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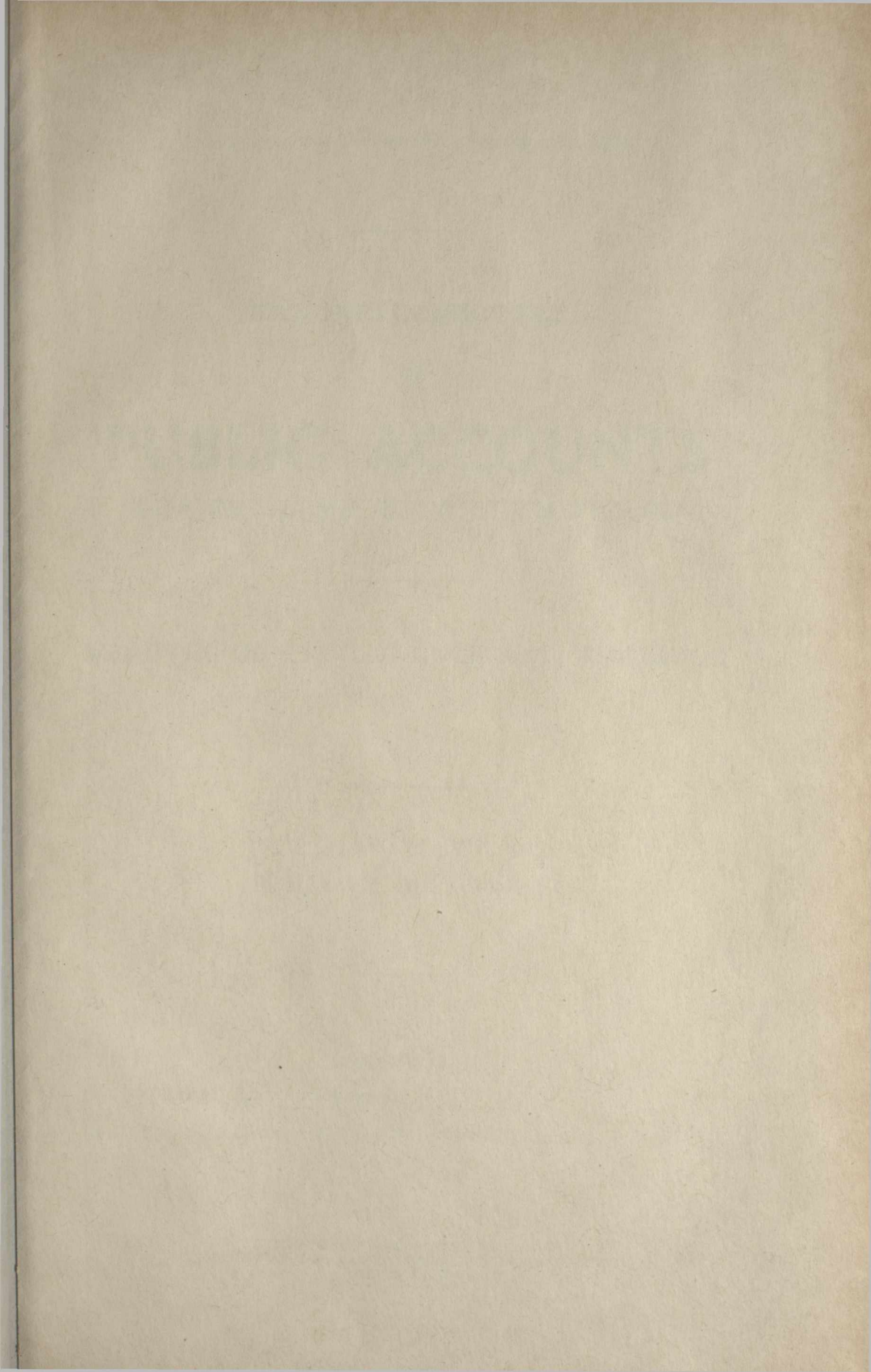
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HOUSE OF COMMONS
Sixth Session—Twenty-first Parliament, 1952

STANDING COMMITTEE
ON
PUBLIC ACCOUNTS
CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 1

TUESDAY, MAY 6, 1952
TUESDAY, MAY 20, 1952

WITNESSES:

Mr. Watson Sellar, Auditor General.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Chairman: Mr. L. Philippe Picard

Vice-Chairman: Mr. W. Benidickson

and Messrs.

Anderson	Fournier (<i>Maison-</i>	Maltais
Ashbourne	<i>neuve-Rosemont</i>) Major	McCusker
Balcer	Fraser	Nowlan
Beaudry	Fulford	Pearkes
Beyerstein	Fulton	Pinard
Blue	Gibson	Richard (<i>Ottawa East</i>)
Boisvert	Green	Riley
Boivin	Harkness	Robinson
Brisson	Helme	Shaw
Browne (<i>St. John's</i>	Johnston	Sinclair
Cauchon	West) Jutras	Sinnott
Cavers	Kirk (<i>Antigonish-</i>	Stewart (<i>Winnipeg</i>
Churchill	<i>Guysborough</i>)	<i>North</i>)
Cleaver	Kirk (<i>Digby-Yarmouth</i>)	Thatcher
Cloutier	Larson	Wright
Croll	Macdonald (<i>Edmon-</i>	
Denis	<i>ton East</i>)	
Fleming	Macdonnell	

50 members—Quorum 15

ANTOINE CHASSE,
Clerk of the Committee.

ORDER OF REFERENCE

HOUSE OF COMMONS,
TUESDAY, March 18, 1952.

Resolved,—That the following Members do compose the Standing Committee on Public Accounts:—

Messrs:

Anderson	Fournier (<i>Maisonneuve-Rosemont</i>)	Macdonnell (<i>Greenwood</i>)
Ashbourne	Fraser	Maltais
Balcer	Fulford	Major
Beaudry	Fulton	McCusker
Benidickson	Gauthier (<i>Portneuf</i>)	Nowlan
Beyerstein	Gibson	Pearkes
Blue	Green	Picard
Boisvert	Harkness	Pinard
Boivin	Helme	Richard (<i>Ottawa East</i>)
Browne (<i>St. John's West</i>)	Johnston	Riley
Cauchon	Jutras	Robinson
Cavers	Kirk (<i>Antigonish-Guysborough</i>)	Shaw
Churchill	Kirk (<i>Digby-Yarmouth</i>)	Sinclair
Cleaver	Larson	Sinnott
Cloutier	Macdonald (<i>Edmonton East</i>)	Stewart (<i>Winnipeg North</i>)
Croll		Thatcher
Denis		Wright—50.
Fleming		

(Quorum—15)

Ordered,—That the Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

WEDNESDAY, April 23, 1952.

Ordered,—That the Public Accounts and the Report of the Auditor General of Canada for the fiscal year ended March 31, 1951, tabled in the House on October 31, 1951, be referred to the said Committee.

Ordered,—That the name of Mr. Brisson be substituted for that of Mr. Gauthier (*Portneuf*) on the said Committee.

TUESDAY, May 6, 1952.

Ordered,—That the said Committee be authorized to print from day to day 800 copies in English and 200 copies in French of its proceedings and the evidence and that Standing Order 64 be suspended in relation thereto.

Ordered,—That the said Committee be granted leave to sit while the House is sitting.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

TUESDAY, May 6, 1952.

The Standing Committee on Public Accounts begs leave to present the following as a

FIRST REPORT

Your Committee recommends

1. That it be authorized to print from day to day 800 copies in English and 200 copies in French of its proceedings and the evidence and that standing order 64 be suspended in relation thereto.
2. That it be granted leave to sit while the House is sitting.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

(NOTE: The said report was concurred in by the House the same day.)

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,
TUESDAY, May 6, 1952.

The Standing Committee on Public Accounts met at 10.30 o'clock a.m. The chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Ashbourne, Benidickson, Beyerstein, Boisvert, Boivin, Cavers, Croll, Fleming, Fraser, Fulton, Harkness, Helme, Macdonald (*Edmonton East*), Nowlan, Picard, Richard (*Ottawa East*), Riley.

The chairman thanked the committee for their renewed confidence in electing him to the chair again this year.

The order of reference of Tuesday, March 18, 1952, was read.

On motion of Mr. Boisvert,

Resolved: That Mr. Benidickson be elected vice-chairman.

On motion of Mr. Ashbourne,

Resolved: That the committee ask leave to print from day to day 800 copies in English and 200 copies in French of its proceedings and the evidence.

Mr. Boivin moved that the committee ask leave to sit while the House is sitting.

After some discussion thereon, Mr. Boivin, by leave of the committee, withdrew his motion.

On motion of Mr. Cavers,

Resolved: That the committee ask leave to sit while the House is sitting.

On motion of Mr. Croll,

Resolved: That the chairman and vice-chairman with eight members selected by the former constitute a steering or program sub-committee.

The committee discussed future meetings.

At 10.55 o'clock a.m., the committee adjourned to the call of the chair.

TUESDAY, May 20, 1952.

The committee met at 4.00 o'clock, p.m. The chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Beyerstein, Blue, Boivin, Browne (*St. John's West*), Cauchon, Cavers, Croll, Fleming, Fraser, Fulford, Gibson, Johnston, Jutras, Kirk (*Digby-Yarmouth*), Macdonald (*Edmonton East*), Major, McCusker, Pearkes, Picard, Sinnott, Thatcher.

In attendance: Mr. Watson Sellar, Auditor General for Canada; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The committee proceeded with the study of the Auditor General's report for the year ended March 31, 1951.

Mr. Watson was called. The witness was questioned at length on the aforesaid report.

Mr. Bryce was also called. He was questioned on certain specific matters arising out of Mr. Sellar's examination.

And the examination of Mr. Sellar still continuing, the said examination was adjourned until the next meeting.

At 5.45 o'clock, p.m., the Committee adjourned to meet again at 4.00 o'clock, p.m., on Thursday, May 22nd, 1952.

ANTOINE CHASSE,
Clerk of the Committee.

VERBATIM REPORT OF ORGANIZATION MEETING

MAY 6, 1952.

10.30 a.m.

The CHAIRMAN: Gentlemen, we will open the meeting and I thank you for assembling so promptly and also for expressing your confidence in me as chairman for the coming meetings.

This is just a short organizational meeting in order that we may decide how we shall proceed with our work.

I will point out that both the Auditor General's report and the public accounts for the fiscal year ended March 31, 1951, were tabled last year at the fall session and since we devoted all our meetings during that session to the financial administration bill we did not reach this part of our work, that is the consideration of the Public Accounts, before the session was over.

When a member first asked me for the committee to sit this year, I asked the Minister of Finance to refer again to this committee the public accounts tabled last year and he explained to me that in his department things work by a system and that officials having tabled the report at the last session did not think it would have to be referred to the committee again this year which accounted for their not having been referred anew; however he immediately proceeded to refer them to us. At the moment, however, it is referred to us and we have to decide how we shall go on with our work. I know that many committees are sitting and important work is being done in those committees. I am, therefore, in your hands with respect to the matter of deciding what you want to do in this committee.

Now, we have before us the order of reference. It reads:

That the Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

On Wednesday, April 23, the public accounts were referred to us together with the report of the Auditor General for the fiscal year ending March 31, 1951—tabled in the House on October 31, 1951. The reference reads as follows:

That the public accounts and the report of the Auditor General of Canada for the fiscal year ended March 31, 1951, tabled in the House on October 31, 1951, be referred to the said committee.

Are there any observations on those points in our proceedings?

Mr. FLEMING: Well, Mr. Chairman, I suggest that in keeping with the practice of this committee in recent years we should begin with a review of the report of the Auditor General as such, asking him to attend meetings for that purpose. It is a little hard to say how long that may take but I suggest that should be the first business to which the committee should address itself. While that work is proceeding, and depending upon the rate of progress, we can see how much further we will be able to go into other matters relating to the public accounts of any one or more departments.

The CHAIRMAN: Are there any further observations?

Mr. RILEY: I would think we should forgo any further meetings of this committee until other committees quiet down a bit. A lot of us are sitting on different committees at the present time and it is pretty nearly impossible—

in fact it will be impossible—to attend them all. External Affairs, Agriculture, Defence Expenditure, and Banking and Commerce are sitting, so if we had a postponement of further meetings of this committee I think everybody would be pretty well agreeable.

Mr. FLEMING: How long do you suggest?

Mr. RILEY: A couple of weeks.

The CHAIRMAN: I had hoped that suggestion might come from the opposition and not from the government side—the suggestion that we have too much work.

Mr. FLEMING: Well, we are all of one mind and we are all labouring under quite a burden of committee work right now. It seems to me that members of this committee, a great many of them, are sitting on the Defence Expenditures Committee which is having a lot of meetings. If we followed Mr. Riley's suggestion and started the meetings of this committee in about a fortnight or thereabouts, other committee work might have eased up sufficiently for us to carry on with reasonable regularity here.

Mr. HARKNESS: I would think that in two weeks the Agriculture Committee would have finished its sittings and also possibly External Affairs. Then it should be possible, I think, to stagger the meetings of this committee with those of the Defence Expenditures Committee—because those two committees have a big overlapping of membership.

The CHAIRMAN: There is just a point of principle. It is that this is a Standing Committee and, seven or eight years ago, we established the principle that it should sit each year even if only for a few meetings. When the request came first from a member that this committee should sit that is why insistence was made on having the matter referred to us anew.

We all know that members are busy with committee meetings this year and it may be agreeable to members that we should adjourn for a certain period of time. That would be quite all right and then we will try to arrange matters then. I am quite sure that the Defence Expenditures Committee will be sitting until the last day of the session and I am also sure that Agriculture will be sitting for some time.

At this time, if you wish, we shall proceed with the regular motions at our organizational meeting. The first matter is the election of a vice-chairman.

Mr. BOISVERT: I move that Mr. David Croll be our vice-chairman.

Mr. CROLL: May I thank you very much but suggest, in view of some of the other work at the present time that I and others have to do, that Mr. Benidickson should be nominated. He is prepared to take it on and he knows the work of this committee very well. However, I thank you very much.

The CHAIRMAN: Then the motion as it stands reads that instead of Mr. Croll, Mr. Benidickson be our vice-chairman. Is that agreeable?

Agreed.

Mr. ASHBOURNE: I move that permission be sought to print, from day to day, 800 copies in English and 200 copies in French of the Proceedings and Evidence.

Mr. FLEMING: Is that the same as last year?

The CHAIRMAN: Mr. Ashbourne moves that permission be sought to print from day to day 800 copies in English and 200 copies in French of our Proceedings and Evidence.

Mr. FLEMING: How does that compare with last year—the English looks a little high.

The CHAIRMAN: The interest may be a little less now but a few years ago members asked that, since there was great interest in our proceedings, we

should have the number fixed at 800. The secretary tells me that last year the full number of 800 copies was used—of course, we were then dealing with the Financial Administration Act.

Mr. FLEMING: It is a popular committee.

Mr. ASHBOURNE: I think there are other committees which print a larger number than even 800.

The CHAIRMAN: Then, it will be in order, so that we may sit in the afternoons or at other times to have a motion to sit while the House is sitting.

Mr. BOIVIN: I move that a recommendation be made to the House to reduce the quorum from 15 to 10 members.

The CHAIRMAN: I am very sorry, but as chairman I oppose that. I think we should have our present quorum. This is an important committee and I do not think the party who has a majority should try to reduce it. I am sorry but I might have organized the procedure this morning somewhat better before the meeting but I personally am opposed to reducing the quorum of this committee because of the importance of the control of finances.

Mr. FULFORD: It seems to me that 15 is a small enough quorum for this committee.

Mr. CAVERS: I would move that permission be sought for this committee to sit while the House is sitting.

The CHAIRMAN: Mr. Cavers moves that the committee be empowered to sit while the House is sitting.

Agreed.

Mr. BOIVIN: Then I would ask permission of the committee to withdraw my motion.

The CHAIRMAN: Thank you very much.

I do not want to hurt anybody but the attitude was taken a few years ago. It is customary in all committees to have a motion to reduce the quorum but we have had a long discussion about it in our committee and have come to the conclusion that since the government, evidently due to the will of the people at the last election, has a very large number of people on this committee, it might not be fair to the opposition to reduce the quorum to ten—which would mean ten members of the government could carry on. It was unanimously agreed at that time that we would not reduce the quorum, in order to give the opposition a fair opportunity to offer criticism of whatever may come before the committee.

Mr. FLEMING: There is another angle to that too. I believe there are at least 10 opposition members on this committee, are there not?

The CHAIRMAN: If you would move that we accept the motion I am quite willing—since it might be 10 to 40—and if one gets lame by any chance you will lose that one.

Mr. CROLL: I move that a subcommittee on agenda and procedure be appointed comprising the chairman, the vice-chairman and 8 members to be named by him.

The CHAIRMAN: Mr. Croll moves that a committee of 8 members be appointed as a steering committee.

Mr. FLEMING: Was that last year's number?

Mr. CROLL: Yes.

The CHAIRMAN: Then what I will do is this. If it is agreeable to you rather, than fixing a definite date at the moment I will get in touch with the representatives of each party to make sure when they are agreeable to have the next meeting. Then we can decide when the next meeting takes place and try to arrange that meetings of this Committee conflict as little as possible with those of important committees sitting at that time.

If it is agreeable to members I will now adjourn the meeting to meet again at the call of the chair.

The committee adjourned.

EVIDENCE

MAY 20, 1952.

4:00 p.m.

The CHAIRMAN: Gentlemen, we now have a quorum. At the last meeting it had been suggested that we would adjourn until this day of this week and that it might be appropriate as the first order of business to go into the report of the Auditor General.

We have with us today as our first witness Mr. Watson Sellar, Auditor General of Canada, and I think if we follow the method of last year it might be in order to ask questions on the report itself and if members feel that they at any time wish to go into another part of the public accounts it would be in order to make a motion to do so after we are through with the Auditor General's report.

If we are in agreement and are to proceed as we did last year, I will give the items by the page of the report until we get to the titles that cover a number of items under the same headings and questioning can proceed accordingly. Are there any questions on page 2?

Mr. FLEMING: I thought you were going to call it by paragraphs.

The CHAIRMAN: Paragraph 1:

Mr. Watson Sellar, Auditor General of Canada, called:

Mr. FLEMING: Has Mr. Sellar any opening statement to make?

The CHAIRMAN: No, I suggested to Mr. Sellar that he would come here as a witness and that you would ask questions and he would answer them.

By Mr. Fleming:

Q. Well, No. 1 is this, is this list of Crown corporations the same as previous years, Mr. Sellar? No change as compared to previous years?—A. There is no change. Since this list was prepared one has been added.

Q. What is that?—A. Farm Loan Board. I received notice this morning.

By Mr. Fraser:

Q. What about Park Steamships?—A. Park Steamship Company is practically out of business.

By Mr. Jutras:

Q. What did you say about the Farm Loan Board?—A. It is being added to my list next year.

The CHAIRMAN: For audit purposes.

By Mr. Fleming:

Q. Well, the Sugar Stabilization Corporation is out?—A. Yes.

Q. Commodity Prices Stabilization Corporation—A. That is out of business.

Q. Crown Assets Disposal Corporation?—A. That is active.

Q. But on a smaller scale?—A. Yes.

The CHAIRMAN: Item 2, any questions?

Item 3?

By Mr. Fleming:

Q. A question on No. 3, Mr. Chairman. It has to do with the extent to which Mr. Sellar's services and those of his department are made available to the United Nations. How does this work out in practice? Is it creating unreasonable burdens for yourself and your staff, Mr. Sellar?—A. No, the staff enjoy the experience. It is good experience, takes the boys out of the rut, gives them a chance to see how things are done elsewhere. The work can be done in our slack time. It does not interfere with the audit of the accounts of Canada.

Q. What is the slack time? I did not know you had one.—A. Oh, yes, we always have a slack time after we finish audits in the fall. In November we always have a slack time and then, before we close at the end of the fiscal year there is a slack period. For instance, the Income Tax people do not want us around during the month of March. They are busy enough taking in money and do not want anyone bothering them in the month of March, so in the fall and in the month of March there is a slack period.

Q. We have no doubt you are rendering a very useful service to the United Nations down there by what you and your staff are doing. Just what does it represent in terms of time to the men in the department and yourself?—A. We send down five men in the fall for four weeks and we send four men down in March for five weeks and then I spent twenty-seven days in New York this spring. In July I have to be before a committee for two days and in the fall I have to appear before the General Assembly in connection with the United Nations accounts, the Children's Emergency Fund account, the Palestine Relief account and the Korean Relief account. Those are spread out a little on the agenda so I am down there for about thirty days in the fall. At the same time, they are sending stuff from Ottawa to me in New York to attend to.

By Mr. Croll:

Q. Mr. Sellar, the United Nations reimburse the government of Canada for the time that you devote to the United Nations and the time devoted in all by your staff?—A. Actually, Mr. Croll, we are making a little money on the proposition. We would be paying our staff anyway so we get their salaries back, but it so happens that Mr. John Bracken was the spokesman for the government of Canada in 1946 when I was appointed and, as there was discussion as to the qualifications of the auditors he said that Canada would send down their Auditor General and would not charge for his salary. I am very sorry he put in that phrase when he was down there, but they pay my expenses.

By Mr. Fleming:

Q. Well, you are satisfied that it does not interfere with your duties here, Mr. Sellar?—A. No, it does not interfere with our duties. I think there is a limit to what we should be asked to perform but we are the nearest and they rely on us.

By Mr. Fraser:

Q. Well, it would give you a better insight into what they are doing down there?—A. Oh, yes, we know the insides of that place very well and I think they are appreciative of the interest Canada takes in it.

By Mr. Fleming:

Q. They should be, and the time that you are personally giving to it as you have indicated here.—A. That does not seem to be avoidable, but I have it so arranged that the stuff I have to attend to in my office is shot down to me there and I am able to look after the office work as well as theirs. The only difference is this, Mr. Fleming, I get no summer holidays.

By Mr. Fraser:

Q. Well, that is not fair.—A. I know, but you cannot avoid it.

Q. Do you get any holidays?—A. Well, when I am down there a change is as good as a rest.

By Mr. Croll:

Q. Absence from Ottawa is a holiday in itself?—A. Some will say that a civil servant does not work hard enough to necessitate getting holidays.

Mr. FULFORD: It depends on the civil servant.

The CHAIRMAN: No. 3?

By Mr. Johnston:

Q. Have you any check on the Army Benevolent Fund as it comes within your jurisdiction, to see that they are properly disbursed?—A. Oh, yes, we have a very direct responsibility with respect to the Army Benevolent Fund. The other two, the R.C.A.F. and the navy, are private corporations. We have the usual powers of an auditor under the Companies Act.

Q. What do you mean by that, as far as the disbursement of the funds are concerned? If they make a donation which is not a proper one, do you have any check on that?—A. We would report it in their report.

Q. Do you run across any cases like that?—A. No, they are handled very well with the directors taking a very intimate interest in all the transactions. In the case of the R.C.A.F. Benevolent Fund, one of the most active members on it is my good friend Henry Norman, the senior partner of Price, Waterhouse and Company, and you can depend on him looking after things, and the same is true of all the other directors.

Q. How are those funds created?—A. Private donations plus the money that they got from the NAAFI which is the canteen moneys and prize money that they got last year.

Q. Has there been any of the prize money come in?—A. It just came in last year. Parliament allocated it last year. I am now talking about eighteen months ago.

Q. What was the amount of that, do you recall?—A. I have not the figure in my head, sir. I can get it for you.

Q. I think it was a fairly large amount.—A. Yes, it was a good substantial sum. The navy got the most of it, of course.

The CHAIRMAN: Any further questions on No. 3? Item 4?

By Mr. Browne:

Q. On No. 4, Mr. Chairman, I was wondering how comprehensive these tests are. Take, for example, the unemployment insurance. Is there someone who makes individual audits of the individual accounts and is that person under the Auditor General?—A. That work is done by the departmental staff, the unemployment internal audit people. We make tests to establish the efficiency of that section.

Q. You might miss a case, for instance, where a man was being paid unemployment insurance twice, as was the case in one example I heard of. That might never come to your notice?—A. It might not if we did not pick it up in our test.

Q. How would you find it out—pick out so many in (a) and so many in (b)?—A. We never do the same thing twice or they would be ready for us.

Q. Most people do not know the method you are going to adopt?—A. We keep changing our program about. We try to cover all the accounts in a certain period of years. One year we might check them alphabetically; another time

we might take certain months. Another time we might split that and make a combination, but we try to make a comprehensive test. We rely a great deal on perusing the reports of their examiners for weaknesses. We have men stationed in Montreal, we have men stationed in Toronto, we make inspections of the Winnipeg accounts, we make an inspection of the Vancouver accounts and we have a man in the maritimes who goes to Sydney.

Q. Do you go to Newfoundland?—A. We just stationed him there last year and he is going to Newfoundland in due course. He has not gone yet.

Q. There has not been any representative from your department gone to Newfoundland?—A. No, I have discouraged them from going into Newfoundland because there have been too many civil servants going there and I thought I would wait until there was a little relief.

Q. No auditing tests on departmental accounts in Newfoundland is done by him?—A. The Post Office naturally have an inspection by their own inspection service and we rely on that. The Customs and Excise have their own travelling inspectors and they are checked. Those are the two biggest. Pardon me, I am wrong when I said I had not a man there. I had men at Gander within the last three months, and those two men are going back again. They may be there now. They are going down for the inspection of the revenues of Gander airport.

Q. Will you also be able to continue that indefinitely, having some representative go down there?—A. It all depends on the volume I have, sir. If there is enough volume and if there is any doubt in my mind I will send a man quickly but to date we have had no necessity and we are just gradually taking that up.

Q. What staff have you in the maritime provinces, Prince Edward Island, Nova Scotia and New Brunswick?—A. We use two men regularly and we send down men for the inspection of the Income Tax and Post Office departments.

Q. Do those two men work on any particular itinerary or go where they please?—A. No, they are all instructed.

Q. By you?—A. By us, so that there is no time wasted in travel. If there are three accounts in an area, they take all three accounts at once although they may be entirely different departments.

Q. What do you mean by three accounts?—A. Let us say there is an experimental farm, a marine agency and the post office.

Q. What about the Halifax Harbour Board?—A. That is their key account. They are located in Halifax. Halifax and Saint John harbours are their two key accounts. If there are three accounts, say, at Moncton, where there is also the Unemployment Insurance office, they would take all those accounts when they are in there. We do not try to make a 100 per cent audit. It would cost the country far too much money and would not be worth it. The taxpayer has some rights.

Q. Well, internally in the department there must be somebody acting as auditor?—A. Yes, sir.

Q. You do not call them auditors?—A. They may be treasury officers.

By Mr. Fleming:

Q. And those men are checked on the basis of test?—A. Yes.

Q. Could you say in a word how extensive the tests are and how they compare with those conducted by a private firm of auditors of a corporation?—A. It will be a little more extensive in some regards because of the great interest in this country in expenditures. We follow right behind in all expenditure payments. Take National Defence. Our lag will never be more than 30 days behind the expenditures of national defence throughout the twelve months of the year.

Q. How extensive is the audit—or what is the extent of the test?—A. It varies with the class of account. If the accounts are routine salary accounts,

for example, you do not need to make a very exhaustive test. On travelling expenses, however, you may have to make a 70 or 80 per cent examination if you see any carelessness in checking accounts. That is the sort of thing where every man has his own idea on travelling expenses and what the sum involved is.

On other accounts a 10 per cent check would be adequate.

Q. What about contracts entered into by a department like Defence Production, for instance, where the contracts are on a cost plus basis?—A. That is audited first by the treasury cost accounting section. We get their reports. We, of course, examine all large payments. Every large payment of over \$100,000 is examined. If the treasury cost audit indicates anything we are doubtful about we may send one of our field men in there to look at it.

Q. Do you have occasion to do that very often?—A. Fortunately, no.

Q. Do you ever have occasion?—A. Oh, yes, particularly in war years.

Q. I was thinking about the latter years?—A. We send men into Canadair, for example, and the A. V. Roe Company in Toronto, where there are very large contracts and where we take practically all of the production. We go in there periodically to survey the system rather than the accounts themselves. We survey the system of accounting and internal check—whether the treasury officer is performing effectively and everything else like that. We go into accounts like that rather frequently.

Q. But on individual expenditures, for instance in those firms you mentioned where very substantial amounts of public money are being spent, your actual check on expenditure—of individual expenditure—is a small percentage check?—A. No, you see they are paid once a month and that payment is examined here in Ottawa. All large payments are looked at. The small ones—no—we cannot begin to cover them.

Q. Could you say in general in cases of this kind what proportion of the total would be represented by payments under \$100,000 and what proportion goes over the \$100,000?—A. I would be guessing, Mr. Fleming, and I might mislead you. I would rather try to establish a figure than to bluff you.

Q. You would not do that.—A. You might take my word for it and I do not know my facts.

The CHAIRMAN: Are there any further questions on number 5?

Item No. 6, statutory directions relating to the Auditor General's report?

By Mr. Fraser:

Q. On item 6, have there been any grants exceeded?—A. No.

Q. Well going right down the list, has there been any exception on any of these—(a), (b), (c), (d), (e), (f)?—A. On (f) there has been none. There have been no warrants. (b), (c) and (d) sort of overlap and therefore anything which we think is a little odd or unusual is put in the report now before you in various places.

Q. They are in the report?—A. Yes, and as far as the remissions are concerned they are in the back.

Mr. GIBSON: We can take it from what you say that for grants made by parliament to the Defence Department, for instance, where they tell us this year they were only out 1 per cent in their estimates of expenditure, there is no possibility that they could have used money which we voted for one purpose for any other purpose? Are you satisfied of that?

The CHAIRMAN: That is not a "grant" as is understood by this.

The WITNESS: When you say 1 per cent and you use "year" you may be referring to last March 31st.

Mr. GIBSON: Yes.

The WITNESS: Of course, this is the previous year. Our complaint, and you notice that in here is that National Defence did not pay all the bills that were ready for payment. There was a little drag there.

Mr. GIBSON: You are quite satisfied that money provided by parliament for a specific purpose was used for that purpose and not for another purpose?

The WITNESS: In National Defence it was almost impossible to have any trouble in that regard because it was a single lump vote for the whole of National Defence. It was not split up into a series of votes; they got that one great big vote and it was internally controlled.

You have a good government accounting system. It is a good system and you have no worry there.

Mr. CROLL: Well, what are we to worry about. If we are not to worry about the government accounting system what are we to worry about?

Mr. FLEMING: The government.

Mr. CROLL: That is your worry.

Mr. FLEMING: On the point Mr. Gibson has mentioned, we have in mind that the details in the estimates are not statutory and it is quite legal to shift expenditures around within the vote as long as they are not shifted from one item of the appropriation bill to another.

Mr. FRASER: In other words they can use for the navy funds which they first thought would be used for the army.

Mr. CROLL: No.

Mr. FRASER: Because it is all in a lump sum.

The CHAIRMAN: If it is in a lump sum you can switch from one part to another within the vote.

Mr. FLEMING: Yes. The details at the back of the book of estimates are not statutory.

The CHAIRMAN: Now, summary of the year's financial operations—items 7 to 13 inclusive.

Are there any questions on item No. 7?

By Mr. Browne:

Q. On item 7, that \$211 million of recorded surplus which the net debt is diminished by—is that done automatically?—A. Yes, sir. You take your total funded debt which was \$16,900,000,000 and subtract from that your active assets which were \$5,500,000,000 and that left you \$11,433,000,000 in figures. Then, you just compare that with the like figure for the year before and you have the reduction.

Q. Yes, but how do you actually pay that off? You do not pay off anything at the 1st of April do you?—A. No, you are thinking of the English scheme.

Q. Yes?—A. No, Canada has not got that English scheme.

By Mr. Fleming:

Q. Would you clear up one point for me? You started off by saying that you began with the gross net debt but is it confined to the funded debt, when you are ascertaining this figure of net debt? I did not think the funded debt was the gross debt—that is only part of it?—A. My expression was not apt. It is the total liability.

Q. Yes, of which the funded debt is only part?—A. Yes, it happens that the balance sheet uses the words "funded debt" at the bottom and that is where I slipped.

Mr. BROWNE: It is total liability?

The WITNESS: Yes.

Mr. BROWNE: When you speak of net debt do you mean the surplus of assets over liabilities?

The WITNESS: The other way, unfortunately. It is liabilities over assets.

The CHAIRMAN: Item 8? Item 9—post office revenue.

Mr. FRASER: This was before the one delivery a day started?

The WITNESS: I am not sure, I do not know when it started.

Mr. BROWNE: The accounts for 1950-51 are very different.

The CHAIRMAN: We cannot hear you, Mr. Fraser?

Mr. FRASER: I said that the figures here are for a time before the one delivery a day was inaugurated by the Post Office Department; and I am wondering if the revenue shows an increase or a decrease?

The CHAIRMAN: This covers the period until March 31, 1951. The one postal delivery a day was not started at that time.

Mr. FRASER: That is right, if it had not been started at that date this would not show it.

The CHAIRMAN: No.

Item 10, "Return from Investments".

Mr. BROWNE: Is that not given somewhere, item No. 10?

The WITNESS: In the following paragraphs I break them down. They are also given in the public accounts.

Mr. BROWNE: I see.

By Mr. Fleming:

Q. On item 10, Mr. Chairman, on Bank of Canada—we have not got a report of the Bank of Canada here—that big figure of \$34,700,000 is the total of the Bank of Canada and Exchange Fund account. That includes, I understand, profits on the operations of the bank for the full year plus the payment of dividend on the stock which the government holds in the bank, and it also includes the full profit made by the exchange fund, is that correct?—A. In round figures, it is \$19 million, bank, and \$14 million, fund. That is in very round figures.

Q. It is to be expected that with the abolition of the Foreign Exchange Control Board and the fund there will be a consequent loss of revenue?—A. Well, there would not be much revenue with things as they are now.

Q. There would not have been?—A. There won't be today.

Mr. FULFORD: There won't be any from now on.

The WITNESS: Oh, yes, they have investments.

By Mr. Fleming:

Q. Would you enlarge on your answer?—A. The exchange fund is held in gold and treasury notes and certificates of indebtedness of the United States government and a few other things like that which are interest-producing. Gold, of course, is not.

Q. That is just one fund or pocket within the Consolidated Revenue Fund is it not?—A. Yes.

Q. Will the abolition of the Foreign Exchange Control Board affect it?—A. The account still stands, the account is still there.

Q. It stands as an account within the Consolidated Revenue Fund now?—A. Yes. Previously they paid $\frac{3}{4}$ of 1 per cent interest to the government on the advances and that was discontinued, there is no revenue coming now from that source.

Q. Well, you look perhaps for some diminution in revenue, but still that fund should earn revenue?—A. Yes, not a big revenue but it will earn a revenue.

Q. Was there any effect on revenue in that account within the past year as a result of the tendency to increase the holdings of gold and decrease the holdings of United States dollars?—A. You would have to ask someone from the Finance Department that question.

Q. Would you care to comment on this question, whether the enhancement of the value of the Canadian dollar with relation to the United States dollar is going to affect the revenue from Exchange Fund account.—A. Well, we will lose money initially because we bought securities at \$1.10 and they are only worth 98 cents now, so we have a big loss at the moment.

By Mr. Browne:

Q. How much would that amount to?—A. I cannot give you the figure.

Q. Is it shown here?—A. No, sir, it is subsequent to this. I think it has already been tabled in the House.

The CHAIRMAN: Item No. 11. Have you any other questions on item 10? All of these individual items in item 10 are covered further on in the other items. Shall we go on to No. 11?

Item No. 12, amounts received from various Crown Corporations.

By Mr. Fleming:

Q. I have some questions on No. 12. First of all, with regard to Central Mortgage and Housing Corporation, is that all profit?—A. No, it is not profit; it is interest on advances. We made very large loans to the Central Mortgage Corporation.

Q. Well, yes, the various funds put at the disposal of the corporation under the various parts of the National Housing Act, but I understood that in addition the corporation showed a profit on those transactions. Am I wrong in that?—A. I am not the auditor of the corporation.

