

Defence Purchasing Board

Mr. CAHAN: I do think that part of section 7 might be reconsidered. I should like to have some expert cost accountant look over that section, and in four or five lines draft what is really intended by the bill. I think we all know what is intended, that the manufacturer, when manufacturing a product worth \$5,000 or more, receives the actual cost of competent, effective production. It is upon that cost of effective production that his profit should be based, that is, something over and above the actual cost of competent, efficient production. I do not know, but I think that I could sit down with the minister and draft a clause more clear and concise and definite. Instead of the promise which the minister has just made, if he would make a promise that next year he will introduce an amendment to this section which would be clear, definite, sensible and businesslike, I should be better pleased. To my mind it is not equitable, and I do not think that it will work in the case of men honestly engaged in the production of war munitions or other products.

Mr. GRAYDON: May I seek one little item of information? If a contractor's price is too high, and the board decides to apply the provisions of section 7, what is the next step?

Mr. DUNNING: I do not understand what my hon. friend means by "the next step."

Mr. GRAYDON: If the provisions of section 7 are applied, relative to the five per cent maximum profit, what is the next step the board must take with regard to that contract? You cannot force a bidder to take the contract.

Mr. DUNNING: No. My hon. friend assumes a situation that I referred to a few moments ago, as something which possibly might happen. Tenders are received, and they are all, in the opinion of the board, outrageously too high. They are thrown out. The board then starts afresh to find a contractor who will produce the item under the provisions of section 7.

Mr. MacNEIL: One point which concerns me very much in discussing this bill is as to what extent it restricts the operations of middlemen or agencies. That was the great difficulty with regard to the last war. The prime minister of the day had to deal very sternly with those who attached themselves to the Department of Militia and acted as middlemen for manufacturers or groups of manufacturers. Should there not be a provision here that wherever possible the department or the board should deal direct with

[Mr. Dunning.]

the manufacturer? I notice that the minister denied an allegation which recently appeared in the *Winnipeg Free Press*, that Mr. Ross, of Montreal, had established an agency in Canada for a type of aircraft engine specified by the department, and it is stated that commissions had been collected or may be collected up to \$180,000 or possibly \$250,000. I will not go into that at length, because the minister has denied it. He may desire to comment on it at this time. But the allegations are rather serious. In the light of that statement, made by a responsible writer, in the *Winnipeg Free Press*, should there not be included in this bill some specific reference to the operations of middlemen such as are now collecting, it is claimed, huge sums from the department, and have nothing to do with the direct production of material?

Mr. POWER: Can the hon. member not dig up any more garbage somewhere?

Mr. MACKENZIE (Vancouver): I am very glad that my hon. friend has brought up the article. I want to quote one or two extracts from it to show that it is absolutely similar to other falsehoods which have been spread recently with regard to the department.

The writer says:

Towards the end of 1936 the Minister of National Defence decided that only Bristol engines would be installed in the aircraft purchased for the Royal Canadian Air Force.

Again he says:

The decision of the minister of defence to enforce the installation of the Bristol engine in all aircraft purchased for the Royal Canadian Air Force must have been founded on good reasons which he has not since divulged.

The fact is that the minister made no such decision. The Royal Canadian Air Force is using nineteen different types of engines, only four of which are made by the Bristol Engine Company. The minister could not possibly make any such decision, since the type of engine depends upon the type of aeroplane used. If the minister or anybody else in the department were to order a certain type of engine to be installed in an aeroplane designed for a different type of engine, in all probability the aeroplane would not fly. When the air force adopts a certain type of aeroplane it has to use the engine for which the air frame was designed.

Again the writer says:

The use of the Bristol . . . was almost exclusively in aircraft which operated rarely in climates similar to that seasonably prevalent in Canada. United States experts question whether it has been tested sufficiently for service in these colder climates.