

What is the position of the first contract? The first contract was to be carried out in the plant owned by the John Inglis company. It is true the government was to furnish certain machinery which would remain the property of the government; nevertheless in the first contract the Inglis company contributed the plant. As time went on the situation changed and the Inglis company was not disposed to furnish the plant for the balance of this work. The result was that we began to build plants, government property owned by the government, to be operated by the Inglis company.

Mr. MacNICOL: Adjacent to the Inglis plant?

Mr. HOWE: Nearby on other property, which was owned at that time by the Canadian National Railways. We built one other plant on the Inglis property itself, and we are building very large plants adjacent to it, across the railroad tracks on property owned by the crown in the name of the Canadian National Railways. Those plants we own lock, stock and barrel. The layout was made by the Inglis company, and the Inglis company designed and supervised the construction of those plants. Would any hon. member suggest that an expansion such as that would be covered by a contractual relation entered into for the production of 5,000 guns per annum? I wonder what would have been the attitude of the opposition had we carried on the original contract to cover changed circumstances such as that. Obviously, what was required for the new operation was a management-type contract, a contract such as we have also in a great many places where the government builds what is in fact a government arsenal and enters into a contract with a private firm to exercise its skill and managing ability in operating that plant for the government.

The result is that we entered into a contract with the Inglis company for the new work, as was always contemplated and always understood, on a management fee basis, that is, a fee representing about three per cent of the cost of the equipment to be produced in those government arsenals. What did we find as time went on? We had the great bulk of the work of the Inglis company under a management fee basis, and the original plant under the original contract, and obviously it was very difficult for government accountants to separate the two contracts. The work was going on in one plant under one contract, and in another building, under a separate contract. Material was coming in from the outside and being used, some in one plant and some in the other. Under the circum-

[Mr. Howe.]

stances it seemed common sense to make a blanket contract to include all the Inglis operation and to level off on one contractual relation.

Mr. HANSON (York-Sunbury): You made a new contract and wiped the other one out, and I think you did right.

Mr. HOWE: Certainly.

Mr. HOMUTH: Why did you not tell the house, then?

Mr. HOWE: I will explain that.

Mr. CASSELMAN (Grenville-Dundas): How much money did the government have in the Inglis company before the contract was taken over?

Mr. HOWE: Let us not worry about that. No expenditure was made without an order in council and a memorandum of agreement. Well, we have reached this point: the leader of the opposition says that we were right in making the contract.

Mr. HANSON (York-Sunbury): A new contract.

Mr. HOWE: What about the terms of the new contract? We said, "We want to get something definite in this. We know what your guns are costing. We know what Bren guns are being purchased for in the United States. We have a fair idea of what a reasonable cost for Bren guns is. We will figure out three per cent of that cost, based on the United States price, and we will fix the profit, not as percentage of the cost of producing Bren guns, but as so many dollars per gun, representing three per cent of what we believe to be a fair price. If you can turn out guns faster than the contract, that suits us very well, and you will make more money. If you can cheapen the cost, as we believe and hope you can, you will obtain perhaps a little more than three per cent, but certainly not more than four per cent." There was more profit advantage to the company in cutting the cost of the gun. I doubt if any man will read the Bren gun contract as now drawn and say that it is not a good one.

Mr. HANSON (York-Sunbury): Nobody has criticized the present contract. What we do criticize is the secrecy which surrounded the whole matter while the house was in session.

Mr. HOWE: I am just coming to that.

Mr. McGREGOR: What is the price per gun?

Mr. HOWE: Will my hon. friend sit down? This is not a committee. We have agreed