes. You are referring to—you are referring to as to the blighted area?

Mr. ROSENTHAL. Any economic level.

Mr. MANDELL. Not necessarily. No. The Key Food Stores are, I would say, about 60 to 70 percent of the stores are primarily in Jewish neighborhoods, and we have a certain amount of the Bedford-Stuyvesant area, and the rest are out in Queens. If I may, Congressman, to give—as I said, I trade in groceries. I don't trade in speeches. This comes hard to me.

I have no notes or prepared speech. But, as a grocer, I think what I have heard here, I mean it seems that everybody is trying to simplify a very complex subject that would take maybe months and months just to explain it.

I heard gentlemen get up and imply that they have all the answers. The truth of the matter is, we have a situation in New York City where companies—of course, in our business there isn't too much margin for error, as I hear the gentlemen from the A. & P. say, that is the largest operator, and I am not here to blow their horn, and they are operating close to 1 percent, so you can see there is no margin for error.

Mr. ROSENTHAL. One percent on \$5 billion a year.

Mr. MANDELL. That is true. [Laughter.]

But I wonder how many people realize. We have experienced—when we ask a checker when they ring up a \$20 order, lots of times we say, how much you think we make on it? And they will say, \$2 or \$3. One percent of \$20 is only 20 cents, whether it's \$5 billion or \$10 billion.

So we still don't have too much margin, because all our overhead and problems have to be within that 1 percent.

Mr. ROSENTHAL. I don't want to go too far afield, but you don't base your profit on percent of sales. You base it on your investment, percentage of investment. The food industry is doing very well, based on percentage of investment.

Mr. MANDELL. I don't know about very well, because we have a situation here with the largest local chains losing money, such as we have a situation when Safeway came into New York, and it's the second largest, and they had to pull out, because they couldn't make it pay. I don't know if I am correct in mentioning names, but these are public figures.

Mohawk, \$200 million business, is losing money. Hills Corvette is losing money. It's not as simple as we try to make it out. When somebody comes up with all the answers—I sympathize with the customers and with the people. I can understand them not understanding the problem, because the biggest minds in the industry sometimes don't understand it.

Mr. ROSENTHAL. We have a very narrow problem, and I want to direct both of us to it. Without letting the record go unchallenged, the fact is that the latest figures we have, 1966-67, show that retail food-chains are making about 11.55 percent on its investment after taxes. Are you doing that in Corona?

Mr. MANDELL. Again, I want to—I don't think consumers understand the 10-percent investment between 1 percent on gross, because when somebody says 10 percent on investment, they are under the im-

pression when they buy \$10 worth of stuff you make \$1, but you only make 10 cents. It still boils down to these being very misleading figures to the average person.

Mr. ERLNBORN. I think the reference to profit as a percent of sales is valid in the context of these hearings. We are talking about pricing of food. If you price something at 99 cents and you should price at \$1.01, you are losing money on it. That 2 cents could represent the difference.

Mr. ROSENTHAL. Between break even, loss, or the 1-percent profit.

Mr. MANDELL. I am happy you brought that up, because I think this will add—we as a co-op always welcome these exchanges of ideas between the consumer and the merchants, because we feel this will lead to better understanding and might do away with some of the hostility, because, God knows, everybody is under plenty pressure.

Mr. ROSENTHAL. Mr. Mandell, if I could interrupt for just a moment—

Mr. MANDELL. I am coming to your point.

Mr. ROSENTHAL. I wanted to expand on my point a bit. If the items should be priced at 99 cents and it's sold at \$1.05, you may be making 6-percent profit instead of 1 percent; isn't that right? These pennies mean a great deal.

Mr. MANDELL. That is true, but I wish it was as simple as that. If it was just a question of the food business, but we got everything in, and if our cost of the operation is 20 percent, all we have to do is mark up everything 21 percent, and we make 1 percent. Bearing out what you say, it's simple.

Unfortunately, it's not that simple. It has been customary in our business to sell loss leaders. When we do that—and it's getting worse and worse because of the pressure of competition—we come out with items such as Maxwell House coffee where we sell it for 69 cents—I use that as an example to bring out a point—it costs us 79 cents and we lose 10 cents.