Q. Of course you do not audit Central Mortgage and Housing Corporation accounts. Well, I will not ask you any more on that. You are the auditor of the Canadian Broadcasting Corporation?—A. Yes, sir.

Q. You show there \$196,000 received from the Canadian Broadcasting Corporation. What was that made up of?—A. That is a loan.

Q. Repayment of loans?—A. Interest on loans.

Q. Entirely interest? They did not repay any loan?—A. No.

Q. As a matter of fact they were getting more loans at that time?

Mr. BROWNE: They are not making any profit, are they?

Mr. FLEMING: They were not then.

Mr. BROWNE: They are not making any profit on the whole transaction. This is merely taking it out of one pocket and putting it into another.

Mr. CROLL: Mr. Chairman, it occurs to me that whatever Mr. Sellar knows as auditor of the Canadian Broadcasting Corporation is not a matter of proper comment here, is it, whether they made profit or not. We are not now discussing Canadian Broadcasting Corporation affairs. This is a receipt for interest. If the question arises, did the Canadian Broadcasting Corporation make or lose money—is that a matter for us?

The CHAIRMAN: It is an extension, of course, of what we are doing now and I do not want to clamp down as long as it is as reasonable as it is now, but of course it won't be the proper moment to go into all details of all these items, but as long as we are within bounds I do not want to stop the questioning.

Mr. FLEMING: I thought we were getting along very well.

Mr. CROLL: Go ahead, I am listening!

By Mr. Browne:

Q. Is the Canadian Broadcasting Corporation in arrears on any of its payments?—A. The Canadian Broadcasting Corporation is not in arrears.

Q. And in each of these items was the amount for interest paid when it was due?—A. Yes. There was no principal paid; there was interest paid.

Q. The exact amount that was due?—A. Yes.

Mr. FLEMING: Can I ask you a question about this variety of interest rates that you refer to in the second paragraph in section 12. These rates, I suppose result from the fact, Mr. Sellar, that the various loans were made at different periods. Does that account for the variety in rates?

The WITNESS: Well, I put in considerable detail this year on that because I noticed that the British Public Accounts Committee a year ago considered the same question. It does not seem fair that one body should pay a different rate than another. On the other hand, when a body gets money for a short period of time it is entitled to a lower rate than one, say, which is going to have it for 20 years. I think that this question is a policy matter, and whether this committee regards it as within its field or not I do not know, but I do not think it would be very useful to have an opinion on the practices of the Department of Finance some time.

By Mr. Croll:

Q. Does not the Department of Finance pay various rates of interest at various times?—A. Yes.

Q. Does it not follow, then, that if they have to pay more they charge more?—A. What I mean is this, Mr. Croll—take the National Harbours Board which pays 2.75 per cent, while the Northwest Territories Power Commission pays a little higher rate. Both loans are for about the same period of time. That is what I mean.

Q. The National Harbours Board—would the loan have been made last year?—A. No, most of these are very old loans.

Q. That is my point. One may have been a 20-year loan and the other a 10-year loan made when money was cheaper or dearer. How does the government synchronize that?—A. Again I say I do not know the answer. The Department of Finance are the right people to ask if you are interested in the subject.

The CHAIRMAN: I think that the date on which these loans were made would have an influence on the rate. For example: How was the money market at that moment? It might be hard to get them all under one rate, if they were made at different periods.

Mr. FLEMING: That would explain to a certain extent the variety in these rates. There are two questions I want to ask: First of all, what about the possibility in fairness to these various enterprises of reviewing these interest rates with a view to more equal treatment; and secondly, should we not hear from the treasury department as to how they are working out, to satisfy ourselves whether or not there should be some recommendation made with regard to them?

The CHAIRMAN: Do you feel that we should hear the treasury officials now?

Mr. FLEMING: No, but at some stage of the sittings of the committee.

The CHAIRMAN: We have the officials with us now.

Mr. FLEMING: Are they here now?

The WITNESS: There is a statement in the public accounts under F-47, which gives the various loans and the various rates.

The CHAIRMAN: We are projecting into the public accounts immediately.

Mr. FLEMING: If Mr. Bryce is sitting here, perhaps he could give us a word about them.

Mr. CROLL: Let Mr. Sellar finish, and then we can have Mr. Bryce later. Let Mr. Sellar exhaust the subject now.

The CHAIRMAN: I am in the hands of the committee, but when an item is mentioned which we could quickly clear up, maybe it would be a good idea to have Mr. Bryce at this time. He can defend himself well, and if it is a matter of government policy, he can say so.

Mr. FLEMING: Let us try it anyway, Mr. Chairman.

The CHAIRMAN: Will Mr. Bryce please step forward to the table?

Mr. FRASER: At the bottom of F-47 the Soviet Union certainly have the benefit there.

The CHAIRMAN: Oh, you are getting ahead of our schedule, Mr. Fraser.

Mr. FRASER: That is at the bottom of F-47, and that is the one which Mr. Sellar quoted, Mr. Chairman.

The CHAIRMAN: Yes, but let us deal with this question of item 12, the interest rates. Would you care to express an opinion, Mr. Bryce?

Mr. BRYCE: (Assistant Deputy Minister of Finance): The general policy followed in the past is to make a loan at approximately the cost to the government of borrowing for a similar purpose at the time the loan was made. That is the policy which has been normally followed in regard to the crown companies and with regard to loans abroad. I would not say, however, that occasionally there might not be a little added to bring it out to a round figure, or something of that sort. But, in general, that has been the policy, so that one gets a variety of rates resulting from the different times at which the loans were made. But again I would not like to be categorical and say that at no time has a higher rate been made as a result of special circumstances. If you wish, I could inquire as to particular rates in the schedule, or the particular rates to which Mr. Sellar has drawn attention.

The CHAIRMAN: Do we not see that very thing in the figures set up on most corporations, where they make loans at different periods and pay interest on different issues of bonds according to the money market at the time they went on the market?

Mr. JOHNSTON: Did not Mr. Bryce indicate that the loans were made at the same time but at varying or variable rates?

Mr. BRYCE: I know that that has been our general policy and practice but there may have been occasional departures from that for reasons that apply to particular corporations or companies. I would not want to be categorical in stating that that has applied without exception, because I am speaking from memory.

Mr. FLEMING: Are there any other corporations than these listed in section 12? Are those all the corporations which would be equally treated by the government in all respects in the matter of the rates charged on loans?

Mr. BRYCE: I am not certain, sir, whether or not, for example, the rates on the Farm Loan Board may be set by statute.

Mr. JOHNSTON: Consider the two, giving the National Harbour Board, 2.75, and the Canadian Broadcasting Corporation 2.75. Would they be given at the same time?

Mr. BRYCE: I would have to look that up.

Mr. FRASER: Mr. Bryce said that they charged what they can borrow the money at on the market; then he put a cushion in as well.

Mr. BRYCE: Normally, we will add a slight margin.

Mr. FRASER: You have to add that to cover them?

Mr. BRYCE: That is the practice which is followed on loans.

Mr. FLEMING: It is a modest over-head.

Mr. BRYCE: Yes, it is a modest over-head.

The CHAIRMAN: Are there any more questions on item 12?

Mr. CROLL: With respect to Eldorado Mining and Refining (1944) Limited, \$1,057,000, you indicate here that it is in the form of a dividend rather than interest. And you say that it is the first declared since 1944. What moneys, for instance, do they owe us? Do they pay interest only, or do they pay something on account of principle?

The WITNESS: No sir. Eldorado Mining and Refining Company was originally an Ontario corporation. The Government of Canada expropriated all of the shares, and if my memory is correct, we offered \$1.35 and it was accepted by all. They had the right to go to the Exchequer Court if they did not like it. Therefore the money which Canada has invested in that corporation is in the form of common shares.

Mr. CROLL: I see.

Mr. FLEMING: This payment of interest by the Canadian National Railways was, I take it, on direct loans which were not initiated in the way in which loans are made now, that is, by the issuing of Canadian National Railways bonds which are guaranteed by the government.

The WITNESS: The money paid by the Canadian National Railways would be on loans from the government to the Canadian National Railways.

Mr. BROWNE: Some of them would go back quite a few years.

The WITNESS: Yes, some of them would go back over quite a number of years.

Mr. BROWNE: I noticed that some of the loans were only for one year. Several are for one year; and some are for six months. That is on page 47.

The CHAIRMAN: Are we finished with item 12?

Mr. BROWNE: Perhaps you could explain it, Mr. Sellar?

The WITNESS: I think you will find that—

Mr. BROWNE: They are still outstanding, according to the 1936 agreement and the 1944 agreement.

The WITNESS: I think you will find those low rates are on equipment issues which always sell at a low rate in the market.

The CHAIRMAN: Can we pass on now to item 13?

By Mr. Fleming:

Q. Mr. Chairman, I suppose Mr. Sellar can make a comment on item 13. I suppose we are all interested in these payments of the U.S.S.R. and China. It is obviously from the nationalist government of China. Where did the payment that they made come from, I mean the \$1,702,000?—A. You will allow Mr. Bryce to correct me if I am wrong because I am speaking from memory, but my recollection is that the \$1,702,000 was represented by bridge spans which the government of Canada purchased from the government of China in Canada and were sold, plus certain ammunition and other things that China had in Canada which the government of Canada took over at cost.

Q. There was no direct payment in funds?—A. My recollection is that is correct but if I am in error Mr. Bryce will correct me—

Mr. BRYCE: I am sorry I cannot say definitely. They were, of course, endeavouring, by any arrangement they could, to find funds to make payment, and there were transactions in which we had a share, but like Mr. Sellar, I would hesitate to speak from memory without looking up the facts.

Mr. FLEMING: I noticed the payment by China did not discharge all the liabilities with respect to interest. Were those assets which were sold and realized upon and the proceeds paid to the Canadian government, all assets of the national government of China which were available for the purpose in Canada?

The WITNESS: Mr. Chairman, Mr. Bryce would have to answer that question.

Mr. BRYCE: I am sorry, I cannot answer that, sir, without finding out.

Mr. FLEMING: Perhaps we could leave that to Mr. Bryce, Mr. Chairman, for him to inquire into it and give us a report at a later time.

The CHAIRMAN: I understand the witnesses will take notes as they usually do of any questions that are not answered and will provide the answer at a future meeting.

By Mr. Fleming: ●

Q. With regard the U.S.S.R. I wonder if Mr. Sellar could clarify this statement at the top of page 5, "the U.S.S.R. paid approximately \$29,000 in cash; the balance represents interest capitalized." Would you do that for us, Mr. Sellar?—A. Mr. Chairman, if my memory serves me right Mr. Bryce discussed this very transaction with the committee last year; and if I recall it correctly, it dates back to 1942 when certain food supplies et cetera were made available to the U.S.S.R. and last year settlement was negotiated with them and the arrears of interest were capitalized; and, for bookkeeping purposes the capitalized interest is revenue. Speaking subject to correction, I think the debt remains as it was, but I repeat that the transaction was dealt with in committee last year and Mr. Bryce may know something about it.

Mr. BRYCE: This was a settlement made by negotiation with the U.S.S.R. for amounts which we regarded as owing for shipments that took place immediately following the end of hostilities in 1945. Actually in negotiating a settlement one has to get some sort of agreement on it, and it was in the process of negotiation that the capitalization of the interest over the past period was agreed to.

Mr. FLEMING: What is the basis of the agreement now in regard to the settlement of the capital advances plus the arrears of interest which have under the agreement been capitalized?

Mr. BRYCE: I would have to find that out for you, sir. It would be dangerous to speak from memory. But the nature of it was that the amount of the indebtedness was established at a certain date and the interest rate was applicable as noted here, and there was a definite schedule for repayment. I can secure that information and provide it to the secretary for the record.

Mr. FLEMING: Yes. Well then I think we would be interested in knowing the terms of this settlement and what Canada had to give in the way of concessions in order to bring this into the agreement for payment.

The CHAIRMAN: I think in any agreement we have got to accept the principle that anything is better than nothing when you know that you have no other way of enforcing any negotiations.

Mr. FRASER: Show at the same time what they really do owe us because it is over \$10 million, isn't it—over \$11 million, and the odd hundred thousand there too—we might as well say \$12 million.

Mr. BROWNE: Yes, over \$12 million.

Mr. FRASER: It is over \$12 million now, plus interest.

Mr. BRYCE: There was a loan which they had which was discharged in that year. This is a loan which was made under the Export Credit Insurance Act. Then there is this other loan representing settlement for supplies under mutual aid.

Mr. FLEMING: I would like to ask a question about Czechoslovakia. I see we have received a payment of \$409,000 from Czechoslovakia. In what form was that payment made? Was that a transferrable exchange or was there some other basis of settlement involved?

Mr. BRYCE: As far as I know, sir, it was just a straight payment; but I must check myself again on that. I think it was an ordinary cash payment.

Mr. FRASER: Or was it just interest.

The CHAIRMAN: Are there any further questions on this section, gentlemen?

Mr. BROWNE: I would like to ask a question on the next paragraph there.

The CHAIRMAN: You mean on section 14?

Mr. BROWNE: 13, the next paragraph, under 13.

The CHAIRMAN: Oh, yes.

By Mr. Browne:

Q. I think I asked about this once before, the suggestion was that these figures here from the various provinces represent the amount which was due from the provinces?—A. If there are any arrears, sir, it would be very small amounts.

Q. But should there not be any other comment to say that this amount is due on such and such a date?—A. As far as I know there is none, but there might be \$50 or \$75, something like that, that had not been adjusted. It is so small that you can regard that as the full amount due by provinces and paid.

Q. Due or payable?—A. Due and paid.

The CHAIRMAN: Now we reach expenditures classified, section 14, 15 and 16.

By Mr. Fleming:

Q. On section 14, that goes into this matter of the transfer of defence equipment to other NATO countries. I would ask Mr. Sellar to what extent the material transferred is checked and how close his audit is on transfers of equipment of this kind; what type of audit is actually conducted?—A. It is a service audit, it is equipment.

Q. How is it handled, is all the equipment checked, or how do you check it?—A. Oh no, they list everything. As a rule this was the equipment for one division. In one case it was anti-aircraft guns, but it was all the equipment for one division; and there is a list there of what is supposed to be the equipment for a division and these are checked up the one against the other and a value put on them.

Q. But as to the physical articles—the material; is there a joint check made on behalf of Canada and the recipient country, a simultaneous check?—A. I can't tell you that, sir.

Q. Well then, on the other point, putting a value on the articles or material, how was that value set; how did you check it?—A. We did not check it. We took the vocabulary rates fixed by the army themselves, it was all army stuff, and we use their vocabulary price rates. I imagine they do too—and total it.

Mr. BRYCE: In general terms, this equipment is valued at the cost of replacement; and in some cases where it is a standard item in production it is the vocabulary price; but if it is used equipment, it will be necessary to make some allowance for depreciation; if it is obsolescent equipment we have to

make some allowance for obsolescence. Broadly speaking, the basis is to value it at the cost of replacing it with a suitable allowance for depreciation and obsolescence.

By Mr. Browne:

Q. As a layman, might I ask the meaning of "vocabulary cost"?—A. It is peculiar to the army. You and I call it a price list but they call it a vocabulary list.

Mr. FLEMING: Can Mr. Bryce add anything about the equipment transferred to miscellaneous fund in Canada between Canada and the recipient country?

Mr. BRYCE: I am sorry, I do not know the procedure they have for checking up. When these were authorized and come up for authorization there was a detailed list of the items of equipment, but what procedure is used about checking the actual transferred goods against it I do not know.

The CHAIRMAN: You understand, we are dealing with the audit and not the checking of the amounts. Mr. Sellar nor Mr. Bryce can be asked to give us details on that.

Mr. FLEMING: I think there must be a method of checking the actual physical material that is passing into the over-all audit at some point. The audit takes something for granted in working on this account, I would think. My next question is this: has there ever been any question raised—perhaps I ought to ask this of Mr. Bryce—as to the amount or quantities of material or articles transferred?

Mr. BRYCE: Not that I recall, sir. Where countries questioned whether in fact they get all that we had said they were going to; certainly there was no question that is substantial enough that I have heard of. There might have been questions of detail as to whether the list contained 25 of a certain item and in fact they had got 24, 23 or 26, and I probably would not hear of it.

Mr. FLEMING: You would know, I take it, in your position, Mr. Bryce, if there were any major discrepancies, would you? Would they report it to you or report it to the Department of National Defence?

Mr. BRYCE: It would be the Department of National Defence or the External Affairs Department.

Mr. FLEMING: Well, if we asked now for information about discrepancies, either major or minor that have arisen in the course of discussions between Canada and the recipient country, would you be in position to obtain that information?

Mr. BRYCE: I think it would be better, sir, if perhaps the secretary of the committee obtained it directly from the Department of National Defence.

The CHAIRMAN: But at this moment, if you do not mind, Mr. Fleming, we are working with the Auditor General's report and the auditing. We can hold him responsible for his audit but not any physical check of the merchandise. Later, if you apply for it when we get to another part of the public accounts themselves, then it might be proper to get the officials of the department concerned to be asked that. At this moment I think we should limit our questions to what is actually pertinent to his functions, the work of the Auditor General and matters which may come under the purview of the Department of Finance and that are interrelated but as to the actual check you might make it a point at a later date when we go on in the public accounts to refer to that.

By Mr. Fraser:

Q. Mr. Chairman, this \$175,532,000 which, at the year end was not an actual expenditure, where does that go to? That is in 14.—A. You want the countries?

Q. I just wondered where it went to.—A. Well, the account is divided as follows—are round figures good enough?

Q. Yes.—A. Belgium \$57 million; Netherlands \$57 million; Italy \$50 million; Luxembourg \$675,000, and then there is \$31 million to various countries. I have not got that broken down, and that totals around \$190 million, say about \$194 million.

By Mr. Browne:

Q. But to replace there is another fund created of \$175 million?—A. No, as I say, that comes to roughly \$194 million. In the year \$19 million worth of supplies were procured by National Defence replacing those. Therefore, the net amount is \$175 million and that, by the special legislation that parliament enacted a couple of years ago for this purpose, sets up a special account in Consolidated Revenue Fund so that those costs can be paid out of it when the replacements are secured.

Mr. FLEMING: When we vote \$2 billion to the Department of National Defence, to get the complete picture on expenditures of that department you should add to it, I gather then, a sum equivalent to the value of this equipment transferred to NATO countries if the department is permitted to purchase material to replace that?

Mr. BRYCE: Well, sir, there is an accumulated balance in that account available for expenditures. The original amount was \$300 million that was provided in the Act in 1950, and there have been items in the estimates since that time authorizing supplementary amounts to that. Now, of course, one has got to take the balance, during the year in question, as Mr. Sellar pointed out, there was \$195 million put into the account and about \$20 million utilized out of it. During the fiscal year that has just closed now, there were further transactions both in and out.

I am sorry I cannot tell you what the balance is at the present time but, as you say, to get an idea of the funds available to the Department of National Defence for expenditures it is necessary to bear this account in mind as well as the other.

Mr. FLEMING: It is in addition; in other words, there is authority in the Department of National Defence to expend, say, if the figure is \$300 million, that amount of money without direct parliamentary vote?

The CHAIRMAN: There was a parliamentary vote at one time.

The WITNESS: Parliament voted the \$300 million.

By Mr. Fleming:

Q. But expenditures year by year in and out of that?—A. It is a continuing thing.

Q. Which may be made, you might say, without a parliamentary vote? —A. Yes, that is right.

Mr. CROLL: That is for mutual aid?

The CHAIRMAN: Replacement of the material given for mutual aid.

By Mr. Croll:

Q. But that is under mutual aid for NATO?—A. It is mutual aid for NATO with the Department of National Defence being able to get new modern equipment for equipment they have.

Q. But what I had reference to was the question of Mr. Fleming that that item has been on the floor of the House many, many times. I have heard Mr. Pearson refer to it and I have heard the Minister of National Defence refer to the item of mutual aid under NATO many, many times, so that it is not a matter of not coming before parliament. That was my point.

Mr. FLEMING: I think Mr. Croll is a little at cross-purposes on this, Mr. Chairman. The point, as I understand it, that we have cleared up is this: if there is \$300 million in that fund it was voted there once by parliament, we will say, in 1950. Well, that is the equivalent of a revolving fund and if that money goes out in 1951 the Department of National Defence has authority without any further vote of parliament to expend \$300 million in replacing equipment which has been given to NATO countries. And that does not enter into the \$2 billion aid that parliament is being asked to vote so that if the figure were actually \$2 billion and the other one exactly \$300 million, what the Department of National Defence could expend this year would be \$2,300,000,000.

The CHAIRMAN: That is right. I think it is the words "lack of control by parliament" that Mr. Croll objected to. The control of parliament came when the \$300 million was voted to replace what we gave to NATO, but you are right to say that \$300,000,000 is in excess of the regular expenditure.

Mr. FLEMING: When we talk of expenditures that that department can make, you have got to add this figure to the vote this year by parliament?

The CHAIRMAN: That is right. Item 15? We will go on, then, to 16. At the top of page 6, Canada Shipping Act, chapter 34, 1944.

By Mr. Cavers:

Q. Mr. Chairman, in regard to the Canada Shipping Act, would the suggestion of the Auditor General be that the levy on ships coming in should be doubled to take care of the deficiency here? Actually it is providing medical service for men who are engaged on shipping companies' vessels. Has any further consideration been given to that?—A. My place, sir, is not to make policy suggestions to this committee. I am simply drawing to the notice of this committee that years ago parliament passed a certain Act which apparently was then designed to make this service self-supporting. With the passage of time it is no longer self-supporting and I am bringing that to your notice. If you think it should be increased or otherwise, that is policy; I am simply bringing the situation to you.

Mr. GIBSON: Where you say 305, where could we find that section 305?

The CHAIRMAN: In the Canada Shipping Act.

Mr. BROWNE: Would it not be a good idea to make a note that consideration be given to the increase in the rate so that it will be self-supporting?

The CHAIRMAN: The note will be taken.

Mr. GIBSON: Freight rates must have quadrupled since that time.

The CHAIRMAN: I suppose when we go into that we should have the witness from the department to give us an idea why it has been changed?

The WITNESS: If I might interrupt, that is what I was going to suggest to you because the ocean-going vessels are self-supporting; it is the coastwise ships where you are taking a loss and, therefore, you have the question of Canadian policy involved there and you should have a departmental officer to give you information on that.

Mr. FLEMING: It is the Department of National Health and Welfare.

By Mr. Kirk:

Q. Before we leave that, this is not a case of all the small fishing boats that pay that fee, is it?—A. There are roughly 4,500 small coastwise vessels which collectively have a crew of about 18,000. It is the local shipping and that is the problem you have to consider, sir.

The CHAIRMAN: Now, the Cold Storage Act, chapter 25.

By Mr. Fraser:

Q. In regard to this, the last paragraph of that chapter in regard to insurance, I take it from this that if a cold storage plant is insured and goes up in flames, the owners get the insurance money. Then they rebuild and can start in again and get their 15 per cent right off the bat. Is that right—and they also have the insurance money?—A. Not if the same people rebuild, but if they change their organization they can start off qualified for 30 per cent. However, sir, might I draw to your attention that in the Speech from the Throne this year there is notice that there is to be legislation in regard to the Cold Storage Act and this sort of thing may be covered by that.

Q. That might clear this up?—A. I do not know, but it might. The government has given notice of legislation.

The CHAIRMAN: Item 19, Civil Service Superannuation Act.

By Mr. Fleming:

Q. Mr. Sellar, in this item you have adopted a policy of dealing with a particular case?—A. Yes, sir.

Q. What about the position of the superannuation fund in general? Are you in a position to make any comment on this question?—A. I do later on, sir.

By Mr. Browne:

Q. I notice that an employee has been taken from the government of Manitoba for the use of services. In what department was he taken on?—A. He was employed by the Department of National Health and Welfare.

Q. In the Manitoba government?—A. No, in Ottawa. I do not know the name of the department he was in for Manitoba but here he was employed by National Health and Welfare. My point is simply that here is a man who is acquiring superannuation status for the same period of time from two governments. That is the only point but I thought you should know about it.

Q. He was getting \$6,996 from the government of Manitoba?—A. He was getting \$6,900 from the government of Manitoba. He was paid at the rate of \$9,000 odd by the government of Canada so he netted about \$2,400 and the rest went to the government of Manitoba to reimburse it for its payments to him as he was still employed by it. He is now employed solely by the government of Canada and his salary last year was \$9,000.

The CHAIRMAN: Would Mr. Bryce care to comment?

Mr. BRYCE: Well, sir, I noted this case when I received the Auditor General's report. I sent for the papers on it but I am sorry that today I have not yet received them. My recollection is this was a legal problem and that the officer, once he became a public servant of the government of Canada, had the right under the Superannuation Act to elect to count his earlier service—and it was a question of the provisions of the law making it possible for him to do so. I would have to look further into the papers I had prepared at the time to see whether there was any opportunity to avoid this. I think the problem arose from the provisions of the Act itself rather than from any deliberate decision.

Mr. BROWNE: Is there provision that a man coming from the provincial service into the federal service may by a ruling of the federal government have his past time in the provincial service taken into consideration?

The WITNESS: Well, the problem, sir, was that the lawyers held that the period during which he was on loan here, counted legally as a period of service in the public service of Canada under the provisions of the Superannuation Act.

The CHAIRMAN: For all the period that he had been working on loan in Ottawa.

Mr. BROWNE: He is employed by the federal government but drawing a pension from the Manitoba government.

Mr. BRYCE: Whether he is drawing a pension from the Manitoba government I do not know—I presume he may be.

I think that while this is a question of policy it is a proper thing for the Auditor General to draw attention to; and when the Superannuation Act comes up for review it is a matter that might very well be borne in mind.

The CHAIRMAN: Item No. 20, Defence Appropriation Act.

Mr. BROWNE: This is the \$300 million again.

Mr. FLEMING: Yes.

The CHAIRMAN: Item No. 21, Prairie Farm Assistance Act.

Item 22, Public Works Act?

Mr. FLEMING: On item No. 22, Mr. Chairman, the Auditor General has given two instances here as I understand it, in connection with votes 296 and 297. He says “. . . the sum involved in extras was so substantial as to give rise to a question of power to proceed without again inviting tenders.”

Mr. Sellar will correct me if I am wrong, but the contracts were awarded in compliance with the Act. After the tenders had been properly called, in the course of carrying out of the work some extras were added. Those extras were of substantial amount—well over the \$5,000 statutory figure—and in those cases the extras were approved and added to the contract without any calling of tenders. Is that the gist of it?

The WITNESS: Not exactly, sir.

Let me take them in turn. First the Joliette building. Tenders were called and the Governor in Council awarded the contract to the lowest bidder. Three bidders put in bids and the low man was given the contract. After the work started the unemployment insurance people asked for double the space that was going to be allotted to them and the R.C.M.P. asked for space. The result was—and I have the figures here—the dimensions were to be 147,000 cubic feet in the first place but these additional requests necessitated a building of 291,000 cubic feet.

Therefore, public works negotiated with the low contractor and they negotiated well. I am not reflecting on Public Works negotiations at all. They tried to make a good deal and I think they did, but it seemed to me you had really a brand new structure—you had one double the size. Therefore, in the ordinary case you might say it was a new job and I thought I should bring it to your notice.

The second contract was at Fort Erie. They started on the foundations but the Post Office asked for more space and they had to revise all of the plans. Public Works went back again to the low bidder who was awarded the contract—and I might say the low bidder's price was \$49,000 and the next man was \$63,000 so it was a close price. When it came to this new design he asked \$95,000 for the whole job and the department argued with him and brought him down to about \$90,000. So, I think in both instances Public Works carried out good negotiations but it just seemed to me that perhaps there was something that the Act required which was not done—so I am bringing it to your notice. I am not worried over the departmental application of this at all.

Mr. BROWNE: Mr. Chairman—

The CHAIRMAN: Are you changing the subject?

By Mr. Browne:

Q. No, I am going on with it.

May I refer the Auditor General to I think it is page V-20, Joliette public building, Department of Public Works, where the vote is given here as \$190,000. That \$190,000 for that year was intended for that public building?—A. Yes, sir.

Q. Then the contract was \$179,482, is that right? In other words, less than the \$190,000?—A. Yes, sir.

Q. But it was found that they needed more space so the offer of \$365,000 was accepted but there was no vote for that?—A. It was not finished.

Q. We will have to vote more money this year—or was it done by supplementary estimate at the beginning of the year?—A. It may have been, I will have to check on that.

Q. It shows that \$367,000 has been paid—which is more than the vote?—A. You have to bear in mind this job was started in 1949.

Q. I beg your pardon, I think it says the contract was for \$367,000?—A. I will get you the particulars of that, sir.

Q. And can you do the same thing about Fort Erie. The same difficulty is there—the whole thing is larger than the amount voted?—A. Yes, sir.

By Mr. Fleming:

Q. What in general is the practice of the Public Works Department in those cases? Are these two rare and exceptional cases?—A. These are quite exceptional.

Q. Even in cases where it is not a fundamental change in the structure of a new building for which tenders have been called, we will say, the matter of extras might not in itself be of major importance but nevertheless might be more than the \$5,000. There is no practice of calling for tenders ever is there?—A. No, but they go to the Governor in Council for authorization.

The CHAIRMAN: It will have to pass the Treasury Board?

The WITNESS: There is control over the administrative application. There would be no use calling for tenders when you have a contractor on the job because he can be the low man always. Your engineers, if they are competent and on the job, will see that he is not charging you too much for those extras.

By Mr. Fleming:

Q. Those two cases, votes 296 and 297, I gather, were not before Governor in Council?—A. Oh, yes, the Governor in Council approved these. Tenders were not called but they were before Governor in Council.

Mr. BROWNE: You will get that information?

The WITNESS: Yes, sir.

The CHAIRMAN: The next section, statutes regulating works' and supplies' procurement, items 23 to 25, inclusive.

By Mr. Fleming:

Q. There is a point on item 23. The Auditor General sums it up in the last sentence: "To rely on holdbacks under one contract to protect the interests of the Crown and workmen under another is unusual." Well, Mr. Sellar, is it not more than unusual? Is it not a failure to comply with the requirements of the Act?—A. This is the only case, sir, that I noticed. It was in connection with the tunnel under the Lachine Canal at Montreal. The extra building was a small job, a \$55,000 building for administrative purposes. The main contractor had the whole thing, a big company, quite

safe as far as it goes, but I thought as a matter of good administration that I should just give a little publicity to a minor omission by the department and they have taken notice of it.

Mr. FLEMING: Verbum satis sapientibus.

The CHAIRMAN: Item 24.

By Mr. Browne:

Q. Was that not before the House last year?—A. Yes, sir, it was increased to \$15,000.

Q. There was no figure actually mentioned last year, but there was a compromise made. That \$15,000 was not there?—A. It is in the legislation now.

The CHAIRMAN: Item 25.

By Mr. Fraser:

Q. On item 25, what was Mr. Sellar's reason for bringing this out? Was it the fact that the contractors were not held to their contracts?—A. The reason I brought that out, sir, was because while a contractor for works must give a security for performance of his contract, yet there was no obligation, has never been an obligation to give security for the performance of a contract for the production of supplies. Therefore there was no security given in either of these cases. Under the Financial Administration Act there is power there to make regulations governing this and I was told the other day that regulations are to issue within the next few days covering this point. I have not seen them.

Q. Then the contractor for supplies will have to put up a bond?—A. For the performance of his contract.

Q. For a percentage of his contract?—A. As I say, I have not seen the regulations, but I understand that is the intent.

The CHAIRMAN: Veterans' Land Act, sections 26 to 29, inclusive.

Mr. BROWNE: Mr. Chairman, why does Mr. Sellar publish this here?

The CHAIRMAN: What paragraph are you talking about?

Mr. BROWNE: Paragraph 26.

The WITNESS: The point is in paragraph 27, sir, last sentence:

While the director is declared to be, by the Act, a corporation sole, all moneys involved are drawn from Consolidated Revenue Fund; therefore if the real intent of parliament is that "cost to the director" be synonymous with cost to the Crown, an anomalous situation exists with respects to the director's land acquisitions in this irrigation area.

Because the Department of Agriculture spent money on this development and the director has not taken that into calculation in applying the Veterans' Land Act. Paragraph 26 is really introductory.

The CHAIRMAN: The next section, War Service Grants Act, paragraph 30.

Mr. FLEMING: I wonder, Mr. Chairman, if you should not give that, or mark it at least for further consideration, the final paragraph in section 26. I take it, Mr. Sellar, that is in the category of matters you are calling to our attention. It may become a question of policy, but you are simply drawing attention to it?

The WITNESS: Yes, I thought there should be something in there for the veterans. If a fellow logs trees off his land he should be able to get something for his labour. If he sells gravel off his land, and he loads it, he should get something for his labour, but as the Act now reads the poor fellow is not legally entitled to keep any. I think that sometime when you have that Act open you should give him a break.

The CHAIRMAN: We will take a note of item 28 and if necessary call witnesses.

Mr. FLEMING: If we are going to call someone from the Veterans' Land Administration, I suggest including paragraph 29 in it is as well. There is a point raised there, also.

The WITNESS: It is a matter of statute.

The CHAIRMAN: Would you enlarge on your question for the record, Mr. Fleming?

Mr. FLEMING: All I am mentioning about paragraph 29, without going into it now, is that there is a point there we might as well concern ourselves with if we intend to have a witness come here later from the Veterans' Land Administration. The Auditor General has called attention to a subject here in paragraph 29 which we might well concern ourselves with.

The CHAIRMAN: It was just to get clarification into the record. I wanted to get the clarification in so that if anybody bothers to read they will know what you are referring to, as they will not in general have the Auditor General's Report beside them.

War Service Grants Act, item No. 30.

Mr. BROWNE: These four cases that you refer to, are these typical cases?

The WITNESS: They are not a great many cases, sir. These are selected cases, because they happen to illustrate the situation pretty well because of their unusual characteristics. There are always a certain number of these cases arising and I honestly believe you might reasonably consider your legislation in this regard. It is pretty wide open now.

The CHAIRMAN: Are we agreed that we are through with item 30?

The next section deals with year-end charges to appropriations.

Mr. FLEMING: I wonder if this would be a good place to adjourn, Mr. Chairman, for the day. We have already covered 30 items today.

The CHAIRMAN: It is quite agreeable to me. We have covered one-third of the Auditor General's report.

Is it agreed that we have a meeting on Thursday afternoon at 4 o'clock?

Agreed.

The meeting adjourned.

The Committee ...

