

As far as the general expense situation is concerned, as I have said before, although it is technically beyond the scope of that order in council, that has been more or less pretty generally discussed at the meetings of the Finance Committee. Now, have I made that clear?

The CHAIRMAN: I think so. One point I would like to have made clear is this: Until very recently, then, there has been no control of expenditures. I will put it this way: Up to the time of the passing of By-law No. 18 was anybody charged with the control of expenditures of any character?

Sir HENRY THORNTON: Excepting this, Mr. Chairman: In the first instance, you will recall that at the last meeting of this committee a year ago I outlined to you and explained a system of budget control which we brought into being with the approval of the board, and I may say that that has worked extraordinarily satisfactorily and has resulted in saving a good deal of money. Each month and each week—each month the financial performance of the railway has been reported to the board in detail, and the directors have examined it and have expressed from time to time opinions thereon. At the weekly meetings of the Executive Committee I have kept that Committee posted as to the trend of traffic and generally given them all the information which I got without burdening them with too much detail as to just what the expenditures were. I do not think it is quite accurate to say there has not been any control.

The CHAIRMAN: I mean by the board.

Sir HENRY THORNTON: Only in the sense that I have outlined to you. Is that not so, Col. Smart?

Mr. SMART: I just want to point out one thing, perhaps, that we have not taken into consideration, and that is that automatically the Finance Committee came into the picture on other expenditures for this reason that in the set-up of the Treasury Department to indicate the amount of money required one of the items that comes in is the total receipts—that is the receipts—and, therefore, it has an effect on the other amounts of money that are required.

The CHAIRMAN: To the extent that you have not got money available to make expenditures.

Mr. SMART: It comes into the picture.

Sir HENRY THORNTON: You cannot very well keep it out of the picture.

Mr. SMART: It automatically comes into the picture; you have to consider it.

The CHAIRMAN: What the Committee wants to know is this: That under presently constituted authority as laid down by rule or regulation or by-law there is no specific body among the directors charged with control over contracts to be left for material and supplies with any limitation chargeable to current operation. Is that correct?

HON. MR. MANION: Correct me if I am wrong; but my understanding of it was that Mr. Vaughan, as purchasing vice-president, had the power practically to make any of these deals himself, and there was practically no check.

Sir HENRY THORNTON: That is substantially correct in this way, excepting in these things he always reported to me any large purchases, and I frequently approved of it, or discussed it with the executive committee. That is the general work.

HON. MR. MANION: My understanding was that Mr. Vaughan, the purchasing vice-president, had the power to let a contract without tenders, if he so desired. He made a price and let the contract without tenders. I can think of one that was made in that way. I am not criticizing Mr. Vaughan, although it has always appeared to me, since it came to my attention, that too much power was put in the hands of any one man. In reading the reports of the committee