

that the company was undercapitalized, and the interim financial statement provided to the department as of July 31 indicated that no further equity capital had been introduced, that \$73,000 had been borrowed by the company, that there was a deficiency of working capital, and furniture and fixtures had been largely obtained on credit. What did the department do under these circumstances?

Mr. SCOTT: I am advised that during this 60-day period the facilities actually were not put in. They did not have a licence.

Mr. CAMERON (*High Park*): So they still did not operate as of the first of February?

Mr. SCOTT: Not the bar; the food concession was in operation.

Mr. CAMERON (*High Park*): Then their position apparently continued to worsen. Did the department do anything at all about it?

Mr. SCOTT: Oh, yes; we were very much concerned with this, because basically it was turning out that the patronage that the concessionaire was getting was not what had been anticipated.

Mr. NOWLAN: Why?

Mr. SCOTT: One of the reasons was that it did not have a liquor licence.

Mr. CAMERON (*High Park*): Under the tender did you not have the right to cancel their contract?

Mr. SCOTT: This could have been done.

Mr. CAMERON (*High Park*): Was that ever considered?

Mr. SCOTT: Yes; I think it was considered, but there was also the problem of maintaining facilities in operation during a period of time. Even the food side of this was not turning in the revenue which had been anticipated. It was becoming evident to the department that new terms would have to be negotiated with whoever came in.

Mr. CAMERON (*High Park*): You made a general assessment of the situation in February, 1962, and at that time decided the only solution was to bring in someone else to operate the concession. Why did you not follow through with that? It seems to me it was a very wise assessment.

Mr. SCOTT: At this time the original group came back. Prior to this they were thinking of withdrawing and it was the thought of their withdrawal which prompted us, with treasury board's approval, to go and talk to the other two bidders to see whether we could bring them back, but then the operation changed hands and it became a practically new question.

Mr. CAMERON (*High Park*): Do you not think it was a rather peculiar thing that this first company sold out at that time without any warning at all to the department?

Mr. SCOTT: You have no control over transfer of shares in the company.

Mr. CAMERON (*High Park*): I am not asking about the question of having any control; I am asking whether you did not think it was a peculiar thing for them to do.

Mr. SCOTT: It was not a very viable undertaking at that time.

Mr. CAMERON (*High Park*): Notwithstanding that, you continued to negotiate with this new group that was taking it over.

Mr. SCOTT: It was considered that the new group might be more experienced and have better financing.

Mr. CAMERON (*High Park*): In what way were they considered to be more experienced and to be more financially sound? In what way were they going to manage this concession in a manner satisfactory to the department?