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HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

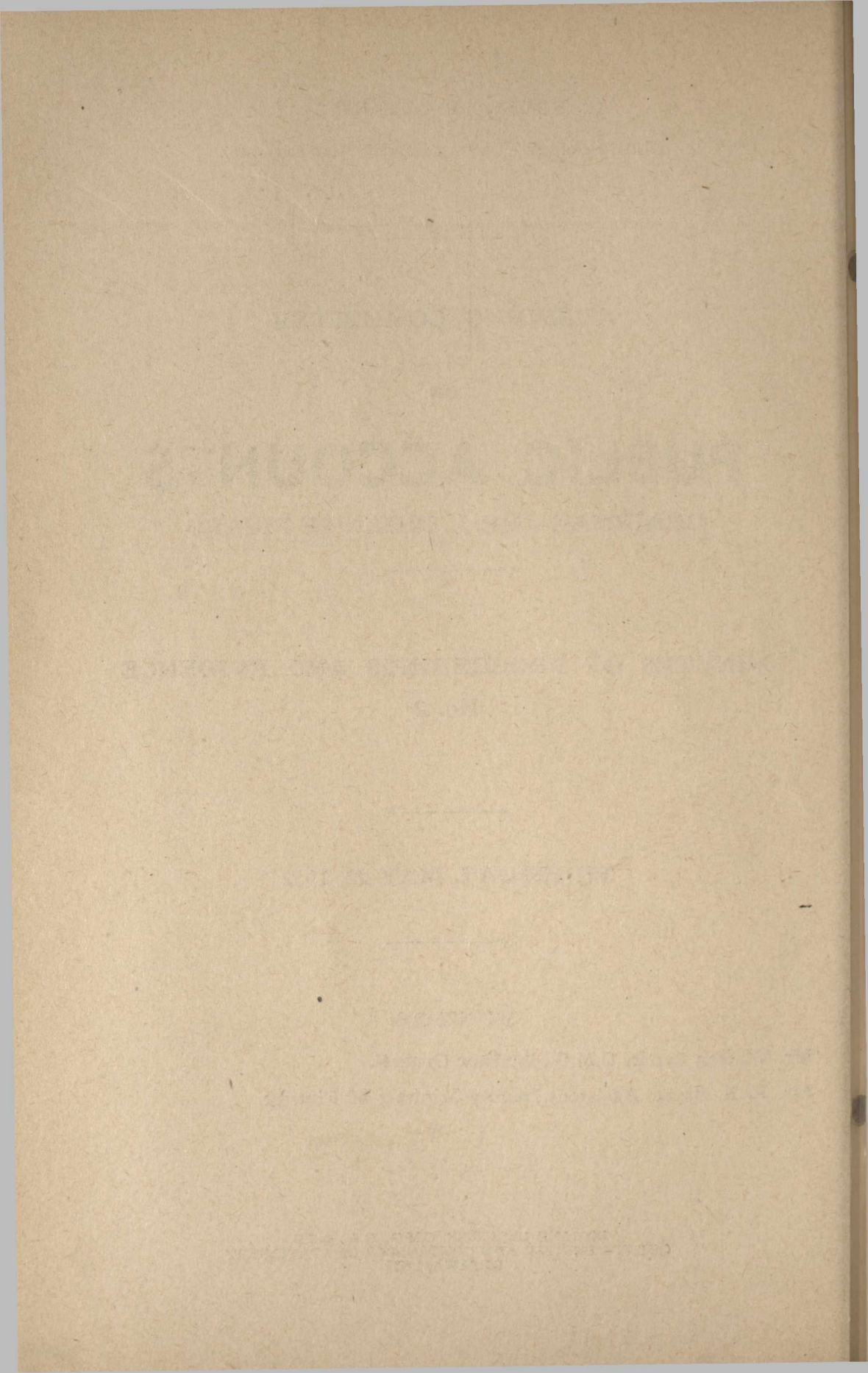
No. 2

THURSDAY, MAY 22, 1952

WITNESSES:

Mr. Watson Sellar, C.M.G., Auditor General.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance.



MINUTES OF PROCEEDINGS

Room 430,

THURSDAY, May 22, 1952.

The Standing Committee on Public Accounts met at 4.00 o'clock p.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Browne (*St. John's West*), Cauchon, Cavers, Croll, Denis, Fraser, Fulford, Harkness, Helme, Jutras, Kirk (*Digby-Yarmouth*), McCusker, Pearkes, Picard, Robinson, Stewart (*Winnipeg North*), Wright.

In attendance: Mr. Watson Sellar, Auditor General, and Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee considered the Auditor General's Report for the year ended March 31, 1951.

Messrs. Sellar and Bryce gave answers to questions asked of them at the previous meeting.

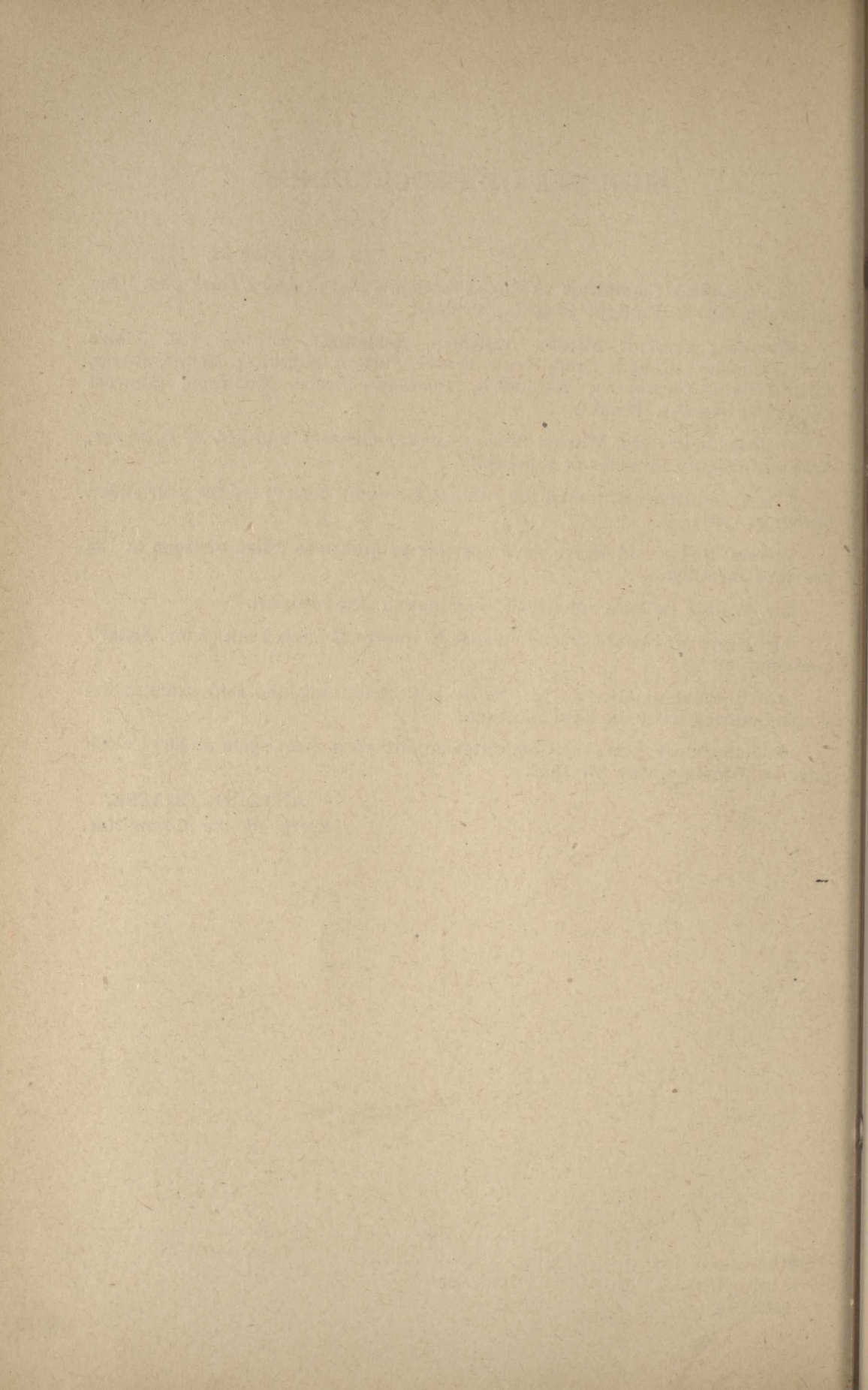
Mr. Watson Sellar's adjourned examination was resumed.

Mr. Bryce was heard briefly on specific questions arising out of Mr. Sellar's examination.

And the examination of Mr. Sellar still continuing, the said examination was adjourned until the next meeting.

At 5.45 o'clock, p.m., the Committee adjourned to meet again at 4.00 o'clock p.m. on Tuesday, May 27, 1952.

ANTOINE CHASSÉ,
Clerk of the Committee.



EVIDENCE

MAY 22, 1952.
4.00 p.m.

The CHAIRMAN: Gentlemen, we have a quorum.

Before we start Mr. Sellar will bring in some answers to questions asked at our previous meeting.

Will Mr. Bryce please step forward to the table also?

Mr. Watson Sellar, Auditor General of Canada, called:

The WITNESS: Mr. Chairman, Mr. Johnston asked at the last meeting about the distribution of the prize money. In 1950 an Act was passed directing that 68 per cent be paid over to the Canadian Naval Services Benevolent Trust Fund and 32 per cent to the Royal Canadian Air Force Benevolent Fund. Up to the 31st of December last \$1,760,267 had been paid to the Naval Service trust fund and \$828,362 to the Royal Canadian Air Force fund.

By Mr. Croll:

Q. Mr. Sellar, is that an accumulation of war prize money?—A. That is an accumulation of prize money from Canadian seizures plus the share Canada received from the United Kingdom.

Q. How long?—A. Up to the end of that period. There may be still more money coming from the United Kingdom.

Q. It seems like quite a sum?—A. It is quite a sum.

The second question was asked by Mr. Fleming with respect to the number of cheques of \$100,000 and over that were issued. I thought there was a list kept by Treasury but there is no list, so I had my men make a check of the vouchers the Department of National Defence paid in the last month of the year. There were 270 cheques of over \$100,000. I think Mr. Fleming was particularly interested in National Defence.

Mr. ROBINSON: 270 in National Defence?

The WITNESS: In National Defence in the month of March plus the tail-end into April.

The third question was asked by Mr. Browne who wanted the full expenditures by years on the Joliette public building and the Fort Erie public building. I have here a tabulation which I suggest be placed on the record.

The CHAIRMAN: You might read it.

The WITNESS:

JOLIETTE PUBLIC BUILDING

Fiscal Year	Vote No.	Expenditure
1948-49	335	\$ 57 00
1949-50	334	5,323 05
1950-51	296	52,552 69
1951-52	343	286,298 93
1952-53	338
		<hr/>
		\$344,231 67

FORT ERIE PUBLIC BUILDING

Fiscal Year	Vote No.	Expenditure
1949-50	335	\$ 17,523 66
1950-51	297	78,191 34
1951-52	345	56,541 10
		<hr/>
		\$152,256 10

There is a vote in the current year for Joliette to finish it off but no expenditure has yet been made.

The CHAIRMAN: Now, I think Mr. Bryce has answers to some questions that were asked at the last meeting?

Mr. BRYCE: Mr. Chairman, I was asked about the payments by Czechoslovakia on its loan and by China on the loan it received, under the Export Credit Insurance Act—and the terms of settlement of the claim on the U.S.S.R.

In regard to the Czech loan I was asked whether the payment on it had been made from funds obtained in the normal commercial manner. That is the case. Czechoslovakia paid its loan out of ordinary funds obtained through the purchase of Canadian exchange.

Secondly, in regard to the U.S.S.R., terms of settlement of the claim, with U.S.S.R. were agreed on in an exchange of notes of August and September, 1950, which I understand were tabled in the House in February of last year.

This is the claim to which the Auditor General refers somewhere in paragraph 13—right at the bottom of paragraph 13. I might say this provides for the payment of the claim as a whole—the principal amount in five instalments—on the 30th of June, 1953, 31st March, 1954, the 31st of December, 1954, the 30th of September, 1955 and the 30th of June, 1956.

Interest is payable at the rate of 2 per cent per annum on the unpaid balance of the debt calculated from the 1st of July 1950. That is roughly the date on which the negotiations were coming to a conclusion and the interest prior to that date at three-quarters of 1 per cent, reckoned as appropriate to a short term debt was capitalized.

Those documents were tabled and I presume that unless you want them there is no need now—

The CHAIRMAN: No.

Mr. BRYCE: Finally, I was asked about the payment by China of the loan under the Export Credit Insurance Act. The Auditor General has noted the payments of interest. I am not sure, sir, whether that item was intended to be all interest or some principal and he noted that—the government of Canada had agreed to defer to December 1952 some of the interest maturing after December 31, 1950.

I was asked about the series of payments made by China in that fiscal year and whether they had utilized for those purposes all the assets that were available to them here. They made payment in that year of those amounts that the Auditor General notes as interest—\$1,702,000, and they made payment of \$756,557.34 on principal. Part of the payments were made an account that they held, or that was held by the Chinese government supply agency, with the Imperial Bank of Canada under a letter of credit in favour of the Canadian Commercial Corporation, which had been arranged for the purchase of certain supplies which, owing to the changed circumstances of China they could no longer secure and export. By negotiation it was arranged they would apply those funds toward the payment of the amount due under their credit agreement.

Another amount was obtained, \$120,000 odd, from the Canadian Commercial Corporation, which was a balance that was being held by the corporation for

the account of the government of China against certain orders for purchases which they were trying to make and which could not be carried through because of the changed situation in China.

Finally, the government accepted title to certain items which the government of China had purchased out of the credit and which again, because of the changed circumstances in China, they could not export to the Chinese mainland and the government accepted title to those as payment against the loan.

Some of these items were bridge spars, some of them were ammunition, and in those cases ultimately some loss was realized in the disposition of this material. But it was felt that it was as good a recovery as we could get in the circumstances.

Mr. FRASER: What was the amount?

Mr. BRYCE: The amount obtained—I can't give you the amounts realized from the information I have here.

Mr. FRASER: Well, the total amounts and then what was written off, that would be the easiest way to get it?

Mr. BRYCE: The amounts written off, sir, were not written off formally. It was agreed with the government of China that the payment of them would be deferred to December 1952. The amounts are given in the report of operations under the Export Credit Insurance Act, Part II, which has been tabled in parliament last year and this year. The whole situation is set forth in there as regards the amounts owing and paid and that is already available and I just thought it was unnecessary to put it in the record again.

Mr. PEARKES: Were any of those connected with the Ming Sung Company?

Mr. BRYCE: No, sir, the Ming Sung Company was a guaranteed loan.

The CHAIRMAN: Does this complete the answers?

Mr. BRYCE: Yes, sir.

The CHAIRMAN: Now, gentlemen, we are on paragraph 31, year-end charges to appropriations on page 11.

By Mr. Fraser:

Q. May I ask Mr. Sellar about that case 1 in there regarding the Quonset type huts. Would the treasury officers have to O.K. those? They would have to O.K. those before it was put through or after it was put through?—A. They would have to reserve funds when the contract was awarded and before they could make the payment the Consolidated Revenue and Audit Act required that a certificate be given by the department that it had received the materials, that they were in accordance with contract and that the sum was legally due and payable.

Q. Despite the fact that the Governor in Council had not given consent?—A. There is no obligation for an approval of the Governor in Council generally for the purchase of supplies. In this case and in case 2 there was such a provision in what was then the Defence Supplies Act which has since been replaced; but it provided that the minister without the approval of the Governor in Council may enter into a contract if in the opinion of the minister the contract must be entered into immediately in the interests of defence.

Q. But this is one where the huts were to be stockpiled?—A. But it was regarded as coming within the ambit of the Act. That is why I am bringing it to your notice.

By Mr. Pearkes:

Q. Regarding case 2, can you say whether those radar sets were obtained from Canadian Arsenals or from whom?—A. Case 2?

Q. Case 2.—A. It was purchased from the Ontario Hughes-Owens Company.

The CHAIRMAN: Any further questions?

By Mr. Harkness:

Q. As far as case 1 is concerned, have you any information as to whether the price paid was high or low?—A. No, that would be a matter that the Department of Defence Production would pass on, that the price was reasonable when they were contracting.

Mr. FRASER: This was given without tendering at all?

Mr. HARKNESS: Yes.

The WITNESS: What you would call a negotiated contract.

By Mr. Harkness:

Q. In other words, what you are directing attention to is that it was without tender and the huts, the Quonset huts were stockpiled so they did not properly come under the provisions of emergency purchases?—A. Not quite, the reason in bringing it to your attention is only because of the wording in a particular section of an Act and I thought you might be interested in knowing the application given to that section.

The CHAIRMAN: Any further questions?

By Mr. Pearkes:

Q. Regarding this radar equipment, I do not know whether the same type of equipment is made in the Canadian Arsenals which is a Crown corporation and I am surprised to hear you say that tenders were not called, that we went to an outside firm rather than going to a Crown corporation?—A. You would have to ask somebody who knows about that. I was interested simply on account of it stating, as I said here, that the delivery must be not later than March 15, 1951. There has been no provision made in the 1952-53 year to cover this. That is the reason I am drawing attention to it. It is a year-end charge.

The CHAIRMAN: If there is anything in this that you want to ask any questions about at a later date, you might take a note and when we are through with the auditor's report it will be in order to ask questions if the committee still wants to sit.

By Mr. Pearkes:

Q. I think Mr. Sellar said definitely that they went to an outside firm?—A. Yes.

The CHAIRMAN: But I mean if you want to pursue it further after we are through with him, we will be open for other work if it is not too late in the session and you can ask for a witness. I gave that undertaking the other day so you might make a note of the paragraph and move for it after we are through.

By Mr. Harkness:

Q. Now, case 3 is an example of exactly the same thing except in this case there could not possibly, I would think, be any question of emergency demand?—A. No, the departmental explanation is that they had word that prices were going to go up and they thought it prudent to get in a reserve supply.

Q. A supply of tires?—A. Yes, it happens that they did not have any storage space so they did not take any delivery until after March 31. The Act says the goods must be delivered before March 31. That is why I am noting it. Strictly speaking, I think they should have charged that cost to the next year.

Mr. FRASER: Well, purchasing like that too would help to put the cost of tires up.

The CHAIRMAN: They would have had to buy them some day, whether a week before or a week after.

Item 32, at the bottom of page 11.

Mr. HARKNESS: Just a minute on 32.

The CHAIRMAN: I am waiting a few minutes to see if members have any questions.

By Mr. Harkness:

Q. Well, as I understand this 32, these amounts that you have put down here do not, strictly speaking, come within this provision which has appeared for some years now in the defence department estimates that notwithstanding section 29 and so forth commitments might be entered into for acquiring larger amounts than the sums appropriated. Is that the sense of this?—A. No, the point I am making is this. The accounts were ready for payment. Therefore, strictly speaking they should have been paid in that year but they did not have enough money. It happened that the operating of this special provision resulted in the department at the end of that year not having enough money at the year end to liquidate all that came for payment.

Q. In other words, through the use of this notwithstanding provision they had spent more than they were actually entitled to spend?—A. They had contracted for more. They did not have the money to pay for it when it came in faster than they anticipated. Take the air service where accounts of \$4,200,000, were ready, \$2 million of that is due to the United States government, which is a typical example of a commitment that happened to have deliveries made faster than they anticipated.

By Mr. Stewart:

Q. Was that the reason for it, that deliveries were made faster than they normally anticipated?—A. In that case, yes.

Q. Thinking delivery might be, say, six months to come across and they were in faster than they could take it?—A. If you take the over-all picture of the grants for national defence the answer is yes. Specifically you might say there were accounts there that were anticipated and should have been paid, but if you take the over-all picture it was deliveries coming faster than they had been anticipated.

The CHAIRMAN: Section 33.

By Mr. Stewart:

Q. We are dealing with payments and tax deductions from the pay of army service personnel. Why were they not remitted?—A. Because their accounts were not in such shape that they knew what to pay.

Q. But aren't the accounts made up at the end of each month?—A. No, sir, not in the pay corps. They do not bring their accounts together at the end of each month; they are considerably in arrears now. That is our worry.

Q. Well, how do they do it? I just do not understand why they should be three months in arrears. I gather the men are paid on time?—A. It is a deduction from the source.

Q. Yes, I know.—A. Not only is it a deduction from the source, but under the legislation of last year no service man need make any income tax return at all. The deduction from source is taken as the payment of income tax.

By Mr. Fraser:

Q. Even if he had a private income?—A. If he has a private income of over \$50 he must, but I am thinking of the chap Mr. Stewart is thinking of.

By Mr. Stewart:

Q. Let us take Shilo Camp. Pay is issued there and deductions are made for income tax. Now, what happens to these deductions?—A. Those deductions

are to be reported to the headquarters in Ottawa and payment made to Income Tax.

Q. But that apparently is not done?—A. And it was not done. They were three months in arrears at last year end; they are further in arrears today.

Mr. CROLL: Why?

The CHAIRMAN: When you say "remit" you mean "remitted to Income Tax"?

The WITNESS: Yes.

By Mr. Stewart:

Q. Surely at the end of January they would know what they paid out to the men? They know the balance they have in the bank account for income tax. That cheque should be remitted within a month or is there some difficulty?

—A. It has not been. That is why I am referring to it.

By Mr. Croll:

Q. It was not what?—A. It was not remitted to the Income Tax people.

Q. And you report that to us in this and now you say even today they are in arrears again?—A. They are still in arrears.

Q. Aren't they paying interest to the Income Tax people?—A. No, sir, because as far as the government is concerned the man had paid.

Q. I see what they are doing; it is a matter between the two departments?—A. It is a clearance between one department and the other.

Q. As far as the individual is concerned it is a plague on both their houses?—A. Yes.

By Mr. Fulford:

Q. Have you any recommendations to bring this up to date?—A. We have been pressing the department that they should study the situation very carefully. That applies, sir, not only to income tax but to their superannuation account. If a chap resigns he has some credits. It may take several months before he gets his money back under the present system. I do not think that is fair. I think when a fellow is legally qualified he should get his money very quickly so I do not think the situation is fair; this system is founded on World War I.

By Mr. Wright:

Q. What would happen if a commercial firm failed to send in their collections by way of deductions?—A. That is different, sir.

Q. Why should it be?

By Mr. Harkness:

Q. The total result of this is that at the end of the fiscal year the Department of National Defence had \$550,000 more on hand than they really should have had and that constituted part of this underfall discovered in their expenditures.—A. I do not know about that, but it is money that should have been shown as income tax department revenue at the end of the year but it was not.

Q. And seeing it was not, it also constituted part of the \$300 million which the Department of National Defence had on hand which they had not appropriated last year.—A. It forms part of the residue in their vote.

By Mr. Stewart:

Q. Have you made any recommendations to clean this matter up? I should think three months is far too long a time for these deductions to be outstand-

ing.—A. I feel that way, sir, and last November I drew it specifically to the attention of the department and I know that they brought from the west a senior officer, an experienced accountant, to seek to improve the system, and I know that he has been working very hard on it. I think he is a colonel or a major. When he was talking to my supervisor the other day he was very hopeful as to the over-all position but he has not brought everything up to date and that will take a little time.

Q. Do you think that if you fired a few paymasters that would help?—

A. I do not know, sir. You are getting into a broad question.

Mr. CROLL: They would be very mad at you if you fired the paymasters!

The CHAIRMAN: Item 34, works improvements involving joint participation. Carried.

Contributions to municipal works, items 35 and 36.

By Mr. Harkness:

Q. Why do you bring those particulars to our attention?—A. There are two different reasons, sir. In item 35, the expenditure in my opinion is quite within the powers of the department. I am not challenging that.

Q. I was wondering whether it was or was not—that is why I asked the question.—A. There has been over the years much discussion and legal proceedings in the United States and in Australia as to the power of the central government to spend money on activities belonging to the state or municipal authority. So far as Canada is concerned, that matter came up on the reference that went to the Privy Council over the Bennett legislation of 1935, and the Privy Council raised the issue then as to the authority to spend on such things. It came up again when the children's allowance bill was before the House and the then Minister of Justice, now Prime Minister, stated his view that he considered that it was within the competence of parliament to appropriate money for any purpose that it saw fit, but that parliament could not by means of such legislation trespass on the local powers of the province. Now, then, that is the general picture, but it seems to me, sir, that when in a case like this a new work is being undertaken, even though it only involves a petty sum, instead of that being charged to a general vote parliament should know of the intent to spend on such a work; it might be desirable that it be set out in the details. I am talking about the future lest you ultimately get involved in large outlays without knowing about it at an early stage.

Q. In other words, it gets you into the whole general field of Dominion-Provincial relations?—A. It might. That is the whole point to that. I am not worried over the small sum involved. The other one involves construction of two airports. In both cases the land for the airports was to be acquired by the municipalities and the government of Canada agreed to spend a considerable sum of money in developing them. The agreement provides that the municipality will not sell the airport for any other purpose without consultation with the government of Canada. That is the general situation there.

Q. Not "without permission", just a consultation?—A. Now, in 1947 I noted in the report to the House of Commons that the Department of Transport had constructed airports in the state of Michigan, not really airports but landing strips, and that the cost was charged to a vote for capital works although the title was in the state of Michigan. The department agreed that I was right and the following year the minister included in his estimates a special item to regularize this and put in a special vote which has been continued ever since. Now, it so happens these two particular works are also charged to a general vote for capital works belonging to the department. The next vote in the estimates provides for assistance by the department, contributions to municipalities, and it seems to me that these two should have been charged to that

particular vote. I think the objects are quite good, I am not criticizing that in any way, but only from the viewpoint of parliamentary control of the estimates. That is why I included these two paragraphs.

Mr. BROWNE: Where is the vote in the public accounts? Is it vote No. 500?

The WITNESS: The vote is under Department of Transport.

Mr. BROWNE: On page 576.

The CHAIRMAN: We are switching to public accounts, Mr. Browne. At this moment, if you need any information take a note of it and after we are through with the Auditor General we can take that up. It was agreed we would go through the Auditor General's report and not dig into the public accounts as we go; otherwise we will never finish this, and some members have in mind that if we finish this early enough we can call a department. That was the agreement.

Mr. BROWNE: Well, I do not wish to transgress any agreement you made, Mr. Chairman.

The CHAIRMAN: It was not only made by myself, it was more or less agreed by everybody at the last meeting. If we go back now to each item in the public accounts we will never get through with this part.

Mr. BROWNE: I do not see, Mr. Chairman, how you can logically follow that out without consulting the vote.

The CHAIRMAN: With the information you have now from the Auditor General—I thought that he gave quite a realistic picture of what happened.

Are there any other questions pertinent to the item?

Carried.

Grants to fairs and exhibitions, item No. 37.

By Mr. Harkness:

Q. Was this overpayment of \$1,553 contrary to the vote or contrary to the order in council?—A. Contrary to the agreement. This is just a needling item, if I may use the phrase, on the department. They agreed with me privately.

Q. It does not contravene the vote, it merely contravenes the regulations made pursuant to that vote?—A. This item strengthens the department's hands in dealing with fairs in the future.

The CHAIRMAN: Are there any further questions?

Carried.

Item 38 "Powers of Attorney".

Carried.

Items 39 and 40 "Rental payments and office furnishings".

Carried.

Items 41 and 42 "Accounting for international exchange losses".

Mr. HARKNESS: Wait a minute, Mr. Chairman, I did not get over the page.

The CHAIRMAN: I am sorry. Do you want to go back to item 40?

By Mr. Harkness:

Q. Is it under item 40 where there appears one of these cases in which a rental agreement was entered into for a building, and the building was not occupied? Is that in this item?—A. All three.

Q. All three of these cases? I remember that you reported on it previously; and what I was going to say was that it seems to me to be a bad practice and one which is wasteful of money. In this particular case it would appear that \$70,000 was expended when no return was had by the people of Canada at all

for that expenditure, because they voted this for a building which was not occupied. Now, as to your previous recommendation, I do not know when it was made, but you have made it two or three times.—A. I made it, in particular, regarding a building in St. Catherines.

Q. Has the Department of Public Works paid any attention to that recommendation, or have they just continued along as if there was no such thing?—A. It is not the fault of the Department of Public Works. It is the fault of the departments which ask Public Works to give them space. In this case a rental agreement provided that as soon as the building was ready, Public Works would be notified and it would put in the partitions. The owner notified Public Works that the building would be ready on the 1st of July. Public Works had allocated the space to various departments, but they did not indicate to Public Works for a considerable time their plan of partitions, etc., which they wanted. That was why the building remained empty so long. While it has nothing to do with this item, I believe we have been going to extremes in the Government of Canada in providing private offices. I think we will have to do as industry does, and go much more into big open offices.

Q. I think that would be very sound.—A. The usual civil servant wants to have a cubbyhole of his own.

Mr. CROLL: I think he is entitled to it, Mr. Sellar, and I do not agree with you in that respect. Consider Mr. Bryce, for example. Should he have to sit out in a public office? He has important work to do and he should have an opportunity to meditate on it for a few minutes. But, of course, if you are referring merely to stenographers, then I am in agreement with you.

The WITNESS: That is what I had in mind. When you get down the line there is always an urge. I experience it all the time. There is always an urge among civil servants to get into a room, each one for himself; and then the next step is to get a stenographer and a room for her.

Mr. ROBINSON: Even a Member of Parliament would like to have a room for himself.

Mr. CROLL: You are treading on toes there.

The WITNESS: Well, I have been treading on toes all my life.

Mr. HARKNESS: Most Members of Parliament do not get rooms for themselves, let alone rooms for their stenographers.

Mr. CROLL: You have some space here now in the new building over on Metcalfe street, the Metcalfe Building. That is a modern building. It is well laid out and well lighted. On the other hand, you have a great number of small private offices for men who are doing important work. I can see nothing wrong with that. I do not think they should be sitting out in the open, as you have said, and I do not follow you at all.

The WITNESS: In the Department of National Defence—I do not know whether the work is proceeding yet or not—I have a staff of about 15. That section has been used as a guinea pig by the Department of Public Works with our consent, to see whether or not, by means of some low partitions, we can eliminate some private offices and save floor space. They are very congested in that department. If that experiment is successful, they intend expanding it throughout the wooden buildings.

Mr. CROLL: I know that in the Income Tax office in Toronto you may walk in to speak to an assessor. There are 100 of them on the floor; and there is not a chance anywhere of being able to talk to the assessor with your being able to hear him and his being able to hear you. So you and the assessor walk out to a small office. There are about three of them; and if they happen to be all occupied, then you stand around and wait until there is one unoccupied; and during that time both of you waste your time. He has important work to do,

and your time may be valuable too. Therefore I think that people who have responsibilities of that kind should have offices to themselves.

Mr. CAVERS: It is embarrassing to the official too.

The CHAIRMAN: At which level of the service would you have them stop having private offices?

The WITNESS: There is no level. It would depend on the nature of the work and the extent to which they communicate with the public.

Mr. HARKNESS: I agree with Mr. Sellar's statement and explanation. I think there is a great deal of money wasted by people having private offices and over-grown staffs unnecessarily.

The CHAIRMAN: Just as Mr. Croll said, the lack of offices by certain officials may cause annoyance to people. I know that in each city with respect to income tax you have people who will come in with problems to discuss; and at the very next desk there will be a chap talking to another assessor and they can overhear what is being said. Therefore a man finds himself talking in public about his own private affairs, and people do not like that. But here in Ottawa, if too many clerks of Grade 1 or 2 have private offices, that may not be suitable. But on the other hand, there are a number of men who, even though they may not be deputy ministers or the heads of branches, might need to have a private office to carry on their work.

Mr. HARKNESS: As Mr. Sellar has said, it all depends on the job.

The CHAIRMAN: Yes. But someone would have to determine the question.

Mr. HARKNESS: In this particular case, which of the departments was concerned?

Mr. BROWNE: In which case?

Mr. HARKNESS: In case three, which is cited.

The WITNESS: The Department of Indian Affairs.

Mr. HARKNESS: Perhaps we might get some explanation from the people in the department which was at fault, and in that way it might serve the purpose of making them more careful in the future.

The CHAIRMAN: Surely. If you want it, just say so and we will get it. What department was it?

The WITNESS: The Department of Indian Affairs.

The CHAIRMAN: Do you want to call somebody from the Department of Indian Affairs?

Mr. HARKNESS: I think we had better wait to see how many meetings we are going to have. I would ask that it be referred to the agenda committee.

The CHAIRMAN: Item 39, case three, will be the same as the other one which was mentioned by Mr. Pearkes; it will be kept for future reference.

Mr. PEARKES: Case 2, item 31, Mr. Chairman.

The CHAIRMAN: Yes, case 2 in item 31. It also will be kept for study by the agenda committee after we are through.

Mr. HARKNESS: I am always very tender with the Department of Indian Affairs, and I am disappointed to learn that they have been at fault.

By Mr. Browne:

Q. I suppose that Mr. Sellar has seen the correspondence in connection with this, and that he probed it that far.—A. I personally have not seen it.

Q. No, I mean one of your men has seen the correspondence?—A. One of my officers had access to the files.

Q. Do they exonerate Public Works for being responsible for the waste?—A. I cannot tell you that because I never asked the question of my man.

Q. \$70,000 seems to me to be an awful lot of money to throw away. Who could explain that?—A. Public Works and Indian Affairs between them, or both of them, collectively.

The CHAIRMAN: That is already in. Mr. Harkness named case 3.

Mr. PEARKE: Do you know which department that is in?

The WITNESS: It is right here in Ottawa, Mr. Pearkes.

Mr. PEARKE: Right here in Ottawa?

The WITNESS: Yes.

Mr. HARKNESS: What is item 40, Mr. Chairman.

The CHAIRMAN: We are considering it now.

By Mr. Harkness:

Q. I think we will see that this sort of thing has been drawn to our attention before, the purchase of furniture and rugs and fluorescent lighting and so forth by the Department of National Defence, which purchasing was supposed to go through public accounts and does not; or, did not in this particular case. Now, what action do you take in cases of this sort, in addition to your report in here?—A. I just report it, sir.

Q. You just report it here?—A. Yes. I do not think that you will see it repeated.

Q. Aren't there a lot of them?—A. No, it has been kept down, sir.

The CHAIRMAN: Are you through with item 40? Items 41 and 42, accounting for international exchange losses. I assume, of course, that we are all familiar with the item. I mean, I presume that we had had this report before us for almost a year now, so that is why after waiting for a few moments I expect members to be ready within those few moments, and that is why I am calling the next item.

Mr. BROWNE: Not over a year, we haven't had it a year?

The CHAIRMAN: Well, perhaps not over a year, but since last October; it was laid on the table in the House during the fall session.

Health grants to provinces:

By Mr. Harkness:

Q. Just in connection with that, your representation would come to this, Mr. Sellar, as far as item 41 is concerned: I take it to be your view that this \$66,000 instead of being written off by the government under vote 66 should be charged up directly to External Affairs if they are going to continue this practice?—A. I think it should be recorded as a special allowance. It shows what the individual is getting.

Q. As a special allowance under External Affairs?—A. Yes. It has been shown under External Affairs. It should not be shown as a loss. It should be shown as an allowance. There is no question about it; the rouble is artificially valued when it is sold to the government of Canada at four to the U.S. dollar. Canada can't get value for them.

Mr. FULFORD: Five cents per hundred it would be, would it not?

The WITNESS: That is what I mean, it has not sufficient purchasing power. It should be reflected as an allowance rather than a loss of exchange.

The CHAIRMAN: How do you account for it?

The WITNESS: You have no option. The U.S.S.R. sells it to the government at four to the dollar; so you have no option; the men need roubles to carry on and the government has to absorb the difference. For example in the case of a largest sum, a man received 90,000 roubles. He paid \$3,600 for them. They cost the department \$22,000.

By Mr. McCusker:

Q. What do the Russians get here in Ottawa on their roubles, transferring them to Canadian funds?—A. That would be an ordinary market operation.

Q. Would they have sufficient here to off-set the expenses of our staff over there in Russia?—A. You probably have seen what I did: I read in an American paper last week about the concern in Washington over the same problem as faced by the State department.

Mr. FULFORD: I remember many years ago, I was in Russia and changed American dollars at the rate of one rouble and 89 kopeck, and the purchasing power of the rouble was less than 5 cents.

The CHAIRMAN: Are we finished with Accounting for International Exchange Losses. If you are through with that we will turn to Health Grants to Provinces, items 43 and 44.

The WITNESS: I might say, sir, that the \$61,000 that is referred to in paragraph 43 has been adjusted by the province of Ontario so it is not really before you. So far as item 44 is concerned, the province concerned has taken appropriate action.

The CHAIRMAN: War Pension Awards, item 45:

By Mr. Harkness:

Q. What is the purpose of bringing this item to our attention?—A. Because the Department of Veterans Affairs instead of doing that job has loaded it on to the audit office for the last 30 years. This is the only place where the outcome appears in the record. There is no significance to it except that the department should do the job; but by an old agreement the audit office is saddled with it. Moreover, the U.K. authorities like the reference for their records.

Carried.

The CHAIRMAN: Item 46, Acceptance of Losses in Unofficial Accounts.

Mr. HARKNESS: There is a lot of work in that too.

The CHAIRMAN: Is there anything further on items 46 and 47—Cost of Loan Flotations?

By Mr. Stewart:

Q. The suggestion there, Mr. Sellar, is that it should be written off in one year?—A. It would be better written off in one year, or amortized, the same as the rest, so that you don't have to look in so many places for the information.

Q. Yes.—A. I regard it as a question of policy for the department.

Q. Would you have any objection to having it written off in one year?—A. No sir. Do not criticize anyone because I was the one who started this amortization. This came up away back in 1931 when we had a huge conversion loan and the cost, naturally, was staggering and accounting for it was an administrative problem. I thought that accounting treatment should be in line with the commercial practice of that time; so I recommended amortizing.

