

the five per cent should be attached and where not. To reduce it to absurdity, if you build a stone boat in a foundry and you load it with radar equipment and the government supplied the radar equipment, it might be worth a million dollars and the stone boat might be worth \$10,000. You are certainly not going to pay the foundry five per cent of the government supplied radar equipment just because they built a stone boat. If we are doing that, then I just suggest that we put a stop to it because it is obviously wrong.

If, perhaps, for some reason, we do not want to recover the \$74,000, we could set down a principle now that we are not going to carry on this way in the future.

The CHAIRMAN: Could we ask the department officials if this is what is being done or have they changed their policy?

Mr. HENDERSON: I think it would be very helpful if they might be given a chance to read these exchanges and be invited to either make a statement or to appear in answer to it. Possibly a statement would suffice. Would that be satisfactory to the Committee?

The CHAIRMAN: The Committee agrees that the officials make a statement.

Mr. LEFEVRE: Could I ask exactly what the contract stated? I think that is important.

Mr. HENDERSON: We will see that it is an all-inclusive statement and bear Mr. Bigg's final summing up in mind and see if the department could not reply. It might save the time of the Committee by following that course.

The CHAIRMAN: Mr. Cameron, did you have something else on this?

Mr. CAMERON (*High Park*): Yes, I have something that is really supplemental to Mr. Flemming's thinking and other comments that have been made. Was the Minister's decision not to try and collect the \$74,000 based on a legal opinion furnished to him by either his departmental solicitors or by the Department of Justice, or was it simply his own decision? What is his interpretation of the contract?

Mr. HENDERSON: We might invite the department to answer that question in their reply. Would that be satisfactory, Mr. Cameron?

Mr. CAMERON (*High Park*): Yes, certainly.

The CHAIRMAN: Paragraph 60.

Mr. HENDERSON:

60. *Equipment disposed of in error.* In April 1963 a unit of electronic aircraft navigational equipment, originally costing more than \$9,000 and having an estimated replacement cost of \$15,000, was returned for repairs to an Air Force supply section. Due to an error, the equipment, instead of being repaired, was declared as surplus to Crown Assets Disposal Corporation and was sold to a customer, together with other surplus materiel, at a scrap price of \$20. The purchaser in turn sold the equipment for a nominal sum to an individual who, being aware of the actual value of the unit, refused to return it and be reasonably compensated.

A Board of Inquiry concluded that faulty procedures respecting the determination as to whether materiel should be declared surplus to Crown Assets Disposal Corporation contributed to the improper disposal and expressed appre-