

Supply—Defence Production

That is my own feeling, too. But I must say that it seems to me a rather extraordinary procedure. We still have an investment, as I understand, in machinery which is far beyond the value of the real estate. We are in a real sense the biggest partner, using that term in its broad sense, yet we are not even consulted.

Mr. Howe (Port Arthur): Of course we do own machinery in the two Avro plants. There are two separate operations there, as a matter of fact; two separate companies. One is the engine plant and the other is the air-frame plant. Avro also have other buildings they have built with their own funds and other machinery they own. If you go through the plant you will find that our machinery is marked one way and their machinery is marked another way. Our machinery is shown on our capital inventory, and it is carefully segregated so that our ownership cannot be in dispute at any time. We would be very much interested if we thought any government interest was being prejudiced, but we do not think so.

Mr. Macdonnell: What is the arrangement for payment?

Mr. Howe (Port Arthur): It is all paid off. There is no commitment by Avro to pay us anything. All that money has been paid.

Mr. Macdonnell: That means we are still a partner by reason of the machinery we have there.

Mr. Howe (Port Arthur): The machinery can only be used for defence projects. If they want to use the machinery for any other project they must either buy it or pay us a rental for it.

Mr. Macdonnell: Does the minister mean that we get no rental for that large investment if it is used for aircraft projects only?

Mr. Howe (Port Arthur): That is right.

Mr. Macdonnell: But if it is used for other projects we shall?

Mr. Howe (Port Arthur): Yes.

Mr. Macdonnell: In itself that seems to me another reason why we should have been consulted.

Mr. Howe (Port Arthur): That is the arrangement where government machinery is installed in a plant. If the plant is not busy and wants to take on private work it can do so, provided it pays us an adequate rental for the use of the government machinery. We have cases of that kind today. We have a regular scale of substantial fees.

Mr. Macdonnell: Fees?

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Mr. Howe (Port Arthur): For the use of such machinery for other than government contracts.

Mr. Macdonnell: Meanwhile I suppose from the tax point of view that machinery is depreciated and the company eventually will be able to replace it and own it outright itself.

Mr. Howe (Port Arthur): No, the company cannot depreciate it because it does not own it. It is owned by the crown. It belongs to us. If it wears out the wear is our loss, but there is no write-off on the machinery by the company for the reason that they do not own it. You cannot write off a thing you do not own.

Mr. Macdonnell: Are you under obligation to replace it?

Mr. Howe (Port Arthur): No. We are not even under obligation to keep it there. We could move some trucks there tomorrow and take it all out if we wished to do so.

Mr. Pallett: I was rather interested in the remark of the minister that the government only had an investment of \$44 million in machinery in the Avro plant. I think in fairness I should point out that we have a very substantial investment in that plant in the manpower that has been trained through the use of government money. These aircraft workers were trained on government contracts and, as the hon. member for Greenwood pointed out, there is also a large investment in machinery.

I should like the minister to answer two questions. First, is there in contemplation the issue of sufficient contracts to the company or in fact have sufficient contracts been issued to the company to assure continued employment for the aircraft workers now employed? Second, if there are not sufficient contracts in contemplation or being given to the company, has any consideration been given in conjunction with the company to encouraging them in the production of civilian aircraft so this working force of skilled aircraft workers can be maintained? It is possible they could easily find employment in other occupations, but you do not create aircraft workers as highly skilled as they are overnight. Has the minister any thoughts on this matter that he would care to give to the committee?

Mr. Howe (Port Arthur): Mr. Chairman, I can say that if any aircraft plant in Canada is well off as far as government contracts are concerned, Avro is in the best position.

Mr. Pallett: That was an answer but not, I submit, an answer to the question. Have sufficient contracts been issued or are there