If you are going to make one sale and lose 10 cents on a 79-cent sale, which is about 14 percent, roughly—and you expect to come out with an 18-percent overall, because the national figures throughout the whole country cost us between 17 and 18 percent to operate, it's only—you have to understand that you must mark up other items by about 25 or 30 percent in order to come out with an overall of 18.

So that is why it's so hard for consumers to understand why they can come into one store and if he features Maxwell House at a loss, they go to another store and pay 89 cents—not being overcharged. There is a 20-percent spread. It's hard to understand.

Mr. ROSENTHAL. You are saying in some stores the mix varies to bring out a profit?

Mr. MANDELL. In all stores. Our staying in business depends on how we come up with this mixture which we call merchandising.

Mr. ROSENTHAL. Let me ask you a very precise question, so we get down to the issue quickly. Could you explain to the committee how it is that on November 14 in a Key Food store in Bedford-Stuyvesant the market basket was \$12.60, and in Flatbush the same day, the exact same 20 items was \$11.82? It was \$12.60 in Bedford-Stuyvesant, \$11.82 in Flatbush.

Mr. MANDELL. The same items?

Mr. ROSENTHAL. Exactly. On November 16 in Bedford-Stuyvesant, the same 20 items were \$12.78, going up a few cents, and in Flatbush it was \$11.78. The same 20 items were \$1 more in Bedford-Stuyvesant. Almost 8- to 10-percent difference.

Mr. MANDELL. I cannot explain it. Again, as I said, this sounds simple when you read it off, but it isn't simple. Our whole business—our whole economy is based on images and impressions, and every merchant tries to create an image that he is cheap. Basically, all the stores.

When I talk about all the stores, I talk about the legitimate, which is 99 percent, the same thing as I know that all the customers, no matter what neighborhood, are legitimate. A lot of merchants feel it's about time we got out of this business because everybody wants everything. I am not under that impression.

I appreciate everybody's position. So, basically, what we call merchandising, we can find a million fancy names, is creating an image. If you have a store in a Jewish neighborhood, if you want to create an image you are cheap, you wouldn't feature pigs' feet and pigs' ears and pigs' knuckles—

Mr. ROSENTHAL. Unless you sell them cheap.

Mr. MANDELL. And it won't mean anything. You will come out with Manischewitz borscht for 10 cents. You lose exactly 11 cents a jar. If you are in Flatbush, that is what you feature even though you are a Key Food store.

Mr. ROSENTHAL. Was Manischewitz borscht in your 20 items?

Mrs. APONTE. Of course not.

Mr. MANDELL. When you come to Fulton Street, which is the Bedford-Stuyvesant area—

Mr. ROSENTHAL. She had 20 items. The exact same items.

Mr. MANDELL. That is what I am trying to get at. Depending on the neighborhood. If she walked into a Key Food Store, Manischewitz borscht will be sold at a loss, where in Bedford-Stuyvesant and on Fulton Street it would be sold with the average markup, which would be about 27 cents. She will overpay. However, she will find Quaker's hominy grits for 19 cents, because that is an item that creates an image in Bedford-Stuyvesant, but they might not have it in Flatbush.

She will get—we also find that naturally—it's very easy to hang someone if you want to hang them. If they look for items, they will only point out the items overcharged. They won't point out the items undercharged.

Mr. ROSENTHAL. We have to have order here. What you are saying is, you don't have to be Jewish to like Manischewitz borscht. [Laughter.]

Mr. MANDELL. I want to simply point out, I don't mean to be funny—maybe it sounds funny at times—and I do want to feel that we think a lot of our customers. The very fact that we have our stores—after a lot of major stores gave them up—this in itself—we can all talk fancy, but I talk facts.

I operate a store. We have a store on Junction Boulevard and 37th Avenue. We have a lot of confidence in the consumers. We invested a lot of money. We can't be a success by overcharging. I maintain in the long run if the consumer itself is a pretty good judge, all she has to do is stop buying in a store that doesn't treat her right.

Mr. ROSENTHAL. Can you explain to us, based on the testimony Mr. Press gave us this morning, that in the Key Food Store at 110th and Third Avenue based on an ad run in the New York Post on October 25, 1967, Chock Full of Nuts was 69 cents in the ad and was sold for 79 cents in the store? Nestle's chocolate bars were three for 89 cents in the ad, but sold at one for 39 cents which is three for \$1.17 in the store.

