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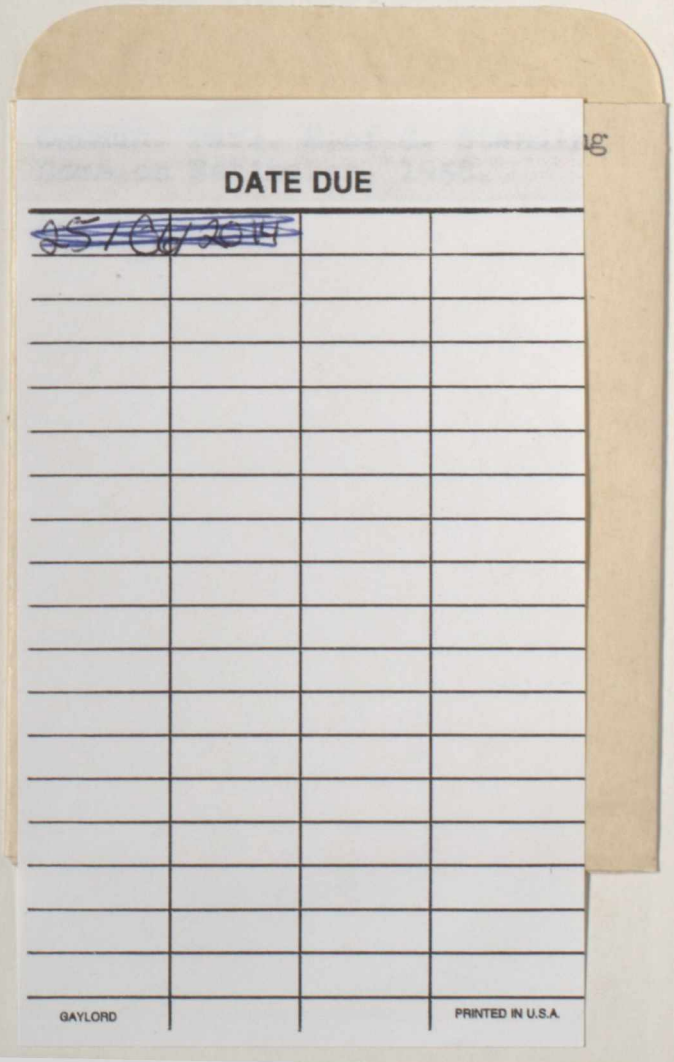

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HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

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THURSDAY, JUNE 5, 1958
TUESDAY, JUNE 10, 1958

DEPARTMENT OF NATIONAL DEFENCE

WITNESS:

Honourable George R. Pearkes, V. C., Minister of National Defence

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

58682-6—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Allard,
Anderson,
Argue,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard (*Lapointe*),
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fisher,
Garland,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Johnson,
Jung,
Lennard,
MacEwan,
MacLean (*Winnipeg North Centre*),
Macnaughton,
McCleave,
McIlraith,
McIntosh,
McMillan,
McQuillan,
McWilliam,
More,
Murphy,
Nasserden,
Nielsen,
Payne,
Pickersgill,
Ricard,
Richard (*Kamouraska*),
Rowe,
Small,
Smallwood,
Smith (*Winnipeg North*),
Stanton,
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian—60.

(Quorum 20)

E. W. Innes,
Clerk of the Committee.

Note: The names of Messrs. Pearson, Peters, Winch, McDonald (*Hamilton S*) and McGregor were substituted respectively for those of Messrs. Garland, Argue, Fisher, Nasserden and Stanton following the June 5th meeting but prior to the June 10th meeting.

ORDERS OF REFERENCE

HOUSE OF COMMONS,
TUESDAY, June 3, 1958.

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

Messrs.

Allard,
Anderson,
Argue,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard *(Lapointe)*,
Broome,
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fisher,
Garland,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Johnson,
Jung,
Lennard,
MacEwan,
MacLean *(Winnipeg North Centre)*,
Macnaughton,
McCleave,
McIlraith,
McIntosh,
McMillan,
McQuillan,
McWilliam,
More,
Murphy,
Nasserden,
Nielsen,
Payne,
Pickersgill,
Ricard,
Richard *(Kamouraska)*,
Rowe,
Small,
Smallwood,
Smith *(Calgary South)*,
Smith *(Winnipeg North)*,
Stanton,
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian—60.

(Quorum 20)

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

TUESDAY, June 3, 1958.

That items numbered 220 to 225, inclusive, and items numbered 504 and 505, as listed in the Main Estimates 1958-59; and item numbered 578, as listed in the Supplementary Estimates for the fiscal year ending March 31st, 1959, relating to the Department of National Defence, be withdrawn from the Committee of Supply and referred to the said Committee, saving always the powers of the Committee of Supply in relation to the voting of public moneys.

Attest.

LEON J. RAYMOND,
Clerk of the House.

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FRIDAY, June 6, 1958.

Ordered,—That the said Committee be empowered to print, from day to day, 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence and that Standing Order 66 be suspended in relation thereto.

Ordered,—That the name of Mr. Pearson be substituted for that of Mr. Garland on the said Committee.

MONDAY, June 9, 1958.

Ordered,—That the name of Mr. Peters be substituted for that of Mr. Argue; and

That the name of Mr. Winch be substituted for that of Mr. Fisher; and

That the name of Mr. McDonald *(Hamilton South)* be substituted for that of Mr. Nasserden; and

That the name of Mr. McGregor be substituted for that of Mr. Stanton on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

FRIDAY, June 6, 1958.

The Standing Committee on Estimates has the honour to present the following as its

FIRST REPORT

Your Committee recommends that it be empowered to print, from day to day, 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence and that Standing Order 66 be suspended in relation thereto.

Respectfully submitted.

ARTHUR SMITH,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, June 5, 1958.

The Standing Committee on Estimates met at 11.30 a.m. this day.

Members present: Messrs. Allard, Anderson, Argue, Baldwin, Benidickson, Bissonnette, Bourget, Broome, Bruchési, Cardin, Carter, Cathers, Chambers, Chown, Clancy, Coates, Danforth, Dumas, Fisher, Grafftey, Hales, Howe, Jung, Lennard, MacEwan, McCleave, McIlraith, McIntosh, McMillan, McQuillan, McWilliam, More, Murphy, Nielsen, Payne, Pickersgill, Ricard, Richard *(Kamouraska)*, Small, Smallwood, Smith *(Calgary South)*, Tassé, Thompson, and Vivian—43.

Mr. Coates moved, seconded by Mr. Murphy,—

That Mr. Arthur Smith be the Chairman of this Committee.

There being no further nominations, Mr. Smith was declared duly elected as Chairman.

The Chairman thanked the Committee for the honour conferred on him and in his remarks he referred briefly to the Orders of Reference and to the duties of the Committee.

On motion of Mr. Argue, seconded by Mr. Jung,

Resolved,—That Mr. Broome be Vice-Chairman of the Committee.

On motion of Mr. Chown, seconded by Mr. Smallwood,

Resolved,—That permission be sought to print, from day to day, 750 copies in English and 250 copies in French of the Committee's Minutes of Proceedings and Evidence.

Moved by Mr. Murphy, seconded by Mr. Small,

That the Committee request permission to sit while the House is sitting.

Following discussion, by leave of the Committee, Mr. Murphy withdrew his motion.

Agreed,—That a decision respecting the appointment of certain subcommittees be postponed.

On motion of Mr. Pickersgill, seconded by Mr. Argue,

Resolved,—That a subcommittee on Agenda and Procedure, comprised of the Chairman and 7 members to be named by him, be appointed.

The Chairman announced that the next meeting of the Committee would be held on Tuesday, June 10; and that at that time the Minister of National Defence (Mr. Pearkes) would be before the Committee.

At 12.05 p.m. the Committee adjourned to the call of the Chair.

TUESDAY, June 10, 1958.
(2)

The Standing Committee on Estimates met at 10.40 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Allard, Anderson, Baldwin, Benidickson, Bourget, Broome, Carter, Chambers, Chown, Clancy, Coates, Danforth, Doucett, Grafftey,

Hales, Howe, Johnson, Jung, Lennard, McCleave, McDonald *(Hamilton South)*, McIlraith, McIntosh, McQuillan, McWilliam, Pearson, Peters, Ricard, Smallwood, Smith *(Calgary South)*, Tassé, Thompson, Vivian, Winch—34.

In attendance: From the Department of National Defence: Hon. George R. Pearkes, Minister of National Defence; Mr. Frank Miller, Deputy Minister; Mr. Elgin Armstrong, Assistant Deputy Minister; Mr. D. B. Dwyer, Superintendent of Parliamentary Returns.

The Chairman announced that the following members had been chosen to act with him on the Subcommittee on Agenda and Procedure; Messrs. Benidickson, Bourget, Broome, Chambers, Lennard, Regier, and Vivian.

Item 220—Defence Services—was called.

The Chairman introduced the Minister of National Defence who in turn presented three of his Departmental officials.

The Minister made a statement covering many points related to Canada's defence. Particular reference was made to the following matters:

1. Commitments to the United Nations
2. North Atlantic Treaty Organization
3. Naval forces and their replacements
4. Air forces and their replacements
5. Commitments to the Canada-United States Planning Group
6. Pine Tree Line, Mid-Canada Line and DEW Line
7. Necessity of more efficient warning systems
8. Need for advanced aircraft.

The Minister was questioned on his statement and other related matters.

At 12.45 p.m. the Committee adjourned to the call of the Chair.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

TUESDAY, June 10, 1958.
10:30 a.m.

The CHAIRMAN: Gentlemen, we now have a quorum and we can proceed. May I welcome to the new standing committee on estimates those of you who have been put on the committee since our organization meeting. Before you are the estimates of the Department of National Defence.

I was empowered at the organization meeting of last week to appoint a steering committee. In consultation with the members of both the Liberal party and the C.C.F., these are the gentlemen I have asked to serve with me on that committee: Messrs. Benidickson, Bourget, Regier, Lennard, Chambers, Vivian and Broome. I would like you to record these members as our steering committee and I thank them very much in anticipation of the service I am sure they are going to give our committee.

I think I should say two things at the outset before introducing the minister. The first is the necessity for the members to introduce themselves not only for the benefit of the members of the committee but also for the benefit of the members of the press and the official reporters. I wonder if all of you, in the initial stages, would identify yourselves when you speak.

The second point is one which is not a matter of a straight economy but is a practical economy, and that is the fact that we are going to have to keep our own estimates books. If on occasions you find you are short and ask for them from the distribution office we may eventually find they do not have any. I am asking you to keep your own estimates.

Gentlemen, as at the first meeting, I am going to ask for your help and cooperation. We have a great deal of work ahead of us and I am sure with the cooperation which we had at our initial meeting we can get through it.

At this stage I will call item 220, defence services.

Defence Services—

220 To provide for the Canadian Forces, the Defence Research Board and other expenditures relating to defence, including costs incurred in the participation of the Canadian Forces in the United Nations Emergency Force and contributions toward the military costs of the North Atlantic Treaty Organization; to authorize expenditures in the current year out of the amount hereby provided, not exceeding $130,000,000, under the provisions of section 3 of the Defence Appropriation Act, 1950, and to provide that, notwithstanding subsection (3) of that section, where equipment or supplies are transferred, the estimated present value thereof shall be credited to this vote instead of being paid into the special account mentioned in the said subsection (3), and when so credited may be expended for the purposes of the Canadian Forces; and notwithstanding section 30 of the Financial Administration Act to authorize total commitments for the foregoing purposes of $3,158,845,866 regardless of the year in which such commitments will come in course of payment (of which it is estimated that $1,350,597,670 will come due for payment in future years), $1,630,377,196.

I will now call on the Minister of National Defence, Mr. Pearkes, to make a fairly comprehensive statement. I wonder, first of all, if the minister would care to introduce the members of his staff who are present.

Gentlemen, Mr. Pearkes, our Minister of National Defence.

Hon. GEORGE R. PEARKES (*Minister of National Defence*): Mr. Chairman and gentlemen, first of all may I say it is our purpose to place before you all the information which we can possibly give you in connection with the estimates which are now up for your consideration. I might say that these estimates were first considered about a year ago when the preliminary steps

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were taken in the various services to prepare estimates of their requirements. They have, from that stage, passed through various screening committees until eventually they came up before the treasury board and for final approval before the cabinet. That is the process by which these estimates are prepared. Actually, at the present time, the officials of the department and heads of the services are now looking forward to the preparation of the estimates for the next fiscal year.

You asked me to introduce the officers of the department who are here. On my right is Mr. F. R. Miller, my deputy minister. He will be taking my place here on those occasions when it will not be possible for me to be present. I hope to appear before you as frequently as you wish. There may have to be a certain amount of adjustment of time as sometimes there are other duties which may require my presence elsewhere. Then, there is Mr. E. Armstrong next to Mr. Miller. Mr. Armstrong is assistant to the deputy minister and is charged, particularly, with financial matters. I might say Mr. Miller himself served in the air force and Mr. Armstrong was transferred from the Department of Finance to the Department of National Defence a few years ago. Then, there is Mr. D. B. Dwyer on Mr. Armstrong's right.

In consultation with your chairman I thought it might be the best course today to outline the various commitments and give a general report on the national defence policy. It will not vary greatly from what I told the house last December when introducing the estimates for that year. However, there are a number of new members in the house today, many of them on this committee, and I thought it would be advisable for them to have a general background. If it is boring to the older members I crave their indulgence because I think it will be helpful to the examination of the estimates in detail.

Now, Canada's defence policy is, of course, to provide for the security of Canada. It must therefore be very closely related to our external affairs policy. Our external affairs policy includes membership in the United Nations and membership in the North Atlantic Treaty Organization. Therefore our defence policy is closely associated with those two international organizations. We make a larger contribution to the North Atlantic Treaty Organization —NATO—than we do to the United Nations.

In the United Nations we have some commitments, the most important one of those being the commitment to the United Nations Emergency Force which is now serving in the middle east. On that force we have a total of 1,011 all ranks, officers and other ranks. That is made up of 67 officers and 844 other ranks from the army, and 19 officers and 80 other ranks from the Royal Canadian Air Force. As you know the majority of these men are stationed in Egypt watching the border between Israel and Egypt. The main base as far as the air force is concerned is at El Arish in Egypt. They have a small flight of aircraft, some Dakotas and some Otters, which are responsible for moving the personnel and supplies within the United Nations Emergency Force. That force is supplied under United Nations arrangements. It is entirely a force placed at the disposal of the United Nations. They are under a United Nations commander who happens to be a Canadian, General Burns, and I know you all appreciate the excellent work that he has done there.

The other small detachments of personnel that we have working for the United Nations include some eight officers on the Indian-Pakistan patrol, some 14 officers of the army in Palestine, and in Indo China we have 101 personnel, mainly officers.

Now, in respect of the North Atlantic Treaty Organization, the whole aim and object of the military effort in connection with NATO is to provide

a deterrent in the hope that the deterrent will be so impressive that no aggressor will run the risk of starting a third world war.

I want to emphasize the importance of the deterrent element. I would not say our forces are designed with the idea of victory; they are very definitely not designed for any aggressive action whatsoever. Victory they would expect to gain only if the deterrent failed.

One of the great advantages of joining a collective defence organization such as NATO is that no country, particularly a country of limited means both financial and in man-power, can be expected to provide a balanced force of all the different services, balanced in the respect that it is able to meet a heavy commitment and provide every type of armed force which might be required. They can concentrate on the type of production, the type of arms and the type of ships which is most adaptable to the conditions of the country. Other countries may take on certain definite and specific roles which are all-important roles but which smaller or medium sized countries would not be expected to share in. We may visualize it as a team, a football team, with each country having a definite place to play on that field and a definite role to carry out.

The countries of the North Atlantic Treaty Organization, starting at the north are, first, Norway and Denmark which would be considered as being in the northern command; then you have The Netherlands, Belgium, Luxembourg, West Germany, France and Portugal in the central part of Europe, with Italy, Greece and Turkey along the Mediterranean and in the middle east.

In addition to that you have the United Kingdom with a watching interest in all those parts which I have already mentioned; and Canada and the United States of America.

I have a chart which might be passed around, which shows the division of the organization of the North Atlantic Treaty Organization. Without going into it in great detail, you have at the head, you might say, the military committee which is divided into the military committee in permanent session at Washington, and a standing group to whom the executive work and the regional work from month to month is referred.

Then you have certain commands which have developed from original regional committees which were first set up in 1949.

The most important, perhaps, of those regional commands is the supreme allied commander in Europe who has his headquarters in Paris, and the supreme allied commander, of course, is General Norstad who spoke to a group of the members here not so very long ago.

His responsibilities are for the operational control of all the forces of the different nations of Europe which are placed under his command.

That command is divided up into different sub-areas for which you have a commander in chief over each area. The commander in chief of the allied forces of northern Europe deals, as I have already mentioned, with Norway and Denmark; the commander in chief of the allied forces of central Europe, and he deals with the main group of nations and their forces who are stationed mainly in France and Germany. Then you have the allied forces under another commander in chief of southern Europe and a commander in chief of the Mediterranean.

Similarly, the next supreme command is the supreme allied commander of the Atlantic. His headquarters are at Norfolk in the United States. Admiral Wright is the supreme allied commander at the present time.

His command is again divided up, as you will see on the chart into certain sub-areas; a commander in chief of the western Atlantic, a commander in chief of a striking force.

There is a case for which a larger power such as the United States carries out a particular role to which a smaller country like Canada is not expected to make any major contribution. The striking force is designed, if war came, to cross the Atlantic and to assist in the attack on the naval bases of the enemy. It consists very largely of a carrier force with other naval and air force units attached thereto.

Then there is a commander in chief of the eastern Atlantic, and so forth.

The next so-called area, or what I would refer to as an area, is one of the original planning group areas which goes back a few years. No commander in chief was appointed, however, as for Europe or for the Atlantic. The planning group exists as the Canada-United States regional planning group. That is a planning group which consists of joint chiefs of staffs of the United States, and the chiefs of staffs committee of Canada. They have only one commander in chief who may report to them, and that is the commander in chief of the north Atlantic air defence command.

Then there is another small committee or regional group dealing with the activities in the waters close to the United Kingdom, principally the English channel, where you have subordinate commanders dealing with the navy and the air force.

That is the general organizational plan of the military forces of NATO,—the system of command, if you like to call it that, or a chain of command by which the subordinate commanders report out to the council.

The military concept of NATO in providing a deterrent, to which I referred at the beginning, consists of two elements. The first element is the shield forces, as they are frequently referred to, stationed at various parts of the world in order to protect the NATO countries and to give warning of any pending attack, and to ensure that the other element, namely, the forces of retaliation—sometimes referred to as the "sword" forces—should not be used prematurely. The forces of retaliation consist in the main of the strategic air command of the United States Air Force, the medium bomber forces of the Royal Air Force in the United Kingdom and such missiles as are now being placed in European countries—missiles of a medium range.

Those are the forces of retaliation; and it is hoped that the strength of those forces of retaliation are so great and so powerful and can be used with such rapidity that no aggressor would run the risk of exposing its country to this overwhelming counter-offensive which can be launched, should the enemy start any aggressive action.

But, so terrible are these forces of destruction, that we must be quite certain that they are not launched unless the enemy is prepared to make an all-out attack on the forces of the west. That is why it is necessary to keep fairly substantial forces in Europe, so that if there should be any attempt at penetration, or an attempt to try to bite off some small section of Europe, the forces of the shield element would be sufficiently strong in all parts of the western group that they would be able to resist any minor attack, and it would be necessary for the enemy to concentrate considerable forces to make any penetration at all. This would then disclose the fact that it was the enemy's intention to start a major war.

Now, I would like to proceed from that point and to tell you what Canada's contribution is to these several commands.

We will take, first of all, the supreme allied command in Europe. The supreme allied commander in Europe has certain forces now placed under his operational control. They are in Europe assigned to subordinate formations, but can be ordered by General Norstad to take part in any action at any time should he consider action is required.

Canada, when NATO was first organized, was asked to make as strong a contribution as she could—partly to build up the morale of European nations,

which at that time were still trying to recover from the devastations of World War II, and were fearful of the fact that Russia had not demobilized her immense armies and air forces, and had been carrying out aggressive action in various parts of Europe.

So Canada made a contribution at that time which has been maintained, and in fact has, in some respects, been increased and improved since then. At the present time there is a brigade group, the Fourth Canadian Infantry Brigade, with attachments of artillery, engineers, signals and all the other component parts which go to make up a self-contained organization. The latest addition to that group was made a year ago when the armoured squadron which had been attached to the group was increased to an armoured regiment and equipped with Centurion tanks.

The total forces of this army contribution is 385 officers and 5,220 other ranks totalling 5,605. They are, in the main, stationed in three centres in Germany: Soest, Hemer and Werl. That area is 50 or 60 miles north of the Ruhr.

We are also committed to having, in Canada, a balance of a division which may, if required, be moved to Europe as soon as possible after the outbreak of hostilities.

When NATO was first organized the military thought then was that it would be possible, shortly after the outbreak of hostilities, to move, by means of convoys, the balance of this division across to Europe very shortly after the outbreak of war but developments, of which I will speak later, namely, the great increases in the number of Russian submarines, have now modified that concept and it is considered unlikely that reinforcements will be able to move across the Atlantic for some time after the outbreak of war. The general concept of the next war is that there will be a period of very active fighting, accompanied by intense nuclear activity, in all parts and in all countries of the North Atlantic Treaty Organization not excluding this continent. Those attacks may be launched by bombers, from missile launching stations perhaps in Siberia or continental Russia or from submarines which we believe the Russians have now got with the capability of launching missiles or rockets from their decks whether they are submerged or on the surface.

Because of this threat and because of the fear that there would be great damage done to the ports on the Atlantic ocean, either in America or in Europe, the urgency, or the possibility, of the balance of the Canadian division being moved over in the early days is not considered now as likely or as possible as it was when the first plan was drawn up. However Canada has not been relieved of the responsibility, or the commitment, of providing a balance of that division; but it has been downgraded, one might say, and placed more as a strategic reserve.

It is necessary for us to maintain the balance of the division in order to rotate the brigade group which is in Europe. Up until recently the soldiers of that brigade group—the units—were expected to serve for two years in Europe; but as the expense of moving all the personnel, every two years with their families was great we decided, during the last twelve months, to extend the period of service from two to three years. That would mean there will be a trooping season every third year instead of every two years. From what I have seen, and the experience which has been gained, there will be no opposition on the part of the troops in serving that extra year in Europe. We move their families over to Europe which is also a great expense; but we consider it is necessary for a soldier or airman to be accompanied by his family if he is going to stay for more than a year in Europe. So you can see, with a force of over 5,000, of which a high percentage are married men, there is a very considerable expense in that connection. If we can extend the period, as I say, from two to three years it is a saving of money.

These forces are supplied through the U.K. forces. They are an independant brigade but they come under the operational command, if operations are required, of the British army which is stationed there. So we get the majority of the supplies for those forces through British channels. That saves establishing a special chain of supplies from Canada to the army in Europe.

Canada's air contribution to these forces consists of the 1st Air Division which is made up of the divisional headquarters and four wings. Each of the wings have squadrons of CF-100's and F-86's. There is one squadron of the CF-100 Mark 4B, which is the all-weather fighter, and there are two squadrons of the Sabre Mark 6 interceptor fighter in each of those four wings. In addition to the fighting element of the first air division, there is an air force control and warning squadron which provides the radar ground control for the interception of enemy aircraft should there be any coming over.

The 1st Air Division maintains its own microwave communication system within the division. The air materiel command maintains a base in England at Langar which consists of a supply depot, technical service unit, and a movement unit. That is the main source of the logistics support of the air division in Europe. Aviation fuel, ammunition and rations are obtained on a repayment basis from the United States Air Force. That again saves the setting up of a special chain of supply from Canada to its comparatively small command in Europe. The various wings are stationed, two in Germany and two in France. The German air fields are at Zweibrucken and Baden-Soellingen and the French air fields are at Marville and Grostenquin. The headquarters is at Meitz. The total number of officers and men of the R.C.A.F. connected with this division and the supply depot at Langar is 6,000 all ranks. So much for our contribution to SACEUR—that is, supreme allied commander, Europe.

The next commander which you have on the chart is the supreme allied commander, Atlantic. The contribution which we make, and the contributions which other countries make to the supreme allied command, Atlantic, is slightly different to those made to the supreme allied command, Europe, in that naval and air forces, and in some cases land forces, are only earmarked to come under the control of the supreme allied commander, Atlantic, on the outbreak of hostilities. You will note, as far Europe is concerned, our forces are over there in Europe now. We have certain forces, naval and air forces, earmarked for the Atlantic command, but they do not come under the command in any way, or the operational control, of the supreme allied commander, Atlantic, until the outbreak of hostilities unless he is carrying out some naval or air exercise, as he does periodically, in which case for the purpose of that exercise certain Canadian units of the navy and the air force may be placed under his control, for that purpose and for that purpose only. So, there is an interesting difference there. That difference applies also to the other forces. However, it is essential in order that he may make the necessary plans for his operations that he be given an indication as to what vessels and the number of aircraft he may expect to have placed under his command on the outbreak of war. So an indication has been given to the supreme allied commander, Atlantic, of the number of forces which Canada may be able to place under his command. This will be drawn from the Canadian navy and from the maritime command of the R.C.A.F.

Perhaps at this time I should give you an indication as to the role of the Atlantic command. I have mentioned already the striking force which will be required to attack the bases of the enemies' fleets in Europe and also to wage, if necessary, aggressive action against the shores of Europe. We play no part in that offensive action in that strike force. It is carried out by the major vessels of the United States navy.

Other roles are envisaged by the development of the submarine fleet of the Russians which now is estimated to be in the neighbourhood of 500 ocean-going submarines of which a few are now, or may in the near future be, nuclear-powered submarines, and of which some can launch the missile from their decks. Because of this known threat the role of SACLANT has been changed to a certain extent. One of the important things now is to prevent, if possible, the emergence of the Russian submarines into the Atlantic ocean. The role of the Atlantic command is tied in very closely with the role of the Channel Committee. The Channel Committee, we believe, can effectively block the English Channel thus forcing the Russian submarines to enter the North Atlantic by way of Icelandic passages. Therefore great importance is placed on the desirability of maintaining effective forces between Greenland and Iceland and Iceland and Norway.

The new concept of war, as I have said, limits the likelihood of large convoys crossing the Atlantic in the early stages, but it also increases the risks to our shores. Therefore the role of the Royal Canadian Navy, which originally was that of escorting convoys across the Atlantic, now changes to one of preventing hostile submarines from engaging targets on our shores. We therefore must concentrate on vessels and aircraft which are capable of hunting out submarines and, when found, capable of destroying those submarines. The escort role would only be secondary and would come in the later stages of a war after the nuclear battle had been successfully won.

Our navy consists of one anti-submarine aircraft carrier, the Bonaventure. Originally the Bonaventure might have been considered as taking part in more aggressive actions across the Atlantic, but now her role would appear to be that of supporting the other vessels of the Royal Canadian Navy which are on the coastal patrol. The Bonaventure has two squadrons of fighter aircraft known as the F2H3, or Banshee type. They are now being equipped with a guided missile known as the Sidewinder which is an air-to-air missile.

There are also two squadrons of anti-submarine reconnaissance aircraft known as the Tracker. Those are available to operate either from the land or from the deck of the Bonaventure. They are essentially reconnaissance aircraft, but they have some means of attacking a submarine. They would report the presence of a submarine and keep watch over that submarine until other means of destruction arrives.

In addition to the aircraft carrier, there are some forty anti-submarine ships of various types. In commission today there are seven of the destroyer escort type known as the St. Laurent. The next type, which is an improvement on the St. Laurent type, is the Restigouche class of which seven are now under construction in Canadian yards, the first of which was commissioned on Saturday from the Vickers yard in Montreal; three others will be commissioned before the end of this fiscal year, three in the following year and construction of the remaining six will follow progressively.

There are eleven tribal class destroyers, some eighteen frigates, and ten coastal minesweepers, all of which make up the balance of our active fleet. We have a certain number of small craft and some gate vessels and some training vessels. However, as far as the active portion of our fleet is concerned, those are the units which comprise it.

The majority of these ships, with the exception of the St. Laurent class and the Restigouche class, are all vessels which were constructed during the second world war or just before the second world war. They had heavy going during the second world war and during the Korean war. I mention that point because it must be obvious that if the life of a naval vessel is considered to be about twenty years it is necessary to start on a regular replacement program for these vessels, not only for the protection of our own coast but

also to maintain the commitments which we have made to SACLANT. So now there is a definite replacement program which is starting.

Notice has already been given that there will be four more vessels of the Restigouche type slightly improved on the present Restigouche—experience has shown some slight modifications are desirable particularly in the armament field.

The hull of the first of these Restigouche vessels—or rather the second group of Restigouche ships—will be laid down this fall and others progressively over periods of approximately three or four months.

Other hulls will be laid down until a total of six additional Restigouche vessels—that is, of the destroyer-escort type—will have been commissioned into the R.C.N.

It will take several years, as you will appreciate, in order to make plans and in order to lay down and build vessels of this type. In the meantime active consideration is being given by the navy as to the type of vessel which should be introduced into the navy after this proposed last group of destroyer-escorts have entered the navy.

Of these vessels a certain number haye been earmarked for the supreme allied commander Atlantic; but in addition to taking care of our Atlantic commitments, Canada also has to watch the Pacific coast as it is quite possible that hostile submarines might attack the west coast of Canada. Therefore a certain number of vessels must be retained for the protection of the west coast.

This is a major commitment mainly because of the likelihood of an end run and the amount of shipping that there is on the Atlantic as compared to the west coast and the flexibility of the targets. It means that the Canadian navy must be ready for the protection of the Pacific coast as well as for our contribution to the supreme allied commander Atlantic.

The actual number of ships to be allocated to the supreme allied commander Atlantic is now under consideration. There is this threat of submarines to the Pacific coast as well as to the Atlantic, and it requires a revision of the actual commitments and the number of vessels which were earmarked to SACLANT in the yearly list.

In addition to this naval forces and naval aircraft, and the Bonaventure—we already have a commitment to supply a certain number of maritime aircraft from the R.C.A.F. to SACLANT. These are aircraft based upon land but designed especially for reconnaissance over the ocean, and they are provided with equipment to locate and destroy submarines.

Up until recently there have been two squadrons of Neptunes stationed at Greenwood in Nova Scotia for this particular purpose, with some Lancaster aircraft.

Now the new Argus long-range reconnaissance antisubmarine aircraft is going into squadron operational control; the first of the new Argus aircraft after having completed very successful trials in cold weather at Namao and Cold lake in Alberta, and at Churchill during this winter, was handed over by the air force to the maritime command a week ago, and the other aircraft of that type are now being handed over to the maritime squadron as they come off the assembly line and after they have completed their tests.

By the end of next year those two squadrons will be completed. They will replace the old Lancasters and the Neptunes, or some of the Neptunes. Some of the Neptunes are now being transferred to the squadron at Comox for reconnaissance and protection of the approaches from the Pacific ocean.

Both the naval element and the air force element of Canada's contribution to the Atlantic come under the joint command of the commander of the maritime command Atlantic who is stationed at Halifax. At the present time

it is Admiral Pullen who is designated as that commander. And so far as the units of naval vessels for the protection of our coasts are concerned, they are operated under the direct command of Admiral Pullen.

I think the total air force personnel who are employed in the maritime command numbers some 2,798. That deals with the maritime command. That is the second commitment that we have is NATO.

The next important commitment we have may well be considered as a major commitment. Of course it is the defences that we provide for the Canada-United States regional planning group.

Now, it is our design, not only to protect Canada and the Canadian cities and Canadian industries against attack but also in cooperation with the United States to give warning to the United States air force, the strategic air command, that is, the bomber command of the United States. So, if it is decided to use that strategic air arm to start retaliation they may have full warning of an impending attack, because one of the circumstances which might easily make it impossible or difficult for those bombers to leave this continent to go on their task of retaliation would be if they were caught on the ground by hostile bombers.

Therefore it is imperative, that if there is a threat of enemy bombers crossing Canada with the idea perhaps of approaching the United States those strategic bombers get off the ground.

They may start on their mission and if the threat does not develop at all they could be recalled. But the essential thing is that they must be protected. We must give them that protection in order to enable hem to move off their exposed stations.

If any of you have seen any of these SAC air fields, you will understand how very conspicuous they are from the air with their long runways and with large numbers of bombers stationed on those runways ready to take off at very short notice. And you will realize at once how vulnerable they would be and how essential it would be for steps to be taken to give them warning so that they could get into the air and therefore not be exposed to attack either by enemy bombers or by missiles or by whatever form of attack it might be.

Therefore in order to provide that aerial warning and to assist in the destruction of any bombers which may be attacking this continent, Canada has established certain warning lines and provides certain numbers of all-weather interceptor squadrons.

There are nine all-weather interceptor squadrons of the CF100 type now stationed in various parts of Canada.

In order to control the operations of the CF100 squadrons, it is necessary to have a number of radar stations and control stations which are known as the Pinetree line. That has been built partly by American effort and partly by Canadians. It is manned partly by Canadians and again partly by Americans.

I want to emphasize the fact that this is the controlling line—these are radar sets which direct the interceptor against the approaching enemy. That line runs from British Columbia—from the north end of Vancouver Island down through the prairie provinces towards the east and to the settled parts of Canada and then drops down in the great lakes area and then swings north again through Nova Scotia and up the coast to Labrador.

On the Labrador coast they are capable of assisting aircraft operating over the Atlantic ocean as are the stations on the extreme west in British Columbia. There they can assist the squadron which is located at Comox. Further, the squadron located at Comox can operate over the Pasific as well as over the mainland. But of course control is dependent upon receiving warning.

There is a system known as the Mid-Canada line which is a partly unmanned warning line which gives advance information on tracks of any aircraft approaching. It runs roughly speaking along the line of the 55th parallel as shown on the map.

That line has been built and is operated and maintained by Canada. There is a limited number of control stations along the line and the majority of the stations, as I have said, are automatic.

North of that line, running from Alaska through the Arctic region of Canada and across Baffinland and out into the Atlantic and north of that, touching the tip of Greenland, is the DEW line.

Now the DEW line has been built and is manned by the American air force. But the actual work at most of the stations—most of the work—is carried out by Canadians working in the employ of the Americans.

The DEW line is not merely limited to those stations in the Arctic but is now extended out into the Pacific, partly by stations established on islands and partly by ships—patrol ships—and extends to Honolulu through to Midway.

A further extension is carried into the Atlantic by patrol ships and by other stations now being constructed.

Along the shores of the continent there is a second line of patrol vessels which is capable of giving warning both of submarines approaching and of aircraft approaching from the east or from the west.

I am not going to go into the details of the system of command at the present time but, as you know, there is an integrated command headquarters division established at Colorado Springs which is known as NORAD. In fact there will be a debate this afternoon on the NORAD resolution so I do not think it would be appropriate for me to go into the details other than to say that there is an integrated command set up at Colorado Springs.

In it, as you know, there is an American commander, General Partridge. He was up here about two weeks ago; and there is a deputy commander, a Canadian, Air Marshal Slemon. And they have a small staff. I think it includes about 17 Canadian officers and men at the present time. They are essentially a planning staff and are making long range plans for the defence of Canada and the North American continent for the future.

If you should ask me "what about the threat?" I would say of course there is a threat of the Russian-manned bomber. We believe and we have reason to believe that the Russians have somewhere in the neighbourhood of 1,500 to 1,700 bombers of various types some of which are capable of attacking targets anywhere on the American continent and of returning to Russian soil.

Others would not have the capability of making the return trip. That is, a large fleet of hostile bombers which constitute a very serious threat against this continent.

In addition to the bombers we have reason to believe that the Russians have developed some form of inter-continental ballistic missiles of a prototype nature. We have no reason to believe that those missiles are in operational use at the present time, but they have undoubtedly got some prototypes of this inter-continental ballistic missile. The best advice that I have received both from our own chiefs of staff and from the senior British and NATO authorities and from the United States officers is that we may expect for many years yet an attack by manned bombers and by air breathing missiles or un-manned bombers. And gradually that threat would be supplemented more and more by the introduction of the inter-continental ballistic missile.

But it is the opinion which has been confirmed by many sources that it would be many years, if ever, before Russia would rely solely on the inter-continental ballistic missile. One of the main reasons is that while the inter-continental ballistic missile may become very effective against an area target, fired on a pre-decided course at a pre-selected target, there is little opportunity of changing the direction of that missile once it has been launched. Therefore there is a rigidity about such an attack which eliminates a possibility of flexibility; and as long as an enemy may require to select some small pin point target such as an airfield, or may for some reason or another have to vary its method of attack, then the manned bomber will be in use for a long time to come.

Now the manned bomber of tomorrow will fly faster and much higher than the manned bomber of today. There is no doubt about that. And although the CF100 a few years ago was considered to be the outstanding all-weather interceptor in the world, today its period of future usefulness will be restricted and eventually it will have to give way to a more modern type of interceptor.

That situation was foreseen several years ago and steps were taken then to design in Canada an interceptor which would fly higher and faster than the CF100. That type of aircraft, now known as the CF-105, or the Avro Arrow, is a Canadian built and Canadian designed aircraft, a proto-type of which has flown successfully in recent months at great speeds of up to a thousand miles per hour and has been able to break through the sound barrier and fly at great heights. The aircraft has not been fully armed, nor has it been fully tested.

In these estimates which you will consider there is a sum of money provided to enable further development, for one year, of this Avro Arrow. There has been an order given for some 37 of these pre-production aircraft to be built. It was considered from the beginning that you cannot make a thorough test of a new type of aircraft without at least a production of 37.

After very careful consideration last year it was decided that we should continue with the development of this aircraft for another year. Sometime this fall the government will have to decide whether they are going to continue with the development and production of the Avro Arrow. If we do not accept this type of aircraft for any reason—because of the failure of this aircraft which we hope will not be the case—then we will be faced with the problem of having to purchase elsewhere an aircraft which can do this advanced work. It must be an advanced type of aircraft able to intercept the bomber, manned or unmanned, of the immediate future. That is a major decision which this government will have to make this year. As far as these estimates are concerned, provision has been made for $175 million, I think the figure is, for the further development of this aircraft.

In addition to an improved type of aircraft it will be necessary and essential in order to be able to intercept the bomber of tomorrow, to increase the speed by which information is passed through these warning lines, and the speed of the control given to the aircraft which are to intercept them. At the present time we are working on a system not very different to that which was used during World War II. It is a manual system. At best it can give instructions to, or can track, shall we say, five different targets. But, it is necessary to increase that very considerably. Automatic systems of control and of passing information will have to be introduced at the time we expect an interceptor of greater speed with the ability to fly higher than the CF-100.

In addition to the warning lines that I have referred to, the R.C.A.F. maintain a voluntary organization known as the Ground Observer Corps.

They also pass information back to the control centres. All information coming either from the DEW line or the Mid-Canada line is passed automatically to Canadian and United States commands.

In addition to the nine squadrons of Canadian CF-100's now under the Air Defence Command which has its headquarters at St. Hubert, there are two squadrons of the American air force which are stationed in northeastern Canada, who come directly under the operational control of the air defence command of the R.C.A.F. at St. Hubert. They are used on the patrols of the approaches to northern Canada.

From the point of view of the ground force, I mentioned that we had the balance of the army division here in Canada.

In order to rotate the armed troops and also to have some ground forces available, the brigades are located in western, central and eastern Canada. There is a complete brigade group, or about to be formed, in each of those areas.

There will be a fourth battalion in each of those brigade groups so that one of the battalions from this brigade may be serving with the Fourth Infantry Brigade in Europe while we will still be retaining three battalions here in the brigade in Canada. In each of those brigade groups one battalion is especially equipped and trained, in the event of it being necessary to send troops to oppose any possible landing or raid in northern Canada. They are airborne. Their equipment is such that it can be placed into air transports—and can be taken quickly to any part of northern Canada.

A certain portion of the men are trained, in each of the battalions, as parachutists and they can be dropped, if necessary, for the protection of one of these radar stations that I have referred to, or for any other operation in northern Canada for which they may be required.

In addition to that there is one battalion of the Canadian army which is kept at a higher state of readiness than the others in case there is a need to send that battalion on some mission such as the UNEF. Experience has shown in the early stages of the formation of UNEF, that in all our battalions there was a certain number of men who were considered too young to be sent overseas on such an operation, and there were others who for various reasons could not be spared, or who were away, and the battalion was not up to strength. This meant the amalgamation of two units in order to provide one in the early stages. It is not an abnormal condition, but in order to speed up the dispatch of a Canadian battalion, if the need ever came, we will keep one battalion—It is, at the present time, the second battalion of the R.C.R.'s of London—in which the number of men who would not be able at very short notice to go overseas is reduced to a minimum.

Now, Mr. Chairman, I think I have gone over the sort of general commitments as far as it is probably desirable to do now.

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN: Thank you very much, Mr. Minister, for a very comprehensive statement indeed.

The minister has consented now to have questions asked with respect to any of the material which he has discussed.

Mr. WINCH: Mr. Chairman, I know that all members of this committee are very grateful to the minister for the information which he has given us in some detail.

Mr. Chairman, I would like to ask the minister, through you, if he will enlarge on the position of SAC which is shown on the very interesting graph which has been supplied to us? This graph shows the chain of control of the north Atlantic council and the military committee. It breaks down to a supreme allied commander in Europe, a supreme allied commander of the Atlantic and a Canada-United States regional planning group. The word "supreme" means

exactly what it says. I would like to ask the honourable minister whether or not SAC—that is the strategic air command of the United States—is under the supreme allied command in Europe, of the Supreme allied command, Atlantic, and of the Canada-United States area, and whether or not the United States has declined to place SAC under that control, and is SAC operated independently from the United States itself. Would the minister give a more detailed statement on that situation?

Mr. PEARKES: SAC bombers are not part of the supreme allied command in Europe. Nor are they part of the Canada-United States regional planning group. I would say that they are part of the NATO concept of war; they are the powers of retaliation. My understanding is that they would be sent on their mission of retaliation on the instructions of the President of the United States.

Mr. WINCH: Mr. Chairman, may I ask a supplementary question?

I would like to ask the honourable Minister of the Department of National Defence, in view of what he has now said, why one area of warfare—that is retaliatory warfare—does not come under NATO, but remains within the complete control of the United States? Why is it a part of NATO to be used on the order of the President of the United States and not on the order of NATO command iself? Would the honourable minister explain why that is the situation; why one armament should be separate and apart from the rest of NATO?

Mr. PEARKES: Well, I am afraid that Canada has very little to say about that. This strategic air command has never been offered to NATO as far as I know by the President of the United States. Nor have the R.A.F. bombers of the United Kingdom ever been offered to the NATO organization. To the best of my knowledge they do not come under that command. In fact, I am sure they do not come under the command of any of the regional commanders.

Mr. PEARSON: Mr. Chairman, I would like to ask a question of the minister relating to the question that has just been asked, and arising out of this chart which the minister was good enough to put before us during the very interesting and helpful statement that he has just made.

This chart puts the Canada-United States regional planning group apparently on the same basis as the supreme allied commander, Europe; supreme allied commander, Atlantic; and the channel committee in so far as its responsibilities to the north Atlantic council is concerned. I would like to ask the minister if he thinks that this is in fact the case in view of the knowlege which is, of course, general, that these two other commanders—Europe and Atlantic—and the channel committee constitute in fact NATO commands and are shown as such in NATO? In view of the fact that they are commands, would he not agree that the Canada-United States regional planning group is not in the same position at all in respect of its responsibilities to the north Atlantic council and in particular that the commander in chief of the North American air defence command is not in the same position of responsibility to the north Atlantic council as the other commanders that are shown in the last line of this chart?

The second question, Mr. Chairman, is, can the minister tell us whether this Canada-United States regional planning group which, incidentally, was one of four or five NATO planning groups which are not shown on the map here, receives any reports concerning continental defences from United States or Canadian authorities for transmission to the north Atlantic agencies concerned; does it receive any such report other than that which is shown in this chart as now being received through NORAD?

Mr. PEARKES: The answer to the first part of the question is, this chart was copied, or developed from the North Atlantic Treaty Organization pamphlet

which is published under the authority of the information division in Paris. If you will look at page 71 you will see there is a thick black line at the bottom of the page which shows the supreme allied commander, Europe; the supreme allied commander, Atlantic; the channel committee; channel commands and Canada-U.S. planning group, all of which are on the same level; all of which are shown as reporting to the standing group. I think you will note, as I mentioned earlier in my remarks, all these areas were originally groups. The planning group in Europe and the planning group in the Atlantic became commands. Commanders were appointed. It has not been considered necessary to the present time to appoint a supreme commander of the regional planning group of Canada and the United States. That regional planning group is made up of the chiefs of staffs committee of Canada and the joint chiefs of staffs, which is a similar committee, of the United States. They act as a committee carrying out similar functions to those which would be carried out by a supreme commander; the supreme commander in Europe or the supreme commander in the Atlantic.

They meet periodically and are in constant communication, one with the other, by various means of communication; telephone and so forth. There is a constant exchange of views and a constant exchange of visits between those two groups.

Mr. PEARSON: How about the second part of my question?

Mr. PEARKES: Your second question was: do I know whether any other reports are made to the planning group?

Mr. PEARSON: Yes. The second question was: does this Canada-United States regional planning group receive any reports from Canadian or United States agencies concerning continental defences such as reports from the strategic air command, which it passes on to the military committee and from the military committee to the north Atlantic council in the same way as now presumably it passes on reports from NORAD?

Mr. PEARKES: I do not know that they receive any reports from the strategic air command. I cannot say positively but I do not know of any reports that they receive from the strategic air command.

Mr. PEARSON: Then just following that up, what then did this planning group do before NORAD was established in respect of reporting to the military committee and the north Atlantic council?

Mr. PEARKES: Before NORAD there was a system of close cooperation between the air defence forces of Canada and the air defence forces of the United States. The planning group then received reports, as to the progress which was being made. As an outcome of the experience gained from those two groups they recommended the establishment of this integrated command for the north Atlantic area.

Mr. WINCH: Mr. Chairman, I want to be very sure that I am understanding the situation. May I ask the Minister of National Defence this question: does the United States, through SAC, have, retaliatory bombers in Europe and if so, is it his statement that they take their orders from the President of the United States and not from the supreme allied commander in Europe?

Secondly, sir, can the minister inform our committee whether or not SAC has retaliatory bombers stationed anywhere in Canada, and do they take their orders from the President of the United States and not from himself, or the government of Canada?

Mr. PEARKES: In answer to the last part of the question, they have no SAC bombers stationed in Canada.

Mr. WINCH: No SAC bombers stationed in Canada?

Mr. PEARKES: There are no SAC bombers stationed in Canada.

As far as the other question, I understand that there are SAC bombers stationed in various parts of the world. They are United States forces. They are not Canadian forces. Therefore, I would not feel at liberty to say where those SAC bombers are stationed.

Mr. WINCH: I am sorry, sir. I am not asking you where they are stationed, but whether they take their orders from the commander of NATO, or whether they take their orders from the President of the United States?

Mr. PEARKES: As far as I know they are not under the control of the supreme allied commander in Europe.

Mr. CARTER: I would like to ask the minister if on the leased bases in Newfoundland there are units of SAC that come under SAC control?

Mr. PEARKES: Whether they are units of SAC, is that your question?

Mr. CARTER: Whether the bases are used by SAC?

Mr. PEARKES: They can be used by SAC. They are in United States' leased territory. A SAC bomber could land and refuel there if it was desired.

Mr. CARTER: Just to follow up what Mr. Winch has asked; would there be strategic air command bombers based at these bases?

Mr. PEARKES: To the best of my knowledge there are no SAC bombers permanently based at the leased bases.

Mr. BENIDICKSON: Mr. Chairman, referring again to the question asked by Mr. Pearson, I was wondering if any military or political agency of NATO had been consulted prior to the setting up of NORAD, and if so, did they consent to the arrangements made?

Mr. PEARKES: I can tell you this: the NATO organization was advised before any announcement was made here on this continent. They were advised of the course which was being taken.

Mr. BENIDICKSON: Would the minister recall approximately the date of that advice?

Mr. PEARKES: All I can say it was prior to the first of August which was the day I announced it.

The CHAIRMAN: Are there any other members who wish to ask questions of the minister?

Mr. CARTER: The minister pointed out the difficulty in getting the balance of the division over to Europe on account of the menace of the Russian submarines. I was wondering if any consideration was being given to any other means of transporting them by means of heavy cargo-carrying submarines or large air transports.

Mr. PEARKES: All means of taking troops over have been considered. We have no large submarine capable of carrying large bodies of troops, and in the early stages of the war it might be extremely difficult to send large bodies of troops over by air transport, but that matter has been considered.

Mr. CARTER: I was wondering if we were considering building that type of submarine?

Mr. PEARKES: Not at the present time. There is no provision made in these estimates for that purpose.

Mr. PEARSON: Referring again to the interesting chart, would the minister tell me whether the commander in chief of the North American air defence command, which is one of the number of commands on the bottom line of the chart, as the others do, draws any authority from, or has any responsibility to, the military committee of NATO or the North Atlantic council.

Mr. PEARKES: They have no direct channel to the military committee. It goes through the Canada-United States regional planning group. NORAD has no direct communication at all to the military committee any more than the commander in chief of Northern Europe would have. He would naturally go through the supreme allied commander.

Mr. PEARSON: Mr. Chairman, perhaps the minister did not quite understand my question. I know that the commander in chief allied forces, Northern Europe, has to go through the supreme allied commander, Europe. The chain of authority is clear; it leads to the North Atlantic council. I would ask if that same chain of authority and responsibility applies to the commander in chief North American air defence command?

Mr. PEARKES: No. I do not think that chain of command exists to the same extent, because according to the note which was tabled you will have noticed that the governments of the two countries, United States and Canada, must approve of the commander and the deputy commander. I do not think there is any occasion to go beyond that to the council.

The CHAIRMAN: I would like to make a point. We are going into this in some detail this afternoon in the house and perhaps it would be inappropriate to carry on with the discussion on NORAD at this point.

Mr. BOURGET: Mr. Chairman I remember well, during the discussion on the estimates last year, there was a certain amount of discussion on destroyers or escort vessels. Would the minister tell us if tenders are going to be called for those destroyers and when?

Mr. PEARKES: The practice in the past has always been to allocate to the shipyards the ship-building program. That is done so that the various departments can have their work apportioned to the various shipyards and to assure that there is, as far as the government is concerned, an even distribution of the ship-building program.

I mentioned that four of the new class of destroyer escorts will be started to be laid down this fall. The first one will be laid down this fall. No decision has yet been made as to which will be the lead yard. Nor can I give you anything more definite than to say that the hull will be laid down in the fall, the policy being that all the engines and that sort of thing should be assembled and be ready to be moved into the ship at the time that the construction of the hull had progressed far enough.

Experience has shown that it is unwise to lay down the hull and then, because of the inability of other construction firms to produce engines, etc., have a delay in the shipyard, resulting is additional expense. The most economical way is to make certain that you have got everything ready to put into the ship before you actually start building the ship. This uncertainty as to when all this extra material will be available makes it difficult to say for certain when a hull can be laid down, and therefore undesirable to announce too far ahead the yard to which any particular ship has been allocated.

Mr. MCCLEAVE: I wonder if the minister could say whether any consideration has been given to the building of submarines in Canada?

Mr. PEARKES: Yes, consideration is being given to the building of submarines. There is provision in these estimates to allow a team of naval scientists and naval officers to go to the United Kingdom, while others are going to the United States, in order to study this problem in regard to the type of submarine which would be most useful to us here in Canada.

Mr. MCCLEAVE: I have a supplementary question, Mr. Chairman. Is it possible for the Canadian navy to obtain enough submarines from the British for the purpose of training in the Atlantic?

Mr. PEARKES: We are fortunate enough to have three submarines permanently allocated to the Royal Canadian Navy from the Royal Navy. They are now assisting in the training of the crews of our naval vessels and submarines. The amount of training which is required is extensive. There is a lot of training. We are making full use of those vessels, and the fact that there are just three of them does not give us a great deal of leeway, so it is sometimes a little difficult to allow our naval vessels to break the continuity of that training in order to go away in respect of some other duty which we sometimes get requests for.

Mr. GRAFFTEY: Mr. Chairman, I would like to ask the minister if in his opinion he feels that future savings could be brought about if closer coordination of administrational services between the army, navy and air force could be obtained?

Mr. PEARKES: We are continually working in that direction. You may have noticed that only a few days ago a picture of myself appeared in one of the local newspapers turning the first sod for what is described as a tri-service hospital here in Ottawa. That is an indication of the way in which we are continually moving. I do not think it can be done by on fell swoop of the pen simply amalgamating all these services; but we are moving steadily in that direction.

Mr. WINCH: Mr. Chairman, if I have your permission, I would like to direct two questions to the hon. minister. Would the minister elucidate a bit on the function and power of the channel committee which appears on the chart; and, secondly, would the hon. minister inform this committee as to the details, as far as he possibly can, of the statement made by the Secretary of State for External Affairs to the effect that Canada has granted permission to the United States to make a survey in Canada relative to the establishment of warning stations in respect of ICBM and the possible establishment of missile bases in our country?

Mr. PEARKES: Regarding the channel committee, Canada has no major part in the channel committee. There is purely a European-U.K. command which is responsible for the protection of the waters around the U.K., particularly the English channel and the North sea. I do not think I can elaborate any further on that. It is not a Canadian command.

Regarding the second part of the question in which you asked me to give some details regarding the permission granted to the United States to carry out surveys, did I understand you to say for a warning station against the intermediate ballistic, or the ballistic missile, in Canada, and the forming of missile bases in Canada?

Mr. WINCH: I am referring to the statement made by the Secretary of State for External Affairs which was on the throne speech debate when he said that permission had been granted to the United States to make surveys in Canada. I am asking whether or not he will give to this committee any information as to the basis of the permission given to the United States; and I might add at the same time in view of the fact that this permission had been granted, according to the hon. the Secretary of State for External Affairs, does that mean that there is now some equipment or some method capable of giving a warning of the approach of ICBM's, and is that why they are asking for permission to make a survey of locations in our country?

Mr. PEARKES: At the present time there is no equipment in Canada which is capable of giving warning of the approach of an inter-continental ballistic missile. However research work is being done—intensive research work is being done—to devise a means of receiving such warnings. That is restricted to research work carried out by the Defence Research Board. At the present time we have no such warning.

Mr. WINCH: Why is this permission granted for a survey in Canada?

Mr. PEARKES: There has been no permission granted for a survey for a site for missile launching stations. There has been permission granted to increase certain facilities which the United States air forces requires, but they are not connected with missiles. And there are certain surveys being carried out in order to improve the communication system from the Arctic down to central Canada and the central United States. It is a survey for a communication system rather than a survey for sites for missile launchings or for the establishment of missile warning stations.

Mr. PEARSON: I would like to ask this question which is relevant to the question just asked, because of a statement which was made about it in the United States Congress. A statement was made by senators down there, and there was also a lot of detailed information which appeared in the New York *Times*, concerning the establishment of a ballistic aerial warning system to consist in turn of three very powerful radar stations. It has been said—I do not know whether it is true or not—in Washington that one of these stations will be in Canada, and that under this system, the present DEW line is not likely to be as effective as it should be and therefore it is essential that this new work to improve communications should begin now and be completed at the earliest possible date.

Mr. PEARKES: It is quite true that the DEW line was never designed to locate or track a missile because missiles were hardly thought of when the DEW line was started. But if the DEW line were to be developed to record and track missiles, considerable changes would have to be made.

In answer to the other part of the question I must repeat that no request has been made by the United States for the establishment of any missile warning stations in Canada, irrespective of what may be said in the press a few nights ago.

Mr. PEARSON: Has a request been made by the United States—it would be a perfectly proper request—to bring the DEW line communication system up to date in view of this new danger, and is there any estimate of the cost that would be involved?

Mr. PEARKES: There is nothing included in these estimates to bring the DEW line up to the state where it could report the track of a missile.

Mr. PETERS: Is it not true that some of the DEW line stations are now being modified with a view, as the minister states, not of putting them into a position for tracking ICBM's, or shorter range missiles, but to increase the range of those radar stations? Is that not now taking place?

Mr. PEARKES: I do not think there is anything in these estimates directly for that purpose. There is research work going on to see whether the type of equipment now being used in the DEW line could be so modified or extended as to enable it to track a missile, but I do not know of any actual work being done on the DEW line now with the idea of tracking a missile.

Mr. PETERS: That is not exactly what I insinuated. It is my understanding that the work is taking place at the present time. I have discussed it with some people who have been trying to increase the ceiling. When a ceiling is very low, some modern aircraft are able to fly over it.

Mr. PEARKES: There are improvements being made to equipment continually. As new developments occur we try to instal them into the DEW line equipment as quickly as possible with the result that the range of radar and the height of the radar is improved.

The CHAIRMAN: Gentlemen, you have been sitting now for two hours and fifteen minutes. The thought has occurred to me that you might wish to carry on with this examination on Thursday, which is our next meeting. I would assume that you would like the minister to come back on Thursday for further discussion.

Mr. WINCH: I would like to ask one more question. Could I ask the minister, if he will, inform the committee who has control of the three radar lines in Canada? Is it Canada or the United States, or a combination of both? I would like the minister to explain that.

Mr. PEARKES: The DEW line is operated and maintained by the United States. The Mid-Canada line is operated and maintained by Canada. The Pine-tree line is operated in part by Canada and in part by the United States. All of these warning systems report into the Canada-United States North American air defence command.

Mr. WINCH: Could I ask the minister if it is possible, or permissible—I will put it that way—for him to inform this committee, if not today, at a future meeting, as to the relative number of R.C.A.F. in the north, and the number of the United States Air Force in the north?

Mr. PEARKES: Might I ask you to define "the north", please? How far up would you like to go?

Mr. WINCH: Perhaps I should ask the question in respect of Canada.

Mr. LENNARD: Mr. Chairman, I think the answers to some the questions being asked would disclose everything that we have got, whether to Russia, or to somebody else. I think some of these questions are quite out of order.

The CHAIRMAN: Mr. Lennard, I think the question of security is one which will be competently decided by the minister himself.

Mr. WINCH: You will notice that I said, "if permissible". I was very careful about that.

The CHAIRMAN: I am going to suggest, gentlemen, that we adjourn after this question. You have a busy afternoon ahead of you and we have been sitting now for some time.

Mr. BENIDICKSON: I was going to raise a question as to the time of the next meeting. I wonder if it would meet the convenience of the committee and if we had the minister's approval, to meet at the usual hour of eleven o'clock rather than at ten-thirty. I agree that a two-hour sitting is just about enough. On the other hand, if we adjourn at twelve-thirty, it is my experience that you have lost your secretary from the office during the lunch hour, and it is very difficult to complete telephone calls to the department. Office work between twelve-thirty and one o'clock is of little value but office work between ten-thirty and eleven o'clock is of more value to members. I was wondering if that had been the general experience.

Mr. LENNARD: I would suggest that this committee, in view of the fact that we are not going to sit while the house is sitting, could meet earlier, say at nine o'clock in the morning. After Tuesday of next week we will be sitting in the morning in the house.

Mr. MCCLEAVE: I think we can leave it to the chairman's discretion to call meetings when he sees fit.

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN: Gentlemen, I appreciate that remark, because as a matter of fact, I hope to meet with the chairmen of the other committees this afternoon to work out time schedules. There is no question in my mind as to the fact that at some time we will be asking permission to sit while the house is in session. However, we will not do that until we have to.

Gentlemen, on your behalf I would like to thank the minister very much for coming down this morning and giving us his time. Unfortunately he advises me that he will not be able to be with us on Thursday, as he has an important cabinet meeting at that time, but we will have his staff here in order that we can carry on with this discussion.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

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THURSDAY, JUNE 12, 1958

DEPARTMENT OF NATIONAL DEFENCE

WITNESSES:

Mr. Frank R. Miller, Deputy Minister of National Defence;
and Mr. Elgin Armstrong, Assistant Deputy Minister
of National Defence—Finance.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

58684-2—1

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Pickersgill,
Ricard,
Richard (*Kamouraska*),
Rowe,
Small,
Smallwood,
Smith (*Winnipeg North*),
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian,
Winch—60.

(Quorum 20)

E. W. Innes,

Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, June 12, 1958
(3)

The Standing Committee on Estimates met at 10.30 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Allard, Benidickson, Bourget, Broome, Carter, Cathers, Chambers, Chown, Clancy, Doucett, Gillet, Grafftey, Hales, Hardie, Howe, Jung, Lennard, Macnaughton, McLeave, McDonald (*Hamilton South*), McIlraith, McIntosh, McMillan, McQuillan, McWilliam, Nielsen, Payne, Peters, Ricard, Small, Smallwood, Smith (*Calgary South*), Tassé, Thompson, Vivian, and Winch.—(37)

In attendance: From the Department of National Defence: Mr. Frank R. Miller, Deputy Minister; Mr. Elgin Armstrong, Assistant Deputy Minister—Finance; Mr. R. Whatley, Superintendent of Manpower and Establishments; and Mr. D. B. Dwyer, Superintendent of Parliamentary Returns.

The Chairman announced that tentative plans were being prepared by the Defence Department for the Committee to visit the Defence establishment at St. Hubert on the week-end of June 21, 1958.

The Committee resumed consideration of Item 220—Defence Services.

Mr. Miller outlined briefly the contents of a statement, charts and tables which were distributed to the Committee. (*Exhibit No. 1*)

Mr. Miller and Mr. Armstrong were questioned respecting various aspects of defence and defence expenditures.

Agreed,—That the Steering Committee consider and report whether certain former Chiefs of Staff should be called before the Committee.

At 12.30 p.m. the Committee adjourned until 10.30 a.m., Tuesday, June 17, 1958.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

THURSDAY, June 12, 1958.
10:30 a.m.

The CHAIRMAN: Good morning gentlemen. I think we have a quorum, so we can proceed.

There are two points to which I would like to make reference. The first is a request which I made at our last meeting, that in order to be of some assistance to the official reporting staff, to the press, and of course to the committee members themselves, I wonder if any of you when you are speaking initially would identify yourselves. Of course we do recognize some who have been here for some time.

Now we have under further consideration item 220. I might say before going into it that there has been a suggestion made which I think is a very good one. As you know, the Minister of National Defence has been carrying on a series of tours of defence installations. Mr. Miller, the deputy minister, has suggested that perhaps one which we might like to visit is St. Hubert R.C.A.F. station in Montreal. This station's operation will be mentioned in some of the items we will be considering this morning. Tentatively, we have a plan to inspect these installations at St. Hubert the week-end following this present one. So I would ask that you mark this time down, as we are going to try to give the committee all the opportunity we can to have a look at any aspect of the defence installations, so that we will have a better understanding of what we are talking about.

We will go on now to item 220.

As I mentioned at our last meeting, Mr. Pearkes, the minister, is not able to be with us this morning. However, we are happy to have Mr. Miller, the deputy minister. He is going to give you an outline of some of the administrative detail of the department, and then we can proceed with the item.

I do not think I need to remind you gentlemen of the discussion we had when it was suggested we should limit questions to the deputy minister in relation to the administrative policy of his department. This was, of course, the opinion expressed from both sides of the house, and it should be made abundantly clear that we should not discuss policy as such unless we have the minister here to answer the relative questions. The plan is that we will keep the first item open. We will proceed with other items and when we come back to it, you will have an opportunity to discuss matters of policy at a later date.

I think we will proceed now and ask the deputy minister, Mr. Frank Miller, if he would proceed with his outline.

Mr. F. R. MILLER (*Deputy Minister of National Defence*): Mr. Chairman and members of the committee; the minister had prepared an outline, which I believe you now have, giving some of the broad organizational facets of the department. It sets out how we operate and gives certain facts and figures which are represented on the organizational charts. It shows the way we spend our money, and there are other types of information that might be of general interest to the committee, which will serve as a background when you are examining these estimates.

I do not believe I need to say any more about the various details. I will leave the items that you may be interested in to come out in the question period. I would like, however, to say a few words about how these estimates

are prepared. It is a very large estimate and the preparation takes a very long time. We are starting now on the preparation of next year's estimates, and the target date which we have set for finishing them is at the end of this calendar year. We expect to have the estimates prepared and available by the end of this year.

The mechanics of preparing them start with the services. The services review their plans for the coming year. If there are any major changes, those changes are referred to the chiefs of staff committee as policy items for approval or rejection or modification.

The chiefs of staff committee then pass the approved items back to the services, where they are further refined in consultation with various departmental and service people concerned. They are then reassembled as preliminary estimates for screening by members of the department and representatives of the treasury board. The screening normally takes place starting some time in October. The end process is a suggested estimate for the minister's concurrence, which is given normally about the end of November. After the minister has checked and approved that estimate, he takes it to the treasury board for final approval. Now, that is a long process of gestation, but it is the result of our experience over the years in dealing with problems and money of this magnitude.

The estimates, when approved, provide the financial plan for the various services for the fiscal year ahead. They establish the limits of expenditure which could be made during that fiscal year, as well as the total commitments that future expenditure involve in any approved programs that we will require.

You will also note in your folder the strengths in former years and in this coming year for the military manpower on which these estimates are based. The military manpower program is approved by the governor general in council under the authority of the National Defence Act, after the concurrence of the Minister of National Defence.

There is also a list of our civilian employees who, again, are controlled by establishment and are administered under the Civil Service Act and in accordance with treasury board approval.

I might say a word at this time about our materiel program. Materiel is the word we use for our purchase of goods and equipment. As you may know, the Department of Defence Production acts as the contractual and purchasing agent for the Department of National Defence. We do not undertake our own procurement. We raise contract demands or requisitions on the Department of Defence Production as our procurement agency. Therefore, if you have any question in the field of procurement, it will be well to refer them to the Department of Defence Production.

There is also a note in your brochure on mutual aid. Mutual aid is a fairly large and important element of our budget. In view of the fact that it might not be fully understood, we have included a short description of our mutual aid program, and that is included in the brochure that you have. Mr. Chairman, with this very brief outline of the brochure that has been handed out, we might get on to any details the committee wish to discuss at this time.

The CHAIRMAN: Thank you, Mr. Miller. For the new members who have not looked at this rather imposing book—

Mr. MCILRAITH: Who could have looked at it?

The CHAIRMAN: I am speaking of the imposing blue book which you have had for some time. I want to point out that the items are detailed at page 308.

Mr. WINCH: Mr. Chairman, I believe the question that I have decided to ask comes before us in view of the fact that the deputy minister has submitted a breakdown of the administration and operational activities of the Department of National Defence.

The graph headed, "Minister of National Defence" shows the breakdown. I am interested in the control of the chief of the naval staff and the chief of the air staff in relation to and in respect of an administrative nature only, having regard to the supreme commander, Atlantic which, according to his information office, also has a control out of Halifax on certain aspects of the anti-submarine phase both air and naval. I am interested in how the administrative function here ties in with the supreme command, Atlantic.

Mr. MILLER: Mr. Chairman, I think a word might be usefully said in respect of that.

As far as administrative functions are concerned, the supreme commander, Atlantic, has no administrative function whatever in respect of SAC's Canadian forces. Canada raises, equips and administers the forces that are earmarked for his operational employment in an emergency.

Mr. WINCH: Only in an emergency?

Mr. MILLER: Only in an emergency, the forces that Canada has earmarked; and that is the significant word—"earmarked".

Mr. WINCH: Out of Halifax, you mean?

Mr. MILLER: Out of Halifax. The naval forces and maritime air forces are earmarked, in respect of operational control, as the force to be handed over to the supreme commander, Atlantic, in an emergency, or for exercise purposes. He can arrange certain exercises in peacetime.

Mr. WINCH: I am clear then, Mr. Chairman, on this; the naval force that is set up under the supreme commander, Atlantic, does not function unless there is an emergency or an exercise?

Mr. MILLER: That is right.

Mr. GRAFFTEY: Mr. Chairman, I would like to ask a question. Very often you hear members of the public making certain remarks regarding the building of aircraft. For example, you often hear people say it is too bad that no sooner does a certain aircraft come off the drawing board than it becomes obsolete. I think at the time they are making these remarks they realize that because of the new exigencies of modern living and modern technology in respect of army service conditions, this understandably happens very easily.

Could I ask what liaison there is, if any, between the government and private companies regarding the planning, designing and building of aircraft? Also, rather than having to ask a supplementary question could I now ask, if such liaison exists, to what degree is it effective?

Mr. MILLER: Mr. Chairman, that is a question that demands a rather long and involved answer, I am afraid.

Could I put it this way: the services concerned raise what they call an operational requirement. That is, they define within the knowledge of the art what they want to accomplish in the way of equipment and so on. These specifications, or general requirements, are then discussed with either one company or several companies which may be considered as capable of producing this equipment. There is possibly some refinement of the requirement after discussing it with the engineers or the technicians who would be required to produce it. An estimate is then prepared of the cost of the first step, which may be just a further survey, or it may involve the production of a prototype, depending on the complexities of the equipment. That is then passed over to the Department of Defence Production with a request for contractual action on whatever basis has been decided.

The Department of Defence Production are then responsible for selecting the company, or letting the contract. Thereafter it is handled in a number of ways depending again on the complexities.

Quite often a project office or team is set up to monitor and work with the company on that project. The team would consist of people from the services concerned and perhaps from the Department of Defence Production. If there are research aspects involved there may possibly be somebody from the Defence Research Board. In some instances other government departments have expert knowledge which could contribute to this monitoring function that has been set up.

Does that give you some outline of how we handle it?

Mr. GRAFFTEY: Yes. Thank you very much.

Mr. PEARSON: Mr. Chairman, in the past it has been customary, I think, to have a white paper on defence which was a help to those who were asking questions on defence policy and planning. Is there an intention to produce a white paper of that kind this session?

The CHAIRMAN: That is something, Mr. Pearson, which we have had some thought about, but the situation was this: we felt that in addition to the fact that the committee on estimates was going to study the detail of the estimates rather thoroughly this matter will again come before the House of Commons where a very broad general statement will be made by the minister which, as I am informed that in the past, served as the white paper. If the committee specifically requests this, a recommendation could, of course, be made to the minister.

I should point out that in addition to the statement which was made, again in very broad generalities, at the last meeting by the minister, you have this statement now which, as you will realize, could not have been sent out to you in advance. You will also have an opportunity of discussing any aspect of this which is departmental at a future meeting. If the committee desires a white paper as such, we could ask the minister to consider it.

Mr. PEARSON: Perhaps, Mr. Chairman, if I can follow that up—

Mr. WINCH: We are all interested in hearing what the opposition leader has to say, but if he holds his hand on his head all of us on the right are unable to hear what he is saying.

The CHAIRMAN: Thank you Mr. Winch.

Mr. PEARSON: I will try to do better.

Perhaps we can reserve our decision on this matter until we have had a chance to look at this document, and also until we have had a chance of studying the record of the statements made by the minister at our last meeting, which is not yet before us. In the light of that, perhaps this matter could be brought up later.

The CHAIRMAN: Yes.

Mr. PEARSON: I was going to ask a good many questions, Mr. Chairman, arising out of what the minister said the other day, based on my jottings rather than on the record which is not yet available. A good many of those questions would be in the realm of policy and planning. I take it we will have an opportunity to ask the minister questions on those matters because, it perhaps would not be fair to ask them of the officials of the department. I hope we will have an opportunity of questioning the minister in respect of his statement.

The CHAIRMAN: I can assure you that that is correct, Mr. Pearson. That is the reason we are holding item 220 open. The minister mentioned at the last meeting that he could not be with us today, but he said he would be back on a future occasion for that purpose.

Mr. PEARSON: Could I ask a question or two on the organization of our defence services based largely on what the minister himself said in the House of Commons in 1957, to see to what extent these suggestions, which he made

at that time, have been carried out? I am thinking particularly about duplication between the services which was a matter of interest not only to the minister in those days but to all of us. There are three specific points in respect of duplication about which I would like to ask. It has been suggested that both the navy and the R.C.A.F. have responsibilities which perhaps are an example of duplication in respect of anti-submarine warfare. Is there anything that can be said about that?

Mr. MILLER: On the question of duplication, there has been no change from what has been the situation in the past; that is, the area of possible duplication, I take it, is in the aerial part of the operation because the R.C.A.F. has been mentioned. The R.C.A.F. has been, and still is, responsible for what they call land based aviation, that is the large heavy patrol aircraft which operate from airfields on shore. The carrier-borne aircraft, that is aircraft which go to sea on a carrier, are naval and are a naval responsibility.

Mr. PEARSON: May I ask whether there has been any consideration given to making the chairman of the chiefs of staff committee the chief of staff of the defence forces as a step in the direction of unification? Or is that a policy question?

The CHAIRMAN: I think that question would involve a statement on policy.

Mr. PEARSON: Are there three directorates of transportation in the armed services or only one?

Mr. MILLER: There is only one directorate of transportation by that name. The three services, however, have equivalents.

Mr. PEARSON: But there is one single director of transportation for the three forces?

Mr. MILLER: The army call it that. The other two services have the equivalent, but they do not call it that.

Mr. WINCH: Mr. Chairman, I think this may be a little in the way of a follow up on previous questions. On the first page of the submission of the deputy minister there is reference to a Defence Research Board. Before we get into the individual estimate itself, could the deputy minister give us an understanding as to the function of the Defence Research Board, the type of work it understakes, and whether or not, or how, it ties in with the industrial research? Is their work done hand in hand with industrial research? Does it undertake any special job? In the main what is the principal type of research undertaken by this board?

Mr. MILLER: Mr. Chairman, we will have an opportunity to have the estimates of the Defence Research Board brought before us, and at that time there will be officials of the Defence Research Board here who can probably more fully answer the question. I might say that the Defence Research Board is an integral part of the Department of National Defence. The chairman is responsible to the minister and to the various chiefs of staff generally, and he represents the centralization within the department in connection with research.

Mr. WINCH: Is it understood, Mr. Chairman, when that matter comes up the officials will be here for interrogation.

The CHAIRMAN: Yes.

Mr. BENIDICKSON: Mr. Chairman, I was wondering, before we got much further, if the deputy minister, or Mr. Armstrong, would outline to the committee the rather technical features of the wording of item 220 this year. I take it the actual wording of the vote is no different than in previous years, but the committee will recognize there is reference in it to section 3 of the Defence Appropriation Act and this year, notwithstanding what is in another statute, we are referred to it by this vote in a certain way. I wonder if that could be outlined to remind us of those features.

Mr. E. B. ARMSTRONG (*Assistant Deputy Minister of National Defence —Finance*): This I might say, is explained in part in the document which you have before you. I take it the problem here, where an explanation is required, relates basically to the wording relating to the defence appropriation.

Mr. BENIDICKSON: It ties in with mutual aid.

Mr. ARMSTRONG: The vote in the first place reads in part: "...incurred in the participation of the Canadian forces in the United Nations Emergency Force..." Perhaps you will recall when the Canadian forces first undertook to participate in the United Nations Emergency Force there was a supplementary estimate which was used as a basis for the authorization of that particular participation. This wording carries on that authority. That is why it is there. The next section which deals with mutual aid—

Mr. BENIDICKSON: That is the one to which I am referring.

Mr. ARMSTRONG:—provides in the first place for a limitation on the amount of this total vote which may be used for the purpose of mutual aid, and that is the $130 million.

Mr. BENIDICKSON: Out of $1,630 million?

Mr. ARMSTRONG: Yes. That is shown in detail in the back of the book. Going on to the reference to the Defence Appropriation Act of 1950, this is the statute which provides the basic stautory authority for mutual aid and the conditions under which mutual aid may be granted to members of the North Atlantic Treaty Organization. Under that statute a special account was established with provision that the value of equipment taken from the stocks of the services, the army, navy or air force, and transferred to members of NATO as mutual aid, would be credited to that account and that money would be available for subsequent purchase of equipment for the Canadian forces. This applied, I think, for the first three years under which the program of mutual aid was carried out. As the time arrived when certain equipment, that had been produced subsequent to the expansion of the forces after Korea, was being made available as mutual aid, in order to avoid any possible duplication of appropriations it was decided rather than credit the value of that equipment to this special account it would be simply credited to the appropriation, or in other words taken off the appropriation. This special wording provides that that can be done. Rather than build up a special account, the effect is that you provide only the net amount of cash required. You deduct the value of the equipment for mutual aid from the appropriation of the service providing the equipment.

