

Q. Right; whereas the Canadian government for which we can find a figure arrived at in a similar manner of \$300,000, ends up with paying some \$356,000; that is correct again, is it not?—A. \$348,000.

Q. Right; now, why were the particular circumstances—or at what point—what took place that resulted in this disparity between these two figures, one of which is the same as that in the letter of intent of October 1950 for the United States and one which is substantially greater than that in the letter of intent of August 23, 1950; and I might add one point which is that in each case, as I understand it, the number of units was substantially greater than was originally contemplated.—A. That is correct.

Q. Normally I would take it that under those circumstances the price and the cost would be substantially less.—A. Well, I do not know if the number was greater, or substantially greater than was originally contemplated, but it was substantially greater than the number originally contracted for; that is correct.

Q. What major factor resulted in this eventual outcome which is different from what one might have expected?—A. I am not sure that I can answer that. In the course of negotiations which extended over several years it was ultimately agreed that these items to which you refer were properly chargeable to Canada as relating to Canadian facilities which are in being and producing not only 3'/50 naval guns, but 105mm and 155mm howitzers, and so it was agreed that the payments by the United States of \$45 million under all the circumstances was requisite.

Q. I have just one more question: were any representations made at that time by the United States government to the Canadian government in respect to this matter, or was this purely a voluntary action on the part of the Canadian government?—A. I am sorry, I do not understand that; you say voluntary action in what way?

Q. I mean which resulted in the eventual price charged to the United States? Did the United States come up here at any point, or through their representatives and say to the Department of Defence Production: "We do not think that we should be charged with this: or we feel that the proper price to us takes these factors into account and not these?"—A. Certainly; they said many things; negotiations were taking place almost continuously over several years and I have no doubt that they inspected everything because they had a very large team of skilled people at Sorel living there permanently. We had some of their machine tools at Sorel, and they paid for the chrome plating plant at Sorel; but I cannot think of any of these things that were not discussed. I am sure that I cannot put my finger on the point you mentioned, but certainly many things were discussed in the course of the negotiation of this price.

By Mr. Applewhaite:

Q. Before I ask one or two questions I would like to clear up one thing. The original letter of intent which has been referred to in connection with the first Canadian purchase—did that letter quote approximately a price of \$300,000 per unit, or was that price just a matter of departmental figuring? Was that price at that time quoted or discussed with Sorel?—A. I shall have that for you in a minute. There is no reference to cost in the letter of intent, I mean the first letter of intent, dealing with the Canadian order.

By Mr. Harkness:

Q. Did you not say there was a letter of intent mentioning seven guns at a cost of \$2,700,000?—A. No. I said that the Royal Canadian Navy—I mean