

goes more rapidly than had been thought or perhaps a new requirement crops up in the course of the year. The result of this is that in the operations of the northern administration branch there are almost inevitably quite a number of requirements which have to be ordered in the later months of any fiscal year. When requirements have to be ordered in that way we try to get the goods we want in one of three fashions. One is to get them delivered to a common carrier by the supplier before March 31 for shipment to the f.o.b. point which is designated in the purchase contract. That f.o.b. point will usually be Montreal for the eastern Arctic or Waterways for the western Arctic. The second way is that the item may be delivered by the supplier to a warehouse at the f.o.b. point. In exceptional circumstances it is arranged that the item which is produced may be held by the supplier free of charge in his own factory until the shipping date for the particular region in the north. The reason why Waterways and Montreal have been selected as the f.o.b. points is that by using these common points the suppliers add on the freight from their particular location to the f.o.b. point and we can get a realistic comparison of the different tenders from different suppliers.

The Auditor General's comments in paragraph 34 of his report deal first with the question of goods for which delivery was accepted at factories. The main reason why this is done is that in certain circumstances the manufacturer may produce an item—say a caterpillar tractor for Aklavik—and have it ready in January, whereas we know it cannot be shipped from Waterways until May. The alternative would be to have it shipped and stored if storage were available at Waterways. As is frequently the case, the manufacturer has storage space in Montreal. It is certified as being for the department and held in the manufacturers' storage in Montreal until the shipping can leave. Now, in all those cases, the point I would like to mention is that the actual item is seen by a member of the department in person. If there are serial numbers, those serial numbers are taken; the name of the department is marked on the item; it is clearly identified as the department's item and payment is not made at that point notwithstanding the fact that the item has been identified. The payment is not made until evidence has been received that the equipment has been delivered to a common carrier. In other words, the item is identified in fact but not paid for until it actually is delivered to the common carrier. The evidence of delivery required is either a bill of lading of the common carrier or a delivery form which is made up by the supplier and receipted by the common carrier. The Auditor General refers to some \$60,000 worth of supplies which were accepted in this way at factories. Actually, in 1955, there were supplies valued \$102,589 accepted in this way. The \$60,000 worth were items going to Aklavik. The remaining \$42,000 worth were items going to the eastern Arctic.

*By the Chairman:*

Q. Could you tell us what those items were which were going to Aklavik?

—A. Yes. The items going to Aklavik were four orders: one was for five dump trucks from Ingram Motors Limited. Another was for a truck mounted shovel, \$23,000. Two orders were for parts for the shovel, one of \$2,000 and the other of \$657. That made a total of \$60,100.

Q. I think you did not give us the amount of the first item.—A. The five dump trucks cost \$33,243. That made a total of \$60,116. All were designated for Aklavik.