Q. And it means, of course, that the account will have to be carried forward on the government books, and that is why I was wondering if it would not be worth while to revert to the system which existed before 1931.—A. That is a question which you would have to take up with the Department of Finance. The money is spent.

Mr. STEWART: Quite.

The CHAIRMAN: Mr. Bryce?

Mr. BRYCE: I might say that our practice in this matter is to amortize those items of expenses that enter into the terms of the issue. In other words,

you can vary your interest rate and your premium and discount and things like that in setting the terms of an issue. And we amortize those things that are really part of the terms of issue; but we do not amortize those things that are other expenses that are incidental to the issue. The things that we are considering here are new under departmental consideration, and the deputy minister is studying the matter to see whether we shall continue this distinction between the two types of expenses or whether we should treat them all in the same way on the basis of the present practice. Mr. Sellar explained he was there when it started. I was not. Our rationalization at the present time is that we are amortizing those items which in fact are part of the deal.

Mr. STEWART: It would not take a great deal of time for that operation, writing it off in the year in which it is created?

Mr. BRYCE: If it is a small amount, yes.

The CHAIRMAN: Civil Service Transactions, items 48 to 54:

By Mr. Harkness:

Q. As far as item 50 is concerned, I think it is a matter of certain departments creating positions which have not been classified and approved by the Civil Service Commission and then the difficulty is that the men may work in those positions for a number of years without getting any superannuation?—A. Yes, the crux of the problem is the legal one. There is an old order in council passed under the Civil Service Act which is within the terms of the law. Subsequently an order in council was passed which does not have the authority of that Civil Service Act behind it because it was not recommended by the Civil Service Commission. Now, there are a good many regulations made under the Civil Service Superannuation Act and one of them is this regulation which I am quoting:

(2) No period of service of an employee as a day laborer or manual worker may be counted for any of the purposes of this Act unless, in addition to any other requirements of the Act or these regulations, the employee: (a) was appointed for that period by competent authority and his classification of salary were determined in the manner authorized by law;

Now, I have no quarrel from the practical view point, over what has been done except I would hate to think that any man ten or twenty years from now may suddenly face a crisis by them saying: Perhaps you are not legally appointed and, under the circumstances, we cannot give you the superannuation you are entitled to. That is my whole concern because I think if any man believes he is going to get superannuation then everything should be done correctly as to protect him.

By Mr. Harkness:

Q. There are two ways of correct it. One would be for the department and the Treasury Board not to make those appointments and the other would be by way of new legislation covering this point?—A. By getting together with the Civil Service Commission and repealing the old order in council of 1922, putting in a new one, then certainly within the Civil Service Act everything would be fine.

Q. You do not think it requires a change to the Civil Service Act or any other Act?—A. I do not think it requires any change in the legislation. Moreover, I am not sure of the scope of the new Financial Administration Act, but I think the necessary power exists. I am bringing this comment because the individuals concerned know nothing about this possible risk they may be taking. I am hoping that everything will be done to straighten things out.

The CHAIRMAN: Would you care to comment Mr. Bryce?

Mr. BRYCE: I would say I think this is a perfectly proper point that the Auditor General has raised. We are studying it now to correct the matter.

The CHAIRMAN: Are there any further questions on Civil Service transactions?

Carried.

Loans, advances and investments.

By Mr. Stewart:

Q. On No. 54, I remember that when we were going through a schedule of bad debts last year there were quite a number of fees that were being kept by judicial officers. I notice now that the "...deputy minister of Justice decided that retention of the moneys not being permissive, all the receipts of the sheriff's office be credited to revenue."

Does this apply only to the sheriff of the Yukon Territory or to all over the country?—A. The sheriff of the Yukon Territory is the only federal sheriff. The rest are provincial officers.

Q. Those provincial officers seem to have the right to hang on to certain moneys?—A. I know what you are referring to but it is not the sheriff, it is the clerk of the court or the clerk of the peace in connection with naturalization moneys. There were very large sums owing particularly in the county of York.

The CHAIRMAN: This is the amount that was written off last year?

Mr. STEWART: Yes.

The CHAIRMAN: Are there any further questions on loans, advances and investments? Item 55?

By Mr. Harkness:

Q. I take it that this is really what you might call improper bookkeeping that you are referring to?—A. In 55 we are bringing the figures together.

Q. That is what I mean? The present way in which the books are kept for these things does not present a true picture?—A. Well, the Department of Finance would argue with me against your view. I share your view but the department does not.

Q. I think there is no doubt but that we are probably right and they are wrong.

The CHAIRMAN: Of course, if the Auditor General agrees with you. I think the Department of Finance might say something about it.

Mr. BRYCE: I really have not had notice of this question but if there is some combination of figures we have not put in this volume perhaps we should see to it that we do. We try to summarize these things in the first part of the public accounts in a convenient and understandable way, but perhaps this is one type of summary we have not done adequately and we will have to look at it. It may be in here but I am sorry I cannot tell you for sure, right off.

The CHAIRMAN: Page 18, the balance sheet of Canada, item 56.

Assets—items 57 to 74.

Item 57?

Item 58?

Item 59?

Item 60?

Item 61?

Item 62?

Item 63?

Item 64—loans to national governments.

By Mr. Wright:

Q. I would like to ask about the payment on the British loan. The British total loan is \$1,436,490,000 and repayment in the year was \$40,567,000. What proportion of that \$40,567,000 is in payment of interest and principal on the \$1,250,000,000 loan which we made in 1946, I think it was?—A. My recollection is that it was interest free—

Q. It was interest free for five years but I believe the first payment on interest and principal was due last year and there was a payment made. It runs in my mind that it was somewhere in the press shown as \$26 million. I wanted to see if that was correct?—A. Up to the 31st of December it was interest free. Then, there were discussions with the United Kingdom government as to the payment. So far as these accounts were concerned there were just three months involved—January, February, and March. The discussions had not been completed before the books were closed and, if my recollection is correct, sir, it was in the summer or early fall that an agreement was reached with the United Kingdom government and they made a substantial payment. I think the figure you gave is correct. That figure is not the 1951 fiscal year accounts, but I think your memory is right; I know there was a payment made.

Q. I know there was a payment reported?—A. Payment was made.

Mr. BRYCE: I believe the first payment was due at the end of the calendar year, 1951, and the details of the account reflects no payment made during the fiscal year under review. No payment was made by March 31, 1951—it was at the end of the calendar year.

By Mr. Harkness:

Q. The China referred to is no doubt Nationalist China?—A. Yes, sir.

Q. That is a very doubtful asset I would say—that \$49 million?—A. You will have to ask the Department of Finance to answer that question.

Mr. PEARKES: External Affairs might help.

The CHAIRMAN: It is a \$64 question.

By Mr. Harkness:

Q. Indonesia you say did not owe anything on principal. Did they pay anything on interest or are they in default on interest?—A. No, the first instalment of principal matured on the 8th of April, 1951.

Q. Of principal?—A. And interest. You might say there was accrued interest.

Q. There was no default?—A. There was no default.

The CHAIRMAN: Are there any more questions on item 64?

Item 65—loans to provinces?

Is nobody interested in the provinces and their debts?

Item 66?

The WITNESS: This is a little item that the Financial Administration Act may take care of and I hope action will be taken to write off this small amount. There is no hope of ever getting it.

The CHAIRMAN: Item 67?

The WITNESS: The reason that item 67 is in here is because, while the loan has existed for a great many years, this was the first year it was brought into the accounts. Therefore, I thought I should make some reference to it. There is nothing objectionable to it whatsoever.

The CHAIRMAN: Item 68, loans to municipalities.

Item 69, subscriptions to international monetary fund and international bank?

No. 70, miscellaneous loans.

No. 71, sinking fund and other investments held for retirement of 1943-63 Newfoundland stock.

No. 72, sundry suspense accounts.

No. 73,—

Mr. PEARKES: May we have some explanation on that?

By the Chairman:

Q. Would the Auditor General care to comment?—A. This is the matter, sir, that Mr. Bryce was referring to in the introduction, namely, Nationalist China owing various sums of money that had matured for payment. They did not have the money to pay for them. They had procured amongst other things bridge spans in this country for shipment to the mainland of Asia which they could not ship. The government took them over. While they cost \$1,206,000, they have now all been sold with \$746,000 realized from the sale of those spans.

By Mr. Pearkes:

Q. Sold in Canada?—A. Sold in Canada, sir. The result is, as Mr. Bryce said, there is a net loss on the transaction but the government did recover something of this loan as a result of this operation.

Q. It seems that we were charging China a good price for them?

Mr. BRYCE: Perhaps I may say a word upon that. These were bridge spans designed for certain particular crossings of rivers and they had to be cut up and used for crossings for which they were not designed.

The CHAIRMAN: No. 74, reserve for possible losses on ultimate realization of active assets.

By Mr. Harkness:

Q. On that item, Mr. Sellar, I see you say at the end:

As no particulars were provided by the Department of Finance as to the assets items making the reserve expedient, the justification for the \$75 million charge against 1950-51 expenditure was not established in the audit.

Now, I presume when looking back at it, that the vote for \$75 million was put through the House?—A. No.

Q. There was no vote for this?—A. No.

Q. Then, under what authority was the \$75 million put in?—A. Starting back about 1941 or thereabouts, the Minister of Finance each year subtracted a certain amount from his assets on the ground that if they were all realized a certain loss would be taken. Therefore, to be realistic he should make a reduction in his assets in establishing his net debt.

Q. In other words, that \$42 million we are talking about for the China loan should be written down?—A. Well, whether they do that or not I do not know, but anyway that was done. Now, in more recent years the amount has been increased to \$75 million a year. It leads to a realistic valuation of assets but as an auditor I feel that before I can accept that figure I should know what goes into making up \$75 million because it seems to me, as an ordinary man, it is impossible that the bad debts of each year could be exactly \$75 million.

The sum is reserved and is shown in the balance sheet of Canada. You asked a question on whether there is a vote. There is no vote, but under the new Financial Administration Act, the Minister of Finance is given the power to set up such reserve as is necessary to reflect the true state of the assets. You refer to China, there are also various other governments. The Minister of Finance cannot disclose what he regards as a bad debt from a government. He has to carry that as a sort of concealed thing.

Q. In other words, you have always proceeded on the public assumption that it will be paid?—A. Yes. I feel that as an auditor I have got to draw to your notice that I was not able to establish that \$75 million represented a diminution in the value of the assets for that year.

The CHAIRMAN: Would the Department of Finance care to comment?

By Mr. Harkness:

Q. As the money actually was written off last year and the total is now nearly \$400 million, what happened when the \$75 million was put in 1950-51—and it would be the same, I presume, in 1951-52—was that the net surplus presented to us was thereby reduced by that amount?—A. Yes, sir.

Q. In other words, the surplus would have been \$75 million more each year if this had not been written off to this reserve fund?—A. Yes, sir.

Q. Where is that reserve fund held? Is that held in a separate fund?—A. It is a bookkeeping entry.

Q. A pure bookkeeping entry?—A. Yes, sir.

Q. What would happen to the \$75 million which is written off here? The money was actually taken in there some place.—A. If they want to write off something physically, that is an actual transaction, they come to parliament for the authority. The first big charge in this regard—it was several years ago, I think it was in 1947, was when an adjustment was made with the western provinces with respect to the old relief amounts of the thirties. You will recall that the debts of the provinces were cut in two for direct relief, etc. The legislation authorizing that adjustment stipulated that the amount written off be deducted from this reserve that the minister had set up in his accounts.

We had a few cases more recently where the Department of Justice took the view that when it decided moneys could not be collected in court proceedings for one reason or another and they abandoned the suit, their decision had the same effect as an authorization from parliament for that write-off. Small amounts have been taken off on that account. But the big one was in 1947, I think. The Department of Finance has been scrupulous in observing the requirement, sir, that they have the actual consent of parliament before they make a real write-off, that is, relieving the debtor of his indebtedness.

Q. But the point I was trying to get at a minute ago was, revenues were collected and revenues were expended. Now, what was left over would be surplus. Now, that surplus as far as the figures we got was concerned was less by \$75 million, by the amount of this figure here. Now, my question was, what happened to the \$75 million? Was it left sitting in the Consolidated Revenue Fund or where did it go? Maybe Mr. Bryce can tell us.—A. It is reflected as an expenditure but, as I say, it is not a cash expenditure.

Q. My question merely is where does it go? Does that go into the Consolidated Revenue Fund or what happens to it?

Mr. BRYCE: Well, sir, the primary point, I think here, is to distinguish between our bookkeeping accounts and our cash receipts and disbursements. In terms of the bookkeeping, if we had not charged the \$75 million to reserve, we would have shown a larger budgetary surplus because our expenditures would have been recorded as less by that amount and our net debt would have been less by that amount since the net debt is the total liabilities less the active assets and in getting to the active assets we take off his reserve. That is the bookkeeping aspect of it.

In regard to cash, it has no effect because our cash position depends only upon our cash receipts and our cash disbursements and whether or not we do anything to the reserve does not alter our cash position at all and, therefore, it is really necessary to distinguish the two types of calculation. As far as the cash situation is concerned, it would not have been altered one whit whether we had put up \$75 million or \$175 million or nothing. Does that answer you?

Mr. HARKNESS: Yes, I see what you mean, all right. The disposition of the cash, actually the cash collected that is actually sitting in the Consolidated Revenue Fund and the figures that you show on your budgetary surplus have no relationship to the cash that is actually sitting there?

Mr. BRYCE: I would not say they had no relationship, sir, but in both our expenditures and our revenues and in the loans we make and the investments we make and in our receipts, there are certain items that are not actual cash items; they are bookkeeping charges and it has been the practice of the Minister of Finance in recent years to try and make clear both in the budget in advance and in the public accounts afterwards—in the introductory portion—to try and make clear the distinction between the ordinary budget charges, that is to say, our bookkeeping accounts which show where we are getting in on our debt position and our assets and liabilities on the one hand and our actual cash transactions on the other.

Naturally, if our revenues go up to an unanticipated degree, that increases both our revenue from the budget point of view and our revenue from the cash point of view, so that will improve both. If our cash expenditures go up or go down they too will affect each of them. The great majority of our transactions enter the same way into both sets of accounts but these bookkeeping transactions only enter into the one set of accounts and they do not affect the cash situation.

So when we write down the net value of our assets in this way it does not give us any more money in the bank. If it did, it would be perhaps a temptation at other times to secure money by that means.

Mr. STEWART: But what you do really is to increase the figure of net debt by the amount of this reserve?

Mr. BRYCE: Yes, sir, we do, because we feel that in establishing what our net debt is we should be cautious in valuing our assets and, as the Auditor General explained, there are difficulties involved in trying to show a discount, if you will, against individual items in our balance sheet and so the minister shows it against the whole.

By Mr. Stewart:

Q. May I ask the Auditor General as the auditor for the government of Canada, does he consider that this reserve of almost \$400 million is adequate or more than adequate or inadequate, considering the assets which we have?—A. I have never been able to get from the Department of Finance the make-up of the annual write-down of \$75 millions from year to year. I have written letters asking for the information and I have never been able to get it. Therefore, I cannot answer your question.

Q. Well, we have got active assets of \$5,800,000,000 roughly against which we have this \$395 million. Have you considered the value of these assets in detail? Do you think they are fairly stated in the balance sheet?—A. There are \$800 millions at least of Canadian National Railways notes and debentures. Now, the value put on the asset is the face value of the notes or whatever we hold from the railways. Whether we could realize \$800 million from the Canadian National Railways, sir, I cannot answer. You face the same problem when you take loans to the provinces. If a province said, "We will not pay," I do not know if the government of Canada could collect or not. They cannot be sued in the courts. You cannot seize a province. Therefore, it is a debt of honour and you have to take that at face value until there is repudiation by somebody. That is all I can add in the way of answering your question, sir.

By Mr. Browne:

Q. Why do you say a province cannot be sued?—A. You cannot sue the Crown without its consent.

Q. Well, there are several actions in courts between the Attorney General of Canada and the Attorney General of Manitoba, for instance.—A. With consent.

Mr. McCUSKER: There is a statute which however has not yet been promulgated by which you can sue the crown without consent.

The WITNESS: Let us go further afield then, sir. How could we sue, let us say, the government of France or the government of Belgium without their consent? I am just using them to illustrate. I am not saying anybody will repudiate, but that is just to explain. However, to come back to the question, I cannot say whether \$400 million is adequate or excessive.

By Mr. Wright:

Q. I understood you to say that when a province owes a debt you have no way of collecting it. Is it not a fact that certain debts the provinces owed have been deducted from provincial grants from the dominion government?—A. Not from the subsidies fixed by the British North America Act.

Q. But from other grants?—A. I think by agreement or otherwise there have been deductions made. I cannot be specific because I cannot name a case.

Q. It seems to me in certain cases where the province owes money to the dominion government in Ottawa, deductions have been made from grants that the dominion government have been paying to the provinces, that is, outside of the statutory grants under the British North America Act. They have used that as a means of collecting debts.—A. I am sorry, Mr. Wright, I cannot help you because I do not know.

Mr. BRYCE: I know there have been arguments as to the right of set-off in some of these cases, but I would hesitate to speak from memory because they are complicated questions and I have not had anything to do with them for four or five years.

The CHAIRMAN: The next item, liabilities, item 75, floating debts.

The WITNESS: That is inserted for information purposes.

By Mr. Stewart:

Q. Have you any information at all, or have you any idea, Mr. Sellar, what the approximate amount would be of outstanding cheques in every month during the financial year? Is \$60 million a representative amount or is it something that is very much higher than exists in other months?—A. At the end of the month of April, sir, it would be less. At the end of May it would be much less, but on the whole I think you can assume that the March 31 figure is approximately 20 per cent higher than it would be at the end of other months. If you want the actual figure I will get it for you.

Q. No, no.—A. But my expectation is that it is about one-fifth less during a good working month.

The CHAIRMAN: Item 76.

Mr. STEWART: Has any consideration been given to writing off these amounts? Probably I should ask Mr. Bryce that question.

The WITNESS: That again, sir, is put in my report on account of the expected legislation that has since gone through parliament giving a way to clear up these little items. It is just to tidy up the balance sheet; that is all that I am interested in.

The CHAIRMAN: Item 77, insurance, pension and guarantee accounts.

Carried.

Item 78.

By Mr. Harkness:

Q. Is that the amount of the principal, you might say, of the insurance or the annuity contracts entered into, or is that the amount which is actually what the government has now become liable for?—A. That is the amount that the government has received plus the amount that the government has credited to make good the deficiency in the expected amounts that have to be paid under annuities that are in effect, not where the individual is receiving the annuity.

Q. Not where he is actually receiving it? Then this does not contain any provision of an actuarial nature for the payment the government will have to make?—A. Speaking subject to correction, my recollection is that each year a compilation is made of what additional amount is necessary to honour paid-up annuity contracts—I think they describe them as “vested”. A sum is added each year on account of such contracts, but the computation does not take into calculation contracts on which contributions are still being paid, for example, on the couple I’ve taken out on my kids. The annuities branch has not, as yet, made any calculation as to what such contract agreements will ultimately cost.

Q. That is the point I am getting at. There is no actuarial figure of what they may have to pay including this?—A. No, sir. As I say I speak subject to correction. There are others more up to date on the subject than I am.

The CHAIRMAN: Item No. 79.

By Mr. Browne:

Q. The government pays in \$75 million in a lump sum like that in the past couple of years. Can it take that money out again?—A. Well, it is a bookkeeping account of course. It is not actually cash. I doubt if they could reduce it by that without the consent of parliament, parliament having appropriated it for that purpose.

Q. But has parliament appropriated it? Has it not been done by the Minister of Finance?—A. No.

The CHAIRMAN: It is covered by vote 587.

By Mr. Browne:

Q. There is a formal vote in the supplementary estimates but the adjusting is done by bookkeeping before it is voted?—A. No.

Q. After the vote?—A. After the vote, yes.

Q. And you think it can be taken out?—A. No, sir, I do not think it can be taken out without the consent of parliament.

Q. May I ask Mr. Bryce’s opinion on that.

Mr. BRYCE: Frankly, Mr. Chairman, I must confess I never thought of that. There is no cash there, it is only a liability on the balance sheet. Whether we could at some point reduce that liability in order to improve the appearance of our balance sheet—I suppose there is no statutory barrier to doing so but it would not get us any money and it would certainly be a very visible means of reversing the action which the government thought sufficiently necessary to ask parliament for the appropriation.

Mr. BROWNE: I notice the balance sheet contains \$189,000,000 in that account. Is that right?

Mr. BRYCE: Yes.

Mr. BROWNE: Do you know what the actuarial liability is of that fund?

Mr. BRYCE: Very much larger, sir. The Minister of Finance gave the figures in the House at the end of March and they are the most up-to-date figures we have had.

Mr. BROWNE: This amount is really behind, then.

Mr. BRYCE: This amount is really below the actuarial valuation.

Mr. BROWNE: And it is possible it will keep on supplying large amounts till they get it up.

Mr. BRYCE: It was indicated that is the policy to be followed.

Mr. HARKNESS: This \$189,000,000, I take it, consists of the contributions which have been put into the Consolidated Revenue Fund by civil servants plus the \$75,000,000.

Mr. BRYCE: Plus the contributions made by the government in the past and the interest on the fund.

Mr. HARKNESS: And that, including the \$75,000,000, only comes to \$189,000,000, does it?

Mr. BROWNE: Where does the interest come in?

Mr. BRYCE: The interest is paid on the balance in the account.

The WITNESS: Fixed by statute.

By Mr. Harkness:

Q. Do you consider that does not give a proper picture? I take it from what you say down here that you more or less recommend that that amount could show the contributions received, the interest on the amount of such contributions, and the actuarial calculated value of the pensions. Can you give us an idea of what that amount might be?—A. No, sir.

Q. You have not calculated it at all?—A. My approach is this: The accounts of the Government of Canada are operated on a cash basis, not the accrual basis, therefore liabilities of this nature should be computed so that they are realistic and not conjectural. However, I might say that the Speech from the Throne gave notice of an amendment to the Superannuation Act at this present session, and I think we should see what the legislation includes. At the time when I wrote this, I had no idea that the Act was going to be amended or that the minister would recommend this year that a very large sum be added.

The CHAIRMAN: Item 80?

Carried.

Item 81?

Carried.

Item 82 "Sundry suspense accounts"?

By Mr. Pearkes:

Q. Regarding item 82, I take it that the bulk of this \$175 million is money which is being paid by the NATO countries towards the arms and equipment which was sent over to Europe during the period under review?—A. No, it is not being paid by them.

Q. It is the value of their equipment?—A. Yes, it is the value of their equipment.

Q. And that has been allocated?—A. There was \$195 million approximately of equipment made available to them; \$19 million, or \$20 million for convenience, worth were procured in the form of new equipment in Canada to replace it. Therefore, the net amount charged against this account at the year end was \$175 million. At the same time, there were outstanding contracts of about \$120 million for replacements of that equipment.

Q. And articles which are sold in Canada or articles sold on repayment, or something like that would not figure into this account?—A. No, sir.

Q. It is purely a NATO account?—A. This refers to equipment for a division which was given to the Netherlands, to Italy, and to Belgium, also to the twenty-five pounders which were given to Luxembourg and to the \$32 million of anti-aircraft guns. That all goes to make up your \$195 million.

Q. The principal item led me to believe otherwise.—A. No, it is related purely to this.

The CHAIRMAN: Item 83?

Carried.

By Mr. Browne:

Q. To what province is the federal government indebted under this item 83? Would it be all the provinces, or just Ontario?—A. May I give you the exceptions?

Q. Yes, if you please.—A. Ontario and Quebec are the two chief ones. I am not sure whether or not we owe Newfoundland a little. From my figures here I am not exactly sure; but Ontario and Quebec are out entirely. I do not believe Newfoundland has a corporation tax.

Q. Is that so?—A. I may be wrong. I have a gap here in my notes as to this, but I will check on it and let you know.

The CHAIRMAN: Item 83?

Carried.

The WITNESS: That is another little item which I thought should be cleaned up.

The CHAIRMAN: Item 85 "Funded debts unmatured \$15,027,000,000"?

Mr. WRIGHT: On item 81, it says: "On April 1, 1950, the premium was reduced from 10 cents to 2 cents for each \$100 of security . . ."

Who pays that premium, the individual or the department on his behalf?

The WITNESS: The department sir; and this year the department does not pay anything. We received new regulations the other day telling us that there is to be free insurance.

The CHAIRMAN: I think we have covered a substantial amount of ground today, and before we enter upon the various other audits, such as Canadian Arsenals and so on, if it is agreeable to the committee, I would suggest that we adjourn, unless the committee wishes to start this and go on past six o'clock, which would mean the end of the meetings. Is it agreeable to the committee to adjourn?

Agreed.

We shall adjourn now until Tuesday next at 4:00 p.m.

HOUSE OF COMMONS
Sixth Session—Twenty-first Parliament, 1952

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

TUESDAY, MAY 27, 1952

WITNESSES:

Mr. Watson Sellar, C.M.G., Auditor General.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

ERRATUM

The minutes of proceedings of Tuesday, May 6, 1952, at page 5, paragraph 7 thereof, should be corrected to read as follows:

Mr. Boivin moved that the committee recommend that its quorum be reduced from 15 to 10 members.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 430,

TUESDAY, May 27, 1952.

The Standing Committee on Public Accounts met at 4.00 o'clock p.m. The chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Boisvert, Browne (*St. John's West*), Cloutier, Croll, Denis, Fleming, Harkness, Jutras, Kirk (*Digby-Yarmouth*), Macdonald (*Edmonton East*), Major, McCusker, Pearkes, Picard, Sinnott, Stewart (*Winnipeg North*).

In attendance: Mr. Watson Sellar, Auditor-General; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee considered the Auditor-General's Report for the fiscal year ended March 31, 1951.

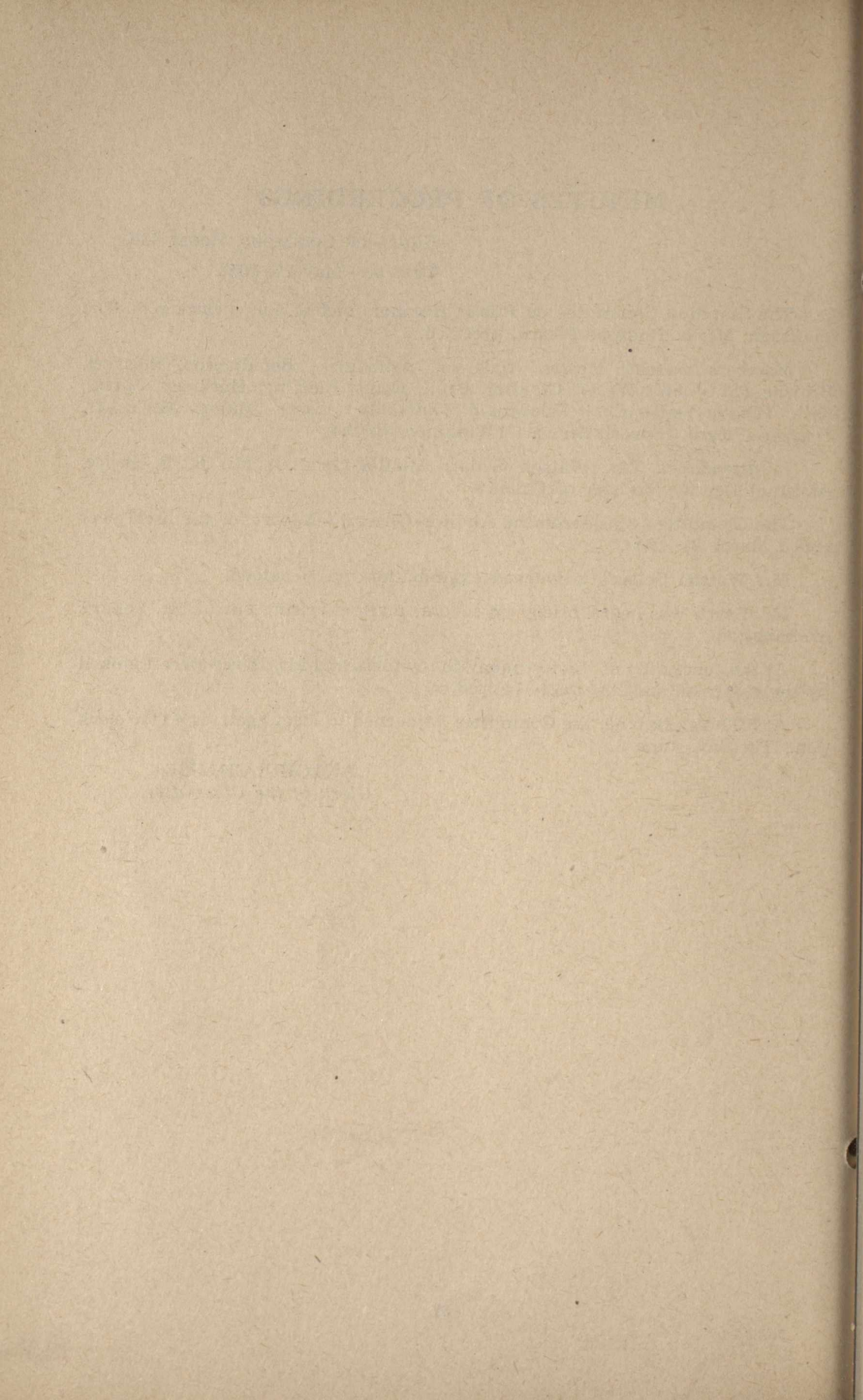
Mr. Watson Sellar's adjourned examination was resumed.

Mr. Bryce was heard briefly on several matters arising out of Mr. Sellar's examination.

At the conclusion of the testimony the witness and Mr. Bryce were thanked by the chairman and they were retired.

At 5.30 o'clock p.m., the Committee adjourned to meet again at 4.00 o'clock p.m., Tuesday, June 3.

ANTOINE CHASSE,
Clerk of the Committee.



EVIDENCE

MAY 27, 1952.

4:00 p.m.

The CHAIRMAN: Order, please. Gentlemen when we adjourned last week we had reached that part of the Auditor General's report which deals with miscellaneous audits, page 24 of the report. As we have done in the past I will call the items one by one: army benevolent fund, item 86:

Mr. Watson Sellar, Auditor General of Canada, called:

By Mr. Pearkes:

Q. Mr. Chairman, in respect to that I notice a sum of \$183,854 has been paid out in disbursements. That amount is well within the interest earned on the capital of the fund. But I also noticed the administrative costs amounted to \$63,100, which is about $\frac{1}{3}$ of the amount of the disbursements. It seems to me that is extremely high administrative cost for such a small disbursement. I am not an authority on these matters. I would rather like to know if that is so, and I would like to know how that compares with the naval and R.C.A.F. benefit funds, which also have the same objective in view as the Army Benevolent Fund has?—A. Well, Mr. Chairman, you will have to bear in mind that it is impossible to make a fair comparison between the three bodies because the Army Benevolent Fund is a statutory fund and the other two are private corporations; therefore, the Army Benevolent Fund is required by the statute to so administer the affairs that the fund is not exhausted until 50 years have elapsed. Therefore, they have to be very careful in disbursement of money; and, secondly—and this is the crux of the problem, gentlemen—the Act states that no grant is to be made by way of relief from the fund where relief is at the time of application available from dominion, provincial or municipal governmental sources. That means that before they can give any assistance they have to see whether the province or the municipality or the Department of Veterans Affairs have any money available and that adds to their administrative costs.

The headquarters administrative cost, that is, the board itself is quite modest. While the members are entitled to a per diem allowance of \$25 a day as a rule they never draw that for more than two days a year so that there is no undue expense there. The chairman is entitled to a per diem of \$40 a day, but he draws that on only a very few days of the year.

Now, the Act does require that there be a provincial committee in each of the provinces and also one in the United States, one in the United Kingdom, one in the Yukon and, if desired, one in the Northwest Territories. These things all going together add up in a small way to the administrative costs. So I agree with you in \$183,000, \$60,000-odd for administrative costs the ratio is wrong, but I cannot give you the answer how they can cut it down on account of their set-up.

Q. Isn't some of the work possibly—I do not know whether it is a fair question to ask you—carried out by the Department of Veterans Affairs and by the officials of the Department of Veterans Affairs?—A. Veterans Affairs and

the Legion, sir. You couple the two of them together because the committees also have a representative from the Legion and he is quite active and a Veterans Affairs man who is always active too.

Q. And that work from the point of view of the Legion is generally of a voluntary nature?—A. Yes.

Q. And the Department of Veterans Affairs is an official department. I still do not see how they could get the administration expenses up to \$60,000 when you have such generous action on the part of the chairman and the board here, and when a great deal of the work is already carried out by the Legion and the Veterans Affairs. It seems to me an amazing situation.—A. Well, sir, I can only add this. General Murchie, as you know, is the chairman of the committee. He has been concerned with that problem for a considerable time and in fact he invited my office last year to make a study of his organization. I declined, saying that we were equipped to handle his accounts but we were not good people to have for organization of work and we suggested that he have the Civil Service Commission make an investigation in that regard. I do not know whether they have done that. More recently his concern has been with respect to the expenses in arranging for assistance when they have to explore the other avenues of relief. He wants to try to cut that expense down. That involves a good deal of travelling, I understand. But if you wanted this, I think, sir, you should call General Murchie.

Q. I do not know whether that is permissible as far as this committee is concerned, but it does seem to me in the interest of the veterans of this country, some of whom are looking for assistance and, as you say here, there have been 1,400 cases where they have been helped, not by any great amount but by these outright grants, and I know some cases where it has been a great help to individual veterans and it does seem to me a pity that the moneys which have been collected originally by canteen accounts, I believe, and donations, should require such a heavy expenditure for administration. I cannot help feeling there must be some simpler way, particularly when there is such a fine example set by the three members at the head of it who, as you say, arrange never to collect more than two days' expenses a year. Well, one can only commend that and yet somehow or another \$63,000 is eaten up. I feel there should be some explanation to it if that is the sort of thing we are supposed to look into.

The CHAIRMAN: We have already set aside two or three items on which we were going to have further information when we were through with the Auditor General and Mr. Bryce and were going to get some witnesses and so, if you so move we can do that on item 86 to complete the study of this item and ask the witness we want.

Mr. BENEDICKSON: I think that is a very important point that General Pearkes is making, Mr. Chairman. I am just wondering, though, it goes through my mind that we had the canteen fund committee not long ago and I have an idea they discussed this question of benevolent funds as well. I wonder if that is so and whether we ought to probably review that evidence.

The CHAIRMAN: You mean that evidence has been available before another committee?

Mr. BENEDICKSON: Well, not a current committee. There is no doubt we could look into it further again, but I was just wondering to what extent this was discussed at the time the canteen funds legislation was before the House not many years ago.

Mr. FLEMING: Isn't this subsequent to that in any event?

Mr. BENEDICKSON: Oh, there is no objection in going into it on my part. I was just saying there might be background of information as to the set-up here and that I think we should look it up.

The CHAIRMAN: We can ask the clerk to take a note of this item. I think it is an item that can be kept in mind after we complete this study when we are considering the three or four other items we have set aside for calling witnesses. So, the clerk will take note of this item.

Mr. PEARKE: That is perfectly satisfactory to me.

Mr. BENEDICKSON: Also the claims seem to me to be rather small and the award is very small and on investigation seem to be around \$50 a case.

Mr. PEARKE: They are very small claims paid. Well, you can easily find out the average if you divide \$183,000 by 1,400. That will tell you the average claim.

The WITNESS: Mr. Chairman, in view of the remark made by General Pearkes in respect to the chairman and the two members of the board, I think it should also be stated that while the provincial committees are entitled to \$15 a day none of them take anything.

By Mr. Pearkes:

Q. I still say where is that money going? It can't all go in postage stamps.—A. But you were paying a compliment to the chairman and the members of the national board. I thought I should also present the situation with regard to the others.