Mr. BENIDICKSON: Then, at the end of the last fiscal year, March 31, all funds paid to the credit of this special reserve account would be available for expenditures—part of the $1,600 million.

Mr. ARMSTRONG: At March 31, 1958, there was approximately $211 million in the special account.

Mr. BENIDICKSON: Do you recall how much was in that fund, say, a year prior to that?

Mr. ARMSTRONG: It would be about $30 million more than that, I think; I do not have the figure offhand, but it would be roughly that. The provision in this estimate provides for estimated expenditure from that account in the current year of approximately $50 million, that is in 1958-59.

Mr. BENIDICKSON: Where do we find that authority in respect of the $50 million? Is it in the details?

Mr. ARMSTRONG: Yes, you will find it at the end of the army's details.

Mr. BENIDICKSON: Is that the deduction of $50 million which is estimated of the use which will be made in the current year of this special fund which you have?

Mr. ARMSTRONG: Yes. The estimate of cost of major equipment procured for the army, at the present time, the total estimate, is charged to that account, and that is the basis on which these estimates are prepared.

Mr. BENIDICKSON: Without further preliminary action other than the passing of this vote or supplementary estimate, would it be impossible for the utilization of a portion of this vote beyond $50 million?

Mr. ARMSTRONG: I do not believe parliamentary action would be required to use it beyond $50,000,000.

The CHAIRMAN: For the benefit of the committee, Mr. Armstrong is the assistant deputy-minister, with particular attention to finance.

Mr. CARTER: I should like to come back to the question of duplication of parts for the different services. Do we periodically revise our catalogue of these parts and how often is this done? I think the United States is engaged at the present time in revising their catalogue for each service and combining them into a single catalogue. By doing that they have reduced the number of items for parts considerably. I think they even cut them in two. I wonder if we are doing anything along those lines?

Mr. MILLER: Mr. Chairman, I cannot give a general answer. A specific answer might be raised when we come to the individual services. Cataloguing is a major program for all services. We have some millions of items. They keep changing; that is, somebody invents a better electronic tube; we still have the old one and then we get the new one in. So that cataloguing is a continual operation for all three services. There are standardization agreements between the services as to one service dealing with certain areas for the other services, but we have not got as yet a common catalogue for the whole three services. That does not mean that there is not a good interchange, but we have not gone whole hog in developing a single catalogue for the three services.

Mr. CARTER: In cases such as garage service for motor vehicules, and things such as that, where the same equipment would do all services, do we still have three separate catalogues for that, one for each service, or do they, all use the same parts and the same vehicules for the same purpose?

Mr. MILLER: There is a diversity of vehicules. The army for instance uses military pattern vehicules to a large extent. They use them as field vehicules whereas the other services call them services vehicules.

The process of stocking all parts is dealt with in a different way. The army tend to make one purchase when they buy the vehicule. When they buy the vehicule, they buy the parts, the life-time parts, for it. If you buy a standard commercial type vehicule it is possible to rely on local commercial distribution. I cannot give you a straight possible answer on that. If you wish to explore it further you can do so when the services are brought before you. I have not the details here today on that.

Mr. WINCH: There was a question directed to Mr. Armstrong on which I desire to have an answer and I think the deputy minister can answer the question very easily. In the event of a ship being taken out of the service —the Royal Canadian Navy—is that a matter of policy or administration? If it is from an administrative point of view, would the deputy minister explain just why the H.M.C.S. *Labrador* was taken out of the service?

The CHAIRMAN: I think that comes under policy, Mr. Winch.

Mr. WINCH: Could this be brought up before the committee soon, with all persons able to give all answers relating to that question?

The CHAIRMAN: We will be happy to oblige.

Mr. JUNG: Coming back to this question asked by Mr. Pearson on the directorate of movements in the services, that is one question that has always been interesting to me. I feel that that answer might be pursued a little further.

I can understand the need for having a director of movements or transportation within the services to deal with the requests within each service of the people or personnel being moved around. Do these directors make their own arrangements with the C.N.R. or the C.P.R. or is there one coordinating authority for all three of these services, who would more or less say, "I happen to know of some navy troup movement; perhaps we can move some air force or army types along at the same time," or "If you have a plane flying to the west coast, perhaps we can move some naval personnel out. Is there any coordinating done in that way?

Mr. MILLER: Mr. Chairman, the problem in peace time is principally the movement of individuals. The only major troop exercise is when we move people overseas. In the case of the army we move a brigade in a concentrated time period. In the case of the air force, we move them as individuals—the formations remain in the overseas location and the individuals are rotated. It is then a question of rotating individuals. In the case of the United Nations expeditionary force, we move them once a year by air movement—by the R.C.A.F. Now, there are coordinating committees on larger movements, but the normal day to day general practice is pretty well a matter of individual movement. It is not a case where you call up a train or a ship or anything like that. You buy a passage on the "going" mode of transportation.

Mr. PEARSON: Mr. Chairman, I should like to get back to mutual aid about which we are talking a few minutes ago and with the item dealing with transfer of equipment from service stocks which has increased from $78 to $98 million in the last year. Could the deputy minister tell me how much of that equipment is new and how much of it is used in these transfers and while that is being looked up perhaps I could ask another question.

Mr. MILLER: In answer to the question of how much is new and how much is old, we have to define pretty well what we mean by new and what we mean by old for the purposes of mutual aid. A decision was made in 1951 that any equipment procured before 1951 was defined as old and anything that was built or procured since 1951 was new, and the whole value of it went into the credits there. This year's list of equipment for example shows three Prestonian class frigates for mutual aid. Those were World War II frigates but we spent some millions of dollars in fixing them up. So whether it is new or old, is by definition. Similarly, millions of dollars were spent on fixing up Algerines.

I might interject at this time, that this list is an offer at this stage. We compile a list of equipment that we can make available for mutual aid and we consult the Standing Group as to where they may go, what nations are interested in them and we act on the recommendations of the Standing Group. We have not yet received final acceptance of this list of equipment that I am going to mention here.

Now we come from that down into army trucks. We are offering approximately 500 army trucks of various sizes. They were all procured before March 31, 1950 which was the cut-off date.

In the case of the air force, we are offering some "Expediter" aircraft and some T33 aircraft and some "Nene" engines for the T33's.

Those were obtained subsequent to that date because they were manufactured in Canada since that cut-off date.

Mr. PEARSON: In the case of old used equipment, does the department credit itself in the mutual aid account with the original cost of that equipment or with its replacement value at the present time?

Mr. MILLER: At the present time we do not credit it with its replacement value. We credit it with what, in fact, it costs us to make it ready and to ship it.

Mr. PEARSON: Perhaps my question was not clear. Let us take, for example, a truck, an old truck. Would the department credit itself in the mutual aid

account with the original cost of that truck or with what it would cost you to replace it by providing a vehicle of a similar type?

Mr. MILLER: No. The mutual aid charge would be approximately the cost of making it suitable for mutual aid but none of this is added to the special account; but we did prior to April 1, 1956 credit the account with the cost of replacement.

Mr. PEARSON: It is the replacement cost then, which is credited in the mutual aid account?

Mr. MILLER: Yes at one time but not now.

Mr. PEARSON: And while I am on "the table", might I ask if the deputy minister could indicate the reason for the increase under the mutual aid account in the infrastructure, the Canadian part, from around $10 million to $21,500,000.

Mr. MILLER: Infrastructure may be an unknown term to many members of the committee. It represents the cost of building facilities in the NATO area which are shared by members of NATO.

For example, NATO has built airfields, certain harbour installations, certain headquarters installations, and certain communication facilities.

The cost of these items is lumped together and each nation pays a particular share of it. Our particular share, I think, has been running about 6 to 7 per cent of the amount of money that they spend in any one year on that program.

The program has fluctuated as to the rate of spending. It took some time for the program to build up because they had to design and select sites; they had to design facilities and get a contractor in order to start spending money on the project; so while our contribution has fluctuated, it has generally built up there. The cost of the program has been building up.

Why, specifically, it has increased there to the extent it has in these lists between the 1957 and 1958 forecast and the 1958-59 estimates I am afraid I cannot tell you.

It is really a billing by NATO to us.

Mr. BROOME: Mr. Chairman, I do not know whether my question may be properly asked at this time or not, but in regard to transfer and removal expenditures I notice that they have dropped some $10 million and that freight and express charges have dropped about $8 million.

On such a rather heavy expenditure item I wonder why the percentage of reduction is so high.

I refer to this summary sheet under national defence and under your code numbers 5 and 6. There is a total of travelling and removal expenses given. That is why I wondered if I was in order in asking my question at this time.

Mr. MILLER: We can deal with it in lump sums at this time. It was compounded as a summation of individual moves of the three services.

One of the reasons for the drop in this item in the estimates is that we have a large drop in the cost of rotating the brigade.

The brigade was rotated last year and therefore our costs last year were inflated. But this year it is not rotating, so our cost is considerably down. That is the picture. That is why we have been able to reduce it to this extent.

Mr. PEARSON: Would it be right to say that there was additional cost last year for the transportation of the Canadian contingent to Suez which would not be incurred this year?

Mr. MILLER: UNEF rotates every year, so it repeats and there should not be a difference in individual years on that.

Mr. CHAMBERS: Mr. Chairman, I am not quite clear on the question of the transfer of equipment from service stocks. How do you arrive at the value of the Algerine which was built some time ago, to put it in at that figure?

Mr. MILLER: Let me say again that I would like to have the navy here in order to answer naval questions. If you would raise these specific questions at that time, it would be helpful.

Mr. BENIDICKSON: I was going to ask the minister the other day with respect to the change in the standard length of tour for personnel serving within NATO-Europe from two years to three years. I wondered when and why the normal tour was extended?

Mr. MILLER: That was referring to the army. The army have had a two-year tour. The reason for that is that basically they have only a three-year enlistment period. They have a training period in Canada before they go. If they are on a three-year period, it is very difficult and requires a lot of rotation ahead of the turnover time to bring back enlistment expired people. They have in the past had a two-year turnover period for the forces and for the brigade in Germany.

The minister has been negotiating with the army to have that extended to three years. However, it is not reflected in these estimates because we rotated it last year.

Mr. BENIDICKSON: In respect of the Royal Canadian Air Force personnel, what is their expected normal tour in Europe?

Mr. MILLER: It has been increased from three to four years.

Mr. BENIDICKSON: Reference was made the other day to the increase from two to three years and I was just wondering when that change became effective.

Mr. MILLER: At once, I guess. Right now.

Mr. BENIDICKSON: You mean it is just going into effect at the present time? I would say that too would have an effect upon travelling expenses.

Mr. WINCH: Mr. Chairman, on page 9 there is a section on pay and allowances, and I would like to ask certain questions on the information set out there. If a man joins the armed forces in Canada he has a right to receive the family allowance allotment. If that member of the armed forces was sent outside of Canada and his family joined him, the family allowance allotment would be cut off. According to the information, by correspondence which I have had with your department, this is a decision of your department.

I would like to ask if the minister can give some information as to why, when a serviceman's family joins him overseas they are cut off from the family allowance allotment? Secondly, this says "pay and allowances". I would also like to know this: After a man returns from overseas duty and takes his discharge, is there any provision made for the care of his family in the event of serious hospital or medical bills, in view of the fact that in British Columbia, Alberta and Saskatchewan he is not eligible for a period of twelve months? It may be a policy question. I do not believe it is in the regulations now.

Mr. MILLER: We have a number of allowances in our own structure. When you are speaking about family allowances, are you speaking of that paid under the supervision of the Department of National Health and Welfare, of so much per child?

Mr. WINCH: I have correspondence with your own department. It was not through me, but through Mr. Coldwell, our former leader, and it was set out that this is a decision of your department.

Mr. MILLER: The Family Allowances Act, which is legislation of the government as a whole, provides that Canadian families will not draw family allowances for children outside of Canada. There is no regulation in the armed services for it or against it. We are just complying with the law of the land.

Mr. WINCH: It should change, then,—and change fast.

Mr. BOURGET: Could the deputy minister give us some reason for the increase of nearly 25 per cent in casual employees on civilian staff?

Mr. MILLER: Which item?

Mr. BOURGET: The increase of nearly 25 per cent of casual employees on the civilian staff. This is referred to on the chart.

Mr. ARMSTRONG: These are actual strengths. It is possible you are referring to the strength of the civilian staff. The casual employees are those employees who are brought on for day labour projects, works projects, and so on. This increase is basically a reflection of efforts to undertake additional works programs, to create in effect certain elements of additional employment. That is the reason for the increase in casual employees shown here as of March 31, 1958.

Mr. CATHERS: I would like to ask a question. In what way does the department make a survey of the personnel on a certain station to see that that station is not over-manned. Has there been any broad set-up to check into this situation?

Mr. MILLER: Yes, on two scores. On the military side the services have what they call travelling establishment committees, which go around and examine the job that the stations are doing. They also check to see if they have enough people or too many people to do the particular job. That is reflected in their annual revision of the establishment of the individual service station.

In the case of civilian employees, there again there is an establishment committee which looks at all the individual stations and their civilian employees there. They check it regularly.

Mr. CATHERS: Is there nobody independent of the services who could check into the personnel on a station?

Mr. MILLER: On the civilian side there are members of the civil service. The treasury board has it only in total numbers. The Civil Service Commission participates in the examination of the civil establishments, and the final civilian establishment has to be agreed to by the treasury board.

Mr. CATHERS: Has there been any independent investigation by any outside body of these stations in recent years?

Mr. MILLER: No, I know of no systematic coverage that has been given.

Mr. MCDONALD *(Hamilton South)*: Would there be a chance of overloading of civilian personnel on an air station which the Department of National Defence would not know about? In other words, would the Department of National Defence sometimes second from the Department of Transport personnel for the maintenance of an airfield, and would the Department of National Defence know if the Department of Transport might be overloading their expenditures by having the Department of National Defence pay for services for which the Department of Transport are responsible?

Mr. MILLER: That could happen, yes; but on the other hand, we keep a fairly good eye on the matter to make sure that we are not overcharged for services that we feel we do not require.

The CHAIRMAN: I would like to make a suggestion. I am sure the committee would have no objection if Mr. Miller retained his seat to answer these questions.

Mr. PETERS: I would like to direct a question to the deputy minister. Are the regular civilian establishments on a station made up of civil service employees, or are they under the civil service? How long does it take a casual employee to get on the establishment? Is there a limited time, and is he able

to go on the establishment? Is there some impartial body that issues regulations establishing qualifications and standards for casual employees to become established?

Mr. MILLER: As has been mentioned here, there are two types of civilian employees. The one type is a regular civil servant who is paid on a centralized pay scale across the country, and the other is a casual employee, who is normally the tradesman and whose pay is responsive to the pay structure in the area. He is hired competitively with industry. Now, the casual, who may be a tradesman normally, remains as such. He does not eventually become a civil servant.

Mr. PETERS: Are people who are doing stock control, mechanics, and many other jobs that come under the classification of tradesmen, civil servants? For instance, at the naval station which we visited over the week-end, there were 600 or 700 of these people and there seems to be some difference of opinion as to why they should be civilian employees rather than service personnel. I would like to know if these people are protected by the civil service regulations, or do they come under the prevailing rate program? Just how do we regulate these people? What is the classification?

Mr. MILLER: As I pointed out, if you look through the estimate books, you will see a list of the classified civil servant employees of the department and of the navy. You will see in there the permanent civil servants and also you will find in the same depot casual employees who may be taken on because of competitive conditions in their trade in the area.

Mr. PETERS: In respect to a casual warehouseman, for instance, is there a three-month limit after which he becomes a permanent employee? Is there any structure set up whereby he is given the opportunity of going on the establishment?

Mr. MILLER: If he goes into a position which calls for a civil servant then he is placed on probation for a period after which he becomes a civil servant, when he steps into that classified job.

Mr. GRAFFTEY: I would like to bring a problem to the deputy minister's attention that has in turn been brought to my attention. Although the Department of Defence Production does the majority of buying for the department, I understand that in summer camps, for example, various messing officers make certain purchases for canteens and for various messing requirements. The problem I have come across, especially in respect of summer camps which have moved into the outskirts of cities, is that a lot of these messing officers have to ask to be put on the list with the Department of Defence Production, as I understand it. These messing officers have contacts only in the city areas. When they move out to the country areas, I find that a lot of the local people are neglected. I know they really do not know how to go about asking for bids on these things. I am simply suggesting that a lot of good will could be built up, and very often sizable savings made if messing officers in these country areas contacted as many of the local people as possible. I know in certain cases messing officers have not, in my opinion, exploited all the possibilities in respect of economical buying in the local areas.

I do realize the problem that this department and other departments have regarding decentralized buying, but I was wondering if there was any instruction given to these messing officers in that regard.

Mr. MILLER: I am afraid that I am not aware of any instruction to messing officers in that regard. I might point out, however, that we cater to these sort of things in at least three different ways. Sometimes we let the catering contract; sometimes we do our own catering, and procurement takes places through a local agent of the D.D.P., or in some cases through

the Royal Canadian Army Service Corps from a central depot that they may have. There is the other type of purchasing, as you have mentioned, for canteens, but that is a unit responsibility which we do not cater for at all.

I will make a note of your suggestion.

Mr. McILRAITH: I want to continue the line of questioning that Mr. Peters had started referring to the chart tables headed, "Civilian Staff". On one side of this chart the term "continuing employees" is used and on the other side of it the term "casual employees" is used.

Referring to the continuing employee, would he come under the Civil Service Act?

Mr. MILLER: They are prevailing rate employees as well as civil servants. The casual employees are employees that are just taken on throughout the year for specific jobs.

Mr. McILRAITH: Dealing with continuing employees, do they come under the Civil Service Superannuation Act? Those employees who come under the Civil Service Act would be intitled to come under the Civil Service Superannuation Act, but are the prevailing rate employees included in the group who may come under the Civil Service Superannuation Act?

Mr. MILLER: Yes.

Mr. McILRAITH: Dealing with casual employees, what is the limitation of the term of employment for casual employees, if any?

Mr. MILLER: I do not think there is any specific limit in that regard. We control it by allotting to the services a certain number of man hours or man days per year for which they can take on casual labour.

Mr. McILRAITH: What I am getting at is in respect of the Department of Public Works and other departments there is a time limit which is governed by the estimate for a particular year, and employees can only be hired for a maximum of one year after which their employment must be renewed, as I understand it. Can you tell me how this is done in respect of the Department of National Defence?

Mr. MILLER: I know of no limit in respect of casual employees.

Mr. McILRAITH: If I could just pursue that for a moment; is it possible for a casual employee to be employed in a particular area and to continue in that same employment for four years? Would that be possible?

Mr. MILLER: It is possible, I suppose. Casual employees are normally related to specific jobs, and these jobs do not normally last that long. If you hire a casual employee you must have a job authority allowing so much money to be spent in respect of it. They are very small amounts of money so I do not see how you could do that.

Mr. McILRAITH: I am thinking of areas similar to Petawawa where there is a very substantial permanent establishment. There are also casual employees employed there. Is it possible in an establishment like that for a casual employee to be taken on and then switched from one particular activity to another so that he is more or less permanent?

Mr. MILLER: I would imagine it is possible but highly unlikely.

Mr. McILRAITH: Do you know if there is a check made in respect of that?

Mr. MILLER: No, I do not know of any.

Mr. ARMSTRONG: I do not think there is any specific—

Mr. PAYNE: If I might interject at this point; it seems to me that in respect to the discussions this morning some members are overlooking the fact that a great percentage of the estimates have been inherited.

I would like to ask the deputy minister a question.

The CHAIRMAN: Mr. Payne, I think we should allow Mr. Armstrong to finish his answer.

Mr. ARMSTRONG: I was attempting to answer that previous question.

There is no specific check kept in respect of an individual employee. What would normally happen, when a person was found to be such a satisfactory casual employee that he was continued in his position for a lengthy period of time, is in due course he would probably become a continuous prevailing rate employee. In the ordinary course you would not employ a casual employee for long periods.

Mr. MCILRAITH: Thank you very much.

Mr. PAYNE: My question, Mr. Chairman, has to do with the section appearing on page 330, the details being, Canadian army—militia, including Canadian Officers Training Corps, pay and allowances in the amount of $13 million. My question is divided into several phases.

What portion of this $13 million for pay and allowances is paid in respect of militia personnel and what percentage is paid in relation to the Canadian officers training facilities provided through universities? I would like, if possible, Mr. Chairman, to have the deputy minister enlarge and enlighten us in respect of type of training that is provided to these officers under university instruction; what basis of service they are on with the army, and what portion of that amount of money constitutes the amount covering such training?

The CHAIRMAN: Mr. Payne, I wonder if you could defer that question? We are going to have army personnel in attendance to deal with those matters at the proper time. Would that be satisfactory?

Mr. PAYNE: Yes.

Mr. BENIDICKSON: Mr. Chairman, on this question of the civilian staff chart I note that in the case of continuing employees we are given figures both in respect to establishment and in respect to strength for the year under review in the estimates and for some years in the past. I take it that in the interest of economy there is imposed on the Department of National Defence, as on other government departments, certain limitations in respect of the total number of employees that can be placed on estalishment. There is a control not only in terms of dollars, but a control through the Civil Service Commission and the treasury board in respect of the total number of employees. Is that correct?

Mr. MILLER: That is correct.

Mr. BENIDICKSON: That is why we have, with respect to continuing employees, references to figures for establishment. That is the ceiling which cannot be exceeded without additional authority from somebody outside of the Department of National Defence such as the treasury board or the Civil Service Commission and so on. However, with respect to the casual employees I note that no similar control is provided in regard to establishment. My question is; is that uncontrolled in a relative way to the other section?

Mr. MILLER: Mr. Chairman, that is controlled in a different way. The individual services in their estimates provide for so many man hours or man days for casual employment. There is a control in respect of the number of casual employees that can be hired. It is a money control rather than a numbers control.

Mr. PETERS: In respect of the casual employees, do the various services deal with the union concerned in each case, particularly the trades and crafts unions where they do not come under the Civil Service Commission?

Mr. MILLER: Individual services do, to a certain extent, but it is mostly done through the Department of National Defence headquarters.

Mr. HOWE: In this item civilian staff, I notice in the Defence Research Board there are some casual employees. Would they be scientists who are brought in to check on special equipment for a project?

Mr. MILLER: Is there any particular item to which you refer? These figures list all the civilian employees of the Defence Research Board including scientists, technicians and the various classes of civilian employees down to and including firemen and other employees.

Mr. HOWE: Is there a greater proportion of scientists than other casual employees?

Mr. MILLER: No. You can check this when we come to the estimates of the Defence Research Board, but I would anticipate that there are fewer than half these persons who are scientists.

Mr. CARTER: I believe, if I understood the deputy minister correctly, he said that continuing employees become eligible for superannuation. In the case of a casual employee who becomes a continuing employee, one who is taken on as a continuing employee, is there any arrangement by which he can claim credits for the years he served as a casual employee?

Mr. MILLER: I am not sure of that; but, whatever it is, we operate under a government-wide set of conditions under the Civil Service Commission. I will check into it and obtain an answer on that.

Mr. HARDIE: Is there a considerale defence establishment at Frobisher Bay?

Mr. MILLER: There is no Canadian defence establishment at Frobisher Bay as far as I am aware; I am sure of that.

Mr. PEARSON: I would like to ask a question arising out of the second chart which deals with committees in the Department of National Defence, more particularly the chiefs of staff committee. My question is, what is the relationship of the Under-Secretary of State for External Affairs to the chief of staff committee? I take it he is not a member of the committee but does he attend?

Mr. MILLER: The chiefs of staff committee lists the members in this bloc as established. You will notice it constitutes the chairman of the chiefs of staff committee, the chiefs of the three services and the chairman of the Defence Research Board. Now, at the meeting of the chiefs of staff I always attend although I am not a member. The secretary of the cabinet attends when there is an item of particular interest to him, and similarly when there are items of interest to External Affairs the under-secretary attends, or his representative.

Mr. PEARSON: In discussions on defence arrangements with other countries, normally the Under-Secretary of State for External Affairs would be present?

Mr. MILLER: That is correct.

Mr. THOMPSON: I would like to ask one more question on casual employment. I understand that so many work-hours are allotted each year for casual employment and I assume so many work-hours are allotted to each establishment. I would like to know how you arrive at how many work-hours are going to be allotted to each establishment for a year, and who decides that?

Mr. MILLER: We do not necessarily break it down into individual establishments. We hold it in sort of a pool; for example, there are command pools. How the size of it is arrived at is based on two factors; one is our experience in the past and what is required in this sort of thing, and the other is the knowledge of the amount which may be in the estimates.

Mr. WINCH: I understand the armed forces train personnel in almost every trade and profession. I would like to ask the deputy minister to give some indication to the committee as to what the basis is of the decision being made as to when you use armed forces personnel or civilian? I notice on page 9 of

the deputy minister's submission it shows an increase over a period in the strength of the forces from 104,000 to approximately 119,000, and in the same period an increase in the strength of the civilian employees excluding casual employees from 25,000 to 50,000. I am wondering what is the basis for this in view of all the training that is done in the armed forces, and why there is the sudden increase in civilian personnel aside from casual employees.

Mr. MILLER: To answer the question of how we determine whether they should be civilian employees or servicemen, we have no hard guide-lines on that, but the major principles which we try to observe is if a person's skills are not required in wartime at some other place, then we would prefer he would be a civilian, or a static member of the service.

For example, our large bulk of civilian employees are in the warehouses and supply depots where they would continue in time of war and the skills they acquire in peacetime can be retained and used in wartime. In the case of the dockyards, for example, the dockyards people have skills which can be used in that general area better than in the services.

In answer to the question as to why the numbers increased rapidly on the civilian side as compared to the service side, there is reflection of the build-up period which took place in the post-Korea time when the armed forces increased very considerably.

Mr. WINCH: It would be a wrong interpretation to say that the doubling of the civilian staff in a short period of time was due to a lack of enlistment in the armed forces?

Mr. MILLER: A lack of training capacity to train the people. If you can hire a skilled worker in a civilian capacity he can be over age, for instance, and he can be a sort of specialist employee in that particular field.

Mr. WINCH: Is there any regulation or decision whereby in the armed services you cannot go beyond a certain number, and therefore in order to carry on you employ a civilian? Is there any such regulation?

Mr. MILLER: There is a ceiling set by order in council as to the strength of the armed forces, but that has not been a major consideration in the balance between service and civilian employees in the department.

Mr. WINCH: Has that ceiling which you say there is as to the number of armed forces or service personnel any relationship to the fact that the civilian personnel has doubled at the present time?

Mr. MILLER: No.

Mr. WINCH: Is there any problem at all, in connection with your service set-up, that you do not have the personnel of ability, or trained personnel, to come into the armed forces to cover all these aspects?

Mr. MILLER: The problem of training is one that if you create a very large training establishment to train a lot of people in a hurry, you do not have people on the fighting side, and therefore we endeavour to maintain a balance between the personnel we have in the training side of the force and in the operational side.

Mr. WINCH: There is a deficiency and perhaps for good reasons. Is that one reason why you have to employ so many on the civilian staff?

Mr. MILLER: No. I would not say that. I would say our build-up on the service side took longer because of the training requirement. It was easier to augment at that time in the build-up period this sort of house-keeping or administrative side with civilians.

Mr. PEARSON: Mr. Chairman, on that same question of civilian staff, it has been brought out there has been an increase in casual employees of about

944; but the chart also shows there has been a decrease in the establishment of continuing employees by something over 1,000. Is there any relationship between those two figures?

Mr. MILLER: No. The reduction in establishment has been a progressive one over the three years, and that represents the screening activities of this committee going around and examining closely.

Mr. PEARSON: Then the reduction of the continuing civilian employees has nothing to do with the increase in the casual civilian employees?

Mr. MILLER: No. You will see that the casuals in 1955 were higher than they are now.

Mr. BROOME: In regard to the chart which states "deliveries of materials and supplies by recipient NATO countries from inception of program to March 31, 1958," which is at the end of this bulletin, what is meant by that initial delivery of materials and supplies by recipients in the NATO countries?

Mr. MILLER: That shows where the deliveries would go.

Mr. BROOME: The deliveries of materials from Canada to these countries.

Mr. MILLER: To those countries, yes.

Mr. PETERS: In this matter of the ceiling set up by order in council, is that strictly Canadian, or because of our requirements in Canada, or an agreement we have reached with the United Nations?

Mr. MILLER: It is purely a national ceiling.

Mr. CHAMBERS: Has any generalization been made in the comparison of the costs to the department of civilian employees and service employees in the same or similar employment? For instance, I have in mind a clerk. Does it cost about the same or is it more expensive to have a uniformed or a civilian employee in this type of employment?

Mr. MILLER: While I have not the exact figures here, it is safe to say that it would be more expensive to have a man in uniform than it would be to have a civilian employee.

Mr. MCMILLAN: In connection with the mutual aid program, is any of the training of the personnel of any of the members of NATO done on a cost-sharing basis, or does Canada share the whole cost?

Mr. MILLER: Up until two years ago Canada assumed the whole cost, aside from the men's pay. Since then, on the air side, which is our biggest training program, we are in the process of reducing our air crew training for NATO, but we are continuing to train pilots and air crew for Norway, Denmark and Holland who have not training facilities of their own. We make a token charge for that training.

Mr. MCMILLAN: Why is the appropriation down so much this year?

Mr. MILLER: Because of the discontinuance of the bulk of that scheme.

Mr. MCINTOSH: On this question of continuing and casual employees, it seems we have not a definition of these two terms in our own minds. Now the casual employees are those who are required for extra projects anticipated during the year and who are not included on the establishment of a station or a base. They have no relation to any tradesmen that you have on the station—extra bricklayers or cement workers or whatever it is. This figure is then controlled by the projects you have anticipated for this year, is that correct?

Mr. MILLER: That is right.

Mr. HOWE: Further, with regard to the question asked by Mr. Winch, the deputy minister indicated there was a ceiling on the number of service personnel. Is there any rule or regulation in regard to the number of civilian employees required to maintain a certain number of service personnel?

Mr. MILLER: I know of no rule or regulation.

Mr. HOWE: There is no ceiling, I might say in the number of employees.

Mr. MILLER: The establishment is the ceiling. We cannot exceed the number of personnel that are in the establishment.

Mr. WINCH: On the same question, Mr. Chairman, can the committee be informed as to what are the numbers in the three services in relation to the ceiling that has been established for each of those services by order in council?

Mr. MILLER: Well, the ceiling is full so therefore—

Mr. WINCH: The ceiling is full in all three services now?

Mr. MILLER: We can never be full. You cannot exceed the ceiling and there is always a lag between discharging a man and—

Mr. WINCH: There are always discharges.

Mr. MILLER: That is right.

Mr. WINCH: But it is approximately full now—all three services?

Mr. MILLER: Yes.

Mr. CARTER: On the chart which is the second last in the bulletin "Table of DND appropriations and expenditures by major categories" it is marked as confidential. I think it is the only one marked in that way.

Mr. MILLER: I do not know why it is. That is an error.

Mr. CARTER: Under the table "Procurement of equipment", there is the figure $498,154. Have you any idea how much of that will be spent outside of Canada?

Mr. MILLER: Very, very little. I have not got the figures here. This is combined for the three services. When we come to the individual service program, then we can give you some more information from the three services and the Defence Research Board. But the bulk of it will be spent right in Canada.

Mr. CARTER: What percentage of our labour force is dependent upon defence industries? Has anyone any idea as to that?

Mr. MILLER: I am afraid I have not.

The CHAIRMAN: It is an interesting question, Mr. Carter.

Mr. PEARSON: I should like to ask a question or two, Mr. Chairman, about aircraft production and costs. First about the CF-100—or is this the appropriate time for that?

The CHAIRMAN: It has been suggested, and I think you will agree with the suggestion that we will have the air force personnel here for a detailed account of that.

Mr. PETERS: May I ask a question further to the question asked by Mr. Cathers about the inspections on the establishments and whether an establishment could be understaffed or overstaffed, and the effective relationship between the civilian force and the service personnel. The position originally in the air force during the war was filled by the inspector general who, I understand, was a civilian authority, over all the service personnel. I think he represented the National Defence headquarters. Is there a person of that nature in the services now who is a civilian authority with the power to do this type of investigation and who is impartial from the service itself?

Mr. MILLER: There are no inspectors-general in any of the three services now. The element of over-all inspection is now made by an auditor. We have travelling auditors who are responsible.

Mr. CATHERS: Does that come under the auditor general or under defence?

Mr. MILLER: One comes under the auditor general and one from the department.

Mr. PETERS: Who fills this function now? To me, it was a very important function, because it meant outside control for the services. There is a certain amount of patronage—that is the wrong word—there is a certain amount of favouritism from the top, sometimes—one officer favourable to one department more than another.

The authority of this inspector-general was strong enough to overcome some of that and there were often inefficiencies in certain departments on each establishment that he could find, that I did not think that an auditor could have found, because his would be on the financial structure rather than on an inspection basis.

Mr. MILLER: Well we do not have an auditor with the functions of an inspector general and from my memory it was not an outsider, it was a service officer who fulfilled that function during the period that I remember. He was responsible to the minister rather than to the chief of staff of the service. He was still a service officer as far as I recall it.

Mr. MCILRAITH: I understand that the dental boards of the three services are amalgamated. Is that right?

Mr. MILLER: The dental corps, which is part of the army, do all the dentistry for the three services.

Mr. MCILRAITH: For the three services?

Mr. MILLER: Yes, so it is one service providing services for the three services.

Mr. MCILRAITH: Now is there any similar arrangement for the medical corps?

Mr. MILLER: The medical corps have three services. They are being pooled together on a tri-service basis in some respects. We have a coordinator of the medical services who is responsible for the coordination of the three.

Mr. MCILRAITH: And there is some development, I understand, going on there.

Mr. MILLER: That is a continuing development.

Mr. MCILRAITH: What about the provost corps?

Mr. MILLER: There are three provost corps?

Mr. MCILRAITH: And they are not amalgamated in any way?

Mr. MILLER: No.

Mr. MCILRAITH: There is no coordinator over the provost group?

Mr. MILLER: No, not as such.

Mr. MCILRAITH: What about the padre services?

Mr. MILLER: There are three padre services.

Mr. MCILRAITH: There has been some discussion about bringing them together and coordinating them.

Mr. MILLER: Yes, there has been discussion on that.

Mr. MCILRAITH: Is there anything in the organization in a concrete way?

Mr. MILLER: No.

Mr. CHAMBERS: On the question of establishment is there an establishment laid down by order in council or otherwise for reserve forces and, if so, what relationship does the present strength have to that relationship?

Mr. MILLER: I have not the figures here and as they are individual, it would not be over-all. There would be one for each of the services. Could you raise that question when the services come up?

Mr. GRAFFTEY: I wonder if the deputy minister could inform us about the relatively senior level in the department. Is there a fairly high degree of liaison with the Department of External Affairs?

Mr. MILLER: Oh yes, especially in things like NATO where there is political and military cooperation which require that it be tied together very closely.

Mr. HARDIE: Could the deputy minister tell us if any cut-back in the air force, especially at Whitehorse in the Yukon is contemplated for this year?

Mr. MILLER: Would you please raise that question in connection with the air force when it comes up?

Mr. WINCH: I would like to ask a question on procedure, Mr. Chairman.

The CHAIRMAN: Very well, you may ask it now.

Mr. WINCH: I was not present at the first meeting and I would like to know whether or not the committee is to be permitted to call before it on various items persons who have been in high office in the armed services and who are now retired and are critical of certain aspects? Will they be permitted to appear before this committee?

The CHAIRMAN: I have my own opinion on the matter but I would appreciate an expression of opinion from any of the members of the committee if they care to offer it.

Mr. WINCH: Personally, I believe that if those who have held very high positions in the armed services and especially among the former chiefs of staff feel that they have something to contribute they should be permitted to be heard if application is made, or if the committee advises them that they might be heard.

The CHAIRMAN: Is there any discussion?

Mr. WINCH: Perhaps it should be referred first of all to the steering committee.

The CHAIRMAN: That is the very point I was going to make.

Mr. WINCH: I trust the matter will receive favourable consideration.

The CHAIRMAN: We shall give consideration to it.

Mr. CHOWN: I would like to ask the deputy minister if civil defence has ever come under the Department of National Defence, for example, in war time, and was subsequently turned over to the Department of Health and Welfare, and if so, when?

Mr. MILLER: It was orriginally there. I am trying to think when it was transferred. I think it was somewhere around 1950 or 1951 when it was transferred.

Mr. BROOME: On that point, Mr. Chairman, is there any particular reason —or can you recall any reason for the transfer. It was quite a long time ago, I appreciate.

Mr. MILLER: I do not know. I was not involved at that time, I am afraid.

Mr. PETERS: Would it be possible for us to have the committee reports printed at a faster rate? For example, could they not be made available to us the next day after a meeting?

The CHAIRMAN: Well, that might present some problem. It is possible that we might be able to have them. I will look into the possibility of having a draft placed in the hands of one from each group. You realize better than I the problem of getting printing done in any of these things. However, we shall examine the possibility and report to you at the next meeting. It will be a very difficult problem.

Mr. CARTER: I would like to return to Mr. McIlraith's last question for a minute and to enquire what coordination has been achieved with respect to

the auxiliary services, for example, with respect to such things as movies, entertainment, games, equipment for games, organization of entertainment, and so on, for the different services?

Mr. MILLER: Specifically I do not think there is any one place where coordination takes place. There are several tri-service committees which deal with this sort of problem. It is done in that form. Coordination does take place but there is no centralization under one man.

Mr. CARTER: Each service makes its own requisition for sports equipment, movies, projector equipment, and so on?

Mr. MILLER: To a common standard, to tri-service standard.

Mr. CARTER: Each service would maintain a pool of this equipment somewhere upon which it would draw. Is that the case?

Mr. MILLER: I would not know whether they maintain a pool or buy it as they need it. I would think that the latter would be more likely.

Mr. CARTER: It is not carried in stores?

Mr. MILLER: A certain amount of it would be, but I do not think there is too much of a centralized pool of that equipment. The quantities are very small.

Mr. CHAMBERS: Perhaps this matter could be referred to the steering committee but I take it we shall have a chance to look ahead. In connection with people who will be coming before the committee, if some of the other services are going to make submissions, would it be possible for us to have those submissions at a time previous to the meeting so that we could study them before hand?

The CHAIRMAN: What is that, please?

Mr. CHAMBERS: I asked you Mr. Chairman, if it would be possible for a department to give any prepared statements to us a day or so before their appearance before the committee.

The CHAIRMAN: As I said at the opening of the meeting, we hoped to have this document in your hands prior to today but it was not possible. Wherever it is possible, with the cooperation of the department, we shall try to do so.

Mr. MCILRAITH: Was it your intention, Mr. Chairman, that the submission produced today should be printed in the record of today's meeting?

The CHAIRMAN: Would you suggest it?

Mr. MCILRAITH: I think it would be pretty well up to the steering committee.

Mr. WINCH: Would it be possible for you, as chairman, to use your influence to have the committee meetings held in the large committee room downstairs where acoustics are so much better than they are here.

The CHAIRMAN: Very well.

Mr. LEONARD: I think you will find it is pretty stuffy down there for a two hour meeting.

Mr. MCLEAVE: My question is about civil employees and those known as temporary employees. Would you please define that class for us?

The CHAIRMAN: Would you mind repeating your question?

Mr. MCCLEAVE: I wonder if the deputy minister would mind defining to the committee what is meant by the temporary class of civilian employees at military establishments.

Mr. ARMSTRONG: If I may answer that question this term "temporary" as against "permanent" employees is generally used in relation to civil servants, that is, to people who come under the Civil Service Act.

The basic definition normally between the two is that in order to become a permanent employee, one must qualify under the Civil Service Act for a permanent appointment.

There is no difference in terms of remuneration, superannuation, benefits and so on today, I think, between the temporary employee and the permanent civil servant. I think they are both eligible for superannuation and all the other general benefits which apply to the civil service. But there are some differences in respect to tenure of employment and the conditions under which they may be released.

Mr. McCLEAVE: Would it be possible for a person to be a temporary employee instead of being advanced to the permanent category for seventeen years?

Mr. ARMSTRONG: That is possible.

Mr. CARTER: Is there an establishment for permanent employees, a ceiling on permanent employees?

Mr. MILLER: We have no ceiling on permanent employees.

The CHAIRMAN: I would like to clear up one point. We should have some general agreement if we are going to have this printed as a supplement, and I think we should so indicate any time you wish to have any documents printed as a supplement.

Do you wish this prepared statement or any part of it, printed as a supplement?

Mr. LENNARD: No.

The CHAIRMAN: It is not required?

Mr. LENNARD: No, it is an added expense.

The CHAIRMAN: We have extra copies available and if you do require one, will you please contact me.

Mr. HALES: I would like to clarify my thinking on this matter of personnel. I understood the deputy minister to say that there were 119,000 in the armed forces, and along with that we have 50,000 civilians plus 5,000 casual employees, which makes a total of 55,000. So, for every two soldiers, or for every two in the forces, we have one casual civilian.

Mr. MILLER: That is correct.

Mr. HALES: I would suggest on that basis of thinking that we are out of all proportion, and it is time we obtained a closer balance. Am I clear in my thinking?

Mr. MILLER: The ratio roughly, 50,000 to 120,000, is correct.

Mr. LENNARD: Would a motion to adjourn be in order at this time?

The CHAIRMAN: Yes, I think it would be. It is 12:30, and we are going to have another meeting on Tuesday. At that time, I have every reason to believe the minister will be with us.

The motion for adjournment is in order.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

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TUESDAY, JUNE 17, 1958

DEPARTMENT OF NATIONAL DEFENCE

WITNESSES:

Honourable George R. Pearkes, V.C., Minister of National Defence; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister-Finance; Mr. P. S. Conroy, Controller General of Inspection Services; and Commodore R. A. Wright, Naval Controller.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
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OTTAWA, 1958

59068-7—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Allard,
Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard (*Lapointe*),
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Johnson,
Jung,
Lennard,
MacEwan,
MacLean (*Winnipeg North Centre*),
Macnaughton,
McCleave,
McDonald (*Hamilton South*),
McGregor,
McIlraith,
McIntosh,
McMillan,
McQuillan,
McWilliam,
More,
Murphy,
Nielsen,
Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard (*Kamouraska*),
Rowe,
Small,
Smallwood,
Smith (*Winnipeg North*),
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian,
Winch—60.

(Quorum 20)

E. W. Innes,
Clerk of the Committee.

REPORT TO THE HOUSE

TUESDAY, June 17, 1958.

The Standing Committee on Estimates has the honour to present the following as its

SECOND REPORT

Your Committee recommends:

1. That it be authorized to sit while the House is sitting.
2. That its quorum be reduced from 20 to 15 members and that Standing Order 65 (1) (*m*) be suspended in relation thereto.

Respectfully submitted.

ARTHUR R. SMITH,
Chairman.

59068-7—1½

MINUTES OF PROCEEDINGS

TUESDAY, June 17, 1958.
(4)

The Standing Committee on Estimates met at 10.30 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Allard, Anderson, Baldwin, Benidickson, Bourget, Broome, Cardin, Carter, Cathers, Chambers, Chown, Clancy, Danforth, Doucett, Dumas, Gillet, Grafftey, Hales, Hardie, Hicks, Howe, Jung, Lennard, MacEwan, McCleave, McDonald (*Hamilton South*), McGregor, McIlraith, McIntosh, McMillan, McQuillan, McWilliam, More, Payne, Pearson, Peters, Ricard, Small, Smith (*Calgary South*), Stewart (*Charlotte*), Tassé, Thompson, Vivian, and Winch. (44)

In attendance: *From the Department of National Defence;* Hon. George R. Pearkes, V.C., Minister; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister—Finance; Mr. R. Whatley, Superintendent, Manpower and Establishments, Mr. D. B. Dwyer, Superintendent of Parliamentary Returns; Mr. P. S. Conroy, Controller General of Inspection Services; Commodore R. A. Wright, Naval Controller; and Captain D. McLure, Deputy Naval Controller.

The Chairman presented a summary of the FIRST REPORT of the Subcommittee on Agenda and Procedure (*See Evidence of this day*).

Mr. Chambers moved, seconded by Mr. Lennard,

That the Committee recommend to the House that Committee's quorum be reduced from 20 to 15 members. Carried on division.

YEAS—24, NAYS—2.

Moved by Mr. Chambers, seconded by Mr. Chown,

That the Committee seek permission to sit while the House is sitting. Carried on division. YEAS—23, NAYS—10.

The Chairman announced that the proposed visit on June 21, 1958 to the Defence Establishment at St. Hubert was postponed.

The Committee further considered the Estimates of the Department of National Defence, the Minister and his officials supplying information thereon.

Under Item No. 220, Defence Services: Departmental Administration and Inspection Services were considered and approved.

Navy was considered.

At 12.30 p.m. the Committee adjourned until 10.30 a.m. Thursday, June 19, 1958.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

TUESDAY, June 17, 1958.
10:30 a.m.

The CHAIRMAN: Gentlemen, we have a quorum and we will proceed.

If it is in order, I would like to open our meeting with the report of the steering committee so that the organizational problems, such as we have, may be cleared out of the way. Then we will proceed with the item under discussion. We again have the opportunity of hearing from the minister.

There were a number of points discussed at the meeting of the steering committee, all of which were recommendations unanimous in nature. I will deal with the first item: "The main committee on estimates had referred to the steering subcommittee the question of whether certain former chiefs of staff should be called before the committee." The members of the subcommittee agreed unanimously as follows: "At this early stage in the proceedings of the estimates committee, we do not recommend at this time that the committee call former senior officers other than departmental officials." May I say a word on this. This, of course, does not necessarily preclude, at a later date, calling whatever gentlemen the committee may feel could add something to our discussions. However at this stage, when we are at a very early point in the discussion of the details of these items, it was felt by your subcommittee that we still have a great deal of work in examining the details of these estimates, and we felt that since we had no particular item before us which would require any additional information from anyone whom which we could not draw from the senior officials of the department we considered that it was therefore not necessary at this time to call others. I would like to hear any opinions, or discussion, from the members of the committee before I proceed.

Mr. WINCH: Could you explain to us the reason why a discussion on policy is not the correct stage at which to hear outside opinion?

The CHAIRMAN: I can only repeat the feeling of the members of the subcommittee, Mr. Winch. They felt we had before us all the expert advice which we require at this time. In fact, it was felt by the members of the subcommittee that had you, who made this suggestion, recommended specifically what area you wanted covered then conceivably it might have had more effect on our conclusions. You will still, however, have the opportunity to bring forward this matter later in the proceedings if you see fit.

Is there any further discussion? If not I will go on with the next point. The subcommittee recommended that the main committee instruct the chairman to report to the house recommending that the quorum of the committee be reduced from 20 to 15 members. Today we have four committees meeting. In the course of our previous two meetings to date we have had only slightly over half of our total membership in attendance. I think now this morning we are only two over our quorum. As we proceed, and as other committees are established, there is no question that it is going to be difficult for us to maintain our quorum. Therefore I would appreciate receiving a motion which would in effect recommend to the house that we reduce our quorum from 20 to 15.

Moved by Mr. Chambers, seconded by Mr. Lennard.

Mr. WINCH: Mr. Chairman, I think this matter should receive very serious consideration. This is a large committee and the present quorum of 20 is a small quorum. It is a very important committee. Fifteen does seem to be a very, very small number to deal with very, very important matters. I think, before making a decision on this matter to cut down our quorum, because of the fact that there are 18 standing committees of the house and there may be times when there will be four committees meeting at the same time, from the viewpoint of accepting our responsibilities we should perhaps consider meeting on Mondays or Fridays when there will not be so many committees meeting and when there will be rooms available. Surely, having accepted our responsibilities as members of parliament we should give priority to being here to carry out our responsibilities. I have never been able to understand the reason why committees should only be held on Tuesdays and Thursdays with a complete lack of interest in using a Friday.

The CHAIRMAN: I am sure you will be happy to know that the fourth recommendation which I would like to make is that we also meet on Monday in addition to Tuesday and Thursday. I wonder if any other members have feelings on this matter? We have a great deal of work to go on with and we are running into a situation where at the last two meetings we have had slightly over half our members in attendance.

You have heard the question.

Agreed to.

The third item does not require any particular resolution; it is purely a matter of reporting. I was instructed to take all possible steps to expedite the printing and distribution of the committees minutes of proceedings and evidence. This I have done. I have not yet had a report back as to how much faster we will get them. Nevertheless that action has been taken.

The fourth item is a matter which we did not have a vote on in the subcommittee. It dealt with the time of our sittings and also the question of whether or not we should sit while the house is in session. This really just follows the discussion we have completed. I am now expressing from the chair a personal opinion that we will require the right to sit while the house is in session, and in addition to that I feel we should also sit on Mondays. We are shortly going to be sitting in the house mornings from this point on. We have, I think, a great deal of work ahead of us and if we are going to complete it, it seems to me we should ask for the right to sit while the house is in session and I think we should also sit on Mondays. In this instance we did not take any vote on the matter or give any advice to the main estimates committee but it was decided to take the matter back to our own groups and discuss it in our respective caucus. I am expressing a personal point of view and I would be happy to hear any discussion or receive any motions.

Mr. CHAMBERS: Perhaps I could make a motion that we ask the house for permission to sit while the house is in session.

The CHAIRMAN: Moved by Mr. Chambers, seconded by Mr. Chown, that we ask permission to sit while the house is in session.

Mr. PETERS: I would be very much opposed to the idea of sitting when the house is in session for two or three good reasons. It has been generally understood that the opposition members, although they are very few in number, are going to be given an opportunity through committee work to participate in recommendations respecting legislation. Because we are small in number it is impossible to attend all these committees if they are going to be meeting at the same time that the house is sitting. We are in complete agreement to sit the extra time that is necessary on other days than the days which are now designated, but I do not think it would be very fair to the members in the opposition if the only opportunity they were given was the

time when they should be in the house. If you check over the order paper you will see there is not a great deal of legislation that is of major importance at the present time and I think we will be able to handle these estimates quite well if we do not sit when the house is sitting.

Mr. McILRAITH: Mr. Chairman, I do not want to be repetitious on this, but I am taking the position that we have no right to ask the House of Commons to grant us the right to sit while the house is sitting unless we can give a clear reason for that request. If there is some clear reason for it, I am quite prepared to go along; but unless and until there is I would feel we should oppose the request. I do not think we should be put in the position of having the undertaking of an individual substituted for the ruling of the House of Commons. The practice has been clear in the House of Commons. Committees have come along and asked for this extraordinary power near the end of a session or in any special circumstances where they required it. There are great numbers of committees which have required this power at times and have asked for it. I am not clear at all as to why we should ask for it at this point. I would feel we ought to oppose it until there is a reason for asking for it, and a clear specific reason. It may be that towards the end of the session, as the session accelerates a bit, we will want to ask the house for leave and I am sure in those circumstances the house would readily grant it.

Mr. McDONALD (*Hamilton South*): Mr. Chairman, probably the reason this was not done before was that the other government did not take advantage of committee work. I think that any work of this nature is just as important as sitting in the house because this is the work of looking into government expenditures. I think we should be given the right to sit while the house is in session.

Mr. CHAMBERS: When would we sit next week if we do not have this permission?

Mr. McILRAITH: I would hope we would not sit while the budget debate is going on. I think we have to remember that we were elected members of the House of Commons and this committee is set up by the House of Commons to do certain work for the House of Commons; it is not set up to substitute for the House of Commons while the House of Commons is sitting.

Mr. LENNARD: I hope you attend and listen to all the budget debate speeches. We will check on you.

The CHAIRMAN: Is there any further comment? Are you ready for the question?

Agreed to.

The CHAIRMAN: The final item which the steering committee had before it was the question of a visit to a defence installation which I mentioned at the last meeting. The minister has informed me it will not be possible for us to make that trip this weekend. This has been arranged for July 5 and you will be hearing at a later date directly from the minister concerning this visit. The visit to St. Hubert R.C.A.F. station will be on July 5.

Gentlemen, that completes the business which the steering committee had before it. We will now proceed with the item under discussion, No. 220. I would like to make a suggestion which I hope will meet with the approval of the committee so that we can have our questions on the items under the proper section. We had a number of questions which were not answered at our last meeting. There were questions largely on policy and some on detail which concerned the various sections or branches of the armed forces. I thought perhaps we might try to proceed under the detailed sections of the estimates and have these questions come up under each of the separate items unless there are now any general statements on policy which may have resulted from the statement of the minister. I believe, as an example, Mr. Pearson, you had some

general questions arising out of his statement. I thought we would deal with those first of all, then proceed with each section, and other questions would be withheld until we come to the particular item.

Mr. PEARSON: Before we agree on that, I would like to be clear as to what is meant. I have some general questions, but I have also some questions which concern policy that do come under a specific item in the estimates. I presume from what you have said when we reach the specific items we will not be precluded under those specific items from asking questions which are policy questions rather than merely expenditure questions.

The CHAIRMAN: Yes. In any event we will leave the first item open and you would always have the right to ask questions on policy on that item.

Mr. PEARSON: Mr. Chairman, when we get to specific items, with questions which may involve questions of policy, will we have the advantage of the minister's presence on those occasions? Of course, he cannot be here all the time.

The CHAIRMAN: I think we will let the minister speak for himself.

Mr. PEARKES: I will do my best to be here whenever it is possible. If there are questions of policy, and if you will advise me beforehand, I will make an extra special effort to be here. If for any reason I cannot attend, the question can always be deferred, perhaps to the next meeting when I will give you the answer. I will do the best I can.

The CHAIRMAN: Are there any questions arising out of the statement the minister made at our first meeting?

Mr. PEARSON: Mr. Chairman, I have one or two questions arising out of the minister's reference to Canada's military contribution to NATO, and to NATO defence strategy and policy generally.

My first question arises out of a statement made by the minister some time ago, prior to his becoming minister. On July 19, 1956 he stated that the government should re-assess the commitments which Canada is making to NATO at the present time.

He went on to say that at that time our contribution to NATO in proportion to the contributions which are being made by the other NATO powers was greater than it was five years ago. Then subsequenly he said on July 19, 1956:

> "Whilst it is essential that we keep up defences in this country and in western Europe, I feel that we have to be quite certain that we are not over-insuring at the present time".

Are we over-insuring at the present time, especially in light of the reductions made by the United Kingdom and the United States in their NATO forces? I would like to ask the minister, does he feel now that our NATO contribution is, in a sense, over-insuring in relation to the contributions of other countries, and that it should be maintained at the present level of strength indefinitely?

Mr. PEARKES: The proportion of Canada's contribution to NATO in relation to the contribution which is now being made by other countries, I think it is fair to say, is greater. We have not reduced; in fact we have strengthened the armament of the brigade which is in Germany by the addition of extra armour and a reconnaissance squadron. We have made no reductions as far as the army is concerned. As far as the air force is concerned, we are maintaining our air force at the same strength as it was originally.

On the other hand, a number of countries have reduced their commitments to NATO, certainly in the number of men, although they have improved the armament which the units are now equipped with.

Therefore, I think it is fair to say that our commitment to NATO is proportionately greater than it was a few years ago.

According to statements made at a NATO meeting and according to the assurance given by the Prime Minister and myself, there is no present intention of reducing the forces we have in Europe. If we felt that NATO was being over-insured then we would make such representations to the NATO authorities, and would request a reduction. However, no such request has been made. Assurance was given at the meeting last December that Canada was not contemplating a reduction in her forces. Does that answer your question?

Mr. BROOME: I wonder whether the minister could give us a general statement in regard to the contribution of the West German Government to Canadian NATO forces somewhat in line with the statement he made in regard to the contribution made to the United Kingdom forces and the lack of contribution to the United States forces?

Mr. PEARKES: Of course, West Germany was not making any contribution to the NATO forces when NATO was first organized. However, forces of the West German army are now being assembled and grouped together into formations. I cannot give you the definite number there are there from West Germany. From the information I have received the West German army is progressing very favourably at the present time.

Mr. PEARSON: Following up the same line of questioning, would the minister put our contribution within the framework of the general NATO strategy? I understand that at the council meeting last December there was a report on NATO strategy which was referred to the defence minister's meeting in Paris in March. At that meeting, or perhaps earlier, General Norstad made certain proposals for western European defence, and for certain NATO objectives to be achieved in that direction. That report was presented at the recent Council meeting in Copenhagen. It provided for,—if reports in the press are correct—30 divisions. Is that the NATO objective now, and has it been approved by the NATO council that what is required for the defence of western Europe now is 30 divisions? Does the minister feel that this is adequate in the light of the situation that faces western European countries from the east?

Mr. PEARKES: I wonder if I could give you the answer to that next week? I am not quite certain how much of that information is classified.

Mr. CHOWN: Mr. Minister, your deputy minister told us last week that in 1951, civil defence was transferred out of your department into the Department of Health and Welfare. Would you be able to comment on that and tell us why that was done. Also, would you comment on the advisability, at this stage and in the light of the world situation, of transferring civil defence back into your department?

The CHAIRMAN: I would like to say here, Mr. Chown, that the committee has asked the department for a complete report on civil defence as it affects the militia or reserve. I wonder if that falls into that category? We are going to have a somewhat detailed discussion on that subject.

Mr. CHOWN: It is all related.

Mr. PEARSON: Mr. Chairman, I wonder if I could make a suggestion in the hope that it might help our discussions. Could we deal with one subject at a time? Regarding NATO, could we have an opportunity to ask the questions we may have in mind on that subject before we proceed to another one?

The CHAIRMAN: I think that would help, Mr. Pearson. Would you like to proceed then?

Mr. PEARSON: Well, I do not want to monopolize the questioning but I have one or two other NATO questions now if no other member wishes to ask questions on that subject.

The CHAIRMAN: No one has given any indication that they wish to do so, Mr. Pearson, so I suggest you proceed.

Mr. PEARSON: I was going to ask the minister whether the Canadian ground forces in Europe are to be given tactical atomic weapons, whether missiles or other forms of such weapons?

Mr. PEARKES: The Canadian forces in Europe are not equipped with any atomic weapons at the present time.

Mr. PEARSON: Following that up, there is, I believe under discussion, and there has been for some time, the desirability of making the NATO forces in Europe as effective as possible from a military point of view, and for that purpose, to establish missile bases and to secure from the United States—which presumably is the only country that could provide them—tactical atomic weapons. Could the minister make any report within the framework of security on those developments?

Mr. PEARKES: As the committee will know, the President of the United States made an offer to the various NATO countries. He said that the United States would be prepared to establish missile launching stations in Europe, and that the United States would deal directly with the countries in which it was considered strategically advisable to establish those launching stations. As Canada is not occupying any particular territory in Europe, of course, there is no request for Canada to establish such launching stations.

Mr. WINCH: Mr. Chairman, I would like to ask the minister if he could give us some indication as to the meaning or interpretation of the word "emergency" as far as it applies to the NATO and military command. I ask that question in view of the situation where, as I understand it, under the NATO military command you have the supreme Atlantic commander and under the supreme Atlantic commander you have, as far as Canada itself is concerned, the command of two sections of Canada's armed forces on the Atlantic coast. We were told by the deputy minister at the last meeting that those two sections of Canada's armed forces at the present moment are completely under a command here in Canada but in the event of an emergency they would come under the command of the Atlantic supreme commander of NATO. In the event that Canada was invaded from the north the interceptory operation of NORAD would go into effect, but in the event of such an emergency, would NATO take over the command of the Atlantic coast forces as is outlined under the agreement? To me it is rather a confusing situation. I personally would like to have some understanding as to what does happen, and as to how they tie in.

Mr. PEARKES: I think the general term "emergency" is interpreted as being war or invasion, real or apprehended. Further than that, it is a general recognized principle of NATO that if any one of the NATO countries is attacked all the other NATO countries will consider that they have also been attacked. If such a situation as you depicted occurred—of bombers invading Canadian skies from the north—I feel quite certain that all the plans would be put into effect, and that the naval forces would come under the command of the supreme commander of the Atlantic.

Mr. WINCH: That would not include the interceptory command of the United States and Canada which comes under NORAD, and which is not under the supreme commander, Atlantic. Am I correct there?

Mr. PEARKES: I do not know what you mean by "interceptory command".

Mr. WINCH: I understand that NORAD is an interceptory command, is it not?

Mr. PEARKES: NORAD is a command for the defence of the North American continent.

Mr. WINCH: It only goes into operation in the event of Canadian skies being invaded. However, in the case of Canadian skies being invaded NORAD

is in operation, but because Canada is a part of NATO, the NATO command also comes into operation, and that command controls our anti-submarine, air force and navy on the Atlantic coast. Am I correct there?

Mr. PEARKES: If Canadian skies are invaded the whole machinery of NATO will come into force.

The CHAIRMAN: Gentlemen, I wonder if we could follow the practice of our last meeting and have the minister remain seated while answering these questions?

Some hon. MEMBERS: Agreed.

Mr. BENIDICKSON: Mr. Chairman, I wonder if the minister could indicate to us how much of the money in this vote goes to the maintenance of forces in Europe?

Mr. PEARKES: Approximately $125 million.

Mr. BENIDICKSON: Does that include the cost of their transportation to and from Europe?

Mr. PEARKES: I think that includes the cost of the transportation to and from Europe.

Mr. PEARSON: Would the minister give the committee the approximate date of the decision to extend the term of service with NATO from two to three years? I think he said it was some time within the last 12 months.

Mr. PEARKES: I announced at the opening meeting of this committee that we were going to extend the term of service of the army to three years. That was the first announcement which had been made. The air force has been on a three-year period of service for over a year.

There are certain advantages in respect of this three-year period. It would not mean a complete changeover every three years. The brigade in Europe consists of three battalions. The extension of this period of service will enable one battalion to be changed each year, and eventually will be a three-year rotation system. This will ensure that there will not be an entirely new brigade in Europe every three years, and it will also mean a more even distribution of the cost of transportation and shipping in the estimates each year.

The CHAIRMAN: Are there any further questions on general policy? Have you any more questions Mr. Pearson?

Mr. PEARSON: I have, but not about NATO, Mr. Chairman. I have one or two questions on other general subjects.

The CHAIRMAN: Would you like to proceed with them now?

Mr. PEARSON: I was going to ask the minister whether any progress has been made in carrying out the suggestion which he mentioned to the house on April 1, 1957, that there might, with advantage, be developed a unified command, and a step in that direction would be to make the chairman of the chiefs of staff committee the chief of staff of the defence forces. Has any progress been made in that direction?

Mr. PEARKES: A study has been made of the advantages and disadvantages of maintaining the chiefs of staff committee with a permanent chairman, or to change the position of the chairman to that of chief of staff. Similar studies have been made both in the United Kingdom and in the United States. There are advantages and disadvantages to both courses. No decision to make that change as yet has been reached.

Mr. PEARSON: Mr. Chairman, I have one more general question. It concerns the United Nations Emergency Force in the Middle East which the minister mentioned in his statement.

Could the minister tell us whether Canadian expenditures in regard to that force in the Middle East was being credited against any contribution which we may be asked to make to the total cost of the United Nations' police activities there.

Mr. PEARKES: I would like to get that answer for certain and let you have it next time. I am not too certain if it has been done yet.

Mr. CARDIN: A statement was made a while ago that if Canada were invaded, NORAD would come into operation. Might I ask what would happen if an attack should come from the south, either from Mexico or from South American countries. Would NORAD come into operation and would Canadian forces be involved in such an attack?

Mr. PEARKES: NORAD would certainly go into operation no matter from which direction the attack might come, if this continent were attacked.

Mr. CARDIN: I understand that the Canadian interceptor forces would be manned planes. Would that also be correct for the American planes? Would there also be manned inceptors in the NORAD group?

Mr. PEARKES: The forces of the United States consists of both types; there are manned inceptors, and there are missiles available.

Mr. CARDIN: What would be the proportion of the two? What is the percentage?

Mr. PEARKES: I could not give you the proportion between the two.

Mr. CATHERS: What is the amount of the cost of the forces at the United Nations?

Mr. PEARKES: The amount of the cost?

Mr. CATHERS: Yes.

Mr. PEARKES: I shall get that for you accurately. It would be better than making just a guess. I shall get that for you accurately for next time.

Mr. GRAFFTEY: Mr. Chairman, at our last meeting I asked the deputy minister to inform the committee to what extent a working liason existed between government officials and private companies in the building, planning and designing of modern advanced type military equipment, notably aircraft. The deputy minister gave a most concise answer that contemporary conditions make it inevitable that a certain degree of obsolescence regarding equipment comes about only too soon. Does the minister feel that the liaison between his officials and private companies is an effective one, and does the department have a coordinated plan in order to make the liason between government officials and private companies an effective one with regard to the designing, building and planning of advanced military equipment, notably aircraft?

Mr. PEARKES: During the designing and production stages the Royal Canadian Air Force has its officers stationed at the plants of the companies which are doing the work such as Canadair, de Haviland, and Avro.

I think there is the closest possible link between the firms which are doing the designing and the development stages.

Then when they go into production we also have our own inspectors there. We have an inspection service which we will no doubt be dealing with in a few minutes.

In addition to that the Department of Defence Production has its inspection service.

Mr. JUNG: May I ask a question about the militia, Mr. Chairman. I have been a member of the militia for some time and I was rather disturbed at the reaction among the junior ranks within the militia about the possibility that the role of the militia would be changed to that of civil defence.

I found on speaking to many of the junior ranks of the militia at Vancouver that once the rule had been fully explained to them, there was no misunderstanding and no bad feeling; but until that had been done many of them felt that the reserve units were being relegated to an entirely minor role.

My first question is this: has the minister given any consideration to sending out some sort of directive to individual officers to ensure not only that the individual officers understand the situation about the new role but also that the new role is explained fully to the junior ranks?

My second question is this: many young lads joining reserve units are upset about the pay regulations. For example, I understand that no reserve force personnel can draw pay unless during the reserve force year he puts in a minimum of fifteen days. Therefore if he has put in only twelve or thirteen days up to when pay day comes, he no longer can qualify. He must have earned fifteen days pay in order to collect.

My third question is this: there are many officers of the administration staff who do put in a tremendous amount of time on paper work but who now cannot draw extra pay for all the time they put in. The reserve force units have only spotty attendance because they seem to feel that "average" attendance did not warrant higher consideration.

However, I think that the officers who do put in time should not be penalized for it.

Would the minister care to give an answer to those questions?

The CHAIRMAN: The minister is going to make a general statement when these items come up, so perhaps we might better have a detailed discussion at that time when we get to them.

Mr. MCINTOSH: When will that come up?

The CHAIRMAN: It will come up when we get to the particular item under discussion. Are there any further general questions?

Mr. PAYNE: Would it be in order for me to ask a question at this itme in regard to the policy adopted with respect to university training under the tri-service program. Might we have some details of the policy and method of selecting candidate cadets?

The CHAIRMAN: I think, Mr. Payne, that should come under cadets. I would like to keep this particular item under consideration, otherwise we will not proceed with the items at all. Are there any further policy questions?

Mr. MCDONALD (*Hamilton South*): Could the minister inform the committee how badly the Avro Arrow jet was damaged and will it place the production of these jets behind schedule?

Mr. PEARKES: My understanding is that the Avro Arrow after one and a half hours flight, upon landing found that there had been some small thing go wrong with the under-carriage, the wheel when it came down was not in correct alignment. As soon as the plane slowed down, there was a 30 degree change in the wheel alignment which made the aircraft run off the runway when it was at slow speed.

That particular aircraft will now be taken into the shops and thoroughly examined.

There are other models—or there is another aircraft of the same model—which is ready to take the air now, and I am told that it is not expected that there will be any appreciable delay as a result of this accident.

The CHAIRMAN: We are proceeding now on items which would come under the consideration of different departments. May I suggest that we proceed?

Mr. PETERS: Have we finished with general policy yet?

The CHAIRMAN: Very well, Mr. Peters.

Mr. PETERS: I would like to ask the minister if we now have a large enough force under what we call the emergency police force to allow, if necessary, for members of that force, to be put into SACEUR if any occasion arises, and if in order to do that have we a reserve police force?

Mr. PEARKES: We have no reserves in the Middle East which would be available to go to any other area. Any reserves would have to be sent from Canada.

Mr. MCWILLIAM: I would like to ask the minister if his department has given any consideration to the issue of the same uniforms to all branches of the services? I discussed it with members of the different branches of the services, particularly with the air force and the army, and I found very good reaction to this particular thing.

Mr. PEARKES: No consideration has been given to having one uniform for all the services.

Mr. PEARSON: Does the minister still believe in the ultimate unification of all three forces?

Mr. PEARKES: I believe that ultimately they will all be joined together but not in the immediate future.

Mr. MCMILLAN: With respect to Canada's efforts defencewise, is Canada likely to make any contribution towards the deterrent or reprisal force? By that I mean in doing research work in intercontinental missiles and so forth?

Mr. PEARKES: Oh yes. Canada has a Defence Research Board and they are definitely doing work in connection with defence against missiles.

Mr. MCMILLAN: But not for reprisals; that is just research for defence?

Mr. PEARKES: It is pretty hard to try to define the line in that way, because defence against a missile means another missile. That is one of the forms of defence. The information I have about the delivery of a missile is that it might of course be used for the forces of retaliation. We pass any information that we get on to our NATO partners.

Mr. PEARSON: I have some questions dealing with air defence and the effectiveness of our aerial warning system in the light of new developments and perhaps on missile early warning systems. Would they come under separate items or is this the tme to ask my questions?

The CHAIRMAN: I believe they would come under the section dealing with the air force as such.

Mr. PEARKES: Yes, I think it would be advisable to deal with them then.

Mr. PAYNE: In view of the fact that throughout Canada a few months ago there have been many young lads testing and trying out rockets which tests subsequently folded up due to the ballistic program of the Department of National Defence, I think that we are in a very negative situation. Has the department any plans or any program to give an opportunity to these young aspirants to "mount" rockets much more successfully than the United States has been able to do and carry on the development?

Mr. PEARKES: We have no such plan.

The CHAIRMAN: Gentlemen, in order to permit you to keep your questions in sequence, which I realize is desirable, I suggest that we now proceed with these items. Having covered the general policy, this will permit a somewhat more orderly discussion of the items under consideration. So, if you turn to page 308, the general item of course is 220 under defence services. We will deal first of all with any questions on "departmental administration". You will, of course, have the right at any time to revert to general policy statements but we should like to proceed on this basis. Are there any questions to do with departmental administration as detailed at page 308?

Mr. PEARSON: May I ask the minister the reason for eliminating the item of director, bureau of current affairs?

Mr. PEARKES: The bureau of current affairs is not being continued. We considered that the need for that was not apparent, and that the work of instructing the men of any unit is the responsibility of the unit officers. They have ample facilities for keeping abreast of current affairs. Time is allotted in all the training periods for the officers or selected officers to give information on current affairs and it seemed unnecessary, when we had to put first things first and deal with priorities, that there was not the urgent need for the retention of instruction in current affairs.

As you will recall, the bureau of current affairs was set up at the time of Korea, particularly to acquaint the personnel of the forces then on the conditions surrounding the political consideration surrounding Korean activities and all the general NATO concept. We felt that NATO now had been fully explained to the troops and there were other ways of keeping up the current affairs information.

Mr. PEARSON: For the benefit of the committee, could the minister tell us the cost of the bureau in previous years?

Mr. PEARKES: $250,000.

Mr. PEARSON: May I ask the minister whether any provision is being made to brief the unit officers on current affairs so that they can carry out this duty which he has now indicated is part of their general duties?

Mr. PEARKES: Yes; arrangements were made through the staff officers of the various commands. As I have said, there are innumerable publications which the officers of the units can get. They also have the facilities of broadcasts and so forth which are made over the C.B.C. network.

Mr. CHAMBERS: On that point, Mr. Chairman, does the minister mean that specific pamphlets are no longer put out by the bureau of current affairs.

Mr. PEARKES: No, they are not issuing any regular pamphlets on current affairs.

Mr. PEARSON: May I ask the minister whether he does not think it is still important that our troops, who are serving abroad, in the Middle East and Europe, be carefully and well briefed on current affairs, so that they will know the conditions they may face abroad and the international circumstances which exist during their service abroad.

Mr. PEARKES: That is being taken care of, especially by the lectures given by the staff and regimental officers on that subject.

Mr. CHAMBERS: I do not know if this comes under departmental administration, but there has been some criticism in the newspapers of lack of Canadian entertainment for our troops in the Middle East. I was wondering if something should not be done about that.

Mr. PEARKES: Yes, I have seen criticisms in the papers about that and I had a senior officer sent out after Christmas to inquire into the morale of the troops in the Middle East to see what facilities can be provided for their entertainment. It should be recognized that service in the Middle East is a hard and difficult service for our Canadian troops. They are living under conditions entirely different from what they normally experience here at home.

They are in a foreign country. They are a small group associated with peoples and troops of other nations. There is a very serious language difficulty and I have asked that inquiries be made to see how we can make what is an unpleasant job rather more congenial. The question is complicated by the fact that the troops are not under our direct command. They are serving under the United Nations. The United Nations pays the bill and they have made certain arrangements for entertainment which, while they may be acceptable

to the forces of some other nations, do not quite meet Canadian requirements. We are looking into the question at the present time to see whether it will not be possible to send a Canadian troop of entertainers over to the Middle East.

Mr. McINTOSH: Mr. Chairman, in the total number of personnel I see you have cut them down by 65, although the amount of salaries is very much the same. Going back to the administration officer and personnel officer, what is the difference between the personnel officer and the administrative officer? In other words, is it higher priced personnel for the same amount of money?

Mr. PEARKES: It should be remembered that there was a general pay increase for all civil servants.

Mr. McINTOSH: What percentage was that?

Mr. PEARKES: Eight per cent, I think.

The CHAIRMAN: Are there any further questions, gentlemen?

Mr. McINTOSH: My question has not been answered.

Mr. PEARKES: If there are any more detailed answers required, perhaps one of the officials could give you the answer.

Mr. McINTOSH: What is the difference between administrative officers and personnel officers, and what are their duties?

Mr. ARMSTRONG: If I may answer that, the personnel officer is a classification that is provided for by the Civil Service Commission. They classify it in the civil service as people who are engaged specifically on personnel work. These personnel officers, as you see in the list are employed by the director of civilian personnel in the administration branch.

The administrative officer classification applies to people engaged in general administrative work, not limited to personnel work. The reason for the increase in personnel officers is that a number of officers who had previously been classified either as administrative officers or as clerks, have been reclassified to personnel officers, as a result of a recent survey by the Civil Service Commission of the directorate of civilian personnel in the departmental administrative branch of the national defence headquarters.

Mr. CARTER: I should like to follow the question by Mr. Pearson about the bureau of current affairs. What provision is being made now to acquaint our troops or to give them instruction in the principles of ideological warfare —to which type of warfare, the Russions assign some importance—and the various weapons that they employ.

Mr. PEARKES: Instruction is given on the subject at the National Defence College, and the staff colleges of the various services; but staff officers deal with that subject from time to time in giving instruction to the troops. It is passed on through the regimental officers down to the troops.

In addition to that, there is what is known as the padres' hour, which is held regularly every week. The chaplains of the services also give instruction which would be along the lines you suggest.

Mr. CARTER: I understood the padres' hour was taken up mostly in dealing with personal problems, domestic problems and things of that sort. From my own experience, the padres' hour is so much taken up with that type of problem that they do not have very much opportunity of going into the ideological aspects of war. I was wondering also if the minister could say whether there has been any change in our concept of the role of the armed services that has been brought about due to the importance of this type of warfare as employed by our potential enemy.

Mr. PEARKES: I would say that there is considerable stress laid on what I would call the maintenance of morale in the various units. We have a very

fine type of man in our various services. There have been times when, as a result of rapid enlistment to meet some particular emergency, it has not been possible to have the same selective recruiting that we have today. The result of that is that there is a strong morale in all of the services, and we have got men of high intelligence.

Now, regarding the padres' hour, we have chaplains in all the major units of all the services. They are resident chaplains and the men are encouraged to visit them, not during the padres' hour, but at any time at all that they wish to, when they are not on parade. They are encouraged to go and discuss their domestic problems with the chaplains. Conversations I have had with chaplains indicate that the men are doing that. The men come and talk with the chaplains and the chaplain' hour is largely instruction. We are trying to make it that way.

