

*Competition Bill*

in order to justify the cost of product inventory, service parts inventory and technical staff for servicing.

Some segments of our distribution system may become a jungle if the right to deal provisions set forth in this bill are not closely examined and defined. This will certainly not be to the benefit of the consumer. It might well be that a complete segment of the sales and service industry which supports and sustains our manufacturers could be seriously jeopardized. Again, the consumer would not be well served by such a development.

Consignment selling has been mentioned and the practice has been questioned. Mr. Speaker, there is scarcely a manufacturer or distributor who has not at some time been offered goods on consignment or been asked for consignment inventory. The suggestion has been made that this is wrong, that the consignee may be caused by the consignor to act in a certain way. This is possible, but usually the consignor is acting as banker for the consignee as a result of the monetary and fiscal policy of the government which subsequently becomes the loan policy of the chartered banks. The effect of this policy is that the consignee cannot get access to the necessary financing.

We say without fear of contradiction that the banks in this country have not kept pace with the changes which have taken place in manufacturing and distribution in Canada. Examination of most manufacturing processes reveals that the marketing arm of the manufacturer requires that someone in the distribution stream forecast annual requirements so that production runs may be planned. It may well be that the fiscal and monetary policy of the government is designed to cool out the economy. The dealer downstream finds he cannot get financing for his industry from the banks, and consequently he asks the manufacturer for a consignment inventory.

The question which comes to mind at this point is: Where is the fault? Does it lie with the banking system or with the manufacturer? I do not deny there have been occasions on which dealers have been pressured by manufacturers to get rid of the items in the inventory at a certain price. Other sanctions may be imposed in these circumstances. But in my opinion this is a rather rare practice today. I agree, though, that this is a matter which one should take into account, not superficially—let us not rush it through—but we should take the time to hear competent witnesses who can discuss all these matters in committee.

Most dealers establish a line of credit at their banks. The collateral they offer consists of accounts receivable and negotiable securities, in most cases, plus personal guarantee. In other jurisdictions the inventory which will be acquired may be offered as security under certain circumstances, but in Canada the Bank Act does not allow this. The act does, however, under section 88, allow a manufacturer to offer raw material and unfinished inventory as collateral, but no such provision exists for the dealer downstream. In these circumstances it is possible for some questionable practices to be engaged in as between manufacturers and marketing dealers. The situation bears looking into, though, as I said earlier, we should also inquire into the banking facilities made available to the dealer.

There is also the question of provincial licensing as it affects some areas of machinery sales. In many provinces licensing bodies to protect the consumer and see that machinery is repaired and serviced by competent people have long been established. The automobile industry is a good example. Garages are required to be licensed and in a number of provinces automotive mechanics are required to possess licences before they can repair or service motor vehicles. We must examine carefully the provincial implications of certain of the provisions contained in the bill before us. I realize the minister has sent copies of the bill to all the provinces, and no doubt submissions will be made to him. But this is an area in which no confusion should be allowed to arise. In considering legislation of this kind where both federal and provincial jurisdiction is involved, we should move carefully and do our best to bring all requirements into harmony and make it smooth-working for the benefit of all.

Another point I should like to discuss is the right of the supplier to choose his customers as he sees fit. It is the only way to ensure a stable market in some products. The consumer may be better served if sellers compete with quality of service rather than price alone. It may well be that there are products with regard to which the manufacturers feel their customers' only concern is price, and that quality of service, service after sale, warranties and so forth are not necessary. But the decision should be determined by market forces and conditions, not by rules established by an act of parliament and interpreted loosely by a quasi-judicial group. The right of a manufacturer or distributor to select his customer is a long established business practice. I do not know of one jurisdiction in what we call the free world where this practice does not exist. I have travelled and done business in 31 different countries and I know whereof I speak.

● (1710)

One need only examine the distribution system to see the disruption that will be caused if the right to deal section of the bill is not given the closest scrutiny. For example, manufacturer A could establish distribution of a technical product that requires a high level of skill to market. He may invest money and considerable time in downstream distribution processes, assuring that the dealers he selects have adequate financing and technical know-how to sell, install and service his product. Manufacturer B who has a similar or competitive product, but does not have the desire or resources to market his product in this way, will now find that under the provisions of this bill he can market his product through the distribution system of manufacturer A. In my view, if the refusal to deal section of the bill is strictly enforced, manufacturer A would be discriminated against.

Everyone recognizes that there are price levels. We all recall the famous statement that what this country needs is a good ten-cent cigar. There are many people who are prepared to pay only a certain amount for a given product. We should be cautious not to enact any regulations that will circumvent patents, trademarks and brand name products. As I read this bill, it could be necessary for manufacturers, under the refusal to deal section, to sell a proprietary product that they have been manufacturing under a brand name to anyone who feels that he is being