Key tea bags, 100, was 75 cents in the ad and 93 cents in the store. Del Monte peas, two for 43 in the ad, two for 49 in the store. On and on and on. Item by item. Can you explain that to us?

Mr. MANDELL. I can't explain why any customer should want to go into a store like that. [Laughter.]

I can't explain it—if this was brought up in front of our board at Key Food, we would develop—

Mr. ROSENTHAL. Based on what I just told you and what Mr. Press testified to today, what do you intend to do about it?

Mr. MANDELL. We intend to call the member down and warn him—usually we give him a warning. If it happens again, we take the franchise away.

Mr. ROSENTHAL. Will you do that in this case?

Mr. MANDELL. This is a possibility. I don't want to say something and not be able to back it up. Of course, there is always two sides to a story. There is a possibility of, help being what it is, sometimes the checker, sometimes we have a checker that was just put on, the specials are changed the day before. We have a terrific help problem, which sounds easy here. We have 10,000 items in the store.

It's understandable that a checker that is put on 3 days ago, no matter how much training you give him, these specials were put on yesterday, part-time workers, might have charged the regular prices.

Mr. ROSENTHAL. Why doesn't that happen in Flatbush?

Mrs. APONTE. Yes, that is the question.

Mr. MANDELL. I don't mean to be facetious, but they happen in Flatbush. They happen all over. Let me tell you the problem. Isn't this understandable? When we have that many items—we are caught in the squeeze. In order to do these things properly it means we would have to increase our cost of corporation, which in turn would mean higher prices.

Sometimes we try to cut corners. When we come out with a special, don't bother changing the price, but we give him the list. This means money.

Mr. ROSENTHAL. So you don't bother changing the price on the can. You tell the checker—you give him the list. He doesn't change the price on the can, but the checking-out person has the list and if the housewife is lucky—

Mr. MANDELL. I wouldn't say lucky. Every housewife is interested to see she should get charged properly.

Mr. ROSENTHAL. Will you do this: Will you look into this problem concerning your store at 110th Street and Third Avenue and will you let the subcommittee know what action you took, if any?

Mr. MANDELL. We certainly will.

Mr. ROSENTHAL. Mr. Mandell, we will furnish you with all the accusations that have been made. Mr. Press will give you a copy. I will give it to you right now. You look into this and you tell us what you have done. Will you do that?

Mr. MANDELL. Thank you. Sure will.

(The following information was subsequently received, as follows:)

KEY FOOD STORES CO-OPERATIVE INC.,
Brooklyn, N.Y., December 21, 1967.

MR. I. WARREN HARRISON,
*Special Inquiry Into Consumer Representation in the Federal Government,
Rayburn House Office Building, Washington, D.C.*

HONORABLE SIR: I acknowledge receipt of your communication dated the 13th day of December 1967.

Please be advised that on November 24, 1967, at the time I attended the hearing, the owner of the store in question was directed by Key Food Stores Co-Operative, Inc., to attend and make himself available to the committee, if necessary. The owner, by his attendance is now fully aware of the seriousness of the matter.

On December 4, 1967, at a meeting of the board of directors of Key Food Stores Co-Operative, Inc., I reported to the meeting that I had attended the hearing and the subject was fully discussed and considered. Inasmuch as the store in question had not been guilty of any prior offense, the owner, despite his protestation of his innocence or willful wrong doing, was, nevertheless, put on notice that any future infraction of Key policy regarding advertised items, specials or other conduct not consistent with Key policy, etc., the sign and franchise would be taken away from the store.

Key Food Stores Co-Operative, Inc., will, at its next regular shareholders' meeting devote considerable time to the discussion of the subject matter and such other efforts as may be in our power, will be exerted to prevent any of the occurrences.

Respectfully submitted.

SAM MANDELL, *President.*

Mrs. APONTE. I don't want to interrupt you, but I want to bring up a point that is very important at this stage. We have two different Key Food stores in Bedford-Stuyvesant. We have the slips of what we bought. As a matter of fact, we have them initialed by the manager because we wanted to make sure that nobody could say, that doesn't belong to our store. This was done on November 3 as one of our routine comparison shopping surveys, and on Bedford-Stuyvesant Key Food, 1043 Broadway, we had Plymouth Rock—this is bologna for 39 cents in Bedford-Stuyvesant.