Mr. PEARSON: I should like to ask the minister to explain why the total number of administrative officers and personnel officers have been increased.

Mr. ARMSTRONG: As I explained before, the reason for the increase in personnel officers is a reclassification of certain others who were previously classified as clerks or administrative officers. I was under the impression that there was no over-all increase in administrative officers.

Mr. PEARSON: My mathematics may be wrong, but I added up all the administrative and personnel officers and I got 109.

Mr. ARMSTRONG: I am sorry I misunderstood your question. If you will also add up the clerks, you will find a considerable reduction in clerks. Basically there has been a reshuffling among the three.

Mr. STEWART: I was wondering if there was one personnel officer for each division of personnel. Is there just the one or more than one?

Mr. ARMSTRONG: There is one senior personnel officer in each command.

Mr. STEWART: By command or by provinces?

Mr. ARMSTRONG: By command. There are civilian officers at large stations or camps.

Mr. STEWART: How many civilian personnel officers are there in the province of New Brunswick?

Mr. ARMSTRONG: I could not say offhand.

Mr. HALES: Mr. Chairman, maybe the minister would have someone in his department give us a little breakdown on these auditing costs. I notice that our audit fees in the department are crowding half a million. It is $400,000 odd, and there are roughly some 70 auditors for the department. With such a staff as that, and paying that sort of money, I would think they would be able to come up with some suggestions whereby the department could cut some of its expenses in these operations and show greater savings than are shown in these estimates. I think that the department should explain this matter to us more fully.

Mr. ARMSTRONG: If I may answer that, the total number of people employed in the chief auditor's branch is 83. They are located at headquarters here and at branches right across the country. There are branches in Halifax, Fredericton, Montreal, Ottawa, Toronto, London, Winnipeg, Edmonton and Vancouver.

The andit program involves an examination of each of the major units in all three services. These audits of each unit are conducted on the average once every year to one-and-a-half years.

The observations or findings of the auditors are referred to the chief of staff of the service concerned. He has them examined by the officers in his service who are concerned. There are, of course, suggestions made by the audit

branch and to the extent that they result in economies they are reflected in the estimates. We do not attempt to keep a tabulation of these things from year to year; it would be very difficult. Does that answer your question?

Mr. HALES: Are these auditors requested to provide the department with recommendations or suggestions whereby expenditures could be curtailed? Do they come up with definite recommendations, or are they just going through the process of auditing figures presented to them?

Mr. ARMSTRONG: The auditors are expected to make suggestions if they find in the course of their examination any areas where administratively it would appear possible to make economies.

Mr. HALES: Have they been asked to provide definite recommendations for the curtailment of expenses? Do they give you a certain recommendation and say, "In this department you can do without this, do that or do this".

Mr. ARMSTRONG: This is difficult to answer in a general way. I would say the answer to your question is yes. They have been asked to do this, but as you will appreciate, these people are basically accountants and they make recommendations in the areas in which they are experts. They make suggestions in respect to other areas which are certainly considered by the experts in the department in those fields. They are not expected to deal with policy issues, for example. They are expected to deal with the administration of the branches in which they conduct their examinations. They do have specific directions to give suggestions that deal with economy.

Mr. PEARKES: I might add to that that there is also an establishment committee which reviews the establishments of the various units of headquarters and so forth. This committee continually tours the country and examines the various establishments, both of military and of civilian personnel. They make recommendations as to whether personnel may be reduced if they feel there is any case of duplication.

Mr. HALES: Is that establishment within your own organization, or is it an outside efficient organization that is hired to come in.

Mr. PEARKES: There are both. There is our own establishment committee that is concerned with the military establishment and there is a civil service establishment committee which examines particularly in cases of civilian employees.

Mr. HALES: Would the minister not think that half a million dollars seems a little large for audit fees in the department? It is not quite half a million.

Mr. PEARKES: Is large?

Mr. HALES: Yes?

Mr. PEARKES: I feel it is very important. We have to police all expenditures and we are trying to keep expenditures down as much as we possibly can.

Mr. CHOWN: The inspection services are down from $233,000 to $10,000. Could we have that explained?

The CHAIRMAN: Are we through with the section dealing with departmental administration?

Mr. CATHERS: That is departmental administration.

The CHAIRMAN: Inspection services follow that.

Mr. HOWE: This was professional and special services.

The CHAIRMAN: Just a moment. Mr. Chown, would you repeat your question.

Mr. CHOWN: On page 309, I notice that professional and special services are down from $237,000 to $10,000 this year. I was wondering if we could have an explanation of that? We are delighted to see it down.

Mr. MILLER: In the past years we have carried a $200,000 item under this heading to provide for the planning and obtaining of professional fees for the design of the defence headquarters. This year, when we screened the estimates for the last time, we dropped that $200,000 item. That explains the drop.

Mr. CATHERS: Following Mr. Hales' question, I would like to ask the minister a question with regard to the cost for audit purposes. Would it not be a cheaper and more effective audit if an independent firm of auditors was brought in to audit? Has that ever been given any consideration?

Mr. ARMSTRONG: As far as I know, this has not been given consideration. However, to obtain the audits that are accomplished by this staff, I am quite certain it would cost very substantially more if we approached any outside firm to do it. I do not think there is any question about that. Our auditors do audits numbering in the hundreds every year and I think you would appreciate the cost that would be involved if we were to hire outside accountants for this purpose.

In addition, this is a rather specialized type of audit in the sense that these people are dealing with the particular systems that apply in the Department of National Defence. There is a considerable advantage in having a specialized staff for these purposes. Incidentally, this particular audit group was organized in 1947-48, following a recommendation of a similar expenditures committee to this one. It was not an estimate committee but a war expenditures committee that sat during the last war.

Mr. MCILRAITH: Following the answer given to Mr. Chown's question, the answer having to do with the dropping of the $200,000 item for a defence headquarters; does that answer indicate that it is not the intention of the department to proceed with planning a new defence headquarters?

Mr. PEARKES: No. First of all, consideration is being given to a location for a new defence headquarters. We have not as yet reached the stage of being justified in expending money for the actual plan. Various sites have been examined and no recommendation as yet has been made as to which site would be most suitable from the Department of National Defence viewpoint. There has been some examination carried out. Committees have been set up to try and resolve the question as to the size of the headquarters and the numbers which would be required. Departmental examinations are going on and we are not yet in a position to call in outside help in order to do the planning.

Mr. MCILRAITH: When do you expect the question of site to be settled?

Mr. PEARKES: That is a very difficult question to answer. There has been a lot of consideration given to sites over a number of years and no firm decision has yet been made. A decision will have to be made before too long, because the present building will not last forever. It means conferring with such groups as the Federal District Commission, and ultimately, the government will have to decide where the location will be.

Mr. MCILRAITH: I take it that when that decision as to a site is made, the item will have to be restored.

Mr. PEARKES: It will have to be restored when we are in a position to go ahead with the plans. We are not able to do this at the present time and, therefore, that item could be removed from these estimates. At some future time there will have to be an item included in the estimates for the specialized planning.

Mr. MCILRAITH: The point I was getting at is this: The reduction in the item does not represent a saving; it represents a postponement.

Mr. PEARKES: It represents a postponement; it is not included in this year's estimates.

Mr. McINTOSH: I would like to go back to this personel officer question once more. In these estimates it seems that the amounts included here are almost double what they were last year. I would like to know a little bit more in regard to what the duties of these officers are and why the additional personnel are required.

Mr. ARMSTRONG: Speaking in general terms, the duties of a personnel officer relate to the responsibilities that are normally attached to a personnel officer in any department of government or in any business.

Mr. McINTOSH: Why an increase now?

Mr. ARMSTRONG: The reason for the increase is, as I said, this organization over the past two years has been the subject of an extensive re-examination by the organization and method branch of the Civil Service Commission, and subsequently by the organization branch of the Civil Service Commission. The changes suggested are being reflected for the first time in total in these particular estimates. New, as I pointed out, while the personnel officers have increased, there have been reductions in the number of people. The total numbers in the organization, I think, have actually been slightly reduced. There were 196 provided for in 1957-58 under the civilian personnel organization. There are in fact in these estimates 175. It is true there are more personnel officers, but there are less of other classes. The total numbers in the organization have in fact been reduced.

Mr. CARTER: I notice that there has been a considerable reduction in the appropriation for publication of departmental reports, stationery supplies, and so on. Does that mean that the traditional number of nine copies has been reduced?

Mr. PEARKES: It shows there has been very careful chopping done and that every effort is being made to reduce the amount of correspondence.

Mr. STEWART: Would the curtailment of some of the military establishments, or some of the civilian activities, cut down the need for personnel officers?

Mr. ARMSTRONG: I assume you are speaking of the bureau of current affairs?

Mr. STEWART: No. Some of the camps in the maritimes have been closed and civilians have been dismissed or discharged. That should cut down the work of civilian personnel.

Mr. ARMSTRONG: The total number of civilian personnel has not actually been reduced. I think if you look at the tables which were distributed during the last meeting you will see that they are about the same as they have been over the last year or so although the establishment has been reduced slightly.

Mr. PEARSON: Was the decrease in the appropriation for publications due to the elimination of the reports of the bureau of current affairs, and if so how much did those reports cost in previous years?

Mr. ARMSTRONG: It does represent a saving dependent on discontinuance of the publications of the bureau.

Mr. PEARKES: There have been other pamplets also reduced in number.

Mr. PEARSON: Including the white paper?

Mr. PEARKES: No white paper has been published this time. If after the examination of these estimates it is thought desirable that a white paper be published it will be done; but we are trying to give all the information we can now and you can decide whether or not you want it.

Mr. BENIDICKSON: Mr. Chairman, is it in this item that provision is made for the personnel who would be chiefly engaged in screening the estimates to ensure savings in economy?

The CHAIRMAN: Would you repeat that question please?

Mr. BENIDICKSON: Would this item contain provision for the personnel who would be chiefly responsible, within the department, for ensuring that there were adequate economies and savings wherever possible.

Mr. MILLER: The services are responsible for their own screening examination. The staff of the department who carry it out, on behalf of the department, are in here.

Mr. BENIDICKSON: The minister will recall, when the estimates of last year were up for review, he indicated a number of decisions were taken which would reduce expenditures and he said because of that it would not be necessary to ask for a supplementary vote of $41 million to cover increases in service and civilian salaries. I am wondering if we could have a breakdown of what that $41 million was, because I think the explanation itself indicates it was not necessarily a permanent saving because there was a reference to the fact that certain construction program could be deferred based on priorities and so on. I was wondering if that could be broken down or an indication given which of those are now being brought back, for instance, into these estimates?

Mr. PEARKES: There was a certain sum of money; I think it was about $55 million which was underspent in last year's estimates. That has been taken care of. It has not been added to these estimates. These estimates, as you will see, are some $6 million less than they were last year. So there has been a very serious effort made to eliminate any unnecessary expenditures. Some of the expenditures have had to be delayed and will be reviewed again and the money which is not voted would have to be included.

Mr. BENIDICKSON: Specifically, are any of the items referred to on page 1903 of *Hansard* of December 5, 1957, as items in the construction program which it has been impossible to defer on a priority basis, included in the votes for this year?

Mr. PEARKES: Not under these items of departmental administration. There has been a reduction of some 60 or 70 personnel in that department which has taken care, really, of the increase in salaries and wages of civilians.

The CHAIRMAN: Gentlemen, are you ready to proceed with the next item. This is inspection services and it is on page 310.

Mr. BROOME: In respect of the inspectors of stores, I notice that the complement in 1958-59 is 630 and in 1957-58 it was 847, or a drop of 217. Would that indicate a certain major reorganization in the stores program? I wonder whether the deputy minister would comment on that?

Mr. MILLER: Mr. Chairman, this does not represent a major reorganization. It represents a contraction of the activities of the inspection services. Inspection services provides the inspection of the goods purchased by the various services in the department. As you will notice over the years there has been a certain contraction of our spending on supplies. We have equipped our forces and are now at a maintenance level, so the amount of money and the amount of procurement which has been reflected in the estimates has been decreasing and the relationship of inspectors is a direct one to the number of contracts and the amount of procurement. It also, of course, represents our increased efficiency which we have been able to develop over the years.

Mr. BROOME: There is a direct proportion of inspection to the value of goods purchased. Does that mean that the value of goods and services dropped 25 per cent?

Mr. PEARKES: You will recall when the Korean war broke out the government entered into a five-year expansion program, building up our forces to the level at which they are approximately now. There was a big construction program of ships, aircraft and other equipment. There was a very big building

program, the building of a large number of camps all across the country. A great deal of that building construction work, and also the construction work in connection with ships and aircraft, has tapered off. As a result of that tapering off a corresponding reduction in the amount of the inspection services has taken place.

Mr. HALES: I have a question in connection with this matter of inspection of material that the department buys. There is a situation that prevails in a factory in my own community that occasionally gets government contracts. The factory may run for three or four months without a government contract but an inspector stays around that factory for those three or four months doing nothing. When they have a government contract he is on the job.

My question is, could the department buy these materials by specification? If they are all ordered by specification they could be checked on delivery and if they are not up to specification you could refuse delivery. I can understand in wartime that an inspector would be necessary because of the possibility of conspiracy and other things of that kind creeping in but during peacetime I think we should buy on specification. I cannot see any sense in keeping inspectors around plants that do not have government contracts.

Mr. MILLER: Of course, there are certain unfinished contracts in areas where there may be some apparent lack of employment for an inspector. We do not, however, assign inspectors to plants unless there is full time work for them there. We have travelling inspectors and we have area coverage, but this does not mean that just because a plant has a contract from the government that we employ an inspector there full time, not by any means.

Mr. HALES: I will check further on this situation, but I beg to differ with that statement. Unless I have been misinformed, this inspector is around this plant for three or four months at a time and the plant has no government contracts. He has nothing whatever to do. This situation creates a very bad impression in the minds of the public generally.

Mr. MILLER: I have not heard of any incident like that.

Mr. CHAMBERS: I was wondering what the duties of these proof officers and proof technicians were. Have they to do with the issue of rum?

Mr. MILLER: Where exactly do you find that item?

Mr. CHAMBERS: On page 310. There are proof officers, proof technicians and proof assistants listed there.

Mr. MILLER: They have to do with proofing ammunition.

An Hon. MEMBER: That doesn't happen to be overproof, does it?

Mr. HOWE: I was wondering in regard to inspection services why there was this additional group of examiners.

Mr. PEARKES: Mr. Conroy, who is the controller general of inspection services, will answer that question.

Mr. HOWE: This item appears on page 311. There were 101 examiners and now there are 48, and there were also 22 examiners and now there are 16.

Mr. P. S. CONROY (*Controller General of Inspection Services*): I think that is due to the decline in work in various plants, particularly the work at Charrette, which is a filling plant for Canadian Arsenals Limited. There have been a number of examiners released as a result of the reduction in the amount of work.

Mr. HOWE: Would the inspectors do the work as well as the examiners?

Mr. CONROY: In this case the examiners are the junior people. They do visual examination and gauge the shells.

The CHAIRMAN: Could you speak a little louder?

Mr. WINCH: It is absolutely impossible to hear anything that is going on.

Mr. CONROY: They do the gauging of the shells or the components going into the shells by hand. It is a very junior position, equal to a labourer's position, and as the work decreases they are the first employees to be released.

Mr. BOURGET: Mr. Chairman, on page 212 there is an item which deals with the acquisition and construction of building and works including the acquisition of land. Last year the amount of money involved was $875,000 and this year it has dropped to $554,000. Could the minister make some comment in that regard and also tell us if it concerns only the Ottawa area or elsewhere?

Mr. CONROY: It has nothing to do with the Ottawa area. Some years ago land was acquired for the purpose of a proofing range at Lac St. Pierre-Nicolet. This land has not yet been paid for. That is the important item in there. As a matter of fact, I have just received a notice this morning that $430,000 has to be paid out this year by the Department of Transport.

Mr. CARTER: Are the examiners, who are released when work decreases, casual employees?

Mr. CONROY: All inspecting employees of a junior rank are casual employees. These employees are hired in respect of a contract. During the war years and after the war, a firm would have a contract which was followed by another contract, and another contract, and so on, so that they became more or less continuing. The time has come now that a great many of these firms are not getting succeeding contracts and it is necessary to release some of these employees.

Mr. CARTER: Would these people have acquired a particular skill or can you hire an examiner any time you wish?

Mr. CONROY: We can hire this type of employee any time. They are usually women. In fact, 99 per cent of them are women. I would class them as labourers. In fact, we wanted to class them as labourers but the Civil Service Commission insisted on using the classification "examiner".

The CHAIRMAN: Gentlemen, can we proceed to page 313 under the item "Navy"? Mr. Winch?

Mr. WINCH: "Mr. Winch" it is. Mr. Chairman, at the last meeting I asked a question in respect of policy that has not been answered. I wonder if the minister could now tell us the reason for the transfer of H.M.C.S. *Labrador* from the navy—and I understand it was doing a remarkable job there—over to the Department of Transport, and whether the same work is now being carried on?

Mr. PEARKES: H.M.C.S. *Labrador* was transferred to the Department of Transport because it was considered that the work that she was doing could be better carried out under the Department of Transport than under the Royal Canadian Navy. There is no question whatever in respect of the H.M.C.S. *Labrador* doing excellent work while she was with the navy. The work was restricted very largely to summer time operations in the Arctic. During the winter months she was transferred temporarily to the Department of Transport where she was used by that repartment during certain operations in the St. Lawrence river. By changing the establishment from a naval establishment and removing the armament from the H.M.C.S. *Labrador*, we were able to reduce the number of personnel. I speak from memory, but I think the number of personnel was reduced from a crew of 17 officers and 197 men to a crew of about 90. There was a very considerable reduction in the number of the crew required. The navy was finding it very difficult to man the ships that the navy had with the number of personnel that are allowed within the naval ceiling. It was considered that the work would be more effectively carried out under the Department of Transport.

Mr. WINCH: Mr. Chairman, I would like to ask the hon. minister if the work done by the navy on H.M.C.S. *Labrador* is still being carried on under the navy in the arctic? I have been given to understand that under the navy a remarkable job was done with this ship, something perhaps new in that area of the world. Has any other work been undertaken by the navy in that area?

Mr. PEARKES: The work done by the *Labrador* was remarkable as you say. One of her big tasks was to assist in the construction of the DEW line, the escort of ships up to northern waters, and the reconnoitering of routes by which those ships could go for the construction of the DEW line stations.

New the DEW line has been completed and to a very large extent that particular work is no longer required.

The *Labrador* is, this summer,—as was given in an answer to a question recently asked in the house by Mr. Chevrier—carrying out—may I call them—patrols up into the north and studying the movement of the ice, studying oceanographic data—just the same sort of work as she was doing when she was under the control of the Royal Canadian Navy.

The CHAIRMAN: Now, Mr. Chambers.

Mr. CHAMBERS: Mr. Chairman, when we were discussing the material which was distributed to us at the last meeting there was an item for transfer of equipment from service stocks to other NATO countries in the amount of $98 million. We were told at that time that some of this amount was represented by certain Canadian navy ships such as the Algerine, the corvette, and so on. I wonder how their value was arrived at?

Mr. PEARKES: That is done according to a certain formula which was drawn up in connection with mutual aid commitments.

Mr. ARMSTRONG: The law requires that this equipment be valued for mutual aid purposes at its present value.

In respect to the equipment we are speaking of, the Algerine, this item is put in at its present value which is considered to be basically what they cost the navy, for the modification of the ships; since they were built for the last war. The cost as included for mutual aid purposes ignores the initial cost, but it does include the cost of modifying them to their present state. It also includes the cost of equipment which is placed on them, and it includes the cost of stores and supplies.

Mr. CHAMBERS: There is no depreciation allowed?

Mr. ARMSTRONG: No depreciation.

The CHAIRMAN: Now, Mr. Broome.

Mr. BROOME: I was going to suggest that since we are starting with one of the services perhaps the minister might want to have a representative of that service here. Our usual adjournment time is 12.30 and perhaps we might adjourn now.

Mr. PEARKES: The representatives of the service are here so let us carry on.

The CHAIRMAN: Now, Mr. Carter.

Mr. CARTER: Coming back to the *Labrador*, I understand that this ship had special installations put in because of the nature of the work she was doing. Are these installations still in the ship or have they been dismantled and put ashore?

Mr. PEARKES: Certain of the equipment has been taken off the ship and is in naval stores now. You may have noticed—since you accompanied me last Saturday when we were at the naval supply depot at Ville la Salle—that there were some stores there which had been taken off the *Labrador*. Those were the naval stores. But the scientific stores which are not of naval type are still, to the best of my knowledge, with the *Labrador*.

Mr. CARTER: I have one more question: I understand that special shore installations were also built for this ship. Are those shore installations now in use?

Mr. PEARKES: I do not know of any special shore installations. Perhaps the naval representative would know? My naval adviser says no.

The CHAIRMAN: Now, Mr. McCleave.

Mr. MCCLEAVE: Mr. Chairman, with reference to the *Labrador*, would the minister care to comment on whether the navy is happy with this changeover of the *Labrador* to the Department of Transport? Does it leave any hole in naval research in the far north?

Mr. PEARKES: I can assure the committee that the transfer was made on the recommendation of the Royal Canadian Navy.

The CHAIRMAN: Now, Mr. Benidickson.

Mr. BENIDICKSON: Last year's estimates, I assume, would have been prepared with the expectation that the *Labrador* would have been operated for a full year by the navy. I wonder how much of last year's estimates it was calculated it would take to operate the *Labrador* on a full year's basis.

Mr. PEARKES: The official has not got the answer readily available. We can have it for you at the next meeting.

Commodore R. A. WRIGHT (*Naval Comptroller, Department of National Defence*): Apart from the military personnel posts, that is, the cost of personnel which we did not reduce as an estimate the operating cost of the *Labrador* would be about $650,000 to $700,000 a year.

Mr. BENIDICKSON: What did the crew number when it was operated by the navy?

Mr. WRIGHT: I think it was 196, but I am not perfectly sure about it. I have not got it in my book.

The CHAIRMAN: Now, Mr. Winch.

Mr. WINCH: As I understand it, it was on the recommendation of the Royal Canadian Navy that the *Labrador* was transferred out of its control.

Mr. PEARKES: Certainly, it was on the recommendation not only of the navy but of the chiefs of staff committee that the *Labrador* be transferred to the Department of Transport, the reason being that it was considered not only as a measure of economy, but as a measure of saving personnel; also it was because the work that was being done was largely completed, and such work as she was required to do would be carried out more effectively under the Department of Transport.

The CHAIRMAN: Now, Mr. Chown.

Mr. CHOWN: On whose authority are establishment changes made? It would appear from an analysis of the whole vote that there is a reduction in the number in the lower paid classifications and an increase in the higher paid classifications.

The best illustration was given by Mr. McIntosh when it was said that personnel officers were increased from 16 in 1957 to 34 in 1958. The clerks were reduced by 45 in number from 1957 to 1958. The difference in the cost is changed so far as the personnel officers were concerned, the amounts being $95,000 in 1957 and $191,000 in 1958. The reduction in costs so far as clerks were concerned was from $880,000 in 1957 to $715,000 in 1958. So, I should like to know on whose authority these reductions in the lower echelons are made, as far as establishment is concerned, and the increases in the higher classification as far as numbers are concerned?

Mr. ARMSTRONG: The responsibility for organization and classification in the civil service is the Civil Service Commission's, under the Civil Service Act. In the procedure of dealing with establishments, there is an annual review of establishments prior to the preparation of estimates each year. This review is made by a committee comprised of departmental officers, officers of the Civil Service Commission and officers of the treasury board. It is as a result of that review and their recommendations that the particular establishments in the estimates are there. Before the establishment is filled, if it has not already been filled, and it is a new position or a position involving a reclassification, it is again reviewed by the Civil Service Commission and the appointment and classification is subject to their approval. Does that answer your question?

Mr. CHOWN: I am satisfied as to the procedure, but I am still not satisfied as to the explanations given to my colleague as regards the changes between clerks and personnel officers, in one year at a cost of $100,000. It just seems extraordinary.

Mr. ARMSTRONG: I appreciate the question you are asking this is a very complicated sort of problem to follow through. If I may, I will have it worked out and brought before you at a subsequent meeting.

Mr. MCINTOSH: I should also like to ask a supplementary question on that. You mention the Civil Service Commission. What right has an official of the Department of National Defence to override what the Civil Service Commission says, if we do not need that many in the higher brackets?

Mr. ARMSTRONG: The Civil Service Commission, as I say, have their responsibility under the law. I cannot think of any occasion where, the Civil Service Commission have insisted on the department accepting positions of a higher classification than they themselves would desire. I do not know of any situation of that kind. There is general agreement on these things.

Mr. MCINTOSH: In other words, your answer to Mr. Chown's question is that the Civil Service Commission says, "this is your establishment" and the Department of National Defence says, "O.K. we have to take it."

Mr. ARMSTRONG: No, I did not say that. I am saying there is usually agreement. If there was a dispute, the Civil Service Commission has final responsibility in this field.

Mr. CHOWN: Does not the department on its own initiative make recommendations to the Civil Service Commission viz-a-viz these same conspicuous changes which are shown on page 308?

Mr. ARMSTRONG: In the particular case of which you are speaking, as I said before, the reorganization of the director of civilian personnel is in fact in the process of being accomplished at the moment. This resulted from a rather lengthy survey; first of all by the organization and methods branch of the Civil Service Commission. This was at the request of the department and subsequently resulted in recommendations by the department and by the organization branch of the Civil Service Commission.

The CHAIRMAN: Gentlemen, it is 12:30. Before we adjourn I should like to make two points. First of all I should like to thank our witnesses who will, of course, be with us continually or as much as they are able to be. May I thank the committee too for the patience they have shown in their chairman.

Thirdly I should like to remind you, and repeat what I have said before, that on matters of policy or any matters relating to any of these items you will always have the opportunity to come back to them before we close item 220. Nevertheless, we are proceeding in a somewhat more orderly manner so that there can be some continuity for your questions. Yes, Mr. Peters?

Mr. PETERS: Before we leave, this would be an exceptionally good time to discuss the practicability of using a public address system here. It is very difficult to hear in this room. I think we could experiment with two or three installations if necessary. Surely we should be able to get a better system of hearing what is being said than we have at the present time.

Mr. LENNARD: You cannot have a microphone for everybody. There would be too much mumbling.

The CHAIRMAN: Mr. Peters, I shall see what can be done. As you can appreciate, it does create some problem.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

THURSDAY, JUNE 19, 1958

DEPARTMENT OF NATIONAL DEFENCE

WITNESS:

Honourable George R. Pearkes, V.C., Minister of National Defence
Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong,
Assistant Deputy Minister-Finance; and Commodore
R. A. Wright, Naval Comptroller.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

59358-2—1

STANDING COMMITTEE ON ESTIMATES

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Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

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Bruchési,
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McIlraith,
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McMillan,
McQuillan,
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Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard (*Kamouraska*),
Rowe,
Small,
Smallwood,
Smith (*Winnipeg North*),
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian,
Winch—60.

(Quorum 20)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, June 19, 1958.
(5)

The Standing Committee on Estimates met at 10.30 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Allard, Baldwin, Benidickson, Bourget, Broome, Bruchesi, Cardin, Carter, Cathers, Chambers, Chown, Clancy, Doucett, Dumas, Grafftey, Hales, Hicks, Howe, Jung, Lennard, MacEwan, Macnaughton, McDonald (*Hamilton South*), McIlraith, McIntosh, McMillan, McQuillan, McWilliam, More, Nielsen, Pearson, Peters, Ricard, Richard (*Kamouraska*), Small, Smith (*Calgary South*), Stewart, Tasse, Vivian and Winch—(40).

In attendance: From the Department of National Defence: Honourable George R. Pearkes, V.C., Minister; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister; Commodore R. A. Wright, Naval Comptroller; and Capt. D. McLure, Deputy Naval Comptroller.

The Committee resumed detailed consideration of the Estimates, 1959, relating to the Department of National Defence.

Item numbered 220—Defence Services—Navy—way further examined, the Minister and his officials supplying the relevant information.

The Minister supplied information in reply to various questions asked at previous meetings.

A statement, setting forth the method of selection of candidates for Canadian Service Colleges, was presented for distribution to Committee members. (*Exhibit No. 2*).

At 12.30 p.m. the Committee adjourned until 10.30 a.m. Monday, June 23, 1958.

E. W. Innes,
Clerk of the Committee.

59358-2—1½

EVIDENCE

THURSDAY, June 19, 1958.
10.30 a.m.

The CHAIRMAN: Good morning gentlemen, we now have a quorum. As you will recall, we were still on item 220 at the adjournment of the last meeting, considering the item under the heading of *navy*. Later on in the proceedings this morning, the Minister of National Defence will be with us. He has a very urgent meeting this morning and he will be leaving it and coming to our meeting between 11:00 and 11:30.

I suggest we proceed under the item and reserve any questions concerning policy for the minister because he will, as I say, be here at a later time. May we then proceed? Are there any further questions under the item of *navy*? They are on page 313.

Mr. BROOME: Mr. Chairman, on page 317 I notice that in 1958 and 1959 there are 30 additional bus and semi-trailer drivers, seven additional bus operators and then under chauffeur motor truck driver, a reduction of 62. Do those items sort of tie in together in regard to the movement of troops. I was wondering just what happened to cause the differences in the categories. Evidently we did not have any semi-bus trailers before.

Commodore R. A. WRIGHT (*Comptroller of the navy*): *This is* the result of a re-survey of the requirements. There is a distinction under the civil service employment between chauffeurs to drive ordinary cars and panels and what you would call bus drivers or truck drivers. We had to reclassify 37 positions to that of bus and semi-trailer driver and bus operator because the chauffeurs were being required to operate the big equipment. There was a reduction of eight from the motor transport section in Halifax. There was a further reduction of 10 in Sydney and Lynn Creek and minor readjustments in other establishments.

Mr. BROOME: This is just a reclassification.

Mr. WRIGHT: Yes, to a higher classification.

The CHAIRMAN: Most of you are familiar with the officials who are here with us this morning. We have of course the deputy minister, Mr. Miller, together with Mr. Armstrong, and from the navy Commodore Wright and Captain McClure. You may address questions to them.

Mr. CARTER: Are we still on page 313?

The CHAIRMAN: Yes.

Mr. CARTER: There is an increase from 5 technical officers to 15 with an expenditure increase from $21,000 to $103,000. Is that a reclassification too?

Mr. WRIGHT: There is some reclassification. There were nine technical officers and two additional technical positions which were transferred from navy to civilian. They had been filled by naval officers and we recognized that we no longer required naval officers in there, no they were transferred to civilian. That would account for some of them. The remainder are reclassifications as the job either increased or decreased during the course of the year.

Mr. PEARSON: I wonder if I may inquire as to the reason for the increase indicated at the top of page 314 of 17 or 18 departmental accountants.

Mr. WRIGHT: They are sir, very largely in the dockyard organizations in Halifax and Esquimalt. The financial accounting had been done by the treasury department and in our reexamination of this it was agreed between navy and treasury that these were largely cost accounting operations and that they should be under the control of navy as a management operation as opposed to the requirement of the treasury. These positions were transferred from the treasury department to the navy. That accounts for the increase.

Mr. PETERS: Mr. Chairman, there have been a number of reclassifications mentioned. Are these reclassifications done between the civil service and the navy, and, I suppose, other branches of the service too. Are these classifications completed now? How are reclassifications arrived at? Do the navy agree? There must be some questionable positions or, does it become necessary when you want to increase navy staff in the certain fields that we have to replace the navy staff because of the service limit. Do we have to replace them with civilians and look around and find where the most opportune place is, to allow the civil service to place them? How is it arrived at, on an over-all basis, or what is the process?

Mr. E. B. ARMSTRONG (*Assistant Deputy Minister of National Defence—Finance*): The decision as to whether the position will be filled by a civilian or serviceman is not basically caused by the fact that there is a ceiling on the total number of service people that may be employed in all of these establishments. When there is an annual review of the establishment, which was mentioned before, the establishment of the service side is reviewed at the same time as the civilian side. Now, on the whole where it is possible from an operational point of view to employ a civilian where there is no reason why a civilian should not be employed, it is cheaper as a general rule to employ a civilian. Therefore in those cases civilians are employed but this decision is not because there is a ceiling on the military side, because in effect, there is a ceiling on the civilian side as well, which is determined by the annual review of establishments.

Mr. PETERS: Is this a continuous process? Is it being continually reviewed? For instance, I have in mind, motor vehicle drivers and truck drivers. Is there a policy now set up where we are going to replace navy personnel or any other service personnel with civilians in that field, are there certain fields set up, or is this a continuous process?

Mr. ARMSTRONG: There are in certain areas where decisions have been made in respect of suitable positions for civilians. Of course those positions have been taken, but this is a continuous process. As we have mentioned, there are establishment committees that are comprised of naval personnel and civilians, both from the department and civilians from the Civil Service Commission. Establishments are continually reviewed. In the process of this review, decisions may be taken to transfer a position that has been formerly filled by a serviceman to a civilian. It may work both ways.

Mr. PETERS: Do we intend to have before this committee those people who make these decisions, so that we can inquire as to whether we are satisfied with the method of transfer of service personnel to civilian.

The CHAIRMAN: The committee has the right to select whom it would like to come before it. I see no objection. Is there any reason why they should not appear. Is that your wish?

Mr. PETERS: I was just wondering if consideration could be given to that.

The CHAIRMAN: May I discuss that at a later point with you.

Mr. STEWART: I notice that there is an increase of 14 in the number of draftsmen. It appears in the center of page 314, where it says "sixteen to thirty". Is there any particular reason for that?

Mr. WRIGHT: Of that number, sir, 7 are due to a reclassification of the job and are consistent with the work load being performed in the dockyard.

There are three positions established in what is known as the naval engineering and design investigation field which have now been taken over by personnel employed by the department.

Previously, that function had been done by contract. As it is a continuing job, it has been taken over by the navy. Consequently we have to establish positions for it.

Mr. STEWART: Thank you, sir.

Mr. MCILRAITH: Page 314, about three quarters of the way down, there seems to have been an increase of about 14 in the amount for time and material recorders, an increase from $67,000 to $130,000. Could you tell us why there is that increase and could you give us any explanation there may be about it?

Mr. WRIGHT: This again is partly related to the cost accounting that is done in our dockyards, where additional time and material recorders are established as a pool controlled by headquarters and provide for certain audit facilities in ship repair work that is done by contract. These are additional positions which are required because of the additional work load which went to civil contract as distinct from work done in our own dockyards.

Mr. BROOME: I would like to go back to the question of draftsmen. There are 154 draftsmen categories and there is an increase of 15. Is there any way to determine the value of the contract resulting from the work of these draftsmen? In other words, the draftsmen are perhaps working for research people, or they are working on modifications as a result of the modification of equipment; and when they finish a project, it is let out for contract and it is either "head-on" or let out on a cost plus basis.

Would it be possible to determine the value of the contracts actually let due to the work done by these men? In other words, are they responsible for let us say, $1 million worth of actual expended cost through your own staff or through outside contracts? In other words, what do the 154 people do during the year?

Mr. WRIGHT: Specifically I do not think it would be possible to tie in the amount of the contract. Draftsmen are used in many fields. The draftsmen in naval construction and in ship building, ships are constantly being improved with modern modifications to them. Draftsmen are employed in every field of ship repair, such as hull or equipment.

What number would be required from year to year depends on the number of modifications or the amount of refit work that is going on in the services.

To be able to tie the actual pay of the draftsmen to the end result, I think, would be impossible.

Mr. MACNAUGHTON: Would the reason which the witness has just given apply also to the almost 100 per cent increase—from 16 to 30 of draftsmen as shown on page 314, that is, from $72,000 to $152,000?

Mr. WRIGHT: Yes, basically, as I explained before, there are two sides to that particular increase: one is this naval engineering design and investigation field tha twe are now taking on and doing ourselves instead of doing it by contract; and the other is the reorganization as a result of the service establishment.

There is a scale established by the Civil Service Commission. By applying that scale to the work load you have various categories for draftsmen, or supervising positions at various levels of the trade.

Mr. CHOWN: Obviously this involves policy. Formerly this work was done by outside draftsmen on a contract basis. Would Commodore Wright care to comment on whether he feels it to be a more economical approach as compared to the former policy? Could he tell us when the policy was changed,

and would he tell us just how many of these draftsmen are actually working on engineering design work?

Mr. WRIGHT: I can get you the actual value of the contract which we had. I do not have it here available at the moment.

This work was done by contract with a civilian firm and relates to investigations of engineering designs mainly in connection with our new destroyer escorts.

The draftsmen there employed are not all mechanical draftsmen; they are in both the mechanical and electrical fields and they are doing the actual work of producing modifications to design and that sort of thing in order to correct the error we found, or the deficiency we found in actually operating this ship.

Mr. CHOWN: When did the policy change? This work was formerly done by outside people, I gather. When did you decide to increase the number of these experts in the establishment?

Mr. WRIGHT: We started a study of it about 18 months ago, sir. But the actual change was made on October 1st last year when the contract ran out.

It is more economical, we have established, to have our own people doing this than having it done by contract as was previously the case.

Mr. BROOME: How did you establish that it was more economical?

Mr. WRIGHT: Initially when we had this contract, there was no limit to the amount of work that we could handle through this contract. The figures limiting the established type of contract could be changed with experience as ships got out, and we found that the firm was using between 18 and 22 people on this work.

Once you have an establishment of a more or less settled number, it is more economical to employ your own employees than it is to pay a contract price which includes overhead.

Mr. BROOME: My point is this: what would happen in the drafting offices? You have a rush load when you have new construction coming out and there are a lot of modifications; but ultimately that load will taper off.

But in civil service establishments the staff does not usually taper off to the same degree as work tapers off, and the result is that once you establish a department, you keep it; and due to a new construction program perhaps this requires a lot more. So I wonder about control in regard to the work load and the staff as required for that work load.

Mr. WRIGHT: In that regard, there is now a control committee with this team which consists of representatives from our own shipbuilding people and from the Department of Defence Production. I think the treasury board is also in on it. They are constantly examining the current program. At the moment, I think we have allowed twenty people. At the present time, we have eighteen, and that will decrease.

Mr. CARDIN: At page 314, I notice there is an item for five editors. I wonder if someone could tell us exactly what work or publications that would cover?

Mr. WRIGHT: I am not quite sure at the moment, but I can obtain the answer for you.

Mr. CHAMBERS: In the total of the civilian staff here, we find that there has been a reduction of approximately 500 in number and an increase in cost of about $2 million. Is that due to the raise in pay?

The CHAIRMAN: I wonder if I may say a word before Mr. Armstrong proceeds. Could the questions be expressed a little louder and could we be a little quieter.

Mr. ARMSTRONG: The salary schedule in the 1957-58 estimates, which is the salary schedule you have in this book, is based on the salaries that were applicable at the time the estimates were prepared. There was a general salary increase in May 1957, and that is reflected in 1958-59. That is the main reason for this change. There are others, of course, but that is the main reason.

Mr. PEARSON: Mr. Chairman, I hope I will not be considered unduly curious when I ask a question in respect of the duties of a full-time navy chimney sweep. This is at page 317; and also on the same page, what do the three "holders-on" hold on to?

Mr. WRIGHT: The chimney sweeps are actually employed during refitting such as when the ships have to have the boilers cleaned. They actually sweep the parts of the funnel on the inside.

Mr. PEARSON: Does one chimney sweep cover the whole country?

Mr. WRIGHT: No, he is employed in only one dockyard, and that is in Halifax. The holers-on are a part of the refitting team. There is a rivetter on one side with a rivetting gun, and a holder-on on the other side. He holds the rivet in place while his co-worker rivets it from the other side.

The CHAIRMAN: He does not hold on to the chimney sweep.

Mr. BOURGET: Are they working on the designs of new ships, or the repairs and new improvements which are to be made to ships?

Mr. WRIGHT: They are not basically concerned with new ships.

Mr. BOURGET: Following that question, I find it difficult to understand the increase in draftsmen here when you refer to the statement made by the Minister of National Defence this year, in which he says, "There will be a lull in naval construction beyond that already planned until plans are finalized for nuclear-powered ships." I find it very difficult to see a need for an increase in draftsmen when there is going to be a lull in construction of new ships.

Mr. LENNARD: They are not new ships. They are old ships being remodelled.

The CHAIRMAN: It might be better to have the minister reply with a statement.

Mr. WRIGHT: In a ship, there is constant change going on. A ship does not remain the same ship from the time it is built. There are constant minor modifications required in installing new types of equipment and things of that kind. You might, for example, have to improve your communication system. The workmen have to have a blueprint in order to carry out the job. Draftsmen are primarily employed on modifications to existing ships, and equipment of all kinds. As all these types of things arise in the jobs either the contractor—if you send it out to contract—or your own dockyard people have to know precisely what has to be done. It is modification work much more than original ship design.

Mr. MCMILLAN: I am not familiar with naval terminology, but I am wondering what type of work the laggers carry out.

Mr. WRIGHT: He is a man that puts on lagging, say, to a steam pipe or some other thing that you want to surround with insulation. You have to put lagging around it.

Mr. CARTER: May I make a suggestion that we finish one page first and then go on to another page. We seem to be jumping around a lot. I have questions pertaining to page 314.

The CHAIRMAN: Would you ask your question, Mr. Carter?

Mr. CARTER: Why has it been necessary to increase the number of dockyard supervisors at Esquimalt? You have sixteen in grade four, which is the same

as before, but you have increased the grade three supervisors from eleven to twenty-one. Could you give me an explanation for that? I notice at the bottom of the page there are two photographers which you did not have before; are they part-time or full-time employees?

Mr. WRIGHT: The senior dockyard supervisor is a new position which has been established. He is the manager of shops at the naval armament depot at Esquimalt.

Mr. CARTER: Are those new positions?

Mr. WRIGHT: Those are new positions owing to the increase in the work due to the fact that we have more ships of the new type actually operating out of Esquimalt.

Mr. CARTER: Are there more than last year?

Mr. WRIGHT: Yes. There are some that have been completed and put into commission and are now operating.

Mr. CARTER: How long will this situation continue? Are you going to need these ten supervisors for a period of years, or will they be laid off again?

Mr. WRIGHT: Basically this situation will continue. We are still involved in the shipbuilding program. We still have six ships under construction which have not joined the fleet. When these ships join the fleet we must maintain them. Possibly there will be a minor increase in the number of supervisors when those ships join the fleet.

In regard to your second question dealing with photographers, that is a reclassification of positions which were previously classified as assistant technicians. This is contact photography work which, after a resurvey, the Civil Service Commission recommended should be classified as photography instead of assistant technician's work because of the nature of it.

Mr. CARTER: The salary included seems to be quite small.

The CHAIRMAN: In keeping with your suggestion, Mr. Carter, are there any further questions in respect of page 314?

Mr. HALES: I have a question in connection with the item on page 315, in respect of caretakers. I am wondering about the caretakers not only in respect of the navy, but in respect of the air force and army as well. I imagine the caretaking involved pertains to buildings. Has the department considered the hiring of outside caretaking services in respect of this work instead of looking after it themselves, and if so where is it being done this way and what savings have been made?

Before you answer that question and while I am on this subject, I notice an item above in respect of gardeners. I see that at one place you have 19 gardeners and 24 gardeners in all employed in naval service. Where are these gardeners employed and on what grounds are they kept? When you speak of gardeners in the navy service, having been an inland sailor, myself you will have to show me what that is all about.

Mr. WRIGHT: I will answer your question in respect of gardeners first. We have some fairly large establishments—barracks, training establishments such as at Cornwallis, and dockyards, and that sort of thing—where gardeners are employed, but not at all of them. I could get that information for you if you wish.

Mr. HALES: Would you tell us the number of gardeners you have at any one particular establishment?

Mr. WRIGHT: I cannot tell you that offhand but I could give you a list of the places where they are employed, if you would like that.

Royal Roads, which is a tri-service establishment on the west coast, is one place where we employ quite a number of gardeners. If you are familiar with that establishment you will realize how much gardening has to be done there.

The CHAIRMAN: Are there any other questions in respect of page 315?

Mr. HALES: Would you answer the other question I asked in respect to caretaking services? What is the policy of the department in that regard?

Mr. ARMSTRONG: Consideration is given to the possibility of having caretaking services contracted out. For the most part caretaking work is done by our own departmental employees. I cannot tell you offhand the extent to which that type of work is done on contract, but if you are interested I can get that information for you.

The consideration that normally enters into this type of thing is, of course, whether it is more economical to do it that way. It is not, of course, easy to determine—

Mr. CATHERS: Are those employees naval or civilian?

Mr. ARMSTRONG: These employees listed here are civilians.

It is not always easy to determine which is the best way, or which is the most economical way. There are certain occasions when it is more economical to do this on contract than it is for us to do it ourselves. We do keep this in mind and consider it.

Mr. HALES: Could you give us an example of one place where you swung from this system over to the other?

Mr. ARMSTRONG: Yes.

Mr. HALES: And show us the savings that were made.

Mr. ARMSTRONG: Yes.

Mr. MCQUILLAN: There is a substantial increase in respect of the firefighting services both in number of employees and in cost. Is there any explanation for that increase?

Mr. WRIGHT: Yes. Here again we have quite a number of firefighting men employed around the clock at shore establishments. We also employ a number of commissionnaires in respect of the security aspect.

After looking over this situation last year we decided that if a firefighter was on a 24-hour watch he could also look after the security aspect in respect of establishments that are not operated at night. We have added 74 firefighters.

Under another heading, which is not shown here under civil servants because commissionnaires are employed on contract, we have reduced the number employed.

Mr. BROOME: Could you give us the saving that was gained as a result of the reduction of commissionnaires?

The CHAIRMAN: Perhaps you could look up that information and give it to us later.

Mr. WRIGHT: I cannot give you the actual details. I have the amount of the over-all savings, but the savings were derived in respect of other categories as well.

Mr. PETERS: Could I ask a suppolementary question to Mr. Hales' question in respect of gardeners?

What do these gardeners do in the winter time?

Mr. SMALL: Water the flowers in dry dock.

Mr. MCQUILLAN: We do not have a winter in Victoria.

Mr. WRIGHT: On the west coast, sir, there is no winter, as you will probably agree.

Some hon. Members: Hear, hear.

Mr. WRIGHT: Where we have gardeners employed in the east where there is no gardening done in the winter, they are seasonal employees rather than year-round employees.

Mr. PETERS: There is only one seasonal employee.

Mr. MORE: I notice a reduction of 15 employees in respect of the cleaners and helpers classification. Does that mean we are not keeping our establishments as clean, or is this a result of the introduction of automation?

Mr. WRIGHT: In answer to that question sir, we hope our establishments are just as clean as they were before. Since we developed scales for cleaners and helpers there has been a re-assesment of the requirements. We applied these scales to the establishments in question and it involved a reduction of 15 positions this year. I should say there was a reduction of 11 positions. There are four positions which have been reclassified to the char category because they were actually doing char work.

Mr. MORE: I have a supplementary question. I have information in respect of the establishment at H.M.C.S. *Queen* in Regina where there was a reduction of two employees in this category. My understanding is that they were told that the work was going to be done by the navy, and their services were no longer going to be required.

Mr. MACNAUGHTON: Mr. Chairman, on page 315 two items appear: chauffeur (U. K.), which is the same this year as last year, and chauffeur (U.S.S.R.). Could you give us some information in that regard?

My second question is, you will find an increase of 48 employees in respect to clerks and head clerks at a considerable increase in expense. Is there any reason for that?

Mr. WRIGHT: Having regard to the chauffeur (U.S.S.R.), we have an attache there and a chauffeur is allowed. Having regard to the chauffeur (U.K.) there is a joint staff. That is merely a change in the complement. I'm sorry, there is no change. The position remained there as it was before.

Mr. MACNAUGHTON: But this is a new appointment?

Mr. WRIGHT: The one in the U.S.S.R. is new. We have just put an attache there.

Mr. MACNAUGHTON: If you lump the next six lines you will see there is an increase of 48.

Mr. WRIGHT: I would rather bring a summary of that to another meeting of the committee.

Mr. CARTER: There has been a decrease from 622 to 522 in the lowest grade of clerks, yet the expenditure has increased from $1,367,100 to $1,416,240. They are still receiving very small salaries. Is there any special explanation for that? Were they receiving still smaller salaries previous to last year?

Mr. WRIGHT: There was a general increase in salaries across the civil service. I think that accounts for the increase.

Mr. CARTER: The salary must have been extremely small before this if they are only getting $1,800 now.

The CHAIRMAN: Are there any further questions on page 315? Or is there any further comment?

Mr. ARMSTRONG: The salary rates are shown here. The item in brackets is the current salary paid. That was increased a year ago in May. It was probably six or seven per cent lower before that.

Mr. CARTER: Would these be male or female employees.

Mr. ARMSTRONG: Both male and female, but I believe that the majority would be female.

Mr. MCILRAITH: In clarification of the last answer, is it not true that about a year ago there was a change in the clerical classification and a new position created called clerk assistant?

Mr. WRIGHT: I believe there was a change. That is a civil service regulation and I am not quite sure of it.

Mr. PEARSON: I would like to return to the question of this chauffeur in the Soviet Union. There have been, of course, attaches in the embassy there since the embassy was created. Those attaches had chauffeurs, but this particular one is a new appointment. Is that due to the fact that he is now a civilian chauffeur, and if he is a civilian chauffeur what is his nationality?

Mr. WRIGHT: I would have to find the answer to that. I am not sure. I do not think we have had a chauffeur there before for the naval attache. However, I will check that for you.

There was a question asked concerning the editors which are shown on page 314. They are employed at our headquarters here under our director of printing and publications. Their duties are editing and checking of regulations, service orders and publications before they get into print. There is no change in the number employed.

Mr. MILLER: On the question of chauffeurs, you will notice the items for the U.K. and the U.S.S.R. are separate from the general character of chauffeurs. The reason for that is they are not in the classified civil service and Canadian pay scale. You will see in respect of the chauffeur in the U.K. that, in brackets, it gives the limit of salary. That is, we have conformed to the going rate in the U.K. and that is why they are pulled out and shown in that area, and similarly in respect of the U.S.S.R. Our policy is that wherever possible overseas rather than sending over a uniformed member of the service to act as a chauffeur we try to get a local civilian to do the chauffeuring. I am not aware of the reason why the one in the U.S.S.R. is a new one. We could have a look at that and endeavour to find out if we have at long last succeeded in obtaining a chauffeur there.

Mr. LENNARD: I note that the chauffeur in the U.S.S.R. is being very well paid as compared to a chauffeur in the U.K.

Mr. MILLER: I cannot comment on that other than to say that there is an artificially high ruble exchange rate.

Mr. PEARSON: If he is a local chauffeur he would not be affected by the exchange.

Mr. MILLER: We buy our rubles at their exchange rate and pay for them at whatever price they demand.

The CHAIRMAN: Are there any further questions on page 315?

Mr. SMALL: I notice that the salary for a confidential messenger ranges from $2,790 to $3,150, and then underneath there are persons classified as messenger in the range of $2,040 to $2,550. What is the nature of the duties of these confidential messengers; what do they have to do which is classified as confidential? If they are carrying out confidential missions I think it is an extremely low salary, particularly in comparison to the salary of the regular messenger.

Mr. WRIGHT: The salary classifications are something which are arranged by the civil service commission. The difference between the confidential messenger and messenger is a matter of security regulations. Where you have top secret things going around they must be passed by hand and the messengers themselves must be cleared for security by the R.C.M.P.

Mr. SMALL: They certainly are paid low salaries for carrying top secrets. What is so top secret and confidential about it, at that kind of a salary?

Mr. ARMSTRONG: I cannot answer your question specifically, but as Commodore Wright has pointed out the civil service commission have the responsibility, first of all, for classification and job evaluation, and they also have responsibility for recommending to the government salary rates. Those salary rates are determined in principle on the basis of equivalent salaries in industry. This is basically how the salary rate is arrived at. I cannot tell you specifically in these cases why there is the difference, but the salary rate is determined on that principle.

Mr. SMALL: I do not know whether or not that is satisfactory. If they are carrying top secret messages, unless these individuals were in the army and are on pension or have income from another source, it does not seem to be a reasonable salary.

Mr. PETERS: I hope the fact that it does not state whether telephone operators are male or female is an indication that the department does not make any difference between the rates of pay for male and female in these classifications.

Mr. WRIGHT: That is correct. There is no difference between the salaries paid male and female.

Mr. CARTER: I see that there is quite an increase of new staff for bookkeeping equipment, operators and so forth. I should like to ask, is there a trend towards automation in these jobs. Is there a trend to employing machinery for bookkeeping jobs in the armed services?

Mr. ARMSTRONG: Yes, as new equipment comes along for doing these jobs, and if it can be usefully employed in the department itself. There is one electronic installation in use now and there is another major one being installed for the air force. Each of the services has used mechanical equipment for many years, but this of course is improved as new developments come along.

Mr. GRAFFTEY: Toward the bottom of page 316, typists, grade 2, there is an increase from 311 to 371. Is that a reclassification? Does that work in with the decrease?

Mr. WRIGHT: If you take the typists positions all together, you will see a reduction in the number of typists, and the reclassification from one grade to another to some extent offsets the reduction. In other words, if you get a good typist she might take the place of two poor ones. I think we have reduced our activities at Sydney and Lynn Creek in minor degrees and we have taken a few off. The others are reclassifications which have taken place in the various jobs themselves.

Mr. HALES: On page 317 I notice—

The CHAIRMAN: Are we through with 316 first of all?

Some hon. MEMBERS: Yes.

Mr. HALES: I see an item of $115,455 for bus and semi-trailer drivers that we did not have last year, and also the amount for bus operators has increased from last year. Why have we 30 bus and semi-trailer drivers this year as against nothing for last year?

The CHAIRMAN: I believe this has been answered before. We now go on to page 317.

Mr. BROOME: On page 317 concerning forklift operator. I wonder if the officials will be able to give a breakdown at some subsequent meeting as to how these are employed and whether the establishment is up to the number as stated.

The CHAIRMAN: Would you take note of that please.

Mr. WRIGHT: I cannot think of the answer at the moment but I will look into it.

The CHAIRMAN: Are there any further questions on page 317?

Mr. MCQUILLAN: What effect, Mr. Chairman, has the increase in forklift operators on the reduction in the labour staff? There has been a reduction in costs from $1,797,062 to $1,576,240. Would the increase in the use of forklifts have any bearing on that?

Mr. WRIGHT: These positions were actually reclassifications. Forklift operators were previously labourers.

Mr. MCQUILLAN: My point is that by the introduction of mechanization, are you saving on the labour staff in your warehouses and so on?

Mr. WRIGHT: Yes, considerably so.

Mr. BOURGET: I see that there is an increase of 10 in iron worker ship platers. Does it mean that the navy is doing some minor repairs to ships?

Mr. WRIGHT: A great deal of the maintenance is in the refitting of the ships. Maintenance work is done in our own dockyards. Some is done by private contract, and some in our own dockyards. That increased item is in the dockyard at Esquimalt where, as I mentioned before, more ships are actually in operation this year than last. More ships are coming in for refitting.

Mr. CATHERS: What is your experience in the navy of a comparative job? Let us say a ship comes into your yard for refitting or repairs, have you ever put it up for tender using your own yard as one making a tender, as compared to other private companies. Has that ever been done? The question in my mind is whether it is not cheaper to do these repairs and outfitting in a private yard than it is in a navy yard.

Mr. WRIGHT: I would like to put it this way, sir. Generally, the private yard is out to make a profit and we are not. This is an advantage on our side to begin with. We do make comparisons of these things but how accurate that comparison is, is always very difficult to establish. There are certain technical fields in which we have to have people, who are normally dockyard overhead personnel, where the work goes to a civilian yard or is done in our own yard because they have got to make—if the ships are coming to a civilian yard—all these specifications, and all that sort of thing has got to be done. You have a certain level of overhead and it is very difficult to distinguish, whether you have work in your own yard or not, how many you would have and how many you would not have. I am quite satisfied, in having looked into these figures for the last year and a half that it is cheaper to do it in our own yards. In the great majority of cases where it is not, we do go outside.

Mr. MACEWAN: In the refits on naval ships in civilian shipyards is it the normal policy to employ part of the ship's company—that is the naval crew—in the refit work?

Mr. WRIGHT: It depends entirely on the type of job being done. If it is a temporary repair, a minor accident, or something being fixed, it may be that the ship's company will be assisting. Normally speaking, nowadays, when a ship goes in for refit, the crew of the ship is paid off and only a partial crew is left to look after the stores and that sort of thing. The entire labour is done by the shipyard.

Mr. MACEWAN: That is the normal routine?

Mr. WRIGHT: Yes.

The CHAIRMAN: Is that all for 317? Yes, Mr. Ricard?

Mr. RICARD: What sort of work does the leather worker perform?

Mr. WRIGHT: I can find out. There are occasions in armament work where things must be covered with leather but there has been a decrease in the

amount of this. There is a decrease this year of three personnel. If you would like further detail, I can get it for you.

The CHAIRMAN: We turn now to page 318.

Mr. CARTER: At the bottom of page 318, there has been an increase in ships officer and crew and a corresponding increase in expenditure. Is that because of new ships coming into commission and new establishments, or is that expansion of old establishments?

Mr. WRIGHT: Basically, sir, it is. There are two ships, which were naval warships, which are now being operated for the benefit of the Defence Research Board who are doing research for the navy, and when they were lent to the Defence Research Board initially, they were lent with a naval crew. On reexamining it, we discovered that they did not require a full naval crew. It was found that it would be cheaper to put in civilians. So, we have civilianized the crew of two of these establishments, the *Oshawa* and the *New Liskeard*.

Mr. CARTER: That accounts for the increase?

Mr. WRIGHT: Yes.

Mr. CARTER: I see also where you have managed to reduce the plumber and steamfitter. Is that just a reclassification again?

Mr. WRIGHT: Some of the decrease there was due to a reduced work load in one of our establishments—Sydney. The majority of them—25 of them—are casual labour because the commitment is fluctuating and you do not need to carry somebody through the whole year. They will be employed as part of the casuals which you will see at the bottom of the page.

Mr. CARTER: So the saving will be indicated as the same, between last year's allocation and this year's. Some of this saving will be used up in casual labour.

Mr. WRIGHT: In that particular trade, yes.

Mr. GRAFFTEY: I see that there is an increase of 24 riggers. Could you explain that, please?

Mr. WRIGHT: It is a reclassification of the trade, of the number of trade riggers and also of labourers employed in this particular field. They have been reclassified to the rigger classification.

Mr. CHAMBERS: Mr. Wright, I have two questions. First of all, what is the difference between the pipe coverers and the laggers that we had before. Secondly there has been a decrease of about 200 in trades helpers. Why?

Mr. WRIGHT: On the question of the pipe coverers and the laggers I shall have to get word on it because I am not quite sure on that one.

As to trade helpers, there is a decrease in activity which is represented in these estimates. There is a decrease in the activity in three of our ancillary workshops at Lynn Creek, Longueuil and Sydney, where the concentration is more than elsewhere. That accounts for it.

These trade helpers are attached to the tradesmen of the trades and are decreased very largely because of the reduction in the load in those establishments.

Mr. CHAMBERS: Is there a breakdown? You mentioned Longueuil. I would be interested to know how many of these positions at Longueuil have disappeared?

Mr. WRIGHT: I can get it for you.

Mr. CHAMBERS: I would like to have it.

The CHAIRMAN: I must ask for your cooperation. We have still a good deal of work to do and I am not speaking of the last question that was answered. But could we try to keep our questions as relative and as important as possible having regard to the amount of work we have ahead of us.

Now, Mr. McIntosh.

Mr. McINTOSH: We are still under civil staffs at the bottom of page 318, "ships officers and crew". Who are they?

The CHAIRMAN: That question has already been answered.

Mr. McINTOSH: I did not hear the answer.

The CHAIRMAN: Well, you can check the record. It will be found there. Are there any further questions on page 318?

Mr. McWILLIAM: If we are finished with page 318 perhaps I might ask a question on page 319 about two-thirds of the way down on the page. Under the heading of major procurement of equipment, and under the item of establishment I notice there is a reduction this year of $25 million. Could the deputy, or Mr. Armstrong, give us an explanation?

Mr. BOURGET: Would he also be kind enough to give us a breakdown of the ships which are to go under construction this year and also that are to be completed so we may have a good idea of what is going on in the shipbuilding program this year?

The CHAIRMAN: Do you have both the questions, Commodore Wright?

Mr. WRIGHT: At the moment there are six of what is known as the *Restigouche* class which are still under construction.

Mr. BOURGET: Are they to be completed this year?

Mr. WRIGHT: I think it is four that are to be completed this fiscal year.

Mr. BOURGET: Four out of six?

Mr. WRIGHT: That is right, four out of six. The other two will be completed in 1959-60.

Mr. CATHERS: I have a question. The way we are proceeding on this thing I think is ridiculous and a waste of time in asking a lot of these questions. Frankly I think we are wasting good government money in a lot of these questions. I wonder if the steering committee could not give some consideration to revising this and perhaps getting the advice of the auditor general or somebody else, because, frankly I do not think we are doing any good for anybody in sitting here today in the way we have been and going on since we started on this item. I think it is absolutely superficial and I do not think we are performing any useful function at all. Is there anything that the deputy minister or the other gentlemen that are here could suggest in the way of guidance?

The CHAIRMAN: I think, Mr. Cathers, that I made the point earlier. I do not think it is necessary to repeat it. I cannot accept your point of view. I think many questions today were very good and very relevant. But I do think that if we could restrict our questions to those which are relative and of some importance, we could proceed to better advantage. If there is no objection, perhaps we might have an answer to the question that was just asked.

Mr. BOURGET: I do not think I have received an answer to my question yet.

The CHAIRMAN: Do you have the question? Would you mind repeating your question, Mr. Bourget?

Mr. BOURGET: I was asking if we could have a breakdown of the ships that are going to be built during this fiscal year and the ships that are going to be completed this year.

Mr. WRIGHT: There are six still building and of them four will be completed in this financial year. Additionally, two ships, as replacement ships, will be laid down this year or next year.

Mr. BOURGET: Would they be destroyer escort vessels?

Mr. WRIGHT: They would be destroyer escort vessels, yes, the same type as the Restigouche class which are now built.

Mr. PEARSON: Is the effect of that answer that four of these Restigouche ships will be completed this year?

Mr. MILLER: Yes sir.

Mr. PEARSON: When the minister spoke to us, at page 16 of the evidence, if I understood him correctly, he said that one of the first four Restigouche vessels would be laid down this fall and the others progressively over a period of three or four months.

Mr. WRIGHT: I am sorry if I did not make myself clear. I was dealing with six ships of the Restigouche class which were ordered years ago and are now just finished and completed. But in addition to that we hope to lay down two more of the repeat Restigouche, the new replacement ships this fiscal year. They will not be completed for some years to come.

Mr. MCWILLIAM: I take it that the answer to my question on the item is that there is a general curtailment of about $25 million for shipbuilding. My question had to do with ships, and this item, I see, is different. There is a difference of $25 million between last year and this year; and I take it, it would mean a curtailment of shipbuilding.

Mr. ARMSTRONG: If I may answer your question, Mr. McWilliam, the major reduction here which is from $55 million to $30 million is because of the reduced expenditures that are being made on the construction of the Restigouche class, the anti-submarine escort vessels. There were 14 of these in the original program and there are six remaining to be completed. That explains this rather substantial reduction.

Mr. MCINTOSH: Are we still on page 320?

The CHAIRMAN: No, page 319.

Mr. BROOME: I have two questions. First, in regard to the procurement of mechanical equipment and dealing particularly with ships auxiliaries: is there any requirement, in regard to the issuing of purchase orders on ships auxiliaries, which limits the procurement and suppliers to the North American continent.

Mr. MILLER: You are asking whether there is a restriction on orders limiting procurement to the North American continent?

Mr. BROOME: That is right.

Mr. MILLER: There is no such order.

Mr. BROOME: No such order at the present time?

Mr. MILLER: No.

Mr. BROOME: In other words, it is open to all people and representatives in Canada to quote and to be accepted on a price and specification basis with respect to ship auxiliaries, for instance?

Mr. MILLER: As I pointed out earlier, D.D.P. are in this and I am therefore answering on their behalf to a certain extent. I am not aware of any restrictions limiting quotations to the North American continent.

Mr. BROOME: My second question is this: in regard to gasoline, fuel oil, and lubricants—this may involve policy—but is it usual in requisitioning tenders for such material that the country of origin be specified? Is that usually asked?

Mr. MILLER: This again, I am afraid, is a D.D.P. matter and we cannot answer it.

Mr. CATHERS: Could you give us the cost of individual destroyer escort ships? How much did each one cost and who built it? I appreciate that you would not have the answers with you, but could it be made available to us?

Mr. PEARKES: I can give it to you for the last seven ships that have been built. The following is a table showing the details in connection with Royal Canadian Navy vessels under construction:

Vessel	Contract Date	Keel Laid	Builder	Estimated Completion Date	Estimated Cost
					$
DDE 235 Chaudiere.....	9/6/51	30/7/53	Halifax Shipyards, Halifax.....	28/9/59	19,403,000
DDE 236 Gatineau.....	9/6/51	30/4/53	Davie Shipbuilding, Lauzon.....	4/11/58	17,158,000
DDE 256 Ste. Croix....	9/6/51	15/10/54	Marine Industries, Sorel.	1/10/58	19,575,000
DDE 257 Restigouche...	9/6/51	15/7/53	Canadian Vickers, Montreal.....	7/6/58	18,398,000
DDE 258 Kootenay.....	9/6/51	21/8/52	Burrard Dry Dock, North Vancouver.....	28/2/59	20,054,000
DDE 259 Terra Nova...	9/6/51	14/11/52	Victoria Machinery Depot, Victoria.....	6/6/59	21,839,000
DDE 260 Columbia.....	12/6/51	11/6/53	Burrard Dry Dock, North Vancouver.....	3/11/59	20,657,000

I think that is the information.

Mr. CATHERS: That is the last seven ships you are referring to?

Mr. PEARKES: Yes.

Mr. CATHERS: As there are fourteen altogether, would it be possible to obtain information concerning the first seven?

Mr. PEARKES: I have not this information in my possession.

Mr. CATHERS: The *St. Laurent*?

Mr. PEARKES: The *St. Laurent* was the first. I think I am correct in saying there is no item in this estimate for those seven ships.

Mr. CATHERS: I was interested in the cost of them.

Mr. PEARKES: We have not got it. We can get it for you, but we have not got it now because it is not in this year's estimates.

Mr. MILLER: These are estimates. These are estimated costs because either the ships are not yet commissioned or the costs finalized. These are the latest estimates we have.

Mr. CATHERS: My question was, what was the actual cost of the ones completed?

Mr. PEARKES: The *Restigouche* is the only one which is completed and the figure which I have obtained is $18,398,000. I do not know whether or not all the bills are in.

Mr. PEARSON: I have been going to ask the minister whether he feels that our anti-submarine vessels are effective now, in the light of the development of the atomic submarine, which can remain for weeks submerged? I have read where they can fire atom rocket missiles from a depth of 400 feet. My question would be whether the old frigate type destroyer escort is of any value as an anti-submarine craft against that kind of submarine?

Mr. PEARKES: I think we have to consider the hunting and destruction of the submarine as a combined effort between the aircraft and the surface vessels. I feel quite convinced that the Restigouche type is an efficient hunter and destroyer of submarines, working in conjunction with aircraft either from a

carrier or from shore-based aircraft. From the information that I receive, surface vessels of this type are efficient. You referred to the frigates. Of course, they are not as efficient as these newer types of destroyer escorts.

Mr. PEARSON: May I ask then, what is the value of maintaining in operation the old frigate type?

Mr. PEARKES: I understand that there are very definite roles for them to play. They supplement, perhaps closer inshore, the role which is carried out by the destroyer escort. They would also be useful if we ever went into the convey field again.

Mr. HALES: I would like to ask a supplementary question following Mr. Cathers' question regarding the cost of ships. The deputy minister said these were estimates. When we order a new ship, is it not purchased on a contract basis? Do we not receive a definite price when a ship is ordered, or is it a cost-plus arrangement? What is the arrangement?

Mr. PEARKES: I understand that there is no fixed price. No fixed price can be given before the actual construction starts.

Mr. HALES: No contract price can be given?

Mr. PEARKES: No.

Mr. HALES: That seems strange.

Mr. PEARKES: The construction of these ships is not let out by tender. They are allocated to yards. It is considered desirable to maintain a working team in the various shipyards so that we can always have a nucleus of trained shipwrights, riggers and so forth, in case at any time it is necessary to expand, as was necessary in 1950.

Mr. BOURGET: I have here an article from the Halifax *Chronicle-Herald* dated January 1, 1958, which reads as follows:

> "Recent exercises by western navies have revealed what the admirals have called a 'serious shortage' of ships, particularly anti-submarine destroyers. The commander-in-chief of NATO's Atlantic fleet, Admiral Jerauld Wright, only this week pleaded for 'substantially more forces than we now have.' "

Would the minister like to comment on that statement by the commander-in-chief of NATO's Atlantic fleet?

Mr. PEARKES: You were suggesting that there had been an article in the Halifax newspaper that we were extremely short?

Mr. BOURGET: Well, that is what the article reported.

Mr. PEARKES: Of surface ships?

Mr. BOURGET: Yes, surface ships. There was a serious shortage of ships, particularly anti-submarine destroyers.

Mr. PEARKES: Well, we are working on this program. As I have said, you must take the surface ships in combination with the aircraft used for anti-submarine work. As I explained during the first day of this meeting, we have taken into service now the new Argus aircraft. Of course, I am quite certain that no admiral ever feels he has enough ships for the task he has to carry out. I feel certain of that. On the other hand, it is impossible to give more than the economy of the country can possibly stand. I am satisfied that we are giving reasonable protection to the country against a submarine threat, and that we have a reasonable number of surface vessels. The number of surface vessels which we have has been reviewed by the NATO authorities and by SACLANT. I feel that we can offer reasonable protection.

Mr. DUMAS: Mr. Chairman, the fifth item from the top of page 319, transportation by railroad and by truck; I wonder if we could have a statement as to how it is divided between the railroad companies and the trucking companies

Mr. ARMSTRONG: I do not have those figures with me. I am not sure that I understood your question. You are speaking of the item covering travel and removal expenses?

Mr. DUMAS: In respect of the transportation expenses by railroad and truck, is there more transportation done by truck than there is done by railroad?

Mr. ARMSTRONG: This particular item deals with personnel transportation so that truck transportation does not come into it except in respect to the movement of furniture. There is, of course, provision here for moving the furniture of personnel who are transferred from one station to another. That transportation for the most part is done by truck.

Mr. DUMAS: But this item covers mainly the cost of transportation of personnel?

Mr. ARMSTRONG: It covers mostly the transportation of personnel here, yes.

Mr. PEARSON: Mr. Chairman, I have a question or two I would like to ask in respect of the aircraft carrier.

I would like to ask the minister if he could elaborate to some extent on his original statement that the role of the *Bonaventure* is now changed somewhat from its earlier purpose, and that it is now used mainly for the purpose of supporting other vessels of the R.C.N. which are on coastal patrol, and whether he considers the *Bonaventure*, which is armed with two squadrons of fighter planes, as a valuable adjunct to anti-submarine works?

Mr. PEARKES: Yes. The *Bonaventure* was originally designed to assist in the escort of convoys across the Atlantic. As I explained in my opening remarks, that escorting of convoys would take place probably in the second phase of the war.

In the first phase of the war the *Bonaventure* would be available to assist in the search for submarines.

We still feel that it is desirable to keep two squadrons of fighter aircraft because the *Bonaventure* might well be operating within the range of Russian aircraft. It is quite possible that reconnaissance aircraft might be launched from vessels, including submarine vessels and might have to be attacked and shot down when they were approaching the area in which the *Bonaventure* was operating.

Mr. HALES: Mr. Chairman, I wonder if I might be allowed to go back to this item in the estimates in respect of the building of ships. I do not think it is a very satisfactory way to spend the taxpayer's dollars yet I realize the situation in which the department finds itself.

The cost of building the *Restigouche*, for instance, would be estimated at so much. Could we be informed of the estimated cost and the final cost of building the *Restigouche* so that we would have the plus or minus percentage?

The CHAIRMAN: Mr. Hales, your question is, how does the estimated figure compare with the actual costs figure?

Mr. HALES: That is right, Mr. Chairman, on a percentage basis.

Mr. PEARKES: I am wondering whether the Department of Defence Production has received the final bills for the construction of the *Restigouche*. She was only commissioned on June 7.

Mr. HALES: Could we have the same figures in respect of the ship that was completed just before the *Restigouche*?

Mr. PEARKES: Yes. I have said, I have not got those figures because they are not reflected in this year's estimates. We will try and get the actual cost and the estimated cost of a St. Laurent type of vessel that has been finished.

Mr. HALES: What was the estimated cost of the *Restigouche,* for example?

Mr. SMALL: What was the target estimate?

Mr. PEARKES: The target estimate of the *Restigouche* was $18,398,000.

Mr. STEWART: That is the figure you gave us

Mr. PEARKES: That is the figure I gave in regard to the *Restigouche.*

Mr. HALES: If we had the final cost figure as well as the estimated cost figure we would know what the percentage was over or under the estimated cost. That is what I am trying to get at.

The CHAIRMAN: Mr. Hales, I think I should mention that this committee will have the right, of course, after we have finished with the Department of National Defence's estimates to deal with the Department of Defence Production's estimates. As I understand your question it deals with an item of the Department of Defence Production. The Department of Defence Production does purchase materials and builds ships, do they not, Mr. Minister?

Mr. PEARKES: The Department of Defence Production calls for all the construction and then bills the Department of National Defence for the final amount. We work closely together. This figure is an estimate that they have submitted as the cost of the *Restigouche.*

The CHAIRMAN: In any event the information will be given to you by the minister.

Mr. BROOME: Will we be dealing with the Department of Defence Production estimates?

The CHAIRMAN: That is a question up to the committee.

Mr. GRAFFTEY: Is it inconceivable that we could perhaps, during this session, have some officials of the Department of Defence Production here in conjunction with the present officials so that we could coordinate our questions?

The CHAIRMAN: It is not inconceivable. It is only a matter of continuity in an endeavour to have some sequence to our questions. As was expressed in the House of Commons the estimates of the Department of Defence Production could follow the estimates of the Department of National Defence. This would be the logical sequence. I have endeavoured to maintain some sequence in respect of the question for that purpose.

I have only mentioned this fact, Mr. Hales, because if we do get a series of questions which come under the estimates of the Department of Defence Production then we are not going to be able to finish the department's estimates that we have before us now.

Mr. PETERS: There is another item in respect of the ships that I do not find here in the estimates. I am speaking of the matter of "moth balling" the ships, so to speak. What section of the estimates would ships in this state come under? Are those ships that are in dry dock? Where are those ships and how many are there? Could we be informed as to the cost of manning and maintaining these ships?

Mr. PEARKES: The ships in so-called moth balls constitute the reserve fleet. Most of the reserve fleet is being kept at Sydney, Nova Scotia, although there are sometimes a few ships which are part of the reserve fleet at Esquimalt in British Columbia. There would only be a caretaker crew, if any crew at all, kept on those ships. Only a minimum amount of maintenance would be done.

Those ships are sometimes re-commissioned. We have, during the past 12 months disposed of quite a number of those ships through the mutual aid program to other countries. For instance, there were ten ships handed over

to the Turkish navy this spring that had been in the reserve fleet. They were brought in and refitted to NATO standards and then handed over to the Turkish navy.

Mr. PETERS: When you say there were ten ships in dry dock, does that mean they were not in the water?

Mr. PEARKES: These ships would not be in dry dock. They would be put into dry dock when they were being refitted or repaired. They would be in the water. If I may use a non-naval term, they would be tied up. They would be grouped together and waiting there because it was not considered desirable at the time to keep them manned. They are the older type of ship.

The policy has been to reduce the reserve fleet as much as possible partly because it is considered essential that we have as many of our ships on station at all times.

When we were thinking in terms of convoys across the Atlantic, some of these ships, we thought, could be kept in reserve ready to be brought in and refitted when war broke out so that they could act as escorts, or mine sweepers, or whatever their role was, within a certain period of time.

Mr. PETERS: Mr. Chairman, is there a place in the estimates here that relates to the cost of moth balling or holding these ships?