Q. It still presents a greater problem.

The CHAIRMAN: Are we through with questions to the Auditor General on item 86? Then, we will go on to Canadian Arsenals Limited, 87.

By Mr. Fleming:

Q. May I ask a question generally about this and other Crown corporations? In the light of the budgetary proposal to place Crown corporations on the same basis as far as the payment of corporation tax is concerned, as other corporations, is it going to involve any change at all in their bookkeeping or method of keeping their accounts that you foresee at all, Mr. Sellar?—A. Assuming the Canadian Arsenals comes within the scope of the new legislation—

Q. Chances are it won't because it shows a deficit.—A. But assuming it comes within the scope, it will change their bookkeeping because they had never set up a reserve for depreciation. I have urged that before this committee on several occasions in the past and that will necessitate them putting up that cost of operation item into their account.

Q. Up to now they have just been operating as far as their operating statement is concerned on a cash basis?—A. On a cash basis and they received a very large quantity of supplies after the war which they have never valued and taken into their balance sheet. They took them in only as they consumed them. It will involve a change for them. Polymer makes no change, and Eldorado and none of the others. It is Canadian Arsenals who is the only one that I know of that it will affect.

Mr. BRYCE: Perhaps I might just mention that Canadian Arsenals is not one of the proprietary companies so it would not be affected by the budgetary proposals. It is not listed as a proprietary but as an agency corporation.

By Mr. Browne:

Q. For whom do they manufacture this ammunition—is it for National Defence?—A. Some of it is for National Defence but they have also taken orders in the past for various other countries, particularly India and Pakistan.

The CHAIRMAN: Any other questions on 87— Canadian Broadcasting Corporation, item 88, page 25.

By Mr. Fleming:

Q. You draw attention, Mr. Sellar, here among other things to the action of the board of governors in giving away certain government property. You make the statement that:

A presumption is that the Governor in Council would have concurred in the action taken, but the files indicate that the corporation acted independently although not the owner of the property donated.

On what do you base that presumption—just that it was a good cause?—A. Yes, I base that on the fact that here was a disaster in Rimouski, a serious disaster. Here were these additional doors as far as the Canadian Broadcasting Corporation was concerned. It was a reasonable thing to assume that the government would have said, "By all means make these things available to the people of Rimouski."

Q. Did the government at any time ever do that?—A. I do not think anybody ever thought of consulting them. This building in Montreal is owned by the government, presumably shortwave, but is operated by the Canadian Broadcasting Corporation.

Q. Yes, the property is the property of the government; it has never been vested in the Canadian Broadcasting Corporation?—A. The Canadian Broadcasting Corporation is paying rental for space in it.

Q. And charging back portions, so far as the International Shortwave Service is concerned?—A. But as far as that is concerned, the government is getting a good deal there. I do not think the government is being exploited in that way.

Q. No, I did not intend to suggest that. This point you have made about taking care of the hospital and medical and nursing expenses of an official of the corporation, would you enlarge on that subject—I am not going to worry very much about details in this particular case because I did make some inquiry about it before the Committee on Radio Broadcasting last December, I think it was, but I am rather interested in it as to the general possibility with respect of illness overtaking the public servants when engaged away from home in the course of duty.—A. Mr. Chairman, I think Mr. Bryce would be a better man to answer that because the Treasury Board makes the regulations.

Mr. BRYCE: Well, Mr. Chairman, the Auditor General has summed up in his paragraphs here the general policy that is followed in the Civil Service, at the direction of the Treasury Board which is to the effect that in principle the government does not pay from public funds those expenditures which, if the civil servant took ill at home, he would be expected to pay himself. We have recognized, however,—the Treasury Board has recognized, that when a man takes ill away from home in travelling that he may have certain hospital expenses that he would not have had at home because he may have to go to a hospital whereas at home he could be treated in his own home. And for that reason the board has authorized the deputy heads in charge of departments to approve hospital expenses where they think they arise out of the fact that the employee is on travel status up to an amount of two weeks. Now, the regulations do not provide for any amount in addition to that. Now, the case here, of course—

Mr. FLEMING: Excuse me a moment, do the regulations not provide for the payment of any doctor's fees or nursing fees? Is it just the hospital?

Mr. BRYCE: Just the hospital.

Mr. FLEMING: Then you want to make a comment about this particular case?

Mr. BRYCE: I wanted to say the Auditor General has brought out a somewhat different practice followed by the Canadian Broadcasting Corporation in its own corporate practice.

Mr. FLEMING: I presume the corporation is not bound by the practice of the government?

Mr. BRYCE: No, sir.

Mr. FLEMING: It has an unfettered hand in that respect?

Mr. BRYCE: That is regarded as part of the ordinary management of the corporation.

Mr. BENIDICKSON: I notice reference being made to the C.B.C. getting a fee of \$110,000 for administering the international shortwave service. Has the C.B.C. been receiving a fee on a similar basis for some years past?

The WITNESS: Yes. It has been the same basis ever since it started.

Mr. BRYCE: I think it has been the same rate. It has received a percentage rate on the costs of operating the service—whether that percentage has changed at all I must confess I am not too sure.

Mr. BENIDICKSON: This is based on a particular percentage of expenditure?

Mr. BRYCE: Yes, sir. It is 5 per cent. I think, too, that the Auditor General's office investigated the actual cost for us some years ago and suggested a rate.

The WITNESS: In that regard we are requested by Treasury Board to examine the claim of C.B.C. before it is paid.

The CHAIRMAN: Are there any further questions on the Canadian Broadcasting Corporation? If not, we will go on to item 89, Canadian Commercial Corporation.

By Mr. Harkness:

Q. In this I see your net surplus account amounted to \$804,000. Where would they get this \$804,000 surplus from?—A. They are entitled to charge a commission on all contracts they place for other governments. They have placed very large contracts over the years for international organizations and so on. They are entitled to charge a commission on those.

Q. I understand from what you have got in here before that they had operated at a loss including these sums of \$47,000. They got something from the United States government of about \$51,000 which would leave them with \$4,000 only. I was wondering where the surplus came from?—A. In the year they had \$35,000 from other governments.

Q. In addition to the transactions you have noted?—A. Yes.

Q. And the surplus came from them?—A. Yes, and of course this is accumulated, too.

The CHAIRMAN: Are there any further questions on Canadian Commercial Corporation?

The Canadian Overseas Telecommunication, item No. 90.

By Mr. Harkness:

Q. You say there they had an excess of income over expenditure of \$87,000 odd, and that this sum is surrenderable to the consolidated revenue fund. When are funds of that nature actually surrendered?—A. The financial year of this corporation ends on December 31. It held that money in its books as at December 31, and between then and March 31 it paid that amount over to the Department of Transport. You will find the details at page Z-66.

Q. The fact that you say it is "surrenderable" indicated to me it was still being held and I wondered whether they were blocked up there?—A. I

report on their balance sheet as of that date and they surrendered it later. You might see in there that I refer to the fact they had not come to an agreement with the Marconi people. They have since come to an agreement.

Q. Is this corporation on what you might call a profit basis?—A. Yes, sir.

Q. In other words this surplus of \$87,000 odd is likely to continue?—A. It was larger in the next fiscal year.

Q. It will increase rather than decrease?—A. We hope so, but in due course they will have to spend quite a lot of money in bringing their plant up to date.

Q. They will get that money as a capital grant from parliament?—A. That depends. They have a capital grant they can draw on still of \$1 million odd in the capital grant you made them. They are accumulating certain reserves from depreciation; but they will possibly get a capital grant and will be able to finance quite a bit out of their reserves.

Q. It is a good running business you might say?—A. We are in a strange position there. This company gets business from the Canadian Pacific Telegraphs but it does not get it from the Canadian National—that is under a different contract.

By Mr. Browne:

Q. The Auditor General says: "At the year end, agreements as to value had been reached with Cable and Wireless Limited . . .". Is there any reason why the value should not be inserted there?—A. I have not got the figures in my head.

Q. Well, have you got it in your book?—A. I think it is in the next year's accounts. No, sir, I will have to bring that breakdown for you.

Q. Well now they have been operating for the Canadian Marconi Company before buying out their assets?—A. No, this is a new company. The government just set it up.

Q. Canadian Overseas Telecommunications?—A. Yes.

Q. Last year?—A. Two years ago.

Q. They bought over this Cable and Wireless Company in Harbour Grace, Newfoundland, and now they have bought over the Canadian Marconi interests?—A. They expropriated it at the same time.

Q. At the same time?—A. Yes.

Q. And just finished it?—A. They were going to the Exchequer Court and then Marconi suddenly reversed themselves and accepted the company's offer.

Q. You have not got those figures here?—A. No, but it is in the next year's report. That is already before parliament—it has been tabled.

Q. It was up the other day but I do not think it was tabled?—A. Yes, sir.

Q. Marconi?—A. No, Canadian Overseas Telecommunications Corporation. They have tabled their report for 1950-51.

Q. Yes, but I was thinking of the contract with the Marconi people.—A. Oh, I do not know about that.

The CHAIRMAN: Item No. 91, Canadian Patents and Developments Limited.

Mr. HARKNESS: This seems to be a company which you report has considerably more in the way of cash reserves than it requires for its operation. To whom would that excess cash go back—to the consolidated revenue fund or to the National Research Council, and what would be the means of taking or ordering it back—of getting it back?—A. Under the new Financial Administration Act, sir, there is a general power given to a minister over a company or to the Minister of Finance to seize excess amounts on hand. That part of the Act has not yet been proclaimed so the money is still with it.

In answering your question, whether it should go to National Research Council or not I would have to check back and find the source of the funds.

Q. It would go back to the original source?—A. Not necessarily.

Q. You say the source of the \$296,000 was the National Research Council?
—A. Yes, but I mean the source of the money within the National Research Council. It might have had a contribution from some industry. They receive special donations and so on and I would have to verify that.

Q. As things stand until this Act is proclaimed what means is there of repossessing this excess cash?—A. A matter of negotiation between the Minister of Finance and the Minister of Trade and Commerce.

Mr. CROLL: I will bet on the Minister of Trade and Commerce.

Mr. HARKNESS: You do not think the cash will be surrendered?

Mr. CROLL: I will bet on him.

By Mr. Browne:

Q. This is a very small company?—A. It was created, sir, for a very useful purpose. As you know, under the Research Act, whenever an invention is made by a scientist in the course of his working time, it becomes the property of the Crown. The Research Council Act permits a share of the royalties to be paid to the individual. This company was set up to administer those royalties and to make agreements so that we would get more money in from them. That is the purpose of it—and it is a very small organization.

Q. Has it got separate offices?—A. I think you can make it singular; I think it is all in one single room.

Q. Where is it located?—A. Down at the National Research Council building.

Mr. HARKNESS: There would be one or two employees, I suppose; and the chairman of it would be an official in the Department of Trade Commerce?

The WITNESS: No. He is on the payroll of this company.

The CHAIRMAN: "Canadian Sugar Stabilization Corporation" item 92.

Mr. HARKNESS: I gather from what you said here that this corporation has nothing to do any more, and that it has more or less wound itself up. Is that a fact, or is it still in operation to this extent, that it has a staff, and so on?

The WITNESS: It has no staff. I am not sure whether I have signed a certificate to the Department of the Secretary of State for the surrender of the charter, but it is a company with respect to which we do not think we have any audit function to perform this spring.

Mr. BENEDICKSON: This is not the organization through which the crown reimburses civil servants for particularly noteworthy discoveries, and pays out patent revenue which the crown gets because the inventor was an employee?

The CHAIRMAN: You are back on item 91.

Mr. HARKNESS: That is a different kind of sugar.

The WITNESS: The National Research Council employees, sir.

The CHAIRMAN: To get back to the sugar, was your question answered, Mr. Harkness?

Mr. HARKNESS: Yes, I think so.

The WITNESS: It has turned over all its money. It had a few disputed accounts down in the West Indies; and it may still be legally existing for the purpose of winding up those two or three things. But there are no company officials whatsoever on the payroll.

Mr. HARKNESS: I wondered if there was any existence going on in respect to something which had ceased to operate, but apparently there is not.

The CHAIRMAN: "Commodity Prices Stabilization Corporation Limited" item 93.

Mr. CROLL: That is wound up, is it not?

The WITNESS: Yes.

Mr. BROWNE: It has not wound up yet?

The WITNESS: It is inactive, but the charter is still standing.

Mr. CROLL: Yes, but it is in the act of being wound up.

Mr. BROWNE: Has it still got a staff?

Mr. BRYCE: They have a few disputed cases for subsidy refund and such which they are settling, so it still is in existence settling certain old claims.

Mr. CROLL: But it has no staff.

Mr. BRYCE: There are one or two people working on it, dealing mostly with these accounting problems.

The CHAIRMAN: Are we ready to move on to "Crown Assets Disposal Corporation" item 94?

By Mr. Benidickson:

Q. Could the auditor-general give us the operating expenses of Crown Assets Disposal Corporation for the year ending March 31?—A. The administration expenses were \$395,000, and the direct cost of sales amounted to \$111,000.

Q. That would include rental and storage costs, would it?—A. Their administration costs in 1951 represented 1·9 per cent of sales.

Q. But any cost such as storage charges and so on and the rental of premises for the storage of goods would be included, would they?—A. That is all charged to the corporation.

Q. It is not like some government departments where the Department of Public Works pays the shot?—A. Unless they took over a hangar from the air force which was still full of stuff. I do not think the Department of Defence would charge them for the hangar.

Mr. SINNOTT: You said that 1·9 per cent was the relationship of their administrative costs to their total sales?

The WITNESS: Yes.

The CHAIRMAN: You said that the sales amounted to \$20 million. What was the cash value of those sales? Have they realized the full amount of the sales?

The WITNESS: They realized, I think, \$20,771,000. They realized \$20,659,000. It was mostly ships that year.

The CHAIRMAN: And the balance remains in the books to be paid?

Mr. BROWNE: Is that the total realization since the war?

The WITNESS: No, for the year. Their total sales since the time they started amounted to \$406 million. No, wait a minute. \$490 million were the gross sales.

Mr. HARKNESS: I presume the activities of this company are what you might say, to a considerable extent, coming to an end also, are they?

The WITNESS: I would not say they are coming to an end because there is still a staff, although it is on a much smaller scale.

Mr. CROLL: Slightly!

Mr. HARKNESS: Their staff has been reduced proportionately?

The WITNESS: Yes.

Mr. SINNOTT: Do you know how many are on the staff at the present time?

The WITNESS: No, sir. I have not got that figure but I can get it for you.

The CHAIRMAN: Are there any further questions?

Mr. BROWNE: Where is it located, here in Ottawa?

The WITNESS: Yes, sir.

Mr. BROWNE: And has it got agencies throughout the country?

The WITNESS: They had agencies, but whether or not they have them now in the principal cities, I do not know.

Mr. CROLL: They still have them in the larger cities, such as Toronto and Montreal.

The WITNESS: And Vancouver.

Mr. BROWNE: I know of the Toronto and Montreal offices; and you say there is one in Vancouver too.

The CHAIRMAN: "Custodian of Enemy Property", item 95.

Mr. HARKNESS: You have this statement:

All properly proven claims against the Custodian have been settled. . .

I have heard a considerable number of complaints about claims for property on the Custodian of Enemy Property not having been settled, and there was, I think, a certain amount of dissatisfaction about the slowness of settlement of these claims. What is meant by "properly proven claims" there?

The WITNESS: You are referring to World War I.

Mr. CROLL: The first paragraph.

The WITNESS: You are dealing with World War I.

Mr. HARKNESS: Oh, I did not notice that was only World War I.

Mr. CROLL: I suppose it is where they have an agreed amount.

By Mr. Harkness:

Q. What about the settlement of accounts for World War II? Apparently very little has been done in connection with that?—A. World War II: the amount of property in their possession steadily going down. It was down last year to \$33 million, I think.

Q. That means about \$20 million was paid out?—A. In the year.

Q. Since December, 1949.—A. You see, a great deal of the property that they held was not enemy property but that of friendly countries which were occupied. We held a great deal of French property.

Q. Do you consider that these claims are being met with reasonable speed, or do you and your audit go into that question?—A. No sir, we do not go into that, in our audit.

Q. You would not feel competent to pronounce on it?—A. No. I would be a very poor person to express an opinion on that.

Q. It may be that Mr. Bryce could give us an opinion?

Mr. BRYCE: The Custodian of Enemy Property branch is really a separate trust operation with which the Treasury Board and my operations do not really come much in contact, I am sorry to say.

Mr. HARKNESS: You are aware that there have been complaints about the lack of speed in settling claims?

Mr. BRYCE: I have heard there were complaints, but we regard it as a matter for the Secretary of State and the Custodian's office.

Mr. BENIDICKSON: Is it the custodian of enemy property who has control over the so-called Polish Treasures?

The CHAIRMAN: I think that is the Quebec government at the moment.

Mr. PEARKES: Would claims by Canadian nationals who lost property or who received damage in the Philippines or in any of the islands in the Pacific,

when they were escaping from the Japanese or moving away from the Japanese invasion at the early part of the war, come under this vote?

Mr. BRYCE: There have been recently certain regulations made for interim compensation for such war claims.

Mr. CROLL: You have not got Mr. Pearkes' question.

Mr. PEARKES: Are they paid out of this fund or are they paid out of another one?

Mr. BRYCE: They would come under the general question of compensation for war claims. They are not the Japanese property claims that are referred to in this paragraph.

Mr. PEARKES: I know that, but they would come under this general heading?

Mr. BRYCE: They are administered by the Office of the Custodian of Enemy Property, but they are not part of the accounts mentioned here.

The WITNESS: They come within that inquiry that Chief Justice Ilesley has recently undertaken and they have all recently been covered in that inquiry and the consideration given to them. I do not know, but they all come within the ambit of his instructions.

Mr. CROLL: General, what was your question?

Mr. PEARKES: I wanted to know if they were being delayed.

Mr. CROLL: Did you say this was a Canadian in the Philippines who had property there?

Mr. PEARKES: Who lost property.

Mr. CROLL: Not any other damage, property damage only?

Mr. PEARKES: I know several cases, some with property and some with physical damage.

Mr. CROLL: There is a distinction there because I know of some of the physical damage and the Custodian will not deal with it at all. That is exactly the point I wanted to make.

Mr. SINNOTT: Are you referreing to World War I?

Mr. CROLL: No, World War II. The Custodian won't deal with the physical aspects of it at all.

Mr. PEARKES: I know there has been considerable delay and not a little hardship on the part of people who lost everything in the early days of the war and have had very little, if any, refund made to them.

Mr. BRYCE: As Mr. Sellar says, this matter was under consideration by Chief Justice Ilesley. He made certain recommendations and as a result of those recommendations there have been regulations made for the payment of interim awards in cases of hardship, and certain cases of that sort have been under consideration recently and are in the process of examination at the present time.

Mr. PEARKES: Do you know whether any payments have been made?

Mr. BRYCE: I do not believe, sir, as yet any actual payments have been made.

Mr. PEARKES: That is what I am concerned with.

Mr. BRYCE: These are very difficult cases, as you are aware, because of the nature of the evidence and things like that.

Mr. SINNOTT: What efforts are being made to clear up these accounts dating from World War I?

The WITNESS: The problem there was the tremendous volume of work arising out of World War II, which threw everything in connection with World

War I into the background, and the Assistant Deputy Custodian, Mr. Mathieu, undertook to deal personally with these old disputed claims in connection with World War I, but he just did not have time to do everything, but I think that they are practically all cleaned up now. There are some disputed claims which the government will never recognize and on which the people argue they have a legal claim but are scared to go to the courts with it, but they are still saying, tentatively, there is that contingent risk.

Mr. SINNOTT: There is no way of writing it off?

The WITNESS: Death alone will stop these people from threatening to sue the government.

By Mr. Ashbourne:

Q. This amount of \$296,000 worth of corporate shares. Will you explain that item?—A. Those were shares that were seized, shares that were in the country and were taken possession of, but they have never been converted, and for valuation purposes those are taken at the net worth at the time. We simply had to put in those figures to show it was not in the form of cash.

Q. In 1914-1918? That \$296,800 represents the value at that time?—A. Yes. Most of them were Canadian Pacific shares held in Germany.

Q. They will have quite an appreciation at the present time, I should think?

The CHAIRMAN: The stock went up to 60-something, but it fell down to 4 later on. What is it now?

The WITNESS: Thirty-six.

Mr. HARKNESS: In connection with the third category of accounts, that is the property seized from persons of Japanese race in the early part of the war, you say claimants are required to sign a general release before a payment is made. What is meant by that, I presume, is that even if the claimant has a claim worth \$10,000 and he is paid \$1,000, he has to sign a general release for all the claim.

The WITNESS: Yes, sir.

The CHAIRMAN: A commission studied all the claims.

Mr. CROLL: It was the Byrd Commission, was it not?

The CHAIRMAN: That commission went into all the claims in detail and assessed their worth. We had evidence before this committee, and recommended that these claims be given careful study by an independent body. The commission was then appointed and it assessed a fair value on the losses of those people who had put in claims. Like every human endeavour, they may not be an exact valuation but they are the best efforts of the commission.

Mr. HARKNESS: The claims paid last year, then, were in accordance with the findings of this committee?

The WITNESS: Yes, all in accordance with the findings of the commission. The purpose of having a general release is to avoid facing lawsuits later on.

By Mr. Croll:

Q. While we are on that, have you any idea how many claims are outstanding where people have refused to sign a general release?—A. I can only give you the figures at the year-end. I cannot give you the number of claims, only the amount of money involved.

Q. How will that help me?—A. They paid \$195,000 out and there was \$296,000 still to be paid.

Q. Yes, by our calculations, \$296,000 to be paid under the Byrd Commission.—A. I do not know whether it was the Byrd Commission.

Q. Justice Byrd sat on the commission and they dealt with each claim, and \$195,000 has been paid and \$296,000 is outstanding?—A. As of December 31 a year ago.

The CHAIRMAN: That is December 31, 1950.

Mr. CROLL: I see. Well, it may be cleaned up by now.

The CHAIRMAN: The next item, No. 96, Defence Construction Limited.

By Mr. Benidickson:

Q. On this, Mr. Chairman, I notice that all but \$8,000 of the expenses of this company for its operations during the first year of its existence, namely \$394,000, represents charges by Central Mortgage and Housing Corporation for management, supervisory and administration services provided by C.M.H.C. Does this represent a form of disbursement or is this another cost plus or management fee like the C.B.C. receives for the international shortwave service.—A. The purpose, sir, of revising this corporation was that the Department of Defence Production wanted somebody to supervise the various construction projects across the country. And they wished to use the organization, Central Mortgage Corporation, but under the terms of its legislation it was prohibited from dealing directly with them, so they brought in this body in between them and had it act as an agent. It represented a situation wherein Central Mortgage and Housing Corporation was to supervise the carrying out of various projects required for the Department of Defence Production. The item of \$8,000 represented President Johnston's salary and expenses, interest charges and a few things like that for four months only.

Q. There was no over-riding fee; they merely pay Central Mortgage and Housing Corporation for the actual expense of the work under set up balances of Defence Construction Limited.—A. My memory may not be good on this point. I am trying to think back 18 months. I think that was on percentage basis. I think there was some talk at the time, and I think that it represented a percentage—1 per cent or something like that—I forget what it was. I am not sure whether it was a flat fee or what.

Q. These are contracts awarded to supervise the doing of the work?—A. To supervise the functions. I am going actually by memory in speaking like that.

By Mr. Stewart:

Q. Could Mr. Bryce tell us why the Act was not amended instead of setting up a new corporation for that? I presume there must be some good reason. In other words, why could not C.M.H.C. have done it by an amendment to the Act rather than setting up a new corporation to do this.—A. I am sorry, sir, I would have to enquire about that. I recall at the time that there was a time factor involved and they were anxious to get operating; and there were reasons arose against C.M.H.C. doing it directly. I would have to enquire; I would have to find out from the Department of Defence Production.

Mr. STEWART: All right.

The CHAIRMAN: Eastern Rockies Forest Conservation Board:

Mr. CROLL: We will be having maritime Rockies next.

The CHAIRMAN: Any questions, gentlemen?

Eldorado Mining and Refining (1944) Limited:

By Mr. Harkness:

Q. How many shares of this company are now not owned by the government?—A. None, sir. They were all appropriated.

Q. I don't think that 15—out of 70,500—works out to this figure. Maybe my arithmetic, my mental arithmetic is not as good as it should be.

Mr. BENEDICKSON: But would not this be a new corporation after the expropriation of the shares owned by private individuals in the original Eldorado Company?

Mr. HARKNESS: That is correct. I am right in my arithmetic.

The WITNESS: When the company was expropriated an order in council was passed under the War Measures Act simultaneously which converted it into a dominion charter. Later, a new charter was secured from the Secretary of State department under the Dominion Companies Act; and it was varied a little in terms, and then, later on, certain advances which had been made for exploration during the war to the company were converted into shares. Those I think were the changes which you were thinking of, sir.

The CHAIRMAN: Export Credits Insurance Corporation:

By Mr. Harkness:

Q. Is this what you might call a going concern?—A. Oh, yes.

Q. What I mean by that is, is it returning a profit?—A. It has made big profits.

Q. It has?—A. Yes.

Mr. STEWART: Has it been over-capitalized? Is that on its capital?

The WITNESS: It makes it on the volume of business. I can't say whether it needs \$10 million—others may disagree with me on that.

Mr. SINNOTT: Can you tell us what the profits were last year?

The WITNESS: \$650,000 sir.

The CHAIRMAN: Federal District Commission, item 100:

By Mr. Browne:

Q. Where is the head office of the Federal District Commission?—A. Carling Avenue, Ottawa.

Q. Has it a building of its own?—A. Yes sir, on the slope of the hill.

Q. I notice, "certain charges, noted below, were not properly recorded. The excess of expenditures over the grant was financed from other income of the commission." What was the cause of that?—A. They received a grant of \$300,000 for the general maintenance of driveways and so on. They are also paid so much out of the Public Works vote for the care of Parliament grounds and other grounds. They charged up all these grants to that ground vote. Certain charges that should have been charged to the \$300,000—just off hand I would say to the extent of about \$16,000.

Q. Was this the first time they did that or was it a practice?—A. No, it is not a practice, sir.

Q. Were they doing it intentionally, deliberately?—A. No, they were not doing it deliberately, but I did not know how—they would have if they had it in their \$300,000; it wasn't enough to carry out. It wasn't deliberate, it just happened.

Q. Are they getting an increased grant this year?—A. No, the grant is fixed for 10 years at a time.

By Mr. Croll:

Q. Are they using it?—A. I beg your pardon?

Q. Are they using it, that grant?—A. Yes. But the difficulty is that they went from \$30,000 to \$40,000 over their grant and they are getting it from their other grant.

Q. Where do they get that?—A. Savings from other years, from the \$300,000 granted to them in that vote.

By Mr. Browne:

Q. They don't spend it all each year?—A. No.

Q. And they can let it accumulate?—A. Yes, they can accumulate it.

By Mr. Croll:

Q. And is this amount we are voting becoming inadequate—I don't suppose that is a question for you—is there a need for a greater grant? Is that their claim?—A. If the cost of construction work and wages stays up the \$300,000 will become inadequate.

Q. For their plans, how far in advance?—A. For the maintenance of these driveways, and so on.

Q. Yes. The \$300,000 was given—when was the last time we voted on that?—A. From memory, sir, 1947.

Q. 1947, for a period of 10 years, that would be to 1957. What you suggest is that the cost of construction is rising in such a way as to make the \$300,000 inadequate for the purposes for which it was originally intended?—A. Coupled with the greatly extended driveways.

Q. And that was not contemplated when the \$300,000 was voted?—A. That I would not know the answer to, sir.

Q. But they have had to dip into their reserves now?—A. Yes, sir.

Q. And how far have they depleted their reserves?—A. They have enough to carry on with for 2 or 3 years yet.

Q. They have enough to carry on for 2 or 3 years yet. That will bring them up to 1957; it will not last until the end of the 10 year period?—A. No.

By Mr. Browne:

Q. The Mackenzie King Bridge, does that come under their care?—A. The government is paying for the bridge. It is being erected through the Department of Public Works, but the maintenance of it, I think, becomes municipal; I am not sure of that, sir.

Q. I do not think there will be much maintenance on that, will there?—A. There will be in time.

Q. There is not much traffic on it.

By Mr. Croll:

Q. Now I have one more question on this item: Is this undertaking of the Federal District Commission being in any way in your opinion, jeopardized by reason of lack of funds?—A. I think, sir, there should be a provision somewhere that a replacement fund may be accumulated.

Q. I see, a replacement fund may be accumulated?—A. A small percentage, yes; so that when they have to repave a road they will have the money. And now, the alternative to that is to go to parliament for a special vote when they need to do something of that sort.

Q. And you think that of the two, going to parliament for a vote or building up a replacement fund, that the latter is the more desirable of the two, from the business point of view?—A. Well, if they go to parliament they will ask you for a lot of money—

Q. That is it.—A. —while if you have them on an actual replacement basis fixed on engineering experience you would have a better yardstick.

Q. Is that in Mr. Bryce's department?—A. They are under the Privy Council. It is really Duncan MacTavish who is the chairman of the Federal District Commission.

The CHAIRMAN: Foreign Exchange Control Board, 101.

By Mr. Harkness:

Q. You show there an earnings in 1950 amounting to \$19,749,000; what was the source of those earnings? Was it profit on their exchange transactions?
—A. Yes, sir, and the fluctuating rates on exchange.

By Mr. Benidickson:

Q. Have they had losses some years?—A. They had a big loss last year.

By Mr. Croll:

Q. That was in the exchange with the American dollar, you mean?—
A. Every time the American dollar goes up we take a loss, of course.

By Mr. Harkness:

Q. That was just the point I was coming to. This same document that we will get next year will show, instead of this \$19 million profit probably a very considerable loss?—A. The document is already tabled in the House, sir. You see, this is a report which is required within three months after the first of January and it has already been tabled for 1951.

Q. I mean when it comes into our review here in this committee next year?
—A. Yes, you will have a sad figure next year.

Q. And that is their only way of making either profit or loss is on the fluctuation in the exchange rate essentially?—A. Plus their earnings on interest on investments in the United States securities.

Q. That is what I wanted to get at. They have no earnings, of course, on gold and the American dollars they hold which amount to \$1,600,000,000 or something, but if they hold American securities they have the interest on those?—A. Yes, they hold a lot of short-term American securities.

By Mr. Croll:

Q. Well, was that a matter of investment for them?—A. Yes.

Q. They chose certain securities?—A. They would buy American dollars for exchange purposes. Instead of leaving the money lying idle in a bank, they would buy 90 or 120-day United States government securities.

Q. United States government securities—not common stocks?—A. Oh, no, by statute they cannot buy anything but government stocks.

Q. My next question was going to be in view of the profit to give us a list of those securities, but I see it is not necessary.

Mr. HARKNESS: You thought you might get a line on something.

Mr. CROLL: Yes, I was just edging for it. I was going to get some advance information.

The CHAIRMAN: 102, Greater Winnipeg Dyking Board.

103, National Battlefields Commission.

Mr. CROLL: Mr. Stewart, aren't you going to ask any questions on that at all?

Mr. STEWART: All I would do is pass a comment that I am absolutely flabbergasted that the government of Manitoba was paid more than 25 per cent.

Mr. CROLL: You would.

The CHAIRMAN: 104, National Harbours Board. Any questions on 104?

105, Northern Transportation Company Limited.

By Mr. Harkness:

Q. Is this the company which operates river boats up the Athabasca and Mackenzie rivers?—A. Yes, sir.

By Mr. Croll:

Q. Getting back to 104 for one moment, there is a deficit in Halifax, Saint John, Chicoutimi and Quebec. I wonder whether Mr. Sellar or the parliamentary assistants could tell us why, as against the surplus in Three Rivers, Vancouver and Montreal—on page 30?—A. In my view, sir, you will have to ask the people who know more about operating than I do, but in my view the problem of those ports is essentially the interest that has to be paid on the capital investment. If you will notice there towards the end of the report I put the interest in arrears. You will see that Quebec is \$12,885,000 for interest alone and that is all taken into calculation whether they have got a deficit or a profit in the year. It would be interest charges.

Q. Is that then considered in the national interest?

The CHAIRMAN: Well, you can't close the port of Quebec, I don't think.

By Mr. Croll:

Q. Is that the over-all view?—A. Well, I have argued before, sir, that you have to regard these ports from a national viewpoint as important facilities for the transport of our trade both incoming and outgoing and there are certain ports where the facilities are not used enough to permit port revenues to be adequate to bear the costs of those facilities and I think that sooner or later you have got to treat these national harbour ports the same as you are going to treat the railways and forget some of the investments in the hope of getting back some of the capital and regard it as a facility rather than an investment.

Q. Why don't you make a recommendation sometime?—A. I have tried it several times.

Q. Try it again.—A. Three Rivers, for example, is a well run port with very limited capital investment. Vancouver has always been a good paying port. But as to some of the others, they are good only in the war years.

Mr. BENIDICKSON: But you must remember we were asked the other day for additional expenditures for Vancouver. They claim they had lagged somewhat behind other ports.

The CHAIRMAN: We have asked for expenditures for Quebec because even going on the roadways in the harbour you can ruin a car the way they have let it do down so as to try to cut the deficit each year, but they do not get enough revenue to pay the interest on the heavy capitalization.

Mr. SINNOTT: Isn't this National Harbours Board the same board that operates the port of Churchill?

Mr. CROLL: Yes.

Mr. SINNOTT: I don't see Churchill here.

Mr. CROLL: Yes, Churchill has a deficit.

Mr. HARKNESS: \$194,000 deficit.

Mr. SINNOTT: The deficit is \$194,390. That is very little in comparison to the deficit of \$12,885,000 in Quebec.

Mr. CROLL: But the Quebec has accumulated over more years than you and I have lived. It is a very old one. It was originally, if I recall—Mr. Sellar will correct me on it—it was originally built up in order to have the availability

for war purposes. It was started in World War I and constantly built up to have it available. The expenditure is there and afterwards there is not much use for it. They have, of course, done the same thing there, as was pointed out by Mr. Sellar, as they did with the Canadian National Railways.

The CHAIRMAN: The same thing was done when the Transcontinental was built to Quebec in the hope that the grain might flow out of Quebec and all the large companies had their interests in Montreal and they managed to keep the traffic through to Montreal in the summer time and Portland, Maine in the winter instead of Quebec. And then, as Mr. Croll stated, they had to extend the facilities because Valcartier was the starting point of all the troops and materials going overseas except in the winter months. It has been abandoned to a large degree in the last ten or twelve years and representations have been made by the Quebec Board of trade to the Department of Transport now to try and keep the facilities at least in a moderate state of operation.

They have two or three sheds there that are nearly abandoned that have to be rebuilt and yet the port cannot make a profit on the investment that has been made in the first war and during the years that they had the prospect of realizing the dream made at the time of the building of the Transcontinental that since it would shorten the route from the west to the ocean the harbour of Quebec would gain in importance but it did not work that way although the investment was made and the grain elevators were built. Some years we had even to store wheat there to try and keep the place busy.

Mr. BOISVERT: And, Mr. Chairman, also to have accommodation for bigger ships.

Mr. SINNOTT: As I understand it, the interest in arrears is increasing rather than diminishing.

Mr. CROLL: That is right.

The CHAIRMAN: It is the same as the Canadian National Railways capitalization as Mr. Croll stated. Are we through with the Northern Transportation, 105?

Mr. HARKNESS: No, we got interrupted and we reverted.

By Mr. Harkness:

Q. It seems that on the income your profit of \$425,765 is very much considering that the total amount of business done was \$1,771,000. Would you make any comment on that, Mr. Sellar?—A. No, sir, it is a peace and famine business, of course, in the north country.

By Mr. Croll:

Q. Where is the famine?—A. When you have bad years.

Q. Have we had bad years there?—A. No, but you used to have. The Hudson's Bay Company pulled out of that route altogether; at one time there were three companies competing for business. It is now down to one, but so far as the profit goes there the rates are fixed by the Board of Transport Commissioners.

