

EVIDENCE

December, 6, 1951.

11:00 a.m.

The CHAIRMAN: Gentlemen, I see a quorum. We have Mr. Mackenzie and Mr. Bryce here, and I would ask you to allow Mr. Mackenzie make his presentation and then questioning will be open to you.

Mr. M. W. Mackenzie, Deputy Minister, Department of Defence Production, called:

The WITNESS: Mr. Chairman and gentlemen:

The origin of the Department of Defence Production lies in the decision of the government made just before the last war to embark on a policy of civilian procurement of the requirements of the three armed services. That policy has been consistently followed since that time, and now finds its expression in the existence of the Department of Defence Production. It may, however, be well to review briefly the various organizational developments in the carrying out of this policy, in order to clear up any misunderstandings that may exist regarding the relative positions of the new department and the Canadian Commercial Corporation.

It will be remembered that the Department of Munitions and Supply handled the procurement, not only for the Canadian forces, but also for the United Kingdom, the United States, and for other allies to the extent that these countries purchased in Canada. In addition, the Department of Munitions and Supply was responsible for the supervision of the mutual aid program. The Department of Munitions and Supply operated under a combination of the Special Act, which created the department, and the War Measures Act, but the important point is that it operated under special emergency legislation and that to carry out its functions it had extraordinary powers, including those to command production, to determine priorities, and to renegotiate contracts into which it entered. In the early stages, the requirements of other countries in Canada were essentially warlike stores, and were of substantially the same type as the goods being purchased by the Department of Munitions and Supply for the Canadian services. However, as the years passed, procurement in Canada by other countries included more and more goods of a civilian type. It was therefore decided that it was not appropriate to apply the special purchasing procedures that had been developed for the procurement of munitions and general service supplies to transactions which normally would have been handled through commercial channels, with prices and contractual conditions determined by commercial considerations. To meet this situation, it was decided, in January of 1944, to establish a new agency known as the Canadian Export Board to handle procurement of civilian type supplies for other governments. Because of the relation of this trade to the ordinary export trade of the country, this agency was established as a part of the Department of Trade and Commerce. In carrying out the operations of the Canadian Export Board, it became apparent that the contractual relations with the purchasers and the suppliers would be materially simplified if the contracting agency were a crown corporation, capable of contracting in its own name rather than having all transactions direct with the Crown. Accordingly,