Mr. ARMSTRONG: You cannot pick that figure out specifically because the cost covers many items. If it happened to be a cost in respect of staff it would be under civil salaries and so on.

The total estimated cost of maintaining these ships held in reserve is roughly $60,000 a year; holding them in a de-humidified state, as it is called.

Mr. CHAMBERS: Mr. Chairman, toward the bottom of the page there is an item of $22,645,000 in respect of aircraft. I was wondering if we could be given some kind of a breakdown as to the type.

Mr. PEARKES: The type of aircraft you are speaking of?

Mr. CHAMBERS: Yes. What type of aircraft would be purchased for the navy?

Mr. PEARKES: There are two types of aircraft purchased for the navy. There is the Banshee fighter and there is the anti-submarine reconnaissance aircraft known as the Tracker.

Mr. CHAMBERS: Can the Banshee carry torpedoes?

Mr. PEARKES: I do not think the Banshee carries torpedoes. The Banshee is being armed with a missile known as a "sidewinder". The Banshee is now being equipped with these air-to-air missiles. That is, they can be fired from the fighter plane against a hostile plane while the fighter plane is in the air.

Mr. CHAMBERS: Are any naval aircraft carrying armament with which they can attack enemy ships? I am speaking more particularly of submarines.

Mr. WRIGHT: Speaking of the Banshee, it does carry air-to-surface rockets which can be used for attacking submarines or other targets.

The main armament of the CS-2-F aircraft will be aerial torpedo.

Mr. CHAMBERS: That is the CS-2-F?

Mr. WRIGHT: Yes; the Tracker.

Mr. BOURGET: I understand that repair work is allocated. Could we have a breakdown of the amount of work allocated to each shipyard?

Mr. PEARKES: As far as the navy is concerned?

Mr. BOURGET: Yes.

Mr. PEARKES: No. We will obtain that detail for you.

Mr. CATHERS: Mr. Chairman, are there any plans on the part of the navy to build submarines in Canada? Or is that secret?

Mr. PEARKES: There are no plans at the present time to build submarines in Canada. As I have explained, I think, we now have teams of scientists and naval engineers in the U.K. and in the United States inquiring into the whole question of submarine construction.

Mr. BROOME: Mr. Chairman, in respect of the corps of commissionaires, which has been reduced in the amount of some $23,000 as I understood from a reply to a previous question, due to their replacement by 73 fire-fighters as shown on page 315 at an extra cost of $329,000 there must be some other factors involved in the discrepancy in respect of the saving and the extra cost. I am not asking for an answer now, because it is an answer which would require a lot of detail; but I think the other answer ought to be amplified.

Mr. PEARSON: Mr. Chairman, I do not want to ask the minister for details of the operation of our aircraft or our ships, which might verge on security, but I would like to ask him whether he has considered the effectiveness of our naval and naval-air facilities in the tracking and destroying of submarines; whether that effectiveness has been carefully examined in the light of the development of a new type of submarine? I ask that question because I have read, and others no doubt have read, that the United States atomic submarine is of such a character that the ordinary defensive or offensive measures against it cannot operate. I assume other countries also have or will have a similar atomic submarine, and therefore I ask the minister whether our defensive measures against that are being examined in the light of these submarine developments.

Mr. PEARKES: It has been closely examined in the light of the threat which we expect. As I pointed out previously we know that the Russian fleet has a large number of submarines. We believe only a very few, if any, are actually nuclear-powered at the present time. We are doing our utmost to maintain our defences so that they can give adequate protection. The type of vessels which the enemy might use as a threat is constantly under consideration. One of the reasons why it is so hard to give a fixed price, or a fixed tender, for the construction of any ship is that before that ship is completed it is almost always the case that improvement have to be made, particularly in weapons, owing to the changes which have come to light.

Mr. PEARSON: If I may follow that up; the minister mentioned this morning, and in his report the other day, that certain provisions are being made for participation in what he called the second phase of a nuclear war—that is, the escorting of ships across the ocean, and that kind of thing. Personally, I do not think there will be much preparation required for participation in the second phase of a nuclear war. Does he not feel it would be unwise to reduce our expenditures in any way, shape or form in our participation in the first phase, in order to participate in the second phase of a nuclear war—which second phase is not likely to occur?

Mr. PEARKES: As I said, we do not consider the second phase as a first priority, and expenditures are being directed to meet the first phase of nuclear warfare. That is the prior demand on our expenditures.

The CHAIRMAN: We are on page 319.

Mr. PEARKES: Mr. Pearson asked some questions at the last meeting and I said I would give him the answer. I notice he is about to leave.

The CHAIRMAN: Mr. Pearson, the minister says he has the answers to the questions which you asked at the last meeting. Do you wish to remain?

Mr. PEARKES: You asked whether the minister felt that the present NATO objective of thirty divisions is adequate in the light of the situation that faces western European countries from the East. The answer I would like to give to that is, the committee will appreciate that information with regard to the

actual force goals of NATO is considered classified on security grounds. However, I can say that the defence ministers of NATO agreed unanimously at the meeting in Paris in April that the recommendations of the military committee should be adopted for planning purposes. These recommendations were drawn up after full consideration had been given to all the latest developments in the military field.

As Mr. Pearson knows, I think, the supreme commander of European forces, and the other supreme commanders, submit recommendations as to what they consider as their minimum requirements. The total force that they suggest as the minimum force to meet their objectives is then allocated to the various countries, or the various countries indicate what portion of that force they can supply. The actual allocation and the actual minimum requirements suggested by the supreme commanders are a secret and classified document. I know there have been estimates made in the press as to what those are, but I would not like to be put in the position of having to say that those minimum requirements were or were not thirty divisions.

Mr. PEARSON: I mentioned that, Mr. Chairman, because that figure had been used by the supreme commander himself, General Norstad, more than once.

Mr. PEARKES: I am not in a position to comment.

You also asked a question regarding the cost of Canada's contribution to UNEF and whether such costs were credited against any contribution Canada makes to the United Nations. The answer I have is that Canada pays to the United Nations special UNEF account her contribution in accordance with the UN scale of assessments. Expenditures recoverable from the UN are billed monthly to the UN and are settled from credits in a special UNEF account. Based on the present strength of the Canadian contribution to UNEF, the estimated annual costs—non-recoverable—to Canada are $3,366,000 for the army component and $450,000 for the air force component.

Then you asked questions about the way in which the tri-service colleges were administered. I think a paper is being issued on that.

The CHAIRMAN: Mr. Pearson, do you wish to make any comment?

Mr. BOURGET: I am not sure whether or not I may ask this question. It may be difficult to answer at the moment. I understand studies are being made by a Canadian team of scientists and naval officers regarding nuclear problems in respect of ships. I wonder if the minister has any idea how long it will be before a final report is made on those particular studies?

Mr. PEARKES: My recollection is the teams were sent over to the United Kingdom for a period of two years.

Mr. WRIGHT: I think they expect to have an initial report out in about eight months from now.

Mr. BOURGET: It means there will be no new NATO construction program until a final report of those studies is received by the department?

Mr. PEARKES: There will be no submarine construction started until we have got further information. I have already announced that we are planning for six more of the improved Restigouche type, the first to be laid down this fall. The next will be approximately a period of six months after that, and then three and four, in periods of approximately three months after that. We are procuring the long leads for five and six now.

Mr. BOURGET: I was only referring to a statement or declaration you made at the end of last year or the beginning of this year to the effect that there would be a halt in the naval construction program until the plans are finalized. This article appeared in the Halifax *Chronicle Herald* on January 1, 1958. I did have the article but I gave it to the reporter a few minutes ago.

Mr. PEARKES: There will be no halt in the construction. We have to work on a definite replacement program in order to maintain the number of ships we are committed to maintain under the NATO contract. There are no plans, as I have already said today for the actual building of submarines. We will have to decide in the not too distant future as to the type of vessel we want to build after the construction of these six new vessels of the improved Restigouche type are ready.

Mr. PETERS: I see that the time for the hearing has come to an end, but before that I should like a report from the chairman as to our progress in respect of the public address system in this room. I would like to add, before you say anything, that the pictures were supposed to be a problem. These are not firmly attached. If some material could be put behind them, they could be put back on the wall again.

The CHAIRMAN: Mr. Peters, I have done as instructed and spoken to the proper authorities—the house leader and also to Mr. Speaker. I have not yet had any response, but as soon as I do we will let you know.

You will be happy to see that you are getting your minutes somewhat more promptly than we have in the past. I think the bureau are doing a very good job on it.

Before we do adjourn, there are two or three points I should like to make. First of all I should like to thank our witnesses again for being with us and giving us their time. They are doing an excellent job.

Secondly, if there are any people that you wish to have come before the committee, as suggested by Mr. Peters, will you let me know and we will try to arrange that they be here. If you will give me your suggestion in more detail Mr. Peters, I shall see that that is done.

The other point I have is this. After a meeting or two, we will have to decide what will be the next department to call. I have assumed, perhaps incorrectly, it will be defence production; but they too would like some notice before they are called to appear before the committee. I suggest that it is not a decision that need be made now, however it will be deferred until the next meeting.

The third point is that we shall meet again on Monday at 10:30 a.m. We will then proceed with item 220.

Mr. TASSE: There is a banking and commerce meeting on Monday morning also.

The CHAIRMAN: There will be duplication.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

MONDAY, JUNE 23, 1958

DEPARTMENT OF NATIONAL DEFENCE

WITNESSES:

Honourable George R. Pearkes, V.C., Minister of National Defence; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister—Finance; and Commodore R. A. Wright, Naval Comptroller.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

59550-4—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Allard,
Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard (*Lapointe*),
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Johnson,
Jung,
Lennard,
MacEwan,
MacLean (*Winnipeg North Centre*),
Macnaughton,
McCleave,
McDonald (*Hamilton South*),
McGregor,
McIlraith,
McIntosh,
McMillan,
McQuillan,
McWilliam,
More,
Murphy,
Nielsen,
Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard (*Kamouraska*),
Rowe,
Small,
Smallwood,
Smith (*Winnipeg North*),
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian,
Winch—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDERS OF REFERENCE

THURSDAY, June 19, 1958.

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

Ordered,—That the quorum of the said Committee be reduced from 20 to 15 members and that Standing Order 65(1)(m) be suspended in relation thereto.

Attest.

LEON J. RAYMOND,
Clerk of the House

59550-4—1½

MINUTES OF PROCEEDINGS

MONDAY, June 23, 1958
(6)

The Standing Committee on Estimates met at 10.30 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Baldwin, Benidickson, Bourget, Broome, Carter, Cathers, Chown, Danforth, Grafftey, Hales, Hicks, MacEwan, McCleave, McDonald (*Hamilton South*), McIlraith, McIntosh, McMillan, McWilliam, More, Pearson, Ricard, Smith (*Calgary South*), Smith (*Winnipeg North*), Stefanson, Stewart, and Tassé.

In attendance: From the Department of National Defence: Honourable George R. Pearkes, Minister; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister—Finance; Commodore R. A. Wright, Naval Comptroller; Captain D. McLure, Deputy Naval Comptroller; Mr. D. B. Dwyer, Superintendent of Parliamentary Returns; Colonel F. E. Anderson, Director of Army Budget; and Lieut. Colonel H. A. Bush, Deputy Director of Army Budget.

The Chairman reported that studies are being carried out with a view to improving the acoustics of the Railway Committee Room of the House of Commons, as requested by this Committee.

The Minister and his officials supplied information that had been requested at previous meetings.

The Committee continued its detailed study of the Main Estimates, 1959, relating to the Department of National Defence.

Under Item 220—Defence Services: Navy was considered and approved.

Army was considered; the Minister made a preliminary statement and he was questioned thereon.

Agreed,—That in future, Committee Members should be supplied with a detailed breakdown of all the larger items of expenditure before these items are considered by the Committee.

At 12.30 p.m. the Committee adjourned until 10.30 a.m. Tuesday June 24, 1958.

E. W. Innes
Clerk of the Committee.

EVIDENCE

MONDAY, June 23, 1958

The CHAIRMAN: Gentlemen, with our reduced number, we now have a quorum.

I think perhaps before going on with the item under consideration I might report to you some success, in that the Speaker has advised us that the architects are now examining the possibility of improving the acoustics of this room. They are not too certain when the changes, assuming there are going to be changes—will be made.

The Speaker has informed me that the study is now under way, and that we may hope in the very near future that some improvement can be made.

I was asked to report about this at our last meeting.

We are looking at item 220, the details of which are to be found at page 319.

There were a number of unanswered questions. We have the minister and the various other witnesses with us and I think we might first hear their replies to the questions before we proceed any further.

Now, Mr. Minister, would you care to go ahead and give us the information that you have.

Hon. Mr. G. R. PEARKES (*Minister of National Defence*): Mr. Chairman, a question was asked regarding the cost of the *St. Laurent* destroyer escort and I was asked to produce the original estimated cost of the total cost.

It is very hard to produce the original estimated cost. There was a general statement made in the House of Commons that the estimated cost would be about $8 million, but then there were a number of changes suggested by the navy, so that the original estimated cost was quite unrealistic at that time because there have been a number of alterations made from the original plan.

Therefore I propose to give you only the estimated final cost. I say estimated final cost because all the accounts have not yet been submitted even for the first of the St. Laurent class.

This is partly due to the fact that certain equipment is to be supplied both to the St. Laurent and to the Restigouche classes.

The final cost of these is not yet in. But I think that the estimated cost will be very close to what would be the final cost.

The *St. Laurent* was built by Canadian Vickers; the completion date was October 28, 1955; and the estimated final cost is $14,426,000.

The *Assiniboine* was built by Marine Industries at Sorel, Quebec; it was completed in August, 1956. The estimated total cost is $18,487,000.

The *Ottawa* was built by Canadian Vickers; the estimated final cost is $16,380,000.

The *Saguenay* was built by Halifax Shipyards and was completed in December, 1956. The estimated final cost is $18,044,000.

The *Skeena* was built by Burrard Dry Dock and completed in March, 1957. The estimated final cost is $19,762,000.

Mr. BENIDICKSON: Where was that ship constructed?

Mr. PEARKES: At the Burrard Dry Dock in Vancouver.

The *Fraser* was built at Yarrows Limited in Victoria and was completed in June, 1957. The estimated final cost is $17,921,000.

The *Margaree* was built at the Halifax Shipyards and completed in October, 1957; the estimated final cost is $18,636,000.

Then I was asked to produce the scheduled repairs and refits for the fiscal year 1957-58.

Of course we cannot give the figures for the current fiscal year, but they are based, roughly, on those of the previous years.

Now, I have a fairly long list of these things and I suggest that I be permitted to table this paper in order to save the time of reading it.

The CHAIRMAN: Is it agreed?

Agreed.

(*See the following table.*)

SCHEDULED SHIP REPAIRS & REFITS—FISCAL YEAR 1957-58
SHIPS ALLOCATED TO SHIP REPAIR YARDS

Contractor	Location	Value
Halifax Shipyards Ltd.	Halifax, N.S.	$ 830,019.47
T. Hogan & Company	Halifax, N.S.	$ 64,464.00
Purdy Bros. Ltd.	Halifax, N.S.	$ 211,425.61
Saint John Dry Dock Co. Ltd	Saint John, N.B.	$ 672,731.00
North Sydney Marine Railway	N. Sydney, N.S.	$ 177,306.28
Ferguson Industries Ltd.	Pictou, N.S.	$ 168,730.00
Steel & Engine Products Ltd.	Liverpool, N.S.	$ 314,352.00
Victoria Machinery Depot Co. Ltd.	Victoria, B.C.	$ 315,800.00
Lunenburg Foundry & Engineering Ltd.	Lunenburg, N.S.	$ 42,500.00
Port Weller Dry Dock Ltd.	Port Weller, Ont.	$ 1,793.40
Yarrows Ltd.	Victoria, B.C.	$ 635,600.00
Canadian Vickers Ltd.	Montreal, Que.	*$1,113,228.00
Canadian National Railways	Newfoundland	$ 5,500.00
Sydney Engineering & Dry Dock Co. Ltd.	Sydney, N.S.	$ 18,997.67
		$4,572,447.43

*Included is the cost of the repair of collision damage to H.M.C.S. "*Restigouche*". The amount included for this work is $930,000.00.

Note: This list only includes jobs that have been allocated. It does not include contracts awarded on a competitive basis. Such contracts are handled by the District Purchasing Offices of D.D.P.

June 20, 1958.

Mr. PEARKES: Those are the two main questions which were asked dealing with this subject.

A member of the committee asked about civil defence and I suggested that it be dealt with under the heading of militia for those who may want it. I can give a statement on it then.

The CHAIRMAN: I believe we are to have a discussion on some aspects of civil defence as it applies to the militia.

Mr. HALES: Concerning these prices for costs that the minister gave, was that the final cost of the St. Laurent type?

Mr. PEARKES: They are the estimated final costs. We have not yet got all the bills in because there are certain furnishings which will apply to both the St. Laurent as well as to the Restigouche type and the bills for these have not been submitted and divided up until the whole order has been completed. But this is the estimated final cost and we believe that it is accurate.

Mr. HALES: These ships were finished in 1956, were they not?

Mr. PEARKES: Some were finished in 1956 and some were finished in 1957.

Mr. HALES: But that is the St. Laurent class?

Mr. PEARKES: Not the Restigouche type.

Mr. HALES: The one that was finished in 1955, I think the first one—was it not finished in 1955? Do you mean to say that we have not got the final cost of it yet?

Mr. PEARKES: That is correct.

Mr. HALES: Three years after they are finished?

Mr. PEARKES: That is correct.

Mr. HALES: That does not sound right—three years after the ships were finished, and we have not got the final bills.

Mr PEARKES: Perhaps Commodore Wright might answer your question.

Commodore G. R. WRIGHT (*Naval Comptroller, Department of National Defence*): The reason for this not being a completed produced final cost is that when you have a program like that coming out, and there are fourteen ships in that program, the cost of such things as the main engines and that sort of thing is left and averaged over the whole of the fourteen of them, over the whole program. Until the last bill is in on the last one, there are certain items of the components of the ships which cannot be given a final and accurate cost. It is being held open still; but according to the best opinion, it is that this figure is as nearly accurate as you can get.

Mr. BENIDICKSON: When these ships are constructed, is it done on a cost plus basis with a percentage of profit, or is it done under a standard profit for each yard, under a fixed flat amount of money for each yard?

Mr PEARKES: I think your question had better be asked of the Department of Defence Production because they deal with that side of it.

Mr. CATHERS: First I would like to correct an impression which was derived from my remarks of the other day. I shall not say that I was misquoted, but there was an impression derived that I was criticizing this committee for the work we were doing. This was last week.

Now there was some criticism, but it was taken in hand by our chairman. What I was trying to point up was the futility of our sitting here and going into details of expenditure, for example, as to how many caretakers we should have in a dockyard.

When we think of $2 billion here and that we are trying to save the people's money, I think the job I am trying to do here is absolutely useless. You have to go beyond the job to see if the men are doing their work, and to see if things are being run properly. You have to have an accountant go in and check these figures. That was my feeling. I was not against the committee.

I have a feeling of frustration, in trying to deal with something when you have not got the facts before you. In any event, I apologize to the committee for giving the impression that I was trying to criticize them because I was not.

The CHAIRMAN: I do not think any apology is necessary, Mr. Cathers. I think the responsibility of this committee is to examine the estimates as minutely as it sees fit, and my part is only to encourage as free a discussion as possible.

I think that is the way we are proceeding. However, this was discussed at our last steering committee meeting and it was agreed that the manner in which we were proceeding was correct. Therefore, I do not think we need discuss it further. May we now proceed with the questions?

Mr. CATHERS: I would like to point out to the minister with respect to these ships that if these costs are in any way near final, with the *St. Laurent* costing $14 million, and the Skeena at the Burrard Dry Docks costing $19 million—is that the same type of ship?

Mr. PEARKES: Yes, it is the same type of ship.

Mr. CATHERS: You pointed out that you wanted to keep these yards all staffed and working; but when the figure of the percentage increase in cost between one ship built in the east and one ship built on the west coast show a difference of $5 million, I think we should try to arrive at a target price that those yards would be given, and not have one about 30 per cent higher.

Mr. PEARKES: One of the main reasons—

Mr. BENIDICKSON: Mr. Chairman, that was the purpose of my question. I was urged not to proceed because it should be properly asked of the Department of Defence Production. I was a bit disappointed, because I thought the navy would at least be able to say what its purchasing policy was. On the other hand, that was what I was leading up to. It is a question of whether you are going to cut everybody off.

The CHAIRMAN: The question is most certainly one which comes under the Department of Defence Production. I made the point when it was asked initially that it should be limited to just one question because otherwise we might set a precedent and go into all questions of cost. I suggested that we delay this question until we come to the subject matter of the Department of Defence Production.

Mr. HALES: With respect to the question of ships, if that was the figure in October 1955. When might we expect the final bill for that ship?

Mr. PEARKES: Well, that again comes under the Department of Defence Production. We will not be able to get the final answer until the second group of ships, that is, the Restigouche type, are completed. I gave the figures of completion of those ships the other day. It seems to me that the last of them is due at the end of 1959.

Mr. MCILRAITH: I would just like to clarify this point about defence production. There are no items in defence production where we can ask these questions concerning navy policy in relation to the purchase of these ships as I see it. I was wondering how we can protect our right to get at this matter, because defence production is largely an item of departmental administration.

The CHAIRMAN: I think under the first item you would qualify, Mr. McIlraith, and I can assure you that if you do not have the right, we will provide an opportunity for you to get that information.

Mr. MCILRAITH: It seems to me that there is a practical difficulty of substance here. I recognize that the Department of Defence Production would not have the detailed information.

The CHAIRMAN: I think we can still hold it open under that item, Mr. McIlraith.

Mr. PEARKES: It might help if I said that in respect of the first of the St. Laurent type of vessel, and I think in respect of one or two of the others, certain equipment came from the United Kingdom, whereas in the remainder all the equipment was made in Canada.

Mr. BROOME: Mr. Chairman, for the sake of the record, Mr. Cathers' comparison of east and west coast building costs, the 1955 and 1957 costs had regard to the first vessel, which was the Canadian Vickers, and the third vessel, which was the *Ottawa*. I do not think that is a fair comparison because he was taking the lowest against the highest.

Mr. WRIGHT: I have some details of questions that were asked the other day which I could not supply answers to.

The first question had to do with the location of gardeners that we employ.

The responsibility for maintaining the grounds on either coast rests with a manager of civilian engineering. He is given the staff to distribute. We know roughly where that staff is distributed.

On the east coast there was a total of eight gardeners, of whom two were employed at the air station at Shearwater, two employed in the barracks at Halifax, and one was employed in Newfoundland.

On the west coast there are five gardeners attached to the dockyards to look after all the barrack areas in the dockyard area. There are ten gardeners employed at the Canadian Service College at Royal Roads.

The CHAIRMAN: Are there any further questions in respect of the gardeners?

Mr. BROOME: Did you say there were ten gardeners employed at Royal Roads?

Mr. WRIGHT: There are ten gardeners employed there.

The CHAIRMAN: Would you like to proceed with the next answer?

Mr. WRIGHT: In respect of page 317 there was a question asked as to where the truck lift operators were employed. They are employed in supply depots. Fourteen are employed in the Halifax depot, which is the biggest depot on the east coast; two are employed in the aviation supply depot at Dartmouth; one is employed at the armament depot at Dartmouth, Nova Scotia; five are employed in the supply depot at Sydney, Nova Scotia; four are employed in the supply sub-depot at Lynn Creek in Vancouver; 26 are employed in our big supply depot at Montreal, and two are employed in our armament supply depot at Longueuil.

The CHAIRMAN: Are there any further supplementary questions in respect of that answer?

Would you proceed with your next answer Commodore Wright?

Mr. WRIGHT: There was a query last meeting in respect of the chauffeur (U.S.S.R.). Although we have had an attache there for three or four years it was only this year that the position was made permanent, and a car and chauffeur is being supplied to that attache. Previously use was made of rented cars in that area.

Mr. PEARSON: He is a civilian chauffeur of what nationality? I asked if he was a Russian or non-Russian chauffeur?

Mr. WRIGHT: I think he is a Russian. He is certainly employed locally, but I think he is a Russian.

Mr. CHOWN: Commodore Wright has just been dealing with questions asked at our last meeting. I asked a question previously of Mr. Armstrong regarding the changes between clerks and personnel officers in one year, in reply to which he said he would work out the particulars for me at a subsequent meeting. I was wondering whether Mr. Armstrong could give us that information now. That question appears on page 78 of the minutes, Mr. Armstrong.

The CHAIRMAN: Yes, Mr. Armstrong has that information. I wonder if you would just defer that question until we have finished with Commodore Wright's answers?

Mr. WRIGHT: There was a question asked regarding the number of men who were laid off at Longueuil in Montreal. Of the positions shown in the book, there was a reduction of 137. However, the work load has been reduced and there were only 97 of those positions that remained filled just previous to the beginning of the year. Of those 97 employees concerned, all but 14 of them have been employed in other places where there were vacancies.

The CHAIRMAN: Are there any supplementary questions in respect of that answer? Would you proceed with your next answer Commodore Wright?

Mr. WRIGHT: There was a question asked having regard to the duties of leather workers.

A leather worker works with both canvas and leather making muzzle covers, quilting and padding in connection with the protection of armament equipment for shipment and that sort of thing. Now that new materials are being introduced in this field the requirement for this trade is diminishing. That was the reason for the reduction to one leather worker.

I said in connection with firefighters, that there had been an increase because some of the commissionnaires were being laid off. A question was asked as to the number of commissionnaires who were in fact laid off. The fact is, we started this year with these commissionnaires still employed. They have not all been laid off at this time. There was a reduction of approximately $143,000 offsetting the additional cost of firefighters.

The CHAIRMAN: Are there any supplementary questions in regard to that answer?

Mr. BROOME: Yes, Mr. Chairman. The cost of commissionnaires, as I see it shown on page 319, is only reduced $23,000. There was an increase of $349,000, in the cost of firefighters. That was the point I was referring to.

Mr. WRIGHT: That figure represents the total over the year, whereas some commissionnaires in some areas were laid off. There also have been other changes in the commissionnaire complement.

Mr. BROOME: Mr. Chairman, these are estimates for the whole year. We did not have the firefighters and commissionnaires at the same time. The estimates should reflect a bigger reduction in one or the other.

Mr. WRIGHT: I can assure you that there has been a reduction made as a result of the fact that we did not employ both at the same time.

Mr. BROOME: There only appears to be a reduction of $23,000.

Mr. WRIGHT: As far as costs are concerned, there is an increase in respect of both categories because of the seven per cent over the year increase of civilian salaries.

Mr. BROOME: I was just saying that the total increase was $326,000.

Mr. WRIGHT: That particular item in the blue book covers school teachers as well as commissionnaires, and their salaries are up some $35,000.

Mr. CARTER: I have some questions in respect of personnel, Mr. Chairman. I would like to ask them at the appropriate time.

The CHAIRMAN: I would like to finish Commodore Wright's answers first. Have you any further answers, Commodore Wright?

Mr. WRIGHT: Mr. Chairman, there was one question which was asked in respect of ships' officers and crews. The member who asked that question was told that this was a result of the additional crews of the *Oshawa* and the *New Liskeard*. At this time I might say that that was not a complete answer. There is a total of 655 ships' officers and crew shown here. Only the difference between the 560 and the 655 is represented by the additional crews of the *Oshawa* and *New Liskeard*. The additional number are being employed in respect of the additional craft we use—tugs, barges, fireboats and that type of thing—in all our dockyards and naval bases. The answer seems to imply that the total of 655 represented the additions to the crews of the *Oshawa* and the *New Liskeard*, but it does not.

Those are all the answers I have, Mr. Chairman.

The CHAIRMAN: Mr. Armstrong, I wonder if you would be kind enough to give a reply to Mr. Chown's question?

Mr. E. B. ARMSTRONG (*Assistant Deputy Minister of National Defence—Finance*): Mr. Chairman, in the 1958-59 estimates there are 35 personnel officers provided for, and in the 1957-58 estimates there are 16, so there is an increase of 19 personnel officers. The total increase in cost shown against that classification is $97,200. That $97,200 cost is made up in this way. Of the 35 positions, 19 now classified as personnel officers were formerly carried as

clerks and administrative officers, and were provided for in the 1957-58 estimates at a cost of $83,610. There are 21 upward reclassifications. The cost of those reclassifications is $7,950. There are seven downward reclassifications, and the saving there amounts to $5,610. Statutory and pay increases amounted to $11,250. The total increase is $102,810 less the $5,610 which represents the savings in respect of the downward reclassifications, giving you a total of $97,200.

Does that answer your question?

The CHAIRMAN: Gentlemen, are there any further questions in respect to the items shown on page 319?

Mr. BENIDICKSON: Mr. Chairman, I do not think we should pass some of these large items appearing on page 319 without a breakdown. I refer to such items as construction of buildings and works, $11,450,000. I think we should have an outline from the department in respect of their budget covering items of this magnitude.

Similarly, what is the estimate and the distribution of the $30,167,000 for ships? Where is this work to be done and what is the distribution of the amount of money? There must be a breakdown in respect to these figures.

Mr. BROOME: Surely we do not necessarily have to know where this work is being done.

Mr. BENIDICKSON: If $30,167,000 is going to be spent during the next nine months there must be a plan. Surely someone must know what this money is to be used for.

I would also like to follow that up and find out where the work is to be carried out.

Mr. PEARKES: I will answer first, the portion of your question dealing with the allocation of the ships to be built.

In respect to the major construction of the four new ships which are to be laid down, the actual allocation has not yet been made. It is receiving consideration by the authorities who deal with that, but no allocation has been made.

With regard to construction, Commodore Wright has a list of the major projects.

Mr. WRIGHT: Would you like me to deal with these by locality or by detailed building, Mr. Chairman?

The CHAIRMAN: I think perhaps you should deal with them by locality.

Mr. WRIGHT: The figures I will give represent the moneys being spent this year; whether the program is a new program or a carryover, or whether it is only part of a new program.

In Halifax itself the amount to be spent is $1,650,000. At the Dartmouth air station—

Mr. BENIDICKSON: What is the money at Halifax to be spent for?

Mr. WRIGHT: There is a submarine battery shop to be built in the dockyard for charging the batteries of submarines.

Would you like me to give you the actual estimated costs for these items?

The CHAIRMAN: I think you should, please.

Mr. BENIDICKSON: I think the figures should appear in the minutes, Mr. Chairman.

Mr. WRIGHT: The battery shop is estimated at $30,000.

There is a damage defence school estimated at $200,000; the provision of electrical services to No. 2 jetty, $20,000; a boiler shop addition at $80,000; a bending and annealing shop, which is part of the dockyard operation, at $35,000; the replacement of a switchboard at $35,000; an electrical shop addition, $100,000; a canteen and office building estimated at $250,000.

At the Dartmouth air station we estimate a total of $2,200,000 will be spent.

Mr. BENIDICKSON: Mr. Chairman, I think it would satisfy me if this was put into the minutes as a table.

I would suggest that it would be appropriate at this time to look ahead in this same regard in respect of the army items. It is most difficult for members of a committee to follow a verbal outline of this kind.

I would suggest in respect of the estimates of the other services, each member of the committee should be provided with a breakdown of the larger items.

The CHAIRMAN: I think that is quite in order.

Is it agreed that the cost breakdown be put in the minutes as a table?

In addition to doing that, we will ask the different departments to provide a breakdown in respect of the large costs.

DEPARTMENT OF NATIONAL DEFENCE

ESTIMATES 1958-59

NAVY CONSTRUCTION PROGRAMME

	Station Development (DCL)	Houses and schools (CMHC)	Other Agencies (DPW, DOT and Northern Affairs)	Total
	$	$	$	$
Nova Scotia				
Halifax	1,300,000	.....	350,000	1,650,000
Dartmouth Air Station	2,000,000	.....	200,000	2,200,000
Bedford	150,000	.....	.....	150,000
Cornwallis	1,500,000	.....	.....	1,500,000
Sydney	500,000	.....	.....	500,000
Shelburne	130,000	20,000	.....	150,000
Total	5,580,000	20,000	550,000	6,150,000
British Columbia				
Esquimalt	1,650,000	500,000	350,000	2,500,000
Royal Roads	50,000	.....	.....	50,000
Kamloops	100,000	.....	.....	100,000
Total	1,800,000	500,000	350,000	2,650,000
Ontario				
Ottawa	300,000	.....	.....	300,000
Gloucester	220,000	80,000	.....	300,000
Total	5,201,000	80,000	.....	600,000
Montreal, Que	150,000	.....	.....	150,000
St. John's, Nfld	50,000	.....	.....	50,000
Naval Radio Stations	375,000	100,000	300,000	775,000
Naval Reserve Divisions				
Charlottetown	250,000	.....	.....	250,000
Kingston	223,000	.....	.....	223,000
Hamilton	27,000	.....	.....	27,000
Total	500,000	.....	.....	500,000
Miscellaneous Sites	25,000	.....	.....	25,000
Total as detailed above	9,000,000	700,000	1,200,000	10,900,000
ADD—Minor Construction Projects	550,000	.....	.....	550,000
Grand Total	9,550,000	700,000	1,200,000	11,450,000

Mr. BENIDICKSON: Having regard to the appropriation of $30,167,000 for ships, we could scarcely pass that item without having a little more information in regard to what the money is to be spent for during the next nine months.

The CHAIRMAN: I am going to suggest that we go to the top of the page and take these items one by one.

Professional and special services: Corps of Commissionaires and other services?

Mr. BENIDICKSON: What does "—and other services" mean? We are familiar with the Corps of Commissionaires' item, but why is it grouped with "—and other services"?

Mr. WRIGHT: That represents school teachers' salaries and certain legal fees which amount to $8,000.

Mr. BENIDICKSON: I thought legal fees usually were classed as professional services?

Mr. ARMSTRONG: I could explain that. Legal fees for the purchasing of property are covered under the next item, professional fees—architects, engineers, land valuation and legal. The balance of legal fees are shown under this item.

Mr. BENIDICKSON: I beg your pardon?

Mr. ARMSTRONG: The balance of legal fees other than in respect of properties are shown under the item you are inquiring about, Corps of Commissionaires and other services.

Mr. CARTER: My questions are supplementary to the questions that Commodore Wright answered this morning.

I am interested in the recent lay-off of civilians at Sydney, Nova Scotia. Could someone tell me why that reduction was made?

Mr. PEARKES: The reduction in the civilian personnel at Sydney was made on account of the change in the volume of work which was required to be done at Sydney. Last year there were ten ships from the reserve fleet being refitted in Sydney. Those ships, earlier this year, were handed over to the Turkish navy. There would be personnel employed to refit those ships, and that would be reflected all the way down. The number of civilian personnel who were required to help maintain the work on the ships represents part of that reduction.

There has been a general policy of reducing the number of ships in the reserve fleet. Sydney is the main station of the reserve fleet, and as the older vessels are disposed of to the mutual aid program and that sort of thing, there is a general reduction.

Another of the requirements in Sydney in the past has been the maintenance of what was called the seaward defence. This represents such things as booms being placed in harbours. A lot of that equipment has been replaced by more modern equipment, and the need for some of that particular type of equipment has been done away with. There was also a shift of some of the supply personnel. This represents a gradual reduction since that period after the war when there was a lot of construction and a lot of vessels left over. This has been a levelling-off period for the navy.

Everything possible has been done to retain and find work for personnel during the winter months. It was only when spring came, when we hoped that there would be other work opening up, that these personnel were let out.

Mr. CARTER: May I ask what policy was followed in determining who would be laid off? How did you distinguish between these people?

Mr. PEARKES: It would depend on the classification of the work. When a carpenter's job was finished he would be released; when a fitter's job was finished he would be released, and so forth. Of course, care would be taken to give preference to veterans and to men who were entitled to veterans' preferances.

Mr. CARTER: Would some of these personnel that were laid off be civil servants?

Mr. PEARKES: My recollection is that there were no permanent civil servant released or even transferred. I am not sure that there were not some transferred to Halifax because jobs could be found there. I am not certain about that.

Mr. CARTER: I left a document with the minister this morning which indicated that some people who were laid off had a tremendous number of points. One person in particular had over 80 points which he had accumulated during 13 years of service, yet he was laid off.

Mr. PEARKES: I have not had an opportunity since I came into this committee of reading the letter you gave me. I will look into it and give you an answer.

Mr. CARTER: Thank you very much.

The CHAIRMAN: Travel and removal expenses?

Mr. MCINTOSH: I notice that the ratio of the travel and removal expenses to the pay and allowance is roughly 14 in the navy. In the army this ratio is roughly the same. I refer to this because I am wondering if this is just worked on a percentage basis. Are there any figures that we could be provided with showing the amounts that have been spent rather than the estimated amounts? We are comparing estimates with estimates rather than estimates with what was actually spent. This does not show us anything.

Mr. WRIGHT: The actual expenditure in 1957-58 was $5,717,861.

Mr. MCINTOSH: I refer to the whole table. I submit we should be comparing the estimates of this year with what was actually spent last year, not with the estimates of last year.

Mr. WRIGHT: That was the amount actually spent in 1957-58.

Mr. MCINTOSH: I mean for each item. That was just for one item.

Mr. WRIGHT: I think we can give it to you.

Mr. MCINTOSH: I do not think we are getting any place with simply comparing this year's estimates with last year's estimates if we do not know the actual amount which was spent.

Mr. ARMSTRONG: I am not sure that we follow your question, Mr. McIntosh. The actual amount spent on travel and removal expenses is the amount stated. You have a table which gives you the figures in toto, which table was distributed originally. It gives you the actual expenditure on each service over a number of years. We can give it to you on each item if you wish.

Mr MCINTOSH: Have you got it broken down?

Mr. ARMSTRONG: We would have to prepare a statement for you.

Mr. MCINTOSH: How do you arrive at these estimates? If you are trying to take it from last year's estimates, it does not mean too much if that money was not all spent.

Mr. ARMSTRONG: We will get you the actual figures of what was spent on each item if you like. You are speaking of each item, concerning travel and removal expenses and so on?

Mr. MCINTOSH: Yes.

Mr. ARMSTRONG: We can provide it.

Mr. McINTOSH: It would be a big job.

Mr. ARMSTRONG: All you want is a comparison. The items in 1957-58 are estimates and you want to know what was actually spent.

Mr. McINTOSH: For each item in this book.

Mr. ARMSTRONG: It is all available. It is just a matter of listing it. They must be given in public accounts for every year but they have not been produced yet, as you know, Mr. McIntosh.

Mr. McINTOSH: No, I did not know.

Mr. PEARKES: It would mean a lot of work to go through all the pages and to get the actual amount which was spent for every item all through these many items. As you know, they all come out later in public accounts.

The CHAIRMAN: It seems to me that we are getting into a discussion of public accounts rather than one of estimates. If you want any particular item, the percentage, for comparison purposes, we can certainly get it for you but we are not responsible for examining last year's expenditures. That is the concern of public accounts.

We are responsible for looking at the money we are about to spend and if there are any major items for which you wish to have a comparison, we can certainly obtain it.

Mr. McINTOSH: Suppose I might think that the cost of administration is high. How am I going to go about it?

The CHAIRMAN: We can obtain a comparison on administration.

Mr. BENIDICKSON: Other committees at former sittings of the estimates committee in other years, according to my recollection, usually got the information as to the actual amount spent in the previous years in order to compare it with whether there was too much put aside in some of these votes. But this is a very large department and I wonder just when we are going to get the Public Accounts Committee and the public accounts. It would help us very much in deciding just how much information about the 1957-58 actual spending we would want to pursue.

Mr. PEARKES: We can produce the figures, I am told, and we shall be very pleased to do so.

Mr. BENIDICKSON: I know, but it is a big task, and it would be a duplication of what would be found in public accounts, if they are soon to be made available.

Mr. HALES: This is a sort of policy question and my line of thinking is on the purpose of this committee gathered here to do this job.

Having regard to the practice of civic administration, when estimates came before our city council from various departments, we went over those estimates as aldermen, and if we thought that some of them looked too high, and if we felt that the city could not afford it, we drew a line and said this should be cut back by $5,000 or $10,000 as the case might be. In other words, we said that the city should cut the cloth to fit the suit. Do we operate on that basis here?

The CHAIRMAN: Our powers are such that we cannot as a committee, expend money. That is the exclusive privilege of the house. But I am advised that we can make any recommendation in our report as to any particular item or area of a department. Then that recommendation is considered by the house and the house decides as to what will be done with these estimates.

With the approval of the committee I suggest that when we draw up our report these recommendations be included together rather than our following the practice of introducing separate reports.

Mr. HALES: Suppose as we go along we think that one or two items may look too high. I have not heard a suggestion that a reduction be made.

The CHAIRMAN: That is your privilege, Mr. Hales.

Mr. HALES: That is why I asked the question. I am tryng to figure it out. I am trying to figure out what the value is of this committee if we do not do such a thing. So far we have asked some questions and received some answers, but I have not seen one nickel cut off these estimates yet.

The CHAIRMAN: That is the committee's charge and responsibility. If they see any particular area which they wish to have reduced, a motion is then in order, and it would be included in our report, assuming it was endorsed by the committee.

Mr. HALES: That is why I wanted to get the matter straightened out.

Mr. PEARSON: With respect to this particular estimate for family and removal expenses, the estimate for last year was $6,289,000 of which $5,700,000 was spent, so we are told.

Is the department satisfied that with the reduction from the amount actually spent last year of $300,000 it will cover the travel and removal expenses this year, and if so, what is the reason for this particular reduction in a standard expenditure?

Mr. MILLER: One of the main targets which has been mentioned here, the process which municipal governments go through in attempting to control expenditures on questions of travel, is what happened last year. We asked it of the navy, to see if they could not hold down for their groups, for example, the item for travel and removal expenses, and they agreed to attempt to carry it out under this reduced amount for this coming year.

Mr. MCCLEAVE: Does that mean that there is less movement of naval personnel from one coast to another, or does it mean that some of these personnel and their families have to share, or to pay a part of the transportation cost that they did not have to pay before?

Mr. PEARKES: Oh no. The rates for transportation as far as the cost of transportation and as far as individuals are concerned have not been affected. But there has been a thorough examination made to see whether the cost of transportation might not be reduced.

There are a number of ways in which it could be done. Perhaps it is the mode of transportation, the frequency of movement, the use of R.C.A.F. aircraft to move personnel—when there is an air force plane moving and if there is a vacancy in that plane—they could be moved in that way.

I think one might say there is general policing done in the whole area of travel expenditures to see whether they can be reduced. The navy came to the conclusion that they could make that modest saving in the amount of transportation. In some cases personnel might not be moved as frequently as they have been in the past.

I gave you an instance of how we were extending in the army the period of service overseas from two to three years.

Mr. MCCLEAVE: Might I ask the minister another question on that point: I have been informed by naval people who have been moved about that they cannot move all their furniture and belongings but only a certain portion of them under this travel allowance. Would the minister care to comment on that?

Mr. PEARKES: Yes. There are certain travelling allowances which have been in existence for a number of years. An individual is allowed to move so much furniture. But if somebody has accumulated more than the average amount of furniture, then he has to pay for the extra amount.

Mr. PEARSON: Have these regulations been changed in the last year or so?

Mr. PEARKES: Not that I know of. I think it has been the same allowance for many, many years.

Mr. HALES: Has there been any change made in the transportation of reserve naval students going to either coast? I have been informed and I have heard of a naval student going to the west coast and he would go out by T.C.A., which costs plenty. Why does he not go by Canadian National Railways, and things like that?

Mr. PEARKES: Both forms of travel, are examined, and if it is a question of limited time that the student has available, then he will be flown out by T.C.A. Also, where they have to pay his expenses while travelling, and where the pay of the individual, while travelling very frequently comes almost to the same as the air transportation, the difference between the train ticket and the air ticket, the sleeping accommodation, his meals and his pay which he receives while travelling, there is very little difference between that and air transportation.

Mr. HALES: We, as members of parliament cannot get a T.C.A. pass, while they can. I say: send those fellows by train.

Mr. PEARKES: That has nothing to do with this question.

Mr. CARTER: I would like to know what those figures in brackets at the end of every item refer to?

Mr. ARMSTRONG: Those figures are given to you because they tie in with the big statement to be found at the back of the book. If you will look at the pocket at the back of your estimates book, you will find a big statement in it and you can tie it in. Those statements will be detailed.

The CHAIRMAN: May we proceed with "Freight, express and cartage"? I think I will just pass through the next items "Telephones, publications, exhibits and advertising".

Mr. PEARSON: What is the reason for the increase under "publications"?

The CHAIRMAN: $30,000?

Mr. WRIGHT: It is $693,000 as against $604,000; it arises mainly from the fact that an increasing amount of printed material such as forms, syllabi, and that sort of thing are being produced by the Queen's Printer in duplicating pools under which this charge comes instead of, as previously, being purchased as a stationery item which would be brought under another primary.

Mr. PEARKES: There is a reduction.

Mr. WRIGHT: Down below you will find a reduction of $100,000 under "office stationery and supplies".

Mr. MORE: What would be the amount actually spent last year as against the present estimate?

Mr. WRIGHT: Item 11 represents $930,936 as against $850,000 for this year.

The CHAIRMAN: "Office stationery"?
"Clothing, gasoline".

Mr. CARTER: While we are on the subject of clothing, there is a considerable reduction. How does that come about? Do they not need as much clothes this year as they did last year?

Mr. PEARKES: Quantities of clothing are purchased not merely from year to year, but there are stocks on hand; if it is not considered necessary to replenish, let us say, the number of blouses which the sailors may have, we do not buy the same amount year after year.

Mr. CARTER: You buy some every year?

Mr. PEARKES: Yes, we buy some every year and the amount which is considered desirable to spend this year is reflected in these estimates.

Mr. CARTER: How do you arrive at it as from one year to another?

Mr. PEARKES: By knowing the quantity of stock that had been on hand; we know the quantity of stock that there is in the naval supply depot and if there is no need for caps or boots, or something like that in the same quantity the principal officer connected with it does not apply for any.

Mr. CARTER: Is there any definite policy as to how many years supply is kept on hand?

Mr. WRIGHT: There is a formula used for clothing and it varies with the individual items. The formula, roughly speaking, is that you have a reserve of three months stock, or 90 days stock.

The stock actually carried is the consumption over the "lead-time period", between the time you might place the order and the time when you get delivery.

For boots, or for jumpers, caps, trousers and so on, the lead-time for procurement is plus three months stock plus a small percentage for distribution between the various depots. That is basically how it is done.

This estimate varies, although the entitlement to clothing varies very little from year to year. This estimate is liable to go up and down a bit because of the longer lead time; and, in fact, almost all the money which is shown as required in 1958-59 represents orders which were placed, or which were in train, in previous years.

Mr. CARTER: Would that formula be affected very much by technological improvements in clothing and so on over a period of, let us say, twenty years? There must be some improvement. Some articles must be made of superior quality so that an old article would become obsolete. What would happen in that case?

Mr. WRIGHT: We use up the old articles. We are constantly improving material in this clothing item and in many other items. But the principle is that you use up old stocks first before you issue new.

Mr. MACEWAN: I have just one question: I would like to ask what type of fuel is used for heating and power generating units particularly on the east coast?

Mr. WRIGHT: It is mostly coal but there are one or two places where we have to use oil for some reason or another.

The CHAIRMAN: "Acquisition, construction of buildings and works"?

Mr. HALES: My question is: does the Department of National Defence work with the Department of Public Works? When you want to have a building built, does the Department of Public Works build it, or do you look after your own building? Is there any liaison between public works and national defence?

Mr. PEARKES: There is an organization known as Defence Construction Limited, and they do most of the building for us.

Mr. HALES: What about the Canadian office building in Halifax? Who would build that? We are given the amount of $250,000.

Mr. ARMSTRONG: The contract for that building would be let through Defence Construction Limited, and they would call for tenders and let the contract.

Mr. HALES: Have we always operated on that basis? Would you not approach the Department of Public Works and say "We want a building"?

Mr. ARMSTRONG: No, not with this type of building. But there are some works that we do. If we are involved, let us say, in building wharves or something like that, where public works are particularly specialized, we might provide the money in our estimates and they would let the contract for it.

But generally speaking, this building is done by Defence Construction Limited. On the other hand, housing and schools is done by Central Mortgage and Housing Corporation.

Mr. McCLEAVE: I would like to ask a question on the same point. I notice in examining the next page having to do with Royal Canadian Navy reserves, there is no provision for buildings occupied by the reserves. Would they be included under this item?

Mr. ARMSTRONG: Yes. Camps and construction are included under this item.

Mr. BENIDICKSON: How much was spent in 1957-58 under construction of buildings and works?

Mr. WRIGHT: $7,464,875.

The CHAIRMAN: Purchase of real property, construction of buildings and works; repairs, upkeep on buildings; rentals on land; major procurement of equipment.

Mr. BENIDICKSON: What further information can we have about this $30 million? Perhaps the witness can help us by giving us a breakdown.

Mr. ARMSTRONG: I will give you a breakdown of the $30,167,000 according to main categories.

For the destroyer escort program—that is increasing the 14 with 7 Restigouche—$20,900,000 is provided.

In the long range item, the new destroyer program, for four ships, that is $6 million.

To clear up remaining expenditures on the mine sweeper program, $148,366.

Cleaning up expenditures on modernization of frigates, $298,755.

The other miscellaneous items including drawings and so on amount to $2,820,000, giving the total which you have.

The CHAIRMAN: Are there any further questions?

Mr. McWILLIAM: How much of this item in 1957-58 was actually spent?

Mr. WRIGHT: The amount actually spent last year under this item was $56,395,462.

Mr. BENIDICKSON: Why is there such a substantial decrease in this item over last year?

Mr. PEARKES: Perhaps I might explain: it is because we are nearing the end of the construction program of the destroyer escort type. I gave the figures for the cost of the first St. Laurent type—they are all commissioned—but some of the bills were still coming in last year.

Mr. BENIDICKSON: You say they are in commission now?

Mr. PEARKES: The St. Laurent type are commissioned. The Restigouche type—the first one has been commissioned; and as a ship nears completion, why, there is a reduction in the number of men employed upon it; there is a gradual decrease as some portion of the ship, or some of the equipment is completed. It really represents the nearing of the end of the destroyer escort program.

There was no start made except in the construction of the four new ships which have been actually ordered with the long-leads and two more. You will get a reflection next year in an increase in this cost of construction.

Mr. BENIDICKSON: Is there any way of avoiding the fettering effects on the labour that is devoted to this particular industry?

Mr. PEARKES: A year ago there were no decisions which had been reached as to the type of ship which would be built. I think I explained earlier to the committee that a year ago the navy was considering the possibility of having what is called here a class referred to as the Manitoba Class which

was a rocket launching major ship; but no decision had been reached. There was some delay owing to a change of government and that sort of thing and the decision was not reached until the latter part of the next year as to the replacement vessels. There was, unfortunately, a hiatus there, but it was one which I am sure was unavoidable because it was on account of these changing roles I have referred to previously when the navy was being more concerned with the defence of our coast.

Mr. BENIDICKSON: I take it, out of the vote of $30 million almost $21 million is for payment of ships already commissioned?

Mr. ARMSTRONG: No. Twenty-one million dollars on the original fourteen-ship program. That money actually is on the last seven of the Restigouche class.

Mr. PEARSON: There are seven Restigouche class destroyers under construction at the present time?

Mr. PEARKES: Six. One was just commissioned in June.

Mr. PEARSON: And three are to be commissioned during the fiscal year?

Mr. PEARKES: Yes; three are to be commissioned in this fiscal year.

Mr. PEARSON: So this $21 million would cover all the money being spent on the three Restigouche types to be commissioned this year and the other three now under construction?

Mr. PEARKES: Yes.

Mr. MCCLEAVE: Are these big payments?

Mr. ARMSTRONG: Yes.

The CHAIRMAN: Aircraft. Mechanical equipment. Armament equipment. Signal and wireless equipment.

Mr. CARTER: I am wondering why there is the reduction in this item over last year of nearly $2 million.

Mr. WRIGHT: The heading of this particular section is signal and wireless equipment. It includes not only straight communication equipment but also the sonar equipment which is protection equipment for submarines, and it also includes various navigational electrical equipment, radar and aircraft items dealing with navigation. Therefore the heading really should read, I suggest, electronics. There is a good deal of new equipment constantly being developed in these lines, as you can well understand, in radar and sonar, and there is a continuing need for completely new equipment, the results of which cannot be achieved by adding to the old equipment. That can, to a certain extent, be done with communications equipment but not with these new types of equipment.

Mr. CARTER: It is a substantial reduction.

Mr. WRIGHT: Some of the items in here would be items which support the new construction. They are not completed. I do not think we will ever reach the stage where we are completely happy with the equipment we have. There are improvements going on more and more every year, particularly in this type of equipment.

Mr. CARTER: That would tend to increase expenditure rather than reduce it. All the arguments you have given so far are arguments as to why the expenditure might be increased.

Mr. WRIGHT: For this year it is mainly the completing of contracts which have been let for a long time.

Mr. CARTER: That is what I wanted.

Mr. WRIGHT: It is fairly slow in coming out.

Mr. PEARSON: I am sorry, but I wish to go back to the item on ships. I am not quite clear about the nature of this Restigouche program. How many ships are included in the Restigouche program under way or proposed?

Mr. PEARKES: We will go back to the beginning. There were 7 ships of the St. Laurent class. They are all in commission now. Then there were seven more destroyer escorts which were known as the Restigouche type. One of those has been commissioned and the others are now nearing completion; threee will be completed this year and the other three next year. In addition to that there is a new program of six more destroyer escorts which will not be given a different name but which are the same as the Restigouche type with certain minor modifications; if you would like to use the term used in the army they will be called the Restigouche Mark 2, but the navy does not use that term. Of those, one is to be laid down this year, the next three will be laid down next year and then there are long leads for two more, making a total of six more of the destroyer escort class.

Mr. PEARSON: The provision made in this item of $30 million includes one of the Restigouche Mark 2 class to be laid down this year?

Mr. PEARKES: Yes; provision is made there for that.

The CHAIRMAN: Special training equipment.

Mr. PEARKES: May I state there is provision made for two of those because the second one will be laid down in this fiscal year although not in this calender year. Then there is provision for the long leads of numbers 3 and 4.

Mr. HALES: Did the prices which we were given this morning include equipment or is anything left out? Are those the prices of the ships fully equipped?

Mr. PEARKES: Just the ship building costs. It includes the engines but it would not include the armament.

Mr. HALES: It includes the construction, and the equipment will be over and above this figure?

Mr. PEARKES: The engines and that sort of thing would be included.

Mr. WRIGHT: It would include the installation of the fighting equipment, the radar etc. but a great deal of the equipment that is supplied to the ship builder to put in the ship is something he cannot produce himself, such as the electronic equipment; but the installation costs are part of the ship building costs.

Mr. HALES: This figure is the money paid to the ship builder?

Mr. WRIGHT: Yes.

Mr. CARTER: I was wondering why the cost of many of the engines were averaged over a number of years?

Mr. WRIGHT: I could not tell you the answer to that. As far as we in the navy are concerned, D.D.P. make the contracts and tell us when they want payment. As the deliveries are made in the shipyards and so on we provide the money to pay for them.

The CHAIRMAN: Miscellaneous equipment. Ammunition and bombs.

Mr. BENIDICKSON: Have we come to aircraft yet?

The CHAIRMAN: We are past it.

Mr. BENIDICKSON: Do you have any idea what will be provided from the vote of $22 million to pay for aircraft?

Mr. WRIGHT: This is much the same thing as we have been dealing with in the ships. Of that total almost the whole amount of approximately $22,200,000 is for the Tracker aircraft which is in production and of which we are getting delivery month by month. This item of $22 million-odd

represents the actual cost of the aircraft as it comes off the line. The remainder is for an operational flight trainer and miscellaneous training equipment which is provided at the same time, but it is all attached to the Tracker aircraft.

Mr. BENIDICKSON: Who is manufacturing the Tracker aircraft?

Mr. WRIGHT: The De Havilland Company in Toronto.

Mr. BENIDICKSON: Roughly how many aircraft are you expecting to take delivery of for this expenditure of $22,200,000?

Mr. WRIGHT: The delivery rate at the moment is two a month.

Mr. BENIDICKSON: What is the estimated cost of the Tracker? This $22 million must represent the purchase of so many expected deliveries. How much does each aircraft cost?

Mr. ARMSTRONG: We do not have the final cost as yet on these aircraft. They run, with spare parts and everything else required to back them up at something over $1 million apiece, or more, before they are finished.

Mr. MCINTOSH: In respect of ammunition and bombs, is the $9 million a year spent in training or is that ammunition expended, stockpiled or outdated?

Mr. WRIGHT: It certainly is not expended over the years. As new weapons come in, say for instance the Sidewinder missile of which the minister spoke and that type of thing, there is stockpiling. It is not always done in one year. Last year the expenditure on this particular primary was $7,313,079.

Mr. MCINTOSH: How much of that was consumed?

Mr. WRIGHT: I could not tell you offhand.

The CHAIRMAN: Repairs and upkeep of equipment.

Mr. BOURGET: Do you know how much of the item of $21 million was spent last year?

Mr. ARMSTRONG: $28,186,034.

Mr. BOURGET: Did you borrow from some of these other items?

Mr. ARMSTRONG: In these estimates we may transfer between the various headings that are shown here within the total amount for the vote. The authority for such a transfer is the treasury board. We make application to them and make adjustments of that kind.

Mr. BENIDICKSON: Within the total vote?

Mr. ARMSTRONG: Yes.

Mr. BENIDICKSON: So you have pretty wide freedom within the $1,600 million?

Mr. ARMSTRONG: There is freedom to transfer within the amount of $1,600 million; that is right.

The CHAIRMAN: Municipal and public utility services.

Mr. BOURGET: On the item for repairs and upkeep of equipment, I understand there are some repairs done to the ships. Does this item include repairs to the ships?

Mr. WRIGHT: Yes.

Mr. BOURGET: Could we have a breakdown of the amounts spent in each shipyard for repairs? I understand those repairs are all allocated and most of the repair work is done in the shipyards either on the Atlantic or the Pacific coasts.

Mr. PEARKES: This morning I tabled a list of the repairs and refitting of ships over the last year. The allocation to the various shipyards for the refits, as they become necessary, is made through the Maritime commission.

The CHAIRMAN: Mr. Bourget, it will be in the evidence.

Mr. BROOME: On repairs and upkeep is it possible to have a breakdown, not a detailed breakdown, but some breakdown of the major areas into which it falls?

Mr. WRIGHT: Eight million dollars is spent on repairs of ships, normal refit and minor changes. On the repairing and overhaul of aircraft about seven and a half million dollars is spent. For the provision of spare parts for mechanical equipment which must be carried in ships, half a million dollars is spent. Spare parts for armament equipment in the ships is about half a million dollars and spare parts for electronic and communications equipment is $4,200,000.

The CHAIRMAN: Pensions.

Mr. BENIDICKSON: What is the value of this increase and the reason for it?

Mr. ARMSTRONG: This item provides for the contributions to the unemployment insurance fund and the contribution depends on salary rates which have been increasing somewhat. This is the estimate of what we will likely be required to provide this year in 1958-59.

Mr. BENIDICKSON: Everybody understands unemployment insurance contributions but I do not think it will be money for unemployment insurance when it is called pensions and superannuation.

Mr. ARMSTRONG: Some other departments may have some other items under this, but it is the only item we have in it.

The CHAIRMAN: All other expenditures.

Mr. HALES: Other expenditures, $1,125,000; could we drop that one off?

The CHAIRMAN: Is that a motion?

Mr. HALES: I would like to hear some discussion on this by the department. We have covered practically everything.

Mr. ARMSTRONG: I could tell you some of the things included in that item: laundering and dry cleaning—the cost of washing blankets and so on, various training grants for the purchase of equipment and so on for training purposes, library grants, grants for bands to maintain the instruments and buy music, canal tolls, mooring and berthing charges for services that are supplied in foreign ports to the Canadian naval ships when they dock there. There is also provision in there to pay damage claims. There is provision for reimbursing the Canadian Broadcasting Corporation for certain expenses they incur in providing certain programs for the services. This includes the cost of court martials and many other things.

Mr. MCDONALD (*Hamilton South*): Mr. Chairman, how many full time bands does the navy have?

Mr. PEARKES: I think two, is that correct?

Mr. MCDONALD (*Hamilton South*): Do these expenses at the bottom of the page include the transportation of these bands to and from engagements?

Mr. ARMSTRONG: No. Transportation costs are all included under travel and transportation and not included here.

Mr. BENIDICKSON: Mr. Chairman, when we have details of specific items listed why do we have such items as broadcasting again transferred to a catchall item? There is no informational value in it. For instance, we have this item referring to exhibits, advertising, films, broadcasting and displays. Why would an item like broadcasting be put into a catchall item such as that?

Mr. ARMSTRONG: We receive directions from the central authority—that is the treasury board—who control the organization of this book. We follow their directions as to which category the various items of the Department of

National Defence should fall in. The previous item that you have mentioned, exhibits, advertising and so on, consists entirely in so far as the Department of National Defence is concerned of recruiting advertisement expense. In respect of broadcasting, which is referred to there, we do not have any thing except spot radio programs which constitutes part of our advertising costs for recruiting purposes.

This C.B.C. item is a special item in respect of other services. It covers the provision of tapes and certain other radio broadcasting services for the three services.

Mr. HALES: May I ask how much you have budgeted for the C.B.C.?

Mr. ARMSTRONG: I have not got the specific item here. I can get that for you Mr. Hales.

That item is $10,000 in respect of the navy.

The CHAIRMAN: Could we now turn to page 320 dealing with the Royal Canadian Naval Reserve? I do not propose to go down these items. Are there any questions you would like to ask in respect of the item on Royal Canadian Naval Reserve appearing at page 320?

Mr. MCCLEAVE: The reduction in pay and allowances is quite substantial. It amounts to $800,000. What is the policy regarding the reduction in the naval reserve? Does it represent a reduction of manpower or a reduction of time spent on training?

Mr. PEARKES: There has been a review carried out in respect of the requirements of the naval reserve. The principal role of the naval reserve is to provide a certain number of officers and ratings for shore establishments and for crews of various ships upon the outbreak of hostilities. The number of men required has been carefully reviewed. The policy has been to make a small reduction in the number of officers and a small increase in the number of men. The percentage of officers as related to men got a little bit out of proportion. It is estimated that there may be a reduction in the over-all cost as a result of the review of the requirements of the naval reserve.

Mr. MCCLEAVE: Could you say something about the time of training? there is still a substantial reduction in payments, as I read it at the bottom of the page.

Mr. PEARKES: The time of training is essentially the same.

Mr. WRIGHT: This re-examination that we have been doing has reference to the actual role that each individual is going to have to play. We are examining at the same time the amount of training each man has been getting and the amount of training the individuals must still receive.

This is a year in which training syllabi are being changed. The actual training this year is being reduced to a very minimum until we get out a new training syllabus and establish the actual types of individual that we require in the reserve force.

Mr. MCCLEAVE: Mr. Chairman, it probably would be more clear if we could have figures in respect of the total strength last year and the total strength this year.

Mr. WRIGHT: The actual estimates are based on a strength of 1,100 officers and 3,300 men for this current year. I have not got the actual number of individuals trained last year, but roughly speaking there were about 1,750 officers and 3,000 men.

The CHAIRMAN: Are there any further questions in respect of page 320? If not, are you ready to go to the top of page 321 dealing with Royal Canadian Sea Cadets?

Gentlemen, if there are no questions in respect of sea cadets we can move now to the next item under the heading "Army".

Mr. BENIDICKSON: Could we look at this $30 million item for mutual aid? It is a big item.

The CHAIRMAN: What is your question Mr. Benidickson?

Mr. BENIDICKSON: Could we have this item "charge to mutual aid" explained?

Mr. ARMSTRONG: The main item included in that $30 million is $23 million worth of ships. This includes three frigates which have been on loan to Norway and which are now being transferred to Norway as part of the mutual aid program. It also includes Algerine mine sweepers.

It represents approximately $2 million in armament equipment of various types; $340,000 in ammunition and a miscellaneous item of about $3,500,000.

Mr. BENIDICKSON: This item is taken off the total of the gross vote to the navy so how is this to be paid for?

Mr. ARMSTRONG: This is provided for under the mutual aid heading. If you turn to page 342 you will see that the mutual aid totals $130 millions.

Mr. BENIDICKSON: On what page is that?

Mr. ARMSTRONG: On page 342.

Mr. PEARSON: Mr. Chairman, in respect of this item, I take it there is a similar item for the army and the air force, and the whole is dealt with at page 342 under a special item called "mutual aid".

The CHAIRMAN: That is right.

Mr. PEARSON: We are going to have some questions to ask about this. Perhaps it would save time if we reserved our questions until we got to this comprehensive item which covers all the services in relationship to this amount to mutual aid.

The CHAIRMAN: Is that satisfactory?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Are there any further questions in respect of the naval item? If there are no further questions we can go now to the item under the heading "Army".

Mr. PEARSON: Mr. Chairman, I would like to ask, now that we are beginning the army item, if the minister could elaborate a little on his opening statement in regard to the role of the army, as he sees it at this particular time?

The CHAIRMAN: Could I interrupt you, Mr. Pearson, just to thank the witnesses who have appeared before us in respect to the naval estimates?

Some Hon. MEMBERS: Hear, hear.

Mr. PEARKES: The role of the army is related to our commitments for NATO and the United Nations.

As I explained in my opening remarks, we have one brigade group over in Germany, which is a commitment we have to NATO in that respect.

We still have the commitment of providing two more brigade groups as a strategic reserve. Those two brigade groups are retained in Canada.

We also have a number of commitments in connection with the United Nations. We have the UNEF, and certain border patrols, and observation corps located in various parts of the world.

We also have a commitment, in case of possible minor raids, or something of that sort, for the defence of Canada itself.

We did have a brigade group a few years ago, which was known as the striking force. This was maintained especially because of the danger of a landing in the northern part of our country.

Regarding the brigade group in Germany, we have to rotate the personnel. In order to have a reasonable rotation we have two brigades in Canada which

rotate with the force in Germany. We have now embarked on a three-year rotation period instead of a two-year rotation period. There are various advantages to that. The whole brigade will not be reduced every three years. A brigade, as you know, consists of three battalions of infantry. One of those battalions will be rotated each year for a period of three years. This is an advantage in that you do not have a completely new brigade group arriving in Germany every two or three years. There will always be two-thirds of that brigade group which has had experience in Germany and is familiar with the country.

We also have the advantage of only having to move the personnel completely every three years instead of every two years.

In order to bring about an orderly rotation and still keep up our brigade groups in Canada we are having instead of two brigade groups and a brigade earmarked as a striking force—as a component of each of those three brigade groups, personnel specially trained as parachutists with special equipment for northern operations in Canada. So, we now have three brigade groups, one in western Canada, one in central Canada and one in eastern Canada, each having a battalion which has slightly different standards of equipment, in that in all its equipment can be put into an air transport quickly.

I think that is a little tidier arrangement than having a striking force brigade, never located in any one place, but earmarked as a special brigade.

In connection with the Untied Nations' commitment, we have one battalion which is earmarked as a standby battalion in the event of an emergency suddenly happening, such as the Suez crisis of a couple of years ago. We have one battalion which is earmarked for any such role that it might be required to play. The main difference in that is that there would be fewer men on course, and fewer men in that battalion would be either over-age or under-age for active service. It is, as far as one can get in peace time, a battalion which is just a little more ready to move on short notice, if required to carry out some United Nations' commitment. Those are the field force roles of the Canadian army.

We have a force of some 49,000 regular soldiers now. Of course, there is all the housekeeping and training establishments, and the various schools which not only train recruits as they come into the service but give further training to officers and men so that they may be more efficient.

Then, of course, there is a certain commitment as far as the regular army is concerned in respect of assisting the militia in their role.

Mr. PEARSON: Could I ask one or two questions arising out of the minister's statement?

I understand—of course it has been a commitment for some time—that we have a commitment to increase our brigade group under NATO to a division under certain circumstances. Could I ask the minister what the cost is of maintaining ourselves in a readiness to fulfil that commitment? I am thinking now of the equipment and the other things that go to the implementation of that commitment in an emergency.

Mr. PEARKES: I do not know that we have an actual cost. You are speaking of the actual cost of the brigade overseas, or the forces in—

Mr. PEARSON: No. I had in mind, Mr. Chairman, that to fulfil this commitment of increasing our brigade to a division we would obviously have to have equipment and supplies ready for that division. Is that the case?

Mr. PEARKES: The brigades in Canada are fully equipped. They would be able to move as a strategic reserve if the situation so developed and there was a NATO requirement.

Mr. PEARSON: Is there not an additional cost for divisional equipment and divisional organization?

Mr. PEARKES: Actually the divisional organization was abolished in conformity with the organization of British and other forces in Europe. The brigade group is regarded as a tactical formation rather than a division. The division in Europe has now become more a headquarters, such as a corp headquarters in the past, which would have a certain number of brigade groups allocated to a division commander.

Most of the administration is now being done from higher formations to brigade groups rather than by such organizations as the army service corps and so forth at that lower level. The division is really a fighting headquarters. A division headquarters is a fighting headquarters to which a certain number of brigade groups would be allocated. So there is no great requirement to get out what used to be called divisional brigades at the present time.

Mr. PEARSON: Then there would be no additional planning, equipment or supplies required before to provide the naval equipment to send over troops?

Mr. PEARKES: If we had naval equipment there, I suppose that the other two brigades would not go and join up under the same divisional headquarters.

We have available now personnel to form a divisional headquarters, but they are employed in various roles here in Canada rather than kept at divisional headquarters. It is impossible to train very frequently or continuously with a division here in Canada.

By that I mean that when troops are distributed so far apart there is very little opportunity for the divisional commanders to exercise command over those troops. When they were in Canada they came under the commands of the different areas.

Mr. PEARSON: I asked this question because a few years ago there was a certain amount of equipment supposed to be available either in Europe or in Canada for the implementation of this commitment. I take it that such is no longer the case.

Mr. PEARKES: There is certain additional equipment that is held in Canada, but most of the equipment is with the brigades who are now in Canada.

Mr. PEARSON: I have one final question. As the minister has very often said both in the house and outside the house, the whole Canadian army should be airborne. Can he inform the committee what progress is being made in that connection?

Mr. PEARKES: Yes. There has been considerable progress made. I announced in the house last year that we were authorizing the construction of new equipment which is designed for the movement of our troops, the Convair Elan type, and the 106 which is a heavy transport.

The army itself is also developing the de Haviland Caribou aircraft which is for movement in forward areas; it is an aircraft which has a short take-off run.

All that has been developed over the last two or three years and good progress has been made with it. I think that some of these aircraft will be taking to the air in the comparatively near future.

Mr. PEARSON: They would be army aircraft, not R.C.A.F.?

Mr. PEARKES: A decision has not been made whether they would be allocated and manned by army personnel or by R.C.A.F. personnel. They are being developed for army requirements.

Mr. MCCLEAVE: Since it is now 12.30 and since we cannot go through all these army estimates this morning, would a motion for adjournment not be in order?

The CHAIRMAN: Yes. But Mr. Grafftey has been trying to catch my eye. He will be the last one. Now, Mr. Grafftey.

Mr. GRAFFTEY: May I be informed approximately what percentage of applicants are turned down for the army because they lack the necessary physical fitness requirements?

Mr. PEARKES: I have not got that information but we can get it for you.

The CHAIRMAN: Gentlemen, before you leave, I think it might be wise if we should familiarize ourselves, in view of one or two questions, with our method of procedure. Mr. Hales raised the question as to whether there have been any reductions suggested.

I believe that is the power of the committee, as I have stated. We can, of course, within the limits of our terms of reference make any recommendation in our report. We are asked to report from time to time, and we have been given the power to send for persons, papers and records while we are performing our task of examining these estimates.

So I say to the members that if at any time you have any opinion or feel that an estimate is too high or too low, will you please make your wishes known because that is your responsibility. In fact, it is your duty. The committee may, within its limitations, make its own recommendations.

We shall meet tomorrow at 10.30 in room 118. And for your information I might say that the witnesses for the army who are present today are Colonel F. E. Anderson and Lieut. Colonel H. A. Bush. We are happy to have them with us.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

TUESDAY, JUNE 24, 1958

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DEPARTMENT OF NATIONAL DEFENCE

WITNESSES:

Honourable George R. Pearkes, V.C., Minister of National Defence; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister-Finance; Colonel F. E. Anderson, Director of Army Budget; and Mr. H. A. Davis, Superintendent of Engineering and Construction.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
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OTTAWA, 1958

59675-9—1

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Ricard,
Richard (*Kamouraska*),
Rowe,
Small,
Smallwood,
Smith (*Winnipeg North*),
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, June 24, 1958.
(7)

The Standing Committee on Estimates met at 10.35 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Benidickson, Bourget, Broome, Cardin, Carter, Cathers, Chambers, Chown, Clancy, Coates, Danforth, Doucett, Fisher, Grafftey, Hales, Hardie, Hicks, Howe, Jung, Lennard, MacLean (*Winnipeg North Centre*), Macnaughton, McCleave, McDonald (*Hamilton South*), McGregor, McIlraith, McIntosh, McMillan, McWilliam, More, Pearson, Peters, Ricard, Smith (*Calgary South*), Smith (*Winnipeg North*), Stefanson, Stewart, and Thompson—38.

In attendance: From the Department of National Defence: Honourable George R. Pearkes, Minister; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister—Finance; Colonel F. E. Anderson, Director of Army Budget; Lieut. Colonel H. A. Bush, Deputy Director of Army Budget; Mr. H. A. Davis, Superintendent of Engineering and Construction; and Mr. D. B. Dwyer, Superintendent of Parliamentary Returns.

The Committee resumed the detailed consideration of the Main Estimates, 1959, relating to the Department of National Defence.

Under Item 220—Defence Services: Army was considered.

The Departmental officials supplied information which was requested at previous meetings as well as a breakdown of expenditures of the Canadian Army relating particularly to the following:

Exhibit No. 3—Construction of Buildings and Works—Details of works in principal locations.

Exhibit No. 4—Comparative figures showing expenses for 1957-58 and estimates for 1958-59 for the following:

1. Canadian Army Regular and General.
2. Canadian Army—Militia including Canadian Officers Training Corps.
3. Royal Canadian Army Cadets.
4. Northwest Highway System.
5. Northwest Territories and Yukon Radio System.

At 12.30 p.m. the Committee adjourned until 10.30 a.m., Thursday, June 26, 1958.

E. W. Innes,
Clerk of the Committee.

59675-9—1½

EVIDENCE

TUESDAY, June 24, 1958.
10:30 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum so we can proceed.

The first thing I would like to say is that we are going to try this room in order to find out if it is any better than the railway committees room upstairs. If, at the end of the meeting, you agree that this is a preferred spot, would you kindly let us know.

We have with us this morning the deputy minister, together with Colonel Anderson and Lieutenant Colonel Bush as our witnesses. The minister will attend later in the morning. At this point he is attending a cabinet meeting, but he will be with us for the last hour or so.

Gentlemen, you already have before you two tables. The first is the details of the estimates as compared with expenditures of 1957-58. In addition to that, if you wish to make a further comparison,—keeping in mind that the public accounts will not be published, for some time yet as they are always a year behind,—you may do so. With public accounts for 1956-57, I am informed that about 80 per cent of you have obtained copies of public accounts for the period ending March 31, 1957. Thus, if any of you require any further comparison, there are still some forty odd copies at the distribution office which are available to you.

I am not going to say anything more at this point. We can follow the same practice we have in the past. If you have any questions related to policy, I would ask you if you would be so kind as to hold them until such time as the minister arrives.

I would like to welcome Mr. Fisher, as a new member of the committee, and a replacement for Mr. Winch. I do not think there is anything further I can add, so we will proceed.

We are still dealing with item 220 under the heading of army. I think we should keep our questions as general as possible.

Mr. HALES: Do you wish to have questions pertaining to this sheet now or later?

The CHAIRMAN: I would suggest if you are through asking those questions, under general heading you could go ahead with questions on the chart.

Perhaps at this point though we might have a reply to two questions. Mr. Hales, you asked one, and I believe there is a certain question concerning medical rejections. If we could clear these questions up now, that would be in order.

