

When I first look at our estimates I said, "Why is mechanical engineering up? It is \$4,660; it should be down around \$4,000, to compare with radio and communications", then we looked through detailed records and found Arnprior snow removal, etc.

Q. There is no capital cost charged?—A. No, this is a yardstick of the efficiency of the operations and it seems to me it is an effective yardstick because when we see that we have 100 people in applied biology, we know that that division if operating normal should not cost more than a certain figure.

By Mr. Green:

Q. Do not the supplies for some of these different departments cost more than for others?—A. No, that is a most extraordinary thing, roughly speaking, if you have a research laboratory with 100 people in it and you take the salary costs—what you have to pay in salaries and wages, it used to be you added 50 per cent and that took care of everything else that you should need. Now it has crept up during the increases in cost of things and today it is around 55 per cent.

If a person comes in and says, "We have \$200,000 in our wages and salaries." we say, "All right, you should have somewhere between 55 and 60 as a maximum for everything else you need.

Q. It does not include machinery?—A. It includes everything but buildings.

Q. New equipment?—A. New equipment. Of course, like all capital equipment you have got to be a little careful because the size of the organization end governs what you call capital. For instance, if we have an expenditure of \$1 million, then two or three microscopes which might last twenty-five years would be considered as routine maintenance and equipment, whereas if we only have two or three people in a laboratory you might have to capitalize such costs. But, generally speaking, we do not capitalize anything but buildings, and the new fittings.

We have developed this yardstick the last two or three years and we find it useful and reliable, we can detect any abnormalities immediately. We can say, "your salary budget is so much, your total should not exceed so much, if the total is too high we ask for explanation?"

Q. Is there not considerable danger in using that basis? It seems to me it is a very inaccurate basis.—A. No, it is not. We do not use it as a law; we use it as the first check on the estimates and if something seems out of high, we ask the reason why.

Q. But the success of the Research Council will depend over the years on the personnel, will it not—the scientific and engineering staff?—A. That is correct.

Q. But it might be that because of the salaries paid by industry in Canada, which are doing more research work all the time, that the prices and salaries paid to professional men will have to go up. In fact, I am not so sure that your salaries are high enough now.—A. That salary figure has gone up each year.

Q. Of course, if these salaries go up, that of course, will affect it?—A. That is correct. For instance, last year the over-all council figure was, for everything—laboratories and everything else—\$4,000, and this year it will be \$4,200.

Q. How do the salaries that you pay to both the scientists and the engineers—how do they compare with salaries paid by private industry in Canada?—A. Well, the way that industry operates is entirely different from a large organization in the government. On the lower levels we are definitely competitive. Our salaries and the intake are good, but where industry may pay \$20,000 to a key man, we cannot. And, speaking very broadly, that is the situation. It is the situation in universities and it is the situation in other countries. Industry pays their top men higher and their lower men not so high as we do.