

number 1 and general supply number 2. That is purely for organizational convenience to divide it in two parts. There is no real distinction between the two divisions.

The third major division that I have mentioned is the Materials Branch, but, with minor exceptions, its activities do not involve the expenditure of Crown funds, but rather are of a regulatory nature, such as limitations on distribution and use of critical materials. Some expenditures have been made by this Branch, of which two examples are the development of the Emerald Tungsten Mine and the rehabilitation of the explosives plant of Canadian Arsenals at Valleyfield, but the branches with which this Committee will, I presume, be primarily concerned are the General Purchasing Branch and the Production Branch. If I may, I would suggest that in dealing with the control of expenditures, an attempt be made to consider, on the one hand, the general purchasing which, to a very large extent, can be and is done on the basis of competitive tenders, and, on the other, the specialized programs which involve, in the first place, selection of facilities, and in the second place negotiated contractual arrangements. Here again there is not a clear dividing line on the purchasing techniques and policies between the Production Branch and the General Purchasing Branch, for wherever possible the Production Branch does call tenders and awards business on the basis of competitive bids. Alternatively, the General Purchasing Branch from time to time is involved in allocation of orders and negotiated contractual arrangements. But it remains true that the General Purchasing Branch has more opportunity to follow the desirable course of purchase by competitive tender. To the extent that the Materials Branch is involved, its problems are obviously more akin to those of the Production Branch than the General Purchasing Branch.

The rest of the Departmental organization consists of those Divisions whose functions may be classed as horizontal rather than vertical. There is an Administration Branch, which is responsible for all matters of personnel and general office management, industrial security, and also is responsible for the very important functions of receipt and opening of tenders. The Comptroller's Branch is responsible for all matters of accounting and preparation of financial statements and for the maintenance of what are known as the Central Inventory Records, being the record of all capital assets purchased by the Department and made available to contractors. The Comptroller is also responsible for the operation of the revolving fund, through which the Department is enabled to place pool orders for materials, parts, and components for inclusion in the actual products for delivery to the Department of National Defence. Still a further responsibility is the general control of such warehousing as is necessary of supplies purchased through the revolving fund. The Legal Branch, assisted by a General Counsel on a part-time basis, is, of course, responsible for all legal matters, including the drafting of formal contracts. The responsibility of the Economics and Statistics Branch is just what is implied in its title.

A particularly important function is discharged by the Financial Adviser, you will see up in the left hand corner there, who is responsible for the Contracts Authorization Division. The Financial Adviser concerns himself with the financial implications of the activities of all the various Divisions, with particular reference to the profit margins allowed to contractors, the terms on which Crown-owned facilities are made available to contractors, the implication of patent and royalty payments, and in due course, in such re-negotiation of contracts as may be found necessary. The Contracts Authorization Division represents a system of internal audit, independent of the purchasing and negotiating officers. It reviews all contracts over \$10,000 before the actual orders are placed. It is the responsibility of the officers of