*By Mr. Hamilton* (Notre-Dame-de-Grâce):

Q. Did Sorel Industries indicate at any point that they simply would not proceed with the contract if these expenditures, which eventually ended up being charged only to the Canadian portion of the contract, were not undertaken by the Canadian government?—A. It was agreed right at the outset that these expenditures were necessary and would have to be paid by the Canadian government. It was not any concern of Sorel whether the Canadian government was reimbursed in whole, in part, or not at all by the United States government.

Q. When you say it was agreed at the very outset, have you any idea as to what the approximate date would be that that agreement was made?—A. These would be expenditures which would be incurred right at the beginning, inasmuch as they were necessary before you could start. It would be 1950-51.

*By Mr. Monteith*:

Q. Are you referring now to the $3,700,000-odd?—A. We refer to these three items.

*By Mr. Hamilton* (Notre-Dame-de-Grâce):

Q. So they must have been envisioned in these two original letters of intent? When the letters of intent were issued we had these in mind?—A. We would not have any dollar value in mind, at least no accurate dollar value in mind, but I suppose that would be agreed, that some expenditure on these matters would be envisioned at that time, yes.

*By Mr. Applewhaite*:

Q. In your figures showing the cost of the guns, is there included an amount for plant overhead?—A. Yes, of course.

Q. Yes. This is what I am getting at, I do not want it to sound a leading question, but if we had not paid these three items that we have been talking about, would they then have gone into the basic cost as increased plant overhead? Would Sorel have arranged their billing somehow or other so that they got out of this first order?—A. They had to be absorbed as an element of cost somewhere.

Mr. MONTEITH: I claim the two items are understandable, but not the third.

The CHAIRMAN: Just a minute, I think we should let Mr. Golden finish his answer first.

*By Mr. Applewhaite*:

Q. It is all three of them I am getting at.—A. I think you have to segregate the third one from the first two. The third one is a method of putting this company in a position where we could deal with them in the same way as we try to deal with all defence contractors. The first two are just ordinary elements of cost which have to be absorbed under a contract or contracts, whichever manner you may choose.

*By Mr. Harkness*:

Q. In effect, in respect to these three items, it is actually $34,074 extra profit per gun, that is really what it comes down to?—A. It is an extra payment. Some element of it might be profit.

Q. I would say that it is all profit; because if the company had that plant there, and had been maintaining it over these five years, then you turn around