The net result is that IGA will be in competition with wholly owned groceries, such as Dominion Stores, which will not be caught by the provisions of clause 31.4 of the competition bill. If a grocery store distributes groceries under a franchise, it will come under the provisions of clause 31.4, whereas a grocery store which is a wholly owned distributor, in the sense that Dominion Stores is a wholly owned distributor, will not be affected by the provisions of this clause.

The IGA brief says in part, beginning on page 6:

> Some of the proposed sections of Bill C-2 discriminate against the voluntary group system, in that they contain prohibitions, and trade practices which may become subject to prohibition, which would apply to the voluntary group system, but which at the same time would not apply to the chain distributor. These proposed sections are of major importance, and in our opinion can threaten the very existence of the voluntary group system as it exists today.

● (2120)

In their brief the IGA also point out, and I quote:

> Section 31.4 deals with "exclusive dealing", "market restriction", and "tied selling." Under the section, the commission may prohibit the practice of a supplier of a product requiring a customer to deal primarily in products supplied by or designated by the supplier or his nominee.

They point out that when you link that with the exclusive dealing provisions, you are going at the very heart of franchising in this country. The net result is that if the Restrictive Trade Practices Commission were to find that there is a significant lessening of competition in the market notwithstanding the fact that a franchisee may be involved, they may make an order that in fact may mean that franchisee can no longer carry on in business, notwithstanding the fact also that, with the same position, a company owned store will not be open to attack by the Restrictive Trade Practices Commission.

It is particularly unfortunate, and I suggest giving the benefit of the doubt, that the civil servants who are proposing this provision, and the minister who is acceding to their request, do not properly understand the functioning of franchisees and franchisors in this country. If they did understand the process I am sure they would see the danger of having these clauses cover the very substance of franchising arrangements.

I personally believe that it is better to have a franchisee who, to the extent he is able to operate his own business, does so. He is an entrepreneur. I suggest it is better for the government and we parliamentarians to encourage that type of individual inititative and entrepreneurship than to be discouraging it and forcing more and more small businessmen to give up their franchising arrangement with no alternative but to end up as wholly owned subsidiaries of other concerns. In truth, they simply act as employed managers for other companies in whatever business they choose to be active. That is what is at stake here tonight.

The government, for reasons I have indicated or perhaps for other reasons, has chosen to deny to the franchising industry, as they have spelled it out in their briefs, any exception with regard to the provisions of this bill, in spite of the fact the exemptions have been extended to certain of the large corporations that our friends to the left like to speak about so often.

I stated that Imperial Oil Limited submitted a brief. I believe it is important to note certain sections of it. At page 13 they state:

> As we have stated above we believe that an exemption should be provided for franchises which involve a degree of "tied selling"—

I would emphasize that. Imperial Oil then point out:

> This was contemplated in Bill C-256 which provided in section 40(2) that: "a practice is not a restrictive practice where it meets one or more of the following conditions: (a) the practice is engaged in between or among affiliated companies; (b) in the case of tied sales, i) there exists a technological relationship, between the tied commodity or service and the tying commodity or service that makes the practice necessary to the satisfactory performance or use of the tying commodity or service; ii) the practice is incidental to, and reasonably necessary for, the purpose of enabling two or more persons to carry on business under a common trade description or designation and is not significantly restrictive of competition,"—

All we are asking is that that type of accommodation be put back into the bill as it was originally contemplated when Bill C-256 was introduced in this House some time ago. It is a simple matter. The simple matter is this: do we believe in the franchising industry in Canada? Do we believe it is preferable that groups of businessmen can get together in an association and have the advantage of multiple buying, advertising, and a known management system worked out?

Do we believe it is worthwhile to encourage businessmen to get together and go into these franchising or franchisee relationships, or do we agree with the government's position to date? It would sooner see a greater concentration of business in the sense of those who are now active in the franchising business deciding it is not worthwhile to live with these types of government regulations and it would be preferable to exempt them by simply taking over the franchisees they have been working for up to the present time. That is the problem that faces us.

If hon. members support my motion, this problem will be relieved. This motion will make it clear that not only is it 51 per cent or more companies that are designated as affiliated and exempted from the act. It will also make it clear that franchisees in the relationship spelled out in the motion will also be exempted from the provisions of the act. They will be able to carry on business free of any type of indiscriminate order that might be made by the Restrictive Trade Practices Commission.

I would refer hon. members to the Canadian Bar Association brief. They make what I believe is a very good case as to the danger that will arise if this clause is allowed to remain in its present form. I will not take the time of the House to read the various paragraphs in their brief. Presumably the minister is well aware of it. It is something he should deal with tonight.

The simple question is whether the minister will put some accommodation into this clause to assist the franchisors and franchisees who have come before this House asking that they be given some relief from what they think will be an unbearable provision if it is wielded by the Restrictive Trace Practices Commission. In short, will the minister accede to their request?

Having said that, we must also look at the other side. What is the minister trying to overcome here? What is the magnitude of the problem? Frankly I was surprised when in committee I asked the minister how many complaints