

few moments ago. I think most of us welcomed the first announcement by the minister that there would be a five per cent limitation upon profits made from munitions manufacture, but we now realize that if the ratio which existed in the past continues in the future this limitation will apply to only about fifteen per cent of the total value of contracts let by the Department of National Defence. We must realize that there are three kinds of contracts which will be let by the department. First, there will be those called for by public tender. Second, there will be contracts let as a result of certain selected companies being asked to tender. Third, there will be contracts which will be given to companies who have been asked to enter into negotiation with the government. The first two categories cover eighty-five per cent of the value of contracts let by the department up to the present time, and they will not come under this five per cent limitation. Only fifteen per cent—and the percentage may grow smaller—will be subject to the five per cent profit limitation. It seems to me that this clause in section 7 is the joker in the bill because it nullifies to a large degree the value of the whole principle of profit limitation. Just the other day I came across a United States paper containing a cartoon which, at first glance, made me proud. This cartoon showed Uncle Sam sitting at a desk, while a United States taxpayer was showing him a sheet of paper and asking him, "Have you seen this, uncle?" That sheet of paper showed that Canada intended to limit profits on munitions contracts to five per cent. I was quite proud of that cartoon except that I knew, what apparently the person who drew the cartoon did not know, that the cartoon should have said that only fifteen per cent of the value of the contracts let would be under this limitation.

Mr. DUNNING: The hon. member would have been wrong also.

Mr. DOUGLAS (Weyburn): And that percentage may grow smaller. As the Minister of Finance said a few moments ago, the tendency is toward public tendering.

Mr. MACKENZIE (Vancouver): Does my hon. friend realize that under public tenders the profit may be less than five per cent?

Mr. DOUGLAS (Weyburn): Then there would be no harm in extending this five per cent limitation to all contracts.

Mr. DUNNING: Except that to apply it to all would cost a great deal more than the five per cent. As the hon. member for St.

Lawrence-St. George (Mr. Cahan) pointed out, we would need another Department of Finance in order to make it work.

Mr. DOUGLAS (Weyburn): I agree that public tendering will tend to keep down profits to a fairly reasonable level. As the minister said, there are certain staple products which can be obtained by public tender, but that would not apply to the same extent to selected companies. The government may require aeroplane engines or some specialized product which is manufactured only by three or four or half a dozen companies.

Mr. MACKENZIE (Vancouver): Has the hon. member before him a copy of the amendment passed this afternoon to subsection 4 of section 4, dealing with that very point?

Mr. DOUGLAS (Weyburn): To my mind that does not cover it, although it does give the board certain power to act when it thinks there is collusion. But I am not talking about collusion; I am talking about where there are only three or four companies manufacturing a certain specialized article. In such instances, there would not be the same element of competition which would be present in public tendering. It is possible for tremendous profits to be made under these circumstances.

Mr. DUNNING: I dealt with that a moment ago. When the board sees that the element of competition has not been effective in bringing about a fair price level, it will be able to say, "No, gentlemen, there are only two or three of you manufacturing this particular specialty; apparently you have got together and are going to charge us so much, but we are not going to accept your tenders, we are going to give the business under the terms of section 7, on a five per cent profit basis." Surely my hon. friend sees the weapon that this gives to the board. I am quite sure that if he and I are here in a year or two, he will be wanting to know from me just how far the board has gone in preventing abuses of the tendering method. My view is that this gives to a board made up of men who are conscientiously trying to buy as cheaply as possible, a weapon which will ensure that there will be no collusion between a few producers of a specialty article.

Mr. DOUGLAS (Weyburn): I agree with the minister up to that point, but I want to see this profit limitation section being used for more than merely a weapon.

Mr. CAHAN: The hon. member should remember that there is such a thing as income tax. There will be no profits on munitions if new income taxes are levied.