

stated by the Prime Minister, the defence purchasing board was a board to function in times of peace, and one requirement was that all materials should be purchased by public tender. It is perfectly reasonable and satisfactory to do that in time of peace, but it may be impossible to do it in time of war on certain occasions, and to make it mandatory that tenders shall be called, as in the defence purchasing board act, would not be practicable. Let me give an illustration. A few days ago an order came to the defence purchasing board for the purchase of a net for submarines at one of our harbours. A net for submarines was needed immediately. It was not something that we could get by tender. That is obvious. It is not a commodity sold on the ordinary market. It was necessary to make arrangements to have it constructed at once. It is obvious, therefore, that if a new board functioning in time of war were restricted to tenders, the obtaining of that very necessary equipment would have been impossible at the time at which it was required.

There is another factor to be considered. In time of war many materials come from outside the country. Prices in other countries are beyond our control; they may fluctuate widely. At such times it is often not possible to protect the price for a period such as is required in calling for tenders. A price may be quoted for two or three days, but with rapidly fluctuating prices no firm is likely to quote a price good for two or three weeks, and such additional time as is necessary to review tenders and to award the contract after the tenders have been analysed. Under the former act, there was a provision that profits should be limited to 5 per cent of the capital utilized for the period in which the article was produced. I have had a good deal of experience, extending over a good many years, in buying materials, and I give it as my opinion that it is impossible to lay down a uniform standard for profits with respect to a wide variety of purchases. If you could tell me the range of products, I would give from my experience what I believe to be the minimum profit which is reasonable; but unless you could tell me the range, I would not attempt to say what would be a reasonable profit for a wide variety of commodities. It depends a great deal upon the size of the plant, the amount of machinery required, the length of time it takes to produce it; and these factors are not capable of measurement by any yardstick.

The provision of 5 per cent was put in the last act after a good deal of consideration as a minimum return for the service

rendered, but it was one which men of considerable experience believed to be unworkable. I can say to my hon. friend that from that day to this the defence purchasing board has done its very best to place contracts on that basis and has used every pressure that could be brought to bear in the form of patriotism and so on, but to date it has not succeeded in placing a single contract on that basis. To carry that provision into another bill would be out of the question at this time. That part of the act we can consider as having proven to be unworkable.

The best guarantee which this government can have that profits on war material will be kept to a minimum is to place, on the board responsible for purchases, men of skill in purchasing, men of experience, men who know values, and men of absolute integrity. When the board was set up under the last act, the chairman was chosen as a man who perhaps had the widest experience in purchasing in this dominion, a man who in the ordinary course of his business had for many years been purchasing materials to the extent of around \$100,000,000 a year. A man of that type, if unrestricted by the sort of provisions placed in the last act, could have saved for this government every cent it was possible to save, and at the same time he could have obtained the material which he was required to secure. I believe that the greatest safeguard this country can have, particularly at the present time, is to have adequate machinery of control such as the set-up under the present bill, and to have the measure administered by men of experience and wisdom in the particular service, men of absolute integrity.

Section agreed to.

Sections 13 and 14 agreed to.

On section 15—Power to require protection of essential undertakings in time of war.

Mr. MacNICOL: In line 20 on page 9 of the bill I find these words:

. . . the appropriate proportion of the expenditure of a capital nature. . . .

Would wages be included as an expenditure of a capital nature?

Mr. POWER: I did not quite follow my hon. friend, but I think I have an idea of what he wants to know. Subsection 2 states:

Where the person carrying on an undertaking proves to the satisfaction of the minister that directions given under this section in respect of that undertaking have been complied with within the period specified therein, or such further period as the minister may allow, there shall be paid to that person by the minister a grant equal to the appropriate proportion of