By Mr. Harkness:

Q. That is, the maximum rates are fixed?—A. Yes.

Q. And these people actually charged lower than the maximum rates in some cases?—A. Yes.

Q. They have a monopoly and it would seem to me it would be proper, good government policy and the company is owned by the government, to reduce those rates in the interest of encouraging people to open up the north country?—A. One answer to that, sir, would be this: there are two or three very long

portages which are very expensive to cross and the company is spending an amount of money every year to simplify the crossings and reduce the cost of handling the freight. So that in two or three years they will be able to generally operate the business much more cheaply than they are now. Furthermore, in recent years they have had to replace a lot of the barges which were worn out and had to put in steel barges but it is quite a large capital outlay.

Q. I see they had depreciation, though, of \$242,000 this year, which would have covered a good deal of that.

Mr. MACDONALD: Mr. Chairman, I would like to interject here that this company is very well managed by Mr. Brodwick and Mr. Bennett, the president of the commission concerned and there are a lot of factors to take into account with this northern transportation, getting the freight in there in the proper season, seeing they are not cut off by the freeze-up and so on and I think this is a very good reflection on the management concerned, that they can show an income of an amount of \$425,000.

Mr. HARKNESS: I think Mr. Macdonald's remarks are very proper, but the point I was concerned with was whether it would be within the purview of this committee to make a recommendation that in the interests of encouraging development in the north country the rates might be reduced.

Mr. SINNOTT: Create more volume.

Mr. HARKNESS: Yes, there are lots of people who might go into that country if they could do so more cheaply than they can at the present time, both for prospecting purposes and other developments.

Mr. MACDONALD: Don't you think it rather presumptuous for us to start setting the rates here on a company that has such good management?

Mr. HARKNESS: I should not think we should be setting rates. I was wondering, as I said, whether it would possibly come within the purview of this committee to make a recommendation.

The CHAIRMAN: It might, but before we do that we would have to go a little more closely into the affairs of the company and know whether the idea of reduction is substantial by the need for it and if it is advisable to do it. I do not think the committee has enough information with these paragraphs and a few sentences from the Auditor General to warrant a recommendation one way or the other.

Mr. HARKNESS: I would agree with that. I would think it is perhaps one of the things that the agenda committee might consider, whether we should have it studied.

The CHAIRMAN: If you want to move that we can go into that in the agenda committee and see if we can get these people. If you will notice in the report there is this statement:

The company reduced its charges to the three points in accordance with the board's directives, but it has indicated that it does not currently intend to increase those rates which are now lower than the new rates prescribed by the Board of Transport Commissioners.

So they must not be so very high if they are lower than the rates prescribed by the board.

Mr. HARKNESS: They are high enough so that they make a profit on gross business of over 25 per cent.

The CHAIRMAN: I hope you would not suggest that it is a good idea not to take profits when we have to protect the peoples money. If they had a deficit they would be told they had not administered the company well.

Mr. HARKNESS: My concern is entirely whether in the interests of developing that north country it would not be advantageous to have the rates reduced.

The CHAIRMAN: Another thing is to know whether representations have been made in any definite form as to why they should be reduced and to have the board's views. That would be quite a lengthy study but we will take a note of this request by Mr. Harkness.

Item 106, Northwest Territories Power Commission.

107, Park Steamships Company Limited?

Mr. BROWNE: Is that company still in operation—operating ships?

The WITNESS: It has no staff. It is technically in existence but officers of the Department of Transport and the Marine Commission are really functioning as the officers. There are four ships still in existence, I think, all under the management of the United Kingdom government. The rest have been sold and the business is practically done.

The CHAIRMAN: Item No. 108, Polymer Corporation.

Mr. BROWNE: This company makes money?

The WITNESS: Fortunately last year it did and again it did this year.

The CHAIRMAN: Well, we have reached the last item of this report. We now have the appendix—are there any questions on refunds and remissions—pages 33 to 37?

Mr. BENEDICKSON: What would the remission to the Newfoundland Margarine Company be on page 35?

The WITNESS: It was agreed, sir, at the time of union that margarine would be imported into Newfoundland duty free. The source was the United States, I think, and this was the remission in accordance with that understanding.

The CHAIRMAN: Are there any further questions?

By Mr. Harkness:

Q. The largest sum I see here is \$742,000 to the British American Oil Company Limited. What would that remission be for?—A. That covers petroleum products imported from California for processing purposes in Canada.

Q. What would be the reason for that remission being given?—A. I do not think the order in council stated that and my interest stops with who exercises the discretion.

Mr. BENEDICKSON: Most of the oil companies get that. I see Imperial Oil here.

Mr. HARKNESS: Can you answer, Mr. Bryce?

Mr. BRYCE: I am sorry, sir, I should be able to but it has to do with the technicalities of importing and processing crude oil. There are certain cases where the oil companies cannot get regular crude and they import a partially finished product that does not quite come under the ordinary tariff. It is that sort of operation I believe. Then, at certain times the oil companies have difficulty in getting Canadian coastal transport and they are allowed to hire tankers to engage in coastwise operations at so much per month. That sort of thing occurs and I could find out about this particular case.

Mr. HARKNESS: It is all right but I just wondered why they would come in there or what would be the reason that the ordinary tariff would not apply.

Mr. McCUSKER: Would it be for high octane gas for aviation?

Mr. BRYCE: I will find that out for you, sir.

By Mr. Stewart:

Q. Has Mr. Bryce got any information on the item of \$616,000 for a provincial pipe line? Why should there be a refund there?—A. It was the remission of a 60 per cent duty tax paid on steel pipe used on the line between Edmonton and Regina.

Q. Pipe imported from the United States?—A. I do not know whether it was from the United States or the old country.

Mr. HARKNESS: I think it came from the United States.

Mr. SINNOTT: It was larger pipe.

Mr. HARKNESS: It was not available in Canada. No Company in Canada makes pipe of that size or did not do so at that time. I do not know whether they do now.

The CHAIRMAN: Are there any further questions on these items, gentlemen?

Then we have completed consideration of the Auditor General's report.

There remains for the agenda committee to decide on a few items which have been left in abeyance. There is item 17 on page 6 and it was proposed that a recommendation be made that the rate be increased in order that the scheme may be made self-supporting. It concerns the Canada Shipping Act and the rate paid by steamship companies for the care of sick mariners. That matter was proposed by Mr. Cavers and Mr. Browne.

Then we have items 28 and 29 on page 9 and a proposal to call witnesses if necessary from the Veterans Land Act administration.

On page 11, item 31, case No. 2, it was proposed that we call a witness from Canadian Arsenals—requested by Mr. Pearkes.

Item 39, case No. 3, a witness from Indian Affairs requested by Mr. Harkness. Item No. 86 on page 24, army benevolent fund, a request for a witness to discuss the expenses of \$63,000—the request by General Pearkes.

If it is agreeable the committee might meet on Tuesday next at 4 o'clock. In the meantime the agenda committee will get together and see how we can arrange for the proper witnesses to be brought before the committee.

Mr. HARKNESS: There would also be this Northern Transportation Company.

The CHAIRMAN: Oh, yes, also the Northern Transportation Company.

Do you agree, gentlemen, that we are through with the Auditor General as far as our work on this is concerned. On these other items he has referred us to other witnesses.

If there are no further questions I will express the thanks of the committee to the Auditor General for his collaboration—his usual very enlightening co-operation. We will also thank Mr. Bryce for his assistance to the committee in performing our work.

The committee stands adjourned until Tuesday next at 4.00 p.m.

The committee adjourned.

HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—MR. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

TUESDAY, JUNE 3, 1952

WITNESSES:

- Dr. G. D. W. Cameron, deputy-minister, Department of National Health and Welfare;
- Dr. W. H. Frost, assistant chief, Quarantine, Immigration Medical and Sick Mariners Division;
- Mr. J. T. Rutherford, director, Veterans' Land Act;
- Mr. W. Strojich, a/superintendent of Property division, Veterans' Land Act;
- Commander (L) E. J. Apps, R.C.N.;
- Major D. M. MacKay, director, Indian Affairs Branch;
- Mr. H. C. Chadderton, secretary, Army Benevolent Fund.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,

TUESDAY, June 3, 1952.

The Standing Committee on Public Accounts met at 4.00 o'clock, p.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Blue, Boisvert, Boivin, Browne (*St. John's West*), Cavers, Fleming, Fraser, Fulford, Gibson, Harkness, Kirk (*Antigonish-Guysborough*), Kirk (*Digby-Yarmouth*), Major, Picard, Riley, Robinson.

In attendance: Dr. G. D. W. Cameron, deputy minister, and Dr. W. H. Frost, assistant chief of the Quarantine, Immigration Medical and Sick Mariners Division, Department of National Health and Welfare; Mr. T. J. Rutherford, director, Mr. W. Strojich, a/superintendent of Property Division and A. D. McCracken, executive assistant to director Veterans' Land Act Administration; Commander (L) E. J. Apps, R.C.N. and Mr. L. G. Crutchlow, of the Electronics Division of the Canadian Navy; Major D. M. MacKay, director of Indian Affairs Branch, of the Department of Citizenship and Immigration; Mr. H. C. Chadderton, secretary, Army Benevolent Fund.

The Chairman read a letter from Mr. R. B. Bryce, assistant deputy minister of Finance, to the Committee in which replies are given to questions asked of Mr. Bryce at the previous meeting.

The Committee enquired further into certain items of the Auditor General's Report for the fiscal year ended 31st March, 1951, and as each such item was called several witnesses were heard as follows:

<i>Items Called</i>	<i>Subject</i>	<i>Witnesses Heard</i>
17, page 6	Administration of section 305 of the Canada Shipping Act, c. 44, 1934, concerning Scheme for medical services to mariners.	Dr. G. D. W. Cameron Dr. W. H. Frost
26 to 29, pp. 9-10	Administration of Veterans' Land Act, c. 33, 1942-43:	Mr. T. J. Rutherford Mr. W. Strojich
31 (case II), page 11	Purchase of radar equipment for ships.	Cdr. (L) E. J. Apps, R.C.N.
39 (case III), page 14 ...	Rental agreements — Copeland Building, Ottawa.	Major D. M. MacKay
86, page 24	Administration cost of Army Benevolent Fund.	Mr. H. C. Chadderton

At the conclusion of his testimony each witness was in turn thanked by the Chairman and was retired.

It was agreed that an official from the Department of Public Works be requested to appear at the next meeting of the Committee, to testify in respect of Item 39 (case III), page 14, concerning the rental agreements entered into for the Copeland Building in Ottawa.

The Committee further discussed Item 105, page 31, concerning Northern Transportation Company (1947) Limited.

The Chairman informed the Committee that Mr. W. J. Bennett, president and managing director of Eldorado Mining Refining Company, of which Northern Transportation is a subsidiary, was absent from the city but that arrangement would be made to have Mr. Bennett, or some other official of the Company, appear before the Committee at the next meeting.

At 5.55 o'clock p.m., the Committee adjourned to the call of the Chair.

ANTOINE CHASSÉ,
Clerk of the Committee.

EVIDENCE

June 3, 1952. 4.00 p.m.

The CHAIRMAN: Gentlemen, before we call any witnesses I would like to read a letter received from Mr. Bryce, assistant deputy minister of Finance, giving the answers to two questions asked at the last meeting.

Ottawa, June 3, 1952.

A. CHASSÉ, ESQ.,
Committee Clerk, Public Accounts Committee,
House of Commons,
Ottawa, Canada.

Dear Mr. CHASSÉ—At the last meeting of the Public Accounts Committee I was asked two questions which I could not answer at the time, but about which I promised to furnish information later.

The first question was: "Why was it considered necessary to set Defence Construction Limited rather than simply use the Central Mortgage and Housing Corporation, with whom Defence Construction Limited entered into a management contract?" Upon inquiry I have found from the Department of Defence Production that the essential reason was that it became necessary to make some arrangements for a company to act on behalf of the Minister of Trade and Commerce in arranging for the construction of defence works under the Defence Supplies Act, late in 1950. Parliament was not in session at the time, and the Defence Supplies Act provided that the Minister could employ the Canadian Commercial Corporation or any company to which the Government Companies Operation Act applied, for this purpose. As the Canadian Commercial Corporation was being fully utilized for the procurement of defence supplies, and as the Central Mortgage and Housing Corporation was established by special statute and was not a company to which the Government Companies Operation Act applied, it was considered the simplest course to utilize Wartime Housing Limited, to which that Act applied, and change its name to Defence Construction Limited to reflect its new role. The latter company then entered into a management contract with Central Mortgage and Housing Corporation, so that there would be no need to duplicate any of the staff or field organization of the latter company. The creation and role of the company were announced in a press release of November 23, 1950, and the Minister of Defence Production explained the relationship between the two companies in answer to a question in the House of Commons on June 14, 1951 (*Hansard*, page 4118).

If anybody wanted further information on this we could call Mr. Bryce back, but it was considered at the last meeting that probably his answer on this would be sufficient. However, if some members are not satisfied with that, we can ask him at a later meeting to come, but his answer will be printed in the report of our proceedings.

The second question concerns the remission of customs and excise duties and taxes to the British American Oil Company Limited, Toronto, noted in the fourth line on page 34 of the Auditor General's Report. I was to inquire about the nature and reason for this remission.

I find upon inquiry that this is a remission of dumping duty that was payable upon the importation of petroleum products by the British American Oil Company from the Richfield Oil Corporation, of Los Angeles, California, during the fiscal year 1950-51. A subsidiary of the Canadian company produces crude oil in Oklahoma, and made an arrangement with the Richfield Oil Corporation of Los Angeles to refine it and ship it to the Canadian company. The Canadian company paid the value of the crude plus the refining charge. These arrangements were made pending the construction of additional refining capacity in Canada. The arrangements made it possible for Canada to obtain these petroleum products at the least cost in foreign exchange, and with the result that the profits accrued so far as possible to the company subject to Canadian income tax. The Minister of National Revenue and the Treasury Board therefore felt that they were justified in recommending the remission of dumping duty in order to make the working out of this plan possible. No remission of ordinary customs duties or excise taxes was involved.

Yours truly,

(Sgd.) R. B. BRYCE.

Do you wish that we call Mr. Bryce again on this?

Mr. HARKNESS: No, I think I asked that question, and that is satisfactory.

The CHAIRMAN: We have some gentlemen who have come here today because of questions asked during the course of our study of the Auditor General's report. I will call them to the table in the order in which they were mentioned during our previous meeting.

Therefore, item 17 of the Auditor General's report, dealing with the Canada Shipping Act 1934, chapter 44, section 305, concerning the sick mariners services, will be first, and we have with us today Dr. Cameron, the deputy minister of National Health and Welfare, and Dr. Frost, assistant chief of the Quarantine, Immigration Medical and Sick Mariners Division. Will you kindly step to the table, gentlemen.

I see that the two gentlemen who asked the questions are not here today, but I think the verbatim report was forwarded to Dr. Cameron, so I wonder if the doctor wishes to make a statement. You have seen, doctor, the report of our proceedings, and although the members who asked the questions which necessitated you being here are not present today, I wonder if you would care to say a few words on the matter.

Dr. G. D. W. Cameron, Deputy Minister of National Health and Welfare.

The WITNESS: Mr. Chairman, as the Auditor General has reported, this operation is, should I say, solvent in so far as deep sea vessels are concerned, but in so far as the very small vessels of the fishermen are concerned there is an increasing spread between the dues paid and the cost of providing the service. This is a matter which, of course, is well known in the department, and has been discussed repeatedly.

Various remedies have been proposed involving higher payments by the fishing vessels. Since the extension of this scheme to cover fishermen dates back many years, there has been developed over the years a very valuable assistance to the fishermen in the form of medical care and hospitalization. If the rates are raised sufficiently to make this a solvent operation there is the possibility that a number of particularly smaller fishing vessels will feel that they are unable to pay the dues and they may well decide to withdraw from

the scheme, so that you have the problem of deciding whether or not solvency is the more important objective or continuance of the medical care and hospitalization for the largest number possible.

We believe from our calculations that there would have to be an increase in charges to the fishing vessels of something like ten to twenty times the premium they are now paying.

The CHAIRMAN: Are there any questions, gentlemen?

Mr. ASHBOURNE: Would Dr. Cameron outline how the services are provided, and to what extent, as far as the fishing vessels themselves are concerned?

The WITNESS: Mr. Chairman, the general procedure is that all fishing vessels are entitled—not compelled—to pay dues on a tonnage basis of 2 cents per ton to be paid not more than three times a year.

Mr. ASHBOURNE: It is not compulsory?

The WITNESS: It is not compulsory. For this, and on establishment of the fact that the individual sailor is a bona fide member of the crew of a vessel that has paid dues, he is entitled to full medical care and hospitalization. As an administration procedure, we usually limit this to one year's hospitalization; as I say, on establishment of the fact that the man is a member of the crew. The dues are collected by collectors of customs at all ports. If a mariner becomes sick, his captain gives him a document, sends him to the collector of customs to have it validated, and then he is entitled to receive care either by our port physician or by a doctor of his own choice, depending on the arrangement, the size of the port, the locality, and so on. In many cases the treatment is given in our sick mariners' clinic such as we operate at Montreal, Halifax, Quebec, Saint John, N.B., Vancouver and Sydney.

Mr. ASHBOURNE: Is there any floating ship such as a hospital ship around the Atlantic coast?

The WITNESS: No, sir. Dr. Frost tells me there was during the war, but we do not do it now.

Mr. BENEDICKSON: Has there been evidence produced to establish how the losses are attributable to the fishing vessels rather than to something else?

The WITNESS: Mr. Chairman, we have the records of the revenue derived from all classes of vessel, and our records disclose where the expenditure is going.

Mr. CAVERS: Referring to the minutes of the meeting the other day, is that deficiency attributable to fishing ships or to merchant ships?

The WITNESS: Fishing ships; the smaller vessels.

Mr. GIBSON: Are they covered on the Great Lakes? Can they be covered?

The WITNESS: By the terms of the Act only the seacoasts on either side, the coast of the province of Quebec, Ontario and Manitoba where they abut on Hudson Bay, St. Lawrence river traffic up to the point where the province of Ontario becomes the northern shore of the St. Lawrence river.

Mr. GIBSON: Do they pay 2 cents a registered ton three times a year?

The WITNESS: Up to three times a year. It depends how often the ship comes into port.

Mr. ROBINSON: With a minimum?

The WITNESS: Yes.

Mr. ROBINSON: Of how much?

The WITNESS: \$2.

Mr. KIRK (*Digby-Yarmouth*): That 2 cents per registered ton not more than three times a year; they are paying 6 cents a year a ton in order to have that?

The WITNESS: Yes.

Mr. KIRK (*Digby-Yarmouth*): You mentioned hospitalization, and the fact that the man was entitled to hospitalization up to a maximum of a year: a year over how long a period?

The WITNESS: Dr. Frost reminds me it is a year for each condition—each episode or illness.

Mr. FRASER: Is that in the Act?

Dr. FROST: It is section 308 (6).

Mr. FRASER: Of the Canada Shipping Act?

Dr. FROST: Yes.

Mr. FRASER: What about drug prescriptions; are they paid?

Dr. FROST: Yes.

Mr. FRASER: Medical care, hospitalization, drug prescriptions, and dental care in the form of what?

Dr. FROST: Extractions only, as far as dental care is concerned.

Mr. FRASER: The reason I am so interested, I don't know the exact figures, but I would assume that the largest percentage of the smallest fishing boats in southwestern Nova Scotia pay these dues and receive benefits. I remember a year or two ago when this matter was brought up, and I was approached by a great many of the fishermen most anxious to see this continued and most anxious not to see any increase of the dues suggested by Dr. Cameron.

Mr. GIBSON: When were these rates established?

Dr. FROST: In the first instance in 1868.

Mr. GIBSON: Has there been no increase since that time?

Dr. FROST: No, there was a decrease over a short period; 1½ cents instead of 2 cents.

Mr. CAVERS: Is it now on the same basis as it was in 1868?

Dr. FROST: Yes, the same basis.

Mr. ASHBOURNE: I notice in the 1938-39 revenues, according to the Auditor General's report, were \$210,000 and expenditures were \$188,000: that would leave about \$22,000 profit on the scheme. Could Dr. Cameron tell us what happened to that money? Did it go into the treasury?

The WITNESS: It is all dead revenue.

Mr. ASHBOURNE: Could you tell us throughout the years the amount of surplus that might have accumulated in that regard, or the amount that might have been transferred to the Consolidated Revenue Fund?

The WITNESS: The total revenue from 1867 to 1951 was \$9,251,000. The total expenditure over the same period was \$10,338,700.

Mr. ASHBOURNE: Does that include the operation of the head offices, administration, and salaries?

The WITNESS: No sir, this is payment for medical care.

Mr. ASHBOURNE: It does not include anybody at the Ottawa level administering this Act?

The WITNESS: No.

Mr. GIBSON: I appreciate Mr. Kirk's problem too, and the fishermen's reaction to that, but it seems to me that fish that were selling at 1 cent a pound in 1868 are probably worth 20 cents a pound now, and fishermen are in the peculiar position of not being able to be covered under the Workmen's Compensation Act. It would seem to me that the fishermen would be very happy, I think, if they could perhaps get a greater coverage—not necessarily greater—but the doctor knows I have had some discussion, and we have a little difficulty

in ports in British Columbia getting coverage, but it seems to me the fishermen would be willing to pay a higher assessment to give them a better coverage because they of all the workmen in Canada are more in need of it than others.

Mr. CAVERS: They are entitled to benefits, and this is one of the things that they have which I think offsets to some extent those benefits. I am quite willing to admit the price of fish has gone up in the last forty, fifty or sixty years, but by the same token, so has the cost of modern gear, and whether their net profit percentagewise is any greater or not is very questionable.

Another question comes to my mind, Mr. Chairman, with regard to port physicians who are on a stated salary: Are those expenses charged up to this fund?

The WITNESS: All the costs of the medical care, physicians, hospital, drugs, everything.

Mr. BENIDICKSON: Is there any government hospitalization that we undertake comparable to this from which there is some revenue? Does any other class of citizen get any subsidized hospitalization?

The WITNESS: Well, sir, I don't know whether I should mention—

Mr. BENIDICKSON: I know about the Indian service but, of course, they pay nothing.

The WITNESS: Answering that directly, Mr. Chairman, I think the answer is "no", with the possible exception this scheme also covers certain government vessels which operate on the coast, to that extent.

Mr. GIBSON: They pay their fees?

The WITNESS: They pay the same rates.

Mr. ROBINSON: Why were those on the Great Lakes excluded from the Act?

The WITNESS: I cannot be certain. We have been searching the library going back to 1867 and I cannot answer the question directly, but the inference seems to be that in origin this was a scheme to look after the deep-sea crewmen thrown out on the dock at our seaports.

Mr. ROBINSON: Have there been any representations from fishermen in the Great Lakes to come under the operation of the Act?

The WITNESS: The matter has been discussed with us.

Mr. ROBINSON: By what categories? Fishermen, or—

Dr. FROST: Foreign ships have asked for treatment on the Great Lakes at times.

Mr. ROBINSON: At our expense?

Dr. FROST: At our expense, on the amount that is collected now.

Mr. ROBINSON: Are there any Canadian fishermen, or Canadian seamen?

Dr. FROST: Not looking for treatment as far as I know, on the Great Lakes.

Mr. FULFORD: The service stops at the end of the Quebec border on the north shore of where Lake St. Francis becomes Ontario.

The WITNESS: Yes.

Mr. FULFORD: In other words, a foreign ship could get it at the head of the St. Lawrence canal, but not at the foot of the Lachine canal?

Dr. FROST: It does not operate on the canals. It operates at the ports, not in intermediate areas.

Mr. FULFORD: Suppose the foreign ship has paid its dues? I thought you said that this Act extended as far as the Ontario border, and no further.

Dr. FROST: Well, it does, but the last port is Montreal.

Mr. GIBSON: It is an anomalous Act, I think.

Mr. FULFORD: A most extraordinary Act.

Mr. RILEY: Can the doctor go on to explain—he said there were medical expenses and expenses of medical services in hospital chargeable against this fund; did he also intend to convey that the capital outlay in respect of the sick mariners' hospital is chargeable also against the fund?

The WITNESS: There are no sick mariners' hospitals.

Mr. RILEY: Well, the equivalent.

The WITNESS: We have not built any accommodation for hospitalization of these people.

Mr. RILEY: Where do you have them?

The WITNESS: They go into the hospital of the community nearest at hand.

Mr. KIRK (*Digby-Yarmouth*): Are there no areas where you have a registered nurse on a part-time basis?

Dr. FROST: There are no nurses.

Mr. KIRK (*Digby-Yarmouth*): Are there areas where you pay for nursing services? I mean, suppose a man is put ashore in some small area, and is taken care of by some registered nurse: those are not payable?

Dr. FROST: Not in that case, no.

Mr. KIRK (*Digby-Yarmouth*): There is another point comes to my mind: the doctor scared me when he mentioned such figures as a twenty-fold increase in fees: Is he still thinking in terms of tonnage, or in terms of number of men per ship?

The WITNESS: Mr. Chairman, we have considered from all angles this problem and tried to figure out what could be done to change the rates to place the charges where the deficit is, and it seems to us that if you maintained a tonnage rate at 2 cents, or possibly raised it to 3 cents, you would still have to make a minimum charge, instead of \$2, or \$30 or \$40.

Mr. KIRK (*Digby-Yarmouth*): Per ship?

The WITNESS: Per ship.

Mr. GIBSON: Per ship per annum?

The WITNESS: Yes.

Mr. CAVERS: That would seem to be unreasonable having regard to the medical services provided.

Mr. KIRK (*Digby-Yarmouth*): As it is at present a small craft with a crew of two or three pays \$2, and your suggestion is that it may be necessary in order to make this fund solvent to make a \$40 fee for that craft, which would be \$20 per man or \$13.30 per man?

The WITNESS: Yes.

Mr. FULFORD: That is pretty high health insurance.

Mr. CAVERS: It is infinitely cheaper than any other compensation rate with comparable hazards.

Mr. FULFORD: The only compensation is the free hospitalization and medical care.

Mr. ROBINSON: Doctor, would it be fair to charge a ship with two seamen the same minimum as a large ship employing 20?

The WITNESS: Mr. Chairman, the larger the ship the more close it comes to paying it way under the present scheme. If you raise the income by raising the rates per ton or per man it means that the ships that are now in the solvent operation will be carrying the ones in some part that are in the insolvent part of the operation.

Mr. ROBINSON: As I take it, a 1000 ton ship would be \$20 on first entry into Canada; is that right?

The WITNESS: Yes.

Mr. ROBINSON: And another 1,000 ton ship that enters three times would pay \$60?

Dr. FROST: That is right.

Mr. ROBINSON: And the first ship might discharge 10 people requiring medical services, and the other might discharge none whatsoever in three trips?

Dr. FROST: That is quite true.

Mr. ROBINSON: Doesn't there seem to be an inequality there?

Mr. HARKNESS: It is like all insurance: you may die and I might live.

Mr. KIRK (*Digby-Yarmouth*): Why not have them all in one group? I am of the opinion that people in those smaller boats are subject to much greater risks than those in the larger boats, and I would like to see it put on a basis of them all paying the same. Take a similar case in insurance mortality tables: we don't know how long they are going to live, and we are gambling and the insurance company is gambling, although I know the insurance company has never lost. I would like to see our fishermen on the smaller boats receive this protection at as reasonable a cost as possible. If we have to do this to make a plan solvent, I would like to see the small boats and the larger boats put in one group, and a fee secured that would bring us in enough.

The CHAIRMAN: Would you agree to the smaller boats paying as much as the larger ones?

Mr. KIRK (*Digby-Yarmouth*): On a tonnage basis.

The CHAIRMAN: We may have to draft a recommendation on this, so could we understand that please?

Mr. KIRK (*Digby-Yarmouth*): Either on a tonnage basis or on a per man basis, but not on a vessel basis.

The CHAIRMAN: That is what I mean. You do not want to quote so much per boat, if one only has 2 seamen on board. You would not like that, coming from the coast of Nova Scotia?

Mr. KIRK (*Digby-Yarmouth*): No.

Mr. FULFORD: Do they only get these free medical services during the performance of their duty? For instance, if a fishing boat is laid up part of the season and a member of the crew becomes ill, does he get the medical services then, or only if it is in commission?

The WITNESS: Only when it is in commission.

Mr. FRASER: And only on landing, it is?

The CHAIRMAN: You mean when it calls at a port?

Mr. FRASER: It must be entering a port, and the man must be sick at that time.

The WITNESS: If a man takes sick aboard and the ship puts in at another port, he can be landed and treated.

Mr. FRASER: But it must be on the landing—in salt water, except in the St. Lawrence?

The WITNESS: Landing within the area covered by the Act.

Mr. KIRK (*Digby-Yarmouth*): That brings up another point. The committee has been proceeding on the basis of comparing this with other schemes, and if a man is on duty for six months and the fee has been paid for the year, if he is not on duty it is my understanding he does not receive these benefits.

The WITNESS: He does not.

Mr. KIRK (*Digby-Yarmouth*): So it is not fair to compare it with another scheme where you receive the benefits no matter when or where?

The WITNESS: That is correct.

The CHAIRMAN: Have you any further questions on this matter, gentlemen?

Mr. BROWNE: Is the fund now solvent? I must apologize Mr. Chairman, but I was not here earlier.

The CHAIRMAN: Yes, from 1867 to 1951 the figures were given; how much was collected and how much paid out.

Mr. ASHBOURNE: Could Dr. Cameron tell us the number of fishermen treated last year and the number of vessels?

The WITNESS: The number of vessels paying dues in 1951 was 7,215. The number of fishermen treated in 1951 was 15,882.

Mr. FULFORD: That is about 2 to a ship.

Mr. GIBSON: What was the average payment you made to the fishermen?

The WITNESS: The average payment divided over that number would be just slightly more than \$2.

Mr. GIBSON: You just gave them an aspirin tablet in most cases, then?

The WITNESS: I would like to correct the impression left by that last answer: that is \$2 divided over the total lot treated.

Mr. ASHBOURNE: Of the 15,882 men treated, from how many vessels were they?

The WITNESS: 7,215.

Mr. ASHBOURNE: I understood that was the total number of vessels entered in the scheme?

The WITNESS: Oh, yes, I am sorry. 4,533 paid dues—that is, fishing vessels.

The CHAIRMAN: The 15,000 people treated came out of how many ships? Not how many ships paid the dues, or how many ships are in the scheme.

The WITNESS: I am sorry, we haven't got that figure.

The CHAIRMAN: The answer will be reported later.

Mr. RILEY: I wonder if Dr. Cameron could tell us if the regular hospitalization rates are paid to the various hospitals where these men are treated?

Dr. FROST: The answer to that question is that the sick mariners service has agreements with the various hospitals as to what shall be paid.

Mr. RILEY: They have special rates?

Dr. FROST: In certain cases they are special rates, and in other cases they are the regular per diem rates.

Mr. RILEY: In those ports where the Department of National Health and Welfare actually has hospitalization facilities don't they use them for the treatment of mariners?

The WITNESS: Yes, we do.

Mr. RILEY: That is what I was getting at with respect to these capital outlays.

The WITNESS: Well, we have hospitals at Sydney and Quebec.

Mr. RILEY: There is one in Saint John?

The WITNESS: Sydney and Lunenburg; that was my mistake.

Mr. RILEY: There is one in Saint John isn't there, in connection with part of the immigration?

Dr. FROST: That is a different service entirely.

Mr. RILEY: But it is operated by the Department of National Health and Welfare?

The WITNESS: We have the three services operated by the same group, so that there are three items in our estimates.

Mr. RILEY: From the standpoint of economy, in the port of Saint John last summer, between the months of May and probably November, they had about

16 immigrants go through that particular division. Now, as it is kept fully staffed at all times, why could not that hospital also be used for the treatment of mariners and thereby effect some measure of economy to the benefit of those who are paying into it?

Dr. FROST: The immigration hospital last year was not operating in that time.

Mr. RILEY: It was closed down?

Dr. FROST: It is closed down for the summer months. The clinic operated, but not the hospital.

Mr. RILEY: Do you not have a staff there consisting of doctors and nurses and attendants?

Dr. FROST: They have other work to do besides the work of the immigration.

Mr. RILEY: Is their work increased during the summer months?

Dr. FROST: Oh, no, it is decreased markedly, and the staff is decreased.

The CHAIRMAN: When you say they have other work, do you mean for other departments, or other work within your department?

Dr. FROST: They work within this department.

The CHAIRMAN: What type of work are they performing? We have a member who has said he thinks there are too many men for the work, so the witness can give us an answer as to whether he considers they were overstaffed or overworked, or what?

Dr. FROST: Last year the hospital was closed at the end of the navigation season, and the doctor who helped out the port doctor was sent back to Quebec.

The CHAIRMAN: And the extra work they performed during that time, could we have an idea of what it was?

Dr. FROST: That is ships clearance for quarantine purposes and examining veterans, civil servants, and various things of that nature.

The CHAIRMAN: My only point is to have the record complete.

Mr. RILEY: There you have modern hospital facilities not being put to use by the department during the summer months. Could that not be used to the advantage of the fishermen during the summer months? And could that not be operated more economically than it would cost to send them to the regular hospitals?

The WITNESS: Our staff, Mr. Chairman, is moved summer and winter between Quebec and Saint John in conformity with the opening up of the Saint John port for the winter season, and, as Dr. Frost has said, during the summer those doctors go back to Quebec because the St. Lawrence is very busy and they are required there. I have not looked into this in detail, but I strongly suspect if we operated that hospital we would have to employ additional staff to do so, and it is questionable whether that would be an economical move or not.

Mr. RILEY: Could it be investigated?

The WITNESS: Certainly.

Mr. FRASER: May I ask what per diem rate is paid by this department for the mariners?

The WITNESS: It varies from hospital to hospital and the agreement we have with them.

The CHAIRMAN: Could you give us an example rate?

Dr. FROST: In eastern Canada the average rate is \$7.50.

Mr. FRASER: What is it in the west?

The WITNESS: In some places we pay as much as \$14 a day.

Mr. KIRK (*Digby-Yarmouth*): That is what probably causes the deficit.

Mr. ASHBOURNE: Could we have a breakdown of the revenue and expenditures by provinces?

The WITNESS: Yes, Mr. Chairman, we can get that.

The CHAIRMAN: These figures will be sent to the committee and tabled with this report when it is printed.

Mr. BENIDICKSON: In the case of hospital fees for Indians: Do you do something similar in the case of making these agreements for miners?

The WITNESS: Yes, that is the idea.

Mr. FRASER: May I ask the Indian rate per diem? It used to be \$3.50 per diem. What is paid now for them?

The WITNESS: They vary just as widely as the rest I have quoted.

Mr. FRASER: Probably as high as \$14.50?

The WITNESS: Yes.

Mr. BROWNE: Those fishermen who operate for short seasons, are they eligible to come under these conditions?

Dr. FROST: Yes.

Mr. BROWNE: Even if they are operating daily from their ports?

Dr. FROST: That is right; all fishermen if they pay sick mariners' dues.

Mr. BROWNE: Are they aware of that?

Dr. FROST: I don't think they are.

Mr. BROWNE: I don't think so.

The CHAIRMAN: But they are covered while they are working, and not in the off season.

Mr. BROWNE: I understand that. I don't think they are aware that they are eligible.

Mr. GIBSON: It is only when they have to go to customs in order to clear deep sea or to clear form that the customs officer would make an assessment on it, otherwise they have to go to him voluntarily and say, "I want to pay the sick mariners fund"?

The WITNESS: This is not automatic. It is a voluntary thing for fishing vessels. The captain must elect to do it, but the payment is voluntary.

Mr. KIRK (*Digby-Yarmouth*): Is it not a fact that it is the custom where they have a smaller fishing boat with crews of 2, 3 or 4 that whenever they register their vessels that is the time they are in touch with the customs officer, and they then apply for the sick benefits?

Dr. FROST: That is correct.

Mr. KIRK (*Digby-Yarmouth*): That is, when they clear for the fishing and they make one entry a year and one clearance.

Dr. FROST: That is true. It must be paid at that time; otherwise they are not eligible to pay at all.

