

Mr. LAWSON: Fifteen per cent would come within the limitation of this five per cent profit?

Mr. MACKENZIE (Vancouver): Yes.

Mr. DOUGLAS (Weyburn): Is that fifteen per cent of the contracts or fifteen per cent of the value of the contracts?

Mr. MACKENZIE (Vancouver): Fifteen per cent of the value of the contracts.

Mr. DOUGLAS (Weyburn): How many actual contracts would have come under this provision, since this government has been in office?

Mr. MACKENZIE (Vancouver): The total number for 1938-39, up to the end of December, 1938, amounting to more than \$5,000 was 246.

Mr. DOUGLAS (Weyburn): As compared with what total?

Mr. DUNNING: Perhaps while this information is being looked up I might point out to my hon. friend who asked the question that it is of doubtful importance in relation to what we have to look forward to under this method of dealing with purchases. It will be apparent on reflection that if the board which is to be set up is dissatisfied with the competition which results from the tender method, or if it believes for any reason that there has been collusion between the tenderers, or that prices are out of line, the board undoubtedly has the right to refuse to accept any tender and throw the contract back under the form of contract contemplated by the taxation provisions of section 7 of the bill. My hon. friend will recognize the importance of that fact.

Mr. MacNEIL: If it is not an ordinary commodity, one specially required for defence purposes, and subsequently this article is sold for less than the price quoted to the government, will the board have power to act and reduce the price paid by the government?

Mr. DUNNING: If I understand the question aright it means would the government repudiate a contract into which it had entered. Of course there is only one answer to that question. If the contract was arrived at by virtue of competitive tenders then it is obvious that the terms of the contract, whatever they were, would have to be carried out. As I indicated a moment ago, if the board has any idea that it is being overcharged by tenderers in connection with any commodity it can always insist on putting the business under this section, under which there is no

doubt that profits are limited to five per cent on the capital employed. I hope I have made that clear.

Mr. LAWSON: I think the minister has made it perfectly clear that the board has power to do something if it so desires, but that is a little beside the point that my hon. friend had in mind and that I also had in mind in seeking this information the last time the bill was up for consideration. The point at issue, in its final analysis, is this: I had the impression, rightly or wrongly, when this bill was brought into the house following the discussion on the resolution that in future all profits in respect of the manufacture of defence material were to be limited to five per cent. I soon discovered I was in error, that there was one exception, namely where public tenders were advertised. Then I discovered there was another, namely where there were invited tenders. The minister will realize that when we except all contracts called for by public or invited tender or all contracts limited to a small number of contractors or groups, the measure is made very ineffective from the point of view of the limitation to five per cent of the profits on defence materials. As the minister has quite frankly told us, the most that is accomplished is to limit the application of this provision to fifteen per cent of all purchases. That is the point at issue, and I think the minister's statement is hardly a complete answer.

Mr. DUNNING: My hon. friend will realize that many of the materials required by the Department of National Defence are used by the general public. Competition by way of tender or invited bids is real, because there is a known standard or approximate standard of price.

Mr. LAWSON: Quite so.

Mr. DUNNING: I wish only to make clear that in my opinion the tendency of the legislation is, first, to tend to force competitive bidding.

Mr. LAWSON: Which I think is a good thing.

Mr. DUNNING: Yes. Second, it places a powerful weapon in the hands of the purchasing authority in that if competitive bidding is not satisfactory from the point of view of prices, there is another way out which is difficult of operation but which, nevertheless, definitely limits profit. I think it would be quite impossible to work out a limitation of profits scheme to apply on everything the department buys. I believe we must rely upon competition in respect of many commodities which are in general use. And of