

for the United States navy plus some for Canada and we envision these 40 guns as costing \$10 million, which is an average price of \$250,000. Five years later, despite all the cost increases, despite everything that has happened in that period, we come along and we say "Now, we are going to send you a bill for these guns, and it is not actually \$250,000, it is \$249,498". At the same time, we have entered into discussions with the Canadian navy. At that time, for whatever reason at the 1950 point we said we think these guns are going to cost \$300,000. Five years later we come along to them and we say, well, we are now prepared to send you a bill. The bill is \$371,240. Now, there is, and I think you can see, something that at least takes one's interest in a situation like that.—A. Would it be of any assistance, Mr. Hamilton if I indicated,—and that is the fact,—that in the course of the negotiations with the United States on several occasions they offered us substantially less than \$250,000 per mount. \$250,000 was an amount finally agreed upon, but we had suggestions from the United States government that the amounts should be substantially less than that.

By Mr. Applewhaite:

Q. Would it be a wrongful inference to suggest that the original figure was a stated maximum—the \$250,000?—A. It is not unusual to indicate a figure beyond which the contractor is not allowed to go.

By Mr. McGregor:

Q. In other words the government of the United States was trying to buy them as cheaply as they could?—A. I would think so.

Q. And Canada was not?—A. I would not agree with that.

Q. It looks like it, according to these figures.

By the Chairman:

Q. I see a statement, Mr. Golden in the Auditor General's paragraph that we are working on now. He mentioned an offer of \$45 million for the production of 180 guns. This was accepted. Now, that works out at exactly \$250,000 per gun?—A. Yes.

Q. Would it be fair to say,—and I do not want to put words into your mouth,—but would it be fair for us to say that the \$250,000 was the maximum that you could possibly get out of them after long and protracted negotiations?—A. It is the most we were able to get, and it reflected what we thought, and what I personally still think is a fair distribution.

Q. Can you elaborate on that?—A. I think it is a fair distribution, because Canada gets far more advantages, and got more advantages out of the fact that the United States placed an order for \$45 million in a plant which we were just reactivating to meet the Korean emergency. They absorbed four-fifths of the overhead; they absorbed four-fifths of all the fixed charges; they absorbed four-fifths of the cost, after the initial charges had been paid, of training people and absorbing the learning curve, and they put us in a position where we were able to continue to produce other weapons in this plant.

Q. Just to pinpoint this matter, and to get some figure before us, could you tell the committee this: supposing the Americans had not given us that order, or supposing we had said that we could not do it for \$45 million and we would not accept that order; what would have been the approximate cost of 46 guns built for the Canadian navy, if the guns had not been built for the American navy?—A. Two or three times what we paid.

Q. Two or three times what we paid. Thank you.