

Q. Were these particular factors, which resulted in the difference in the end prices between the United States requirements and the Canadian requirements, envisioned at all at the time of this original letter of intent?—A. I cannot answer that; I do not know what was envisioned, or what was contemplated would be in the final agreements that would be entered into between the company and the two governments.

By Mr. Harkness:

Q. Was Sorel Industries aware at that time that the Canadian government was going to pay this total, the cost of these three items which you mentioned, totalling \$3 million odd?—A. Sorel Industries would have no contractual relationship with the United States authorities whatsoever. Any authority which they got for the expenditure of funds and for the reimbursement for expenditures must come from some agency of the Canadian government, and these expenditures were authorized, the three items which you mentioned; but they would not know.

Q. You mean they were authorized eventually?—A. They were authorized long before the date which I indicated was that of the final agreement on the actual figures in March 1955.

Q. Were Sorel Industries told at the time that this first letter of intent was sent to them, or whatever you wish to call it, that the dominion government was going to take up the cost of these three items building rehabilitation; training expenditures; and rehabilitation of staff houses, and so on?—A. I cannot pin point it that way. These discussions would take place before the time when these matters went forward, but whether actually it was before or after October 1950, I cannot say.

By Mr. Hamilton (Notre-Dame-de-Grâce):

Q. The interesting point to me about this, Mr. Chairman, is this: if any corporation is going to go into a major operation of this sort, they must surely realize—and the Canadian government must equally surely have realized—that the particular items which are in question, the three major items which relate in a difference in cost, are going to be factors; you know you are going to have tooling-up, and you know you are going to have to train your men, and you know you are going to have to house them. So we must have been aware of that fact in 1950 at the time of these letters of intent.—A. Yes.

Q. And that leads me, or it would lead me to the conclusion that these factors were taken into consideration at the time of arriving at this original estimate; but when the bill comes to be paid, however, we find that the United States price if anything is a little lower, I think, than anticipated, and we have it as \$244,000 a gun.—A. No, \$250,000.

Q. I mean the eventual price paid.

Mr. HARKNESS: Mr. Sellar said it was \$244,000.

The WITNESS: Are you speaking of the cost or the price?

By Mr. Hamilton (Notre-Dame-de-Grâce):

Q. The cost.—A. The cost is \$244,000 and they paid \$250,000.

Q. They paid the Canadian government?—A. The cost is \$244,000 and the United States government paid \$250,000.

Q. Right; so the United States government paid the same amount as in the original letter of intent which was \$250,000 for 40 guns, or \$10 million?—A. Well, mathematically that is correct, but I do not agree with you that it was the price agreed upon at that time.

Q. I mean that it was the contemplated price in the letter of intent.—A. It was the amount set aside by the United States Navy at that time.