

*By Mr. Macdonnell:*

Q. I notice a reduction of \$26,065,000 under the heading of "Manufacturers' Tax on Beverages". Would that be due to lessened consumption?—A. I think that happened as a result of the repeal of the tax.

Q. I suppose so. But I had hoped it was due to lessened consumption.

The CHAIRMAN: Are there any more questions on Item 7? Now, Item 8.

*By Mr. Fraser:*

Q. Mr. Chairman, with respect to the item "Settlement with United States on Munitions, Inspections Account", could we have it explained what that covers?—A. During the war, Canada and the United States had an agreement whereby there was joint inspection. And when it was all over, in settling the relative amounts payable by each for these inspections, the United States owed Canada \$11 million, and they paid Canada the money. I think we were perhaps the only country in the world which ended the war having the United States a debtor to us.

Mr. MACDONNELL: Are we on Item 8, Mr. Chairman?

The CHAIRMAN: Yes.

*By Mr. Macdonnell:*

Q. I wonder if the Auditor General would say something to us about renegotiation of war-time contracts? What I have in mind is just a general idea as to the principle which was used.—A. Mr. Chairman, in the case of most of these contracts, there were cost audits carried on by the comptroller of the treasury section to establish the real cost. These reports would be made to the Minister of Munitions and Supply. He, in turn, had a financial branch which was headed by Mr. F. H. Brown, who was on loan from the Canadian Bank of Commerce. He would review them and bring them all together. And wherever the minister was of the opinion that the profit to a contractor or on a group of contracts had been excessive, they re-negotiated the contract so that the government became entitled to a refund. As to this \$16 million odd, you will notice that the amount is decreasing. Now, how does this money come in? The contractors assign to the government their rights to the refundable portion of the business profits tax which had been collected by the Department of Revenue. Therefore, as that money becomes repayable, in accordance with the law—instead of it being paid to the original taxpayers, it is paid over to the government of Canada. There will be about \$5 million coming in this year in that regard.

The CHAIRMAN: Item 9?

*By Mr. Fraser:*

Q. Not yet, Mr. Chairman. What about this "Park Steamship Company surplus" of \$3 million odd? Does that arise out of the sale of ships?—A. No. That arises out of the chartering of ships. They charter these ships and this represents the profit on it.

The CHAIRMAN: Item 9? Item 10?

*By Mr. Fraser:*

Q. With respect to Item 10 I read:

Rental charges were set at 50 per cent of the company's gross profits as established to the satisfaction of the government.

How does your department check to find out whether or not those figures are right? Do you take the company's word, or do you have an auditor in there?—A. On this particular contract with the Roe people, the agreement pro-