Then we had the same Plymouth Rock in another store in Bedford-Stuyvesant, same Key Food but in another place, in another address in the same Bedford-Stuyvesant area—for 35 cents. But it happens that the same date in Flatbush, Key Food in Flatbush, we have Plymouth Rock, the same item, and the evidence is here, for 33 cents.

Mr. MANDELL. Were these items advertised in the paper?

Mrs. APONTE. No. Has nothing to do with it. We went over there. We bought it—

Mr. ROSENTHAL. You can't have too much of a crossdialog.

Mr. MANDELL. If it wasn't advertised we have no control. These are independent operators. Unless it is advertised, the Key Food office has no control.

Mr. ROSENTHAL. At least on the material I gave you at 110th Street it was advertised in the New York Post and you will take disciplinary action if you find it is necessary, and you will let us know what you did?

Mr. MANDELL. We certainly will.

Mr. ROSENTHAL. Thank you very much.

I think the gentleman from Waldbaum's, Ira Waldbaum or his representative, is our next witness.

STATEMENT OF DAVID CARON, EXECUTIVE VICE PRESIDENT, WALDBAUM'S, INC.; ACCOMPANIED BY ERNEST BROWN, VICE PRESIDENT; AND GEORGE BROWN, VICE PRESIDENT, WALDBAUM'S, INC., NEW YORK, N.Y.

Mr. CARON. I am David Caron. I am the executive vice president of Waldbaum's. With me is Ernest Brown, vice president of our company, and George Brown, also a vice president of our company. They have been with our company for the past 30 years. Ernest Brown is in charge of operations for our entire company, and George Brown, on my left, is in charge of the entire Brooklyn area.

With reference to this meeting, I want to explain to everyone concerned that we have been in operation for the past 64 years. Our one store in the Bedford-Stuyvesant area is our original store, and we are very proud of it. We have gone along with every committee in the area, with every service group in the area, with the city fathers who asked us to stay.

Not only did we stay in the area because we are very proud of our original store, but we enlarged the store and made it a complete supermarket, not yesterday or today but 10 years ago. We moved it across the street, and you have a complete supermarket in the area.

Mr. ROSENTHAL. Let me compliment you on one thing. Looking at this chart based on Mrs. Aponte's survey, your prices went down—went from \$9.60 on November 14 in Bedford-Stuyvesant to \$9.58 on November 16. Every other store we had went up after the 15th.

Mr. CARON. I would like—

Mr. ROSENTHAL. I assume that is an accident. [Laughter.]

Mr. CARON. Sometimes we say God takes care of everything and if He doesn't, it's an accident. I can only state one thing: all of our prices are the same in every store and at no time would we ever change prices for checks that come in on the 15th or the 1st or any other date.

Mr. ROSENTHAL. The only reason we asked you to be here was that Mrs. Aponte's study did show a discrepancy between Bedford-Stuyvesant on November 14 of \$9.60 and in Flatbush of \$9.21, and on November 16 in Bedford-Stuyvesant it was \$9.58 and in Flatbush it was \$9.09.

Mr. CARON. I can only say I don't know the items. I knew nothing about it. I received a telegram just the other day. We are very happy to be here. I can only state that we don't change our prices. There is such a factor as human error. Whatever that may be, it could exist.

Mr. ROSENTHAL. We must have order here, please. This is a congressional inquiry.

You have a book price for all your stores?

Mr. CARON. Yes, sir. We have a book price for all the stores. It comes off an IBM machine and is printed every 4 weeks so they have a continual running of prices, a continual updating of prices, and this book is continuously carried on through the 4-week period.

Mr. ROSENTHAL. Do you check the Brooklyn stores yourself?

Mr. GEORGE BROWN. Personally.

Mr. ROSENTHAL. How often?

Mr. GEORGE BROWN. On a weekly basis.

Mr. ROSENTHAL. Could you explain this report? This difference?

Mr. GEORGE BROWN. No. I am at a loss.

Mr. ROSENTHAL. Have we shown the items—

Mrs. APONTE. We didn't bring physically the items, but we have the pictures here on this list.

Mr. ROSENTHAL. Could we do this—apparently we wouldn't be able to do it this afternoon, and we frankly regret the limited time we gave you folks. We realize the pressure you were under. We didn't know when Congress would have a day off. We finally concluded we wouldn't have a day off, and that is why we made it today in New York and tomorrow in St. Louis, so there was not an opportunity for anyone to really properly respond to all the things that would be brought up.

