

Canadian Commercial Corporation

United States content, as set out in the order in council. These were not a standard product; the antennae were made to order. The contract provided that the order be accompanied by a down payment sufficient to cover the cost of the United States imports. The Canadian Commercial Corporation made the best deal it could, and the contract was passed accordingly. The transaction went through in the ordinary way.

Mr. Knowles: These were purchased in Canada?

Mr. Howe: Yes, but with a large United States content. This order in council does not state that United States content, but I happen to know that the Canadian Marconi Company got this equipment from its American associate of the same name.

The next order in council is P.C. 1051 covering a quantity of teletype equipment consisting of fifteen items, as set out herein, with an expenditure of United States funds estimated at \$22,750 as against a total price of \$34,326. Here again the contract required an advance of \$15,000. That was the best deal that could be made. The purchase was made in the ordinary way and the payment was made in accordance with the contract. As far as the Canadian Commercial Corporation was concerned, it could have refused to make the purchase; or it could have waited until next fiscal year to make the purchase or, alternatively, it must necessarily have carried out the terms required by the manufacturer.

The next one concerns a purchase from Canadian Arsenals Limited. Certain tooling up had to be completed and certain equipment purchased. It was getting towards the end of the year and the appropriation from the funds of Canadian Arsenals Limited, which is a government-owned company, was not sufficient to purchase the parts required for the tooling up. An advance payment was, therefore, requested from the Department of National Defence. There is nothing very serious about that, as I see it.

Then, there was the purchase of items of equipment from RCA Victor. The purchase price of this equipment was \$226,597, of which \$51,244 was an expenditure of United States dollars. In other words, the equipment was largely made in the United States. In this case, too, a down payment was required as one of the terms of the contract. This down payment was made.

The last one is the purchase of RCA Victor diversity communications equipment, a United States product. This purchase was made through the RCA Victor Company of Canada from its American affiliate. There was an expenditure in United States dollars of \$51,224, and the usual down payment was

required. The down payment was made. These are all ordinary purchases. The only significant fact is that part of the purchase price fell in one fiscal year and the remainder in another fiscal year. If the purchases had been made two or three months later no question of procedure could have been involved. I suggest that no special concern need be felt about these ordinary transactions that occurred in the usual course of business.

Motion agreed to and the house went into committee, Mr. Golding in the chair.

Mr. Fulton: The minister has been good enough to explain in some detail what was behind the transactions to which attention has been drawn by the Auditor General. However, as the one who obtained a copy of these orders in council to which reference has already been made by the member for Winnipeg North Centre (Mr. Knowles), I think it is quite fair to say that no one is suggesting there was anything underhanded or in any sense discreditable about what was done. Certainly the Auditor General did not say that. He did call attention, however, to the fact that this method of payment involved a departure from the normal method of financing government purchases. As I understand the normal method, it is that moneys can only be paid over to suppliers if, in fact, the goods or articles were supplied during the fiscal year in which the payment of money was authorized.

In this case, as a result of the orders in council, the money was paid over although the goods were not delivered in that fiscal year. In fact, an answer to a question of mine which appeared in *Votes and Proceedings*, No. 27, indicates that some of this equipment has not yet been delivered. This equipment was purchased under the authority of order in council P.C. 938, which was the contract with Canadian Arsenals Limited. Twenty-two snowmobiles remain to be delivered, fifteen of which are to be delivered on March 31 of this year and the others on April 30 of this year. It is over a year since the payment was made under this order in council.

As the Auditor General points out:

A constitutional reason for the lapsing and writing off of unused balances in appropriations at the year end is to ensure that the executive be ever in a state of dependency on parliament for funds.

If that principle is not followed, then the executive need not come before parliament for authorization of expenditures. When that happens, the fundamental principle of responsible government has disappeared. I can see this as one objection to the proposal to increase the power of the Minister of Finance to make these advances from the consolidated revenue fund to the Canadian