Mr. KIRK (*Digby-Yarmouth*): Dr. Cameron agreed to supply the committee with the receipts and expenditures by provinces. I wonder if when we receive that he would break down the receipts and expenditures so that we will know how much was received from the small fishing craft and how much from the larger foreign going vessels.

The WITNESS: Mr. Chairman, I have here a table of the collections and expenditures by provinces, not broken down into small and large vessels, however. I can provide that for your records, or read it out.

The CHAIRMAN: You can read it out.

The WITNESS: Newfoundland, the revenue for 1951-52, \$14,396.46, expenditure \$14,740. Prince Edward Island, revenue \$1,346, expenditure \$8,594.

Nova Scotia, revenue \$59,810, expenditure \$244,009. New Brunswick, revenue \$20,854, expenditure \$55,067. Quebec, revenue \$77,310, expenditure \$99,726. Manitoba, revenue \$1,638, and no expenditure. British Columbia, revenue \$83,200, expenditure \$171,342.

Mr. BENIDICKSON: Have you the information on the salaries?

The WITNESS: No, sir.

Mr. FRASER: Manitoba was mentioned on account of Hudson Bay. Ontario did not come into that scheme at all?

The WITNESS: In other words there were no ships docking. I imagine that is because of Port Churchill.

The CHAIRMAN: For Manitoba?

The WITNESS: For Manitoba.

Mr. BENIDICKSON: Ontario could not come in?

The WITNESS: There was no revenue reported from Ontario.

Mr. BROWNE: I would like to ask one or two questions about Newfoundland, where it almost balances. Has there been any literature distributed or any effort made to contact the fishermen to apprise them of this service which is available to them?

The WITNESS: No, sir.

Mr. BROWNE: Don't you think that you should take steps to notify the fishermen that they are eligible for this scheme?

The WITNESS: I don't know how to answer that, Mr. Chairman.

Mr. ROBINSON: They seem to be fully aware of it in Nova Scotia.

The WITNESS: I really don't know how to answer that.

The CHAIRMAN: It may be for the committee to suggest something.

Mr. BROWNE: I will take great care to see they know something about it soon.

Mr. KIRK (*Digby-Yarmouth*): Mr. Ashbourne put a question about certain figures, and since then the doctor has given it for the record, but rather than put a great deal more on the record I wonder if the doctor would mind giving a breakdown for Nova Scotia and see that I get a copy—not necessarily for the record.

The CHAIRMAN: Whatever one member gets, the others should get, so that if it is supplied it will be printed.

Gentlemen, do you feel we have covered this item fairly well?

Mr. GIBSON: Would our committee clerk take a note of that? I think possibly a recommendation from the committee would be very valuable.

The CHAIRMAN: Oh, yes, that is why we have these gentlemen here today, so as to have their views on it and to answer questions by members and when we get together with the idea of drafting a report we will have the verbatim report of their evidence and we will be able to come to a conclusion as to the kind of recommendation, if any, we put in our report.

I wish to express the thanks of the committee to the two witnesses for their co-operation, and they may now be excused.

The second item we covered was items 26 to 29 of the Auditor General's report dealing with the Veterans' Land Act. I understand the director, Mr. Rutherford, is here. Would he kindly come, with his assistant, to the table.

Mr. T. J. Rutherford, Director of Veterans' Land Act, called:

The CHAIRMAN: The questions were asked firstly by Mr. Fleming and Mr. Browne. We are at items 26 to 29 dealing with the Veterans' Land Act. You will find it on page 30 of number 1. I wonder, before we ask questions, if we may ask the witness—he has read, I understand, the evidence—to make a statement or say a few words on the matter.

The WITNESS: Mr. Chairman, I do not think there is anything involved in item 26, but in regard to item No. 27 which has to do with "Cost to Director" as charged to the veterans on Westbank Irrigation Project, there are a number of reasons why we find the expressed view difficult to accept.

The history of irrigation in both Canada and the United States discloses that major irrigation projects, by themselves, are incapable of assuming and retiring the necessary heavy capital charges in their entirety. It is now recognized that practically all large irrigation systems must be subsidized to the extent of part of the capital cost which is met indirectly by increased benefits to the country as a whole by reclaiming otherwise poor or non-productive lands.

If this principle had not been applied to the project in question, the resultant sale prices for individual lots would have been so high as to preclude not only the economical and practical settlement of veterans but of civilians as well.

In the project mentioned, the whole problem was carefully reviewed by a co-ordinating committee consisting of representatives from the provincial government of British Columbia, Producers' Associations, P.F.R.A. and V.L.A. The soil, possible crops and markets, estimated revenues and costs were all carefully analyzed and the director, V.L.A., in effect, contributed an amount which it was considered could be carried by the land. If the cost to the director had been placed higher, there is little doubt that the project could not have been accepted for the settlement of veterans since, in addition, they would still have to build homes and install water distribution systems both domestic water and water for irrigation before revenue could be expected from their land. We understand the amount charged to the director was ascertained in a manner similar to that employed in other schemes where civilian purchasers are involved.

The CHAIRMAN: Are there any further questions on this item? If not, we will pass on to the next.

The WITNESS: With reference to item number 28. Section 9A of the Veterans' Land Act requires that the proceeds from the sale of timber be applied by the director to the veteran's debt.

We have been given a legal opinion that where a contract for the sale of timber calls for the payment of the entire amount to the director, it must all be credited to the veteran's debt, even though the larger part of the amount received is represented by the veteran's labour and disbursements incurred in cutting, peeling and delivering the timber. This may represent months of work and considerable outlay.

To overcome this situation, V.L.A. have adopted a form of tri-party contract under which the purchaser pays the director the value of the stumpage as fixed by the district superintendent, Veterans' Land Act, and the balance (representing labour and disbursements) directly to the settler who has done the work and incurred the disbursements. We do not consider this in any way an evasion of the Act as the director receives all proceeds from stumpage at a price which has been fixed by his own representatives.

An amendment to the Act would appear, to us, to be advisable only in order to simplify administrative procedure. We did not think that such would materially simplify procedure as the tripartite agreement is not too complicated, for all we have to do, and it is a good form of contract. We do not consider it worth while having the Act amended.

Mr. GIBSON: You referred to timber cruisers, when you have to cruise timber do you engage professional timber cruisers to do the work for your department, or do you attempt to decide the value of the cut from the stumpage?

The WITNESS: I might say, sir, that in our department when we speak of pulp wood we think principally of the maritimes, and of the pulp wood there as about the only way it is bought is on a cut-peeled-and-delivered basis, the director is paid the stumpage equivalent to the pulp sold.

Mr. GIBSON: I was thinking of you as director, how do you assess the value of the stumpage? You take the crop and from that determine the stumpage, is that it?

The WITNESS: That is right, and we have fairly competent men doing that work.

Mr. STROJICH (*Acting Superintendent, Property Division, V.L.A.*): I would like to have the record clear with regard to the stumpage and how it is arrived at. It is arrived at on the basis of peeled pulp wood outside, ready for delivery.

The WITNESS: That is correct.

Mr. KIRK: I wonder if Mr. Rutherford could tell us how much that is per cord?

The WITNESS: It would vary considerably.

Mr. KIRK: It would vary with the locality?

The WITNESS: And the location. Timber that is close to the road or close to the water, is much more valuable than if it has to be hauled a great distance.

Mr. GAUTHIER: Could you give us the maximum price you get for it?

Mr. STROJICH: Oh, I would say that the maximum would be about approximately \$11 a cord.

The CHAIRMAN: Would you mind identifying yourself, sir?

Mr. STROJICH: W. Strojich, acting superintendent, property division, V.L.A.

The WITNESS: The stumpage would be considerably less on some pulp wood. It might be as low as \$3 a cord. That would be where it is hard to get at. Where it could vary all the way from \$3 a cord to \$5 a cord.

Mr. KIRK: How do you arrive at your dollar value figure on that?

The WITNESS: That would be delivered to the side of the road, properly peeled. In parts of the maritimes it would be considerably higher than that, quite recently it was as high as \$18 a cord.

The CHAIRMAN: Any further questions on this item, gentlemen? Then the next item in your memorandum is item 29.

The WITNESS: With regard to item 29, I would point out that subsection 3 of section 9 of the Act permits the conditional sale of chattels up to \$3,000 to a veteran who occupies land under a satisfactory rental agreement or is purchasing land other than from the director. The veteran is required to make an initial deposit of 20 per cent and repays 40 per cent with interest over a 10 year period, the balance being a conditional grant.

Because of the fact a veteran receiving assistance under this subsection would not necessarily be purchasing and operating land owned by the director, neither regulation 31 which requires personal operation of the land nor the agreement which covered the sale of chattels required that the chattels sold to such a veteran remain on the property or be used in his farming operations. Our form of contract has now been amended, however, by the addition of a covenant whereby the veteran agrees to retain, use and care for the chattels during each year of the 10 year period. As follows:

"The veteran agrees to commence immediately personal operation of any land which he may now or hereafter occupy under a rental or purchase agreement satisfactory to the director, and to continue personal operation thereof for ten years from the date of this agreement and, during that time to retain, use and properly care for the chattels sold to him under this agreement."

That is the new amendment which we have added to the contract. I think Mr. Sellar's point is well taken and we have corrected the situation. We have only had a few cases and have had no difficulty in protecting our security; I believe that in each case the veteran has found other land and carried on his operations.

The CHAIRMAN: Are there any further questions? I think that covers that item as far as these witnesses are concerned, and I would express the thanks of the committee for your co-operation, gentlemen.

Now, the next item on the Auditor General's report is item 31, page 1, concerning the purchase of radar equipment, and on that we have two witnesses from the Department of Defence Production.

Commander (L) E. J. Apps, R.C.N., called:

The CHAIRMAN: I see that General Pearkes is not in the committee today, but the witness has been supplied with the verbatim copy of the report from which to check the question which was asked.

The WITNESS: Mr. Chairman and gentlemen, I think a bit of past history of the process we went through in determining what type of radar would be procured perhaps would be useful to the committee at this point.

In 1949 an investigation was conducted to ascertain the suitability of the well known makes of commercial marine radars to meet naval requirements for a low-powered, high definition radar capable of detecting and discriminating between surface targets within the minimum ranges of certain high-powered military sets. For naval purposes this type of radar was designated as a H.D.W.S. (high definition warning surface) set and was intended to provide navigational facilities as well as detect close-in surface targets for tactical purposes.

The investigation was conducted with two distinct applications in mind as follows:

Large H.D.W.S. radar for major war vessels. The prime consideration for this application being that the equipment must be capable of integrating into the radar systems being planned for new construction ships. In order to do so the equipment is required to drive standard naval radar indicators.

Now, that is the large H.D.W.S. radar. The second part of the program was for the small H.D.W.S. radar for auxiliary vessels. In this application the equipment was not required to operate with any other radar equipment and the prime requirements were economical cost, small physical size, low power consumption and light weight.

These investigations commenced early in 1949 and actually continued on until about September in 1950 when the electrical engineer in chief made his recommendation to the naval staff.

The conclusions which were arrived at in this investigation covered the following manufacturers:

- Marconi LN-16;
- Canadian Arsenals 268 Mariner;
- General Electric type MN-3A;
- Westinghouse type MU-1;
- R.C.A. Victor CR-101A;
- Sperry MK. 2.

In the original investigation we took on and carried through covered most of the field but eventually we went back and covered the Cossar marine radar.

Our conclusions in this respect can be summed up as follows: in a modern major fighting ship it is essential that information obtained from the various radars fitted be displayed on remote indicators positioned at numerous tactical positions throughout the ship. Since standard naval indicators are costly and comparatively large it is essential that the quantities employed in each ship be reduced to a minimum. In this regard a radar distribution system has been designed for R.C.N. new construction ships which allows any remote indicator fitted to display information from all surveillance radars installed. By means of switching, a remote indicator can be connected to any of the surveillance radars fitted.

In order to integrate the H.D.W.S. radar into this system, it was necessary to select a type whose design characteristics were compatible in so far as possible with R.C.N. radar indicators of military design. The Sperry radar is the only commercial equipment currently available which can drive standard naval indicators without considerable modification of re-engineering, and it was primarily for this reason that the Sperry equipment was selected as the standard R.C.N. large H.D.W.S. set. This equipment has operated satisfactorily with as many as seven naval remote indicators connected.

If an equipment had been selected which could not easily be adapted to drive the naval repeaters, special remote indicators would have to be purchased resulting in considerable duplication, waste of space, and additional unwarranted expense.

The operational results obtained with the Sperry radar particularly in ships assigned to operational theatres has more than justified the navy's decision in this matter. Maintenance difficulties have been at a minimum and the equipment has been used for many and varied purposes.

Mr. BENIDICKSON: I take it, Mr. Chairman, that the criticism is not based on the merits of the particular type of equipment purchased but I think it refers to the method, the need or the urgency of trying to get something through at the end of the fiscal year without the calling for tenders.

The CHAIRMAN: That was the item—I beg your pardon, General Pearkes asked a question: why it was, instead of having it made by Canadian Arsenals, they bought it from private companies. That is the answer he has given to that. In case 2, Mr. Benidickson, the point is why he went out and purchased it at one time instead of another.

Mr. BENIDICKSON: Yes, and from a commercial agency without calling for tenders; in other words, the ordinary procedure was not followed.

The CHAIRMAN: That is right and it is based on the report given to the committee by Mr. Sellars.

The WITNESS: I do not think that is quite the case in respect to this particular equipment. It was determined that the Sperry was the only one in production that would meet the naval requirements; I mean, if they had gone out on tender there still would have been no answer. Sperry was the only one that would have the actual system of radar display required on the ship. The other sets, particularly the Mariner, which was the closest approach to the Sperry, would have required a complete re-design to build it for naval use and the delay was definitely not acceptable. There were urgent operational requirements for this equipment and it was the desire of the naval staff to get a number of them in quite a rush.

Mr. FULFORD: And I suppose the patents held by the Sperry company on this equipment was an item that could not be overlooked, and that virtually made it impossible for anyone else to make it because of the very high royalty basis?

The WITNESS: No, I do not think so. The schemes and processes used in this particular radar are common knowledge. I think that I am correct in saying there is no particularly patentable device on these Sperry radars.

Mr. FULFORD: Then it was purely a matter of type?

The WITNESS: It is purely a matter of the system that they go through to get the answer. It boils down to a system of data transmission from the main unit to the remote units, to remote units of standardized design; very expensive, as a matter of fact; the remote unit would cost you more than the actual radar equipment itself; and you must have a radar equipment that will transmit the information of these remote units in the correct form, otherwise you would have to build special remote units to work with each particular type of radar.

Mr. FULFORD: In other words, a Marconi set would not lend itself to adaptation to a standard remote indicator.

The WITNESS: Yes, Marconi is a good example. We had purchased the Marconi for the small ship H.D.W.S. radar, it is a light weight radar and does the job and it will go nicely into any small vessel you have; but it uses much the same system as the Mariner, although we cannot operate it with the standard remote naval indicator, in the small ship that does not matter because there is only one radar set for each.

Mr. FULFORD: Then there was a special reason for not calling for tenders. You knew there was no other manufacturer except Sperry who could deliver this equipment which you had to have for your remote indicator station system?

The WITNESS: That is right.

Mr. HARKNESS: The observation by Mr. Sellar was that if you are in need of it that you should have got prior concurrence of the Governor in Council and you did not do that.

The WITNESS: I think I have a letter from the Department of Defence Production covering that, if I may quote from it:

The observation of the Auditor General to the effect that this contract was placed without the prior concurrence of the Governor in Council is unwarranted inasmuch as this contract was placed pursuant to the authority contained in the Defence Supplies Act, Chapter 33, R.S. 14, George VI.

Mr. BENIDICKSON: You are quoting from what?

The WITNESS: The authority in question contained in paragraph (i) subsection (e) of section 6 of the Defence Supplies Act, reads as follows:—"A contract may be entered into by the minister without the approval of the Governor in Council if, in the opinion of the minister, the contract must be entered into immediately in the interests of defence?"

The CHAIRMAN: So, that is the answer of the department of the objection raised.

Mr. BENIDICKSON: What is the date of that?

The WITNESS: This is dated June 3, and is addressed to the electrical engineer in chief, and is from the director, electronics division, Department of Defence Production.

Mr. FLEMING: Is there anything on the record to indicate that that was the basis upon which this order was given?

The WITNESS: No, I think you would have to get the Department of Defence Production to answer that one, sir.

Mr. BENIDICKSON: Can you tell us the date on which that equipment was purchased? I mean, was it ordered before March 15? I was wondering when it arrived.

The WITNESS: That was March 15th, I believe.

Mr. BENIDICKSON: So it came in before the end of the fiscal year?

The WITNESS: Just under the line.

Mr. FULFORD: So then it did not have anything to do with the standardizing of equipment on Canadian naval vessels?

The WITNESS: It has a very definite aspect in that respect. I should perhaps have mentioned one other reason for the choice is that Sperry is primarily supplied for use on 115 volt, 60 cycle power which is standard voltage for similiar equipment in naval ships. On this point, previous to that, as you may know, it was D.C.—

Mr. FULFORD: D.C. 220 volts?

The WITNESS: Right, but now it is all 60 cycle, and the Sperry is a 60 cycle set whereas this other equipment, particularly Canadian Arsenals 268, which is 180 volts, 500 cycles; which would mean that you would have to have another rotary convertor on the ship, more rotating equipment, you would have a greater maintenance problem—you would have greatly added to the complexity of the problem in the multiplicity of voltages required, and on the ships today they are definitely standardizing, trying to get away from that sort of thing.

Mr. FULFORD: Mr. Chairman, I had a very special reason for asking that question because during the war I was on the H.M.C.S. St. Stephen, and we had occasion to go into San Francisco. There were quite a number of American vessels in the harbour of San Francisco at the time and we needed some equipment and we couldn't get it there and so we had to send to Canada and have it flown down to us from Vancouver. That was a good example to me of just how necessary it was to get some system of standardization introduced in both navies.

The WITNESS: That is exactly the problem that we are trying to lick.

The CHAIRMAN: All right. Are there any further questions on this?

Mr. FRASER: Mr. Chairman, according to the letter from Defence Production, just read, they could order anything without any reference at all, they would not need to call in any tenders at all.

The CHAIRMAN: Should we hear a witness from Defence Production?

Mr. FRASER: Well, that is the way it looks to me there—anything at all, if they were in a hurry to get it they would not need to call for tenders.

The CHAIRMAN: I do not think this witness would be the one to answer that question.

Mr. FRASER: No, no, and I would not ask him; but from what he read to us from the letter, I think I am right on that.

Mr. BENIDICKSON: Mr. Sellar quoted from a written request on the subject from the Department of National Defence to the Canadian Commercial Corporation, to point out that he emphasized that there was no revote for this amount of money. That is where that question arose. Did that written request also embrace the Canadian Commercial Corporation with the urgency of this equipment from the standpoint of operation?

The WITNESS: I cannot answer that offhand. I am sure he must have indicated the operational urgency. I have one letter here which I have just looked over which indicated an urgent operational requirement on one of the ships and one of these sets was on that order.

The CHAIRMAN: The evidence we have just heard from this witness sufficiently establishes that this was equipment of a sort that only one company could supply, convenient for the purpose which they had in mind.

Are there any further questions for this witness?

Then we will express the appreciation of the committee for the evidence he has given.

We have now a witness from the Department of Indian Affairs, the director of the Indian Affairs branch.

Mr. D. M. MacKay, Director, Indian Affairs Branch, Department of Citizenship and Immigration, called:

Mr. BOISVERT: Mr. Chairman, is the witness being examined in connection with page 3, item 39?

The CHAIRMAN: Item 39, page 3; that is right. Would the witness care to make a few remarks and then we will have questions later?

The WITNESS: Yes. I believe the witness, Mr. Chairman, before the committee at its last meeting made the statement that the Department of Indian Affairs was responsible for a delay in occupying the Copeland Building with the result that the government was required to pay rental for unoccupied space. He referred, of course, to the Department of Indian Affairs. There is not a Department of Indian Affairs; he intended to say the Department of Citizenship and Immigration of which the Indian Affairs branch is a part. I would say at the outset that the statement made by the witness is not in accordance with the facts, and because it is not in accordance with the facts it should not have been made. A brief history of the position of the branch in the matter I think should be given. In January, 1950 the branch approached the Department of Public Works for more suitable accommodation than we had at the time. For many years the branch was split up into four or five buildings in the city. It was difficult to administer the branch under conditions of that kind and an approach was made to the Department of Public Works for adequate accommodation. Now, that was in January, 1950. In February, early in February of the same year, we were advised by the Department of Public Works that the accommodation we had applied for in number 3 temporary building was not available and it was not until late in February or early in March that the department became interested in the Copeland Building.

Mr. BOISVERT: That is the Citizenship and Immigration department?

The WITNESS: Yes, the Department of Citizenship and Immigration. The whole matter was referred to the deputy minister and by him to the minister of the Department of Public Works. In March, I think it was March 13, the Public Works Department furnished the branch with plans for the Copeland Building and asked us to prepare a sketch plan setting out the accommodation we required. We set about this immediately and secured the information so that the required subdivisions of the accommodations could be made. The plan prepared by the branch was supplied to Public Works Department on April 5th following. Our responsibility ceased after that, with the exception of moving the branch into the building as soon as it was ready; and, indeed, as soon as the building was ready for occupation the branch moved in. On the 13th of March, 1951 the first division of the branch was moved in, almost a year after the plans were submitted. Now, that is the picture and that is the record, and we are not accepting any responsibility for any delay in the matter. I am not blaming anyone because I do not know who is responsible.

The CHAIRMAN: Are there any questions, gentlemen?

Mr. HARKNESS: The witness we had at the time, Mr. Sellar, suggested I think that Public Works were to blame. You will find, if you have the evidence there, Public Works being asked who was responsible for the delay

in using this building and in getting it occupied and the witness' reply, as I remember it was, that it was not the Public Works which had been at fault, that they had prepared the building but the department concerned had not moved in. Now, your evidence is that as soon as you were told that it was ready to move into you did move in?

The WITNESS: Yes, we did.

Mr. HARKNESS: I am quite happy that the Department of Indian Affairs is—

The WITNESS: The Indian Affairs branch.

Mr. HARKNESS: That your branch is not at fault in this matter actually; but I would think then that the Department of Public Works should be the people that we should have as witnesses here, that we should have had witnesses from them rather than from the Indian Affairs branch. Could we have them, Mr. Chairman?

The CHAIRMAN: If you would so move we will get them for you.

Mr. HARKNESS: The matter certainly has not been resolved.

The CHAIRMAN: If you feel that the matter is of sufficient importance that you want us to get them we will get someone from that department.

Mr. BROWNE: What happened after that? When did you move in?

The WITNESS: We were in there I think it was on March 15th. As a matter of fact, we were so anxious to get out of the old accommodation we were in that we were most diligent in meeting the requirements.

Mr. BROWNE: Are you the only branch or department in that building?

The WITNESS: There is only one other government department in the building that I know of and that is the Department of Mines and Technical Surveys, I think—the minister's office and the deputy minister's office are there.

Mr. BROWNE: They may know something about it then, they may be the department which was at fault. Do you know when they moved in?

The CHAIRMAN: The witness could only give you second hand information about that. I am sorry, but I should not think that he is competent to give you the answer.

Mr. BROWNE: But I think he could tell me when they moved in.

The CHAIRMAN: I think it would be easier for us to get it from Public Works. I do not think it would be right to ask a man from another department to give you that information.

Mr. BROWNE: I did not ask him when they took over. I asked him if he knew, and that is different.

The CHAIRMAN: I think it would be better, if there is anything hangs on the issue, to have it dealt with by someone from the Department of Public Works.

Mr. BROWNE: Do you think it is worth while to bring anyone over from Public Works? From Public Works just to answer that? Can he just not answer it?

The CHAIRMAN: Well, Mr. Harkness asked for them.

Mr. BROWNE: It might save time.

The CHAIRMAN: Do you think we should still have someone brought here from Public Works Department to give us that information, Mr. Harkness?

Mr. HARKNESS: He said that the Indian Affairs branch was at fault. Mr. MacKay says they were not at fault, that as soon as they were notified that the building was ready they moved in; therefore it must come under Public Works.

The CHAIRMAN: That is right.

Mr. HARKNESS: Otherwise, it may be that the fault is in headquarters of the Department of Citizenship and Immigration. He has not told us how or when he was authorized.

The WITNESS: No. As a matter of fact, I do not know that we were notified. I think that we moved in without notification just as soon as the divisions were completed. We wanted to make sure that we would get in there because there were a number of other departments looking for the same space.

Mr. FULFORD: You wanted to make sure of your squatters' rights.

The CHAIRMAN: The reason this witness is here is that Mr. Harkness suggested that perhaps we should have someone from the Indian Affairs branch to deal with this item in the report, and that it might make them more careful in future. It was he who suggested that we get someone from the department concerned, the Indian Affairs Branch, and that is why this gentleman is here. He has supplied us with the information. If you want a witness from the Department of Public Works we will get one for our next meeting.

Thank you very much, Mr. MacKay.

The CHAIRMAN: The next item is item 86 on page 24. On this I have a letter from General Pearkes which states he is satisfied, but since he sent it to me officially I think I had better have it on the record.

OTTAWA, May 30, 1952.

L. P. PICARD, Esq., M.P.,
Chairman,
Public Accounts Committee,
House of Commons,
Ottawa, Ontario.

Dear Mr. Picard: At the last meeting of the Public Accounts Committee, I asked a few questions concerning the audit of the Army Benevolent Fund.

The National Secretary of the Fund has sent me a communication (copy attached) in which he explains the reason for the heavy administrative costs during the year which was under review. I am perfectly satisfied with his explanation and, under these circumstances, have no desire to pursue the matter further, as you suggested might be done.

Should you feel disposed to read Mr. Chadderton's letter to the Committee, there would be no objection on my part to your so doing.

Yours sincerely,
(sgd) George R. Pearkes.

I understand Mr. Chadderton is here, so if he would come to the table he might read the letter himself and supply the information that was asked by General Pearkes.

Mr. H. C. Chadderton, Secretary, Army Benevolent Fund, called:

The CHAIRMAN: So as to have our record straight, would you mind starting by reading the letter which you sent to General Pearkes which he states satisfies him.

The WITNESS: This letter is to General Pearkes:

ARMY BENEVOLENT FUND

HEAD OFFICE,
OTTAWA, May 28, 1952.

Major General George R. Pearkes,
V.C., C.B., D.S.O., M.C.,
Member of Parliament,
House of Commons,
Ottawa, Ontario.

Dear Sir: Further to our telephone conversation of May 28, I am providing herewith a statement concerning the observation made in the Public Accounts Committee on May 27, 1952, with reference to the administrative costs of \$63,095.06 in comparison with expenditure for assistance of \$183,854.26 for the fiscal year ended March 31, 1951.

Part I—Administrative Expenses 1950/1951

(1) Organization Costs:

An estimated 10 per cent of the administrative expenses was occasioned by organization costs and should not recur, inasmuch as the organization of the Fund was completed during the fiscal year. Moreover, it has been necessary to utilize the regular administration of the Fund in the task of organization during the first two years and it will be evident that, when this organization is completed, this administration can be directed towards the matter of rendering service from the Fund.

(2) Continuing Administrative Expenses:

It has been incumbent upon the Fund to (1) provide for an efficient administration; (2) take adequate precautions regarding security of monies; (3) avoid over-dependence upon other agencies in order to prevent sacrifice of control of responsibilities; and (4) to provide voluntary committees with an executive-type secretary who can accept responsibility for administrative and other duties. These Committees consist of prominent business and professional men.

(3) Financial Assistance:

In comparing administrative costs with financial assistance for the fiscal year 1950-51, it might be appropriate to consider that the disbursement program of the Fund could not be fully developed during the year, although in the final quarter it is significant that expenditures increased very considerably. Attached is a chart showing the consistent rise in disbursements of the Fund to March 31, 1952.

(4) Referral, Representation and Debt Adjustment Service:

In addition to the \$183,854.26 in direct financial assistance, the administration of the Fund was responsible for the procurement of \$25,204 from other resources and for reduction of accounts in the amount of \$80,123, making the total assistance rendered \$289,181.04. The assistance from other sources and the reduction of accounts was possible due to the activities of administrative officials of the Fund in making referral and representations to other sources and in negotiations with creditors in the matter of debt adjustment.

Part II—Expenditures 1951/52.

The disbursement program of the Fund continued to develop in the 1951/52 fiscal year and I am including hereunder an excerpt from the Financial Statement:

EXPENDITURE

Assistance to or in respect of Veterans:

(1) Direct Financial Grants	\$395,427.45
(2) Referral, Representation and Debt Adjustment Service	32,936.46

\$428,363.91

Administrative Expenses:

40,222.91

Total Expenditure\$468,586.82

Moreover, during the 1951/52 fiscal year, the provision of Referral, Representation and Debt Adjustment Service resulted in procurement for veterans and dependents of \$45,667 of financial assistance from other agencies and \$119,221 of contributions from creditors as the value of accounts reduced.

Accordingly, in addition to direct financial assistance of \$395,427.45 the Fund was responsible for an additional \$164,888, making a total assistance rendered of \$560,315.45.

Yours very truly,

(Sgd.) H. C. CHADDERTON
National Secretary,
Army Benevolent Fund.

The CHAIRMAN: Are there any questions, gentlemen?

By Mr. Fleming:

Q. How are administrative costs running?—A. \$40,000 last year.

Q. Are you operating on the fiscal year or the calendar year?—A. We are operating on the fiscal year, ending at the 31st of March, 1952.

Q. You have provincial committees, haven't you?—A. Yes.

Q. To help you supervise the work?—A. No, the responsibility of the provincial committees of the fund is purely adjudication, that is, to say "yes" or "no" in connection with the applications.

Q. You have a board here in Ottawa too?—A. Yes. It is not quite correct to say the board is in Ottawa: General Murchie is the chairman and he is here, but there are four other members, one in New Brunswick, one in Quebec, one in Saskatchewan and one in British Columbia. Actually speaking, they are not on a geographical basis, but that is the way they were appointed. That board is responsible for the supervision and administration of the fund generally, but it is not responsible for adjudication. If the request is over \$300 the committee still approves or rejects it, but if the committee wishes to approve it must get authority from the board.

By Mr. Browne:

Q. May I ask the witness if there is such a committee in Newfoundland in St. John's?—A. The answer to that is "no". Under the Army Benevolent Fund Act only those veterans who served in the Canadian army are eligible, and there are approximately 1,500, we understand, in the province of Newfoundland who are eligible to apply. The board so far has set up an administration under the D.V.A. district office in St. John's and also a separate

administration under the army area. We have been attempting to get publicity and tell eligible veterans who wish to apply that they should send their applications to the Department of Veterans Affairs, the Unemployment Insurance Commission, the Veterans Land Act, or the Canadian Army Welfare Committee, and that application will be channelled through to Ottawa for adjudication. The board plans to set up a committee in Newfoundland as and when the need occurs, but at the moment we have had no applications and the machinery has been in effect for more than two years.

Q. But they are eligible, are they?—A. Oh, yes, certainly, those who served in the Canadian army during World War II are eligible.

Q. Those who served in Newfoundland's own forces are not eligible?—A. No. The history of that is quite interesting: the NAFFI in England turned over a sum of money to the Newfoundland government—it was either the government or the Great Wars Veterans Association, which operated before becoming the Legion—and that was held to be administered as a benevolent fund for persons who served in the Newfoundland regiment or in the Royal Artillery.

Q. They also raised funds of their own down there, and I knew they had a committee looking after that. I was wondering whether they came under this.

By Mr. Kirk (Digby-Yarmouth):

Q. You read a lot of figures quickly: What was the \$80,000 in connection with in 1951?—A. The figure of \$80,000, Mr. Chairman, is the figure for reduction of accounts. Perhaps I should explain that: When the Army Benevolent Fund takes a case it is usually a \$400 or \$500 or \$600 problem. The committee gets the case, and through our secretary we work out a plan of assistance. In many cases it is obvious the veteran is in, shall I say, a bankrupt state. We go to the creditors and say: "We have an appropriation to spend on behalf of this veteran of \$250 and we make them an offer of 60 cents on each dollar, and they are usually very happy to accept it

Q. You had another item of \$395,000?—A. The figure of \$395,000 is the direct financial grants for the 1951-52 year.

The CHAIRMAN: Are you satisfied, gentlemen?

I wish to express the thanks of the committee to the witness, and if it is agreeable to the committee the committee will stand adjourned at the call of the chair. There is one more witness that was asked at a previous meeting and it is in connection with Northern Transportation. The chairman is out of town, and the officials think he might be the proper person to come, so as soon as I can contact that witness I will have another meeting.

The committee adjourned.

HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

CHAIRMAN—Mr. L. PHILIPPE PICARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

(Including Second and Final Report to the House.)

TUESDAY, JUNE 17, 1952

THURSDAY, JUNE 26, 1952

WITNESS:

Mr. E. P. Murphy, Deputy Minister, Department of Public Works.

CORRECTION

At page 93 of the official report of evidence taken on Tuesday, June 3, 1952, in the fifth paragraph thereof attributed to Mr. Strojick, substitute the name of Mr. Kirk (*Digby-Yarmouth*).

Mr. Kirk (*Digby-Yarmouth*): I would like to have the record clear with regard to the stumpage and how it is arrived at. Is it arrived at on the basis of peeled pulp wood outside, ready for delivery?

Also, at page 98, in the 8th and 10th lines thereof, substitute "case III" for "page 3", wherever the latter word and numeral appear.

REPORT TO THE HOUSE

The Standing Committee on Public Accounts begs leave to present the following as a

SECOND AND FINAL REPORT

Your Committee reviewed all the items of the Auditor General's Report for the year ended March 31, 1951.

The Auditor General, Mr. Watson Sellar, and the Assistant Deputy Minister of Finance, Mr. R. B. Bryce, were in attendance during three meetings and gave evidence on all matters that retained the attention of the Committee.

To satisfy themselves as to certain items of the Auditor General's Report your Committee heard, during two meetings, the following witnesses, named in their order of appearance:

Dr. G. D. W. Cameron, Deputy Minister, Department of National Health and Welfare;

Dr. W. H. Frost, Assistant Chief, Quarantine, Immigration Medical and Sick Mariners Division;

Mr. J. T. Rutherford, Director, Veterans' Land Act;

Mr. W. Strojick, Superintendent of Property Division, Veterans' Land Act; Commander (L) E. J. Apps, R.C.N.;

Major D. M. MacKay, Director, Indian Affairs Branch;

Mr. H. C. Chadderton, Secretary, Army Benevolent Fund;

Mr. E. P. Murphy, Deputy Minister, Department of Public Works.

Your Committee wishes to express its appreciation of the help and co-operation of these officials.

Your Committee is of the opinion that the Government should entrust to an interdepartmental Committee the task of considering the advisability of charging to all departments of the administration and all Government agencies the cost of rental and upkeep of all the properties and office space occupied by them and that the report resulting from such study be sent to the Public Accounts Committee at a future Session for consideration.

A copy of the Minutes of Proceedings and Evidence of May 6, 20, 22, 27, June 3, 17, and 26 is appended hereto.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 430,
TUESDAY, June 17, 1952.

The Standing Committee on Public Accounts met at 4.00 o'clock p.m. The chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Ashbourne, Benidickson, Beyerstein, Boisvert, Cloutier, Fleming, Fournier (*Maisonneuve-Rosemont*), Fraser, Fulford, Gibson, Harkness, Kirk (*Antigonish-Guysborough*), Kirk (*Digby-Yarmouth*), Macdonald (*Edmonton East*), McCusker, Picard, Riley.

In attendance: Mr. E. P. Murphy, deputy minister of Public Works Department.

Before proceeding with the Order of the Day, Mr. Macdonald (*Edmonton East*) made a correction in a question attributed to him in the official report of the evidence heard on Tuesday, May 27, at page 76. (See today's printed report of evidence.)

Whereafter, the Committee resumed consideration of the Auditor General's Report for the fiscal year ended March 31, 1951.

Mr. E. P. Murphy was called. The witness was questioned in connection with Item 39, case III, at page 14 of the aforesaid report. At the conclusion of his examination Mr. Murphy was thanked by the chairman and was retired.