We will do this: We will have Mrs. Aponte give us, give the committee staff, a list of all the items involved in this market basket. Would you check it against your records and let us know what your explanation is for the record of what the discrepancy is?

Mr. CARON. Absolutely.

Mr. ERNEST BROWN. I will say this, Mrs. Aponte or anybody else, if they find a difference in price, they can notify us immediately. Ask my manager and they will give the home phone number of our office and we will take action right away, because we only have one price and only sell at one price.

Mr. CARON. I doubt if there is any problem that any customer would ever have trying to get hold of our main office or speaking to our managers.

Mr. ROSENTHAL. What is the telephone number to call for somebody who wants to complain?

Mr. CARON. They can ask the manager in the store. They can have the direct line right there, or call. That is our number at the office. When Dr. Costello spoke of these areas and would like to have local talent in our stores, I want to make certain the people understand that our stores, that particular store, has a Puerto Rican as the manager, and 80 percent of his staff is Negro, and I don't say that just because the two Brown gentlemen are here with me.

This has been our policy for 64 years. This is not as of today. We haven't changed any prices. We don't intend to change prices. There may have been a mistake. I will agree. Could be. Human error. Could happen. But—

Mr. ROSENTHAL. Are the managers on any kind of bonus incentive arrangement?

Mr. CARON. Absolutely not.

Mr. ROSENTHAL. Strict salary basis?

Mr. CARON. Yes. They all belong to the union. They are on a strict salary basis.

Mr. ROSENTHAL. Is that common throughout the industry here in New York?

Mr. CARON. Yes, sir.

Mr. ROSENTHAL. What we found in our hearings in Washington, for example, was that Safeway store managers could earn a 60-percent bonus. They would get a salary and up to a 60-percent bonus based on the profit of the store. You have no such arrangement?

Mr. CARON. No, sir.

VOICE. That is the only chain nationally that has a bonus basis. Every supermarket in New York City, and we represent labor, we are from the Retail Clerks and the Amalgamated and local 338, you will find everybody is on a basic salary. No one working percentages. The only time there might be some pressures is on short stocks to our people, and then the problem comes in on the price changes.

Mr. ROSENTHAL. When you advertise specials, what happens if the customer comes into the store and the special is no longer available?

Mr. CARON. We have a raincheck for all the customers that come up and say they haven't got the special. Our specials run from Monday through Saturday and are advertised in newspapers on Sunday and also on Wednesday in every newspaper. We were the first ones ever to advertise in the New York Times.

Mr. ROSENTHAL. Do you have a sign in the store the way A. & P. does about a raincheck special?

Mr. CARON. No.

Mr. ROSENTHAL. Could you do something about that?

Mr. CARON. Surely.

Mr. ROSENTHAL. Will you?

Mr. CARON. Absolutely.

Mr. ROSENTHAL. In the A. & P. store on Third Avenue, we observed a big sign in the back and front, and this is useful for the people to see.

Mr. CARON. We made a note of it, and we will take care of it.

(The following information was subsequently furnished:)

WALDBAUM'S

Garden City, N.Y., December 21, 1967.

HON. BENJAMIN S. ROSENTHAL,
Chairman, Special Inquiry Into Consumer Representation in the Federal Government, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: In reply to your letter of December 13, I am enclosing a copy of our raincheck form which is now available at all of our stores.

Under separate cover we will mail to your office a copy of our new Day-Glo signs which will be prominently posted in each of our stores on or about January 5, 1968.

Very truly yours,

DAVID CARON,
Executive Vice President.

WALDBAUM'S

RAIN CHECK

DATE ISSUED.....STORE NO. _____

ISSUED TO:

Dept. _____

NAME.....

ADDRESS.....

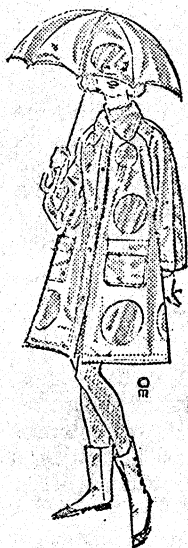
Valid for two weeks from date issued.

Customer may purchase following item
in accordance with advertised limits.

ITEM,	QTY.	PRICE		M/D
		SALE	SHELF	

STORE MGR'S.

