

as to the—no, I am wrong; it was item 2 "Airplane Power Plants"; and the question was raised in regard to the provision of the contract originally for the purchase of these aircraft. And now, so that we may have the whole of the provisions in front of us, I shall read paragraph 1 of article 23 of the contract of the 31st of March 1947. It reads as follows:

Notwithstanding the provisions in the detailed specification both parties agree that it is necessary to improve the exhaust system in order to obtain an exhaust noise level satisfactory for competitive scheduled commercial air line operations. Canadair will co-operate with the power plant manufacturer to develop satisfactory exhaust systems and buyer will pay (as an addition to the price of aircraft purchased hereunder) one-half of all increased costs to Canadair by reason either of increased prices paid by Canadair to the power plant manufacturer by reason of the change in the exhaust system or by reason of any change required thereby in the structure of the aircraft.

Mr. MCGREGOR: That was my recollection.

Mr. DREW: Under that, would you not agree that you are only called upon to pay one-half of the cost of any changes which are required to improve the sound level of the aircraft?

Mr. MCGREGOR: If, as I said, Canadair either in co-operation with the manufacturer of the power plant or otherwise developed an exhaust system which we purchased; if we developed one system (which has been done) and used it, certainly we would not be under any requirements to bear any of the costs incurred by Canadair in developing their exhaust system which we did not adopt.

Mr. DREW: But Mr. McGregor, you recognize, of course, that the purpose of these inquiries into the accounts and the various items under consideration is that this committee may be put in a position to understand the extent to which your corporation is taking advantage of every possibility; and its contractual rights or otherwise to save money. Now, this article 23 of which I have read subsection 1 said that it was necessary to improve the exhaust system in order to obtain an exhaust noise level satisfactory for competitive scheduled commercial air line operations. The very fact that the article goes on to fix upon the vendor the obligation to share half of that cost leaves no uncertainty as to the acceptance of the proposition by both sides, and that it is your responsibility shared by the vendor of the aircraft. That being so, it would seem only reasonable that no matter what arrangements are made, there should be an arrangement made with the vendor which would assure your company of the opportunity to avail yourself of that obligation on their part to pay one-half of the cost; and if there was a discussion of it, or otherwise, you have developed your own system. But I am satisfied that there is still a legal obligation on their part, particularly by reason of any changes required throughout in the structure of the aircraft.

The CHAIRMAN: It is a rather lengthy question, Mr. Drew, so would you please table that document from which you have read so that Mr. McGregor may have the opportunity of reading it. It is quite different to listen to a quotation read and to have an opportunity of reading it oneself.

Mr. DREW: I shall be very glad to provide him with a copy of what I have read.

The CHAIRMAN: It will be handed back to you. So would you just table it for the time being?

Mr. MCGREGOR: I am completely familiar with the terms; but it seems to me that Mr. Drew possibly has it in reverse. I think the obligation is on the com-