It was agreed that there was no necessity of hearing evidence on Item 105, at page 31 concerning Northern Transportation Company (1947) Limited.

The Committee, from then on, met in camera to consider a report to the House on its findings and conclusion.

At 5.15 o'clock p.m., the Committee adjourned to the call of the Chair.

HOUSE OF COMMONS, Room 497
THURSDAY, June 26, 1952.

The Committee met in camera at 4.00 o'clock p.m. The Chairman, Mr. L. Philippe Picard, presided.

Members present: Messrs. Anderson, Boisvert, Brisson, Browne (*St. John's West*), Cloutier, Fleming, Fraser, Fulford, Gibson, Helme, Jutras, Kirk (*Digby-Yarmouth*), Macdonald (*Edmonton East*), Major, McCusker, Picard, Sinclair, Sinnott.

The Committee considered a draft-report to the House.

After some discussion the said draft report was adopted unanimously and ordered to be presented to the House as the Committee's Second and Final Report.

The Chairman thanked the members for their co-operation and in turn Mr. Fleming expressed to the Chairman the members' gratitude for his efficient and fair conduct of the Committee's deliberations.

Mr. Fleming said that his motion also extended to the Clerk of the Committee for his helpful contribution.

At 4.30 o'clock p.m. the Committee adjourned *sine die*.

ANTOINE CHASSÉ,
Clerk of the Committee.

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EVIDENCE

JUNE 17, 1952.
4.00 p.m.

The CHAIRMAN: Gentlemen, I see a quorum. Before we start the meeting I understand Mr. Macdonald has a correction to make.

Mr. MACDONALD: Mr. Chairman, I have before me the minutes of the proceedings of evidence No. 3 of Tuesday, May 27. Therein I gave a gentleman's name and I notice it is written as "Broadwick" and it should be Mr. F. W. Broderick. The other gentleman I mentioned is the president and is Mr. W. J. Bennett. Thank you very much. That is a correction to page 76 of the record.

The CHAIRMAN: Now, gentlemen, we have with us this afternoon Mr. Murphy, Deputy Minister of Public Works who is being called in connection with item 39, case III of the Auditor General's report, that is pages 13 and 14 of the Auditor General's report.

A previous witness was heard concerning this evidence, Mr. D. N. MacKay, director of Indian Affairs branch of the Department of Citizenship and Immigration. Resulting from his evidence it was suggested we should have before us the deputy minister of Public Works to make comments on this case that was reported in the Auditor General's report.

Mr. E. P. Murphy, Deputy Minister of Public Works, called:

By the Chairman:

Q. You have read, Mr. Murphy, the evidence both of the proceedings of the committee and the evidence by Mr. MacKay on this matter. Have you any comments to make to the committee?—A. Yes, the two statements, one made by the Auditor General and the other made by the director of Indian Affairs, both deal with the question of the Copeland building—one that it was leased through a syndicate for a specific purpose and the other that it took a considerable time to fit it up.

I would like to explain in a memo our viewpoint on the actions that actually took place as shown by our own files and as done by ourselves. The story of the leasing of the Copeland building is as I will give it to you at present.

November 5, 1951.

MEMORANDUM:

Re: Copeland Building—Ottawa

About the middle of 1950 when the Korean situation was developing requests were made to this department by different war departments asking for large areas of additional space, and a survey of the city showed definitely that there was no space immediately available apart from that known as the Copeland Building then nearing completion, with several floors available for immediate occupation. At this time we had absolutely no spare space either government-owned or rented, and in order

to protect ourselves and to have available space for anticipated rapidly expanding war departments we took three leases on the Copeland Building as follows:

Whole fourth, fifth and sixth floors—lease to commence July 1, 1950

Whole second floor, and space on third floor, with space in basement—lease to commence August 1, 1950

Whole ground floor—lease to commence December 1, 1950

The department was obliged to take these leases at the dates mentioned as otherwise the owner had other applications and was not prepared to hold out any longer. The rate was favourable and it was decided to accept the proposal.

At this same time the department also had many urgent requests for space for the non-war departments and had made a very comprehensive study of a series of moves which would have resulted in the newly created departments of Citizenship and Immigration—

That is Mr. MacKay who was here the other day.

—Mines and Technical Surveys and Resources and Development, being allotted space in already owned or rental premises so as to centralize their services.

Studies were made of the different arrangements to make the best use of the space in the Copeland Building, but it was decided that the proper procedure would be to use it for non-war departments and so make available to war departments space adjacent to that already occupied by those departments in various buildings.

Accordingly the fourth, fifth and sixth floors of the Copeland Building were allotted to the Department of Citizenship and Immigration—Indian Affairs Branch. Plans were prepared for the construction of partitioning, installation of a ventilating system, lighting, telephones, call bells, etc., and a contract was let on November 10, 1950. This work was completed on March 1, 1951, and the space was occupied on that date. Thus a series of moves were started which resulted in space in Temporary Buildings 1 and 2 being occupied by the Department of Defence Production.

The space on the second and part of the third floor of the Copeland Building was originally allotted to Live Stock Records. This would have made a building on Queen Street available to a war department and would have allowed for required expansion of the Records. Plans had been prepared for this move.

After careful re-study it was decided to move the senior administrative offices of the Department of Mines and Technical Surveys from No. 2 Temporary Building and to allot space for them in the Copeland Building. This change made space available to the Department of Defence Production and allowed that department to house its rapidly expanding services. Plans for partitioning, ventilation, telephones, call bells, painting, etc., were prepared and a contract was awarded on April 30, 1951. This work was completed and the space occupied on June 30, 1951.

The space on the ground floor was allotted, after careful consideration of the requests of numerous departments, to Mines and Technical Surveys so as to help in the consolidation of that new department's offices and to make available space in No. 8 Temporary Building for the Department of National Defence inspection offices, and in turn free space in No. 2 Building for Defence Production. After plans for these moves were prepared a contract was awarded and the Department of Mines and Technical Surveys occupied the space in the Copeland Building on June 30, 1951.

The leasing of space in the Copeland Building was necessary for the protection and housing of government services. The time lapse between

date of lease and occupation of the space was due to intricacy of the many moves necessary at that time and awarding of contracts and completion of the work required.

In June, 1950, we had requests for 109,000 square feet of space for the regular departments, exclusive of those dealing entirely with the war, and it was certain that with conditions such as they were then that the demands of the latter were bound to be great. It was, therefore, considered advisable as a protective measure to take the only space available at the time and to hold it unallocated until such times as the situation clarified sufficient that we could properly determine just which department could use the space to best advantage. In considering best advantage it was felt that space adjacent to war departments should be free for the contemplated expansion of these departments, and that this new space should be given the continuing departments who could use it to better advantage. It is further practically impossible to operate with every square foot of space occupied as there is always a demand for additional temporary space to be used by commissions, boards, meetings and so forth, which are established from time to time and who require space to carry on in the capital.

E. P. MURPHY,
Deputy Minister.

Now, we did not take the Copeland building for any particular purpose. It was general space which we did not decide to allocate until we saw the the way things developed. We do that regularly.

By Mr. Fleming:

Q. If I remember correctly, the director of the Indian branch had something to say about receiving no notification from your department; they just moved in when they saw the space there but at no time were they notified officially that it was available for them?—A. They could not do that.

Q. As I recall he says that is what they did?—A. He gave us the plans and we made alterations to suit them. They moved in within fifteen days of the time we said it was ready.

Q. I have not got a copy of the evidence of that last meeting before me but I have the distinct impression that the point he was trying to make was that they had received no notification from the Department of Public Works that the space was there available for them and when they saw it there they went in on their own?—A. We would not let them do that. We tell them that it is ready and we make good and sure that nobody moves in in that way. I think he inferred there that they moved in quickly.

By Mr. Benidickson:

Q. I think I asked the question. We had practically finished all the evidence and he was saying that any lapse of time from the original availability of the premises to their walking in was not the responsibility of his department?—A. That is right.

Q. And I only pointed out that we had not yet heard from the witness the actual date that he was told that the premises would become available and he said in rather a jocular way: "Well, I do not think we got any notice."

Mr. HARKNESS: "We found the space was available and we walked in."

Mr. BENIDICKSON: I got the impression he meant that as soon as he was tipped off it was ready they walked in.

Mr. FLEMING: This is what was said. I have the page, page 100:

Mr. HARKNESS: Otherwise it may be that the fault is in headquarters of the Department of Citizenship and Immigration. He has not told us how or when he was authorized.

The WITNESS: No. As a matter of fact, I do not know that we were notified. I think that we moved in without notification just as soon as the divisions were completed. We wanted to make sure that we would get in there because there were a number of other departments looking for the same space.

Mr. BENIDICKSON: He means partitions and so on.

The CHAIRMAN: He said here that they were notified on April 5 there was space available and that they supplied their plans for the layout.

The WITNESS: Here is the log, sir, that will clear your point.

Space taken July 1, 1950. Alterations advertised September 15, 1950, tenders issued October 11, authority for acceptance of tenders by order in council dated November 3, tenders accepted November 10, work completed March 1, Department of Indian Affairs moved in March 15.

That is our own log.

By Mr. Harkness:

Q. Well, as I understand this item that you read, this loss of \$70,000 which Mr. Sellar reported, you would attribute or look upon as a form of insurance?—A. Absolutely.

Q. In order to secure the building?—A. Sure.

Q. Well, would it not have been possible to get people moving in and be making use of this space considerably more rapidly than was actually done? It seems to me a rather expensive form of insurance in order to make sure that you have the space?—A. You see, sir, if you have 4 million square feet of space for yourself that we own and 1,500,000 rented and the war comes along and the demands for 109,000 square feet ahead of you from non-war departments—

By Mr. Ashbourne:

Q. One and a half million you said rented?—A. 1,760,000. You cannot do anything but take it. That was the only piece of space in the place. We had to have something because you have a demand all the time for different set-ups.

By Mr. Harkness:

Q. I do not think there is any question about whether the space was needed. The whole question was as raised by Mr. Sellar's report that this space was secured and not occupied with the result that \$70,000 in rent was paid out to no good purpose.—A. You would have that anyhow, sir. You have to have a cushion, something to lean against.

Mr. McCUSKER: Do you need a cushion before the building is completed?

By Mr. Fleming:

Q. Mr. Sellar says in his report at page 14: "This is a new building and the agreements provide that the Government install and pay for the interior partitions, etc., required. Various dates were designated for rent payment purposes, the earliest being July 1, 1950, but in only one instance was there actual occupancy by departmental staff in the fiscal year. Approximately \$70,000 was expended while there was no physical occupancy by departments

for which the space was leased."—A. We did not take it for any particular reason; we took that just for space and we did not know who we were going to put into it. We were going to put in a war department, ordinarily you would expect it would be but we made a re-study of the situation and we decided that the better thing to do was to move people away from war department and put them into this space thereby making available space for war department staffs adjacent to space already occupied by war department. That is the point in the whole thing.

By Mr. Riley:

Q. Mr. Chairman, I wonder if the deputy minister would not tell us that perhaps this is the normal procedure not only in Ottawa on their space but all over the country?—A. That goes for all operations for large amounts of space.

Q. You have to have space available in order to have it available when it is needed?—A. Certainly, what could we do in Ottawa with a threatened war and demands from ordinary departments for 109,000 square feet of space.

By Mr. Benidickson:

Q. On that subject of demand for 109,000 square feet, I imagine you always check that to decide whether or not there is merit in the demand?—A. That falls our way. We use a rough yardstick on that, the number of people they have and the space available, the cost of fitting it up. We take for granted—not exactly take for granted but after questioning, what the demand is, how it compares with occupancies for similar services in other branches; in other words, we keep a control as far as we can of the demand and the requirements of those who know their own problems best.

Q. But the discretion and control is within the Department of Public Works?—A. That is right.

Q. It is not interdepartmental?—A. No.

By Mr. Gibson:

Q. From what level does the demand come? Is it from within the department who decide they want 25,000 feet or where does it come from?—A. It varies entirely with the volume. If it is a small amount we get it from a director, a larger amount we get it from a deputy and if it is a very large amount we get it from the minister. After we have accepted it from a technical standpoint, from an economic standpoint and made the recommendation they are asked to provide the funds.

By the Chairman:

Q. I imagine before the Department of Public Works decides they have to have the request in writing by a deputy minister of the department concerned?—A. By the deputy or director of the branch, as the case may be. Now, we cannot take all that for granted; we have to add them up, investigate them and check to make the best allocation we have particularly where you are so tight for spare space.

By Mr. Benidickson:

Q. But the Treasury Board sometimes do say no?—A. Oh yes, that is their right and privilege. That is where you get the approval by order in council.

By Mr. Harkness:

Q. How much of this spare space do you keep on hand normally?—A. It will vary with what demand there is ahead of us.

By Mr. Fleming:

Q. How much have you available right now, Mr. Murphy? You are speaking of Ottawa, I take it?—A. Yes. There is at present ahead of us a demand for 500,000 square feet that we know of. Now, we expect to get Tunney Pasture, 285,000, a new building. Central Mortgage and Housing will be moving to their new building and that will give us a space in No. 4 of 107,000 and then we have arrangements to provide the difference in the Temporary Buildings No. 1 and No. 8.

By Mr. Harkness:

Q. My question was what is your present cushion? What is the amount of the space that you are just holding empty to see who is going to go into it?—A. We have around 80,000 right now. Some is temporarily occupied now with a commission—there is the Saskatchewan Commission in occupation.

By Mr. Fleming:

Q. Is that to say there is no vacant space at the moment in the Ottawa district?—A. There may be around 30,000 today but there is not much more.

By Mr. Riley:

Q. It would be spread out, though?—A. Oh yes, we have no large blocks anywhere.

Q. The only thing unusual about this Copeland building was that it was all contained in one building and that has made it stand out?—A. I do not know that it stands out.

Q. It was a large vacant building?—A. Well, I wanted to take the whole building. You see, as the building was going up it was standing up there like a lighthouse in the fog and I said to our crowd: "Look, with the demands that are ahead of us and not a square foot of space to work on, we had better look around and see if we can corner that building." We tried to corner the whole building but we found the owner had previous commitments. Then we started to take a space on the top three floors and we took them in July, then in August we took another floor just to keep a cushion. If we did not have that space vacant we would have had some other space vacant. You cannot operate with such a tremendous amount—5 million square feet and no cushion.

By Mr. Fleming:

Q. Well, the Auditor General— —A. I do not know where he got that from at all.

Q. He draws attention in the next paragraph to another case. Apparently he thought there was reason to bring it to our attention by putting it in his report. He says: "Notice is drawn again to the subject because of the risk inherent in a practice where one department finances the cost of a service for the benefit of another without any guarantee of reimbursement of its outlays." —A. That point is all right.

Q. I gather that the Auditor General was inviting attention to a practice which he considers wrong and his view is that if the charge were made to the department concerned and did not fall on the Department of Public Works that the department concerned would be a little more careful not to have the space wasted or to be asking for space before they are ready to take it?—A. That is our own department's viewpoint.

Q. You would rather see a change in the basis of assessing costs against the department?—A. Yes, I have always maintained that those departments asking for space should be made to get their own money, then turn it over to

us and we will get them the space. Then they would be more circumspect about asking for it. That case he refers to is not in Ottawa; it is in St. Catharines.

Q. I think he is putting it in here just because: "Here is another case concerning a practice we drew attention to three years ago that I think is wrong." What is the reason for the present practice of charging these costs to your department?—A. It was started away back in 1867 when Confederation was enacted when the Public Works was enumerated as being the department to look after the public works and from that time on there is no charge made by Public Works to any other departmental organization for space.

By Mr. Fraser:

Q. Nor for telephone?—A. Nor for telephone.

By Mr. Fleming:

Q. You think we have outgrown that practice, if there ever was anything good to be said for it, and the time has come when every department should be charged for the space it occupies?—A. I feel, sir, if every department were charged for the space they occupied, they would be more restricted in asking for liberal amounts of space.

Q. It is not hard to convince us of that. It is easy for any department to make lavish demands for space when it is not going to be charged against them in their estimates; it is going to be charged against your department?—A. That is right and where we can keep an over-all hand on them and tell them it is our money: "Now, you have got to conform to the rules of the service for which you want that 75 feet per person or 100 feet per person" depending on the service for which they want it.

Q. You are satisfied that things like this would be much less likely to arise if we had that different basis of charging?—A. Not in Ottawa. We have to have that cushion no matter what happens in Ottawa. The other case, that is the St. Catharines case, of course, was a case where a specific amount was demanded for a specific purpose. In St. Catharines the space was taken for a specific purpose but in Ottawa it was taken as a cushion.

By Mr. Benidickson:

Q. I gather your cushion is something like a man whose wife is going to have a baby; he has to have a new room?—A. Yes, but in our case the baby has arrived and is hanging around in the woodshed.

By Mr. Fleming:

Q. Do you think the government would save money by changing over to the system you recommend now?—A. I would not say "recommend".

Q. You may be in favour of it?—A. I always thought it would tend to save demands and branches and other organizations when they see spaces available trying to improve by going into them. You have quite a time convincing certain people who see certain space available which is the right size for them or somebody else. He cannot guess the cost of fitting that up and it costs quite a bit, particularly these laboratory buildings where you have to go and put in plumbing and all that sort of thing.

The CHAIRMAN: I was wondering if the fact that it is done through the Public Works is not a further check on that. If they were to get space themselves and go and ask for a vote in the House their only check would be the Treasury Board. Well, now they have the officials of Public Works who have their own budget, who want to keep it down as far as possible and who discuss with these people who try and locate their space. If they are the only ones

to judge whether they could have bigger space or not they could come to the House and get their own votes. Of course, it is my own view, as we are expressing views, that it is a check if they have to go through Public Works. As it is now Public Works has got to keep its budget in line and they must be very careful not to give too much to each department requesting space.

Mr. FRASER: But, Mr. Chairman, if it were put the other way and the department had to apply and was made to pay for their space, it would be very much less and to put it another way then you would know exactly what the cost of each department was and at the present time no one knows.

The CHAIRMAN: You are right.

Mr. FRASER: I have been saying that for some years in the House of Commons because I think that each department should be charged for the space it rents, for the buildings they occupy.

The CHAIRMAN: As to the knowledge we have you are right. Whether it would be a better check when they got the money themselves or Public Works is another thing.

Mr. FRASER: There would be a check anyway because Public Works would have to secure it for them.

Mr. FLEMING: I think the check in truer accounting is quite possible there.

By Mr. Fleming:

Q. I wonder, Mr. Murphy, if you can indicate to us how we can have the benefit of the double check, that is to say, the check by your department plus the check by the department asking for space by making them responsible for paying for it?—A. It has its pros and it has its cons and I always thought we would have a scheme to work it that they would request this space from us. We get it. We charge them back and they pay for it. I think that would answer your question.

Mr. FRASER: You would have two checks then instead of one.

By Mr. Fleming:

Q. Your department would not continue to check in a case like that?—A. You cannot possibly let them go out and arrange for their own space.

By Mr. Harkness:

Q. You would still keep the cushion, would you?—A. You would have to.

By Mr. Fraser:

Q. They would be stepping on your toes too, perhaps?—A. You would have to because the demand is too great with 4,800,000 and 1,600,000 on your back all the time but to answer your question I think the proper procedure is they make the request for the space and they tell us what is required, we estimate what it costs and take the lease and in that way you are not letting each department complete with owners. After we are through with it, bill it to them. Now, the bill, as you say, runs their accounts up and it runs the cost of their department higher.

Q. Wouldn't you have a truer picture?—A. You would have a truer picture.

By Mr. Fleming:

Q. What else is there besides office and building space and telephones that are paid for by your department on behalf of all other departments?—A. Furniture, janitor service, cleaning, heating. A large building accommodates so many departments the distribution of heating would be impractical.

You would have to analyse that very carefully to see how much of a split would be required to break it down to the point at which you would want it. It would be a question of going over it carefully.

Q. You would have to set up another accounting department?—A. We would not want to do that.

The CHAIRMAN: Are there any further questions?

By Mr. Harkness:

Q. How much space did this \$70,000 that Mr. Sellar reported represent?—A. 51,940 square feet.

Mr. FLEMING: For how long?

By Mr. Ashbourne:

Q. Is that the three leases?—A. Yes, one was for the first of July and occupied on March 1, one was taken on August 3 and moved in June 30, the other was taken December 1 and moved in June 30.

Q. What is the rate?—A. \$2.35.

Q. \$2.35 a square foot?—A. Yes.

By Mr. Fraser:

Q. Mr. Chairman, Mr. Murphy said Citizenship and Immigration went into the Copeland building. That is what you got it for?—A. We did not get it for them; eventually we gave it to them.

Q. Well, Citizenship is not all in there yet?—A. We are not going to put them all in—just this branch. They were really sufferers there. All the departments like to be self contained but it was more essential that we make space adjacent to war department for war use. Therefore, we took the Copeland building and we pieced it out. We used that as a piece to work against.

By Mr. Riley:

Q. What did you do with the Booth building?—A. The National Health moved in there.

By Mr. Fraser:

Q. Citizenship, they are also in the Woods building which used to be Defence?—A. Yes.

Q. There are so many of them it makes it rather awkward for the members because they are in one building today and another building tomorrow and you never know just where to send anybody.

Mr. ASHBOURNE: Use the telephone.

Mr. FRASER: You might use the telephone today and tomorrow it might be in a different place.

By Mr. Fleming:

Q. Did you ever have anybody state that they had too much space and they could give you some of it?—A. Never in our life. I should not say that. We did when they were breaking up the war department. We used to ask them to notify us when units of 1,000 feet were available and we would get the over-all picture from that and we would try to take maybe this over-all picture of 20,000 or 30,000 feet whatever we would get and departments would take it up as quickly as possible and leave space for the next person coming in. It is a continuous performance.

By the Chairman:

Q. You have had from time to time departments stopping some of their activities which must have turned their offices back like the Department of Interior, the Department of National War Services, etc.—A. Perfectly right.

By Mr. Fraser:

Q. Your temporary buildings down here that used to be Munitions and Supplies, what have you got in there?—A. Defence Production.

Q. All together?—A. And Trade and Commerce. You see, in the temporary buildings, 1, 2, 3 and 4, there is Trade and Commerce entirely, there is Defence Production, there is Central Mortgage and Housing and there is the Air Service branch of the Department of Transport.

Q. And Defence are out of there?—A. National Defence never had very much in particular there; they were in the army building on Cartier square, the army, navy and air force building and then the old Woods and Canadian building on Slater street.

By Mr. Boisvert:

Q. Mr. Chairman, I am right to say that in many cases your department has to secure a legal occupancy despite the fact that there is no physical occupancy?—A. That is right.

Q. Was that not the case in that Copeland building?—A. Same thing. We had to take it as I read in the memo here:

The department was obliged to take these leases at the dates mentioned as otherwise the owner had other applications and was not prepared to hold out any longer.

That is the answer to your question.

The CHAIRMAN: Well, gentlemen, this was the particular item on which we called Mr. Murphy so I am expressing the thanks of the committee to him for his presence.

There was another item at the last meeting about which we were supposed to get a witness. That was concerning the Northern Transportation Company, their rates in western Canada, and I got in touch with the chairman, Mr. Bennett, who was supposed to be here today and then later on I understand the member who had asked the question, Mr. Harkness, got in touch with Mr. Bennett and said that he did not need the witness before the committee and that is why Mr. Bennett is not here.

Mr. HARKNESS: Mr. Bennett had to leave, as a matter of fact, to go out west or something and I had about an hour and a half or two hours' time with him and saw scores of pictures of these boats and had the whole thing explained and I thought there was no need for him to come before the committee.

The CHAIRMAN: Gentlemen, we will assume the committee is informed through you so we will get it through "endosmosis" if I might say. So, we are left to consider the possibility of a draft of a report. I think the committee from this moment will sit in camera in order to consider the possibility of arriving at a report to be sent to the House.

(The committee continued in camera.)

APPENDIX "A"

June 24, 1952.

A. CHASSE, Esq.,
Committee Clerk,
Public Accounts Committee,
House of Commons,
Ottawa.

Dear Mr. CHASSE:

On June 3, 1952, when I appeared as a witness before the Public Accounts Committee I was requested to supply information regarding the operation of the Sick Mariners Service in the province of Nova Scotia. The information for the calendar year 1951 follows herewith:

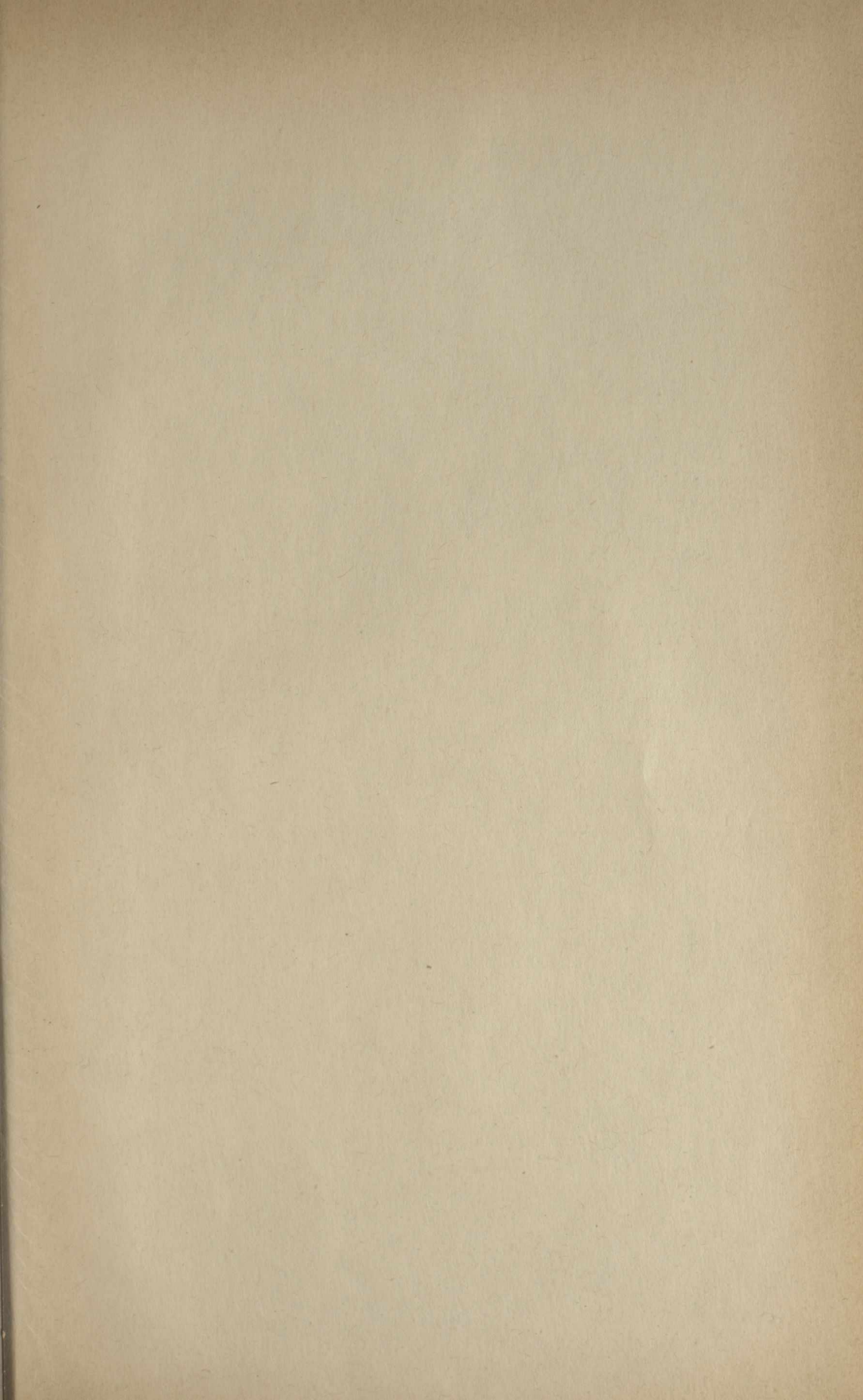
Revenue and Expenditure

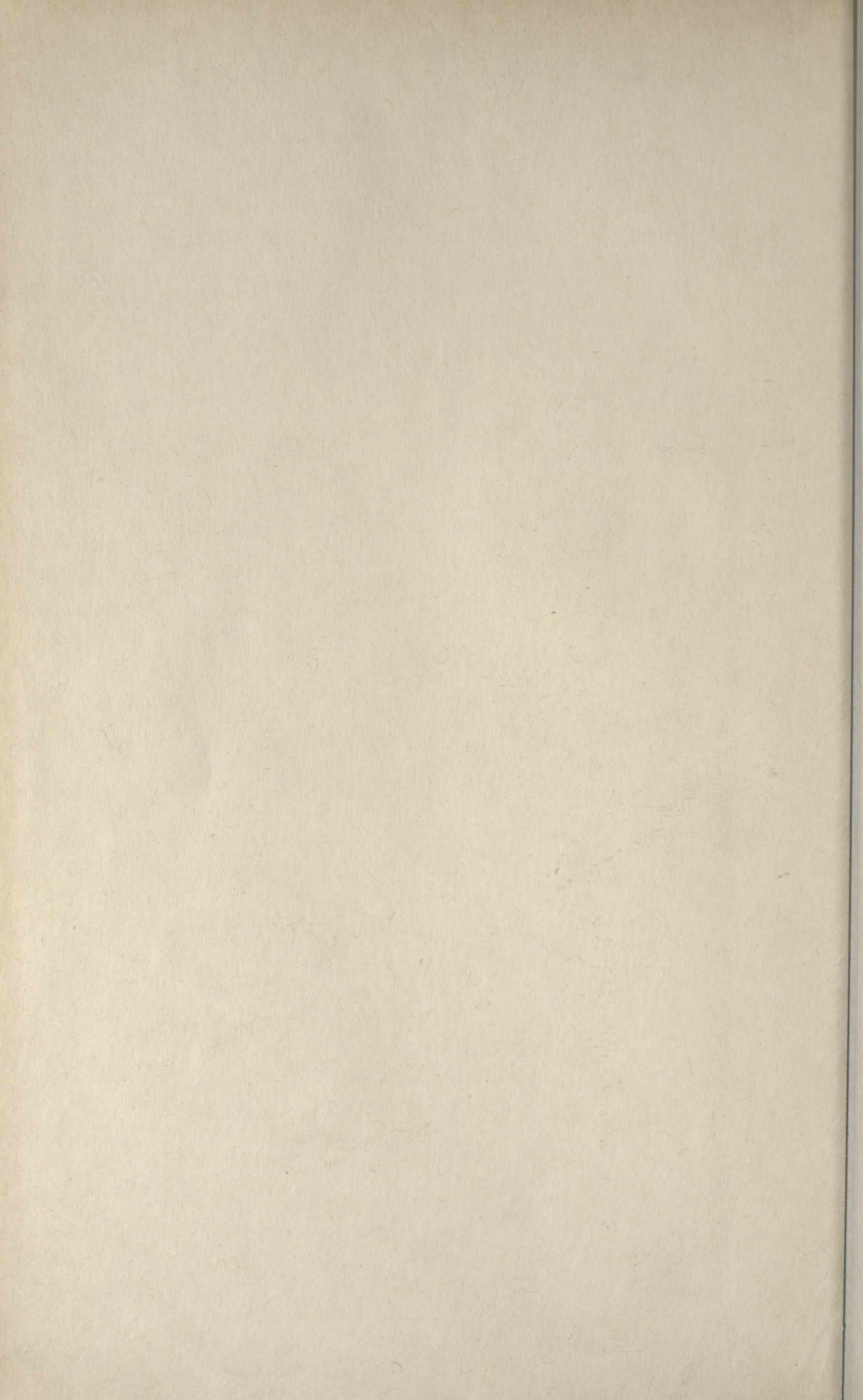
Vessels Paying Sick Mariners Dues
Province of Nova Scotia—Calendar Year 1951

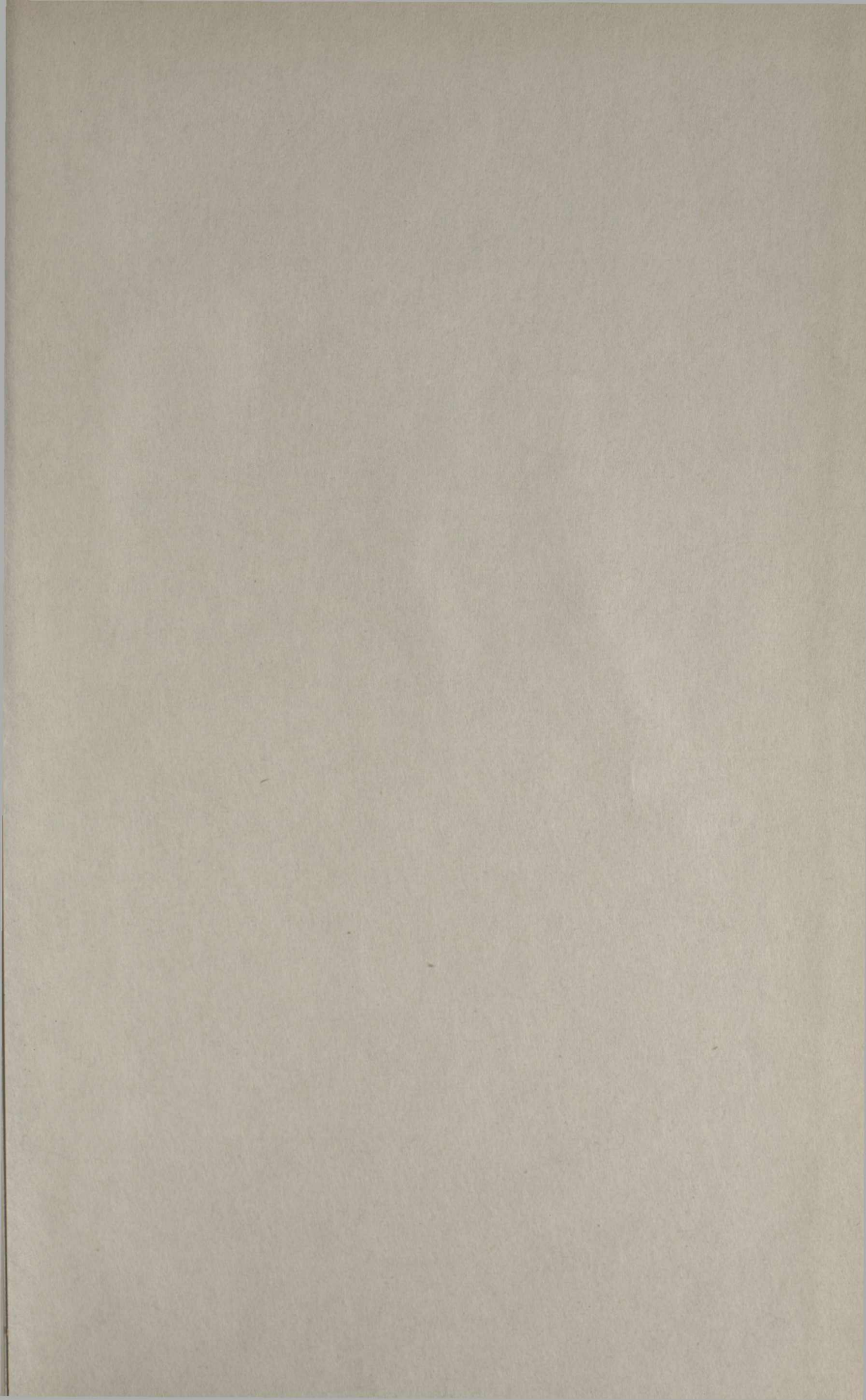
Vessels	Revenue	Expenditure
Fishing	\$ 5,706.68	\$100,020.71
Foreign	58,069.59	45,492.33
Coasting	1,621.95	6,049.04
Government	395.86	10,848.31
Total	<u>\$ 65,794.08</u>	<u>\$162,410.39</u>

Yours very truly,

G. D. W. CAMERON, M.D., D.P.H.,
Deputy Minister of National Health.







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