

The WITNESS: Yes, I shall answer any question about it.

Mr. COLDWELL: You do not invite questions now?

The WITNESS: I would rather finish my general statement if I may.

First, it will be recalled that last year the committee recommended that the "practice of placing a nominal sum in the estimates of the department to enable the use of blocked currencies to acquire real and personal property in foreign countries be revised so that such purchases can be made by a method under which such expenditures will be directly voted by parliament".

In compliance with this recommendation, we are, this year, asking for authority to spend for these purposes \$1,042,500 from inconvertible foreign currencies; this replaces the nominal "\$1 vote" of former years.

The funds required for expenditures under this authority, however, will continue to come from blocked funds abroad. They do not represent Canadian dollar expenditures, although expressed in dollar terms.

At this point I think it is pertinent to mention that, wherever blocked funds exist abroad, we can and do use them for local operating expenses, as well as for the purposes mentioned in vote 88.

Although such operating costs are charged against our regular dollar appropriations, no actual use of dollars is involved.

During 1950-51, that is, the last fiscal year, some \$235,000 in local operating expenses were met from blocked currencies: \$20,000 in Denmark, \$110,000 for the two Paris offices, \$50,000 for the three German offices, \$20,000 for the Netherlands, and \$35,000 in Yugoslavia. So that that is an additional use to which we are able to put these blocked currencies.

The inclusion of more than a million dollars where only one dollar was provided before, more than accounts for the increase this year of some \$800 thousand in our total departmental operating expenses, votes 84-94 under Section A of the estimates.

If this special item were to be omitted, that is if our estimates were set up as they were last year, we would show an actual decrease of some \$225 thousand for the administration of the department at home and abroad.

This reduction in operating costs is made up of approximately \$100 thousand in departmental administration; that is vote 84; \$500 thousand in properties and furnishings to be made from Canadian dollar funds, that is vote 87; and increases of approximately \$350 thousand in representation abroad, operational, that is vote 86. And of \$25 thousand for a grant to the international red cross, that is, a net decrease of some \$225 thousand.

I mention this not in order to take any particular credit for it but rather to give the committee an opportunity to compare what we propose to spend on operations this year as compared with what we estimated we would require for last year, and as compared with what we actually will have to spend for the last fiscal year.

The major part of this reduction in operational costs, a \$500 thousand reduction in vote 87 for capital projects needing Canadian dollars, results from decisions taken by the department in this year of heavy defence expenditures to cut our provision for the alteration, reconstruction and furnishing of our buildings abroad and to include no provision whatever for the purchase of premises which cannot be made with blocked currencies. This year we are not estimating for any purchases from the Canadian dollar fund.

These are special economy measures because of the special circumstances and the need to concentrate on defence requirements.

Frankly we are taking chances in reducing this vote. For in the past, we have usually carried enough money under "Representation Abroad" to provide for conditions where there was no reasonable alternative to purchase available.