Save-On-Foods offers gift card following Loblaw bread controversy

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The Loblaw Cos. Ltd. bread-price-fixing controversy has prompted a major retailer in Western Canada to offer $25 gift cards to customers who were charged too much for bread – even though Save-On-Foods wasn't a target of a Competition Bureau investigation into the pricing scheme.

Save-On-Foods, part of the giant Jim Pattison Group of British Columbia, is making the goodwill gesture to its customers with its loyalty card following the admission by Loblaw and its parent George Weston Ltd. (which owns bread maker Weston Bakeries) that they jacked up prices of packaged bread for 14 years as part of what they described as an industry-wide arrangement.

Weston Bakeries is one of the bread suppliers to Save-On-Foods.

"This scheme has affected some of our customers with higher bread prices," Darrell Jones, president of Save-On-Foods, said in a statement late on Friday.

On Tuesday, Loblaw, the country's largest grocery chain, and Weston shocked the grocery sector by admitting to participating in the price-fixing scheme between late 2001 and March, 2015. Loblaw said the bureau gave it immunity from criminal prosecution in exchange for it co-operating with the bureau and providing it with information on rivals.

"Save-On-Foods was not involved, nor had any knowledge of this criminal act," Mr. Jones said. "However, to look after our customers, we will be offering a $25 gift card to our existing More Rewards customers and, in due course, will seek compensation from the bread suppliers involved."

Save-On-Foods's parent, Overwaitea Food Group, helped out in the investigation but was not a target of it, spokeswoman Julie Dickson said.

Loblaw said on Tuesday it will offer its customers a $25 gift card to try to make amends for its wrongdoing. It expects the move will cost it up to $150-million.

The bureau is investigating allegations of packaged-bread price-fixing at seven companies, including the two largest bread producers, Weston Bakeries and Canada Bread. The other companies are grocers Loblaw, Sobeys Inc. and Metro Inc.; and discounters Wal-Mart Canada Corp. and Giant Tiger. They all say they are co-operating with the inquiry.

Michael Medline, chief executive officer of Sobeys, came out swinging on Thursday, attacking Galen G. Weston, CEO of Loblaw and George Weston, for throwing it and rivals "under the bus" by saying they were all conspiring to fix the price of bread. Mr. Medline asked for a public and immediate retraction. Loblaw and Weston say they stand by the statement.

Metro also reacted angrily to Loblaw implicating all major grocers in the scheme. Metro, Sobeys and Giant Tiger have said they have found no evidence of bread price-fixing within their chains.

Jim Bexis, chairman of the Canadian Federation of Independent Grocers, said it is disappointed with the agreement between Loblaw and the bureau, including Loblaw's initiative to "simply offer a mea culpa and provide gift cards for customers."

"This was a prolonged and sustained scheme to control prices," Mr. Bexis said in a letter this week to bureau commissioner John Pecman. He said the bureau should have imposed a financial penalty on Loblaw, with the proceeds going to independent grocers to provide gift cards to their customers. Save-On-Foods is a member of CFIG.

Mr. Jones said Save-on-Foods will provide more information in the next several days on how customers can get their gift cards.