SIGNATURE.....



Mrs. APONTE. Mr. Chairman, someone just told me something. I understand that if a particular store makes good profit, the manager, whoever it is, gets raises faster. Would that have something to do with the overcharging in low-income areas?

Mr. ROSENTHAL. Do you want to address yourself to that question?

Mr. CARON. I think I answered it a moment ago when I said that our managers all belong to the union, and they get their increments as the union provides. They don't get any raises faster, and they don't get any bonuses.

Mr. ROSENTHAL. You have one basic price that all managers are supposed to charge?

Mr. CARON. Yes, sir.

Mr. ROSENTHAL. What happens if you, Mr. Brown, were to find that one of the stores under your jurisdiction in Brooklyn, charged a price higher than the book price for that day?

Mr. GEORGE BROWN. The first time, I would allow for human error. The second time, I would take disciplinary action.

Mr. ROSENTHAL. Have you ever done that?

Mr. GEORGE BROWN. Yes. We have let a manager go for not following principles of pricing.

Mr. ROSENTHAL. What would the circumstances be? Why didn't he follow the principle?

Mr. GEORGE BROWN. I attribute it to laziness. He took the price without watching his price changes, or, as Mr. Caron said, we have a run every 4 weeks. He didn't change his book. Just stayed with the old book.

Mr. ROSENTHAL. Do you find that it requires a lot of help—one of the questions Mr. Reid was pursuing this morning, do you find it requires a lot of alert, responsible help to keep changing the prices in accordance with the specials and book price changes?

Mr. GEORGE BROWN. It's not so much a lot of help. When we run our special from Saturday, from Monday to Saturday, our special prices are changed on Saturday night. The new specials going in. The old ones coming off are changed that Monday night.

Mr. ROSENTHAL. Do you cross out the prices on the cans, or what?

Mr. GEORGE BROWN. We eradicate the old price.

Mr. ROSENTHAL. How do you do that?

Mr. GEORGE BROWN. We have a Lysol spray remover which will take off the metal, and we have gum labels to put over the old price on packages.

Mr. ROSENTHAL. Is this done during the day or at night, or how?

Mr. GEORGE BROWN. Most stores do it at night, after hours.

Mr. ROSENTHAL. How about the Bedford-Stuyvesant store?

Mr. GEORGE BROWN. Follows the same pattern.

Mr. ROSENTHAL. We have some testimony here today from A. & P. that they do it on Saturday during business hours.

Mr. GEORGE BROWN. That is A. & P. To each his own.

Mr. ROSENTHAL. You haven't found that a useful way to do it?

Mr. GEORGE BROWN. I find it best to do it after hours on Saturday night for the pricing going on the coming week. You can't change during the day on that preceding Saturday if you are still running a special, because you want the people to get the same price you advertise for.

MR. ROSENTHAL. Do you find any special problems in low-income areas in the operation of a store—pilferage, insurance rates, or any of these things we have been hearing about but never have been really able to confirm?

MR. GEORGE BROWN. No. We only operate one store in Bedford-Stuyvesant.

MR. ROSENTHAL. How does the overhead of that store compare with the overhead of other stores considering these factors?

MR. GEORGE BROWN. That is out of my category. The overhead of the store. I operate them all the same, all 40 units.

MR. ROSENTHAL. Have you ever, either in your store, your chain, considered the possibility of posting in a prominent place in the store the current book prices for that day on all items?

MR. CARON. It would be impossible. There are anywhere from 7,000 to 10,000 items. I think we, during the course of the day, we said we advertise our prices. We circularize. We have it in the newspapers. People don't read and people don't follow. The signs are in the windows.

MR. ROSENTHAL. Here is what I am trying to get at, Mr. Caron. We just had a gentleman who preceded you, Mr. Mandell from Key Food. He said that sometimes—I think I understood his testimony clearly—sometimes when you have a special, you run an ad, that some of the stores and some of the clerks may be sluggish in changing the prices and are not quick enough and that the customer has to rely on the diligence of the checker to pick up any discrepancy between what the new reduced special prices as compared to the price on the can.

MR. CARON. Sure. They are in the window in bold signs 6 feet high and 4 feet wide.

MR. ROSENTHAL. Every special item?

MR. CARON. Yes, sir.