Mr. MCILRAITH: I am not sure whether the question was advanced to the minister or the departmental officers concerning aircraft for movement of troops, but I wanted to follow that up. This was mentioned at the close of his remarks.

The CHAIRMAN: Supposing you follow that up just as soon as the gentlemen have answered the two questions left over from yesterday. Mr. Armstrong, would you proceed with the medical rejections question.

Mr. E. B. ARMSTRONG (*Deputy Minister of National Defence—Finance*): Mr. Anderson will give that information.

Colonel F. E. ANDERSON (*Director, Army Budget, Department of National Defence*): We were asked the percentage of applicants turned down for the army because they lacked the necessary physical fitness requirements. Through the fiscal year 1957-58 there were 23,004 applicants of whom 1,952 were rejected for physical unfitness. That is 8½ per cent.

The CHAIRMAN: Are there any supplementary questions as a result of that reply?

Mr. ARMSTRONG: Mr. Chairman, Mr. Hales asked a question on contracts for cleaning services. I said at the time some of the cleaning services were performed on our establishments by contract. I find that there is only one small one at the present time and that is a recruiting unit in Halifax. We have two others that are now under consideration. A decision has been taken on one to proceed to contract but this will not be done for perhaps another six months. The cleaning costs by departmental staff amount to $43,100 a year. That is the cost of the staff and the cleaning materials. The estimated contract price for doing the same work is $34,800. We are intending to go to contract in that case. We have another one that is under consideration, and in that case the contract price is slightly in excess of the cost of doing it by departmental cleaning staffs. That is being further investigated to see whether or not it is possible to get a somewhat lower contract price before a decision is taken.

Mr. HALES: In the light of what has been said, I gather that the contract basis has been much better. Did I get your figures right?

Mr. ARMSTRONG: In this one case it was better, and in the other it was not quite as good. There are other factors involved in this. In isolated units it would be very difficult to get a contract, but in some of the larger centres it is possible to get a contract at a favourable price and have this work done at a lower cost than we could do it ourselves. This is indicated in the one case that I gave you as an example. In that case we are changing over to contract.

The CHAIRMAN: Would you like to proceed, Mr. McIlraith?

Mr. MCILRAITH: With reference to the subject of aircraft for the movement of troops, which was spoken about by the minister near the conclusion of his remarks at the last sitting of this committee, I wanted to ask exactly what contracts are now outstanding for the procurement of such aircraft. I would like to know whether these are in the nature of development contracts for the development of a suitable type of aircraft, or whether they are for aircraft in production. If they are for development contracts, for the development of a suitable type of aircraft, when is it anticipated that the development contract will be sufficiently advanced to permit a decision to be made as to whether or not such type of aircraft would be purchased?

Mr. F. R. MILLER (*Deputy Minister of National Defence*): Mr. Chairman, I think the minister mentioned about two, or possibly three, types of aircraft. I think he mentioned the Caribou as an army tactical aircraft and he mentioned the air force long-range troop carrier aircraft. There is no provision in the army estimates for either of these.

In the case of long-range troop carrier aircraft, you will have a chance to look at them when the air force estimates are before you.

Mr. MCILRAITH: Air force?

Mr. MILLER: Yes. You will see the contracts and the number of airplanes that are proposed for that long range troop carrier proposal. In the case of airplane under development in the army, he referred to it as the Caribou. That is an airplane that is being developed by DeHavilland as a joint development

project. They are putting in some of the development funds and we are supplying development funds, but it is a development program and not a production program at this time. You ask when it might develop from a development program.

Mr. McILRAITH: My next question was, when do you anticipate the development work will be at a stage so you can make your decision as to whether or not to procure the aircraft?

Mr. MILLER: The aircraft has not flown yet.

It is expected to fly some time this summer, as I recall it; and only then, depending on the performance of the airplane, would a decision be possible.

Mr. McMILLAN: Mr. Chairman, I was interested in the number of rejections in applications for the army. It runs in my mind that in the last war we had more than 8½ per cent of applications rejected. I wondered if the standard was lower?

Mr. ANDERSON: I can amplify my answer in two ways. In the last year, 1956-57 the percentage of rejections for medical reasons was 8.26 or 8¼ per cent; so that it is relatively standard now. I do not know the percentage during the war.

I have some other figures. The total of applications during the year 1957-58 was 23,004. Of that number 1,952 were rejected for physical reasons and the total number of rejections were 11,921; 3,523 withdrew their applications and 7,560 were enrolled.

Mr. McMILLAN: Why were so many rejected other than for medical reasons? Was it because they were not required?

Mr. ANDERSON: No, it would be perhaps a matter of academic basic qualifications, their aptitude tests concept, and various other things.

Mr. BENIDICKSON: This involves a question that I was going to proceed with at some stage when we have the army in front of us. I realize it involves the three services but I wondered if in the near future some careful thought could be given by the staff to the preparation of a statement on recruiting. I think that statement should involve an analysis of the over-all costs of recruiting in the various services, the results and the average age of those who are accepted. It should also include the scholastic standing, if that is of consequence in recruiting. I may say that I just have in mind the impression that there is to my mind an unnecessary overhead in connection with some of this recruiting. In my own constituency, I have been asking for some time to get information as to the justification of maintaining recruiting depots at regular monthly rentals. I want to know to what extent they are occupied each week and how many recruits come as a result of that kind of a financial burden. Every time I travel, I run into what looks like fairly large teams in automotive equipment, and the army, navy and air force are represented separately. I wonder how many people are included in this work, how much it is costing, and so on. It is the kind of thing which I think can be introduced in the form of a statement before we proceed to question blindly about the matter.

The CHAIRMAN: Would you like that individually, or by services?

Mr. BENIDICKSON: I think by services.

The CHAIRMAN: I have spoken to the deputy minister and that will be done.

Mr. GRAFFTEY: In conjunction with that question, perhaps we should also be informed of the percentage of recruits who are not rejected but, let us say, during the first year of service, are turned down because subsequently it has been found they have not the proper requirements. In other words,

let us say out of a rough figure of 1,000 that had been taken in, how many are then subsequently turned down after the first eight or twelve months?

The CHAIRMAN: That will be added to it.

Mr. MCDONALD (*Hamilton South*): I was wondering if the departmental officials could give consideration to tri-service recruiting depots in the larger centres. I think it would cut down decidedly the overhead of maintenance of buildings and heating. I would like to have your views on that at the next meeting.

Mr. CARTER: Is there any variance in the percentage as between services—that is, the percentage rejected for medical reasons?

The CHAIRMAN: We are going to have to obtain the information from the other services in order to make that comparison. However, that will be done.

Mr. FISHER: I have a request along somewhat the same line as Mr. Benidickson's question. I would like to have some information on personnel. It relates to the service colleges.

I wonder if at a few meetings in the future we could have the commandant of the Royal Military College and and the director of education Lieut.-Colonel Gelley, before the committee. I think the announcement of granting degrees brings up the whole question. Last year the minister gave the figures for the three service colleges. I think such information as we could have would interest the members of the committee very much, and it would give us a chance to examine the problem.

The CHAIRMAN: Could you outline in a little more detail the specific information you would like to obtain from them?

Mr. FRASER: Yes. The costs per year range from I believe $4,500 to $4,700 per student. They receive a complete university education, now that this is being offered through the military service. I feel this is the time we should examine these particular costs, see how they relate to policy and how they can be changed and adapted and maybe lowered. I think we should also take up the costs as they are developing at the Ecole Militaire, the French college. We should also deal with some of the questions that relate to the integration of people from the French college into the R.M.C.

Another thing, if we are going to offer or allow Bachelor of Arts or Bachelor of Science degrees, we will need to have some consideration of the French Canadian students, to see how they will fit into this. It seems to me that we are offering a degree in Ontario that probably will be to the benefit of the English student rather than to that of the French.

The CHAIRMAN: Are there any other general items before we proceed?

Mr. CHAMBERS: In conjunction with that, it might be interesting to know the percentage of graduates from the service colleges who continue in the services.

The CHAIRMAN: You want to know the percentage of graduates of the service colleges that continue in the services.

Mr. FISHER: I have a question on the order paper respecting that at the present time.

The CHAIRMAN: That is where it will be answered, then.

Mr. MACNAUGHTON: Perhaps you could also consider why it is necessary that the French students at College Militaire Royal de St. Jean at Quebec must, after a certain number of years, transfer to Kingston to finish and obtain their degrees. Why are they not able to continue at St. Jean, Quebec?

Mr. FISHER: In connection with this first estimate, I would like to know a bit more about the Defence Research Board library. How many of the personnel that are listed here actually work in that library?

The CHAIRMAN: I am informed that comes under a separate item. There is an item on defence research. I think we can proceed, until we get to that point.

In answer to Mr. Hales' question, you have a mimeographed slip containing the estimates and expenditures. You will note that they are the same headings in the blue book on estimates. We can go down through all the listings and you have the totals of the amount expended for the last year, and you can make your own comparison. You are on page 321 under "civil staff".

Mr. PEARSON: What is the reason for the increase of six assistant professors and lecturers? This is set out at the bottom of the column on page 321.

Mr. ANDERSON: These positions were added to the Royal Military College establishment late in the fiscal year 1957-58 in line with the raising of academic standards to enable students to obtain the civilian degrees now planned.

Mr. MCMILLAN: How many students are there now?

The CHAIRMAN: The question was, how many students are now there?

Mr. ANDERSON: 415.

Mr. PEARSON: How many members of the faculty are there at R.M.C.?

Mr. ANDERSON: That is difficult to answer. I have the total staff figure, but that includes the maintenance staff as well as the barracks and other people.

The CHAIRMAN: That information will be obtained for you, Mr. Pearson. You are at page 321 to 322.

Mr. PETERS: In regard to these same problems that we raised with the navy pertaining to the civilian staff versus the active service personnel, would it be possible to call besides the civil service and the service administrators in this connection, other representatives from active stations? Possibly one man would be station serjeant major at Petawawa and in the case of the air force, the station warrant officer class 1, say at Uplands. This would give us an idea as to what the advantage of this breakdown is, where we appear to be turning over a large percentage of our service personnel into civil service jobs. I think that some of these people on the stations, the sergeant major, or warrant officer in the case of the air force, would be able probably to tell us their opinions, which is a very important phase in considering what the application is.

The CHAIRMAN: Mr. Peters, I wonder if I may say this. The minister is going to be here and you can ask your question then. I wrote to him on the twentieth and he has taken note that you want this information. I think perhaps he could give you some sort of reply when he comes. I asked specifically whether a member of the committee responsible for the placement of either service or civilian personnel in our military establishments could appear before the standing committee on estimates. That is what you want,—someone who makes the decisions.

Mr. PETERS: I think you mentioned that we would be calling some of the people with whom we are actually dealing. I think it would be a good idea to have the station sergeant major and the station warrant officer here.

The CHAIRMAN: This I suggest is a question of policy. Will you hold that question and we will ask the minister when he arrives?

Mr. PETERS: There is another question I would like to ask. I am not sure whether I should ask it, but it pertains to the matter of transportation. I am not sure if it affects the civil staffs or not. I would be curious about that and interested to know whether it affects personnel differences.

The CHAIRMAN: You can ask the question now. I have not been able to locate a transportation item there. Will you proceed?

Mr. PEARSON: I suppose related to this problem of the replacement of military personnel by civil personnel is the fact that at the top of page 322, by adding up all the technical officers and technicians and assistant technicians, you get an increase of over 100. Does that mean that last year they took the place of 100 military personnel, or is it additional work?

Mr. ANDERSON: By and large it is reclassification, as was explained in one or two instances in the navy. It is a civil service reclassification from one title to the other. The over-all army civilian strength is down some 200. The detailed explanation I think here is this, that as a result of surveys conducted by the army establishment committees, various technical officer positions were added to the directorate of cataloguing and equipment requirements. That is a merged new directorate with emphasis both on cataloguing and on the analysis of the requirements which are translated later into procurements. A unit survey was conducted by the Civil Service Commission at the Ottawa wireless station which reclassified 54 positions from assistant technicians, clerks, signals and teletypists, to technicians of various grades. Five time and method analysts which appeared in the 1957-58 estimates detail have been reclassified to technicians on the central ordnance depot establishments. The remaining positions are as a result of army establishments committee reviews of royal Canadian ordnance corps, royal Canadian electrical and mechanical engineers and royal Canadian engineer units themselves.

The CHAIRMAN: Mr. Peters, your question comes up under page 328. Are there any more questions on page 322?

Mr. FISHER: Where is the archivist employed? What documents is he in charge of?

Mr. ANDERSON: He is employed in the directorate of history, on war histories dealing with documents which form a basis of those histories.

Mr. FISHER: Where is the location?

Mr. ANDERSON: I am not certain. It is in Ottawa but I am not sure in which building.

Mr. FISHER: The archivist's position is usually a control position; that is the North American concept anyway. He controls documents. I am wondering is he just temporarily in charge of passing them on to the National Archives or is this just a classification which is included to take care of another historian or research specialist.

Mr. ANDERSON: I could not say. The title is one given him by the Civil Service Commission. He does work in history. What his specific duties are, I do not know.

Mr. CARTER: I wonder if we could get some information concerning the vehicle development division. There is a group of development officers. Are they research personnel? Do they do research work or testing work? What kind of duties do these people perform?

Mr. ANDERSON: Essentially there is a distinction between research which is in the Defence Research Board and the development section of the Defence Research Board, which is in each of the three services under the Defence Research Board supervision. The army vehicle development section is a test and development area. It has a vehicle proving ground, as for example on the Montreal road and has facilities for testing vehicles of various sorts with a view to writing better specifications than would otherwise be written for military vehicles.

Mr. CARTER: In other words they find out what bugs are in the vehicle handled, and have them improved?

Mr. ANDERSON: Yes, that is right.

Mr. McMILLAN: Mr. Chairman, I notice that they have seven dental officers this year as against none for last year. Do these dental officers work only for the civilian staff or do they look after some army personnel?

Mr. ANDERSON: They are former medical-dental officer positions. They do dental work on the regular service personnel.

Mr. FISHER: You have raised the complement of librarians by two. What were they hired for?

Mr. ANDERSON: They are in Kingston servicing the R.M.C., the Canadian Army College and the Army Defence College. The three are there. At which particular college these additional librarians are, I do not know.

Mr. FISHER: They are not tied in with the plans to build the new library for the military college?

Mr. ANDERSON: No.

Mr. McMILLAN: Following that question, do the dental corps do all the dental work required for the army personnel?

Mr. ANDERSON: These would be civilian employees of the dental corps working in army dental or tri-service dental clinics in lieu of dental officers—service officers—who presumably are not available in the quantity required.

Mr. McMILLAN: The work is mostly confined to civilian personnel?

Mr. ANDERSON: No, military personnel. The DND civilian has the same status as a civil servant of any department, and gets his own work done.

Mr. FISHER: Are these editors the ones who prepare material for the Canadian army journal?

Mr. ANDERSON: Yes, sir.

Mr. FISHER: Has any consideration been given to discontinuing the publication of that magazine? As someone who gets it and subscribes to it, I was wondering about its readership and its total efficacy. It is a fairly expensive item. Is it considered worth while and if so, what are the reasons it is considered worth while?

Mr. MILLER: Mr. Chairman, I think that is a question that might be well left to the minister rather than referred to the officials at this time. I suggest you bring that to the attention of the minister.

Mr. HALES: What is the total cost of publishing? I should like to know so that I shall have some idea when the minister comes.

Mr. ARMSTRONG: The total cost of publishing the journal is approximately $34,000.

Mr. HALES: Is it for army personnel only?

Mr. ARMSTRONG: It is published for the army. I think other services also subscribe to it.

Mr. HALES: They have their own.

Mr. ARMSTRONG: Yes, each service has a journal of its own.

Mr. FISHER: Have you a breakdown of the number of free copies that go out as a result of the daily check list and those that go out on subscription.

Mr. ARMSTRONG: It is distributed free to officers of the army and militia. There is a distribution to the militia for which there is no charge, and there is also a distribution to military institutes, military corps associations and commonwealth military establishments. There is also a free distribution to public libraries and some school libraries as well.

Mr. FISHER: I have a supplementary question. The printing of that particular journal was changed recently with the advent of the new government. I just wondered whether the government had anything to do with that change or was that something that went through the Queen's printer?

Mr. ANDERSON: I think it was perhaps two years ago. The format was different, as you know. The journal is now somewhat in the Readers' Digest style as far as size is concerned, because there was a very considerable review made of the growing number of magazines or pamphlets published by the individual corps of the army. They have not all been stopped. At the back of the army journal there is the occasional item of particular interest to one corps or another. Speaking from memory, that was possibly two years ago.

Mr. FISHER: My information was—and it was accurate—that the contract for the actual printing was switched. It is a well produced magazine and it is well run. But what was the reason for switching printers?

Mr. ARMSTRONG: I am not sure whether the contract was switched or not. The contract would be let by the Queen's printer, not by our department.

Mr. FISHER: You made no complaints about the switching?

Mr. ARMSTRONG: I know of no complaints.

Mr. HALES: We were told about the distribution of the army journal, but not the total number of copies sent out.

Mr. ARMSTRONG: There are approximately 20,000 copies produced, eighteen thousand in English and about 2,600 copies in French.

Mr. HALES: Did you say 24,000?

Mr. ARMSTRONG: About 20,000 all told.

Mr. HALES: That is about $1.50 apiece.

Mr. ARMSTRONG: The journal is available itself for sale and the price charged per subscription is $2 a year. I am not sure how many current subscriptions there are. A year ago there were about 600.

Mr. JUNG: I notice that on page 326 there is a quite substantial increase—

The CHAIRMAN: I wonder if we could keep to page 322. We have not yet got that far, Mr. Jung.

Mr. BENIDICKSON: Does this estimate for the army journal of $34,000 include the cost of pay and allowances and other items of personal expenses of those engaged on the work?

Mr. ARMSTRONG: I am not sure, Mr. Benidickson. I shall have to find out.

Mr. BROOME: Mr. Chairman, the cost of the journal seems to be quite reasonable. After all, industrial companies publish house organs at sometimes a greater cost than this. I do not think we are accomplishing very much on this, unless somebody wants to move that we discontinue it, in which case I would call for a vote. I am in favour of the journal, it does a good job.

The CHAIRMAN: Perhaps we can deal with that when the minister is present.

Have you finished with page 322? Shall we go on to page 323?

Mr. BENIDICKSON: In looking down the last third of page 323 we see that there is a reduction from 17 to 7 in the number of inspectors of stores.

In seeing Mr. Armstrong with us at this time in the estimates committee, it reminds me that he is probably the most important link with this committee, as he was with the work of the defence expenditures committee some years ago when the Currie report was reviewed. I think with great profit to this committee, Mr. Armstrong might indicate what steps were taken by the service departments, after the Currie report and the defence expenditures committee meetings, to tighten up security with respect to stores in the services. Then again when we had discussions before the Defence Expenditures Committee there occurred at the time, by coincidence or otherwise, quite a number of fires in defence establishments. There was some question as to whether or not there was adequate provision for the protection of our assets that were likely to be a fire hazard.

I notice that if we turn to the next page, at the very top of the page, with respect to civil staff related to fire fighting, it would appear that reductions are contemplated in that effort. Now, I am not complaining about it. It may be a perfectly desirable move; but either now or at a future meeting, I wonder if Mr. Armstrong could just remind the committee of Mr. Currie's recommendations with respect to that aspect of protection of stores and then tell the committee what has been done in subsequent years, and whether or not there is any significance with respect to that story in the fact that there seems to be some reduction in inspection of stores contemplated in these estimates.

The CHAIRMAN: Mr. Armstrong, would you like to comment now or make your report later?

Mr. ARMSTRONG: Mr. Chairman, I should like to comment just on the last part of that. Perhaps I should make a fuller report later, on the story that you want.

I do not believe that the inspector of stores here has anything to do with the security aspects of which you are speaking. These are people who are employed in the RCEME workshops who inspect the various vehicles and so on which come in for repair. It is part of the operational work that the RCEME workshop carries out. The people who are reduced are the firemen labourers and these are not firemen in the sense of which you are speaking. They look after the heating. The firemen you speak of—are in the line above, and are slightly increased in number.

The CHAIRMAN: That report will be given later in more detail, Mr. Benidickson.

Are there any more questions on page 323?

Mr. FISHER: Where are the lithographic printers working?

Mr. ANDERSON: They are in the mapping section of the directorate of survey.

Mr. FISHER: Is there any revenue coming into that section from the sale of maps?

Mr. ANDERSON: Yes there is. They sell maps, I understand, on the same basis as the Mines and Technical Surveys. If you name the sheet you want you can buy it.

Mr. FISHER: Is there any aggressive policy as far as selling those maps fairly widely is concerned?

Mr. ANDERSON: No, not an aggressive policy.

Mr. FISHER: Have you any idea what the total income would be from the sale of maps?

Mr. ANDERSON: No, but I could get it for you.

Mr. FISHER: The reason why I raised that question is because I find that a great number of people who are travelling and hunting find those maps are the best procurable and I thought that they might become a real source of income. In the United Kingdom and in the United States comparable maps have a very large sale and in England they are pushed through a private outlet. I was wondering if any consideration had been given to doing that?

Mr. DANFORTH: Is the difference in the number of stationary engineers as between 1958 and 1959 due to reclassification?

Mr. ANDERSON: Yes it is. In part it is tied to the item we mentioned a moment ago concerning the firemen labourers conversion. It is a reclassification in line with the duties of the individuals.

Mr. THOMPSON: Would the same thing apply to the clerk of works? Is that a reclassification also?

Mr. ANDERSON: I have in my summary all the changes to clerks of works. During the year the army establishments committee added clerks of works to works companies at Calgary, Edmonton, Wainwright, Halifax and Churchill due to heavier maintenance programs in these locations.

The CHAIRMAN: We are now on page 324, gentlemen.

Mr. BENIDICKSON: Did we ever get a report on the navy driver in the U.S.S.R.?

The CHAIRMAN: Yes we had that in the last meeting, Mr. Benidickson.

Mr. PETERS: May I ask the same question about gardeners? We had the same problem in the navy. Perhaps the deputy minister has further information on that.

The CHAIRMAN: What is your question, Mr. Peters?

Mr. PETERS: What do the gardeners do in the winter time? I do not want to hear the old story that British Columbia has no winter. Why are they not seasonal?

Mr. ANDERSON: In some instances they work in greenhouses. In other instances, by the nature of their semi-labourer classification, they are able to be usefully employed in snow shoveling or as farm labourers or in a variety of other capacities.

Mr. PETERS: It is a fairly good wage for shoveling snow. How many greenhouses do the army have?

Mr. ANDERSON: I shall find out for you.

Mr. MACNAUGHTON: On page 324, Mr. Benidickson referred to the U.S.S.R. chauffeur which is a reissue of the same classification on page 315. Here we have a new chauffeur for the navy at $5,760. That is what it costs per year. And then again on page 336, there is another one for the air force. In other words we have three chauffeurs for the U.S.S.R. at a total cost of $17,280.

This year there are two new ones, one for the navy and one for the air force—an increase of $11,520 per year. I wonder why they need three chauffeurs for the services at Moscow. Would not one be sufficient?

Mr. MILLER: There are three attachés in Moscow. The task of an attaché is a technical one. The standard issue is one car per attaché and the requirement for travel there is reflected in that.

Mr. MACNAUGHTON: That is very true, Mr. Chairman. But are not attachés limited in circumference as to how far they can go in a country and what distance they can travel outside of Moscow, or have they a free run of the country?

Mr. MILLER: My impression is that they do not have a free run of the country but there are limited travel possibilities that change from time to time.

Mr. MACNAUGHTON: On the grounds of economy, why increase our expenditure by $11,520 this year when we are trying to save money?

The CHAIRMAN: I wonder if we can have an answer to that first of all.

Mr. MILLER: That is a very difficult question to answer, "why?" It has been an accepted requirement that the services have put up and they have been able to make a good enough story to satisfy the examiners that this is a requirement. I do not think that I can add very much to that.

Mr. PEARSON: On this point, is it not the practice regarding attaché officers abroad to have service personnel act as chauffeurs? Why do they make Russian civilians do this in Moscow?

Mr. MILLER: There has been a move to try and use local drivers wherever possible. By having a local driver we have a language advantage and the knowledge of the local geography. However, this is set up and it is also in

practice in every place except Moscow, where we have this exchange situation. It is cheaper to use civilian drivers than to pay transportation and foreign allowances to a Canadian driver.

Mr. BROOME: Would it be possible to have the mileage of those cars? Do we have three cars for air, navy, and army attachés in countries other than the U.S.S.R. We do in the United Kingdom, I believe. Are there any, in other countries?

Mr. ANDERSON: In many countries there is a single attaché. He is with army, air force or navy. He is called the military attaché. So, one man does the job. In the bigger centers there can be three. I believe that the navy said the other day that their man is new. That is an addition. That explains the increase of one in Russia.

Mr. BROOME: In how many countries do you have three instead of one military attaché? In how many countries do have three attachés, one for each service?

Mr. MILLER: I have not got that information here but speaking from memory we have joint staffs in Washington and in London and I know of no other world capital where we have three attaches except Moscow.

Mr. FISHER: My next question is a general one but it can be applied to this page. It stems from a speech I heard the Prime Minister give before the 1953 campaign in Kingston relating to the excessive amount of money spent on officers' messes. He was speaking specifically at the time of the ones at the National Defence College and I believe the Royal Canadian Army Service Corps. He also raised at the time the question of how costly it would be, over the years, to maintain these magnificent establishments in the manner to which the gentlemen who used them would become accustomed. I wonder if there could be any general statement given on this question of expenditures for personnel and services in relation to officers.

The CHAIRMAN: I think we will reserve that for the minister, Mr. Fisher.

Mr. ROWE: What kind of vehicles are provided for those attaches in the different countries? Are they Canadian?

Mr. MILLER: I have not got a list of them, but as a matter of policy, we are shifting to using European type vehicles in European countries, because of the maintenance problem, of shipping parts, and maintaining Canadian type vehicles there. Although I have not a list, if the committee think it is necessary, I can produce that.

The CHAIRMAN: I am wondering if it would not serve the purpose more if we obtained for you a report which you would have concerning all these questions and answers?

Mr. MACNAUGHTON: To complete my question, how many cars would we have at Moscow?

The CHAIRMAN: May we have that put in our report. We will cover the cars from the Department of National Defence utilized in foreign embassies.

Mr. CARTER: I would like to know how that salary was arrived at?

The CHAIRMAN: Which salary?

Mr. CARTER: $5,760 for the chauffeur. Is that the prevailing rate in Moscow? It is much higher than the United Kingdom. Perhaps in the United Kingdom it is a part-time casual job.

Mr. MILLER: The problem is that we have to pay these people in rubles. They are Russian drivers and we pay what might be regarded as an artificial high price per ruble. The exchange rate is 4 to 100, whereas the true value, if there was a market, might be 10 to 100.

The CHAIRMAN: Do you require any more information or would you like a report?

Mr. PEARSON: I think on that report we ought to remember that perhaps it is not desirable to go into detail concerning the travelling activities of our service attaches in the Soviet Union. I do not need to remind the deputy minister of this.

Mr. BROOME: Do you not believe, Mr. Chairman, that that information is available through the chauffeur to the U.S.S.R. government each night?

Mr. PEARSON: It certainly is, but confirming it by making it public over here would be something else.

The CHAIRMAN: We will have something on it in the general report.

Mr. CHAMBERS: In connection with that report, I just wondered if consideration has been given to the department forming with the Department of External Affairs a transport pool for the embassies, which would perhaps reduce the cost and provide all the necessary transportation.

The CHAIRMAN: That is a question that should be asked in external affairs standing committee.

Mr. FISHER: This question relates to the 92 personnel having to do with punched card equipment. What do these punched cards control and what system is used? Where is it, and where is it in effect?

Mr. MILLER: The greater part of it is in the three central ordnance depots. It was used in the analysis of last year's issue in regard to the stock holdings, the quantities of stores on order and so on. All of these are suited to a punched card system. There is possibly 200,000 individual items to be controlled on a stores basis.

Mr. FISHER: Is it a mechanical or a hand-operated punch?

Mr. MILLER: It is mechanical.

Mr. FISHER: What type of machine is it?

Mr. MILLER: It is a Remington.

Mr. FISHER: When was the system introduced?

Mr. MILLER: Three or four years ago.

Mr. FISHER: Have you any idea what savings have resulted from this machine?

Mr. MILLER: The savings are self-evident I would think, because the machine is normally on a rental basis and the justification for keeping one is that it will replace a certain number of clerks and produce the periodic statements you want rather more quickly than you could by clerical means, by longhand means.

Mr. FISHER: Has any consideration been given to extending punched card control to other facets of the military operation?

Mr. MILLER: We have it in three major areas. We have it in personnel records; we have it at headquarters here in Ottawa in the matter of requirements, this cataloguing section I spoke of, and we have it in the three central ordnance depots. It is the focal point of the ordnance distributing system.

The CHAIRMAN: Are you on page 324? Are there any questions on page 325 then?

Mr. FISHER: I have heard it said that it might be economical for the service to set up their own teletype system right across the country and thereby making savings by not using the standard means, telegraph and telephone, which come under private control. Has there ever been any consideration given to that? I see we have some teletypes listed here.

Mr. MILLER: Mr. Chairman, we use a combination of both, and the decision is made as to which is the most economical one to meet the particular need. I think that is as much as I can say on the general question.

Mr. FISHER: Well, for example, all the way from the west coast to the east coast, are you tied in with a service teletype system?

Mr. MILLER: I would have to check on that, because we are talking about the three services here and I am unable to answer for the others.

Mr. FISHER: This particular point was brought to my attention by someone in the service who said that it was one point where there could be a real saving. That is why I would appreciate some sort of a report.

Mr. MCILRAITH: There are three items near the bottom of page 325, confidential messenger, senior messenger and messenger. The increase in personnel seems to be from 31 to 47 and the increase in cost from some $67,000 to $119,000. I am wondering why there appears to be a sharp increase in the number of messengers at a time when there appears to be a reduction in the over-all staff?

Mr. MILLER: The three confidential messengers and twelve messengers shown as an increase were conversions of private orderly positions at army headquarters upon retirement of soldiers. They are made up of these older soldiers who have demonstrated their reliability and have been reaching retirement age. They apply for civil service employment and have been re-hired as civilians.

Mr. MCILRAITH: Have the corresponding military positions disappeared or been done away with?

Mr. ANDERSON: Yes they would in the individual establishments.

Mr. MCILRAITH: We are quite sure then that the sixteen military positions have been done away with?

Mr. ANDERSON: Yes. We are again in the individual establishments.

Mr. MCILRAITH: What are the duties of the assistants in these various foreign capitals? This is set out at the bottom of page 325?

Mr. ANDERSON: These people can do almost any clerical or junior administrative job in the attache's office in which they are employed.

Mr. MCILRAITH: Are they Canadians?

Mr. ANDERSON: I would think the majority of them would follow the pattern of being indigenous or local to the country. This would avoid the cost of sending a Canadian over there and returning him.

The CHAIRMAN: We have the minister with us now and there were two questions which were unanswered. We had deferred them until he arrived.

Mr. Fisher, you had one on the Canadian Military Journal. Would you like to ask it now?

Mr. FISHER: I would like a statement on the reasons for publishing the journal, its efficacy, its cost in relation to what it does and whether any consideration has been given to it in a cost cutting measure. We have cut out the bureau of current affairs because it was considered to be doing something that could be carried on by regimental officers. I was wondering if the same consideration had been given to the Canadian army journal?

Hon. GEORGE RANDOLPH PEARKES (*Minister of National Defence*): The Canadian army journal contains articles of a definite military nature. Not only does it contain articles showing general information about what the various corps are doing across the country, but there are a number of articles of an instructional nature which are included.

I have looked into the advisability of keeping this journal, and I came to the conclusion that it was desirable to do so as a useful medium of instruction.

Mr. FISHER: It is published in an expensive form. It uses high quality paper and there are photographic reproductions in colour. This makes it

quite expensive. Is that considered necessary? If it is instructive, could not some form of mimeograph bulletin replace it? This would cut the cost considerably.

Mr. PEARKES: I do not think so. I have been around to a number of the units and I have seen where they keep these particular pamphlets month after month—I do not say I have seen them bound, but I have seen a collection of them. The information which they contain is not merely of interest at the moment. There are some very excellent articles of a strictly technical nature.

Mr. FISHER: I read the magazine myself, and I am aware of what is in it. It seems to me if you are cutting costs, this would be a good place to consider it.

Mr. PEARKES: I will have to make another review of that, but I would not like to say. I certainly would not agree to cutting it out, because I do feel it is of good value. However, if it was printed on less attractive paper, I do not think it would then be kept as long as it is now. I would not like to see any deterioration in the standard of that paper.

Mr. CARTER: Do we have an exchange service with that journal? Do we exchange it with military establishments all over Canada and outside countries?

Mr. PEARKES: It is sent to the units in a number of other countries. There would be an exchange, because I know that we get in the same numbers. We receive in the military library at national defence headquarters magazines from many of the United States corps, and the French corps. I have seen those, to say nothing of some of the British corps.

Mr. CARTER: That exchange service would almost justify our continuing this journal.

Mr. PEARKES: I think that our magazine is comparable with other similar magazines from other countries.

Mr. FISHER: In that regard, you expressed through your official when answering previously that this was distributed among the officers. What attempts are made to bring it to the attention of the other ranks?

Mr. PEARKES: As far as I know, it is sent out to the different units. Some of those go into the officer's mess; some, I believe, are distributed to the individual officers; and it would go to the sergeant's mess, the men's canteens, and that sort of thing.

The CHAIRMAN: There was a second question deferred for the minister concerning officers' messes. I do not know who asked it. Mr. Fisher?

Mr. FISHER: Has the operating expenses of the officer's mess ever been analyzed to see whether there is any way of cutting it down? My question, as stated previously, stemmed from comments made by the Prime Minister before he became Prime Minister, regarding the upkeep from year to year of the lavish establishments that have been established in various places to provide comfortable surroundings for our officers.

Mr. PEARKES: I cannot accept the definition of lavish surroundings; comfortable, yes. Regarding the standard of our services, be they the army, navy or air force, be they officers or men, we feel it is essential that they have living conditions comparable to the living conditions that they might expect in ordinary civilian life. I say without any fear of contradiction that the standard and the character of the men in our services are excellent. It is essential that we have men of high calibre who are well educated. We like to attract that type of man and to encourage him to remain in the services. The day has passed when one has men living in sub-standard quarters.

If we are going to attract the right type of young Canadian to come into the service, requiring more and more technical skills, we have to give them decent accommodation.

Mr. FISHER: Do you mean at one time the Canadian officers' messes were sub-standard?

Mr. PEARKES: They certainly were sub-standard compared with the general standard of living in the country as it is today. There has been a general improvement in the standard of living in all walks of life. Before the war the condition of many of the messes in the officers' quarters would be considered sub-standard today.

Mr. FISHER: Has the minister or the department received any complaints from temperance people that these messes are further outlets for liquor and beer and so on, and let us say, undermine the character of the people in the service?

Mr. PEARKES: I have been in the Canadian service ever since 1914 and I have never during the whole of that period seen a better standard of living, or shall I say, a greater degree of sobriety in the messes than there is today.

Mr. MACNAUGHTON: Is not the answer to the better buildings and messes that we have today due in fact to the replacing of temporary quarters, which we had to erect in a hurry during wartime, by permanent establishments which have been built with a long term point of view?

Mr. PEARKES: There is a definite replacement going on. We are still using a great many wartime buildings, but as the life of those wartime buildings decrease, the new buildings are being erected. Permanent buildings are gradually replacing the old wartime buildings.

The CHAIRMAN: Gentlemen, you are on page 325. Are there any further questions?

Mr. FISHER: On this particular question of the messes, I want to mention two examples that have been brought to my attention, the officers' mess at Whitehorse and the officers' mess at the Royal Military College. In those two places there is a certain amount of entertaining. I have been in receipt of criticisms and people have inferred that the officers provide quite a number of these services themselves out of mess funds. Has there been any analysis made of just how much officers' mess funds should cover and how much of these expenses should be met by the army itself?

Mr. PEARKES: I think I am correct in saying that the officers receive exactly the same ration as the other ranks. If there is any other further requirement for entertainment or for any facilities, provisions of any sort which the officers desire over and above their ration, they pay for it themselves.

Mr. FISHER: In other words, if there was a weekly buffet held that would be paid strictly by the mess funds and not out of army funds?

Mr. PEARKES: Absolutely. There is no question about that.

The CHAIRMAN: Are there any further questions?

Mr. PEARKES: You raised a question of the officers' mess at the Royal Military College, and I would like to say one thing in regard to that. It is an extremely small building. It is an extremely small room. There is no separate building there at all. It is little more than a common room in any scholastic educational establishment. I have been in there fairly recently. There was a conference held there which I attended and it was absolutely packed. It is not more than half as large again as this room.

Mr. PEARSON: I take it what the minister has said means that officers' messes are now and have been modest, comfortable and sober?

Mr. PEARKES: That is absolutely correct.

The CHAIRMAN: 325, gentlemen? Is there anything further? Page 326?

Mr. JUNG: On page 326, I am sure that this committee has noted the very substantial increase in the number of kitchen helpers. It has jumped from 479 to 643, an increase of 164. The appropriation has jumped almost $480,000. Now, I understand that in the past at summer camps and so on, the civilian staff have been employed so that the military staff would have more time for field manoeuvres. But this increase in kitchen helpers seems to be a rather substantial one. Could we have an explanation?

Mr. ANDERSON: The large increase in kitchen helpers is due to the reclassification of food service attendants in some units. There is a drop of 118 in those, and a net increase of 34 in the two classes is due to increased ration strength in units surveyed by the army establishments committee during the year.

Mr. HALES: Every time we ask a question on this very same thing, we get the answer "reclassification and civil service" and so on. I would like to get down to the bottom of this. I do not know who is running the personnel of the department, whether the department is running the personnel or whether the Civil Service Commission is running it, but every time you try to make some savings you are offset by reclassifications. I think we should have a real good schooling or an explanation of what this is all about.

Mr. ARMSTRONG: I think I have attempted to explain before that the classification is basically the responsibility of the civil service and it is another word for job evaluation. The department is obviously responsible for the operation of the department and the numbers employed. It has its experts. It makes its recommendations to the Civil Service Commission, but the final authority in this respect as to what classification a particular position should bear, rests with the Civil Service Commission. That is their responsibility under the law. I myself think it is better to use the word "job evaluation" than "classification". It is an assessment by experts of what this job is and what the pay should be for it. When you speak of increased costs in respect of reclassification, this only appears to be the case. I think I explained to one of the members of the committee in respect to the personnel officers. While it appeared that there was a $97,000 increase because of personnel officers $83,000 of that represented the salaries that had been paid to them before under another classification. So that to look down this list of itemized positions, it is completely misleading in this respect. As Mr. Anderson has just said, while the kitchen helpers have increased very substantially, 118 of them, were previously in here as food service attendants. So, there is not the increase that appears in respect to that particular item. It is very difficult going through a list of this kind which covers the whole of the army right across the country to explain to the committee from this particular list exactly all the transactions that result in the consolidated list, because there are changes in establishments all over the country. Perhaps to understand this more adequately, it would be worth while having a look at one of those establishments and you might follow it through much more readily in that case.

Mr. HALES: Who, on this job, evaluates? I understand the Civil Service Commission does that job of evaluation.

Mr. ARMSTRONG: Yes, the Civil Service Commission are the experts in classification and we, as I think most other departments in the government, rely on their judgment by and large as to the classification that the position should bear.

Mr. HALES: Have you the authority to refuse their job evaluation as not being satisfactory to your department? Have you that authority?

Mr. ARMSTRONG: If we disagreed with it, we would discuss it with them. As I think I said before, the final authority rests with the Civil Service Commission. These things are done by agreement.

Mr. HALES: That is, they have the control of the personnel of your department?

Mr. ARMSTRONG: Under the law they have the authority.

Mr. MCGREGOR: How long have they had that control?

Mr. ARMSTRONG: Since 1919, I believe.

The CHAIRMAN: Does that answer your question?

Mr. HALES: Yes.

The CHAIRMAN: Anything further?

Mr. HALES: Well, I have the explanation, but I do not think it is a good set-up. Let me put it that way.

Mr. DOUCETT: Under kitchen help, there is labourers and I notice it is reduced by over 100. I was wondering if they were reclassified as kitchen help. Would that be possible, or would they be reduced? If they were, were they laid off or what happens?

Mr. ANDERSON: I think that it is shown in the total on page 327, where there is an overall reduction.

Mr. DOUCETT: I wonder if they are a transfer of kitchen help.

Mr. ANDERSON: No. The basic transfer to kitchen help was from people who were previously called "food service attendants"; those were the two that were tied together, and it is an explanation of this item.

Mr. DOUCETT: Where did they come from?

Mr. ANDERSON: The large increase in kitchen helpers is due to the reclassification of "food service attendants" in some units. The net increase of 34 in the two classes is due to increased ration strengths in units surveyed by the army establishments committee during the year.

This would appear to be a drop.

Mr. JUNG: Going back to this question of kitchen helpers and reclassification, does it mean that the former food service attendants are not receiving higher pay as kitchen helpers?

Mr. ANDERSON: Yes, they are receiving a very small increase. The rates are shown. I am told that it is $5.00 a month more money and a new title.

Mr. MCCLEAVE: I think the explanation here is that changes have been made because there has been reclassifications and I think that what Mr. Hales would like to know is why there has been reclassification, why it has taken place.

The CHAIRMAN: Mr. Armstrong has a statement if you would like him to make it.

Mr. HALES: I have another question which would tie in with your answer. I am inclined to assume—I may be wrong, and you will please correct me if I am—but it seems to me that rather than fire anybody, they try to find reclassification for him.

Mr. ARMSTRONG: No, that is not correct. Reclassification does not really have anything to do with letting a person off or not. After all, it is the numbers which count.

Mr. HALES: It is a new classification rather than letting a person off.

Mr. ARMSTRONG: No, that is not so. I appreciate that many members have difficulty in finding just what does happen in the establishments. We have been organizing in the department a paper with the object of presenting to you in a fairly brief but reasonably comprehensive form all the steps that are taken in the department to control the organization of establishments.

We intended to follow that up with a detailed presentation to you of the St. Hubert establishment which you are planning to visit at Montreal on the weekend after next.

We thought in this way we might be able to clarify the problems in your mind with respect to how these things are done and the sort of reviews and controls which the department makes to ensure that the establishments are efficiently organized and that we are getting the most out of our manpower.

The CHAIRMAN: I believe that report will answer your question as well, Mr. Peters.

Now, Mr. McIntosh.

Mr. MCINTOSH: Referring to the figures and the estimates for 1957-58, may we take it that all these figures here were included as classifications under that year, and that there were none left out? In other words, if you have done away with certain employees that were covered under a different classification, are they still included in these 1957-58 figures?

Mr. ARMSTRONG: Yes, the 1957-58 figures include the provision for the 1957-58 estimates; so it shows you last year's position, and the 1958-59 line shows you the position upon which the 1958-59 estimates are based.

Mr. MCINTOSH: In the 1958-59 estimates there is a blank where the classification has been done away with on every occasion?

Mr. ARMSTRONG: Yes. If there were none done in the 1958-59 year, there would be a blank, that is right.

Mr. CHOWN: May we have one last word from the minister on this personnel problem. Do you have any control over the number of persons employed in your department, and do you have a policy with respect to that number, or a general policy with respect to the personnel, and if so would you be prepared to give us a statement on it? Have you any control over it?

Mr. PEARKES: Oh yes, we have control over the numbers who are employed to this extent that we make our requirements known and then the Civil Service Commission and the Treasury Board look into those requirements. As far as the Treasury Board is concerned they might or might not approve the request as originally made. I do not know if you want me to add anything more to that.

Mr. ARMSTRONG: That is the way it is done. We certainly have control in the department over the numbers, and this will be dealt with in the report that I spoke of.

Mr. PETERS: I would just like to point out that this matter seems to fit into the matter I was asking about before, but I do not think it eliminates the need for further discussion of it because this question involves army personnel. In this particular job where they are interchanged from one to the other; there is a difference, and I think there is a similarity as well.

The CHAIRMAN: I was not suggesting that you eliminate discussion. I think we should wait until we have the report before us.

Mr. CARTER: Following Mr. Hale's questions, who has the responsibility for initiating the surveys which led to reclassification? Does the initiative or responsibility rest with the department concerned, or does the Civil Service Commission have authority to initiate a survey any time they feel it should be done?

Mr. ARMSTRONG: The Civil Service Commission does have that authority but in practice the surveys are normally initiated by the department.

Mr. HALES: In connection with personnel, what would be the total army personnel as a comparison between last year and this year, or do we show an increase or a decrease in the total numbers?

Mr. ARMSTRONG: The continuing establishment is listed in your book, and you will find a comparison there. The strengths are shown on the piece of paper we distributed to you on the first day. The army is shown separately if I remember correctly.

Mr. HOWE: I notice there are quite a number of mechanics on the civil staff. What repairs or mechanical work is done by civilians, or is any work done by military personnel?

Mr. ANDERSON: It is a mixture of both. Repairs to work equipment are generally done in the workshops and to a very large extent under military supervision, by military tradesmen, interspersed with civilians. In some instances the civilians have specialized skills which they bring to the job.

Mr. HOWE: Has anything been done to train army personnel to work in those specialized fields?

Mr. ANDERSON: Yes, they may. It is concentrated in job training and course training.

Mr. MORE: Mr. Chairman, I want to go back to Mr. Hales' question. I wonder if I am right, but it seems to me that in effect the Civil Service Commission act as the business engineers of the department; it seems to me that their work is the same as that of business engineers at these establishments.

Mr. ARMSTRONG: I do not know whether I would interpret your question in the way you are thinking, Mr. More. I do not think they are the business engineers of the department as such. I think this will come out more fully when we discuss it further.

The CHAIRMAN: Are there any further questions on 326?

Mr. FISHER: If there is a conflict between the department and the Civil Service Commission regarding this, where is that conflict settled? Is it done by the Treasury Board?

Mr. ARMSTRONG: The Treasury Board finally approves the number of positions, yes; but the responsible authority in respect to classification and to organization is the Civil Service Commission.

Mr. FISHER: In respect to those people who work in the so-called minor positions, are all those positions filled through the civil service or are they filled on the spot when the need arises at the will, let us say, of the commanding officer at the station?

Mr. ARMSTRONG: There are two in this list; there are two types of positions. There are those which are classified positions under the Civil Service Act and they are filled by the Civil Service Commission through the usual methods that they employ. On the other hand there are the prevailing rate employees who are continuing prevailing rate employees. They are exempt from the Civil Service Act and their positions are filled through the national employment office.

Mr. FISHER: There is no question of a member of parliament ever being consulted about these positions and there are no lists given to members of parliament about such positions?

Mr. PEARKES: Members of parliament not infrequently make recommendations in connection with the employment of personnel both as candidates for the civil service and for prevailing rate positions.

In all cases as far as the civil service is concerned, if the recommendation is made by a member of parliament to me, that recommendation is sent over to the chairman of the Civil Service Commission.

On the question of prevailing rate employees, we receive all our prevailing rate personnel, as Mr. Armstrong has said, through the unemployment insurance people.

If a member of parliament makes a recommendation in that respect I always tell him to get in touch with his local employment agency, because we do not hire any people directly.

Mr. FISHER: Would you be able to tell us how effective a member of parliament's recommendation is in both cases?

Mr. PEARKES: Judging from the years I have spent in opposition, and now, I would say quite ineffective!

Mr. PEARSON: I wonder if the department would give us information in regard to the overtime policy with respect to civil help, and how much overtime there is.

Mr. ANDERSON: There is a line in the estimates which shows an excess of $1 million as spent in relation to the $65 million total percentagewise.

Mr. PEARSON: For overtime?

Mr. ANDERSON: For overtime. There is a whole host of rules governing overtime. As you know, in the civil service, by and large they get compensatory time at an "unpeak" time later on, rather than overtime pay.

The CHAIRMAN: I now have an answer to the question concerning staff at the Royal Military College. May I read it?

Agreed.

"Teaching staff at Royal Military College—Figures from 1957-58

Royal Military College calendar.

Civilian professors	14
Civilian assoc. profs.	10
Civilian assist. profs.	11
Civilian lecturers	20
Civilian research assistants	6
Civilian technical officers	2
Service professors (service officers)	2
Service assoc. profs.	4
Service assist. profs.	3
Service lecturers	6
Total	78

Mr. PEARSON: Does that mean that there are 78 on the educational staff for a student body—if I may call them that—of about 450?

The CHAIRMAN: Gentlemen, we are on 326. Are there any questions on 327?

Mr. HALES: I notice that we have roughly 210 men listed as painters with a salary of $840,000 for labour alone. Does the department not feel that they would be much further ahead if they called for tenders for all their painting?

Mr. ARMSTRONG: The painters that you see here, I think you will appreciate, are those who are on the continuing staff. They are organized for doing the routine and continuous paint jobs at various establishments. It is done this way because we believe it would be more economical than if we had contracts.

We do certain painting by contract. This is not all the painting that is done in the department.

In this work service and the maintenance of buildings, painting and other things, we have endeavoured to establish a policy as between contract and the work that we do ourselves that produces the best results for the money we spend.

I do not know if that answers your question or not, but those are the general principles.

Mr. McGREGOR: When you require tenders for painting, how do you call for them? Is it done by lump sum contract, or on a yardage basis?

Mr. ARMSTRONG: I do not know. These are called for by the Department of Defence Production.

Mr. H. A. DAVIS (*Superintendent of Engineering and Construction, Department of National Defence*): When we draw up specifications they will depend on the type of work that is to be done. We usually give the measurement of the area to be painted, we specify the type of paint required, and we give some indication of the estimated quantity of paint which is calculated.

Mr. McGREGOR: Do you give them the required quantity you want for that particular contract?

Mr. DAVIS: We cannot give them the detailed gallonnage of paint, but we do give them the estimated amount.

Mr. McGREGOR: I mean the amount of work.

Mr. DAVIS: The amount of work is specified and we try to plan specifications which will outline the gallonnage which would normally go to that contract.

There are repairs, however, where it is not possible to estimate the quantity sufficiently accurately to give out a lump sum contract. So for that type of work and for renovation we normally use day labour or the works companies for the painting.

Mr. CHOWN: Can you tell us, Mr. Chairman, where we do our railroading, or are these railroaders just in training for use in a period of operations?

Mr. ANDERSON: For example, at the ammunition depot at Boucher, and at Ste. Anne des Plaines, we maintain a railroad crew.

Mr. CHOWN: Are these railroads the property of the department?

Mr. ANDERSON: I do not know. I would assume that they were on a rental basis because that is the way the railways usually have it. I refer to the major ammunition depot.

Mr. CHOWN: What are the duties of a textile refitter?

Mr. ANDERSON: He is an upholsterer.

Mr. McINTOSH: How many military establishments are under the control of the Department of National Defence throughout Canada? In other words, with the number of painters we have for each, would you be shifting them from one to another?

Mr. MILLER: No.

Mr. McINTOSH: How many military establishments are there? I am trying to get the average number of painters for each establishment or any other classification?

Mr. ANDERSON: I do not know the number of buildings or individual establishments that we have.

Mr. McINTOSH: I do not mean the number of buildings; I mean the number of camps.

Mr. ANDERSON: There is an engineers' company in each area, and in each major military camp, the strength of which is calculated to fit the job. It must be, in engineer accommodation and maintenance sufficient to ensure adequate service. I have never counted them.

Mr. McINTOSH: Roughly speaking, how many would there be?

Mr. ANDERSON: I shall have to get you the answer.

Mr. McCLEAVE: I have a question arising out of the last answer of the witness in connection with textile refitters who could be called upholsterers. I notice that there are also upholsterers listed.

Mr. ANDERSON: There is not any real difference. Almost everybody has mentioned the Civil Service Commission but there are at the ordnance depots tentage, fabric, or other upholstery of vehicles, and there is a certain amount of mess furniture, kitchen furniture, and other things of that sort, which, when it is turned into the depot in the first instance is gone over to see if it is suited for repair if possible, whereupon the item is repaired and reissued.

Mr. MCCLEAVE: Is this a distinction without a difference?

Mr. FISHER: On target makers I see there is a reduction, why?

The CHAIRMAN: Would you mind repeating your question, Mr. Fisher?

Mr. FISHER: I notice there has been a reduction in target makers. Two have been made seasonal who were formerly permanent. I wonder why?

Mr. ARMSTRONG: It is simply an indication that the fellow who was previously considered to be full time was found, upon review, to be really seasonal, so it is shown as seasonal now.

Mr. FISHER: Does the provision of sandblast operators tie in with any policy to smarten up the buildings in the establishment?

Mr. ANDERSON: They are employed at the engineering school at Chilliwack in the readying of equipment for painting. They earn a salary at a higher rate of pay than they would as labourers.

The CHAIRMAN: Are there any more relevant questions on page 327?

Mr. CHAMBERS: I did not get the answer about railroading. Does the department own its own railroad equipment at Boucher?

Mr. ANDERSON: We are operating with rented equipment, but within the defence area at Boucher there are a limited number of roads. At Ste. Anne des Plaines there are no roads so that as soon as you get in to the confines, you most operate a railroad. Presumably it is quite a bit cheaper for us to have our own employees and to operate this rented equipment.

Mr. CHAMBERS: Is it diesel equipment?

Mr. ANDERSON: Yes.

Mr. CHAMBERS: If that is the case, why do I see that there are firemen?

Mr. ANDERSON: Possibly it is C.N.R.

Mr. CHAMBERS: Might we have an explanation?

Mr. ANDERSON: Getting down to the basic labourer, the casual labourer, who would be employed as needed and not employed when not needed, we come up with the concept of having a pool.

It was in excess of 1,000 last year and the provision this year is for 975 which is allocated as the maximum number of positions which may be used up.

I think that within that overall limitation of the pool concept, casual labour is hired from time to time as needed.

The CHAIRMAN: Gentlemen, if there are no further questions on page 327 I suggest that before we get to page 328 we might adjourn the meeting at this point.

I would like to discuss our organizational procedure. There have been some good suggestions made to our Committee on methods of procedure. I have already pointed out that the steering committee was satisfied that our method of procedure was the correct one.

However, if you have any suggestions which are going to make this committee more effective or a better committee we shall be more than happy to receive them.

I do not see any point in calling another meeting of the steering committee at present, but if there is anything in the way of procedural improvment which you may have, we shall be very happy to hear about them now.

Mr. PETERS: I want to ask some questions about this at the next meeting, namely: travel allowance, and I would like to say that it is my understanding that we previously made use of travel warrants for the transport of service personnel in particular, but that it is no longer done for one of the services.

I understand that the air force run their bases and they have in effect set up a national transportation organization which shows a decrease in estimates of a considerable sum of money. In fact, however, there must be some expenditure some place else which is not showing in this particular phase covering the cost of transportation.

There has been quite a change and it has been done since the economy move. I would like information if possible on what the costs have been now under the new system of transportation.

Does this apply to the three services, and are we going to continue this type of transportation? I would like to have general information pertaining to it.

The CHAIRMAN: You would like to have a report on transportation?

Mr. PETERS: Yes.

Mr. CHAMBERS: I would like to remark again on what was said at an earlier meeting that when we were to be given material for the purpose of study we might receive it earlier.

The CHAIRMAN: You will realize the difficulty of getting something of this nature. I understand the problem with the public accounts. We shall do our best to keep ahead because actually we have only reached the first item on the current expenditure report. We shall try to get these reports as much in advance as it is possible to obtain them.

Mr. FISHER: I read through the previous estimates and I was interested in the point brought up in connection with navy submarines.

After reading Admiral de Wolfe's statement made last Saturday I thought there might be additional interest shown in this particular aspect, and I wondered if other members felt the same. As a result of that statement there are certain things which were not covered during the estimates which were brought up and I wondered if the rest of the committee would be interested in hearing from Admiral de Wolfe on this particular point, or whether it would be considered by the minister as a policy into which we should not go.

The CHAIRMAN: Would the minister care to make a comment?

Mr. PEARKES: We dealt with policy and the navy at previous meetings when I outlined what that policy was. Now I am not quite certain what Mr. Fisher is referring to as a statement made by Admiral de Wolfe.

Mr. FISHER: There is the concept of sub against sub as a sort of defence against Russian submarines by using submarines of our own. This was not touched upon at any committee meeting previously.

Mr. PEARKES: I explained how we had a team of naval officers and naval scientists examining this whole submarine question. They are over in the United Kingdom as well as in the United States. There is a concept of future naval warfare in which a submarine can effectively attack a submarine. I suppose in the future surface vessels might be eliminated. But it does not seem to me to be proved yet that such a situation and such a time has come.

There is no question about it that the submarine is an effective hunter of another submarine. The only item which is reflected in these estimates is the investigation which is being carried out.

Mr. PEARSON: They would not be eliminated; they would be reclassified!

The CHAIRMAN: I would like to leave discussion on the question of procedure or method of procedure, otherwise you are going to go into the details of the estimates again.

Mr. PEARSON: I have a point mention of which now might be helpful to the minister when we get to the air force. I would like to ask a good many questions concerning aircraft construction, the efficacy in present circumstances of our radar detection lines, and that kind of thing. I do not know if I shall be told that it is a matter for the Department of Defence Production or not, but perhaps the minister might indicate now whether the air force are the right people to question on matters of that kind.

Mr. PEARKES: Yes, I think the air force would be able to explain many questions of that kind. On the other hand there may be questions that they cannot. It is pretty hard to give a blanket answer.

Mr. GRAFFTEY: I do not know if this has general application but speaking for myself, as we go through these estimates and as the officials give us a lot of extremely valuable information, I personally find it a great educational process. But in the end will there be meetings reserved for us to come back to the whole general policy of the department in order that we might possibly make any general recommendations that we have in mind?

The CHAIRMAN: Yes, I made the point at our first meeting: that item 220 would be held open as a catch-all for any discussion on policy, and that it would not be closed until we have gone through the entire estimates.

Mr. MCINTOSH: In respect to your request for suggestions, Mr. Chairman, it seems to me that we are going about this in the right way in discussing item after item; but is there any other proposal that we might go over each page and pick out some of the larger items? I have heard the same questions asked and answered about three times at the head table. Whether it was because some of the others were not able to attend other meetings or not I do not know; but I think we should go over it generally first.

The CHAIRMAN: May I say that is actually what we are doing. The only items you go over item by item are at page 328. When you come to heavy expenses, that is when we take them page by page.

When you say that some questions have been asked and answered two or three times, I have pointed out to committee twice when questions have been answered and I have endeavoured to check them. I have tried to prevent duplication with the exception of when we are dealing with heavy expenditures.

Mr. BENIDICKSON: As we are just about to adjourn, having regard to the item of civil salaries and pay and allowances with respect to the army, when we come to the air force it might be useful if we have the information supplied to us as at the first meeting when we were given particulars as to the strength of the armed forces in some detail, the civil staff, and casual employees. I wonder if we could have a table of that kind given to us to show the size of the respective staffs at national defence headquarters?

Mr. PETERS: One fairly large item which should interest members is that of militia, its present morale, and how it is operating in relation to summer camps and things of that sort. What plan does the steering committee have to enable us to have produced before the committee a militia officer?

The CHAIRMAN: If the committee desires it, that can be considered, but there has been no request as yet.

Mr. PEARKES: When we come to the question of the militia, I can have an officer here who has recently returned from an inspection of the various camps. He can either come or supply a written report. If necessary he can be here. He could tell you how the camps are operating and he can tell you his impression of his recent visits.

I may say from a report which I received only this morning, that it is extremely favourable and that the militia is finding the present system of training with the regular forces to be more beneficial, and to have better results than previous methods.

Mr. MORE: I have no suggestions to make on procedure, but I notice on item (16) at the bottom of page 328, that there is quite a large expenditure and a very considerable difference in expenditure given for 1957-58 as compared with the estimates and I wondered if you would be prepared to justify the estimates for this year and explain why there is a great difference in the expenditure over last year?

The CHAIRMAN: I am certain that the matter will be explained when we arrive at that point.

Mr. CHOWN: May I suggest that the steering committee take into consideration the idea of recommending to the government that estimates in the future be prepared in the fashion in which we now have them. We are very grateful to the department to receive them in this form as a result of our request made earlier.

The CHAIRMAN: That is fine. I would like to say something with respect to that; I have read through these three volumes on the Report of the special committee on estimates at 1956 and I find that the method by which we are proceeding is exactly the same as that followed by the special committee. It should also be appreciated that having regard to the fact that we are going into a little new ground under somewhat wider terms of reference. But other than that there is a striking similarity between the questions that are being asked in this committee and those which were asked previously.

I am available at any time to receive any suggestions. We can call a meeting of the steering committee at any time. Finally I would like to ask the members to be as prompt as possible in convening so that we can fully use the two hours, because it has taken a few minutes to get started on some occasions.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

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STANDING COMMITTEE ON ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

THURSDAY, JUNE 26, 1958

DEPARTMENT OF NATIONAL DEFENCE

WITNESSES:

Honourable George R. Pearkes, V.C., Minister of National Defence; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister-Finance; and Colonel F. E. Anderson, Director of Army Budget.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
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(Quorum 15)

E. W. Innes,
Clerk of the Committee.

CORRECTION (*English Edition Only*)

MINUTES OF PROCEEDINGS AND EVIDENCE No. 5—Monday, June 23, 1958.

Page 124—Line 22 should read.

Mr. McCLEAVE: Are these progress payments?

ORDER OF REFERENCE

MONDAY, June 23, 1958.

Ordered,—That the name of Mr. Fisher be substituted for that of Mr. Winch on the Standing Committee on Estimates.

Attest

LEON J. RAYMOND,
Clerk of the House.

59731-0—1½

MINUTES OF PROCEEDINGS

THURSDAY June 26 1958.
(8)

The Standing Committee on Estimates met at 10.45 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Allard, Benidickson, Best, Bourget, Broome, Cardin, Carter, Chambers, Chown, Clancy, Danforth, Dumas, Fisher, Grafftey, Hales, Hicks, Howe, Jung, MacLean (*Winnipeg North Centre*), McCleave, McGregor, McIlraith, McIntosh, McMillan, More, Pearson, Peters, Ricard, Smallwood, Smith (*Calgary South*), Smith (*Winnipeg North*), and Stefanson—(32).

In attendance: From the Department of National Defence: Honourable George R. Pearkes, Minister; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister-Finance; Colonel F. E. Anderson, Director of Army Budget; Lieut. Colonel H. A. Bush, Deputy Director of Army Budget; and Mr. D. B. Dwyer, Superintendent of Parliamentary Return.

Agreed,—That the next meeting of the Committee be held at 11.00 a.m. Monday, June 30, 1958.

Four documents were deposited and identified as follows:

Exhibit No. 5—Control of Civil and Military Establishments

Exhibit No. 6—Estimates of RCAF Construction Program, 1958-59

Exhibit No. 7—Civilian Strength at N.D.H.A., by service, for selected dates.

Exhibit No. 8—Breakdown of expenditures for 1957-58 and the comparative estimates for 1958-59 for the following Defence Services:

(a) Departmental Administration
(b) Inspection Services
(c) Navy
(d) Royal Canadian Naval Reserve
(e) Royal Canadian Sea Cadets
(f) Royal Canadian Air Force—Regular and General
(g) Royal Canadian Air Force Reserve
(h) Royal Canadian Air Cadets
(i) Royal Canadian Air Force—Search and Reserve
(j) Defence Research and Development—Research
(k) Defence Research and Development—Development
(l) Defence Expenditures by Other Government Departments
(m) Mutual Aid
(n) General Services
(o) War Museum
(p) Civil Pensions
(q) Defence Services Pension Act
(r) Regular Forces Death Benefit Account

The Minister and his officials supplied information requested at previous meetings and they were further questioned thereon.

The Committee proceeded to its detailed consideration of the Estimates of the Department of National Defence, 1959.

Under Item numbered 220: Army was further considered.

At 12.30 p.m. the Committee adjourned until 11.00 a.m. Monday, June 30, 1958.

E. W. Innes
Clerk of the Committee.

EVIDENCE

THURSDAY, June 26, 1958.
10:30 a.m.

The CHAIRMAN: Good morning, gentlemen. After thirteen minutes of waiting, we have a quorum.

Mr. BENIDICKSON: It was my intention to raise again, for your consideration, the matter of the times that we are sitting. This morning we have two standing committees, veterans affairs and railways, which are meeting at 10 o'clock. In order to accommodate other committees, the mines and resources committee are starting at 9 o'clock. It is obvious that the members who are serving on two committees sitting at the same time would have a longer stretch at the other committee if we were to start his committee at 11 o'clock. I say this particularly in view of the fact that the pattern seems to be that the other committees make a much earlier start than we do. I was wondering if we could give this consideration.

The CHAIRMAN: Mr. Benidickson, your request is certainly in order and has been considered.

I am going to suggest that we try if for our next meeting, and sit at 11 o'clock. The way we are proceeding certainly is not satisfactory at present. I know it is not entirely the fault of the members. They cannot attend all the meetings which are currently in session. With the approval of the committee, we will call our next meeting for Monday morning at 11 o'clock, instead of at 10:30. Are there any objections?

Agreed.

The CHAIRMAN: Gentlemen, at the last meeting we were about to consider page 328 under the heading of army, item 220, but before we go on to it I think we will follow the practice of clearing up any questions which remained unanswered at our last meeting.

We have here a number of charts which will be distributed. You asked to have a copy relating to the costs of the expenditures of the air force for the past twelve months. We also have a report on the control of civil and military establishments. You may wish to consider these, and any detailed questions of course can be asked now or at a later meeting. Would the secretary be kind enough to have these passed out. While he is doing that, I am going to ask our witnesses if he will answer any questions which remained unanswered from the previous meeting.

We have with us this morning the deputy minister, together with Mr. Armstrong, Colonel Anderson and Lieutenant Colonel Bush. Should it be the other way around?

Mr. F. R. MILLER (*Deputy Minister of National Defence*): No.

The CHAIRMAN: I was right the first time. Mr. Miller, you have one or two questions that remained unanswered.

Mr. MILLER: Mr. Chairman, the question was asked about the Royal Military College, its degree granting authority and the possibility of broadening the degree granting authority to include CMR, College Militaire Royal.

I think it would be useful for the committee to understand the set-up of what we call our tri-service colleges. Originally, we had the R.M.C. at Kingston giving a four-year course. When we decided we needed more

graduates of the military college system, we set up two-year courses at Royal Roads in Victoria and at CMR in St. Jean, Quebec. Those courses were to give the first two years of a four-year course. Then after, the graduates of the two-year course would go to R.M.C. to finish their third and fourth years.

The object of that was purely one of economy. These colleges in the first place are relatively small. They have an attendance of 300 or 400 students and to attempt to give a full degree course, with all the special requirements that would result, it was felt that that was an expensive way of doing things. It was decided that R.M.C. would give the final two years and, therefore, be the degree granting organization of the three tri-service colleges.

Now that is a brief outline of what the college set-up is, and we are just proposing one degree granting college at this time. This is purely because of the matter of economy. That is a general statement. I do not think there were any other specific inquiries made in that respect.

There were certain discussions on the subject of attachés and the cars.

The CHAIRMAN: I wonder, before going on to the next one, if there are any supplementary questions regarding the reply given by the deputy minister.

Mr. PEARSON: Would the deputy minister tell me what degrees are now given. Is a Bachelor of Arts degree given as well as the Bachelor of Science degree?

Mr. MILLER: Mr. Chairman, we are proposing to apply for the charter through the Ontario legislature, and that will come up again at the next meeting of the legislature. The intention at the moment certainly is to give a Bachelor of Science degree. There is some discussion still on the merits of the B.A. degree, and that has not been finally decided.

Mr. PETERS: How many graduates a year do we have from the tri-service colleges?

Mr. MILLER: The only groups that I refer to here as those that finish the four-year course. Last year there were 113.

Mr. PETERS: Could the minister say how many of these people remained in the service after they received their degree? What I am wondering is whether a number of them leave the service after they have this training?

The CHAIRMAN: I think that matter was brought up at the last meeting. There is a question on the order paper which will reply to that.

Mr. CHAMBERS: If that information was available it would be useful in the records of the committee.

The CHAIRMAN: I see no reason why it should not be incorporated. Perhaps I could have some advice on that, but I do think it would be a mistake if we replied to questions on the order paper?

Mr. PETERS: It has been stated that this service training is advantageous in the light of the fact that we need in the service graduates from a recognized university, and that it is also cheaper for us to give this training in this matter than it is to bring in graduates from other universities throughout the country. If it is like a lot of other things that happen in the service, when the people are trained they take their training into industry. If we are running these colleges for these purposes, that type of question must be answered. If we are running it for a West Point type of education, that is a different requirement too.

Mr. PEARSON: Perhaps we could get at it this way—and I do not think this is on the order paper. How many of the graduates last year—I think there were 114—went into the permanent services, and how many did not?

Mr. MILLER: I think, without infringing on the answer, I could probably clarify some of the points here.

First of all, it should be understood that the people who originally went into the colleges had an option. They can go in in a reserve capacity or go in in a regular capacity. The ones who went in the reserve capacity had to pay for their training, and we have not got all of those people out of the system yet. We had it changed to make them all regular because of a demand for graduates for the regular forces. We changed it so that there would be no reserve people in the colleges. The requirement of the regular recruit who goes into this college is that he will serve three years with the regulars before he has to make a choice whether to continue on in the regular forces or to take his discharge. Now, you see when you add the four years' training, and in some instances five years, plus three years of his service, we have got a very small test group who have graduated and who have completed their three years' service. To make a decision on the results up to date would be difficult because of the small size of the test group. The exact numbers will be given to you when the question on the order paper is answered.

The CHAIRMAN: Is that satisfactory up to that point, Mr. Peters? You are going to get the specific answer, which is being prepared now and will be given on the order paper.

Mr. PETERS: Mr. Chairman, could I ask this question: Has the experience to date indicated that this type of training from the service point of view has been satisfactory?

Mr. MILLER: The answer to that, Mr. Chairman, is yes. Normally, we would like to retain all of them. Our success in retaining a viable number that would justify continuing the service college is still not definitive.

Mr. CHAMBERS: The point I would like to get at is this. I know that before the war there was quite a large percentage of people who went to the R.C.M.C. probably in the reserve capacity and did not stay in the service or go into the regular service after they graduated. Is the granting of a degree going to help or hinder the services in retaining these officers who have been trained at the government's expense, or, are they going to be in a better position after three years say to go into civilian employment?

Mr. MILLER: That is largely a matter of opinion. Until we get a test run on them, I do not think anybody knows. You can argue pro and con on this.

There was one reference made to the West Point type of training. I should make the point here that the training at R.M.C. is a military training and it is not being changed, other than in a very minor way, to enable a degree to be granted. I would also point out that about 50 per cent of our training is done by universities. That is, we have the group that are in the service colleges and another subsidized group attending university.

Mr. GRAFFTEY: In view of the fact that it is largely military training they are getting, could I be informed as what the unofficial attitude of the department is as to whether or not a Bachelor of Arts degree should be granted. I know you said it was under consideration. I do not want to be faced with a fait accompli in a few minutes.

Mr. MILLER: I would not want to forecast what the decision would be. There are pros and cons in the decision. There is an increasing demand for technical personnel in the services, technically trained officers.

Mr. PEARSON: Mr. Chairman, I was just wondering, if the training is largely military, how you justify giving a Bachelor of Arts degree?

The CHAIRMAN: Do you really require an answer to that question?

Mr. PEARSON: No.

Mr. BENIDICKSON: Do the services still provide opportunities for officers in training to attend the regular universities?

Mr. MILLER: Oh yes. We have post-graduate training at universities and quite a few of the groups at R.M.C. go on.

Mr. BENIDICKSON: I am thinking of the under-graduate plans under which you pay the tuition fees at any university of selected officers under training and give them a monthly allowance. Do I understand that that will continue?

Mr. MILLER: Yes.

Mr. BENIDICKSON: In addition to the service colleges?

Mr. MILLER: Oh yes. I understand there are more people in the university type scheme than there are in the colleges.

Mr. BENIDICKSON: Have you officers under training with tuition allowances studying in the dental and medical colleges?

Mr. MILLER: Yes.

The CHAIRMAN: I do not wish to discard your question, Mr. Pearson, but it would be more properly directed to the minister who will be here later.

Mr. MILLER: I discovered the question was answered yesterday in *Hansard* so I might read it.

Of the 141 graduates who have been eligible to exercise this option—that is the option of taking their discharge—

26 have done so.

That is 26 out of 141, but I caution that is a rather small figure.

Mr. BENIDICKSON: That means discharged after three years' service?

Mr. MILLER: They have opted to retire.

Mr. CHAMBERS: What is the policy in the taking of men from the ranks of the army and giving them the opportunity of this officer's training at R.M.C. or through the universities? Have you any percentage figure?

Mr. MILLER: I am not aware of the quantitative aspect of this. I do not know how many have been given that opportunity, but by and large you can see they have the same option as a recruit from civilian life. Now, how many we have had come in that way, I do not know.

Mr. CHAMBERS: Is there a policy in the army of personnel selection with recruits and older soldiers for that matter, who at some stage are examined for their fitness to take officer training and have been sent on to R.M.C.?

Mr. MILLER: They have that opportunity now.

Mr. CHAMBERS: They have to apply?

Mr. MILLER: Yes.

Mr. CHAMBERS: They are not sought out?

The CHAIRMAN: May we proceed?

Mr. MCCLEAVE: This is a question of a correction in the previous reports of the committee on page—

The CHAIRMAN: Dealing with this item?

Mr. MCCLEAVE: No.

The CHAIRMAN: May we finish this?

Mr. PETERS: Could we have the cost of degree training per man in the universities under this second plan, and also the cost per man for a degree at the R.M.C. college?

Mr. MILLER: I have not got the cost of the university. It is rather a difficult one to interpret. We do not know the cost to the taxpayer of running the university as such, but we have a yearly cost of students per year. At

C.M.R. it is $4,900; at R.M.C. it is $3,900; and at Royal Roads it is $4,500. That is arrived at by taking the over-all cost of running the various institutions and dividing it by the student population.

Mr. PETERS: For instance, could you give us a figure on those we send to the Toronto university and Western university?

Mr. MILLER: I have here a table of cost. This figure has been given for the university. There is an estimated cost of $1,535 a year to the Department of National Defence to educate a cadet at a university under the regular officer training plan. It should be noted that this figure does not include grants to the university from the federal and provincial governments and the municipalities.

Mr. MCCLEAVE: In the Committees printed proceedings, at page 124, halfway down the page, the question as reported reads:

"Are these big payments?"

The question should be "are these progress payments?"

The CHAIRMAN: Mr. Miller, do you have a further answer to give now?

Mr. MILLER: The following is a list of the service attaches in various parts of the world. We have an air attache in Belgium. We have an army and air attache in Czechoslovakia; we have an air attache who acts as the military and naval attache in France; we have an army and air attache in West Germany; we have one army attache in Italy; we have one army attache in The Netherlands; we have one naval attache in Norway; we have an army and air attache in Poland; we have an air attache in Sweden; we have an air attache in Turkey; we have one of each in Moscow; we have an army and an air attache in Yugoslavia and we have an army attache in Japan. Additionally, we have joints staffs in Washington and London which carry out the duties normally assigned to attaches.

Mr. BENIDICKSON: I was going to raise this point when we were discussing the regular officer training plan. The annual reports, quite separate from the white paper, provide some valuable statistical information. It seems to me that if this committee is to be effective it would be desirable to have the latest available annual report. I find that the last annual report is dated February 1957, considerably more than a year ago, and I wonder if the departmental report is just about ready for production, and if it could not be hurried up for the benefit of the activities of this committee?

Mr. MILLER: Mr. Chairman, there is no statutory requirement for the Department of National Defence to produce an annual report. In the past, two years ago, we had produced a white paper and an annual report. The white paper was a more up-to-date one with fewer statistics in it. The annual report was a year old by the time it was published and it was considered at that time as duplicating and being behind the white paper. Last year the white paper represented an amalgamation of the annual report and the white paper. Now this year, we have not prepared our annual report, but in the brochure we gave you at the beginning you will find much of the statistical information that is normally in the annual report.

