

whether there is a possibility that some substantial saving may be made? This committee cannot decide whether the interpretation given by Mr. Drew is correct or whether the proper interpretation is that of the president.

Mr. MCGREGOR: I think Mr. Mutch you are entirely correct in your views. I think it boils down to this. If it is of any benefit we will gladly assure the committee that T.C.A. will do whichever is cheaper for the company. If bearing half of the development costs of Canadair is cheaper than establishing its own exhaust system that will be done—whichever is cheaper will be done within the legal rights of the company.

Mr. MUTCH: If you discover that by developing your own system you save money as compared with paying half of the Canadair development costs—and the legal branch adopts the same interpretation of the contract as that given by some of the committee members—then you will go after the cheaper procedure.

Mr. DREW: There is a very, very simple proposition here. It does not require that one be a lawyer to understand what the effect of this article is. The first part of subparagraph 1 is a very fair undertaking on the part of Canadair to co-operate with the manufacturer to develop such a satisfactory exhaust system as is required. Under the law of warranty, if there is a warranty to perform a particular service and to provide a satisfactory solution to a difficulty that is under consideration, then, if the party who gave the warranty does not comply with it, the other party is in a position to meet the condition and to charge the cost of it to the person who gave the warranty. In this case, if the vendor company has not been able to do what it undertook to do, and it becomes necessary for T.C.A. to develop their own exhaust system to meet this condition, then I am satisfied that it is the duty of Trans-Canada Air Lines to take the appropriate legal proceedings to collect every cent of the expenditure they are called upon to pay. The provision that Canadair would only undertake to pay one-half is if they did it themselves. The co-operation was not between Canadair and T.C.A., the co-operation was between Canadair and the manufacturer of the engine. Now, if they fail to carry that out, Trans-Canada can resort to the warranty in subparagraph 3 and collect every cent that they have been called upon to spend to meet that condition.

The CHAIRMAN: If your argument is correct can you explain to me why there is an express covenant in subparagraph 1 that the buyer shall pay half the cost—

Mr. DREW: Because they were going to work out that with the manufacturer of the engine.

The CHAIRMAN: I very much doubt that it is as you are saying, when there is an express covenant that T.C.A. must pay half of the cost. I do not think that the warranty is anything like that wide.

Mr. MUTCH: This is not a matter which can be resolved by the committee. If Mr. Drew's interpretation is correct, he has performed a very useful purpose this morning in pointing out a matter in which some money can be saved; however, ultimately, if a conflict of opinion persists it must be settled in some court. We do not have to be lawyers to understand that contracts and laws do not mean what they say in English but rather what some judge interprets them to mean, and we cannot further the position very much by continuing to disagree.

Mr. DREW: At times we all agree with the very old saying that "the law is an ass". In any event, as Mr. McGregor, the president of the air line has heard the views expressed, and as he has the legal services available to him, I suggest that he have this matter examined and that he take the appropriate action in accordance with the advice he receives.

The CHAIRMAN: Mr. McGregor, I started off to ask you a general question which I would like to finish. During the course of the inquiry on several occasions