MR. ROSENTHAL. In other words, I visualize myself as a shopper going into the store and I may have been induced to go into your store because Del Monte is three for 29 when it's usually three for 43, and the cans still have the old price on it, three for 43, and when I go out with the wagon full of the cans, I am busy trying to keep my kids from knocking over the other bunches of cans.

Does the checker, if he sees three for 43, does he go three for 43 or three for 29 as advertised in the paper?

MR. CARON. We want him to go three for 29 as advertised in the newspaper.

MR. ROSENTHAL. Do you think he ever misses it?

MR. CARON. Could be. Human error.

MR. ROSENTHAL. What can we do to prevent that from happening?

MR. CARON. Change human beings.

MR. ROSENTHAL. We can't do that. What else can we do?

MR. GEORGE BROWN. We price mark with the special price all our items.

MR. ROSENTHAL. Say that again.

MR. GEORGE BROWN. We price mark with the special price all our sale items.

MR. ROSENTHAL. In other words, you physically have a man, a—

MR. GEORGE BROWN. Physically change every can with the sales price.

MR. ROSENTHAL. Have you ever found, in your own inspection, that some employees have missed that?

MR. GEORGE BROWN. Yes.

MR. ROSENTHAL. I am trying to find some way that we can prevent that from happening. I can well believe—you have young people there. They are busy talking about last night's date instead of today's stamp date, and they may miss some cans. How can we make sure the customer gets the advantage of the advertised price?

MR. GEORGE BROWN. There is no physical way you will do it 100 percent, because if you had a stack up to that ceiling of tomato juice at 10 cents a can and somebody took the same can and put it somewhere else on another shelf and somebody sees this doesn't belong here and they put it back in the same place, it could be done by a customer or clerk, that can marked with the normal price would be in the midst of 10,000 cans marked 10 cents, and this would probably be marked 15 cents, so there is no way you are going to do it 100 percent.

MR. ROSENTHAL. How about the quality of food, meats and perishables, between the Bedford-Stuyvesant area and the Flatbush store?

MR. GEORGE BROWN. We have one quality.

MR. ROSENTHAL. Do you yourself personally check that?

MR. GEORGE BROWN. Definitely. One quality.

MR. ROSENTHAL. Have you had situations where customers have come back to either of you gentlemen or anyone at the management level and said, "Here is a can, the price on here is more than what the advertised special was"?

MR. GEORGE BROWN. Yes. It happened. They got it for the advertised special price.

MR. CARON. They can buy it for 10 cents and bring it back next week and say, "I don't want it," and ask for 15 cents and we give them 15 cents, not the 10 cents.

MR. ROSENTHAL. I am not worried about them competing against you. [Laughter.]

Apparently in your chain there is no real incentive for the manager to do some of the things that happen where a guy gets a bonus. Now we can eliminate human error, because people believe this problem exists? It may exist. So long as they believe it, they are unhappy. If your customer is unhappy, then you are really not making a useful contribution to society.

MR. CARON. I know, but when you bring up the subject of useful contribution to society, people have to understand we can't be in business without our customers, and every chain or every store is interested in keeping their customers and gaining new customers and not out to gyp customers.

MR. ROSENTHAL. That is good. That is very good. But when you take a situation where there is a supermarket with no competition, all those old-world cliches fall by the book.

MR. CARON. That is not so. That does not exist.

MR. ROSENTHAL. It may not exist in your store, but there is, in the area between 116th Street here in Manhattan and—in a large square block area, there is only one supermarket. The people either buy there at conditions that exist there or they have to travel 10, 12, 14, 16 blocks.

MR. CARON. I can only tell you on DeKalb Avenue at the Bedford-Stuyvesant area we have a big, beautiful supermarket. Our competi-

tion has every little huckster on the street. We have air conditioning in the summer and heat in the winter, and we still have to compete and we still have to have the prices to bring these customers in.

Mr. ROSENTHAL. Do you have any supermarket competition?

Mr. CARON. Yes, of course.

Mr. ROSENTHAL. How close?

Mr. CARON. Within one or two blocks away.

Mr. ROSENTHAL. I mean—

Mr. CARON. They have changed. Many have changed. A. & P. Royal Farms—there is always competition. If there is business, there is supermarkets or people there to serve the customers.

