

Supply—Defence Production

with the usual procedure, been turned back to the crown. The profits earned by the operator when he was operating on his own would remain with him. In the years in which a profit was made and a charge was made to the management operator for the use of the premises and for the use of government machines, those charges would be paid into the public accounts of the Receiver General.

Mr. McIntosh: I will try to simplify the point I am trying to make. How does the Auditor General scrutinize the balance sheets of transactions such as we have been discussing today from the time they start to the time of the disposal of the plant?

Mr. Drury: I am not quite sure what technique he would use, Mr. Chairman. However, the Auditor General has a resident representative in the Department of Defence Production. He has welcome access at all times to all the files in the department, and that is why he is a resident there, so he can obtain easy access.

Mr. McIntosh: In view of that remark I would draw the minister's attention to page 29 of the Auditor General's report, section 65, which deals with the unauthorized use of the defence production revolving fund. I asked this question last night. Has this paragraph anything to do with transactions such as we are discussing at the present time?

Mr. Drury: I think that paragraph refers to the use of the revolving fund in connection with the acquisition, holding and disposal of commodities, if my recollection is accurate. This is really quite a different type of operation.

Mr. McIntosh: When the minister talks about commodities perhaps he had better define them because I think the defence production revolving fund is used for the purpose of acquiring, storing and maintaining stocks of material for defence supplies. Certainly the press release concerning the sale of this property led us to believe the department had been purchasing material for the Avro Arrow which went out of production some years ago. I am not sure the minister's reply to my question is correct, that the Auditor General was not trying to get at such transactions as this in his report. However, I will leave that for the moment and turn to another part of the minister's remarks last night. He said, as reported on page 7832 of *Hansard*:

—I should like to say to him that if he had assumed the contract that Bartaco assumed I would have been glad to pay him \$100. Bartaco has

assumed a lot of continuing contractual undertakings which represent crown liabilities. In order to get the company to do this, we had to agree to absorb incurred losses carried forward from the balance sheets of previous years, plus the discharge of a number of outstanding financial obligations against the company. We were unable to get a continuing operator on any other condition.

● (5:30 p.m.)

I am wondering how the minister relates that statement to his press release which tells the Canadian public that the Haley foundry was set up at a time when no other source for such castings was available to Canada but that other sources are now available and it is no longer necessary to maintain this facility as a crown owned plant for defence purposes. I should like to know how long this situation has existed and why it was necessary for the government to enter into future contracts when according to the press release this material is now available from other sources.

Mr. Drury: Mr. Chairman, one of the principal consumers of the output of the Haley plant has been United Aircraft. With a substantial measure of crown assistance they have quite successfully developed the P.T.-6 gas turbine engine. Some of the essential castings for the P.T.-6 gas turbine engine were produced at Haley. It is my understanding that it would not have been possible for United Aircraft quickly to find sources other than Haley for these particular castings. In the interest of the continuing success, particularly in export markets, of the P.T.-6 it seemed desirable for Haley to continue its operations and if possible to expand in the export market, which is what we hope for beyond December, 1967.

Mr. McIntosh: Then may I ask the minister whether the government has contracted with Bartaco, or whatever other company owns the plant, in regard to future production of the plant and, if so, up until what time?

Mr. Drury: Mr. Chairman, as I mentioned we have had an undertaking from Bartaco to keep the plant in operation for a period of two years. This is a unilateral obligation on their part with no corresponding obligation on the crown to purchase any or all its output.

Mr. McIntosh: Then I take it from the ministers' remarks that Bartaco cannot sell to any foreign interest before the end of two years? Is this in the agreement with the crown?