

Q. Did you receive an answer to that letter?—A. Yes. (reads):

DEPARTMENT OF MARINE,
OTTAWA,

1st September, 1916.

Transfer of Icebreaker to Russian Government.

"SIR,—I am to acknowledge the receipt of your letter of the 25th ultimo, directing attention to the contract between the Department and Messrs. Canadian Vickers, Limited, under the authority of the Order in Council dated 14th March, 1914.

"2. This Department does not intend asking for the release of Vickers Company from their contract to enable them to sell the icebreaker to the Russian Government.

"3. The Department is well aware of the fact that the cost of construction of vessels has increased very substantially since the contract under review was concluded, and that in parting with the ship we are parting with a valuable asset. This phase of the transaction was carefully considered by the Government before the decision to part with the ship was arrived at.

"4. The Department does not propose to justify the placing in the hands of the Canadian Vickers Company an opportunity to make a profit of possibly \$300,000 or \$400,000. If any such opportunity shall be given to Canadian Vickers, Limited, it will be through other sources than this Department.

"5. With reference to your suggestion 'that the construction company be not released, but that the contract be assigned to the Russian Government,' I would invite your attention to the Order in Council dated 28th August, 1916, in that connection.

"6. The intention from the very first, as is clearly evident from the correspondence, was and is to transfer the vessel to the Russian Government. As the vessel is under construction, this might properly involve a transfer to the Russian Government of the contract between the Canadian Government and Canadian Vickers, Limited. If the Order in Council of the 28th ultimo is defective in this respect, the necessary action to remedy this defect can readily be taken.

"7. The terms and conditions upon which the sale or transfer of the ship to the Russian Government was to be made, were that the amounts actually paid to the constructing company by the Department were to be refunded.

"I am, sir,

"Your obedient servant,

(Sgd.) A. JOHNSTON,
Deputy Minister.

The AUDITOR GENERAL,
Ottawa.

Q. Now, have you the Order in Council referred to in, I think it is, the fifth paragraph of that letter? The Order in Council is dated, I think, the 28th August, 1916.—A. Yes. (Reads):

"Extract of Order in Council, 28th August, 1916.

P.C. 2006.

"MARINE AND FISHERIES:

"The Committee of the Privy Council have had before them a report, dated 22nd August, 1916, from the Minister of Marine and Fisheries, stating