

*By Mr. Harkness:*

Q. But, Mr. Golden, did you not say a short time ago that the company had attempted to convert this plant, but were unsuccessful in finding any use to which to put it?—A. I do not know that they attempted to convert it. They attempted to do commercial work in it.

*By Mr. Monteith:*

Q. I would just like to get one point cleared up. As I understood it, Mr. Golden says that in 1945 he believes the department advised them to revert to peacetime industry, or look after themselves—shall we put it that way—and there was apparently no intimation that there would be any money forthcoming to assist them in keeping it in such a condition that it would be able to produce armaments. Am I right in that rambling suggestion?—A. Some time between the period from 1945 to 1950—I would not like to pinpoint it as being 1945—I do not know this of my own personal knowledge—

Q. They were apparently advised at some time that they would probably get no further orders, and the department would not pay any compensation to reimburse them for sustaining the type of production they were capable of?—A. That is substantially correct.

Q. And along in 1950 or subsequently, apparently an agreement was signed—in 1955. But, as you say, negotiations had been going on for some time and so on, and they decided to pick up this third item, \$1,338,000—odd. Now, I cannot for the life of me see why that particular item should be picked up. I can understand the preproduction and learning and the plant and staff house rehabilitation, but I cannot understand this \$1,338,000 settlement with the contractor for this period from 1945 to 1950.—A. In effect it is one method of providing a profit factor greater than we did in the other form.

Q. The company just comes along and feels that because it has gone ahead and done what it was advised not to do it should still be paid for doing that?—A. Or the company feels that, being engaged in this type of business, and that there are very few years when you can operate profitably, those years have to absorb the losses of the other years, if you are going to stay in business.

Q. All right, but they were still told to get out, or advised, shall I put it that way, to revert from wartime production. They did not do so, and they are operating as a private concern. In my estimation an item such as this should be their own worry and not the government.—A. It was their own worry, and they indicated in no uncertain terms that they would expect that their profit margin would include some element of compensation for the years when they operated at a loss. The funds have to come from somewhere if the plant is to be kept in operation.

Q. Yes, but they kept it in operation against the advice of the department.

*By the Chairman:*

Q. If you will allow me to do so, I think I can clear this up with one or two questions. If I understood correctly Mr. Golden, you said that this item, \$1,300,000 was another method of assuring the manufacturer of a reasonable profit, apart from the other basis. Now, you did not say what the other basis was. I think I know that it was a percentage of the cost, was it not?—A. Yes.

Q. Now, would it be correct to say, to make this clear to the committee, that if they had not got this \$1,300,000 as a payment to compensate them for their actual charges over that period, they would have asked for, and you would have very probably had to give them, more than 7 per cent as a profit on the rest of the contract?—A. I would think so.

The CHAIRMAN: Yes.