Mr. BENIDICKSON: With all respect, Mr. Chairman, unless I have been misinformed by the distribution office, I do not think that is the way it has been explained to me. The last white paper that has been prepared is the one dated 1956-57. It indicates that it was printed in May 1956. The last annual report, the green document, is dated February 1957. In other words, the annual report seems to be the last printed report that we have, and not the white paper.

Mr. MILLER: The green document you hold up represents the combining of what had been covered before in two documents.

Mr. BENIDICKSON: It is fifteen months since we have had the equivalent of that, an annual report or a white paper, and I wonder if something of that kind would not be helpful to the committee.

Mr. MILLER: As I mentioned, no decision has been made as to whether we would prepare a white paper or a combined white paper and annual report this year. The existence of the committee brought into some doubt whether it would usefully be prepared, because it is normally tabled immediately before the defence debate in the house. This committee presumably can obtain or have made available information that is normally contained in that.

Mr. BENIDICKSON: I have not got the statutes in front of me, but I do not know of any other department that does not submit a report to parliament once a year. This is the largest spending department, and it seems strange that we would come to the stage of having neither a white paper or an annual departmental report.

The CHAIRMAN: I wonder if that could be left so that we can discuss it with the minister and report to you?

Mr. PEARSON: Can we be quite clear on this; is there no legal requirement under the National Defence Act for the submission of either a white paper or a parliamentary report of some kind?

Mr. MILLER: That is right. The white paper, I think, was introduced only five or six years ago. I believe it was started some time during the period of the Korean war.

Mr. GRAFFTEY: I wonder what the hon. member feels the production of a white paper would bring out which we are not already bringing out in this committee?

The CHAIRMAN: I do not think that it is appropriate to question one another in a committee of this kind. However, I believe you indicated, Mr. Pearson, earlier that it might not be necessary to have a white paper. Perhaps at that time you were dealing with the entire area of national defence.

Mr. PEARSON: I do not think I said that. I brought the matter up and I think if my memory is accurate we said we would reserve decision on this matter until later.

The CHAIRMAN: That is correct.

Mr. CARDIN: If it is the intention of the department not to publish the report, how can they explain an increase of $50,000 in the estimates for the publication of these departmental reports? This appears on page 328.

The CHAIRMAN: I think there will be an opportunity to answer that as soon as we finish the questions which as yet remain unanswered. That particular question can be dealt with on page 328. Are there any further questions on the subject of attaches and/or vehicles?

Mr. PETERS: Has the department done any investigation to ascertain the advantages gained by hiring local help in foreign countries? The statement was made that one of the reasons for it was the fact that these people were familiar with the locality, which I agree is a good thing when an attache is hiring a taxi, so that he knows where he is going; but the language barrier would not make much difference because I do not think it is a consideration for our attaches that they should be able to speak the language either.

It would seem to me that we are paying more money in Russia, for instance, then it would cost us to keep a service chauffeur in that area. In my opinion there is some advantage in this because of the fact that he would be wearing a Canadian uniform and it would strengthen our position, because it was the uniform of Canada and also the fact that there is a Canadian there, particularly because in many instances the attache is not in uniform—he is still in the

Mr. MILLER: In Russia there is a further complication. You have to have a driver's licence and they do not make a practice of issuing them to any persons other than Russian nationals, I am informed.

Mr. PETERS: They must give some consideration, because they are driving in our country, and frankly some of them are not too good drivers.

Mr. MCCLEAVE: On the same point; would a Canadian serviceman, if a chauffeur over there, be paid in Russian rubles or in Canadian funds?

The CHAIRMAN: I think that has been dealt with on three occasions now.

Mr. CARTER: Since that item has been discussed, I wonder if I might ask whether we make payment direct to the man himself or the government concerned.

Mr. MILLER: The man himself; he is an employee of the government of Canada.

Mr. CARTER: He must feel wealthy on pay day.

Mr. MILLER: No. He gets paid in rubles and his rate is the going rate in rubles.

Mr. CARTER: For a chauffeur?

Mr. MILLER: He is not any better off than is a man in the Russian government. They sell rubles at four to the dollar and the rate on the open market is about ten to the dollar. I should say it is not unique to Russia. There are other places in the world where there is a wide difference between the pegged price and the free market currency.

Mr. PETERS: It is my understanding the tourists even get ten rubles to the dollar in Russia. Would it not be better to send money over to the attache and let him pay the chauffeur off in tourist rubles.

Mr. MILLER: Mr. Benidickson also asked a question concerning recruiting. I have rather a long statement here listing where the recruiting stations are, and I think probably this might go into the record.

Mr. BENIDICKSON: Could you tell us how many permanent recruiting depots you are paying rent for?

Mr. MILLER: No; but I can tell you how many we have. In certain instances they are in existing army buildings and in some instances we have to rent depots. The total number across Canada, in the case of the navy, from Victoria to St. John's in Newfoundland is 22 fixed recruiting stations. The army have 29.

Mr. BENIDICKSON: Do you include Kenora and Fort Francis on that list?

Mr. MILLER: Neither of them is listed.

Mr. BENIDICKSON: You are paying rent for two premises in our constituency according to my understanding. Certainly private accommodation has been rented in Fort Francis for a number of years despite my protests.

Mr. MILLER: They are not on the list which I have. We will have to look into it to see.

Mr. BENIDICKSON: Kenora, I think, is at the armouries but the other is in rented premises.

Mr. MILLER: In addition to these we have mobile recruiting units which travel around to smaller communities and carry out recruiting by that means.

The CHAIRMAN: Would you like to have this report included in the evidence? It is difficult to ask questions on it without having seen it. We can have it discussed at our next meeting.

Agreed to.

Mr. MILLER: Respecting recruiting I have the following report:

Tri-Service Recruiting Policy

2. The following is the general policy governing recruiting for the Royal Canadian Navy, the Canadian Army and the Royal Canadian Air Force.

By studied estimates and subsequent planning to maintain strengths and replace wastage, the three services seek out and encourage the most suitable and best qualified applicants toward a service career.

Recruiting Policy Implementation

3. The tri-service recruiting policy, as outlined above, is implemented by the maintenance of static recruiting offices and mobile recruiting units across Canada, augmented by direct recruiting methods and advertising programs.

Situation of Recruiting Units

4. The situation of static units is governed by the areas of population and recruiting potential. Planned tours of mobile units are carried out in smaller areas, governed by the same factors.

Recruiting Advertising—Financial

5. (a) The following is a brief explanation of tri-service recruiting advertising policy covering the allotment and control of funds and the various media used by the three services.

(b) Estimates are based on the annual manning requirement for each service. Each service, in consultation with advertising agencies designated by the Department of National Defence, prepares a planned schedule of advertising taking into account the manpower requirement and the most effective media to achieve this requirement. Individual services plans are subject to the approval of the personnel members committee, chiefs of staff, and the Minister of National Defence, prior to seeking treasury board approval. Funds are allotted as follows:

(i) Funds for the planned schedule of national advertising conducted by designated agencies which are directed by individual services' headquarters. In addition, each command or unit is allotted a specific amount for local advertising purposes with designated advertising agencies. Agencies actually pay the media and are then reimbursed by the government after comptroller of the treasury audit.

(ii) Funds allotted for tri-service (ROTP) advertising which are expended through a designated advertising agency.

(c) Funds, other than those expended by advertising agencies, which require an appropriate government departmental authority for each expenditure, are allotted as follows:

(i) Funds for headquarters' purposes to cover production of displays, printing and films.

(ii) Funds for command and local recruiting unit advertising expenditures.

(iii) Funds held at headquarters level for major exhibitions, namely, the Canadian National Exhibition, Quebec Provincial Exhibition, and the Pacific National Exhibition.

(d) Media used to achieve the manning requirement are as follows: newspapers, radio, TV, national magazines, farm papers, school papers and year books, weekend publications, streetcar cards and miscellaneous publications such as nurses' annuals etc. In addition to media advertising, such vehicles as recruiting advertising pamphlets, posters, films, and displays are used.

Canadian Armed Forces Recruiting Centre

6. In March of 1957 the chiefs of staff of the navy, army and air force instructed that a study be made to determine the possibility of co-ordinating recruiting facilities of the three services with a view to exercising economies by combining accommodation. As a basis for this study the following specific requirements were considered essential to all three services.

(a) Central location with good pedestrian traffic.
(b) Ground floor with display window space.
(c) Adequate accommodation.
(d) Waiting room and wash room facilities.
(e) Storage facilities.
(f) Parking facilities.

As a result of this study, the three services determined that it was feasible to establish tri-service recruiting stations in any area where such facilities would give economy over present accommodation without being detrimental to the recruiting of any service, or alternatively where a tri-service unit would provide a better location at no extra cost.

In order to complete this study it was decided to operate a tri-service recruiting station in a major location for a one-year trial period. After examining the existing recruiting facilities it was decided that Edmonton, Alberta presented the ideal location for a combined recruiting station on a trial basis. It was estimated that the time required to assess the workability of combined accommodation and obtain tangible results would be one year from date of occupancy.

Action is now being taken to obtain suitable accommodation in Edmonton by August, 1958.

RECRUITING ESTABLISHMENTS, LOCATION AND STRENGTH

1. Royal Canadian Navy

(a) *Location*: Victoria, B.C.; Vancouver, B.C.; Calgary, Alta.; Edmonton, Alta.; Saskatoon, Sask.; Regina, Sask.; Winnipeg, Man.; Fort William, Ont.; North Bay, Ont.; Ottawa, Ont.; Kingston, Ont.; Toronto, Ont.; Hamilton, Ont.; Kitchener, Ont.; London, Ont.; Windsor, Ont.; Montreal, Que.; Quebec City, Que.; Saint John, N.B.; Nova Scotia; Charlottetown, P.E.I.; St. John's, Nfld.—(22 sites).

(b) *Strength*: 71 RCN personnel and 21 civilian employees.

2. Army

(a) *Location*: Victoria, B.C.; New Westminster, B.C.; Edmonton, Alta.; Saskatoon, Sask.; Winnipeg, Man.; Toronto, Ont.; North Bay, Ont.; Hamilton, Ont.; Brantford, Ont.; Kingston, Ont.; Quebec, P.Q.; Three Rivers, P.Q.; Matane, P.Q.; Valleyfield, P.Q.; Sydney, N.S.; Vancouver, B.C.; Calgary, Alta.; Regina, Sask.; Brandon, Man.; Fort William, Ont.; Sudbury, Ont.; Windsor, Ont.; Kitchener, Ont.; St. Catharines, Ont.; Montreal, P.Q.; Sherbrooke, P.Q.; Rimouski, P.Q.; Saint John, N.B; St. John's, Nfld.—(29 sites).

(b) *Strength*: 156 Army personnel.

3. Royal Canadian Air Force

(a) *Location*: Victoria, B.C.; Vancouver, B.C.; Edmonton, Alta.; Calgary, Alta.; Saskatoon, Sask.; Regina, Sask.; Winnipeg, Man.; North Bay, Ont.; Windsor, Ont.; London, Ont.; Hamilton, Ont.; Toronto, Ont.; Ottawa, Ont.; Montreal, P.Q.; Quebec City, P.Q.; Saint John, N.B; Halifax, NS.; Summerside, P.E.I.; St. John's, Nfld.—(19 sites).

(b) *Strength*: 191 R.C.A.F. personnel and 20 civilian employees.

COLONEL F. E. ANDERSON (*Director, Army Budget, Department of National Defence*): Someone asked a question as to the percentage of recruits who leave the army within the first year and the reasons for their discharges. Recent experience has been that 15 per cent leave the army within the first year; 11 per cent because of inefficiency and unsuitability, 2 per cent for misconduct and illegal absence, 1 per cent for medical reasons, .8 per cent voluntary withdrawal, and .4 per cent deaths and transfers.

Another question had to do with the percentage of recruits who leave the army at the end of their first engagement. Of those still available for reengagement 41 per cent leave the army.

The CHAIRMAN: Are there any supplementary questions?

Mr. BENIDICKSON: I wonder if we could have a comment on wastage in a form similar to the form in which it appeared in the last white paper. On page 19 of the last white paper the following statement was made: "The rate of net wastage for the three services was reduced by about 14 per cent in 1955 as compared to 1954, being slighly higher in the navy and the R.C.A.F., and substantially low in the army." Could we have a similar report in that form for subsequent years?

The CHAIRMAN: Yes. That can be done.

Mr. CARTER: In this connection, Mr. Chairman, I would like to bring to the minister's attention a statement made by Major H. B. Bevan-Jones of the R.C.A.M.C. of Halifax in which he said that two-fifths of the recruits down-graded medically during a recent test period were psychiatric cases. Then he went out of his way to say that seven per cent had mental deficiency in some degree and nearly all of these were from Newfoundland. I think that that reflection on Newfoundland, and on recruits from Newfoundland, is both unwise and uncalled for. Furthermore it can be interpreted in several ways. It can mean that the army in Newfoundland attracts only mental cases or it can mean Newfoundlanders have acquired personality disorders since confederation. But I think it indicates that the psychiatrist who made the statement himself needs psychiatric treatment. I would like to hear the minister's comments on that.

Mr. PEARKES: I have only had the good fortune of visiting one point in Newfoundland and that is when I have been flying by air to Europe. The Newfoundlanders with whom I have come in contact there, as well as the Newfoudlanders with whom I have come in contact as represenatives of various constitutencies of Canada—shall I say this; perhaps they, the last group, might require psychiatric investigation because they all seem to have joined one party.

Mr. CARTER: I don't think that is a good reply to make, because I believe the election results show if anything that the people of Newfoundland were the only balanced people in all of Canada—mentally balanced, I mean, when it comes to rendering a balanced judgment. However, seriously, I do think it is unnecessary for any army officer to single out any particular part of Canada for a reflection of that sort. I do not see that it served any good purpose and it was altogether unnecessary and uncalled for. I think it reflects very seriously on the mental capacity of the person who made the statement.

The CHAIRMAN: Are there any further comments?

Mr. ANDERSON: The question was asked as to the number of installations maintained by the army. There are 148 regular army installations including command area headquarters, major and minor camp audits, stores depots and maintenance camps, plus 461 armouries for militia use, making a total of 609 separate installations. In another form there are 405 self accounting units in the regular army and 551 accounting units in the militia, or a total of 956.

Mr. PETERS: Does this include the armouries of reserve units?

Mr. ANDERSON: Yes. There are 461 armouries, some very small and some quite large.

We were asked as to the income from the sale of army survey establishment maps and of Canadian government maps. The Department of Mines and Technical surveys handled the sale of maps both the army survey and their own and the revenue from both types is approximately $80,000.

Mr. PETERS: Do you have the percentage as to how many were sold and how many were given away?

Mr. ANDERSON: The army survey establishment map primarily is an army map so that there is some free issue but for those who are not in the services they are sold through the offices of the Department of Mines and Technical Surveys.

Mr. PETERS: Is that an indication that as far as the army is concerned those maps are paid for by the Department of Mines and Technical Surveys before they are distributed to the libraries and others?

Mr. ANDERSON: Yes. There is a very close working arrangement between the two organizations. In some instances the Department of Mines and Technical Surveys' maps are overprinted within the services. The reciprocal agreement is that the army survey maps with the overprinting are provided to the Mines and Technical Surveys organization. They do not keep a separate record of the volume of sales of one type or another and they do not duplicate an area map.

Mr. PETERS: Is this repeated in the other two services? What I am wondering is this. There are air force maps which have the land contours on them. Are the air force maps, not the aerial maps but the other kind, done the same way? Are these maps overprinted by the different services?

Mr. ANDERSON: I can speak only for the army. I do not know.

Mr. E. B. ARMSTRONG (*Assistant Deputy Minister of National Defence—Finance*): By and large the only organization which makes maps in the services is the army. The air force have a requirement for aerial charts but they obtain them elsewhere.

Mr. PETERS: There would be overprints of these maps, then, in the army?

The CHAIRMAN: I wonder if I could help a bit. They are totally different maps; they are not similar in any instance. An aerial map used by the air force has no similarity to a map used in the army.

Mr. BENIDICKSON: I am going back to the last white paper and on page 9 it said this:

> In carying out their prime defence functions each of the armed forces and the Defence Research Board not infrequently undertake projects which have a civilian as well as a military value. In so far as economic considerations permit, every effort is made to cooperate with interested non-defence agencies and to pass on to the public the benefits of such work.

Is the non-military purpose of this being pushed for the benefit of the civilian population, where there would be an advantage in their use of these maps?

Mr. MILLER: To what extent this is being pushed for public use I am not aware. We do not push it. The reference there is that the various services have some contributions to make; the air force for aerial photography in certain instances, and the navy for the charting of coastal information, and that information flows into whatever agency whether the hydrographic survey or the topographical survey and those charts which are produced are available to the public.

Mr. GRAFFTEY: Mr. Chairman, does the deputy minister feel that there are any security matters involved perhaps in the distribution of some of these maps to the public?

Mr. MILLER: There is no map produced for sale to the public on which security information is incorporated.

The CHAIRMAN: Gentlemen, we can proceed with the next? You have one more answer to make, Mr. Anderson?

Mr. ANDERSON: The question was asked as to the location of the ground maintenance personnel employed within army engineer works companies, with the classification of gardener. I can read that list of locations.

Halifax	1	
Gagetown	4	
Fredericton	1	seasonal
plus	2	seasonal
Quebec	1	
Montreal	2	seasonal
plus	1	seasonal
Kingston	5	
Petawawa	2	seasonal
plus	2	seasonal
Camp Borden	5	
Toronto/Oakville	1	
London	2	
Winnipeg	1	
Shilo	1	
Regina	1	
Calgary	1	
Edmonton	3	seasonal
plus	2	seasonal
Wainwright	1	
Vancouver/Chilliwack/Victoria	12	
Total	44	seasonal
plus	7	seasonal

The CHAIRMAN: Are there any further supplementary questions? Have you any reply to make to Colonel Andersons's statement?

I think we have covered all the questions that were asked. Would you please turn to page 328. As this involves some fairly substantial expenditures, I think we will take them item by item. I think, if you look, we have really dealt with the first three items, but if there are any further general questions concerning the $60,316,000 total we can take that item first. We shall proceed then. We will go down to the "net total continuing establishment".

Mr. BENIDICKSON: I see that the officials have kindly presented us with some information about civilian strength at national defence headquarters. I asked for that at the last meeting. You will recall I also asked for similar information about the regular forces. The strength of the army forces was given in that original table, but I wanted to know how many of those were at national defence headquarters. Also, does the civilian strength report that portion of casuals that would be employed at national defence headquarters?

Mr. ARMSTRONG: This table covers only the civilian strength. I am afraid we missed the question of military strength as well, and we will have to supply that. This covers the total number of people employed on the civilian side.

Mr. BENIDICKSON: It covers both the civilian staff and the casual employees?

Mr. ARMSTRONG: Yes. Of course, there are very few casuals at headquarters.

The CHAIRMAN: We will then look at the "casuals and others", "overtime, premium pay and other credits", "total civil salaries and wages".

Mr. PETERS: How do we figure this overtime and premium pay? Is that only with the civilian personnel?

Mr. ARMSTRONG: All those items apply strictly to civilian personnel.

The CHAIRMAN: "Civilian allowances", "pay and allowances".

Mr. PETERS: Is this matter of pay and allowances only concerned with civilian personnel?

Mr. ARMSTRONG: Pay and allowances are wholly military personnel.

Mr. PETERS: Is this the item that covers these travelling claims and expenses?

Mr. ANDERSON: No.

Mr. ARMSTRONG: The travelling allowances are under the heading "travelling allowances". You will come to that.

Mr. PETERS: For instance, when someone is posted they are normally allowed meals.

The CHAIRMAN: I am informed that this comes under "travelling allowances", which is further down the page.

Mr. CHAMBERS: Would this be the proper item under which to take up some questions about training?

The CHAIRMAN: Armed forces training?

Mr. CHAMBERS: Army training.

The CHAIRMAN: No, I think that would really come under the "general item", but if you have a particular question, we can proceed with it.

Mr. CHAMBERS: I was wondering if we could have some kind of a statement of policy on the training of the army wtih relation to modern developments in warfare, and particularly the systems of discipline in use in the army. To take a specific question, are recruits and other soldiers in the R.C.R. still obliged to press their shoelaces and shine the soles of their boots? That is a type of discipline, I think, that is generally associated with the old British army. The usefulness of this has been called into question, especially when the level of education among our recruits has risen a good deal. I am wondering if this type of training of which that is indicative does not do harm to the morale of a soldier.

The CHAIRMAN: Could you come somewhat more directly to the point of your question? We are allowing some leniency, but what is the question?

Mr. CHAMBERS: Do the R.C.R.'s still have to press their shoelaces and shine the soles of their boots?

Mr. PEARKES: I have not the faintest idea. We will find that out for you. However, it is important that soldiers do take care of their equipment, whether it is boot laces or whether it is rifles, whether it is boots or clothing. It is also important that soldiers retain a degree of smartness compatible with their regimental training, and so forth. We cannot lower the standard of smartness which is required to meet a certain degree of efficiency. It is quite possible that some subordinate commander may insist on an extreme degree of spit and polish, but it is not army policy that that should be carried out to an extreme. We believe in smartness, but smartness can be carried too far. Too much time may be wasted on that. This is one reason why certain modern

battledress does not include a lot of brass buttons; they have to be shined. No longer are large numbers of men expected to pipeclay belts and other equipment. That was a standard of smartness, a standard of discipline belonging to a bygone age.

Now, we try to adjust the standard of smartness and the standard of discipline to the educational standards that the men have and are required to have, and the degree of independent action that all soldiers in battle have to take. Emphasis in modern training is upon the development of initiative rather than that of the tour de force.

Mr. McINTOSH: I understand that the number of civilian employees has been decreased, but according to this chart we received the first day, the amount of civilian allowance has increased. It is the second item at the top of that page.

Mr. ARMSTRONG: The estimate on civilian allowance is the same, $190,000, as it was in 1957-58. It is made up of northern allowances which are paid to personnel in northern areas, Fort Churchill particularly, and people in Whitehorse and so on, civilians living abroad, civilians in the offices in Washington and London, and so on. Basically, these estimates are the same as last year.

Mr. McINTOSH: But your actual expenses last year were only $175,000.

Mr. ARMSTRONG: I see that. Of course, you will appreciate that we do not have these actual expenditures at the time. You will find other cases where an actual expenditure is in excess of the estimate, and whether this will come out to $175,000 this year, I am unable to predict. We have estimated it at $190,000. There may be vacancies or other things that will occur that will result in it being a little less.

Mr. McINTOSH: You knew when your personnel were going to decrease, your allowances would decrease also.

Mr. ARMSTRONG: I was endeavouring to explain that personnel in these places where these allowances are paid has not decreased.

Mr. PEARKES: Might I add just a word to that previous question. For instance, take the unforeseen commitment we have had to meet in connection with sending personnel to Lebanon. We have sent some sixteen or seventeen officers there in the last month. Now that was a commitment which could not have been foreseen when these estimates were prepared and we had to make provision for that, that is when extra allowances have to be paid for unforeseen contingencies.

Mr. PETERS: In view of the minister's statement a moment ago, where he indicated that some of this spit and polish belonged to a day gone by, is that an indication that the new government intends to dispose of this new corps that has been set up, the Canadian Corps of Guards at Petawawa, where I am told that spit and polish in that particular unit is far in excess of anything Canadians have ever been required to do. Of course, there has been a great deal of criticism of the extent of army discipline that is being introduced into that guards unit.

Mr. PEARKES: The standard of discipline in regard to that unit is the same as the standard of discipline in any other unit of the Canadian forces. We have no intention of disbanding the battalions of the Canadian guards.

Mr. PETERS: Mr. Chairman, I would disagree that it is similar to the other units, as I have talked to quite a number of people there. I think it might be advisable if this committee asks for the number of service personnel that have been recruited into the guards and the percentage that have been able to stay there, because I understand the desertions in the guards over a period of a couple of years have been far in excess of any other unit we have in the Canadian service.

The CHAIRMAN: That will be obtained.

Mr. PEARKES: There is the same standard of discipline throughout the whole of the Canadian army. The guards were a new unit. They were formed by the transfer of personnel from some of the other units when the third battalions were disbanded and the guards were formed some five years ago. They are fine regiments. They are carrying out their duties exactly the same as any other regiment. One battalion is now serving with the brigade in Germany. I see no reason even to entertain the suggestion that there is a difference in the standard of discipline.

Mr. CHAMBERS: I think if this is the right item "pay and allowances $167,205,000," this is where we might discuss what in effect we are getting, what training and what protection we are getting for this money. For instance, I saw in the newspaper the other day that the Canadian army was described as a superbly disciplined force, well trained for the 1939-1945 war. I was wondering if we could have a statement perhaps on the training policy of the Canadian army. It has also been suggested that some of the disciplinary actions mentioned are responsible for the figures regarding the number leaving the service after three years. Perhaps the service is not attracting the type of men they want, because the level of education in Canada does not produce men who are willing to undergo this type of spit and polish discipline for any length of time.

Mr. PEARKES: Every effort is made to keep the training of the army up to date and to have it ready to meet the conditions which may be expected in a war of today. In the statement that you referred to, I agree that the men were well equipped and well trained. I think they are well equipped and well trained for modern operations. I have seen them in Germany on several occasions. I have talked with the commanders not only of our own forces, but with the more senior commanders under whom those forces come. I have received nothing but the highest compliments on the efficiency of our brigade in Germany. That, I think, is a crucial test or the yardstick by which one can judge whether our troops are equal to the troops of the other nations.

I have no hesitation whatever in saying that our troops are equal to any troops of any other NATO nation. It would be invidious to say they are better, but I insist they are equal to those of any other of the NATO nations which are now serving in Germany. We have a very comprehensible system of training. We have a number of depots and a number of schools from one end of Canada to the other where the personnel recruits who enter first of all go through their training in the depot.

Then they go to their unit, and as they become proficient as ordinary soldiers, they are given further opportunities of training by attending courses at these various schools.

The units are exercised every year, starting with the individual training in the fall and winter months and then leading up to combined training with the different units of their brigade groups. They receive this training at the various summer camps, such as Gagetown in the maritime provinces, at Borden or Petawawa or Meaford in the central area, and at Wainwright in the western area.

I would hope that when the opportunity presents itself, the members of the committee would take advantage of going and visiting these training areas and seeing for themselves the work that is being done there. Of course, I think it is important that the units carry out a certain amount of ceremonial drill. Members will have an opportunity of seeing one of the guards battalions troop the colour here in front of the parliament buildings on the first of July. I am afraid I will not be here, because I am going down to see the brigade in training in Gagetown. A month ago, some of the members of this committee

took advantage of the opportunities I offered them to go down and see the type of training which is carried out in the Kingston area. They visited the RCEME schools and the signal school.

All I can say is that our army officers are endeavouring to make the training practical and to develop the type of soldier of which Canada can really be proud.

Mr. PEARSON: Mr. Chairman, having had the privilege of seeing the brigade in training in Germany, I can subscribe to everything the minister has said about its qualities. I was going to ask him whether the training to which he has made reference takes into account the fact—I am thinking of the brigade in Europe—that if it were attacked by tactical nuclear weapons—

Mr. PEARKES: Does it take into consideration what?

Mr. PEARSON: I asked if the training to which you have referred takes into account the certainty that any attack would be by nuclear weapons?

Mr. PEARKES: Very definitely. There are certain procedures and defensive measures, tactical defensive measures, which will enable the modern soldier to live in a nuclear type of war, and in that way he would be able to minimize the casualties which would be caused by nuclear attack. He will be able to carry on his operation. The groups are smaller and therefore more reliance is placed on the initiative and the independence of each individual soldier, particularly the section leaders. The days when the army operated in close formations have passed and the necessity is for the troops to occupy much wider frontages with smaller groups than ever they had before.

Mr. PEARSON: Mr. Chairman, following that up, in view of the fact that a nuclear tactical attack of this kind would have to be met by a tactical nuclear defence and a counter-attack by nuclear weapons, is there any opportunity for our troops in Europe to be trained in the use of such weapons?

Mr. PEARKES: Before our troops go to Europe they have the opportunity of sending a number of instructors down to some of the American stations. Here they have the opportunity of studying the use of defensive measures against tactical nuclear weapons. They have the opportunity of studying these nuclear weapons themselves. In Germany, all the exercises have been carried out under the direction of Field Marshal Montgomery. They have been based for a number of years on the assumption that nuclear weapons might be used and therefore tactics must be worked out and the troops exercised in order to meet that form of attack.

Mr. PEARSON: I was going to bring this subject up under the item of "major procurement of equipment", but as we have now been carrying on discussions in this regard, may I proceed?

The CHAIRMAN: Please proceed.

Mr. PEARSON: Mr. Chairman, I would like to ask the minister, in view of what he has said, whether any of the Canadian forces in Europe are in possession of the kind of tactical nuclear weapons, rockets, missiles or whatever you want to call them, which would make it possible for them to use them in training in Europe, and whether that is the situation at the present time?

Mr. PEARKES: No, Canada has no nuclear weapons in Europe or here. They have the weapons to which nuclear warheads might be attached if the development was along the lines that very small nuclear components would be used. By that, I mean it is difficult at the present time to have a weapon small enough to be used by the ordinary army formations planning a nuclear component.

Mr. PEARSON: Mr. Chairman, is it a matter of government policy not to arm our troops abroad with these tactical weapons, or is that due to the fact that we would have to get these weapons from the United States and it is impossible to secure them under American law?

Mr. PEARKES: I think Mr. Pearson knows that the United States have said that they will make certain nuclear weapons available to various countries in the event of a decision being taken to use nuclear weapons. They are considering the stockpiling under United States command of nuclear weapons in various strategic points in Europe. They will be under the control of the United States authorities and will not be released to the European countries until the authority is given by the United States.

Mr. PEARSON: Therefore, Mr. Chairman, any nuclear component of any weapons in Europe at the present time would have to remain under United States control, to be released presumably under certain circumstances of emergency, but not at the present time because of the United States law.

Mr. PEARKES: That, I understand, is the situation.

Mr. PEARSON: And, therefore, it is impossible for the Canadian forces to have the weapons at their disposal for training purposes because of American law?

Mr. PEARKES: I am not quite certain that that is the right interpretation to put on that. The Canadian forces are under the command of the British forces in Europe. Although they come under the command of the British divisional commander, they are for operational purposes an independent brigade. The Americans have control of the nuclear weapons at the present time.

Mr. PEARSON: Mr. Chairman, I would like to ask the minister if he has any comment to make at this time on the proposed amendment to the United States law in regard to atomic matters, atomic weapons, which will permit a transfer of nuclear components to any country which had already made progress in the field of the production of such nuclear weapons but which forbids the transfer of most nuclear or even non-nuclear components which would make the adaptation to nuclear weapons possible later on, to any other country, including Canada.

Mr. PEARKES: I do not think it is right that I should even comment on any proposed amendments to a law of a country which is not passed.

Mr. PEARSON: The only reason I am asking that is that this law of the United States—it is not law yet; it is a proposal before the congress—but if it becomes law, it will have an effect on our military cooperation with the United States forces in Europe and on this continent. This is why I wondered if the minister would express a view which might have some effect on the consideration of this law in Washington?

Mr. PEARKES: I think the views of the government on the possibility of the passing of this law will be communicated to the government of the United States. I think it would be inappropriate for me at a meeting which is open to the public to make any comments on this matter at the present time.

Mr. CHAMBERS: Mr. Chairman, I understand that there is not to be a divisional exercise in Gagetown this year and I was wondering why they changed the usual custom?

Mr. PEARKES: I think I explained on an earlier occasion that the training of the Canadian army now is based on the training of brigade groups, and it was considered expedient this year to carry out that training on a brigade group basis. We have had training on a divisional basis for several years and there is a trend in all armies towards the brigade group. We should carry out our training on that basis this year.

Mr. CHAMBERS: The minister mentioned in his earlier statement that a number of battalions were trained as paratroopers and would be able to get quickly to any part of the country. What aircraft are available for transporting them and under whose command do they come? What are the command arrangements for that?

Mr. PEARKES: There are aircraft available under the air tactical command, and aircraft available in the air transport command.

Mr. CHAMBERS: Is this set up so that the movement can take place very quickly? Is there some kind of unified command?

Mr. PEARKES: The aircraft could be allotted to the battalions very quickly, but this must not be interpreted that there would be a move of one whole battalion at one time for parachute operations. In fact, we have come to the conclusion that you cannot rely upon parachute operations in the north country owing to the particular climatic conditions, where you have a tremendous lot of high wind, very frequently. You cannot have a parachute drop at a pre-arranged date.

We have a certain number of parachutists trained throughout the three different brigades and we have aircraft which can move them on very short notice into any threatened area.

Mr. CHAMBERS: Well, I was just trying to get that information. Roughly, it is a brigade that is trained in this way but it is split up into one battalion for each of the brigades.

Mr. PEARKES: No, there never has been a full brigade trained. There are elements in the different battalions who have received training and it would be easy for at least a large number of trained men from any one of the brigades to be moved. They are keeping up their training. They are not necessarily grouped in one battalion.

Mr. BENIDICKSON: To what extent is Gagetown being used for the purpose that prompted its development?

Mr. PEARKES: The official opening of Gagetown is to take place on the first of July. As the quarters become available, and units of the regular army are moved into Gagetown, they will occupy those quarters and give up the temporary camps in which they have been stationed.

One of the difficulties which has appeared is the comparatively slow rate at which it has been possible to have permanent married quarters constructed. In some instances the barracks for single men have been completed, but all married quarters have not yet been completed. As soon as quarters become available the troops are moving into them.

Mr. BENIDICKSON: What would be the public investment in the physical set up at Gagetown?

Mr. PEARKES: I have not got it.

The CHAIRMAN: It will be obtained for you.

Mr. CHAMBERS: This may be a security matter, but would it be possible to say how many troops we could deliver by air to a threatened place at a given time?

Mr. PEARKES: I do not think that I should make such a statement.

The CHAIRMAN: "Professional and special services"; gentlemen, architects?

Mr. BENIDICKSON: It is forecasted that the department would require $3,950,000 for the coming year under the Corps of Commissionaires and other services. Might we have a breakdown of that figure? How is it budgeted?

Mr. ANDERSON: The amount budgeted for the Corps of Commissionaires is $2,050,000; and for school teachers salaries, it is $1,705,000; and for teachers to train army apprentices it is $160,000; and for legal fees associated with personnel, it is $35,000; making a grand total of $3,950,000.

Mr. PETERS: What is the relationship between the Corps of Commissionaries and the army? Are they completely separate?

Mr. ANDERSON: Yes, they are. It is a private organization. The arrangement is made with Treasury Board approval with the Corps of Commissionaires to provide a certain number of these men for the installations designated. They earn the pay that is standard in the locality as set by the Department of Labour.

Mr. PETERS: Is this a governmental organization or is it completely independent?

Mr. ANDERSON: It is a private organization; it is an association of veterans.

The CHAIRMAN: "Medical and dental", I am sorry "Architects".

Mr. BENIDICKSON: Could we, similarly, find out how much is medical and dental and how much is special services?

The CHAIRMAN: "Architects, engineers, medical and dental services".

Mr. BENIDICKSON: Might we have a breakdown.

Mr. ANDERSON: The biggest single item is $1,850,000 for D.V.A. hospitals for service personnel. These are hospitals for service personnel and for which payment is made of $125,000. The amount for civilian doctors and nurses under the same circumstances is $265,000; for civilian dentist fees, $104,000; for medical services overseas, $83,000 and for eye examination, special laboratory tests and X-ray examinations for civilians, $49,000.

Mr. FISHER: What are the standard fees you pay for dental services?

The CHAIRMAN: That will be obtained for you.

Mr. PEARKES: I think that each province has agreed scales for dental charges for various operations. The fee paid would conform with those scales.

Mr. FISHER: Would the Indian Affairs Department and the Workman's Compensation Board have special fees? There is a slight difference in them. I speak from the point of view of some dentists who have complained about the scale which the government pays in those particular areas, that they are not high enough.

Mr. ARMSTRONG: I do not think I could answer you specifically as to what the fees are; but the fees that are paid by the department are those that are prescribed by the Treasury Board. In the case of doctors, these are medical fees for specific services and they are 90 per cent of the rate established by the provincial medical associations.

The dental fees I am not sure about; I mean the precise method of establishing them. They are established by a central agency for the government as a whole.

Mr. GRAFFTEY: I would like to congratulate the department on the conduct of the D.V.A. Queen Mary Hospital in Montreal and I would add that it is not in my constituency. I have visited that hospital on a number of occasions and I have been through it on a number of occasions and I have seen courtesy and efficiency there. I understand they have some of the most advanced medical equipment in North America. I think it is of great credit to the department.

The CHAIRMAN: Thank you.

Mr. PETERS: Is there not an army dental section or is it civilian.

Mr. ANDERSON: Yes, there is an army dental corps which serves all three services. In some instances an individual may take his toothache to a local doctor and after checking upon it, it would be paid for by the department.

The CHAIRMAN: Even for special courses?

Mr. PETERS: How does D.V.A. become involved in this?

Mr. GRAFFTEY: I realize it is D.V.A. and I realize that it means working in close coordination with the Department of National Defence.

The CHAIRMAN: What is your question, Mr. Peters?

Mr. PETERS: It was mentioned when we were speaking of the hospitals, that D.V.A. cooperated.

Mr. ARMSTRONG: As far as dentistry is concerned, this is a payment for civilian dentists. In some cases, as Colonel Anderson explained, it is not practical or economical to use army dentists. And in those cases civilian dentists are employed and paid a standard fee.

The item about D.V.A. hospitals is the estimated cost of reimbursing the Department of Veterans Affairs for hospitalization provided through the department for the Department of National Defence. There is a coordinated policy with the Department of Veterans Affairs in the interests of economy whereby service men are treated at D.V.A. hospitals, and in some cases veterans are treated at Department of National Defence hospitals.

Mr. FISHER: Is it still the pratice in the services to maintain separate units? Are they tri-service hopsitals or command areas hospitals? Is that still the practice or are these now D.V.A. hospitals and the army and other services repay the D.V.A. for their services in that particular area?

Mr. PEARKES: I think that is a question of policy. For many years, where there were no military hospitals to use for the treatment of the military for all the three services—we have used the hospitals of the Department of Veterans Affairs and our service men are sent to those hospitals.

The policy is one of continuing cooperation with the Department of Veterans Affairs in that way. For instance, quite recently, we have started the construction of a new hospital here in Ottawa. That will be a tri-service hospital. It will be run in conjunction with the Department of Veterans Affairs and it will be operated by the Department of National Defence.

There would be national defence officers, service medical officers and so on, but through a policy of accomodation for veterans, they would be accommodated in that hospital under the auspices of the Department of Veterans Affairs, so we can say that only in a limited number of cases are we building special military hospitals.

The general policy is to combine as far as practical the hospitals in the Department of Veterans Affairs with the Department of National Defence.

The hospitals which we build particularly for military purposes are more in the nature of training hospitals in order to provide our medical officers with experience.

The CHAIRMAN: "Fees".

Mr. MCGREGOR: Could you tell us how many vacant beds there are at the Sunnybrook hospital at the present moment?

Mr. PEARKES: That would come under the Department of Veterans Affairs. We would not know.

The CHAIRMAN: "Fees for special courses".

Mr. DUMAS: May we have an explanation concerning the item of "special courses"?

Mr. ANDERSON: The breakdown is university continuation for personnel under the regular officers training plan, $163,000; fees for army personnel attending courses in the United Kingdom and other countries, $75,000; post-graduate training and other courses of a specialized nature, $48,000; training for aircraft pilots and continuing pilot training, $45,000; the army educational program and the training of tradesmen by civilians, $34,000; civil lecturers for the C.O.T.C., that is, the Canadian Officers Training Corps, National Defence College, Royal Military College, $17,000; French and foreign language training, $18,000.

Mr. FISHER: Are these special civilian lecturers for summer courses or are they supplementary to the regular operation of these schools?

Mr. ANDERSON: They are supplementary.

The CHAIRMAN: "Travel and removal expenses".

Mr. PEARSON: To what extent would this reduction be due to the increase in the length of service of the forces in Europe from two to three years?

Mr. PEARKES: That would not be reflected in these estimates because the decision to introduce the three year term of service was only taken recently. These estimates were prepared on the basis that there would be a two year rotation, and this was not a year in which there was going to be a general trooping.

Mr. PETERS: I asked this question the other day about travel expenses. Has there been any major policy change in travel expenses of army personnel?

Mr. PEARKES: No, there has been no major change in the amount of allowances paid to the personnel. The decision not to train the division at Gagetown was reflected in this reduction. Instead of bringing troops from far away areas to train as a division in Gagetown this year, as I explained, we are concentrating on the three brigade troops training and therefore there is a reduction in the amount of money for travel.

Mr. PETERS: How is it arranged? Suppose a soldier at Petawawa has to travel to Gagetown, for example. How is that travel arranged?

Mr. ARMSTRONG: I take it you are enquiring as to what expenses are paid if a soldier is moved from Petawawa and permanently stationed in Gagetown?

Mr. PETERS: Or temporarily; I am not speaking about living there, family expenses; I mean just the service personnel expenses themselves.

Mr. ARMSTRONG: If he is temporarily moved to Gagetown his expenses would be paid on his going from Petawawa to Gagetown. This may be done in a variety of ways.

If he is moving with a number of troops there will be special arrangements. Perhaps a troop train or a special train is provided for him, and he will be provided with his meals on the way down, and accommodated in Gagetown.

Now, if he was moving individually on what is called temporary duty, he would be given travel allowance and he would have his transportation costs paid. The travelling allowance rates were set out in the statement which wis distributed to the members of the committee at the first meeting.

If it were a permanent post, and his family therefore would go with him, their expenses would also be paid, as well as the cost of moving their furniture to Gagetown. That would be paid as well.

Mr. BENIDICKSON: Is there any budget breakdown of these travelling and removal expenses? For instance would it be under road, railway, or by overseas or domestic?

Mr. ANDERSON: Yes. We have a breakdown. There is no rotation of the brigade group in Germany as of this year. The amount provided for incidental moves may occur for a great variety of reasons—because the time of the individual in his overseas post has expired, for example; it is $1,373,000. Other postings in Canada of all sorts, that includes U.N.E.F., Indo-China, and the Canadian moves such as just mentioned, amount to $4,886,000; temporary duty travel, $2,440,000; training travel expenses, $1,315,000; transportation of civilian employees, $1,065,000; and other travel items $1,245,000.

Mr. BENIDICKSON: I notice that last year's estimates were overspent. Is it felt that this year's estimates will be adequate and that they will be able to keep within those estimates?

Mr. ANDERSON: It is very early in the year. At the time we prepared them we thought we could live within them.

Mr. BENIDICKSON: And do you still think so?

Mr. ANDERSON: I can only repeat that it is very early in the year and we do not know the individual items which will make it up.

Mr. BENIDICKSON: That was prepared eight or nine months ago?

Mr. ARMSTRONG: It was approved in December.

Mr. PEARSON: One reason for the reduction in this item is that there has been no rotation of troops in Europe this year?

Mr. ANDERSON: Yes.

The CHAIRMAN: "Freight, express and cartage".

Mr. CHAMBERS: I wondered if there was any policy in regard to administrative personnel, in moving someone. For instance, in the case of the Pay Corps, is there any policy to change a man every two or three years, shall we say from Ottawa to Regina or some other place? Is there a rotation?

Mr. ANDERSON: The major part of an officer's training of course is diversity of employment. So in that case upon his attaining each rank he is given an opportunity to learn a number of skills. Furthermore, as he approaches the time for promotion, the vacancy into which he may be promoted may be in another city. So there is a periodic change of location of employment; and of course there are changes made within the same geographical location.

Mr. CHAMBERS: For specific reasons but not as a matter of policy every so many years?

Mr. ANDERSON: No.

Mr. HOWE: In connection with travel and removal expenses, what are the regulations in regard to the number of leaves a man may have? How many times is he paid for a trip to his home on weekends? Are there any regulations in that regard?

Mr. ARMSTRONG: In respect to leave, once; on one occasion in each leave year there is an allowance of 2½ cents per mile which is permitted where the man is going to his home. This is only applicable where the man is serving some distance from his home. Therefore in most cases it generally applies only to single people because normally a married man would have his family with him wherever he serves. It is allowed once a year.

Mr. FISHER: I understand that it is illegal in every province in Canada to hitch-hike. One of the most noticeable things to anyone travelling around Trenton, Petawawa, or Camp Borden is that many times the road is littered with service personnel hitch-hiking.

I do not wish to criticize the practice here, but has the department ever considered this particular aspect of the fact that these men in hitch-hiking are breaking the law?

Mr. PEARKES: I do not think we have ever had any case in which there has been a prosecution for it.

Mr. FISHER: Does the minister approve this particular practice?

Mr. CARTER: Under travelling expenses where a service man or an officer may own his own car, is there provision made that he may travel in his own car and be reimbursed?

Mr. ARMSTRONG: Yes. There is a provision for reimbursement if he travels in his own car. The amount of reimbursement varies. For example, if the man uses his car simply for his own convenience, reimbursement is made at four cents a mile. But if it is necessary for a particular trip that the man use his own private motor car then reimbursement is higher at nine cents a mile.

Mr. FISHER: Mr. Chairman, I would like to have an answer to my question relating to whether the minister approves of the practice of service men hitch-hiking?

Mr. PEARKES: The minister would not approve of any violation of a provincial law.

Mr. BROOME: In regard to that, I have picked up service personnel, but they were always just walking along the road. They were never hitch-hiking,

Mr. CARTER: Is nine cents a mile the maximum that any person can get for the use of his own motor car?

Mr. ARMSTRONG: That is right. But there is one other arrangement: where a man is posted with his family; and in that case we do not pay the cost of moving an automobile by freight. But he may take his motor car from where he has been to the new place of duty and he is reimbursed in such an event for the equivalent cost of rail fare that would have been paid had he gone by rail.

The CHAIRMAN: It has been suggested that we meet at 11 o'clock instead of 10.30 on Monday and I believe there were no objections. Personally, I think the suggestion is a good one. We shall follow that practice to see if we can obtain a quorum earlier. We spent some 13 minutes today waiting for a quorum to get started. I do wish the members would try to arrive on time.

A number of charts have been distributed and a number of memoranda. We can follow them along with the actual expenditures made in the department. You will have an opportunity to make your comparisons from this point on.

If there are any questions relating to any of these items, would you be good enough to make a note of them and we shall be happy to receive them at our next meeting.

Mr. FISHER: I would like to have a fairly full explanation of the expenditures under departmental publications and other reports.

The CHAIRMAN: That will be done.

Mr. MCILRAITH: What about our meetings on Tuesday?

The CHAIRMAN: We shall follow along at 11 o'clock on Tuesday. I trust it will be more satisfactory than it has been.

The committee adjourned.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

MONDAY, JUNE 30, 1958

DEPARTMENT OF NATIONAL DEFENCE

WITNESSES:

Honourable George R. Pearkes, V.C., Minister of National Defence; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister-Finance; and Colonel F. E. Anderson, Director of Army Budget.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

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STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

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Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard (*Lapointe*),
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fisher,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Johnson,
Jung,
Lennard,
MacEwan,
MacLean (*Winnipeg North Centre*),
Macnaughton,
McCleave,
McDonald (*Hamilton South*),
McGregor,
McIlraith,
McIntosh,
McMillan,
McQuillan,
McWilliam,
More,
Murphy,
Nielsen,
Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard (*Kamouraska*),
Rowe,
Small,
Smallwood,
Smith (*Winnipeg North*),
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

MONDAY, June 30, 1958.
(9)

The Standing Committee on Estimates met at 11.15 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Benidickson, Bourget, Broome, Carter, Clancy, Doucett, Grafftey, Hicks, Jung, Lennard, MacLean (*Winnipeg North Centre*), McCleave, McDonald (*Hamilton South*), McIlraith, McMillan, McWilliam, More, Nielsen, Payne, Peters, Ricard, Small, Smallwood, Smith (*Calgary South*), and Smith (*Winnipeg North*). (26)

In attendance: From the Department of National Defence: Honourable George R. Pearkes, V.C., Minister; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister—Finance; Colonel F. E. Anderson, Director of Army Budget; Lieut.-Colonel H. A. Bush, Deputy Director of Army Budget; and Mr. D. B. Dwyer, Superintendent of Parliamentary Returns.

On motion of Mr. McDonald (*Hamilton South*), seconded by Mr. McMillan,

Ordered,—That the documents deposited with the Committee and identified in the Minutes of Proceedings as Exhibits Nos. 1 to 8 inclusive, be printed as appendices to the Committee's Evidence; and that in future all documents shall be printed in the Committee's record, as directed by the Chairman.

The Minister supplied information requested at previous meetings.

Agreed,—That other answers tabled by the Department be incorporated in the Committee's record. (*see Appendix "B" to this day's Evidence*).

The Committee continued its detailed study of the Main Estimates of the Department of National Defence, 1959; the Minister and Departmental officials supplying information thereon.

Under item 220—Defence Services: Army—Regular and General was further considered.

Moved by Mr. Broome seconded by Mr. McCleave,

That this Committee recommend to the House that the items listed in the Main estimates 1958-59 and in the Supplementary Estimates for the fiscal year ending March 31, 1959, relating to the Department of Defence Production, be referred to this Committee. *Carried.*

At 1.00 p.m. the Committee adjourned until 11.00 a.m. Tuesday, July 1, 1958.

E. W. Innes,
Clerk of the Committee.

59878-9—1½

EVIDENCE

MONDAY, June 30, 1958.
11:00 a.m.

The CHAIRMAN: Gentlemen, we have a quorum so we can proceed.

First of all, I would like to ask, through a motion, to incorporate in our minutes as a supplement exhibits which we have to date.

The motion would read:

> That the documents, deposited with the committee and identified in the minutes of proceedings as Exhibits Nos. 1 to 8 inclusive, be printed as appendices to the committee's evidence; and that in future all documents shall be printed in the committee's record, as directed by the chairman.

I think you are familiar with the documents. Is that motion in order?

Moved by Mr. McDonald (Hamilton South), seconded by Mr. McMillan.

Mr. MCILRAITH: Does that motion leave you with a discretion in the future? I presume it does.

The CHAIRMAN: It leaves it at my discretion. Is that in order?

Motion agreed to.

The CHAIRMAN: We have a number of unanswered questions this morning, and there are one or two to which I know you would like a reply.

We have with us the minister so I think perhaps we might ask him to proceed. He will be followed by the deputy minister, and Mr. Armstrong.

I wonder, Mr. Pearkes, if you would go ahead and reply to the questions you had in mind.

Hon. George Randolph PEARKES (*Minister of National Defence*): Mr. Peters asked a question that indicated that the standard of discipline in the Canadian guards was the cause of a high rate of desertion far in excess of any other unit in the Canadian army. He asked for figures.

The strength of the Canadian army on the 31st of May this year was 47,209. During the previous twelve months there had been 236 men released from the army for being illegally absent for a period of twelve months. The Canadian guards, the depot and two battalions, have a strength of 1,727 and they had discharged during the twelve months prior to the 31st of May, 33 men who had been absent for twelve months. The total number of men absent from the Canadian army on the 31st of May was 308, of whom there were 20 from the guards regiments—the depot, first and second battalions. As a matter of fact, I could not believe these figures when I first got them; they were so astoundingly small. I had them checked over the week-end and I had the official figures brought down to me this morning because I was amazed at the small absenteeism that there is in the Canadian army today.

I think that speaks volumes for the high morale that there is, the realistic training that is given to the men, and the excellent standard of living.

I would hope, Mr. Chairman, that in future questions might be framed in such a way that they would not cause totally undue assertions against the forces. You would not find a better standard or less absenteeism anywhere in the world. I suggest, Mr. Chairman, it compares very favourably with the attendance at this committee and possibly with the attendance in the House of Commons.

The CHAIRMAN: Are there any supplementary questions to the minister's statement?

Mr. MCILRAITH: Before you leave that, Mr. Chairman, I would not like the last part of the minister's statement to go unchallenged. I do not think the minister meant to reflect on reasons why members may not be in this committee today, or in the House of Commons. I am quite sure he did not mean that and I wish he would think over the last part of that answer, the part pertaining to members of parliament.

The CHAIRMAN: Well, I think, it was perhaps not as relevant as it might have been.

Mr. MCILRAITH: It is more than that. I do not think the minister has any right to reflect on the absence of members of parliament from this committee this morning, if these members are doing their duty elsewhere. I do not think the minister intended to do that. I am sure he will realize that himself when it is drawn to his attention.

The CHAIRMAN: Mr. McIlraith, I do not think the minister did either.

Mr. MCILRAITH: Let him clarify the record then.

Mr. PEARKES: I do not suggest that there are not men of the Canadian guards who were not away on other duty. There may be members of this committee away on other duties.

Mr. MCILRAITH: Let him clarify his answer. I think it ought to be pursued. By his answer, he gave the numbers of men who were released from the Canadian army for a cause that reflects on their own character and integrity, absent for a period of time, contrary to the military regulations. In the same breath, he went on and compared that with the numbers who are absent from the committee this morning without knowing why they were absent. I think he has no right to do that. I make no comment about anything having to do with the army, but in regard to the honourable members of this committee and members in the House of Commons who may be away on duty. Surely they are not to be compared with men who are in breach of military law.

Mr. PEARKES: I cast no reflection whatever on members of parliament who are absent on duty.

Mr. MCILRAITH: Thank you.

Mr. PETERS: Mr. Chairman, I do not disagree with what was said in either case. I would not like it to be said that I reflected on the army in the manner in which the question was asked. While it may be inappropriate to ask questions this way, consideration must be given to the fact that we are not experts in this field. With the figures that are given, is it not a fact that the AWOL's over a twelve-month period are considerably higher for the number of men that are involved in the guards than in the rest of the army.

Mr. PEARKES: That is not correct. The guards have the second lowest rate of any unit in the Canadian Corps of Infantry.

Mr. MCMILLAN: Mr. Chairman, how long does a man need to be absent before he is discharged because of being AWOL?

Mr. PEARKES: Twelve months.

Mr. MCMILLAN: They are all absent twelve months before they are discharged?

Mr. PEARKES: The figures that I gave were that 236 had been released in the last twelve months for having been absent for a period of twelve months.

Mr. MCMILLAN: Would it not also be so that there are a number of other men absent who have not quite reached the twelve-month period?

Mr. PEARKES: Yes, I gave those figures as of the 31st of May. The total number in the Canadian army who were absent for a period of 24 hours to eleven months and thirty days is 308 men.

The CHAIRMAN: Are there any further question on this item?

Mr. BENIDICKSON: When a man is away only two months he apparently is struck off strength, but what happens after that? Do they ever find them?

Mr. PEARKES: He is struck off strength. If he surrenders himself or if he is found, he can be charged with desertion. Desertion is a crime and only those who are convicted of desertion, after they have been absent for a period of twelve months, would be considered as a deserter.

Mr. PETERS: Would you include absenteeism for 36 hours in this figure of 308?

Mr. PEARKES: Yes, 24 hours. Anything from 24 hours to, as I said, eleven months and thirty days.

Mr. PETERS: I question that figure as being a realistic one.

Mr. PEARKES: So did I.

Mr. PETERS: How do you arrive at whether or not a person is AWOL; for instance, if they are late coming back, how would you arrive at whether he was 24 hours late—or when does he become AWOL?

Mr. PEARKES: If he is 24 hours late, he is an absentee.

The CHAIRMAN: We have a number of other answers but many of the other members who asked the questions are not present. I am going to suggest that we incorporate these answers in the record. We will proceed now unless there is any member present who would like to receive a reply to any specific question asked at our last meeting.

Mr. PEARKES: Mr. Benidickson asked a question regarding the acquisition of Gagetown. The total cost to date is 92,839,293. That is made up as follows: $12,331,615 for the acquisition of 275,000 acres of property; $59,063,540 has been spent on buildings other than permanent married quarters and schools.

Mr. BENIDICKSON: Did you say $95 million?

Mr. PEARKES: $59 million. $21,321,914 has been spent on permanent married quarters and schools, $122,224 has been spent on day labour and minor contracts.

The CHAIRMAN: Are there any further supplementary questions? Mr. Benidickson, have you a further question?

Mr. BENIDICKSON: Not at this stage. However, we have another item coming up with the construction program.

Mr. PEARKES: Yes.

The CHAIRMAN: Is there any other member who wishes to receive a reply to a question asked at our last meeting? Is it in order then to incorporate these in the record?

Agreed.

The CHAIRMAN: Gentlemen, you are then on page 328. You have completed "travelling and removal expenses". The next item is "freight, express and cartage". The next item is "postage". "Telphones, telegrams and other communication services", "publication of departmental reports and other material".

Mr. Fisher asked for a comprehensive report on this. Mr. McIlraith, I see you want to ask a question. Would you suggest a report?

Mr. MCILRAITH: Yes. I wanted to ask about the departmental report. The language used in the item is "departmental reports and other materials", and

I wanted to ask about the annual report of the department which, I understand, is being discontinued this year for the first time. Is that correct?

Mr. PEARKES: I do not think an annual report was issued last year. I am not quite positive on that point.

Mr. MCILRAITH: Well, there was one issued in February 1957.

Mr. PEARKES: Yes, that is the last one.

Mr. MCILRAITH: So that in normal course there would have been one this spring which would be February or March of this year, I presume?

Mr. PEARKES: Yes. It has not been issued yet. There is no statutory regulation which requires the publication and if, when we get along with this committee, it is possible to publish a report, we will give consideration to doing so.

Mr. MCILRAITH: That is the point I was concerned about, the policy decision as to whether or not you will publish a report.

Mr. PEARKES: There is no policy to discontinue it; we just have not been able to do it with the rush of other work.

Mr. MCILRAITH: Well then, can I tie that in with the white paper that has been normally used for the last four or five years over our estimates in the house? Is there any firm decision on the white paper?

Mr. PEARKES: The white papers were first issued when Mr. Claxton was Minister of National Defence and we embarked on what was then known as a a five-year program.

He outlined that major program. That program is now completed, but there have been other white papers issued in between the first one and up to last year. We did not think it was necessary to issued a white paper this year, because all the information which could have been contained in the white paper is being given to this committee in the form of statements, answers to questions and the paper which have been distributed. As there are a large number of copies of the minutes and proceedings of these meetings being published, it seems to me unnecessary and uneconomical to publish a white paper this year. We would like to think, if there was any major change in defence policy, or any breaks in the sort of continuation or winding up of the five-year program which we are doing now, then that would be the time to issue a white paper on some specific phase of the defence program.

Mr. MCILRAITH: I am not sure if the question I am about to ask is in order or not. In the light of the decision not to publish a white paper, what is the minister's view as to the wisdom of parliament being left without an annual report? I am aware of the fact that there is no statutory requirement for an annual report.

Mr. PEARKES: I think an annual report is helpful, although I do not think it is necessary. It may be helpful and, as I say, when we get through the heavy load which my department is carrying on account of this estimates committee we will endeavour to get one.

Mr. MCILRAITH: Perhaps, I will not discuss it further here; but I would surely hope that the minister, with these very large expenditures, would continue the practice of having an annual report available each year for parliament, because it is the usual method of reporting for most departments. I think it would be a dangerous practice to discontinue and I hope he will consider it.

Mr. PEARKES: I would be very pleased too.

Mr. BENIDICKSON: I go a little further. I think this is putting the cart before the horse. Frankly I think this committee would be a lot more effective if, before we started studying these estimates, we had been up to date and

had had in the form of an annual report the very latest information on the activities and the policy. I find it very difficult to ask questions when I am fifteen months behind in respect of public information about army activities, or the activities of the department.

We are criticized for not making this committee effective. One of the reasons is that when we do get on an important subject, such as the development of an aircraft program, we are told the department has not yet made up its mind. We do not know to what extent it has moved in the last fifteen months. In respect of ships, we are told these ships are not allocated yet.

The CHAIRMAN: I would like to suggest that the information which you are getting from the witnesses is far more up to date than had you had an annual report.

Mr. BENIDICKSON: But we do not have a report of what has been done, up to the date that this committee started to function, upon which we could base our questions as to the intentions for the coming year.

Mr. PEARKES: Might I suggest that the annual report would have only involved what happened a year ago. It is an annual report of what has passed. This estimates committee is dealing with the estimates being spent this year.

The CHAIRMAN: I believe, also, you will agree with me, Mr. Benidickson, that the officials have been more than cooperative in providing us with up-to-date information.

Mr. BENIDICKSON: I have no question about that. I am simply saying we started in comparative darkness as to what the present situation is, or was, to the end of the last year, and we are not as able to ask questions as to intentions for the coming year because we are over fifteen months behind in the official report.

Mr. PEARKES: Regarding your statement in connection with the allocation of ships, that has nothing to do with the Department of National Defence. The allocation is not made by this department. When I say the allocation has not been made that is perfectly correct. I think it will only be a short time before the allocations for the first of those ships will be decided by the proper authority. It will be some months yet before the allocation of the other ships is made; I feel sure of that.

Mr. PETERS: Mr. Fisher, asked for a list in respect of the printing and I wonder if it could be incorporated in the record.

The CHAIRMAN: Would you rather have a statement than a complete list? Colonel Anderson is prepared to give a statement.

Mr. PETERS: Then we might defer until the next meeting the discussion on it.

The CHAIRMAN: You will always have an opportunity to come back and discuss it.

Colonel F. E. ANDERSON (*Director, Army Budget, Department of National Defence*): This printing item can be broken down into various parts: duplicating, multilith and other production activities by the Queen's Printer, $371,000; printing of training and operating manuals and catalogues for army use, $247,000; printing of special regulations, $85,000; printing of other army publications, $57,000; printing of official army history, $40,000; a total of $800,000.

The CHAIRMAN: Are there any further questions?

Mr. BENIDICKSON: Would this include the work which would be done at a particular station on a local newspaper or whatever is put out including information bulletins and various other things?

Mr. ANDERSON: Many of the units publish their own information sheets using non-public funds. The comparable document printed at government expense would be the army journal with the section at the back devoted to individual corps which was discussed the other day.

Mr. BENIDICKSON: Among the items in this amount of $800,000, had you planned for an expenditure, for the publication of an annual report as for last year?

Mr. ANDERSON: These items are army items.

Mr. BENIDICKSON: It would be under administration?

Mr. ANDERSON: Yes.

The CHAIRMAN: Exhibits, advertising, films, broadcasting and displays.

Mr. BENIDICKSON: On that item, when we had the naval item up we did find that that complete item covered simply expenditures on exhibits, advertising, films, broadcasting and displays, as they referred to recruiting.

Mr. ANDERSON: Yes.

Mr. BENIDICKSON: Then there was a miscellaneous item toward the end which included at least a C.B.C. expenditure. My point is we are given, with the book of estimates, a list of objects for each department, and we are told that this is the over-all government expenditures for exhibits, advertising, films, broadcasting and displays and that this is the only one concerned about recruiting; but for all departments under column 10 it would total such and such a sum. If items are for advertising, films, broadcasting and displays in the armed forces, and are not for recruiting, they are put in this catch-all item. My point is there is not a proper reflection or summary of objects of governmental expenditure. I know you said on the other item that you are directed in a matter of this kind by the Treasury Board, or so we were told; but I still think if there is something in the nature of advertising, broadcasting, and so on, in this, it should be specified so that it will go into the objects under column 10 and not as miscellaneous.

Mr. E. B. ARMSTRONG (*Assistant Deputy Minister of National Defence—Finance*): As I think I said when this was brought up before, we do conform with the treasury board direction in these matters; but the item in which you were interested on broadcasting is a payment which the Department of National Defence makes for certain services rendered by the Canadian Broadcasting Corporation in reference to providing broadcasting tapes and other services basically and mainly for the use of troops serving in Europe. It is, in that sense, I think a little different to the broadcasting referred to here. This particular item, as I explained before, deals with advertising and we do have in our advertising program some funds that are spent on radio programs and that type of broadcasting and the expenditure of money for that purpose is included here.

Mr. BENIDICKSON: When we come to the item of all other expenditures I will ask whether or not anything is included in there which could be regarded as an expenditure for avertising, films, broadcasting and displays.

The CHAIRMAN: Office stationary, supplies, equipment and furnishings.

Mr. MACLEAN (*Winnipeg North Centre*): In respect of this item and the following item of materials and supplies, there are a number of questions I would like to ask in order to clarify the question of the purchasing of these materials and supplies. I understand that each branch of the services decides upon the materials and supplies that they will need; then these requisitions are forwarded to the Department of Defence Production and it is that department which lets the tenders for these supplies. Is that correct?

Mr. ARMSTRONG: That is basically correct. There are items, perhaps in here, that might be procured by someone else than defence production—that is by the Queen's Printer in respect of the item which appears before materials and supplies. Other than those I think they are for the most part procured by the Department of Defence Production and your statement is basically correct.

The CHAIRMAN: The items that are contained under materials and supplies are purchased by defence production?

Mr. ARMSTRONG: Yes.

Mr. MACLEAN (*Winnipeg North Centre*): When there is a delay before the next tender can be issued I understand that the department has power to purchase supplies and materials under their own jurisdiction apart from defence production. Is that correct?

Mr. ARMSTRONG: I do not know whether or not I understand the question.

Mr. MACLEAN (*Winnipeg North Centre*): Take, for instance, in the city of Winnipeg, an item such as soap or wax which is let out on tender and then that is transported into the city of Winnipeg; suppose the supply runs out before the next tender can be issued. In that instance has the department power to procure those supplies?

Mr. ARMSTRONG: The department does have power to buy on what is called a local purchase order. That authority is given to the department by the Minister of Defence Production. Normally it is used to meet emergencies and the purchases are in small quantities.

Mr. MACLEAN (*Winnipeg North Centre*): Are the purchases made by the Department of Defence Production?

Mr. ARMSTRONG: No; by the Department of National Defence, by the use of what is termed a local purchase order.

Mr. MACLEAN (*Winnipeg North Centre*): Would it be possible on those items, for instance wax and soap, to obtain the difference in price between the last tender issued on those items for the city of Winnipeg and the last price paid for the interim supplies that were bought by the department in the city of Winnipeg?

Mr. ARMSTRONG: Are you asking would it be possible to obtain this price?

Mr. MACLEAN (*Winnipeg North Centre*): Yes?

Mr. ARMSTRONG: The first price being a price determined by a contract let by defence production?

Mr. MACLEAN (*Winnipeg North Centre*): Yes; by tender?

Mr. ARMSTRONG: A local purchase order is also by tender in most cases, although not necessarily. That price would be available but we would have to go out to the command to obtain it.

Mr. MACLEAN (*Winnipeg North Centre*): I raise this question only because of the fact that the small manufacturers in Winnipeg and in Manitoba have brought this to my attention. It is their contention that if these tenders for supplies, which are made for the province of Manitoba or the city of Winnipeg, were confined to the province of Manitoba that a smaller price would be available taking into consideration the fact that where a large quantity is involved there is the added expense of shipment, storage and more personnel required.

Mr. ARMSTRONG: When you get down to your main question, it is not the local purchase order, I think, which is reflected here. This is a device to be used in emergencies when the normal procurement through defence production would not be suitable. There are, of course, occasions when procurement through defence production is made on a decentralized basis. That is

normally referred to as local requisitioning through the Department of Defence Production. The main question as to the advantage of procuring on a national scale as against a local scale is a question which should be asked of the Department of Defence Production.

The CHAIRMAN: I think we will proceed down these items. Fuel for heating, cooking and power generating units. Might I ask whether any consideration has been given to substituting, for present uses, natural gas for either oil, coal or other fuels, for heating in military installations when they are near the Trans-Canada Pipe Line, or whether any consideration has been given to this policy.

Mr. ANDERSON: In the general sense the method of fuel used is tied in with the equipment installed in the building. There has been some transition from coal to oil and there may well be further transitions to natural gas.

Mr. MILLER: On the general policy of fuels, we have considered, in various places, and have undertaken to convert from coal or oil to gas where it is economical to do so. The wisdom and the economy of a conversion must be checked with, I think it is called, the coal board. It is not a unilateral decision made by any one service. The decision to convert must be checked in respect of the impact on other suppliers of fuels, and in respect of real economies that would flow from such conversion.

Mr. PEARKES: Perhaps I might add just one word to that.

I would like to say there is a constant survey being made as to the availability and the permanency of new types of fuel such as gas in any particular area. Before any change is made a recommendation is submitted to the dominion fuel board.

The CHAIRMAN: Are there any other questions on the item of clothing and personnel equipment?

Mr. BENIDICKSON: Mr. Chairman, I note in the 1957 annual report there is a reference to the clothing credit system which it says contributed to the reduction in the estimates for 1957-58 as compared with the former year. The reduction is stated to have amounted to $5 million. I notice that there is a further reduction here also.

Mr. ANDERSON: This clothing credit allowance system has been established in the army. $7 is credited to the soldier's account each month, and the value of clothing issued to him is charged against this credit. The accumulated credit balance is available to the soldier in cash at the end of his engagement. This system encourages a soldier to take care of his kit and thereby reduces the maintenance required.

The CHAIRMAN: Are there any questions in relation to the item food supplies?

Are there any questions in relation to the item gasoline, fuel, oil and so on?

Are there any questions in relation to the item covering miscellaneous materials and supplies? Did you have a question on this item, Mr. Benidickson?

Mr. BENIDICKSON: I just note that more was spent last year than is provided in these estimates under miscellaneous materials and supplies. Could we have an explanation in regard to the major components in this item?

Mr. ANDERSON: The components in this item are; hand tools, $98,000; firefighting equipment, $147,000; metals, oils, paints and chemicals, $410,000; packaging materials and containers, $560,000; lumber for packaging and dunnaging, $435,000; nuts, bolts, nails and expendable stores, $217,000; airborne personnel equipment, $333,000; winter training equipment such as

toboggans, $4,000; band instruments, $32,000; school supplies for army operated schools, $150,000, and payments to the U.K. for our brigade in Europe, $83,000.

Mr. PETERS: Is that item for band equipment a special item? It strikes me that probably such care is taken of instruments that we would not need to buy any more.

Mr. ANDERSON: This is money for the replacement of individual instruments that need replacing. The number of bands, of course, and the component elements of these bands is closely governed by regulation. However, when an individual instrument requires replacement, this is the estimated cost covering such replacements.

Mr. MCDONALD *(Hamilton South)*: How many permanent bands exist in the army?

Mr. ANDERSON: I will have to get that information for you.

Mr. MCDONALD *(Hamilton South)*: Go ahead with the next question and I will secure that information later.

Mr. PETERS: Mr. Chairman, are there now fewer bands than a number of years ago?

Mr. PEARKES: There are more bands in existence today than there have ever been. I do not know of any band having been disbanded in recent years, and quite a number have been added to the total number. If you go back to a period before the war the permanent force only consisted of a total of 4,000 men. Today the permanent force consists of 47,000 men. The number of units have been increased and some of the major units are now carrying bands. I am not sure of the actual number but it is less than 30.

The CHAIRMAN: Are there any questions in respect to medical and dental supplies?

Are there any questions in respect of barrack, hospital and camp stores?

Are there any questions in respect of acquisition and construction of buildings and works concluding acquisition of land?

Mr. MCILRAITH: Just what does this item cover? I note that there is a sharp drop in this item this year. Could we have an explanation for that drop?

The CHAIRMAN: Your question is, what does this item cover? You are speaking of the item—acquisition and construction of buildings?

Mr. MCILRAITH: No, no. I was speaking of the previous item—purchase of real properties, (lands and buildings).

Mr. ANDERSON: The substantial decrease in this item for purchase of properties is attributable to the fact that the programs have largely been completed, or are in the process of finalization. This is a minimum estimate.

Mr. MCILRAITH: What type of program is covered by this item? Can you give us some idea?

Mr. ANDERSON: One example would be the Gagetown property purchase. This item would represent an extension of camps and that sort of thing which we feel are now largely completed.

Mr. MCILRAITH: Would this item cover armouries and that type of thing?

Mr. ANDERSON: In respect of property, yes.

Mr. MCILRAITH: In respect of property?

Mr. ANDERSON: Yes, the land.

Mr. MCILRAITH: Perhaps I could ask a question here. For the last number of years there has been publicity given to the possibility of relocating or building additional armouries in the Ottawa area. Is there any plan in

existence at the moment in respect of adding additional army facilities in the Ottawa area other than those to general headquarters?

Mr. PEARKES: There is no money provided in this year's estimates for an additional armoury in Ottawa.

Mr. MCMILLAN: I would like to ask a question in regard to construction of buildings. Would your answer indicate that that program is pretty well complete, and that next year we could expect this to be less? Does this $45 million item have to do with army camps?

Mr. PEARKES: This $45 million item in the main has to do with army camps. The program in this respect is, as you have suggested, mainly completed.

Mr. MCMILLAN: In other words, next year again it will likely be less than it is now?

Mr. PEARKES: We hope it will be down below this.

Mr. MCMILLAN: Would this item also include permanent buildings such as armouries in different parts of the country?

Mr. PEARKES: It includes the acquisition of land on which those armouries might be built.

Mr. CARTER: I would like to come back to this item covering acquisition of land. What is the policy in respect of acquiring land? Do you acquire land when you know you are going to need it or do you wait until you are ready to go ahead? If you wait until you are ready to go ahead several years may have lapsed and land values would have increased. It would seem to me to be good business to buy land as early as possible. This would represent good investment. I do not think you would loose money by doing it that way. I am wondering what the policy is in respect of acquisition of lands?

Mr. PEARKES: When we had a definite requirement for land then we would probably buy it. We are not in the real estate business. It is not a policy of the government to attempt to make money out of the buying and selling of land.

Mr. CARTER: No. I was not interested in that angle of it. I was suggesting there could be a substantial saving if you bought land today where you knew you were going to need it in three or four years. Whereas, if you waited for three or four years you would probably pay double or three times the amount you could get it for now.

Mr. PEARKES: As soon as plans are formed for which we must acquire land we do so.

Mr. CARTER: You acquire land in such circumstances as early as possible?

Mr. PEARKES: When a site has been selected and a decision has been reached in regard to constructing a certain building we acquire the land at the earliest possible time.

Mr. MCCLEAVE: I have a question concerning the army command headquarters at Halifax. I would like to ask the minister what the plans are for buildings at that location. At the present as he is no doubt aware, they are housed in wooden buildings. Perhaps I should mention that Halifax has been referred to as a garrison city. I mention that for the benefit of members who might think Halifax is a naval base only.

Mr. ANDERSON: There is no money provided in this year's estimates for that purpose.

Mr. MCCLEAVE: I am aware of that. I was asking the minister what the thinking of the department was in this regard for future years.

Mr. PEARKES: We have not made any firm decision in that respect at the present time.

Mr. ANDERSON (*Waterloo South*): Mr. Chairman, in respect to this acquisition of property item it has been brought to my attention that over a period of years the city of London has been very anxious to have the armoury property, which is located right in the business section, developed as business property. Has anything been done along the line of negotiation in respect of other property in the city of London for an armouries?

Mr. PEARKES: I do not know of any representation having been made by the city of London in respect of acquiring the armoury site in London.

Mr. BROOME: In regard to Kitsilano Beach and that area occupied by the armoury at English bay, and also in regard to the area occupied by the air force near Burrard bridge, is there any intention on the part of the services to eventually relinquish part of those properties to the city of Vancouver for public parks and recreational facilities?

Mr. PEARKES: Representations have been made by the city of Vancouver for certain properties in that area, and they are now receiving the consideration of the Department of National Defence.

Mr. MACLEAN (*Winnipeg North Centre*): Has the minister received any representations in regard to the moving of the Minto armouries in Winnipeg?

Mr. PEARKES: I do not think I have received any such representations. My recollection is that Minto armouries was repaired after a fire not so very long ago. I do not recall having received any representations from the city of Winnipeg in regard to the purchasing or otherwise acquiring of that land.

Mr. BOURGET: Mr. Chairman, in regard to that item I see that in 1957-1958 there is an amount of $66,900,000 provided for. The expenditures for the year 1957-58 amounted to $46 million only. Could we have an explanation in regard to that big difference? Was there some work dropped, or projects discontinued?

Mr. PEARKES: I think the usual difficulties in respect of getting the construction work started applied in that year. There were certain delays regarding materials and that sort of thing.

Last year there was a re-assessment made of some of the requirements as far as buildings were concerned, and there was some delay caused by that re-assessment of requirements.

