Mr. Diefenbaker: Let us get back to the situation referred to by the leader of the opposition in connection with the statement made last November by the minister of defence.

Mr. Howe: That has nothing to do with the Canadian Commercial Corporation although it is a nice subject to talk about. It has nothing to do with this bill.

Mr. Diefenbaker: I am not quite so sure about that.

The Deputy Chairman: I do not think the hon. member is in order. He should make his remarks relevant to the amendment before the committee.

Mr. Diefenbaker: I wanted to ask a question about the *modus operandi* of securing moneys or making contracts by this corporation. As an example, suppose the minister of defence wishes certain purchases made and comes to the corporation. What authorization or what authority is required from him other than his say-so in the making of purchases? A while ago the minister mentioned that in the last two or three months the corporation found itself in a position where $10 million was insufficient for its purposes and because of that fact an amendment is now being asked for in order to permit of a continuing loan of $10 million. My question is this: what authorization do you require? Surely you would require more than the mere say-so of the minister of defence that certain purchases should be made? This is the very point made by the Auditor General in his report.

Mr. Howe: No. The hon. member misses the point entirely. I explained a while ago.

Mr. Diefenbaker: I have been here all the time.

Mr. Howe: I explained that before accepting an order we require, first, a requisition signed by the deputy minister of the department or a proper officer, depending upon the amount. Requisitions for over $50,000 are signed by the deputy minister and requisitions for under $50,000 are signed by a more junior officer. That must be accompanied by an encumbrance signed by the treasury officer of the Department of National Defence. That encumbrance states that vote so and so of the Department of National Defence has been encumbered by an amount sufficient to pay for the requisition. That is cleared by an officer of the treasury as well as by an officer of the Department of Finance.

I might explain that the capital and borrowing power that we are asking for have nothing to do with defence purchases. We pay no money in connection with defence purchases. We have our certificate of encumbrance, but the treasury pays the bill directly on certificate of the department of defence that the materials or supplies have been delivered.

Mr. Hackett: It must be that the Canadian Commercial Corporation becomes liable to pay for the purchases which it makes on behalf of the Department of National Defence because that was one of the cogent reasons advanced for setting up the corporation.

Mr. Howe: No, we have securities; we have the certificate from the treasury department which says that funds are available to pay for the purchase that we make.

Mr. Hackett: I do not want to be misunderstood. The major reason advanced for setting up the Canadian Commercial Corporation was that it would permit purchases to be made before they had been authorized by parliament. That was the reason advanced by the Minister of National Defence and will be found in his statement which was placed on the record earlier this afternoon.

Mr. Howe: I assure the hon. member that it will not work.

Mr. Hackett: Let us assume that the appropriation for the department of defence is $100 million. Let us assume also that further purchases of materials are necessary in the opinion of the managers of the Canadian Commercial Corporation. Could the corporation then avail itself of this power to borrow $10 million to make those purchases?

Mr. Howe: No, not for defence purchases.

Mr. Hackett: Why?

Mr. Howe: Because the rule is that defence purchases are not made without a certificate of encumbrance.

Mr. Drew: That does not appear anywhere in the act. After all, we can only go by what the act says. The amendment before us provides:

> The governor in council may from time to time authorize the Minister of Finance to advance out of any unappropriated moneys—

There is a clear distinction there between unappropriated moneys and appropriated moneys.

Mr. Howe: Appropriated moneys are fixed capital and unappropriated moneys are temporary loans.

Mr. Drew: Appropriated moneys are moneys that have been provided by parliament for a particular purpose. For the sake of considering this particular point, let us assume that the appropriations asked for by