

Q. Now, it occurs to me that during this period they were purely a private concern with no government contract, although I believe they did have some contract for changing freight cars into freezers or something of that kind?—A. I believe that is Marine Industries, another associate enterprise.

Q. Getting back to Sorel, they were a private concern with no government contracts for defence purposes during this period, and then along in 1950, when the department considered placing orders for armaments, it was considered by the department that some of the expenses of maintaining this establishment during those five peace years was justifiable?—A. We were faced with the situation where it seemed to us reasonable and fair that you have to adjust profit rates to meet the particular situation of a particular industry and it would appear, and it did appear to us, that there were other justifications for a profit rate here out of line with the standards which had been laid down for our guidance and which we have adhered to. Therefore it was agreed that this would be picked up in this manner.

Q. Mr. Chairman, I just cannot get through my mind why at this stage in 1950 a loss, that you might say the company had suffered in five previous years should be picked up in subsequent contracts?—A. The government was the beneficiary of a decision of Sorel Industries to try to maintain its plant, because the cost of setting up a plant if it had been abandoned would have been enormous.

Q. Had there been any intimation to the company in 1945 that they should keep this plant open?—A. I believe they were advised not to keep the plant open.

Q. But despite that they went ahead and kept it open, and subsequently the government thought it should pickup this \$1,338,000?

The CHAIRMAN: Let me ask one question; if they had not kept it up, and it had been converted to be used for commercial purposes, how about the cost of reconverting it for defence purposes? How would that cost compare to the figure of \$1,300,000 that has been mentioned?

The WITNESS: I could not give any accurate guess.

Mr. MONTEITH: That is all right, Mr. Chairman, but I have not had an answer to my question.

The CHAIRMAN: Just a minute, I have not had an answer to mine yet either. I would like to get one and you can ask yours after if you like.

Mr. MONTEITH: I thought mine was first.

The CHAIRMAN: Oh, I beg your pardon. I did not think you had asked your question before I asked mine.

Mr. MONTEITH: All right, you go ahead and get an answer to yours, and I can follow it.

The WITNESS: I cannot answer your question, Mr. Chairman, except to say that the expenditures would bear a direct ratio to the manner in which the plant had been abandoned, what happened to the machine tools and specialized facilities and so on. But, it is a very costly undertaking to provide facilities for heavy guns.

By Mr. McGregor:

Q. This plant was set up before for building guns?—A. Yes.

Q. Then why this heavy expenditure for the change, then, to build another type of gun?—A. The chairman asked me what the expenditure would have been if between 1945 and 1950 this plant had been converted, broken up, or converted or abandoned, or sold, or the machine tools scrapped and so on. At least, I understood that to be the import of your question.

The CHAIRMAN: Yes.