

represented directly on the board—we were nominally represented by some department of the Admiralty—I objected to the payment of that amount, and I assume the amount is still outstanding. My object in mentioning it now is to bring it to the attention of the minister, because I think that is one of the claims that should be very seriously reconsidered before it is allowed. The other claims I dealt with were all shipping claims, and the account with which we were dealing was adjusted after a reduction of \$750,000. Does this item involve the matters which were settled by the representatives of the Admiralty and myself and Mr. Garrison of the Militia Department last summer?

Mr. GRAHAM: That is not in this expenditure. I think you will find it in the Militia Department.

Mr. GUTHRIE: There was some uncertainty. The Admiralty made a claim against Canada for a million dollars which they said the naval service of Canada owed them, and they requested authority to deduct it from the settlement of accounts, I had no authority to agree to that and I thought perhaps it was this \$1,900,000 which we had before us.

Sir HENRY DRAYTON: Something was said by the minister as to a claim on account of the difference in exchange. It was some \$200,000, was it not?

Mr. GRAHAM: It was \$268,000.

Sir HENRY DRAYTON: How does this arise?

Mr. MACDONALD (Pictou): I understood the hon. member for South Wellington (Mr. Guthrie) to say that the British government were seriously asking the Canadian government to become responsible for the loss of this hospital ship that was sunk by a German submarine. It seems to me that a claim of that kind would be absolutely absurd, and I join with him in saying to the minister, that I hope the minister will never acknowledge any such claim on the part of Great Britain against Canada.

Mr. GUTHRIE: We have not acknowledged it, but there is something in the contention that we are liable for something in the matter. When we took over ships as hospital ships, we took them into the service of the Dominion of Canada, and we became responsible for them and for all the wear, tear and damage. The

rates got so high that it became impossible to insure these ships. The British government abandoned insuring ships and we did likewise; in fact, I do not know that we ever attempted to insure them. We have, however, paid losses on ships under our control which were sunk by submarines. The point that struck me was that we should not be liable for anything but the actual value of the craft sunk, and that was only 50 per cent of the amount found by the board of arbitration.

Mr. GRAHAM: If my recollection in reading over some of the documents in the department serves me aright, some of the settlements were made through the High Commissioner's office; but the details, to which my hon. friend refers, I imagine, I have in the Militia Department somewhere.

As regards the question asked by the hon. member for West York (Sir Henry Drayton), the British Admiralty sent us drafts on New York instead of on Montreal. We really received more money than we should have received, because we got the benefit of the exchange on the American currency. They are now making a claim for the amount of exchange.

Sir HENRY DRAYTON: I hope that will not be given into at all, because at the same time that we received drafts on New York, if I remember correctly, they also insisted on our making payments in New York at the New York rate. I also remember very distinctly that the British Admiralty took full advantage of the New York rates; and if we have taken advantage of them, we have only been acting in accordance with the same rule. I think the item should be struck out.

Mr. GRAHAM: My hon friend knows that the decision in this matter lies with the Department of Finance. Although this item is inserted, we do not propose to pay the claim unless we are instructed to do so by the Finance Department after investigation. By inserting the item in the estimate, we do not admit the claim at all; but should the Finance Department, after investigation, decide that this claim is good, we have provided the money to settle it.

Sir HENRY DRAYTON: It seems to me that it would be better to settle the matter in this way, namely to advise the Finance Department that we do not think there is any claim; and if a new claim has