

*Defence Purchasing Board*

course if—God forbid—war should come and we have to consider the results of war inflation of one kind and another, outside of this measure altogether we shall have to evolve schemes for profit control which will apply not only on purchases by the Department of National Defence. I think there is no doubt we would come to that.

What we are trying to do here to place a businesslike piece of machinery in the hands of a purchasing organization which will ensure first the maximum encouragement to competition, and, second, if competition proves to be impossible, a control of the profits of those who are doing the work. I think the bill is soundly conceived from that point of view. I know it is being criticized as being a very radical piece of legislation, the most drastic of its kind to be placed on the statute book of any democratic country. But I believe it will work. I believe it will encourage a maximum of competition, which, after all, is the best means of getting a reasonable price for commodities purchased. If the board is able to show to the government that there has been collusion, that the price level is too high and that profiteering is going to result, they can turn back to the method contemplated by section 7, and have it done on the basis of a five per cent return on capital.

Mr. CAHAN: I may be in error, but I find it extremely difficult to follow the provisions of the bill. In any case, if a contract for not less than \$5,000 is awarded without competition, it would come under the provisions of section 7, would it not?

Mr. DUNNING: No, only if it were more than \$5,000.

Mr. CAHAN: I understand. Suppose a contract were for \$5,500, or \$6,000, or some such sum, does the hon. member think any contractor would accept a contract of that kind if, as is set forth in the subsections of section 7, there must be an examination of all his books to find out what capital has been involved in producing goods to the value of \$5,500? I find these words in paragraph (a) of subsection 3:

The board may take into account in determining capital employed in the performance of a contract actual cash outlays incurred in the acquisition of patents, or licences to manufacture, but not goodwill—

And so on. That is, a contract for \$6,000 would involve a possible profit of \$300.

Mr. DUNNING: The five per cent is not on the contract; it is on the capital employed.

Mr. CAHAN: But that is even more nonsensical. I am taking into consideration the cost of producing the article, as such costs

[Mr. Dunning.]

are found in a well equipped factory in which accounts are segregated and audited. But the profit obtained is not likely to be more than \$300. To carry out the inquiry, the board must have production of all these accounts and ascertain how much capital is involved in the production of a \$6,000 contract by a company capitalized at many millions of dollars. This inquiry would cost more than the amount represented by the entire profit: It strikes me that some other method might be used. No competent factory will take work on that basis, and unless the government takes over the factory and forces the manufacturer to do the work, it certainly will not be done.

Mr. DUNNING: Can my hon. friend conceive of articles costing \$6,000 for which it would be impossible to secure competitive tenders? I mean to say that expenditures as small as that undoubtedly will fall within the class for which it is possible to get a tender. Therefore the taxation provisions of section 7 would not apply. The difficulties arise in connection with large expenditures for expensive equipment for which it is not possible or practicable to get competitive tenders. Theoretically what my hon. friend says is quite correct, but as a practical matter I do not think it is.

Mr. CAHAN: I suggest that we deal with realities and not with absurd possibilities such as those I have suggested. I can understand that in connection with a certain contract it may be impossible to obtain tenders. I doubt very much whether there are many contracts to be awarded by the Department of National Defence for which tenders could not be obtained, if the specifications and regulations respecting the contract are clear, and if reasonable opportunity is given to factories to examine the conditions and specifications and prepare the estimates on which they are ready to proceed. I saw tens of millions of dollars worth of contracts placed in the United States and Canada during the war, and I have never yet seen a contract for munitions which could not be filled by tenders from those factories which were well equipped for ordinary mechanical production. Should not the minister reserve section 8 to see if it could not be simplified in some way in order to deal with realities?

Mr. DOUGLAS (Weyburn): I believe the people of Canada as a whole will be disappointed when they realize the full implication of this section. When the minister spoke the other day, he referred to this as being a drastic measure, and the Minister of Finance (Mr. Dunning) used the same words just a