Some buildings were regarded as not being in quite the same priority class as others. Every effort is now being made to complete the approved program.

Mr. CARTER: What progress is being made in regard to the construction of an armouries at St. John's, Newfoundland?

Mr. PEARKES: The situation in that regard has been examined. I know that I have received reports pointing out the desire on the part of local militia units in St. John's of having better accommodation. However, no item has been included in this year's estimates.

Mr. CARTER: I would like to ask if the land has been acquired for an armouries there?

Mr. PEARKES: No land has yet been acquired.

Mr. ANDERSON (*Waterloo South*): I have been informed that the city of London for some time has been very anxious to acquire the site of the London armouries. I would like to ask whether the minister would consider an application from the city of London in respect of the re-locating of the armouries to another section of the city of London?

Mr. PEARKES: Of course, if the city of London makes an application we will give it consideration. Whether such a move would be practical or not could only be decided after such consideration was given.

Mr. ANDERSON *(Waterloo South)*: Thank you, sir. I was under the impression that such an application had been made.

Mr. PETERS: Does the federal government pay taxes in respect of armouries, or are grants made to municipalities in lieu of taxes? If that is so, where does the item appear?

Mr. PEARKES: I would like to correct a statement that I made previously. I have just been advised that land was acquired in St. John's, Newfoundland in respect of an armouries last year.

Mr. CARTER: Thank you very much.

Mr. MILLER: In respect of the question of taxes, armouries fall into the same category as federal government properties generally. The federal government does not pay taxes, but grants are made under the Municipal Grants Act to compensate in this respect.

Mr. PETERS: Where does that item appear in the estimates?

Mr. MILLER: This item does not appear in the estimates. This falls under the Department of Finance.

Mr. BENIDICKSON: A good portion of military investment is exempt from municipal grants, is it not?

Mr. ARMSTRONG: That is right in terms of self-contained establishments.

Mr. BENIDICKSON: Self-contained camps would be excluded from municipal grants?

Mr. ARMSTRONG: Excluded in part, but not necessary in total.

Mr. BENIDICKSON: Runways on airports are exempt but I take it there would be grants in respect of married quarters and other buildings at air force units?

Mr. ARMSTRONG: Normally there would be if school services and so on are provided. That is the general situation.

Mr. BROOME: I have one question in respect of the previous item.

In regard to the Irish Fusiliers, I wonder if the minister could inform us whether negotiations have been completed in respect of the acquisition for property which I believe is being made available?

Mr. PEARKES: Negotiations have not yet been completed.

Mr. CARTER: I have a further question arising out of the statement the minister made. Was the land purchased in St. John's for the armouries purchased last year, or is there an item appearing in this year's estimates covering that purchase?

Mr. PEARKES: This land was acquired last year. That is, last year the land was purchased.

Mr. BOURGET: Would it be possible to have details of the estimates, by principal locations for 1957-58 in order to give us a comparison of the amounts that were spent?

The CHAIRMAN: You would like a comparison of these items with the items of the previous year, Mr. Bourget?

Mr. BOURGET: Yes, in respect of 1957-58.

The CHAIRMAN: Yes, for the previous 12 months.

Mr. BOURGET: Yes, and also a statement in respect of the amounts that were spent.

The CHAIRMAN: That information will be obtained for you Mr. Bourget.

Mr. PETERS: While the Department of Finance may handle moneys in respect of grants in lieu of taxes, it would still be a national defence expenditure. I was wondering if there could be an item listed in the estimates so that we would know how much it amounted to? We would then be in a position to see whether there was equality in respect of this item in each of the provinces. I know of an armoury in one town in respect of which the town is very satisfied. I know of another in respect of which the town is not satisfied. It seems that the exemption in the case of the Algonquin regiment stationed in the town of Hillsport is in the form of the town using part of the armouries rent-free. A matter of repairs to that section of the armouries has now come up and it seems that the Department of National Defence is not interested in the repairs to that section of the armouries because they are not occupying it.

It is very difficult to assess the advantage the town receives as a result of occupying this section of the armouries rent-free. I am wondering if we could have a statement of policy in this regard.

Municipal grants, of course, would be looked after by the Department of Finance and would likely be different in each province, and therefore the Department of National Defence structure might be different in each.

Mr. MILLER: The point you raise as to the differential between the various instances is exactly the reason this item comes under the Department of Finance. How the Department of Finance arrives at a correct municipal grant in respect of each province I do not know. That is the reason why we in this department do not know how this is looked after.

Mr. PETERS: Mr. Chairman, if we consider this item to be a national defence expenditure should it not appear in the estimates some place? There are a number of other exemptions where the Department of Defence Production gets some of the items from the Department of National Defence. Is there some place where there is an over-all picture of what the actual expenditures are for each department?

Mr. ARMSTRONG: I do not think there is any place where you would find that in the estimates. There are many places where provision is made in estimates of other departments for services which are beneficial to the Department of National Defence besides these municipal grants. For example, we have mentioned the Civil Service Commission. They work, through services, with the Department of National Defence. They provide money required to operate it in their own estimates. In regard to the control of the treasury, they do all the fiscal accounting and issue all the cheques. The money is provided in their own estimates. We get services from the Department of Public Works and the money is provided in their estimates. This applies to many of the estimates and estimates have been made of those for special purposes but, by looking through these estimates you would not be able to make an assessment of the approximate cost of various departments that might be caused because of work they do for the Department of National Defence.

The CHAIRMAN: In consideration of our report, naturally you will be at liberty to make any suggestions, which may be included in the report to the House.

"Major procurement of equipment".

Mr. BENIDICKSON: Just a minute. I am looking at the breakdown of this item that was provided some time ago. I do not know the exhibit number, but it is entitled "details of estimate by principal locations". I would like to know whether in this item of $45,545,000 there is anything for hospital construction?

Mr. ARMSTRONG: Yes, I am sure that I have all the items, but in regard to the tri-service hospital in Ottawa, there is a share of that in here. While I have forgotten the exact amount, I can get it for you.

Mr. BENIDICKSON: I do remember the sod laying ceremony in connection with that, but I take it that for Ottawa as a whole there is only $195,000 to be spent in the coming year.

Mr. MILLER: The tri-service hospital is financed by the three services and the army would not carry the whole.

Mr. BENIDICKSON: There would be something in this construction vote for the tri-service hospital? Did you tell us that the Department of Veterans Affairs also would be making a contribution to this?

Mr. MILLER: It is provided for in total in the Department of National Defence estimates, but it is a split between the three services. The actual Army commitment that is in for that hospital is $3,500,000 but the cash expenditure will be fairly small in this particular year.

Mr. BENIDICKSON: Has the department made some estimate of the cost per man per day for hospitalization in these various hospitals?

Mr. ARMSTRONG: No, the department does not have a costing system for the purpose of these hospitals. This is under study at the moment because of the possible need for that in relation to the provincial hospital schemes where certain of our hospitals will be included. They will be taking in civilian patients and we will be recovering the cost from the province, but up to this time we have not had a costing system for these hospitals.

Mr. MCILRAITH: In regard to the tri-service hospital, the item for Ottawa is $175,000. Is that the item for the tri-service hospital for this year?

Mr. ARMSTRONG: This is an expected cash outlay in so far as the army is concerned for the various items in Ottawa. As far as the army is concerned, it seems to be the only item. The other services are involved in this as well, so it does not represent the total cash outlay on that hospital.

Mr. MCILRAITH: Can we find out what this $175,000 estimate does cover?

Mr. ARMSTRONG: It covers the expected army outlay in cash with respect to their share of the tri-service hospital, and their share in total is $3,500,000.

Mr. MCILRAITH: What is the corresponding item for the other two services? Could we get that?

Mr. ARMSTRONG: I have not got it at my fingertips, but I will get it for you.

Mr. MCILRAITH: Coming to the defence headquarters, I take it there is nothing in here having to do with defence headquarters?

Mr. PEARKES: That is correct.

Mr. MCILRAITH: Assuming that it was proceeded with, it would not be in this item.

Mr. PEARKES: It would not be in this item, but would come under the same item under general administration.

Mr. MCILRAITH: It is most unfortunate, as I wanted to ask some questions about it.

Mr. BENIDICKSON: I notice that $7,900,000 was provided for construction at Gagetown for the current fiscal year. This, of course, would be the estimate provided before it went to the treasury board last December. Notwithstanding the fact that I understand that there will be more decentralizaion than originally planned and brigades will function west, central and east, rather than as a division, is it still likely this expenditure will be made at Gagetown?

Mr. PEARKES: Yes. I have got some items, some projects which are now under construction and these projects will have to be completed. They include

such things as chapels, a vehicle garage, store buildings, a tank farm and the main gateway.

The CHAIRMAN: If you are through with construction, we can go on.

Mr. BENIDICKSON: $7,411,000 is provided for buildings and works at Petawawa for the current fiscal year. Could we have the details of this expected expenditure?

Mr. ANDERSON: It is a long list. There are married quarters which will be 226 plus 176. They are at different stages. There is a school completion and another school, and still a third. This is the cash portion of a continuing program so there are two extensions to schools. There is also roads, sewers, mains and grounds and the renewing of various heating systems. There is a central medical and dental equipment depot, a 24-bay garage for the engineers and improvement on a range. There is also garages for existing married quarters, the extension of the underground steam heating system, a quarter-master and technical stores for the camp headquarters, and a tank hangar, an engineers stores depot and pontoon storage buildings, a fire hall, engineer stores depot and warehouse. There is also the matter of a physical training building. Main entry roads and feeders have to be improved.

Mr. BENIDICKSON: Perhaps, Mr. Chairman, if these could be made an appendix to these minutes, it will be satisfactory. We would like a breakdown of this $7,400,000 odd. The member for Renfrew North is with us this morning, but he is not a member of this committee.

The CHAIRMAN: That will be done.

(*See Appendix "B" to this day's evidence*).

Mr. MCILRAITH: In dealing with the item of $4,193,500 for the construction of married quarters at Petawawa, could the minister tell us whether these married quarters are being constructed through direct contracting in the ordinary way with construction firms or whether any consideration had been given to having them built under some other proposed methods of contracting for the buildings that were being considered a year or two ago?

Mr. ARMSTRONG: At Petawawa they are being built in the normal way through the usual calling of tenders and by the normal construction contractors. I know of no other system that has been given consideration.

Mr. MCILRAITH: You were considering another system in the Winnipeg area.

Mr. ARMSTRONG: I see; I am sorry; now I understand. No, these are married quarters. There is a project in the Winnipeg area that is nearing completion. It is a kind that involved the granting of mortgages under authority in last year's estimates. There we have entered into an agreement with the contractors, the people who built the houses own them, and we have loaned them the mortgage money. We have then leased the houses from them on the basis of a 40-year lease that is terminable at the end of ten years. These houses, while we retain them at least, will be treated in so far as the department is concerned in relation to the people that occupy them as married quarters.

Yes, consideration was given to a similar type of operation for Petawawa. But in fact it is not being proceeded with because it was thought that it would not work very satisfactorily in that particular area.

Mr. MCILRAITH: In the white sheets which were filed the other day giving the details on the items on construction of buildings and works, is there any item in them which is being proceeded with by a method similar to that used at Stevenson field?

Mr. ARMSTRONG: No. There is nothing here which has any relationship to the operation at Stevenson field. There is no provision in these particular estimates for a similar operation although there is about $2 million remaining from the original vote for that purpose which could be used for similar projects.

Mr. BENIDICKSON: Mr. Chairman, I wonder if Mr. Armstrong or Mr. McIlraith are referring to the limited dividends and guaranteed rental units referred to in the last annual report?

Mr. ARMSTRONG: The limited dividend is an earlier scheme. There was something in excess of 1000 units built for members of the forces. These were built under what is called the limited dividend section of the National Housing Act.

The scheme at Stevenson field is a subsequent one in which the department was directly involved in providing the mortgage money.

Mr. BENIDICKSON: The report shows that of December 31, 1956, there were 1,519 limited dividend rental units completed or under construction. There was reference there to 2,385 additional units. What has happened since December 31, 1956 with respect to those 2,385 additional units?

Mr. ARMSTRONG: The only additional ones of which I am aware I think I am substantially right in saying that the only additional ones which have been added to the 1500 odd mentioned are the 400 units at Stevenson field.

Mr. BENIDICKSON: Under this type of operation now with respect to schools, housing units provided in Europe, do we find them under the NATO vote later on?

Mr. ARMSTRONG: The housing and schools in Europe—there are two schemes. In Germany these have been constructed.

Mr. BENIDICKSON: If it is not included under this $45 million, then very well.

Mr. ARMSTRONG: There is nothing here. They were all completed.

Mr. BENIDICKSON: There is nothing further of that type contemplated for this year?

Mr. ARMSTRONG: Nothing in this year's estimates, no.

Mr. BROOME: In regard to the scheme you have referred to at Winnipeg in regard to building quarters, evidently according to the same methods that have been used at Petawawa, it must have been a new approach to the problem of providing these buildings with the idea of working out a better or a cheaper way of doing it. Is it something that you cannot assess as yet?

Mr. ARMSTRONG: In so far as Winnipeg is concerned, it is just coming to completion but we are not in a position to assess the advantages.

Now, we hope for advantages of this kind: a scheme or method of building houses in some of the settled areas where there is a considerable number of the forces and where they are having difficulty in getting accommodation by means of a scheme which would be integrated completely in a town or municipality.

To that extent this has been most successful but whether it will in the final analysis be considered as a preferable way to provide houses for married quarters, I am not sure. I think we would need to have more experience.

Mr. MCMILLAN: Before we leave this item, I would like to know if there has been any change in government policy with respect to the building or armouries. For instance, I have heard in some areas they have built armouries where the municipality has contributed money towards a community centre, using the same building. I understand it has happened at Owen Sound, although I do not know it for a fact.

Mr. PEARKES: There is no change in policy as far as the building of armouries is concerned. There is a review as to the necessity for their being built. They are constructed for militia units or units in that area.

There are certain regulations whereby, for certain occasions, permission may be obtained for an armoury to be used for a non-military purpose. But There is no policy which would embrace the building of an armoury for a combined militia and community purpose.

Mr. McMILLAN: Has there been any case where a municipality has made a contribution towards such a building?

Mr. PEARKES: Oh yes; quite frequently; certainly in the past.

Mr. McMILLAN: A contribution towards the capital cost?

Mr. PEARKES: I do not think for the actual cost of construction, but they have donated the land at various times.

Mr. SMALL: Following the question asked by Mr. Peters in regard to taxes, under 329 there is an amount provided for municipal public utility services. It is under 19, the very last sentence, and I see the item amounts to $4,618,000.

Mr. ARMSTRONG: Under the item you refer to there is provision for the payment of some direct service charges. For example, there is a non-resident school fee which is included in this item, where children of army people are attending school where a non-resident school fee is required. So provision for it is to be found in this particular item.

The CHAIRMAN: "Major procurement of equipment"

Mr. CARTER: I wonder if the minister would say a word on the policy respecting the buildings at St. John's Newfoundland which were erected as temporary buildings and which have now pretty well reached the end of their life span. Is there a new construction program envisaged with respect to these buildings, or what are the plans for the future in that connection?

Mr. PEARKES: I do not think that detailed plans have been worked out yet. We recognize the necessity for replacing the present temporary quarters in St. John's, but whether they will be renovated or whether new armouries will be built, I do not know. I have not got the details. There is no money in these estimates for the construction of an armoury at St. John's.

Mr. CARTER: Will there be any repairs or renovation for these temporary buildings?

Mr. PEARKES: There is, I believe, some money provided for temporary repairs to the buildings.

Mr. SMALLWOOD: Mr. Chairman, there has been a rumour over the last couple of years of extending the Wainright army camp either further west or further south. Is there anything to that rumour?

Mr. PEARKES: There is no provision for any extension of the camp at Wainwright. The camp was acquired a number of years ago. It was used during the war as a training camp. But there is no plan at the present time for its extension.

Mr. BENIDICKSON: I wonder if we could have a list of the armouries if there is any appropriation in this vote for armouries. Where are the armouries to be constructed in the current fiscal year?

The CHAIRMAN: Would you like to have a breakdown of new armoury construction?

Mr. BENIDICKSON: If there is any money in this vote for armouries, I would like to know about their location.

Mr. MILLER: You mean the construction of new armouries, not the repair of present armouries?

Mr. BENIDICKSON: No.

Mr. PEARKES: If my recollection is correct, Saskatoon is about the only place. We had to get out of the accomodation there. There may be some others, and I will give it if there is anything different.

Mr. NIELSEN: On the white sheet which was filed the other day I noticed an item of $5,950,000 under the heading of "other locations". May I discuss that item later on under "Northwest highway system"?

The CHAIRMAN: Yes. Are you through with this item?

"Major procurement of equipment". We shall take it up item by item.

"Tanks and armoured fighting vehicles"?

Mr. BENIDICKSON: Did you not miss the item "Rentals of land, buildings and works"?

The CHAIRMAN: I think I called it. But have you a question?

Mr. BENIDICKSON: Did anybody find who pays the rent for the recruiting depot at Fort Francis?

Mr. MILLER: That was one of the answers which I proposed to have tabled, but I think I can answer you now.

There are no regular army recruiting depots at Fort Francis or at Kenora. There are two so-called depots which are used to recruit local militia and people entering local units.

Instructions were issued in April that both these stations had to be run down to nil strength by September 1st this year, and action was taken to terminate the leases.

Mr. BENIDICKSON: You gave us a list the other day of the so-called recruiting depots. How many of a similar type are there across the country? You only had about 15. What other locations are we paying rental on for a similar purpose?

Mr. PEARKES: There were a number of recruiting stations or manning stations in the militia scattered across the country; quite a number of them. In the main they have been reduced to nil-strength because militia units themselves are doing their own recruiting.

As to the actual number, I could not say, but it would be fairly large.

Mr. BENIDICKSON: Mr. Miller ascertained that the premises at Fort Francis were used solely for recruiting in the local militia.

Mr. MILLER: That is right.

Mr. BENIDICKSON: But not the regular army?

Mr. MILLER: We were dealing with the regular army when this item was raised. The list I gave involved depot stations for recruiting in the regular army. As to what number of those depots may exist for the recruitment of militia, I do not know. But if it is significant, we can produce it.

The CHAIRMAN: "Major procurement of equipment".

Mr. PETERS: On the same subject, is there an arrangement of some description with the militia units in those areas to recruit for the regular army? I know in my own area there are several which do it. I think there is an initial examination at those points and then the applicants are sent to another point which we would call the permanent recruiting office. It would be in the form of a manning depot.

But some of these stations do—or at least they appear to do initially the same work that the mobile teams perform, because they also usually give only an examination or an interview to the applicant, and he is then sent to another unit where he takes his medical examination.

Mr. PEARKES: The militia for many years has been a source from which the regular army has drawn recruits. The commanding officers of the various militia units would be able to advise any recruit from his area as to the procedure he should follow in order to join the regular army. And he would be able to carry out the same preliminary work in the same way as the work done by the recruiting teams which travel around from centre to centre.

Mr. PETERS: Is there remuneration paid to the various units for that work? I understand that some of them, such as the Algonquin regiment which is now a reserve unit, I presume—it may be militia—keep, a number of people from the permanent force. They are full time soldiers. Is there any remuneration from the army to those people? Are they actually army personnel loaned to the reserve regiment?

Mr. PEARKES: There are certain personnel, certain regular army personnel, attached to militia units both for training purposes and for administration. The personnel that you are referring to I think would be perhaps a regular army sergeant attached to a unit for administration, and to whom a prospective recruit for the regular army might go to seek advice.

Mr. PAYNE: What provision do we have for range practice for armoured fighting vehicles and tanks?

Mr. PEARKES: Facilities are provided at the main army camp for range practice for armoured fighting vehicles. At Gagetown there is a tank range. At Valcartier there is one for a limited number. At Meaford, the main training range for the army school which is located at Camp Borden, there are extensive ranges.

Similarly there are other but smaller ranges at Shilo in the west, in Manitoba, at Wainwright camp in Alberta, and at Sarcee where the Lord Strathcona Horse have their depot.

Mr. PAYNE: Is that a stationary range or is it a mobile range?

Mr. PEARKES: They are mobile ranges in the sense that the tank itself moves, and it may engage either a stationary or a moving target.

The CHAIRMAN: May we proceed to the first item under major procurement of equipment, "tanks and armoured fighting vehicles"?

Mr. MORE: Under item 16 a great difference is shown in the actual expenditure according to the estimate of 1957-58. Perhaps a general statement might be made as to why that difference exists. Was it held up for review?

The CHAIRMAN: You would like a statement as to the reason for the large reduction in this item as compared to a year ago?

Mr. BENIDICKSON: There has been a big increase in ammunition and bombs, more than double, from $11 million odd up to $25 million odd.

Mr. ANDERSON: The basic reason is that the program did not proceed. It was based on estimated orders which were deferred. There was a reassessment of army needs in various primaries. That is probably enough to give you in a general way.

The CHAIRMAN: I would prefer to deal with them individually.

Mr. BENIDICKSON: Before we get into it, I think we have a good example here of the need of having the annual report prior to the sittings of the committee. I would like to read a comment from page 9 of the report as of February, 1957, where, under the heading of "Defence programs", the following was said:

> The regular army has replaced the wartime Sherman with the Centurion tank; a complete new range of combat vehicles has been produced; and new field, medium and anti-aircraft artillery, the Canadian-developed Heller anti-tank weapon and Iroquois flame thrower, a new type submachine gun, mine detector and counter-mortar radar detection equipment, and improved communications equipment of the latest design are now in service. Canadian production of the FN-C1 rifle has advanced to the stage where this weapon will be coming into service during 1957.

If there had been an annual report for the past year what would the minister suggest might be said in a similar vein to what was said in the report from which I quoted? If you had been reviewing what had been accomplished in this regard last year and if you had been reporting on the matter of new equipment and procurement, what does the minister think might have been put in a report similar to the previous report?

Mr. PEARKES: I would have mentioned the new anti-tank weapon for the infantry known as the Heller. I would have mentioned the RAT which is a small vehicle that has been developed for movement of personnel and supplies in northern areas over the snow and ice. I would have mentioned that the new rifle has now been issued to practically all the units in the Canadian army and is being issued to some of the units in the other services.

Mr. BENIDICKSON: Is that the FN-C1 rifle?

Mr. PEARKES: Yes. I could have mentioned developments in radar equipment which have taken place. I could have mentioned a larger vehicle called the Phoeneix which is also a vehicle for carrying heavier supplies in the Arctic regions. Those are some of the things which come to my mind which have been developed since 1956.

Mr. PETERS: In respect of these items of equipment which we use in the Arctic and I am thinking of the mobilized toboggan aflair, do we do our own development work on those or do we buy them from somebody else?

Mr. PEARKES: It is Canadian army designed and developed. The development has proved a success and consideration can now be given to the extent of production that we require. User trials are carried out and a decision is now pending as to the quantities which will be issued.

Mr. PETERS: In respect of the quantities, with the type of defence we have or the fluid state of our defence thinking, is it advisable to procure to the extent that we see in the estimates here these various items that are in a period of flux? Would the army in northern Canada be taking a great number of these?

Mr. PEARKES: Definitely there is no intention of getting a great number of these. We might get a few which would be held in northern stations in case of an emergency.

Colonel Anderson can give you the detailed list of the items covered in this.

Mr. PETERS: On some of these other things mentioned, how closely have we cooperated with the other NATO countries in the standardization both of ammunition and these other items?

Mr. PEARKES: All the information that we have available is passed on to other NATO countries; but I regret to say I cannot report any real progress in the standardization of equipment between the various NATO countries. There is some progress being made, but it is a difficult path to follow. We have recently, about four months ago, placed at the disposal of the NATO organization Major General Bernatchez who will head up the standardization group of that organization. I hope, by having a Canadian there who is well familiar with the developments here in Canada, it may be possible to get more progress than there has been in the past. Nobody can say we have made good progress in respect of standardization.

Mr. PETERS: How close is the standardization between Canada and the United States? We are here and they are here, and we are there to some extent. Is most of our equipment in respect of tanks and munitions standardized with the United States?

Mr. PEARKES: I am afraid I cannot say that most of our equipment is standardized with the United States. We do use some United States equipment. It would be very doubtful if the United States is using any quantity of Canadian army equipment.

Mr. BENIDICKSON: I did not quite hear the reply of the minister. It may probably be the answer to my question. In respect of the Heller, when we were last given an annual report, it said on page 33 that the United States military and the Canadian army were interested in carrying out their own evaluation of this weapon. I understand the minister said they have not placed any orders for this Canadian developed weapon.

Mr. PEARKES: We issued the Heller to our brigades and I do not think it is an exaggeration to say it is considered to be one of the very best of the anti-tank weapons for the type of troops who are using it; but I do not believe that other countries have actually purchased any Hellers from us. They have shown interest and I trust they will continue to show interest, but I do not think they have actually purchased any. They might have done so from the firm making them, but that is an off-the-cuff opinion.

Mr. PETERS: Are the atomic weapons that are being given to ground forces, or that are being maintained by the United States, usable in Canadian equipment, or will we have to use in this instance American equipment also? This question is in respect of a statement made the other day that the Americans are not going to allow us to handle them but insist they be administered by Americans and we would use them only in the case of necessity. Will they fit our equipment?

Mr. PEARKES: They are in the main atomic anti-tank heads for the larger American weapons. The Americans do not have atomic weapons for these smaller pieces of infantry equipment which I have mentioned. They have none for the Heller.

Mr. SMALL: I suppose the American people said, in respect of our Heller equipment—to use the slang—"It is no Heller to us and we will get our own".

The CHAIRMAN: Tanks and armoured fighting vehicles.

Mr. PETERS: How long has it been since there has been a change in our type of heavy tank, and what is the type of tank which is in use now?

Mr. PEARKES: We are still using the Centurion tanks. Those are the British tanks. We have replaced the old Sherman tanks with the Centurions. There has been no newer tank issued. I might say we are developing a sort of general purpose armoured carrier; that is in the development stage at the present time.

The CHAIRMAN: Mechanical equipment, including transport.

Mr. BENIDICKSON: How far have we got with this flying truck project that was referred to in the report of activities eighteen months ago?

Mr. PEARKES: That is known as the Caribou, I think. It is being developed at the de Havilland plant outside of Toronto. The prototype has not yet flown. It is also being developed for commercial use and for other countries.

The CHAIRMAN: Gentlemen, it is a minute or two before one o'clock. I would like, first of all, to again thank our witnesses.

Tomorrow the minister cannot be with us. There has been a suggestion offered by one of our members that even though the notices have gone out for a meeting that perhaps we should not meet tomorrow If there is any general expression of opinion in support of this it can be considered. We still have a great deal of work ahead of us. Unless there is any general support for the suggestion, I would suggest that we proceed with the meeting tomorrow.

The second point that I would like to put before you is that we have at every meeting discussed the necessity of eventually having before us the estimates of the Department of Defence Production. It has occurred to me that we might offer a resolution at this time and place it before the house to have the estimates of the Department of Defence Production come before us. This would give our own membership some opportunity to do some homework and it would also help that department in that they would know that they will be appearing before us.

The following motion is moved by Mr. Broome and seconded by Mr. McCleave: "That the committee recommend to the house that the items listed in the main estimates, 1958-59, and in the supplementary estimates for the fiscal year ending March 31, 1959, relating to the Department of Defence Production, be referred to this committee." Agreed to.

Mr. PETERS: As a point of information, I wonder if it would be possible for members of parliament to visit these service camps more or less on a quiet trip?

The CHAIRMAN: What do you mean by "a quiet trip"?

Mr. PETERS: I mean not a planned tour. I would be interested, for instance, in visiting one or more of the air force units and probably Petawawa with a view to speaking to a number of people there, not necessarily the top officials, to find out whether or not there are grounds for the information which we have received in the past. I am particularly interested in this business of the relationship between the civil service and military personnel. It is my opinion that the easiest way to find that out is by talking to some of the people in the lower ranks. I am quite sure the minister will have the other side of the story. I wonder if permission could be given for members of parliament to visit some of these places? It would not be an official tour but rather a visit.

Mr. PEARKES: If any hon. members would let me know when they would like to arrange a visit to a camp I will certainly make it possible for them to do so.

The CHAIRMAN: I should mention that the minister sent out a letter in respect of the tour to St. Hubert, the R.C.A.F. headquarters at Montreal. He has pointed out that while the maximum number we can take is 60, he will give priority to this committee, assuming that the members of the committee get their names in promptly. This tour is arranged for next Saturday.

APPENDIX "A"

Exhibit No. 1

STATEMENT FOR ESTIMATES COMMITTEE

June 12, 1958.

The purpose of this statement and the charts which I have distributed is to provide a brief outline of the executive organization of the Department of National Defence, summary figures of expenditures and estimates including some analysis of mutual aid, the current military and civil strengths, the current rates of pay and allowances, and information as to some of the procedures in the department, all of which I believe will be helpful to the committee in setting a framework for more specific and detailed information which will come later.

ORGANIZATION

There are three charts on organization. The first one deals with the executive organization directly under the Minister. The second one shows the main executive and co-ordinating committees in the department and the third provides a more extensive outline of the Deputy Minister's office.

You will see from the first chart that under the Minister are the Chairman, Chiefs of Staff and the three Service Chiefs of Staff, that is, the Chief of the Naval Staff, the Chief of the General Staff and the Chief of the Air Staff. Under the National Defence Act each Chief of Staff, subject to the direction of the Minister, is charged with the control and administration of his Service. Also under the Minister is the Chairman, Defence Research Board, who is appointed under the National Defence Act. The Chairman, Defence Research Board, is the chief executive officer of the Defence Research Board and the Minister's principal advisor on defence research. The National Defence Act gives him a status equivalent to a Chief of Staff. The other senior officer appointed under the National Defence Act is the Deputy Minister, who is responsible to the Minister for the overall administrative and financial affairs of the department.

The executive organization of the three Services under the Chiefs of Staff follows similar lines in each Service. There is a Vice-Chief of Staff who assumes responsibility under his Chief for operational planning, operations, military training and intelligence. This organization is what is generally known in the Navy as the Naval Staff, in the Army as the General Staff and in the Air Force as the Air Staff. There is also under each Chief of Staff a principal supply officer who in the Navy is called the Chief of Naval Technical Services, in the Army the Quartermaster General and in the Air Force the Air Member for Technical Services. These officers are responsible to the Chief of Staff for materiel planning and logistics generally. Each Service has a chief personnel officer called the Chief of Naval Personnel in the Navy, the Adjutant General in the Army and the Air Member for Personnel in the Air Force. These officers are concerned with all matters relating to personnel in their Services, including enrolments, careers, welfare, medical and chaplain services, etc. The Deputy Minister's staff is organized on functional lines rather than Service lines, that is, the responsibilities are allocated on the basis of subject matter on a departmental wide basis encompassing the three

Services in each case. The senior officers under the Deputy Minister are the Associate Deputy Minister and four Assistant Deputy Ministers. There is an Assistant Deputy Minister responsible for administration and civilian personnel, one responsible for all aspects of construction and properties, another for the review and assessment of all logistics proposals of the Services and the fourth responsible for finance and some other related matters.

In order to have common approaches on problems that affect the department as a whole, there are a number of committees which meet regularly to consider and advise on various phases of defence and administrative policy and, in particular, those problems that require joint consideration. The second chart sets out for you the main committee structure. The committees on this chart are the principle internal committees within the Department of National Defence. They include the Defence Research Board which is a committee established under the National Defence Act and is responsible for advising the Minister on matters relating to defence research. This committee is comprised of the Chairman, to whom I have referred above, a Vice Chairman, the three Chiefs of Staff, the Deputy Minister, the President of the National Research Council and representatives from universities and industry. On the military planning side is a committee known as the Chiefs of Staff Committee which is under the chairmanship of the Chairman, Chiefs of Staff. This committee is comprised of the Chairman, the three Chiefs of Staff of the Services and the Chairman of the Defence Research Board. It is attended by the Deputy Minister, the Under Secretary of State for External Affairs and the Secretary of the Cabinet. These officials are not members of the Committee but their presence is most useful to provide a full exchange of views and information between these officials and the members of the Committee. This Committee is responsible for a continuous review of operational problems and has reporting to it the Vice Chiefs of Staff Committee comprised of the three Vice Chiefs of Staff and the Vice Chairman of the Defence Research Board.

The senior committee dealing generally with administrative policy matters is Defence Council and is under the chairmanship of the Minister. The members of the committee are the Deputy Minister, the Associate Deputy Minister, the Chairman, Chiefs of Staff, the three Chiefs of Staff and the Chairman, Defence Research Board. There are two senior committees that report to the Defence Council, one is the Personnel Members Committee and the other the Principal Supply Officers Committee. The Personnel Members Committee is comprised of the three Service Chiefs of Personnel and is attended by one of the Assistant Deputy Ministers. It is concerned with all personnel matters that have general application to the three Services. The Principal Supply Officers Committee is composed of the Chief of Naval Technical Services, the Quartermaster General and the Air Member for Technical Services and, again, one of the Assistant Deputy Ministers attends this committee. It deals with all logistic problems that affect the three Services including the approval of common scales of issue, standards of accommodation, etc. There are a considerable number of sub-committees reporting to these principal committees which examine particular problems in detail.

This has been an outline of the senior positions and senior committees only. There is of course a sub-staff and sub-committee organization to cover the detailed phases of the subject matters involved. For the Deputy Minister's office

I have included a chart showing the senior officers below the Assistant Deputy Ministers.

I propose now to outline very briefly some of the procedures that apply in the department.

ESTIMATES

It may be useful to the committee to have a brief outline of the internal procedures used in the department in the preparation of estimates. Each Chief of Staff has the responsibility for the preparation of the estimates for the Service he controls. The Chairman, Defence Research Board has a similar responsibility in respect of defence research and the Deputy Minister for the branches of the department under his direct control. Each of the Services and the Defence Research Board has a comptroller or finance branch which co-ordinates the preparation of the estimates for that Service. Experience has proven the value of providing the heads of the Services with a clear policy direction prior to the detailed preparation of their estimates. With this in mind a preliminary review of estimates for the next fiscal year is undertaken by the Deputy Minister in June of the preceding year. At this time the financial aspects of various programmes that may be under consideration are reviewed at the same time as the Chiefs of Staff Committee review the programme planning for the three Services. This review provides a basis on which policy issues may be cleared with the Minister and the government prior to the preparation of detailed estimates for the next fiscal year. There is an opportunity to assess the probable financial requirements and each Chief of Staff and the Chairman, Defence Research Board, is given a figure to indicate the planning level for purposes of his final estimates. Detailed estimates are submitted by the heads of the Services to the Deputy Minister by about the middle of October each year. During the ensuing few months, these estimates are reviewed in detail by the officers of the Deputy Minister's staff to assure that they conform with accepted policy and, if not, that the policy issues involved are brought out for decision, and that the assessment of the costs is a reasonably accurate estimate of what will be required. During this review there is continuous consultation with the responsible officers of the Treasury Board and also with officers of the Department of Defence Production who have a direct concern in the implementation of the procurement and construction programme. During all of this period there are continuous discussions with the Service officials concerned with preparation of estimates and with the Chiefs of Staff. The estimates, as finally accepted by the Minister, are submitted by him to the Treasury Board for approval.

The estimates, when approved, provide the financial plan for the operation of the department in the fiscal year. They establish the limits of expenditure which may be made during the fiscal year as well as the total of commitments that may be entered into in the course of the fiscal year. Fiscal accounting and disbursements are undertaken by the Comptroller of the Treasury, an officer of the Department of Finance, in accordance with the Financial Administration Act.

The details of the estimates listed in the back of the estimate book are the estimated cash disbursements by the Services. The total is reduced for the purpose of determining the amount of appropriation by the amount of expenditures which will be met from the Special Accounts and certain anticipated recoveries of expend-

itures that will be made during the year. These Special Accounts include the Defence Equipment Replacement Account which was authorized by the Defence Appropriation Act 1950, and to which was credited until March 31, 1956, the value of all equipment acquired prior to March 31, 1950, which was transferred as Mutual Aid. The balance in this Account at the commencement of the current fiscal year was $211,739,027.96. This balance was established by transfer of Army equipment as Mutual Aid, and currently all expenditures for the Army for major procurement of equipment are met from this Account. The other Special Account is the account established under the authority of Section 11 of the National Defence Act and is credited with the proceeds of sales of materiel, which is not immediately required by the Canadian Forces, to foreign countries. The balance in this Account at the commencement of the current fiscal year was $18,190,716.19. The adjustments for these purposes reflected in the 1958/59 Estimates are in the case of the Army $49,871,000, and in the case of the Air Force $30,000,000.

Two tables have been circulated for the information of the committee, one of which analyzes the estimates under main functional headings of Military Personnel Costs, Operation and Maintenance Costs, Procurement of Equipment Costs and Construction Costs, and the other by main Service headings. These tables include a comparison of appropriations and expenditures from 1952/53 to the last fiscal year, and the estimate for 1958/59. The heading, Military Personnel Costs, refers to costs directly related to military personnel including pay and allowances, travelling expenses, medical and dental services, clothing and personal equipment, food supplies and laundry and dry cleaning. The Heading Operation and Maintenance Costs includes the costs of civilian salaries and contributions to pension funds, repair and upkeep of equipment and buildings and works, together with the rental of land and building and the cost of utility services, and a variety of recurring operating costs including gasoline, fuel oil lubricants, freight and postage, advertising, and barrack and hospital stores. These two headings together may be considered as a rough approximation of recurring costs. The heading Procurement of Equipment includes the costs of ships, aircraft, mechanical equipment, armament, signals and wireless, special training equipment, technical equipment and ammunition and bombs. These items are listed in the detail of the estimates under the heading Major Procurement of Equipment. The Construction Costs include the purchase of property and the construction of buildings and works, and are listed in the detail of the estimates under the heading Acquisition of and Construction of Building and Works including Acquisition of Land, except that in the detail of the estimates the costs of the Mid Canada Line are not set out separately as they are in this table.

From these tables it will be seen that in terms of cash disbursements, defence expenditures reached their post war peak in 1952/53. While total expenditures have not varied by more than 5% since that time, there has been a sizeable shift of expenditures from construction and equipment to personnel and operating costs. In 1952/53 expenditures for construction and equipment totalled $984,485,000 and the estimate for 1958/59 is $598,779,000, a reduction from the peak of $386,000,000. Personnel and Operating Costs totalled $816,414,000 in 1952/53 and the estimate for 1958/59, which is slightly below expenditures in 1957/58, totals $1,146,414,000, an increase of $330,000,000. Of this total, the amount included for

pay and allowances, civil salaries, corps of commissionaires, school teachers, and pension contributions totals $701,318,000 in 1958/59 or 41.6% of the defence budget against $380,556,000 for corresponding items in 1952/53 or 20% of the defence budget. During this period the strength of the forces has increased from approximately 104,000 to approximately 119,000 and the strength of civilians excluding casual employees from about 25,000 to approximately 50,000. The increase of roughly 84% in cost against a growth in numbers of about 30% reflects the increased costs due to rising salary levels over this period.

PAY AND ALLOWANCES

A table is included which sets out the current rates of pay and allowances for members of the forces. Rates of pay and allowance are reviewed and approved by the Treasury Board before they are submitted to the Governor in Council for authorization. The basic elements in the pay structure of the military services which apply to all three services are pay for rank, trades pay for trade qualifications, subsistence allowance where quarters and rations are not provided by the Service, marriage allowance, and separated family allowance which is payable where the serviceman because of Service requirements is separated from his family. There are certain other allowances payable under special conditions such as supplementary living allowances to cover extra living costs, foreign service allowances, aircrew flying allowance, submarine allowance, and risk allowance. The general framework of the present pay structure was established in 1946 after detailed study by a special interdepartmental committee established by the Treasury Board using the principle that the pay and allowances should compare fairly having regard to the conditions of military employment with earnings in comparable civil occupations. Since 1946 the rates have been reviewed periodically and revised upwards in 1947, 1948, 1950, 1951, 1953, 1956 and 1957.

When travelling on duty and when transferred from one place to another, service personnel are paid per diem travelling or expense allowances except on rare occasions when actual expenses are paid. The rates of travelling allowances are approved by the Treasury Board. There are special rates for military personnel on railways in Canada authorized by the Governor in Council under Section 351 of the Railway Act. The present rates of per diem travelling allowances are set out in one of the tables.

ESTABLISHMENT

MILITARY

Within the total manpower figures for the authorized defence programme which are approved by the Governor in Council under the authority of the National Defence Act, the Minister, subject to the concurrence of the Minister of Finance, approves the number of officers and servicemen in each rank and trade group. A review of establishment requirements is made annually for this purpose by a committee called the Rank Structure Committee which is chaired by the Chairman, Chiefs of Staff and has as its members the Deputy Minister and an official of the Treasury Board. Within this approved framework, each Service determines the distribution of personnel within its various units. Each Service has establishment committees which approve unit establishments within the authorized ceilings. A table is provided listing the current strengths of the Regular and Reserve Forces.

CIVILIAN

Civilian employees broadly fall into three categories, classified civil servants, prevailing rate employees and casual labour. Civil servants are employed in accordance with the procedures laid down in the Civil Service Act and Regulations. The appointment of these civilians is controlled by the Civil Service Commission which is vested with this authority under the Civil Service Act. The Civil Service Act also prescribes that the Commission, in consultation with the Deputy Head, prepare the plan of organization of each department. Positions and salary rates of these employees are approved by the Treasury Board on the basis of the Commission's recommendations. The prevailing rates staff and casuals are paid at rates established by the Treasury Board on the recommendation of the Department of Labour, and the conditions of employment are governed by regulations laid down by the Governor in Council on the recommendation of the Treasury Board. The size of the total continuing civilian establishment is limited to the numbers shown in the annual estimates of the department. The total number listed in the estimates for the current year is 52,656 which compares to 53,969 in 1957/58. In addition to the employment of continuing civilians, the department also hires casual employees to carry out special short term projects. This type of employment is used principally for ship repair, building construction and maintenance and to some extent for the operation of summer camps. The civilian establishments are reviewed annually by an Establishment Review Committee prior to the final determination of estimates for the next fiscal year. This committee is chaired by an officer of the Department of National Defence and has members from the Civil Service Commission and the Treasury Board.

MATERIEL

Each user service is responsible for determining the kind of equipment and materiel that it requires as well as the quantities that it needs. The Service requirements and the costing of them are reviewed by the Deputy Minister's office, the Assistant Deputy Minister (Requirements) being charged specifically with this responsibility. This review is undertaken in the course of preparing estimates, but the requirements are subject to further review at the time procurement is to be initiated. Procurement of defence material is undertaken through the Department of Defence Production with minor exceptions such as printing and stationery which is procured through the Queen's Printer. The Department of National Defence makes requisitions on the Department of Defence Production for the materiel it requires. Where the purchase involved exceeds $50,000, the approval of the Minister of National Defence must be obtained to the requisition on the Department of Defence Production. The contract in these cases is also subject to approval of the Treasury Board. Arrangements have been made through the Minister of Defence Production for officers of the Department of National Defence to purchase directly in certain cases to meet local needs where urgency precludes following normal channels or where, because of the quantities involved, or for other reasons, it would be uneconomical to do so. Most inspection, before acceptance, of materiel delivered from contracts, with the exception of ships and aircraft which are handled by the responsible Service, is carried out by the Controller General of Inspection Services of the Department of National Defence.

With the approval of the Minister of Defence Production, arrangements have been made under which logistics support of certain Canadian Forces overseas is obtained through allied forces. The Canadian Air Division obtains certain of its requirements through the United States Air Force in Europe. The Canadian Army Brigade in Europe receives logistic support through the British Army in Germany. These arrangements are valuable to the Canadian Forces as it is thus possible to eliminate some of the overhead that would be needed to handle this logistic support with Canadian facilities.

CONSTRUCTION

The Department of National Defence is responsible for the development of its requirements for construction but not for the placing of contracts. Construction needs are developed by each Service and are examined by the officers of the Deputy Minister's staff, in particular the Assistant Deputy Minister (Construction and Properties), and subsequently are referred in detail to the Treasury Board for approval. The plans and specifications are developed either by the staffs of the Service concerned or through the use of consulting architects and engineers. Contracts for most construction projects are let by Defence Construction Limited acting for Defence Production; however, contracts for certain construction work are handled by other government agencies. Central Mortgage and Housing Corporation generally arrange contracts for married quarters and the Department of Transport do the contract work for aerodrome development.

PAYMENTS

For both materiel and construction, a demand for a contract must be certified by the Comptroller of the Treasury as to availability of funds. These certificates are issued against commitment authorizations in the Defence Vote. Payments are made against these demands by the Comptroller of the Treasury in accordance with the terms of the contracts and upon suitable certification by the responsible officers that the payment is in order and in accordance with the requirements of the Financial Administration Act. The Comptroller of the Treasury controls the issuance of cheques to the appropriations available for the purpose.

MUTUAL AID

Statutory provision for Canadian Mutual Aid is contained in Section 3 of the Defence Appropriation Act, 1950, under which the Governor-in-Council may authorize the production, acquisition, repair, provision and transfer of defence equipment or supplies, and the provision of services or facilities for defence purposes to any of the parties to the North Atlantic Treaty. This Act also authorizes the establishment of a Special Account and provides for crediting it with the value of equipment transferred to Mutual Aid from Service stocks to be used for subsequent purchase of equipment for the Canadian Forces. The main Defence Vote, item 220 in the 1958/59 estimates, sets the maximum amount of that Vote that may be applied to Mutual Aid and also provides that, in lieu of crediting the Special Account, the value of equipment transferred from Service stocks as Mutual Aid will be credited to that Vote. Since April 1, 1956, no credits have been made to the Special Account but all credits have been applied to the current vote in the manner provided

for in the 1958/59 Estimates. It will be observed from an examination of the details of the Mutual Aid item at pages 342 and 343 of the Estimates that planned transfers from Service stocks in 1958/59 have an estimated value of $98,000,000 and the value of aircrew training for NATO is estimated at $9,000,000. These amounts are deducted from the gross estimate for each Service and are distributed by Service as follows:

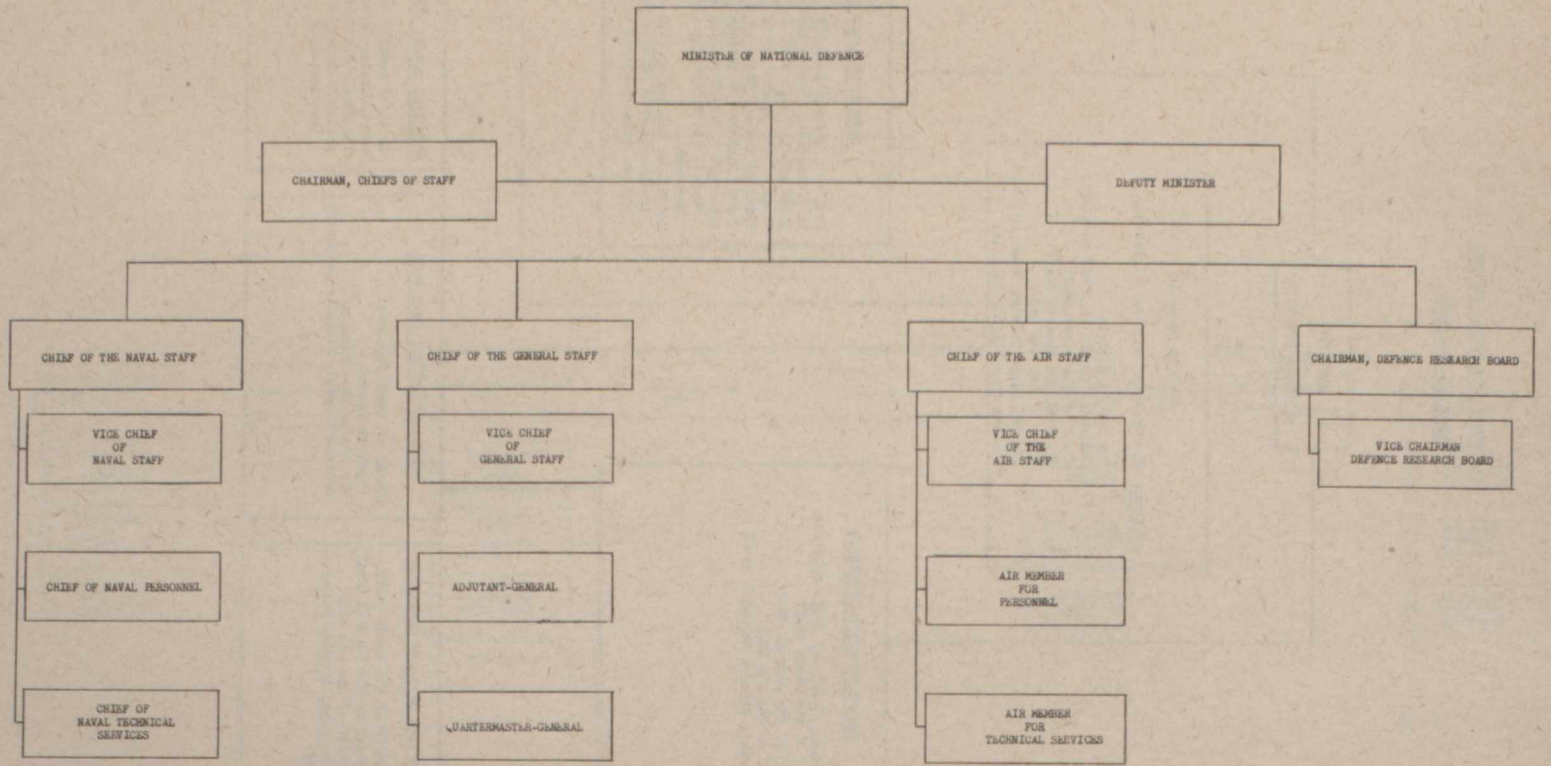
Navy — $30,058,000
Army — $26,299,000
Air Force — $50,643,000

These deductions are necessary to ensure that the total of the defence appropriation does not exceed the estimated cash requirements. The value of the equipment from Service stocks for the purposes of mutual aid exceeds the cash outlay in respect of it in the year in which it is transferred as, in most cases, the initial cost will have been met in a previous fiscal year. Consequently, the actual cash requirement for the mutual aid programme is less than the estimate shown for that programme but any duplication in the over-all provision of funds is eliminated by deducting these amounts from the cash requirements for the Services. The result is that the net figure for each Service tends to understate its needs which are more accurately determined by reference to the gross figure of cash disbursements.

The remainder of the Mutual Aid Programme comprises a comparatively small amount of direct procurement for Mutual Aid and Canada's contributions to NATO Common Infrastructure and Military Budgets. The latter are cash contributions in accordance with cost sharing formulae recommended by the North Atlantic Council and accepted by national governments. NATO Common Infrastructure consists of facilities used to support the forces of several nations or which are assigned by NATO Commanders to the forces of any nation and which have been approved by the North Atlantic Council for common financing.

Tables are included listing Canada's contributions to infrastructure and NATO budgets, expenditures on Mutual Aid programmes by fiscal year and the distribution of Mutual Aid deliveries by recipient countries.

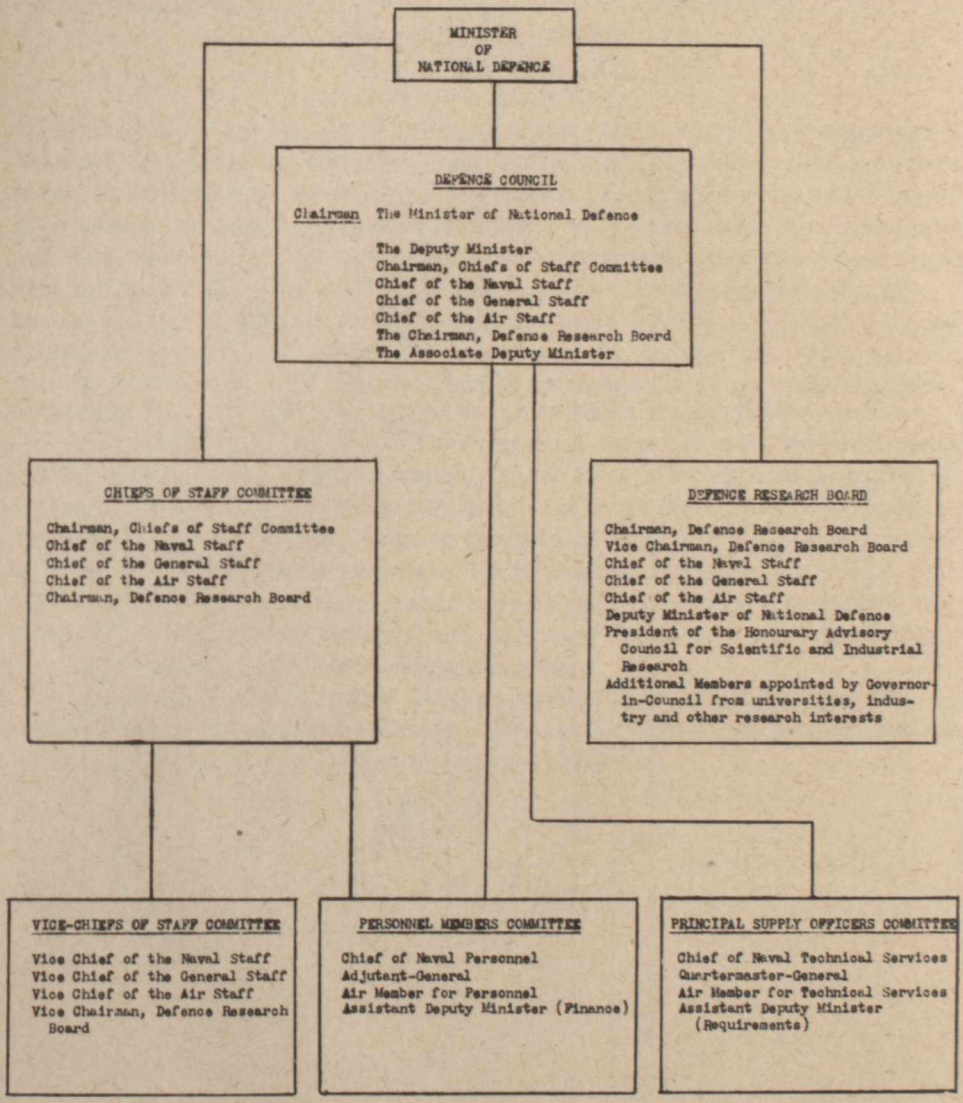
DEPARTMENT OF NATIONAL DEFENCE



MAY 1958

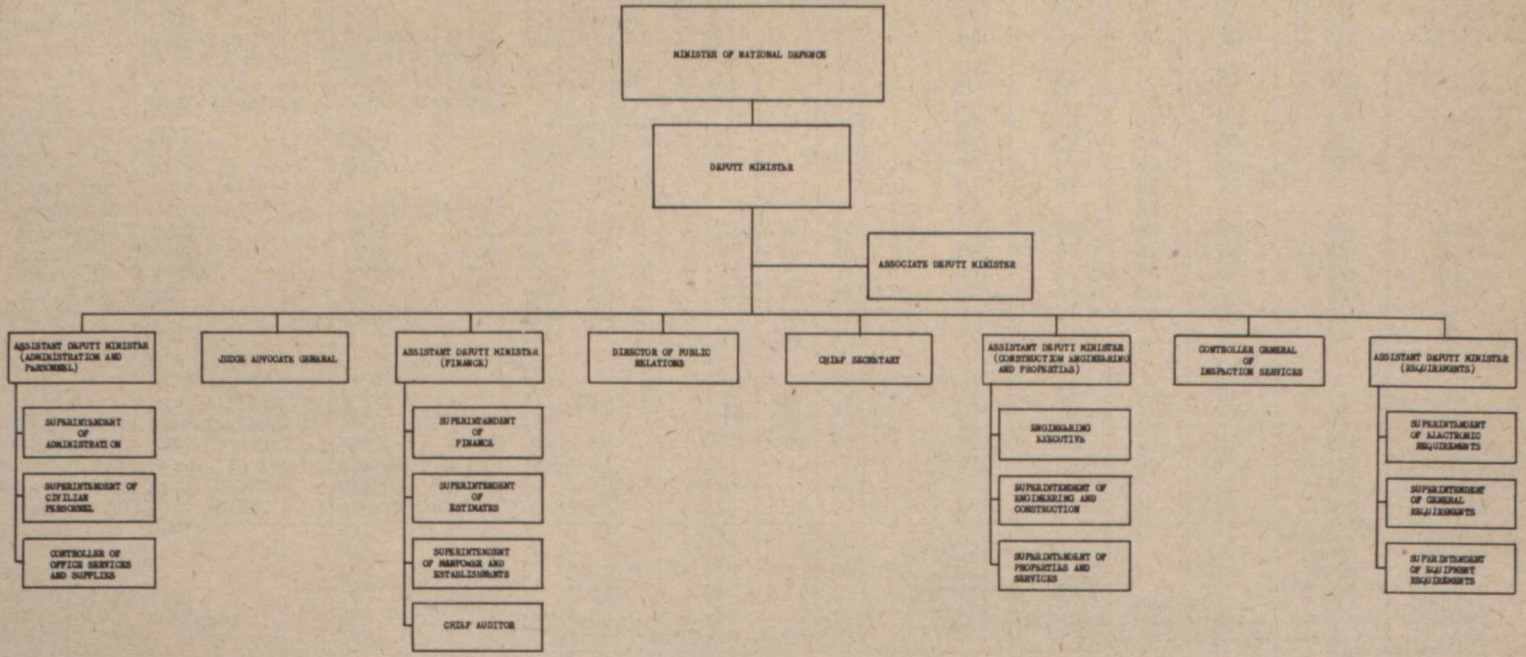
DEPARTMENT OF NATIONAL DEFENCE

PRINCIPAL COMMITTEES



DEPARTMENT OF NATIONAL DEFENCE

DEPUTY MINISTER'S OFFICE



May 1958.

DEPARTMENT OF NATIONAL DEFENCE

TABLE OF MONTHLY PAY AND ALLOWANCES FOR THE ARMED FORCES EFFECTIVE MAY 1, 1957

Rank			Basic Pay	Progressive Pay			Group Pay for Tradesmen and Specialists				Subsistence Allowance		Ration Allowance	Marriage Allowance	Separated Family's Allowance with children	
				Years in Rank			Group				Personnel not in Receipt of Marriage Allowance	Personnel in Receipt of Marriage Allowance			Personnel in Receipt of Subsistence Allowance	Personnel not in Receipt of Subsistence Allowance
				3	6	9	1	2	3	4						
Navy	Army	Air Force	$								$	$	$	$	$	$
Ord Sea*	*Pte Recruit	AC2*														
(Under 17 yrs.)	(Under 17 yrs.)	(Under 17 yrs.)	52								61		30			
Ord Sea (Entry)	Pte (Recruit)	AC2	104				12	30	54	72	61	91	30	30	61	91
Ord Sea (Trained)	Pte (Trained)	AC1	110				12	30	54	72	61	91	30	30	61	91
AB	Pte (Trained Higher Rate)	LAC	127	20	12		12	30	54	72	61	91	30	30	61	91
	Pte (Holding app L/Cpl)		164				12	30	54	72	61	91	30	30	61	91
Ldg Seaman	Cpl	Cpl	170	3	3	3	12	30	54	72	61	91	30	30	61	91
PO2	Sgt	Sgt	194	5	5	5	12	30	54	72	72	91	30	30	72	91
PO1	S/Sgt	F/Sgt	217	5	5	5	12	30	54	72	81	91	30	30	81	91
CPO2	WO2	WO2	251	5	5	5	12	30	54	72	81	91	30	30	81	91
CPO1	WO1	WO1	280	5	5	5	12	30	54	72	92	102	30	30	92	102
Naval Cadet**	Officer Cadet**	Flight Cadet**	63								65		30			
Midshipman			145								61	91	30	40	61	91
A/Sub-Lt	2/Lt	P/O	210								65	91	30	40	65	91
Sub/Lt	Lt	F/O	285	35	15						89	110	30	40	89	110
Comm. Offr.			353	20	20	20					94	110	30	40	94	110
	S/Sgt or above promoted 2/Lt	F/Sgt or above promoted P/O	353	20	20	20					65	91	30	40	65	91
	S/Sgt or above promoted Lt	F/Sgt or above promoted F/O	353	20	20	20					89	110	30	40	89	110
Lt	Capt	F/L	355	30	30	30					94	110	30	40	94	110
Lt-Cdr	Major	S/L	455	30	30	30					113	113	30	40	113	113
Cdr	Lt-Col	W/C	555	35	35	35					126	126	30	40	126	126
Capt	Col	G/C	730	35	35						139	139	30	40	139	139
Cmdre	Brig	A/C	977								153	153	30	40	153	153
R/Adm	Maj-Gen	A/V/M	1161								165	165	30	40	165	165

* Regular Force

** Under the Regular Officer Training Plan and Venture Plan

STRENGTH OF ARMED FORCES

REGULAR FORCES – INCLUDING OFFICER CADETS AND APPRENTICES

	NAVY			ARMY			AIR FORCE			Total
	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Other Ranks	Total	
December 31, 1955	2,772	16,451	19,223	5,751	41,411	47,162	9,601	40,729	50,330	116,715
March 31, 1956	2,742	16,374	19,116	5,768	41,805	47,573	9,681	40,308	49,989	116,678
June 30, 1956	2,705	16,154	18,859	5,695	41,686	47,381	9,670	40,014	49,684	115,924
September 30, 1956	2,839	16,206	19,045	5,747	41,992	47,739	9,792	40,304	50,096	116,880
December 31, 1956	2,785	16,220	19,005	5,869	41,763	47,632	10,105	40,435	50,540	117,177
March 31, 1957	2,758	16,353	19,111	5,879	41,382	47,261	10,120	40,600	50,720	117,092
June 30, 1957	2,719	16,434	19,153	5,790	40,653	46,443	10,116	40,522	50,638	116,234
September 30, 1957	2,704	16,692	19,396	5,785	41,415	47,200	10,313	41,596	51,909	118,505
December 31, 1957	2,801	17,014	19,815	5,966	41,972	47,938	10,315	41,346	51,661	119,414
March 31, 1958	2,760	17,107	19,867	5,935	41,538	47,473	10,277	41,421	51,698	119,038
Women are included above as follows:										
December 31, 1955	77	55	132	168	30	198	301	2,651	2,952	3,282
December 31, 1956	83	104	187	153	42	195	308	2,469	2,777	3,159
December 31, 1957	77	111	188	155	29	184	349	2,385	2,734	3,106
March 31, 1958	76	100	176	157	41	198	338	2,462	2,800	3,174

RESERVE FORCES

	RCN(R) ACTIVE LIST.			CANADIAN ARMY (MILITIA)			RCAF AUXILIARY			Total
	Officers	Other Ranks	Total	Officers	Other Ranks	Total	Officers	Other Ranks	Total	
December 31, 1955	1,704	3,927	5,631	7,263	37,822	45,085	1,901	3,873	5,774	56,490
March 31, 1956	1,681	4,126	5,807	7,217	36,754	43,971	1,937	3,585	5,522	55,300
June 30, 1956	1,713	4,199	5,912	7,099	36,674	43,773	1,931	3,334	5,265	54,950
September 30, 1956	1,828	4,073	5,901	7,052	35,953	43,005	1,893	3,566	5,459	54,365
December 31, 1956	1,818	3,921	5,739	6,981	35,231	42,212	1,958	3,642	5,600	53,551
March 31, 1957	1,765	3,807	5,572	6,862	33,983	40,845	2,007	3,226	5,233	51,650
June 30, 1957	1,657	3,592	5,249	6,737	35,624	42,361	2,027	3,029	5,056	52,666
September 30, 1957	1,709	3,319	5,028	6,650	35,414	42,064	2,001	3,122	5,123	52,215
December 31, 1957	1,683	3,198	4,881	6,666	36,439	43,105	1,964	3,295	5,259	53,245
March 31, 1958	1,579	2,948	4,527	6,595	34,752	41,347	1,848	2,902	4,750	50,624
Women are included above as follows:										
December 31, 1955	140	682	822	320	2,023	2,343	147	690	837	4,002
December 31, 1956	157	615	772	305	2,184	2,489	145	621	766	4,027
December 31, 1957	144	479	623	332	2,279	2,611	145	540	685	3,919
March 31, 1958	131	451	582	333	2,274	2,607	136	479	615	3,804

DEPARTMENT OF NATIONAL DEFENCE

CIVILIAN STAFF

SERVICE	CONTINUING EMPLOYEES							CASUAL EMPLOYEES			
	Establishment			Strength				Strength			
	1956-57	1957-58	1958-59	31 Dec '55	31 Dec '56	31 Dec '57	31 Mar '58	31 Dec '55	31 Dec '56	31 Dec '57	31 Mar '58
Navy	12,616	12,499	11,993	11,258	11,550	11,669	11,686	1,243	989	1,277	1,240
Army	20,771	20,459	20,215	18,912	18,618	18,937	19,233	1,895	1,334	1,158	1,397
Air Force	15,006	15,171	14,997	13,867	14,220	14,544	14,562	1,851	2,218	1,539	2,273
D.R.B.	2,940	3,028	3,028	2,511	2,622	2,709	2,715	206	201	152	160
Administration	776	774	710	703	705	683	664	.....	.....	.....	.....
Inspection	2,257	2,033	1,713	2,058	1,732	1,520	1,485	3	3	.....	.....
War Museum	5	5	-	5	5	5	5	.....	.....	.....	.....
Totals	54,371	53,969	52,656	49,314	49,452	50,067	50,350	5,198	4,745	4,126	5,070

DEPARTMENT OF NATIONAL DEFENCE

Travelling Allowances for Armed Forces

Rank or Equivalent	Daily Rate for a period not exceeding 30 days in one place			Daily Rate when Quarters and Rations are provided
	In lieu of Quarters and Rations	In lieu of Quarters	In lieu of Rations	
Colonel and above	$10.50	$5.50	$5.00	$1.20
Lieutenant-Colonel and Major	9.50	5.00	4.50	1.20
Captain, Lieutenant and 2nd Lieutenant	8.50	4.50	4.00	1.20
Warrant Officer, Class I	7.50	3.50	4.00	.20
Ranks below Warrant Officer Class I	7.00	3.00	4.00	.20* *Not applicable to Corporals and below

NOTE: (i) The Minister may authorize a special travelling allowance for a period of not more than sixty days in one place at a rate not exceeding $12.50 per day in Canada and $15.00 per day outside Canada.

(ii) The allowance given in the last column is to offset charges for extra messing and other services, when members of the rank of sergeant and above are provided with quarters and rations away from their permanent stations.

DEPARTMENT OF NATIONAL DEFENCE

Canadian Contributions to Infrastructure and NATO Budgets

(Thousands of Canadian Dollars at $2.80 per £– Sterling)

I – CANADIAN PORTION OF INFRASTRUCTURE PROGRAMME

Infrastructure Programme	Total Value of Programme	Total Canadian Obligation	Canadian Contribution as percentage of Programme
1951 Programme	349,440	15,480	4.43
1952 Programme	512,960	27,340	5.33
1953 Programme (1st Part)	219,800	13,715	6.24
1953 Programme (2nd Part)	187,600	13,375	7.13
1954 Programme (Revised)	246,120	17,548	7.13
1955 Programme	250,600	17,868	7.13
1956 Programme	128,800	9,183	7.13
1957 Programme	268,215	16,495	6.15
1958 Programme	144,220	8,870	6.15
Totals	2,307,755	139,874	

II – EXPENDITURES ON INFRASTRUCTURE BY FISCAL YEAR

Fiscal Year	From Special Infrastructure Appropriation	Mutual Aid Appropriation	Total Expenditure
1951–52	1,770	.....	1,770
1952–53	7,080(a)	1,198	8,278(a)
1953–54	9,651	1,966	11,617
1954–55	5,863	4,287	10,150
1955–56	.....	9,434	9,434
1956–57	.....	12,736	12,736
1957–58	.....	9,509	9,509
1958–59 (Estimate)	.....	20,000	20,000
Total Expenditures	24,364	59,130	83,494

(a) Expenditures of $3,307,234 in 1952-53 on ex-infrastructure (i.e. facilities over minimum SHAPE standards) are not included.

III – EXPENDITURES FOR NATO BUDGETS BY FISCAL YEAR

Fiscal Year	From Special Appropriation	From Mutual Aid Appropriation	Total Expenditures
1951–52	1,749	.....	1,749
1952–53	914	938	1,852
1953–54	870	787	1,657
1954–55	779	1,141	1,920
1955–56	.....	1,107	1,107
1956–57	.....	1,304	1,304
1957–58	.....	959	959
1958–59	.....	1,500	1,500
Total Expenditures	4,312	7,736	12,048

DEPARTMENT OF NATIONAL DEFENCE

Expenditures on Mutual Aid Programmes by Fiscal Year

(Thousands of Dollars)

Elements of Programme	Expenditure 1950-51	Expenditure 1951-52	Expenditure 1952-53	Expenditure 1953-54	Expenditure 1954-55	Expenditure 1955-56	Expenditure 1956-57	Forecast 1957-58	Estimate 1958-59
Procurement of Material for Mutual Aid.....	.....	2,930	32,833	33,181	25,079	15,758	8,081	3,115	1,500
Transfers of Equipment from Service Stocks	195,417	74,934	95,456	182,433	169,984	97,611	63,679	78,400	98,000
NATO Air Crew Training.....	.....	48,552	104,628	71,340	52,890	51,056	47,753	26,418	9,000
Infrastructure and NATO Budgets *.....	.....	.....	2,136	2,753	5,427	10,541	14,040	10,468	21,500
Total Mutual Aid.....	195,417	126,416	235,053	289,707	253,380	174,966	133,553	118,401	130,000

* These amounts represent only the portions (of Infrastructure costs and NATO Budgets) which were chargeable to Mutual Aid. In addition the following expenditures were charged to the special Infrastructure vote: 1951-52-$3,519,000; 1952-53-$11,302,000 (includes $3,307,000 ex-infrastructure); 1953-54-$10,521,000; 1954-55-$6,641,967; Expenditures all charged to Mutual Aid in subsequent years.

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DEPARTMENT OF NATIONAL DEFENCE

Deliveries of Materials and Supplies by Recipient NATO Countries from Inception of Programme to March 31, 1958

MILLIONS OF DOLLARS

	Belgium	Denmark	France	Germany	Greece	Italy	Luxembourg	Netherlands	Norway	Portugal	Turkey	United Kingdom	Totals
Deliveries from Stocks													
Divisional Equipment.....	56.75					50.00		56.75					163.50
Armament	6.41	13.41	18.72	.96	2.04	33.38	.73	2.74	2.70	47.03	11.00	8.46	147.58
Ammunition	18.53	5.78	18.53	.13	.40	20.11	.65	9.95	5.13	12.63	2.89	5.07	99.80
Mechanical Equipment	.64	5.43	8.02	Nil	.06	10.51	.03	8.18	1.69	9.20	10.98	1.72	56.46
Electronic Equipment.....	.35	.18	11.42	Nil	.13	10.62	Nil	2.95	.65	2.59	1.46	.40	30.75
Aircraft and Engines	Nil	.15	2.40	Nil	Nil	.74	Nil	.14	1.26	.01	1.72	.68	7.10
Ships	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	9.00	Nil	5.00
Deliveries from New Production Including Direct Production													
Armament	2.16	3.35	5.11	.30	.14	6.33	.02	1.65	.30	Nil	2.43	Nil	21.79
Ammunition.....	6.93	5.48	7.47	.05	.01	11.38	.06	5.58	2.39	2.90	3.37	22.58	68.10
Electronic Equipment	3.23	4.91	2.62	.21	.20	10.29	Nil	6.38	1.46	.54	.20	19.52	49.46
Aircraft and Engines.....	8.26	.22	12.74	19.07	73.84	6.47	Nil	1.31	1.14	.53	78.40	110.96	313.02
Ships	Nil	Nil	26.42	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	26.42
Total Value of Deliveries*...	103.26	38.91	113.45	20.72	76.82	159.73	1.49	95.63	16.72	75.43	117.49	169.39	988.98

*This statement is based on actual shipments of materials and supplies to March 31, 1958.

DEPARTMENT OF NATIONAL DEFENCE
Comparison of Appropriations and Expenditures
(Thousands of Dollars)

DND Budgetary Components	1952-53		1953-54		1954-55		1955-56		1956-57		1957-58		1958-59 Estimates
	Appropriations	Expenditures	Appropriations	Expenditures	Appropriations	Expenditures	Appropriations	Expenditures	Appropriations	Expenditures	Appropriations	Expenditures (x)	
Navy (Cash Disbursements)	268,225	260,296	332,356	289,031	337,281	304,166	323,318	340,808	325,000	326,699	302,770	294,397	281,615
Army (Cash Disbursements)	549,485	503,390	533,007	436,376	506,595	454,391	500,312	461,438	476,739	459,452	458,086	425,028	437,181
Air (Cash Disbursements)	871,832	912,710	1,018,019	914,984	989,500	814,733	880,404	798,248	872,383	863,100	838,144	813,517	870,015
DRB	42,000	42,989	42,000	40,807	50,400	49,851	52,578	64,578	79,032	69,323	79,883	78,505	82,525
Mutual Aid, Infrastructure and NATO Budgets	351,500	246,355	344,600	300,228	312,000	260,022	175,000	174,966	143,000	133,553	119,284	118,401	130,000
Administration, Pensions, etc.	49,217	48,681	59,615	56,812	60,727	57,010	63,272	59,747	68,283	66,239	71,032	69,934	72,357
Deduct:													
Credits to Service Expenditures from:													
(a) Mutual Aid Transfers of Equipment in current production for the Forces	–	40,042	163,215	114,604	152,603	127,504	69,184	38,231	64,241	63,679	79,862	78,400	98,000
(b) NATO Aircrew Training	112,522	104,628	81,596	71,340	58,900	52,890	53,700	51,056	53,055	47,753	28,573	26,418	9,000
Charges to Special Accounts	17,885	Cr 12,667	83,757	46,379	137,000	93,810	97,000	60,166	72,141	47,508	67,120	23,688	79,871
Budgetary Expenditures	2,001,852	1,882,418	2,001,029	1,805,915	1,908,000	1,665,969	1,775,000	1,750,112	1,775,000	1,759,426	1,693,644	1,671,276	1,686,822

x Not final

DEPARTMENT OF NATIONAL DEFENCE

CONFIDENTIAL

Table of DND Appropriations and Expenditures by Major Categories

(Thousands of Dollars)

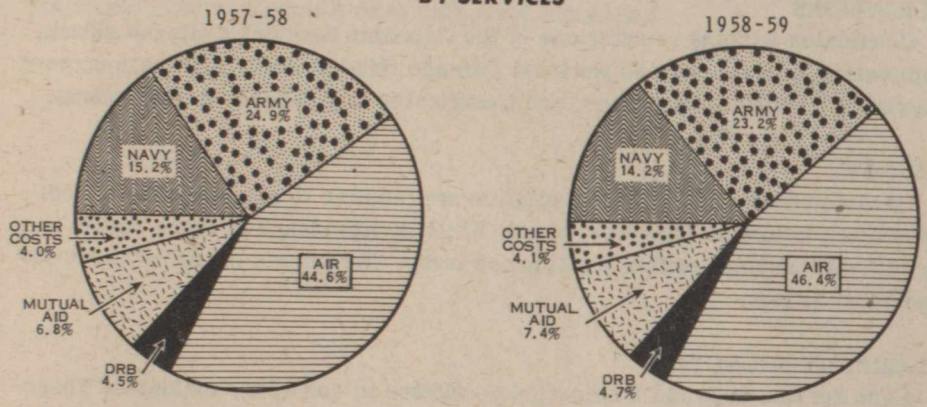
Major Categories	1952-53		1953-54		1954-55		1955-56		1956-57		1957-58		1958-59 Estimates
	Appropriations	Expenditures	Appropriations	Expenditures	Appropriations	Expenditures	Appropriations	Expenditures	Appropriations	Expenditures	Appropriations	Expenditures (x)	
Military Personnel Costs	437,486	407,148	403,965	400,155	427,878	444,943	466,965	464,491	480,165	500,261	516,807	543,829	536,999
Operations and Maintenance	475,886	409,266	464,963	439,087	515,324	486,491	525,563	524,818	570,760	563,097	606,250	604,232	609,415
Procurement of Equipment	753,711	718,086	923,617	765,088	851,576	649,542	660,174	568,907	532,588	458,637	497,523	411,760	498,154
Construction	243,834	266,399	224,382	166,861	184,222	123,421	145,298	135,814	145,731	140,430	110,484	91,465	100,625
Contributions to Infrastructure and NATO Budgets	28,500	13,438	27,600	13,274	31,000	12,069	25,000	10,541	17,897	14,040	10,500	10,468	21,500
Mid-Canada Line	–	–	–	–	–	833	40,000	46,327	100,000	130,469	19,200	33,210	–
Gross Cash Disbursements	1,939,417	1,814,337	2,044,527	1,784,465	2,010,000	1,717,299	1,863,000	1,750,898	1,847,141	1,806,934	1,760,764	1,694,964	1,766,693
Add: Mutual Aid Transfers of equipment credited to Special Accounts	80,320	55,414	40,259	67,829	35,000	42,480	9,000	59,380	–	–	–	–	–
Deduct: Charges to Special Accounts	17,885	Cr 12,667	83,757	46,379	137,000	93,810	97,000	60,166	72,141	47,508	67,120	23,688	79,871
Budgetary Expenditures	2,001,852	1,882,418	2,001,029	1,805,915	1,908,000	1,665,969	1,775,000	1,750,112	1,775,000	1,759,426	1,693,644	1,671,276	1,686,822

x Not Final

DISTRIBUTION OF DEFENCE DOLLAR

(CASH DISBURSEMENTS)

BY SERVICES



BY REQUIREMENT

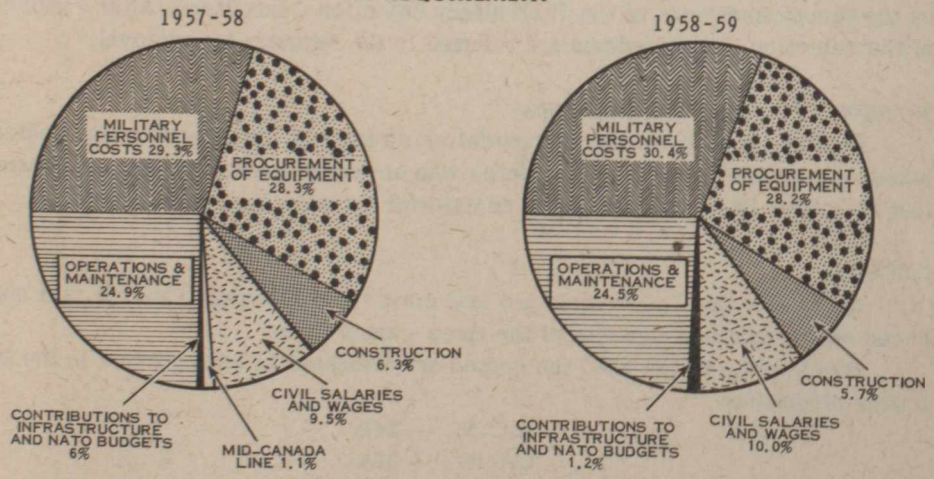


Exhibit No. 2

June 19, 1958

DEPARTMENT OF NATIONAL DEFENCE

SELECTION OF CANDIDATES FOR THE CANADIAN SERVICES COLLEGES

APPLICATIONS

Candidates wishing to enter one of the Canadian Services Colleges submit an application, in duplicate, to National Defence Headquarters. Applications must be supported by Birth Certificates, and Certificates of Academic Achievements.

