

Q. That was the agreement between the Department of Defence Production and the United States was it?—A. Actually it would be between the Canadian Commercial Corporation and the United States, and then the Canadian Commercial Corporation would request the Department of Defence Production to arrange for production at Sorel Industries.

Q. Then you proceeded from there to make a contract with Sorel Industries?—A. Yes.

Q. What are the terms in the contract with Sorel Industries?—A. There are quite a number of contractual documents which went forward, but by and large our arrangement with Sorel would be back to back with the arrangement that Canadian Commercial Corporation had with the United States navy.

Q. What do you mean, "back to back"?—A. The same terms.

Q. In other words they were going to get approximately \$250,000 a gun?—A. The first document that I have here to Sorel Industries, which took place before the Department of Defence Production was set up, is in the same terms as the document which Canadian Commercial Corporation got from the United States navy.

Q. That would be this \$10 million for 40 guns?

The CHAIRMAN: Does it mention a figure?

The WITNESS: It mentions a limitation on the expenditure of \$8 million, which was the amount referred to in the American letter of intent, that only \$8 million could be committed, and that is what the document to Sorel said.

*By Mr. Harkness:*

Q. When did the other arrangements with Sorel Industries—who made them, and when were they made in regard to these three items of expenses, which they were allowed: the plant and staff house rehabilitation, \$908,000; the plant maintenance costs, covering partial compensation for the expense of retaining this facility? How much was the total of that? Or, in other words, could you tell us what contracts there were with Sorel in regard to the other expenditures they were to be allowed, particularly these items which amounted in total to \$112,000 per gun extra which Canada paid?—A. These were arrangements made between the department and Sorel Industries without any indication at that time to Sorel as to whether the United States government, or the Canadian government would be the government that would finally pay that. As far as Sorel was concerned, they were entitled to receive these payments.

Q. What I have not got very clear in my mind is this: what contracts were made with Sorel when the contract was made with them which was back to back with the order for 40 guns from the United States, which was \$10 million, and then you say it was actually a commitment of \$8 million? Now, in addition to that there were apparently contracts made with Sorel to pay them varying amounts for three items. What were these three contracts, or were they one contract?—A. I have a list here of 20 amendments, and 11 further amendments, and 27 further amendments. I am not sure that I can pick out the specific amendment to which you are referring now, Mr. Harkness.

Q. In the statement that you read, which in effect was much the same as the statement Mr. Howe made in the house on Friday, June 29, and which is contained in Hansard for that date on page 5522, there are three items mentioned. Now, the first of these is plant and staff rehabilitation expenses totalling some \$908,000. Now, how was that entered into?—A. The record I have here indicates that amendment No. 23 entered into on March 28, 1955 gives formal instructions relating to the items which you have just mentioned. I think they would, of course, have been negotiating for some considerable time before that.