Mr. BARASH. I am just interested in your response to the Congressman's question relative to the posting of book prices. Could you explain to me in somewhat more detail the reasons why it would be impossible, as you put it, to—

Mr. CARON. You said to post. To post a book of 100 pages written on both sides is an impossibility, but I will say this: The book is there, and any customer who wants to see it can see it. It is available. It is right there.

Mr. BARASH. Have you ever said that publicly before?

Mr. CARON. Absolutely. To any customer in the store. Any customer who questions the price we will open the book and that is the price.

Mr. BARASH. Do all your managers understand that?

Mr. GEORGE BROWN. Yes.

Mr. BARASH. In other words, any customer with a problem could look at the book and find out the correct price?

Mr. GEORGE BROWN. That is right. Ask to see the book.

Mr. MANDELL. There is one thing we haven't taken up in the way of prices, the normal changes of prices aside from the specials. We also have a book and the prices on that book change from day to day, because the nature of our business, especially the perishables such as eggs and butter and chickens, the market changes, so although we have a book price sometimes even the book has the wrong price because the book is usually printed—you can't print a book overnight. It's printed a month in advance and by the time the book goes out, it's already outdated, so even looking into the book will not give you the whole story.

One other thing I would like to mention, because I don't like it to appear very simple. A lot has been said about the quality, about different quality items. Ninety-five percent of our items are nationally advertised items. That other 5 percent is getting less and less. There is very little we sell that we have control over quality, because it is all nationally advertised items, and our Campbell's Soup and Carnation Evaporated Milk and 10,000 items, baby foods are the same in every other store.

I, for the moment, can't think of anything that can come in from one store and say your soup is not as good as the next soup. As far as that 1 percent on perishables, that might be sometimes if something goes wrong, but the margin for error must be in human nature for everybody.

Mr. ROSENTHAL. Anyway, you will do two things: You will make a vigorous effort to reduce the margin for error, and you will post a sign saying if you are out of a special, a raincheck will be issued.

Mr. CARON. Absolutely.

Mr. ROSENTHAL. Thank you very much.

Mr. STERN, did you want to say a word or two?

Mr. STERN. Yes, sir. I would like to, if I may.

Mr. ROSENTHAL. Sure.

Mr. STERN. My name is Irving Stern. I am director of Local 342, Meat Cutters Union, and president of the Greater New York Labor Food Council, representing 17 unions operating within the supermarkets in Metropolitan New York.

We welcome very much this investigation, and we think that vigilance is the catalyst of progress. We believe that consumers have to be represented and since we comprise over a hundred thousand employees in the supermarkets, we consider that we, too, are a formidable source of consumer power.

The problem of food prices and pricing is a complex one. I think we can't expect to find simple answers or simple solutions at a 1-day hearing.

I would suggest, and I'm sure this committee is fully aware, the National Food Commission spent many months and a considerable amount of money making a study of the whole food industry. I would suggest that this ought to be part of this hearing.

There is a need for more expertise in discussing the whole problem of the supermarket and all marketing procedures since it is an integral part of what happens to the consumer at the end source; namely, when she goes through that checkout counter.

It's not my purpose here to discuss this, even though I think it's relevant to the problems. If I can make a contribution, it would be in discussing a problem which I think deserves Federal attention and Federal action. That is the whole problem of what can we do in the total community to encourage the building of supermarkets so that those in the ghetto areas are in a position to obtain what is generally considered are the values which the supermarket industry can give.

One must ask, really in all frankness, why it is that there are no supermarkets, if, indeed, the supermarkets can profiteer in the ghetto areas? One must ask, Why is there such an absolute shortage of supermarkets in these areas?

Certainly, being merchants, they would want to take advantage of the opportunity to make money, since that is the name of the game.

Mr. BARASH. If I might interrupt there, you are not suggesting, are you, that supermarkets in the ghetto are losing money; that it's a poor economic venture?

Mr. STERN. No; I don't say that at all.

Mr. BARASH. You suggested that if supermarkets could profiteer, why is it that there is a shortage of them? But I just wanted the record to indicate whether or not you were implying that the reverse is true; that it's simply not a good economic venture to do business in a ghetto area.

Mr. STERN. Well, that it is not a profitable thing I think is self-evident. If it were, then certainly those who could profit would want to operate in that sphere. At least it seems to me it would be a logical conclusion. The mere fact that you don't have the supermarkets would suggest to me that there are problems in terms either of operating or in terms of making what is considered the normal profit.