INTERVIEWS

Candidates who are basically eligible are required to appear before a Medical Board and before an Interview Board. While in attendance at these boards they are required to undergo certain intelligence tests. The reports of these boards are forwarded to NDHQ.

PRELIMINARY SELECTION

Each Service appoints a selection committee to consider candidates. These committees, aided by the Registrars of the three Canservcols recommend eligible candidates to the Final Selection Board.

FINAL SELECTION BOARD

The Final Selection Board composed of the Personnel Members Committee and the Directors of Studies from the Canservcols make the final selection based on the recommendations of the Preliminary Selection Committees. After completion of the selection the procedures are referred to the Minister for approval.

NOTIFICATION OF CANDIDATES

Candidates who are not successful as a result of the interview and medical boards are notified at once. Candidates who are selected are notified by telegram, that they have been selected, after ministerial approval has been obtained.

QUOTAS

Quotas for the Canservcols are laid down by the Defence Council, and are based on the optimum capacity of the three Canservcols.

By direction of the PMC the quotas are allocated to each service in the following proportion:

R.C.N. – 24%
CA(R) – 38%
R.C.A.F.– 38%

By direction of Defence Council the desirable breakdown of the new entry to the College Militaire Royal de Saint-Jean is 60% French and 40% English.

One half of the quota is allocated to each province on a male population basis. This allocation is the basis of a minimum contribution from that province and is always met provided sufficient qualified applicants are available.

GENERAL

Candidates may apply for any service but are requested to elect a second service. Candidates are given their choice of service unless medically unfit for that service when they are offered their second choice if applicable.

Candidates signify which Canservcol they wish to be enrolled in, as far as practicable the wishes of a candidate are adhered to.

Exhibit No. 3

(June 24, 1958)

DEPARTMENT OF NATIONAL DEFENCE

ESTIMATES 1958-59

CANADIAN ARMY – REGULAR AND GENERAL

Construction of Buildings and Works (13)
Details of Estimate by Principal Locations

Locations (by Province)	Station Development (DCL)	Married Quarters and Schools (CMHC)	Other Agencies	Total Estimated Expenditures 1958-59
ALBERTA				
Calgary	1,712,000	725,000	227,000	2,664,000
Edmonton	356,000	825,000	341,400	1,522,400
Wainwright	25,000		146,000	171,000
BRITISH COLUMBIA				
Chilliwack	903,000	325,000		1,228,000
Vancouver	86,000	40,000		126,000
Victoria	62,000			62,000
MANITOBA				
Churchill	37,000			37,000
Shilo	492,000	15,000	273,000	780,000
Winnipeg	177,000		182,000	359,000
NEW BRUNSWICK				
Gagetown	1,472,000	6,174,000	260,000	7,906,000
McGivney	30,000		18,000	48,000
NOVA SCOTIA				
Halifax	389,000			389,000
ONTARIO				
Barriefield	4,179,000	1,415,000		5,594,000
Camp Borden	1,725,400	1,893,000		3,618,400
Cobourg	152,000			152,000
Hagersville	15,000			15,000
Ipperwash	50,000			50,000
Kingston	417,000			417,000
London	507,000			507,000
Meaford	69,500			69,500
Oakville		95,000		95,000
Oshawa	18,000			18,000
Ottawa	175,000		20,000	195,000
Petawawa	2,862,700	4,193,500	355,000	7,411,200
Toronto	10,000			10,000
QUEBEC				
Chicoutimi	28,000			28,000
Montreal	287,000		15,000	302,000
Quebec	50,000		89,000	139,000
Three Rivers	87,000			87,000
Valcartier	398,000	1,995,000	140,000	2,533,000
SASKATCHEWAN				
Dundurn	48,500		14,000	62,500
Regina	46,000			46,000
OTHER LOCATIONS				
Northwest Highway (Various Locations)	5,950,000		453,000	6,403,000
Minor Construction (Country-wide)	200,000		2,300,000	2,500,000
Total Estimate	23,016,100	17,695,500	4,833,400	45,545,000

Exhibits Nos. 4 and 8

June 24 and 26, 1958

DEPARTMENT OF NATIONAL DEFENCE
ESTIMATES 1958-59 AND EXPENDITURES 1957-58

	Estimates 1958-59	Expenditures 1957-58
	$	$
Minister's Salary and Motor Car Allowance.....	17,000	19,554
DEFENCE SERVICES		
DEPARTMENTAL ADMINISTRATION (p. 309)		
Civil Salaries and Wages..... (1)	2,845,303	2,725,892
Civilian Allowances ..... (2)	20,000	21,358
Professional and Special Services ..... (4)	10,000	13,456
Travelling and Removal Expenses ..... (5)	150,000	160,287
Freight, Express and Cartage ..... (6)	150	89
Postage ..... (7)	55,000	54,151
Telephones, Telegrams and Other Communication Services (8)	12,000	7,882
Publication of Departmental Reports and Other Material.. (9)	48,000	52,796
Office Stationery, Supplies, Equipment and Furnishings..(11)	72,000	80,652
Materials and Supplies .....(12)	30,000	29,502
Miscellaneous Equipment .....(16)	7,000	20,911
Pensions, Superannuation and Other Benefits for Personal Services .....(21)	1,000	374
All Other Expenditures .....(22)	109,547	73,985
	3,360,000	3,241,335
INSPECTION SERVICES (p. 312)		
Civil Salaries and Wages ..... (1)	6,172,391	6,195,965
Pay and Allowances ..... (3)	139,753	114,461
Professional and Special Services ..... (4)	110,300	114,925
Travelling and Removal Expenses ..... (5)	300,000	264,227
Freight, Express and Cartage ..... (6)	15,000	12,245
Postage ..... (7)	12,500	10,546
Telephones, Telegrams and Other Communication Services (8)	45,000	38,677
Office Stationery, Supplies, Equipment and Furnishings..(11)	38,435	36,208
Materials and Supplies .....(12)	161,712	124,493
Acquisition and Construction of Buildings and Works including Acquisition of Land .....(13)	554,800	160,276
Repairs and Upkeep of Buildings and Works .....(14)	11,950	46,375
Rentals of Land, Buildings and Works .....(15)	2,524	2,283
Acquisition or Construction of Equipment .....(16)	440,386	451,098
Repairs and Upkeep of Equipment.....(17)	52,150	41,895
Rentals of Equipment .....(18)	750	285
Municipal and Public Utility Services .....(19)	20,301	20,763
Pensions, Superannuation and Other Benefits for Personal Services .....(21)	1,800	1,784
All Other Expenditures ....(22)	3,095	2,585
	8,082,847	7,639,091

DEPARTMENT OF NATIONAL DEFENCE

ESTIMATES 1958-59 AND EXPENDITURES 1957-58

	Estimates 1958-59	Expenditures 1957-58
	$	$
NAVY (p. 318-319)		
Royal Canadian Navy—Regular Force and General		
Civil Salaries and Wages (1)	39,695,616	39,209,375
Civilian Allowances (2)	35,000	29,723
Pay and Allowances (3)	73,949,215	71,541,627
Professional and Special Services:		
Corps of Commissionaires and Other Services (4)	1,777,000	1,718,413
Professional Fees — Architects, Engineers, Land Valuation and Legal (4)	250,000	295,393
Medical and Dental Consultants and Special Services (4)	452,056	373,763
Fees for Special Courses (4)	2,260,059	983,961
Travelling and Removal Expenses (5)	5,305,300	5,717,861
Freight, Express and Cartage (6)	1,200,000	941,529
Postage (7)	125,000	121,861
Telephones, Telegrams and Other Communication Services (8)	601,000	552,231
Publication of Departmental Reports and Other Material (9)	693,550	594,329
Exhibits, Advertising, Films, Broadcasting and Displays (10)	200,000	256,790
Office Stationery, Supplies, Equipment and Furnishings (11)	850,000	930,936
Materials and Supplies:		
Fuel for Heating, Cooking and Power Generating Units (12)	2,000,000	1,863,649
Clothing and Personal Equipment (12)	1,800,000	1,311,848
Gasoline, Fuel Oil and Lubricants for Ships, Aircraft and Mechanical Equipment (12)	6,500,000	6,801,161
Food Supplies (12)	6,138,000	5,585,707
Naval Stores (12)	10,123,000	9,808,648
Medical and Dental Supplies (12)	380,640	293,129
Barrack, Hospital and Camp Stores (12)	1,000,000	973,715
Acquisition, Construction of Buildings and Works, including Acquisition of Land:		
Purchase of Real Properties (Land and Buildings) (13)	50,000	107,557
Construction of Buildings and Works (13)	11,450,000	7,464,875
Repairs and Upkeep of Buildings and Works, including Land (14)	1,937,000	1,840,652
Rentals of Land, Buildings and Works (15)	80,000	44,794
Major Procurement of Equipment:		
Ships (16)	30,167,121	56,395,462
Aircraft (16)	22,645,400	28,186,334
Mechanical Equipment, including Transport (16)	1,000,000	226,508
Armament Equipment (16)	8,173,100	7,639,473
Signal and Wireless Equipment (16)	14,858,000	9,523,879
Special Training Equipment (16)	301,450	275,811
Miscellaneous Equipment (16)	600,000	820,262
Ammunition and Bombs (16)	6,870,929	7,313,079
Repairs and Upkeep of Equipment (17)	20,944,500	17,934,507
Municipal and Public Utility Services (19)	1,900,000	1,867,102
Pensions, Superannuation and Other Benefits for Personal Services (21)	368,000	311,259
All Other Expenditures (22)	1,125,000	691,231
	277,805,936	290,548,434

DEPARTMENT OF NATIONAL DEFENCE

ESTIMATES 1958-59 AND EXPENDITURES 1957-58

		Estimates 1958-59	Expenditures 1957-58
		$	$
ROYAL CANADIAN NAVAL RESERVE (P. 320)			
Civil Salaries and Wages	(1)	675,384	667,969
Pay and Allowances	(3)	1,838,502	2,505,453
Travelling and Removal Expenses	(5)	361,000	408,736
Pensions, Superannuation and Other Benefits for Personnel Services	(21)	7,000	6,270
		2,881,886	3,588,428
ROYAL CANADIAN SEA CADETS (P. 321)			
Pay and Allowances	(3)	577,600	461,258
Travelling and Removal Expenses	(5)	350,000	390,465
		927,600	851,723
Gross Total, Navy		281,615,422	294,988,585
Less — Estimated credits from transfers of equipment charged to Mutual Aid		30,058,000	32,426,939
Net Total, Navy		251,557,422	262,561,646

Exhibit No. 4

DETAILS

NATIONAL DEFENCE – ARMY

1958-59 ESTIMATES

CANADIAN ARMY REGULAR AND GENERAL

		Estimates 1958-59	Expenditure 1957-58
Civil Salaries and Wages	(1)	57,900,000	56,215,533
Civilian Allowances	(2)	190,000	175,388
Pay and Allowances	(3)	167,205,000	164,951,828
Professional and Special Services:			
Corps of Commissionaires and Other Services	(4)	3,950,000	3,662,503
Architects, Engineers, Land Valuation and Legal Fees	(4)	1,300,000	1,358,684
Medical and Dental Consultants and Special Services	(4)	2,476,000	2,430,263
Fees for Special Courses	(4)	400,000	386,385
Travelling and Removal Expenses	(5)	12,324,000	19,509,933
Freight, Express and Cartage	(6)	4,259,000	4,748,523
Postage	(7)	350,000	341,948
Telephones, Telegrams and Other Communication Services	(8)	1,588,000	1,666,397
Publication of Departmental Reports and Other Material	(9)	800,000	855,002
Exhibits, Advertising, Films, Broadcasting and Displays	(10)	700,000	863,575
Office Stationery, Supplies, Equipment and Furnishings	(11)	1,800,000	2,467,491
Materials and Supplies:			
Fuel for Heating, Cooking and Power Generating Units	(12)	6,873,000	6,634,732
Clothing and Personal Equipment	(12)	4,200,000	3,451,734
Gasoline, Fuel Oil and Lubricants for Operation of Mechanical Equipment	(12)	2,080,000	2,184,682
Food Supplies	(12)	9,410,000	8,687,127
Miscellaneous Materials and Supplies	(12)	2,470,000	2,632,340
Medical and Dental Supplies	(12)	1,000,000	878,295
Barrack, Hospital and Camp Stores	(12)	1,665,000	3,289,778
Acquisition and Construction of Buildings and Works including Acquisition of Land:			
Purchase of Real Properties (Land and Buildings)	(13)	200,000	534,279
Construction of Buildings and Works	(13)	45,545,000	46,185,238
Repairs and Upkeep of Buildings and Works	(14)	9,000,000	9,499,820
Rentals of Land, Buildings and Works	(15)	2,250,000	2,072,001
Major Procurement of Equipment:			
Tanks and Armoured Fighting Vehicles	(16)	80,000	164,591
Mechanical Equipment, including Transport	(16)	5,061,000	3,418,687
Armament Equipment	(16)	9,348,000	8,450,015
Signal and Wireless Equipment	(16)	6,274,000	897,746
Special Training Equipment	(16)	100,000	153,044
Miscellaneous Equipment	(16)	3,260,000	1,415,965
Ammunition and Bombs	(16)	25,748,000	11,323,122
Repairs and Upkeep of Equipment	(17)	9,710,000	9,569,899
Municipal and Public Utility Services	(19)	4,618,000	4,560,887
Pensions, Superannuation and Other Benefits for Personal Services	(21)	460,000	456,421
All Other Expenditures	(22)	3,470,000	3,960,221
		408,064,000	390,054,077

DETAILS
NATIONAL DEFENCE—ARMY
1958-59 ESTIMATES Page 329/30

CANADIAN ARMY—MILITIA, INCLUDING CANADIAN OFFICERS TRAINING CORPS

	Estimates 1958-59	Expenditure 1957-58
Civil Salaries and Wages ..... (1)	2,250,000	2,846,627
Pay and Allowances ..... (3)	13,000,000	16,503,689
Travelling and Removal Expenses ..... (5)	960,000	1,175,381
Pensions, Superannuation and Other Benefits for Personal Services .....(21)	25,000	23,118
	16,235,000	20,548,815

ROYAL CANADIAN ARMY CADETS

	Estimates 1958-59	Expenditure 1957-58
Civil Salaries and Wages (Casual Labour)..... (1)	775,000	710,342
Pay and Allowances ..... (3)	1,750,000	1,689,682
Travelling and Removal Expenses ..... (5)	239,000	260,895
Pensions, Superannuation and Other Benefits for Personal Services .....(21)	4,000	3,456
	2,768,000	2,664,375

DETAILS Page 332

NATIONAL DEFENCE – ARMY

1958-59 ESTIMATES

NORTHWEST HIGHWAY SYSTEM

		Estimates 1958-59	Expenditure 1957-58
Civil Salaries and Wages	(1)	3,500,000	3,420,298
Civilian Allowances	(2)	432,000	424,170
Pay and Allowances	(3)	1,925,000	1,809,932
Travelling and Removal Expenses	(5)	392,000	497,692
Freight, Express and Cartage	(6)	173,000	187,883
Telephones, Telegrams and other Communication Services.	(8)	85,000	85,093
Materials and Supplies:			
Fuel for Heating, Cooking and Power Generating Units	(12)	1,043,000	1,049,148
Gasoline, Fuel Oil and Lubricants for Operation of Mechanical Equipment	(12)	420,000	465,007
Food Supplies	(12)	105,000	76,657
Miscellaneous Materials and Supplies	(12)	30,000	30,975
Barrack, Hospital and Camp Stores	(12)	35,000	32,366
Repairs and Upkeep of Buildings and Works	(14)	1,000,000	1,155,316
Repairs and Upkeep of Equipment	(17)	790,000	706,362
Municipal and Public Utility Services	(19)	119,000	91,609
Pensions, Superannuation and Other Benefits for Personal Services	(21)	35,000	30,305
All Other Expenditures	(22)	30,000	30,047
		10,114,000	10,092,860

DETAILS

NATIONAL DEFENCE — ARMY Page 333

1958-59 ESTIMATES

NORTHWEST TERRITORIES AND YUKON RADIO SYSTEM

	Estimates 1958-59	Expenditure 1957-58
Civil Salaries and Wages ..... (1)	225,000	241,853
Civilian Allowances ..... (2)	41,000	35,977
Pay and Allowances ..... (3)	560,000	517,691
Travelling and Removal Expenses ..... (5)	85,000	59,830
Freight, Express and Cartage ..... (6)	68,000	57,616
Telephones, Telegrams and Other Communication Services (8)	77,000	77,895
Materials and Supplies:		
Fuel for Heating, Cooking and Power Generating Units (12)	84,000	94,694
Food Supplies .....(12)	85,000	91,713
Municipal and Public Utility Services .....(19)	128,000	114,441
Pensions, Superannuation and Other Benefits for Personal Services .....(21)	2,000	2,056
	1,355,000	1,293,766

DEPARTMENT OF NATIONAL DEFENCE
ESTIMATES 1958-59 AND EXPENDITURES 1957-58

		Estimates 1958-59	Expenditure 1957-58
AIR		$	$
Royal Canadian Air Force — Regular and General (P. 339)			
Civil Salaries and Wages	(1)	48,665,000	46,233,519
Civilian Allowances	(2)	123,000	176,302
Pay and Allowances	(3)	190,041,000	188,339,426
Professional and Special Services:			
Corps of Commissionaires and Other Services	(4)	4,942,000	3,405,505
Architects, Engineers and Consultants Fees	(4)	1,100,000	5,347,287
Medical and Dental Consultants and Special Services	(4)	2,168,000	2,204,967
Fees for Special Courses	(4)	2,227,000	2,159,170
Mid-Canada Line — Maintenance by Contract	(4)	22,000,000	17,254,183
Travelling and Removal Expenses	(5)	15,367,000	18,432,967
Freight, Express and Cartage	(6)	4,238,000	10,388,805
Postage	(7)	348,000	322,139
Telephones, Telegrams and Other Communication Services	(8)	4,919,000	4,405,112
Publication of Departmental Reports and Other Material	(9)	748,000	774,479
Exhibits, Advertising, Films, Broadcasting and Displays	(10)	575,000	717,068
Office Stationery, Supplies, Equipment and Furnishings	(11)	2,302,000	2,230,663
Materials and Supplies:			
Fuel for Heating, Cooking and Power Generating Units	(12)	8,123,000	8,776,892
Clothing and Personal Equipment	(12)	3,267,000	4,606,062
Gasoline, Fuel Oil and Lubricants for Aircraft and Mechanical Equipment	(12)	34,314,000	31,828,465
Food Supplies	(12)	8,256,000	8,160,001
Medical and Dental Supplies	(12)	731,000	806,084
Barrack, Hospital and Camp Stores	(12)	2,349,000	2,765,456
Miscellaneous Materials and Supplies	(12)	6,181,000	6,630,483
Acquisition and Construction of Buildings and Works including Acquisition of Land:			
Purchase of Real Properties (Land and Buildings)	(13)	1,455,000	1,717,036
Construction of Buildings and Works	(13)	38,700,000	50,538,488
Repairs and Upkeep of Buildings and Works including Land	(14)	15,000,000	14,162,639
Rentals of Land, Buildings and Works	(15)	3,271,000	2,550,028
Major Procurement of Equipment:			
Aircraft and Engines	(16)	246,929,000	178,853,611
Mechanical Equipment, including Transport	(16)	5,000,000	6,093,594
Armament Equipment	(16)	2,323,000	711,917
Signal and Wireless Equipment	(16)	17,340,000	10,229,490
Special Training Equipment	(16)	5,519,000	3,057,570
Miscellaneous Technical Equipment	(16)	6,619,000	6,065,148
Ammunition and Bombs	(16)	23,720,000	20,143,892
Repairs and Upkeep of Equipment	(17)	122,133,000	135,202,253
Municipal and Public Utility Services	(19)	6,475,000	6,369,585
Pensions, Superannuation and Other Benefits for Personal Services	(21)	450,000	400,000
All Other Expenditures	(22)	1,740,000	1,623,923
		859,658,000	803,684,208

DEPARTMENT OF NATIONAL DEFENCE

ESTIMATES 1958-59 AND EXPENDITURES 1957-58

	Estimates 1958-59	Expenditures 1957-58
	$	$
ROYAL CANADIAN AIR FORCE (RESERVE) (P. 340)		
Civil Salaries and Wages ..... (1)	250,000	128,237
Pay and Allowances ..... (3)	4,091,000	4,518,500
Travelling and Removal Expenses ..... (5)	264,000	197,645
	4,605,000	4,844,382
ROYAL CANADIAN AIR CADETS (P. 340)		
Civil Salaries and Wages ..... (1)	120,000	69,095
Pay and Allowances ..... (3)	587,000	680,479
Travelling and Removal Expenses ..... (5)	280,000	325,382
	987,000	1,074,956
ROYAL CANADIAN AIR FORCE — SEARCH AND RESCUE (PP. 340–341)		
Pay and Allowances ..... (3)	3,541,000	3,097,220
Medical and Dental Consultants and Special Services ... (4)	37,000	35,039
Travelling and Removal Expenses ..... (5)	239,000	246,784
Materials and Supplies:		
Gasoline, Fuel Oil and Lubricants for Aircraft and Mechanical Equipment ..... (12)	326,000	169,530
Food Supplies ..... (12)	163,000	134,582
Medical and Dental Supplies ..... (12)	20,000	13,632
Repairs and Upkeep of Equipment ..... (17)	407,000	421,556
All Other Expenditures ..... (22)	32,000	46,176
	4,765,000	4,164,519
Gross Total Air	870,015,000	813,768,066
Less — Estimated credits from NATO Aircrew Training and transfers of Equipment charged to Mutual Aid; less also the estimated amount to be paid from the Special Account and the estimated amounts recoverable from other Governments. ..... (34)	80,643,000	53,807,410
Net Total, Air	789,372,000	759,960,656

DEPARTMENT OF NATIONAL DEFENCE

ESTIMATES 1958-59 AND EXPENDITURES 1957-58

		Estimates 1958-59	Expenditures 1957-58
		$	$
DEFENCE RESEARCH AND DEVELOPMENT			
RESEARCH (p. 341)			
Civil Salaries and Wages	(1)	13,022,000	12,084,597
Civilian Allowances	(2)	197,500	149,184
Pay and Allowances	(3)	218,760	199,333
Professional and Special Services	(4)	200,510	641,568
Travelling and Removal Expenses	(5)	763,100	815,307
Freight, Express and Cartage	(6)	71,800	88,119
Postage	(7)	6,480	4,625
Telephones, Telegrams and Other Communication Services	(8)	79,800	92,271
Publication of Departmental Reports and Other Material	(9)	52,250	49,098
Exhibits, Advertising, Films, Broadcasting and Displays	(10)	8,000	8,062
Office Stationery, Supplies, Equipment and Furnishings	(11)	199,400	231,476
Materials and Supplies	(12)	2,063,630	2,022,000
Acquisition and Construction of Buildings and Works including Acquisition of Land	(13)	2,640,184	1,969,072
Repairs and Upkeep of Buildings and Works	(14)	252,250	338,211
Rental of Land, Buildings and Works	(15)	10,746	10,083
Acquisition and Construction of Equipment	(16)	3,979,900	2,801,764
Repairs and Upkeep of Equipment	(17)	250,400	182,099
Rentals of Equipment	(18)	3,800	7,959
Municipal and Public Utility Services	(19)	222,800	130,904
Contributions, Grants, Subsidies, etc., not included elsewhere	(20)	1,425,200	1,366,590
Pensions, Superannuation and Other Benefits for Personal Services	(21)	30,490	20,673
All Other Expenditures	(22)	1,186,000	2,076,383
		26,885,000	25,289,378
DEVELOPMENT (p. 342)			
Civil Salaries and Wages	(1)	525,000	232,989
Materials and Supplies	(12)	1,248,000	872,111
Acquisition and Construction of Buildings and Works including Acquisition of Land	(13)	30,000	.....
Acquisition and Construction of Equipment	(16)	50,290,000	50,081,219
Repairs and Upkeep of Equipment	(17)	594,000	425,605
Municipal and Public Utility Services	(19)		
Pensions, Superannuation and Other Benefits for Personal Services	(21)	500	409
All Other Expenditures	(22)	2,952,500	1,812,091
		55,640,000	53,424,424
Total, Research and Development		82,525,000	78,713,802

DEPARTMENT OF NATIONAL DEFENCE
ESTIMATES 1958-59 AND EXPENDITURES 1957-58

	Estimates 1958-59	Expenditures 1957-58
	$	$
DEFENCE EXPENDITURES By Other Government Departments (p. 342)		
Meteorological Services, Airway Traffic Control Services, Radio Aids to Marine and Air Navigation, Construction Services Administration and General Administrative Services, etc., as detailed in the Department of Transport Estimates less Mid-Canada Line Lightering costs provided for in RCAF Estimates .....(22)	4,468,927	2,756,800
MUTUAL AID (p. 342–343)		
Procurement for Mutual Aid:		
Miscellaneous Materials	200,000	194,734
Aircraft and Engines		299,317
Armament Equipment	1,200,000	1,957,036
Signals and Wireless Equipment	100,000	6,552
Ammunition and Bombs		721,022
	1,500,000	3,178,661
Transfers to NATO Countries of Equipment from Service Stocks:		
Ships	23,000,000	27,250,000
Aircraft and Engines	41,588,000	24,315,595
Mechanical Equipment including Transport	3,573,396	1,997,769
Armament Equipment	6,318,898	18,070,721
Signals and Wireless Equipment	378,970	284,519
Ammunition and Bombs	22,924,630	6,471,320
Other Equipment	216,106	9,511
	98,000,000	78,399,435
NATO Aircrew Training	9,000,000	26,418,065
Contributions to Infrastructure and NATO Budgets ..	21,500,000	10,468,148
Gross Total, Mutual Aid	130,000,000	118,464,309
Total, Defence Services	1,630,377,196	1,611,938,788
GENERAL SERVICES		
Grants to Military Associations, Institutes and Others (pp. 343-344) .....(20)	259,175	258,875
GRANTS TO THE TOWN OF OROMOCTO (p. 344)		
Grants (Main Estimates)	570,000	
Grants (Supplementary Estimates)	390,500	349,553
(20)	960,500	349,553
Appropriation Not Required 1958-59 (p. 344)		
War Museum		
Civil Salaries and Wages ..... (1)		21,672
Office Stationery, Supplies, Equipment and Furnishings .....(11)		
Materials and Supplies .....(12)		1,669
All Other Expenditures .....(22)		128
		23,469

DEPARTMENT OF NATIONAL DEFENCE
ESTIMATES 1958-59 AND EXPENDITURES 1957-58

		Estimates 1958-59	Expenditures 1957-58
PENSIONS AND OTHER BENEFITS (p. 345)		$	$
CIVIL PENSIONS			
Robert Allen		193	193
Walter Pettipas		516	516
Michael Mountain		420	420
Mrs. Mary Whittington		200	200
Mrs. Eleanor F. Nixon		1,128	1,127
	(21)	2,457	2,456
Annuity to the Widow of the late Honourable Norman McLeod Rogers		2,500	2,500
Payments in respect of Members of the Royal Canadian Air Force killed while on leave as instructors, etc.		4,310	4,380
DEFENCE SERVICES PENSION ACT			
Payments under Parts 1—4	(21)	5,885,000	5,769,084
Government contribution to the Permanent Services Pension Account	(21)	49,504,051	49,731,909
REGULAR FORCES DEATH BENEFIT ACCOUNT			
Government contribution	(21)	200,000	137,517

Exhibit No. 5

June 26, 1958

CONTROL OF CIVIL AND MILITARY ESTABLISHMENTS

In respect of military personnel, the National Defence Act provides that the maximum number of persons in the Canadian Forces shall be as authorized by the Governor in Council and that the respective ranks that may be held by officers and men of the Canadian Forces shall be as from time to time prescribed in regulations made by the Governor in Council.

The regulations governing rank structure provide that within the maximum numbers set by the Governor in Council, the number of persons by rank and trade group shall be determined by the Minister of National Defence with the concurrence of the Minister of Finance.

Recommendations on the numbers of persons by rank and trade group are submitted by each Chief of Staff to a Rank Structure Committee, composed of the Chairman, Chiefs of Staff, the Secretary of the Treasury Board, and the Deputy Minister of National Defence. This committee makes a review of the rank structure of each service annually and submits its recommendations to the Minister of National Defence and the Minister of Finance. Within the overall limits set, the Chief of Staff is responsible for the allocation of military manpower to the various branches of his service.

Section 9 of the National Defence Act provides with respect to the appointment of civilian employees that "such officers, clerks and employees as are necessary for carrying on the business of the department may be appointed in the manner authorized by law".

The basic law in this respect is the Civil Service Act. Under this Act the Civil Service Commission is responsible, after consultation with the deputy Head, for the preparation of the plan of organization of the department and its various branches. The Civil Service Act provides specifically that no change shall be made in the organization of any department until it has been reported upon by the Commission. In practice, proposals for changes in organization that may be considered desirable from time to time are usually initiated by the department although the Civil Service Commission also has the power to initiate such changes, and occasionally does. The Civil Service Commission is also responsible for the classification of the Civil Service. By this is meant the grouping, under one class or job title, of the various positions in the Civil Service that have similar duties and responsibilities and require the same qualifications for the satisfactory undertaking of those duties. The purpose, among other things, is to assure uniform remuneration for similar work. Any material change in the duties of a position will therefore in effect result in its abolition and the establishment of a new position with a classification assigned by the Civil Service Commission appropriate to the new responsibilities and duties. This is the process known as reclassification. As in the case of proposals for changes in organization, it is initiated as a rule by a request from the department to the Civil Service Commission to review the classification of a position, or a group of positions when the duties of the position or positions, in the opinion of the department, have changed sufficiently to warrant a change in the classification. The Civil Service Commis-

sion is responsible for recommending rates of compensation for the various classifications under the Civil Service Act and the department does not as a rule take the initiative in this field. In all of these matters the numbers, classifications, and salary rates are subject to approval of the Treasury Board on behalf of the Governor in Council. Appointments to Civil Service positions are controlled by the Civil Service Commission in accordance with the requirements of the Civil Service Act.

Approximately one third of the continuing civilian employees of the department are prevailing rate employees. Prevailing rate positions have been exempted for most purposes from the terms of the Civil Service Act but the procedures with respect to the establishment and classification of positions are the same as those described above. The rates of remuneration are those prevailing for the trade in the area in which the position is established as recommended by the Department of Labour and approved by the Treasury Board. Appointments are made through the National Employment Offices.

In virtually all establishments of the Department of National Defence where civilians are employed, there are also military personnel employed. It is necessary in the examination of these establishments to consider the needs for both together and at the one time. Establishments therefore set out both military and civilian positions, and decisions as to the requirements for one or the other are not taken in isolation. The Civil Service Commission representatives, of whom there are five who, for practical purposes, are continuously assigned to the department, while they have no responsibility for the military establishment, are brought into the complete picture in the study and assessment of the needs in these cases. In all three Services the employment of a civilian is as a general rule considered to be less expensive than a military person although this is not always the case. There are practicable limitations on the extent to which civilians can be employed having regard to the operational requirements and efficiency of each service.

Necessarily the basic responsibility for the production of an efficient organization in each service rests with the Chief and Staff and through him with his corps directors, station and depot commanders, branch heads, etc. There are however a number of systems to control and check the efficiency with which these tasks are being carried out and to provide specialized assistance to the responsible officers in the carrying out of their tasks.

A number of separate committees exist, each of which has a special function to perform, in respect of establishments. These committees are numbered below:

Naval Complement Committee
Army Establishments Committee
War Establishments Committee
RCAF Establishment Committee
Inter-Service Establishment Committee
Establishment Review Committee

The four committees first mentioned are separate service committees. They have been set up for the purpose of examining all proposals for new positions and establishments including classifications and ranks. They are also charged with responsibility for keeping under review all existing positions and establishments.

These committees make recommendations to the respective Chiefs of Staff on the above mentioned matters. As stated earlier, all changes in civilian establishments are submitted by the department to the Treasury Board and are supported by a recommendation from the Civil Service Commission.

The RCN "Complement Committee", the Chairman of which is the Director of Naval Organization, reports to the Naval Comptroller. This committee performs its reviewing functions by surveys in the field and at Naval Headquarters. There are two sections of this Committee, each with a chairman, one which deals with those "Complements" which are essentially service and one which deals with those "Complements" which are predominantly civilian. Members of the Committee include staff officers who are branch specialists and representatives of the Deputy Minister's Office and the Civil Service Commission.

The Army "War Establishments Committee" has as its chairman the Director of Staff Duties. This committee examines all field and mobilization establishments which are generally military. It is the responsibility of the Committee to determine the requirement of each field and mobilization establishment in terms of the minimum numbers of personnel, ranks, trades, weapons and vehicles necessary in order that the functions of the unit may be performed adequately and efficiently. Membership includes the Director of Military Operations and Plans, the Director of Organization, the Director of "Q" Operations and Planning, and a representative from the Deputy Minister's Office.

The Army's "Army Establishments Committee" conducts surveys of static units. The Committee reviews all proposals for changes to such establishments and conducts complete reviews of them periodically. This Committee has a full-time Chairman provided by the General Staff Branch, and its membership includes fulltime representatives from the Adjutant General's Branch and from the Quartermaster General's Branch. The Deputy Minister's Office is also represented on the Committee. A senior investigator from the Civil Service Commission accompanies the Committee at all times, augmented by specialist investigators as required. The Army Establishment Committee has available to it various methods of measuring workloads and also uses scales that have been worked out as guides in the assessment of manpower needs.

The Chairman of the RCAF Establishment Committee is the Director of Organization and Establishments who reports through the Chief of Organization and Management to the Comptroller of the Air Force. The RCAF Establishment Committee at Air Force Headquarters includes as members staff officers who are branch specialists, representatives from the Deputy Minister's Office and the Civil Service Commission. This Committee concentrates on specialized work in the development of scales to be applied in determining manpower requirements as well as processing establishment requirements for approval. In addition to routine studies of manpower needs, on the spot surveys are conducted by Air Force Headquarters and Command travelling organization and establishment boards. Their recommendations, where they involve any significant changes, are submitted to the RCAF Establishment Committee.

The Inter-Service Establishment Committee reports to the Vice Chiefs of Staff Committee and is composed of members from the three services and the Deputy Minister's Office. Representatives of the Treasury Board Staff and the Civil

Service Commission attend as advisors. It reviews the military and civilian establishments of tri-Service organizations such as the Canadian Services Colleges and the Joint Staffs in Washington and London, England.

In addition to the detailed examinations of establishments by the committees mentioned above, the Establishment Review Committee makes an annual review of all establishments in the three services as part of the procedure for forecasting establishment requirements in the forthcoming fiscal year. This Committee concentrates specifically on civilian establishments and the service manpower employed in static units. The Committee is composed entirely of civilians including representatives from the Treasury Board Staff and the Civil Service Commission. The Superintendent of Civilian Personnel and the Superintendent of Manpower and Establishments of the Department of National Defence are also members of the Committee, the latter being the chairman. This Committee acquaints itself with any policy changes contemplated during the ensuing fiscal year, and in the light of the detailed examinations which have already taken place during the year by the other committees mentioned above, makes an assessment of the manpower requirements and at the same time examines any proposals for increases or decreases in existing establishments which are put forward. The Committee deals with both continuing positions and casual labour. It confines itself to fixing the ceilings for both classes of employees subject of course to the subsequent approval of the Treasury Board. It does not deal with the classification of individual positions. This phase is covered by the other committees mentioned above and by the Civil Service Commission.

In its review of manpower requirements, the Committee ensures that establishments are reduced when activities are terminated, reduced or transferred to other branches or departments. No increases to overall establishments are allowed unless they arise from government decisions involving, for example, new activities or reductions in hours of work. Additional permanent staffs required for increases in workload brought about, for example, by an increase in the number of items of stores must be found from within the present establishments by introducing economies elsewhere.

The Establishment Review Committee has stimulated and supported the development throughout the department of the use of organization and methods techniques and the development of measurements of workload and productivity. Each service has at its headquarters specialized management staffs directing the work in this field. At some establishments, works methods or management engineering groups are also established. While considerable emphasis is being given to this works, there is still much to be accomplished in this field.

Extensive use has been made of the Organization and Methods Branch of the Civil Service Commission to supplement and assist the department's own experts in this work.

The department also employs industrial management consultants from time to time. At the present time the firm of Stevenson and Kellogg of Toronto is doing a study of one phase of the operations of No. 1 Supply Depot of the RCAF. In the course of this study this firm is training a number of members of the RCAF in the methods time measurement technique. The Army are currently discussing with Urwick, Currie Limited of Montreal certain aspects of the application of measurement systems to their RCEME workshops operations.

Exhibit No. 6

June 26, 1958

DEPARTMENT OF NATIONAL DEFENCE
ESTIMATES 1958-59

RCAF CONSTRUCTION PROGRAMME
1958-59

Location by Province	Station Development (DCL & DOT)	Houses and Schools (CMHC)	Total
ALBERTA			
Claresholm	10,000	—	10,000
Cold Lake	1,348,000	950,000	2,298,000
Lincoln Park	100,000	15,000	115,000
Namao	640,000	—	640,000
Penhold	385,000	—	385,000
Total	2,483,000	965,000	3,448,000
BRITISH COLUMBIA			
Vancouver	202,000	—	202,000
Comox	1,480,000	60,000	1,540,000
Holberg	647,000	655,000	1,302,000
Sea Island	435,000	—	435,000
Total	2,764,000	715,000	3,479,000
MANITOBA			
Churchill	290,000	—	290,000
Portage-la-Prairie	325,000	50,000	375,000
Rivers	310,000	25,000	335,000
Winnipeg	221,000	—	221,000
Total	1,146,000	75,000	1,221,000
NEW BRUNSWICK			
Chatham	507,000	100,000	607,000
Moncton	135,000	100,000	235,000
St. Margarets	397,000	125,000	522,000
Total	1,039,000	325,000	1,364,000
NFLD. & LABRADOR			
Gander	520,000	—	520,000
Torbay	345,000	—	345,000
Goose Bay	20,000	130,000	150,000
Total	885,000	130,000	1,015,000
NOVA SCOTIA			
Beaverbank	230,000	510,000	740,000
Greenwood	2,851,000	1,000,000	3,851,000
Halifax	172,000	—	172,000
Sydney	40,000	—	40,000
Total	3,293,000	1,510,000	4,803,000
ONTARIO			
Angus	5,000	—	5,000
Camp Borden	30,000	—	30,000
Clinton	251,000	74,000	325,000
Downsview	100,000	—	100,000
Edgar	42,000	35,000	77,000
Falconbridge	162,000	420,000	582,000
Foymount	127,000	600,000	727,000
Mountain View	25,000	—	25,000
North Bay	895,000	—	895,000
Ottawa	2,761,000	—	2,761,000
Rockcliffe	625,000	—	625,000
Trenton	380,000	100,000	480,000
Uplands	1,755,000	—	1,755,000
Weston	50,000	—	50,000
Total	7,208,000	1,229,000	8,437,000

RCAF CONSTRUCTION PROGRAMME–(*Continued*)

Location by Province	Station Development (DCL & DOT)	Houses and Schools (CMHC)	Total
PRINCE EDWARD ISLAND			
Summerside	2,385,000	–	2,385,000
QUEBEC			
Bagotville	548,000	180,000	728,000
Casey	100,000	–	100,000
Lac St. Denis	50,000	–	50,000
Moisie	100,000	325,000	425,000
Mont Apica	306,000	865,000	1,171,000
Parent	177,000	430,000	607,000
Senneterre	42,000	–	42,000
St. Hubert	425,000	35,000	460,000
St. Jean (CMR)	270,000	–	270,000
St. Johns	600,000	–	600,000
St. Sylvestre	231,000	400,000	631,000
Total	2,849,000	2,235,000	5,084,000
SASKATCHEWAN			
Moose Jaw	190,000	–	190,000
Saskatoon	55,000	65,000	120,000
Total	245,000	65,000	310,000
YUKON AND NWT			
Resolute Bay	85,000	–	85,000
Whitehorse	148,000	26,000	174,000
Total	233,000	26,000	259,000
EUROPE			
Grostenquin	1,212,000	–	1,212,000
Marville	855,000	–	855,000
Mercy-les-Metz	188,000	–	188,000
Langar	220,000	–	220,000
Total	2,475,000	–	2,475,000
Total as detailed above	27,005,000	7,275,000	34,280,000
Add–Minor Construction Projects	4,420,000	–	4,420,000
Grand Total	31,425,000	7,275,000	38,700,000

Exhibit No. 7

June 26, 1958

CIVILIAN STRENGTH AT NDHQ BY SERVICE FOR SELECTED DATES

	Administration	Inspection Services	Inter-Service	Navy	Army	RCAF	Defence Research Board	Total
March 31, 1955..	631	430	257	1,234	1,197	592	415	4,756
March 31, 1956..	624	381	179	1,338	1,175	643	474	4,814
March 31, 1957..	634	374	219	1,392	1,141	726	488	4,974
March 31, 1958..	585	363	214	1,506	1,083	753	504	5,008

APPENDIX "B"

INFORMATION TABLED BY DEPARTMENTAL OFFICIALS

Officer Candidates in Training at Universities
March 31, 1958

	Navy	Army	Air-Force	Total
Regular Force:				
Regular Officer Training Plan (ROTP)	27	258	389	674
Cadets from the ranks	9	9	45	63
Reserve Force:				
University Naval Training Divisions (UNTD)	673			673
Canadian Officer's Training Corp (COTC)		1322		1322
University Reserve Training Plan (URTP)			829	829
Total	709	1589	1263	3561

Enrolments and Wastage—Regular Forces

	RCN	Army	RCAF
1955			
Enrolments	3,088	5,937	8,153
Net Wastage	2,671	8,222	6,573
*Percentage Net Wastage	13.9	17.0	13.2
1956			
Enrolments	2,686	7,409	7,186
Net Wastage	2,904	6,939	6,976
*Percentage Net Wastage	15.3	14.6	13.9
1957			
Enrolments	3,347	7,952	8,440
Net Wastage	2,537	7,646	7,319
*Percentage Net Wastage	13.2	16.2	14.3
1958 (to May 31)			
Enrolments	1,187	2,189	2,238
Net Wastage	1,087	2,999	2,389
*Percentage Net Wastage	13.1	15.1	11.1

* - Percentage Net Wastage based on average strength.

ESTIMATES 1958-59
CANADIAN ARMY (REGULAR) AND GENERAL

Construction of Buildings and Works (13)
Particulars of Program — Camp Petawawa

Serial	Nature of Project	Amount of Commitment Authority in 1958-59 Estimates
	(NOTE: Total of estimated expenditures during 1958-59 $7,411,200.)	
1	Married Quarters (402 under construction. 200 phased to CMHC Oct 58; 400 phased to CMHC March 59)	$10,575,572
2	School construction and extensions (1—19 room school under construction 1—19 room school to CMHC March 59 1— 6 room school to CMHC March 59 1 extension of 14 rooms under construction 1 extension of 19 rooms with tenders July 58)	1,168,000
3	Main entry and feeder roads within 600 Married Quarters area	450,000
4	Extension of main ground services (water, sewer and power) within 600 Married Quarters area	450,000
5	Extension of Camp water supply to new 600 Married Quarters area	900,000
6	Extension of Camp power supply to new 600 Married Quarters area, including two sub-stations	400,000
7	355 garages for existing Married Quarters (under construction)	355,000
8	Roads, sewer mains and ground improvements to complete program for utility services to new buildings (contract awarded)	300,000
9	Renew heating systems in various buildings to enable use of Central Heating Plant (contract awarded)	160,000
10	Sewage treatment plant	1,300,000
11	Central Medical and Dental Equipment Depot (contract awarded)	1,400,000
12	Extension of underground steam distribution system to Central Medical and Dental Equipment Depot (tenders closed)	105,000
13	Marksmanship training range (under construction) a 25 yard range, target detection range, mechanical target range, and a classification range in series	33,000
14	Physical training and recreation training building (contract awarded)	850,000
15	Quartermaster and technical stores building for Camp Headquarters (phased to Defence Construction Limited (DCL) Sep 58)	175,000
16	Engineer stores depot and pontoon storage building (contract awarded)	205,000
17	Engineer stores depot and warehouse (contract awarded)	295,000
18	Skating rink (phased to DCL Oct 58)	275,000
19	Fire hall (phased to DCL Sep 58)	80,000
20	24-bay garage for RCE (phased to DCL Aug 58)	124,000
21	Tank hanger (phased to DCL Aug 58)	330,000
	TOTAL	$19,930,572

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

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TUESDAY, JULY 1, 1958

DEPARTMENT OF NATIONAL DEFENCE

WITNESSES

Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister—Finance; and Colonel F. E. Anderson, Director of Army Budget.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

60036-1—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Allard,
Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard (*Lapointe*),
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fairfield,
Fisher,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Johnson,
Jung,
Lennard,
MacEwan,
MacLean (*Winnipeg North Centre*),
Macnaughton,
McCleave,
McDonald (*Hamilton South*),
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,
More,
Murphy,
Nielsen,
Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard (*Kamouraska*),
Rowe,
Small,
Smallwood,
Smith (*Winnipeg North*),
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDER OF REFERENCE

MONDAY, June 30, 1958.

Ordered,—That the name of Mr. Fairfield be substituted for that of Mr. McIntosh on the Standing Committee on Estimates.

Attest.

Leon J. Raymond,
Clerk of the House.

60036-1—1½

MINUTES OF PROCEEDINGS

TUESDAY, July 1, 1958.
(10)

The Standing Committee on Estimates met at 11.00 a.m. this day. The Chairman, Mr. Arthur A. Smith, presided.

Members present: Messrs. Allard, Anderson, Best, Bissonnette, Broome, Carter, Chambers, Chown, Clancy, Danforth, Doucett, Dumas, Fairfield, Fisher, Grafftey, Hales, Hardie, Hicks, MacLean, (*Winnipeg North Centre*), Macnaughton, McCleave, McDonald (*Hamilton South*), McGregor, McIlraith, McMillan, More, Nielsen, Payne, Peters, Ricard, Small, Smallwood, Smith (*Calgary South*), Smith (*Winnipeg North*), Stewart, and Thompson.—(36)

In attendance: From the Department of National Defence: Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister—Finance; Colonel F. E. Anderson, Director of Army Budget; Lieut. Col. H. A. Bush, Deputy Director of Army Budget; and D. B. Dwyer, Superintendent of Parliamentary Returns.

The witnesses supplied information requested at previous Committee meetings.

The Committee resumed its detailed study of the Estimates, 1958-59, relating to the Department of National Defence, the Department officials supplying information thereon.

Under Item 220—Defence Services, the following headings were considered and approved:

(a) Army—Regular and General
(b) Canadian Army—Militia, including Canadian Officiers Training Corps
(c) Royal Canadian Army Cadets

Northwest Highway System was considered.

The Committee expressed its appreciation of the assistance rendered by the witnesses, particularly on this National holiday.

At 12.45 p.m. the Committee adjourned until 11.00 a.m. Thursday, July 3, 1958.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

TUESDAY, July 1, 1958.
11. a.m.

The CHAIRMAN: Gentlemen, we have a quorum. May I remind you that you are on Defence Estimates at the foot of page 328. We are looking at "major procurement of equipment" and we reached the item of "mechanical equipment, including transport". Before we take that item I think we will find perhaps that there are some unanswered questions. Mr. Armstrong, I believe you have one or two to answer.

Mr. PETERS: May I ask for clarification of something that appeared in the newspaper yesterday regarding the army. Has there been a change in army regulations regarding desertion? The newspaper referred to AWOL as a period of one year less a day. This would seem to indicate that desertion is to be absent without leave for a year or more. I have understood that in the British army it is still 21 days. Has there been a change in policy in regard to this? This question is in regard to a statement the minister made yesterday.

Mr. F. R. MILLER (*Deputy Minister of National Defence*): In answer to that question, Mr. Chairman, there have been no changes that we are aware of. The normal distinction between absence without leave and desertion is the intention not to return. The minister made the point yesterday that you are not a deserter until you are establish as such. Even though you had gone beyond the 21 days, there was the matter of the apprehension of the man.

Mr. PETERS: Was there some fine point in the application of this section to service personnel, in regard to the one year less a day?

Mr. MILLER: That has to do with striking off strength. He was struck off strength as an illegal absentee after one year less a day or 11 months plus 30 days.

The CHAIRMAN: Mr. Armstrong, I wonder if you would go ahead.

Mr. ELGIN B. ARMSTRONG (*Assistant Deputy Minister—Finance*): Mr. Chairman, Mr. McIlraith asked for information on the tri-service medical hospital in Ottawa. The total provision in these estimates is $8,500,000. That is the estimated cost of the hospital and against that there is provided $2,875,000 in cash.

The CHAIRMAN: Are there any further questions?

Mr. MCILRAITH: Have you immediately available the places to which the $2,875,000 in cash is applicable?

Mr. ARMSTRONG: Yes, $2,400,000 of the cash is provided under the air force estimates, $175,000 under the army and $300,000 under the navy.

The CHAIRMAN: Is there anything further?

Mr. MCILRAITH: What is the reason such a large proportion of it is under the air force estimates?

Mr. ARMSTRONG: There is not any particular logic in putting a large amount under the air force estimates. The ultimate division of cost will be $1,400,000 to the navy, $3,500,000 to the army and $3,600,000 to the air force.

The CHAIRMAN: Do you have any further replies, Mr. Armstrong?

Mr. ARMSTRONG: Mr. DcDonald asked how many bands there were in the regular army. There are 12 full-time and 36 part-time bands.

The CHAIRMAN: Are there any further supplementary questions? Have you anything else to say, Mr. Armstrong?

Mr. ARMSTRONG: That is all.

Mr. McDONALD (Hamilton South): Do these bandsmen only play in the band, or do they do other work?

Mr. ARMSTRONG: The full-time bands are full-time. That is their job.

The CHAIRMAN: Gentlemen, if there are no further questions, we are, as I said, on page 328 under the item "mechanical equipment, including transport". Are there any questions? "Armament equipment", "signal and wireless equipement".

Mr. BROOME: In regard to signal and wireless equipment, Mr. Chairman, in 1957-1958 the estimate was $8,579,000 and the expenditures were roughly 10 per cent of that. Then, in 1958-1959 the estimate is down from 1957-1958. It is still considerably in excess of the expenditure of roughly $900,000. I know there will be a lag in procurement. But it seems to be a rather fantastic lag.

Colonel F. E. ANDERSON (*Director of Army Budget*): The estimate for 1957-1958 as indicated by the very considerable shortfall from the total of expenditures assumes fairly rapid progress in an extensive replacement program which did not get underway as planned due to the necessity for careful review of army needs.

The delays are attributable to the following major reasons. First, standardization problems had to be altered with both the United Kingdom and the United States to achieve as great as possible a degree of uniformity in the signal and wireless equipment so that the field forces of the three countries could communicate. Secondly, telecommunications equipment is subject to rapid and constant design and development improvements and, therefore, to a relatively high degree of obsolescence, with the result that orders were deferred or curtailed in many cases. Thirdly, there are unexpected delays in the progress of Canadian development in the testing of Canadian prototypes. Fourthly, the nature of the role and formations. The Canadian prototypes have been undergoing several studies and some orders were deferred pending more precise knowledge of the job the signal corps has to do. Speaking of these orders, we prepared the estimates with these factors in mind and with the full knowledge of last year's shortfall. We think the hurdles we have to overcome will be overcome.

Mr. McILRAITH: Just on that point, Mr. Chairman, how much of that shortfall can be charged to actual cancellation of contracts then in existence.

Mr. ANDERSON: I think none, Mr. McIlraith.

Mr. McILRAITH: Computing devices?

Mr. MILLER: That had to do only with the navy.

Mr. McILRAITH: It was a navy one.

Mr. MILLER: Yes.

Mr. PETERS: Has there been any changeover from regular wireless equipment to transistor equipment? I am thinking particularly of field units, walkie-talkie and that sort of thing?

Mr. ANDERSON: That is one of the factors in this obsolescence field. There is increased use being made of the transistor type equipment.

Mr. PETERS: Are we doing development in that field?

Mr. ANDERSON: I could not say precisely, but I think so.

Mr. McMILLAN: Are we to assume then that the expenditures this year will be very close to the estimates?

Mr. ANDERSON: We expect them to be. All of these factors were known to the people who prepared the estimates and known to the department and research officials who reviewed them.

Mr. BROOME: Why would the obsolescence this year be at a less rapid rate than last year?

Mr. ANDERSON: I think the development projects at intervals tend to level out and the information I have is that things we are waiting for are now reaching the point where procurement is a possibility.

Mr. BROOME: What would those things be?

Mr. ANDERSON: I do not know how useful these listings of items would be, but some of the major ones are: radio sets P.R.C. 509 and 510, radio sets C. 11/R.210, wireless sets C.42 and C.45.

Mr. BROOME: That is all right; they don't mean a thing to me.

The CHAIRMAN: I rather concluded that. Are there any further questions on this item?

Mr. MCILRAITH: When you finish this item, I wonder if I might revert to the mechancial equipment?

The CHAIRMAN: Yes. Have you a question, Mr. Macnaughton? Are there any further questions on this item?

Mr. HICKS: What became of this $8 million approximately that was not spent last year on that item?

Mr. ARMSTRONG: This money was provided out of the special account we referred to earlier and thus there was a larger balance.

Mr. HICKS: Does that return to the treasury board or do we spend it?

Mr. ARMSTRONG: In the ordinary fashion, the money would lapse, and that would be the end of it.

Mr. MCILRAITH: In regard to the item "mechancial equipment, including transport", I notice this year's estimate is $5,061,000. Last year's estimate was $12,537,000. Last year's actual expenditure was $3,418,687. In other words, it was something of the order of one-third of the item. What is the explanation for the sharp drop last year in the amount of actual expenditure as against what was estimated?

Mr. ANDERSON: The biggest single reason has to do with the orders for specialized kits for army quarter-ton, three-quarter ton and 2½-ton trucks and trailers. These kits are the fixtures of a truck which completes it from a bare shell to something for special use. There are dismountable stretcher kits, radio adaptor kits, welding kits, unit repair kits and others. Those kits first of all had to be developed in all of the component parts. They were arrived at with a view to getting first of all the best use out of the vehicle for its specialized use or purpose. All in all, some $5 million was assigned in last year's estimates for this purpose. Delays in determining the component elements of the kit and a decision perhaps as to the number to be bought of each type resulted in orders not being placed.

Mr. MCILRAITH: If I may pursue that, we have $5 million for that one item of kits, adaptor kits. There has been nothing spent due to the lack of development in time to procure it last year. How does it happen that the whole estimate this year is only $5 million?

Mr. ANDERSON: The breakdown in his year's estimates for trucks, buses, station wagons, vehicle kits and similar items is $3,374,000.

Mr. MCILRAITH: I am just dealing with the item of vehicle kits, the corresponding item we have been dealing with. What amount is in this year's estimates for it?

Mr. ANDERSON: The kits which were ordered in the latter part of last year will be delivered this year and are expected to cost about $1 million of cash expenditure.

Mr. MCILRAITH: So that there is only 25 per cent of the amount contemplated last year that was not procured last year. What is the basis of that reduction?

Mr. ANDERSON: I think it was in the light of the carefull screening of the estimates in the last year. I am referring to those kits which had not been developed to the point, or the staff work done to the point, where orders were formed and certain ones were dropped from this year's estimates and deferred until next year.

Mr. MCILRAITH: Deferred until next year?

Mr. ANDERSON: Until the spot work is done.

Mr. MCILRAITH: Is it a decision of merely deferring the procurement of that item for another year, or does it mean a decision taken not to procure the equipment at all?

Mr. ANDERSON: A combination of both.

Mr. MCILRAITH: Could we pin it down a little closer than that?

The CHAIRMAN: I think that is a reasonable answer. What more do you want?

Mr. MCILRAITH: It is very important to the committee. If we are, in fact, saving money in these items it is fine; if we are merely postponing something to another year, that the defence forces should have in their operation, then it is not necessarily a saving at all.

The CHAIRMAN: Would you be more specific in your question, Mr. McIlraith?

Mr. MCILRAITH: Yes. My question is: To what extent is that reduction of the proposed purchase of these kits to 25 per cent of what was first contemplated, due to a decision not to procure the kits at all and to what extent is it merely a delay due to the lag of development work and other related work being sufficiently advanced to permit their being obtained now?

Mr. BROOME: Might it also be considered to what degree it represents better screening of logical requirements.

Mr. MCILRAITH: That is a point I am coming to.

Mr. ARMSTRONG: We have only these specific figures with us and I am not sure that we can provide the figures precisely in that way. I think we can probably get the figures divided between a change in requirement in the number of items.

Mr. MCILRAITH: That would be sufficient for my purpose.

Mr. ARMSTRONG: It is very difficult, as you will appreciate, to pin down the difference between one estimate and another in a precise fashion by reason of the change in the methods of screening or in the kind of screening that is done.

Mr. MCILRAITH: Could you give us some information, without too much difficulty, as to what extent this reduction is due to a change in requirement and to what extent it is due just to delays in development and staff work?

Mr. ARMSTRONG: That information can be obtained too. We will have to bring it with us to a subsequent meeting.

Mr. MCILRAITH: It does not have to be precise.

Mr. ARMSTRONG: No.

Mr. GRAFFTEY: Mr. Chairman, I have noticed through the estimates in general a number of fork life operators being employed, and in the ordnance depots that I have visited the modern mechanical equipment is being used to very great advantage. Is it the department's general policy to encourage the use of materials handling equipment whenever possible in ordnance and camps right across the country?

Mr. ANDERSON: Yes, it is. In these estimates we are looking at there is $77,000 for the replacement or improvement of materials handling equipment.

Mr. PETERS: Would the officials explain the method which we use in the service for replacement or commercial vehicles? Do we return them to a dealership or do they go through crown assets? Do we have a basis whereby we can rentfrom the big companies for a two- or three-year period?

Mr. ANDERSON: The basic army document is the certificate for ordnance —which is the custodian of army owned vehicles—by the electrical and mechanical engineer corps, that it is beyond mechanical repair. This means that the vehicle is literally driven into the ground. This certificate, when reviewed by the departmental officials becomes the basis for a replacement item. The old one is turned over to Crown Assets Disposal Corporation.

Mr. PETERS: Has the department ever examined the situation in the light of commercial enterprises in their operation of vehicles? For instance, there is a number of systems where you drive a staff car probably 30,000 miles and then dispose of it. You work on a basis with one of the major companies from where you get your cars. It appears to me that this method of selling to crown assets is actually selling for salvage. It may not be economical to drive the vehicle that far. It is a new field that all fleet owners are going into and it may save a great deal of money. I know that most of the major organization in Canada now do not own their own vehicles.

Mr. ARMSTRONG: There have been studies of this kind made and the conclusion reached has been that the present system, whereby the Department of Defence Production purchases directly from the manufacturers and the old vehicle is disposed of through Crown Assets Disposal Corporation, is a more economical method of handling the replacement and purchase of vehicles.

Now I think the question could perhaps be better answered when you have the Department of Defence Production before you. It is essentially a question of procurement.

Mr. PETERS: Would the figures be available to the committee? It would be very difficult to check into some of the specified vehicles, the special ones for special army purposes. Could we have the figures on staff cars, automobiles and station wagons, trucks and the highway cost per mile?

Mr. ARMSTRONG: There are records of that kind maintained by the army. It is another question not separate from your first one. We can produce figures of this if the committee is interested them.

The CHAIRMAN: Do you require those?

Mr. PETERS: I was just wondering if it might be advantageous if companies for instance, were going to supply cars, that it might be cheaper for us to contract our cars.

The CHAIRMAN: May I make this suggestion to you. Does it not seem to you that in view of the fact that we would like the Department of Defence Production to come here, that, is really a matter of procurement and we could go into some detail as to the possibilities and we would have, of course, the information from the army on the amount of mileage on their vehicles. Is that satisfactory?

Mr. PAYNE: May I suggest that if we are discussing equipment which is specially designed, it would not be too adaptable for civilian use. I would like to submit that most of these questions are impractical. We cannot handle them in the same way as normal civilian vehicles are handled in the used car lots.

The CHAIRMAN: I think, as I have stated, it is a procurement practice which I believe comes under the Department of Defence Production. I think it should be dealt with at that time. Do you agree?

Mr. PETERS: Yes, but I assume that this mechanical equipment includes all commercial vehicles and automobiles that are driven by the army. It should be comparative.

The CHAIRMAN: These matters will be in order for discussion under defence production. Now we come to "special training equipment".

Mr. CHAMBERS: Under which of these items do we deal with infantry weapons?

Mr. ANDERSON: Under armament.

The CHAIRMAN: Do you wish to revert back?

Mr. CHAMBERS: I would like to know: out of this $9 million what percentage is purchased in Canada and what percentage overseas?

Mr. ANDERSON: It is almost all in Canada. I do not know whether we gave the answer to your specific question, but the procurement in the United States or overseas is 9 and a small fraction per cent.

Mr. MACNAUGHTON: What do you mean by overseas?

Mr. ANDERSON: Outside of Canada, the United Kingdom for the most part.

Mr. MACNAUGHTON: Overseas specifically in this case would mean the United Kingdom.

Mr. ANDERSON: Outside of Canada, including the United States and the United Kingdom.

Mr. CHAMBERS: What is the basic infantry anti-tank weapons now?

Mr. ANDERSON: You said infantry. It would probably be recoilless rifles.

Mr. CHAMBERS: At Valcartier they had a super weapon, the heller.

Mr. ANDERSON: Yes.

Mr. CHAMBERS: Is that the established one now or are we using American type?

The CHAIRMAN: Mr. Chambers, we went into some detail during our last meeting in regard to your question. It would be contained in the record of that meeting. Are there any other questions on special training equipment?

Mr. PETERS: Under this article I presume it is mostly for reserves.

The CHAIRMAN: The question is under special training and equipment. I presume it is mostly for reserves.

Mr. ANDERSON: Mostly for the regular forces. It is small because by and large the units get their training equipment from ordnance or engineers or other supplying corps. They are purchased in the normal course for general use. It is the residual items of specialized training equipment.

Mr. PETERS: Is some of this equipment that which would be used by other armies with which we might co-operate in the familiarization business?

Mr. ANDERSON: Most of this is training equipment.

The CHAIRMAN: Miscellaneous equipment.

Mr. MCMILLAN: Could I revert to tanks and armoured fighting vehicles? Is the comparatively small amount of $80,000 in the estimates this year an indication that we are practically fully equipped with the fighting tanks and equipment?

Mr. ANDERSON: Yes. Our last major procurement in this primary was the Centurion tanks and this is simply a clean-up of the older orders.

The CHAIRMAN: Ammunition and bombs.

Mr. FISHER: Have you completed the discussion on the type of armour to be used in the north? I am thinking especially of armoured cars. Has that been covered in the committee?

The CHAIRMAN: The minister did not specify particularly the north.

Mr. MILLER: The minister mentioned yesterday there is under development an all-purpose vehicle which will be an armoured carrier. He also mentioned the development of a vehicle for northern use which is called the RAT. This would be procured in small quantities.

Mr. FISHER: Where is it being designed and developed?

Mr. MILLER: Canadair, I believe, are producing it.

The CHAIRMAN: Ammunition and bombs.

Mr. PETERS: Has some consideration been given to standardization in this item?

Mr. ANDERSON: Yes. There is more standardization, within NATO, in the ammunition used than there is possibly in the guns which fire it. The 7.62 mm. ammunition for the FN rifle and machine guns is in use in a number of small arms by a number of countries. It is the standard NATO round.

Mr. PETERS: What is the reason for the low expenditure in last year's estimate? If it was not used last year, it is not likely to be used this year; is it?

Mr. ANDERSON: Much of what I have previously said about last year's estimates and those prepared for 1958-59 apply to this primary as well. One additional fact is that delivery schedules are under constant review in the light of all known circumstances to obtain production in Canadian arsenals. This company asked that the acceptable rates be stretched over a longer period of time. This stretch-out was in 1956-57 and continued during 1957-58. The estimate for this year is based on information given to us by Canadian Arsenals Limited as to the quantities of ammunition it will produce and for which it will expect payment.

Mr. BROOME: Mr. Chairman, if that is the case, then Canadian Arsenals must be stepping up their production quite drastically because the estimate this year is $25 million as against an expenditure last year of $9½ million.

Mr. ANDERSON: Each year we get from them an assessment of their production capabilities, if you like, or their schedule of delivery. In each of the 1956-57 and 1957-58 years the estimates given us were markedly high. We have again convinced the screeners of our need for $25 million on the basis of the information known to us by Canadian Arsenals at the time they provided this information.

Mr. BROOME: Will Canadian Arsenals be one of the crown corporations of Defence Production which will be before this committee?

The CHAIRMAN: Quite honestly I do not know. I would have to check into that. There is nothing to prevent someone from that organization appearing here under that section.

Mr. PAYNE: Of the $25 million estimate for ammunition and bombs what amount is for conventional weapons and what amount is for the ground-to-ground missile?

Mr. ANDERSON: It is all conventional.

Mr. PAYNE: Completely conventional?

Mr. ANDERSON: Yes.

Mr. PAYNE: Have we not purchased some of the ground-to-ground missiles from the United States?

Mr. ANDERSON: No. We have not as yet. We have had an opportunity to see them used. The minister made it clear that we have not yet gone into the missile business.

The CHAIRMAN: Mr. Broome, it has been pointed out to me that as the crown corporation reports to the Minister of Trade and Commerce if there is information you would like to have in this committee that can be obtained.

Mr. PETERS: How much of this procurement of ammunition and bombs is disposed of because of age or other reasons?

Mr. MILLER: I think it is safe to say there is none for immediate disposal or destruction. As weapons become obsolete the ammunition on hand is disposed of in various ways. We have stock-piles of so many days of war consumption and when we move to another weapon the old weapon is phased out and the ammunition is phased out with it.

Mr. PETERS: Is there a limit in respect of each type of ammunition?

Mr. MILLER: It varies. It depends on the ammunition. There are limits in time and it is also determined by inspection to see if there is deterioration setting in.

Mr. BROOME: What would be the life limit of ammunition and, in relation to that limit of life, what stock-piling would we have?

Mr. MILLER: I would say the life of the explosives varies with the particular explosive. It has to do with the chemical make-up of the particular explosive and we get some rather sophisticated explosives these days.

Mr. BROOME: They are stock-piled in respect to the life of the explosive?

Mr. MILLER: Yes.

The CHAIRMAN: It is again pointed out to me that Canadian Arsenals Limited appears under Defence Production, so it will come before us.

Mr. FISHER: Are there any gas bombs being manufactured at the present time?

Mr. BROOME: Or for bacteriological warfare?

Mr. MILLER: We are getting on rather difficult grounds here in divulging the stocks and the character of the stocks. I would prefer not to answer that at this time.

Mr. FISHER: Is the department, in this particular aspect, going back for its policy to the international convention we signed in respect of gas warfare?

Mr. MILLER: This question is of the type—

Mr. MCCLEAVE: Would it not be a question for the minister to answer?

The CHAIRMAN: I think that question should be held until the minister is here.

Mr. FISHER: May I just explain it so that other members of the committee will not think I am fruitlessly bringing up something. We had some information last year on experiments at Ralston, Alberta, in coordination with the United States or with certain American scientists. I want to get at that at some stage in these estimates. I thought perhaps it could be looked at here. If there is another spot at which it could be discussed, that will be satisfactory.

The CHAIRMAN: We will provide an opportunity.

Mr. MILLER: Under D.R.B. you will have an opportunity.

Mr. BROOME: I did not hear the item "miscellaneous equipment" called.

The CHAIRMAN: I called it, but we can come back to it.

Mr. ANDERSON: Engineering stores including radiation detection equipment, $2,338,000; photographic and motion picture equipment, inter-communication equipment and other technical stores, $135,000; machine tools and workshop equipment, $128,000; anti-gas stores, $437,000; store parts for miscellaneous equipment, $113,000; and other items $109,000; or a total of $3,260,000.

The CHAIRMAN: Gentlemen, you are now on page 329.

Mr. FISHER: May I revert to the item on publication of departmental reports and other material.

The CHAIRMAN: We went into that in detail at another meeting. This poses a difficult point. I realize there are occasions when members have to be absent, but if we keep on reverting to items it would unduly hold up our proceedings and it might be better if the members will refer to the minutes of the committee and then see if they may wish to ask supplementary questions.

Mr. FISHER: I asked for an outline of the publishing. Was that given yesterday?

The CHAIRMAN: A rather detailed answer was given.

Mr. PETERS: We asked that this be included in the record and that discussion take place when we received a copy of the minutes.

The CHAIRMAN: That is exactly what I am suggesting.

Repairs and upkeep of equipment.

Municipal and public utility services.

Mr. BROOME: Does that include taxes paid to municipalities or grants in lieu of taxes, or is it simply services?

Mr. ANDERSON: It is essentially electricity, water rates, steam heating, sanitary service, and school fees.

Mr. SMALL: It distinctly says here in the explanatory notes: "Also includes payments to municipalities in lieu of taxes and local improvement charges." Therefore it must be included in the item.

Mr. ARMSTRONG: That table on the back of the sheet covers all departments. No doubt what you have includes that, but for our department it only has these items in it.

Mr. CARTER: I am wondering what procedure is followed in respect of negotiating agreements with municipalities for extra wear and tear on streets due to heavy army equipment passing over them. Do you have some regular procedure for that? Does the government, or the army, accept any special responsibility in that respect for extra wear and tear above the normal wear and tear which is due to use by heavy army vehicles?

Mr. ARMSTRONG: I can answer it this way. The army endeavours not to impose undue strain on the municipal streets and so on. If there is a special situation where clearly there is proven damage by a military vehicle, then consideration sometimes would be given to a settlement with the municipality; but in the ordinary course of events there are not agreements which provide for continuous contributions at this time. There may be on the odd occasion, an entrance road, for example, to a camp that has been maintained by a municipality but where the traffic is almost wholly that of national defence and in such a case an arrangement will be made for maintenance of that road. But these are all special discussions and agreements in particular situations.

Mr. CARTER: I have in mind particularly the south side road at St. John's which during the war and since has been used to a much greater extent by these vehicles than by ordinary commercial vehicles. Have there been any negotiations or special arrangements arrived at in respect of that?

Mr. ARMSTRONG: I do not know myself. We will have to look it up.

Mr. ANDERSON (*Waterloo South*): I have a word to say in respect of municipal streets. That is definitely taken care of in a special provincial grant in the situation where there is any exception of wear and tear or where a street is torn up. I have had some specific dealings on that. If there are any streets such as Mr. Carter has mentioned they are looked after provincially.

The CHAIRMAN: Pensions, superannuation and other benefits for personal services.

Mr. PETERS: What does this cover?

Mr. ANDERSON: This is a treasury board item applicable to all departments. We use it as being the government's contribution to the unemployment insurance fund in relation to our civilian employees. It is used exclusively for that purpose.

Mr. PETERS: This does not include superannuation?

Mr. ANDERSON: No.

Mr. PETERS: Does it include pensions to long-service army personnel?

Mr. ANDERSON: The title is slightly misleading. In the army, it is solely the government's contribution, as an employer, to the unemployment insurance fund.

Mr. MCMILLAN: Do you carry workmen's compensation with the different civilian employees in the provinces?

Mr. ARMSTRONG: In so far as federal government employees are concerned they are covered by the Government Employees Compensation Act which is a federal statute. The actual compensation payments and arrangements are through the provinces at rates that apply in the different provinces across the country.

Mr. MCMILLAN: But it does not apply to civilian employees in the army?

Mr. ARMSTRONG: Yes.

Mr. MCILRAITH: Where is the payment of the contribution for that?

Mr. ARMSTRONG: I am advised there is no general contribution. It is done on a repayment basis. I am not sure where it is in here. I am advised it is covered in the Department of Labour.

Mr. MCILRAITH: For all departments?

Mr. ARMSTRONG: Yes.

The CHAIRMAN: All other expenditures.

Mr. HALES: Mr. Chairman, as this is the highest amount of all the three services, the army, the navy and air force, for other expenditures, would it be asking too much to have a break-down of the other expenses showing what was spent last year in actual expenditures and the estimates for this year? If it is too large a request, we could perhaps ask one or two questions.

Mr. ANDERSON: We have last year's estimate and this year's.

Mr. HALES: Have you last year's expenditure?

Mr. ANDERSON: We could get it for you.

Mr. HALES: I mean a break-down.

Mr. ANDERSON: A break-down of this year's items would probably indicate the nature of the expenditures. There are two large items. One is laundry and dry cleaning of army items, $970,000; the other is air photography and mapping, $910,000.

Mr. HALES: How much is for the C.B.C.?

Mr. ANDERSON: $58,135.

Mr. HALES: That is what the army pays the C.B.C.?

Mr. ANDERSON: Yes.

Mr. HALES: And the navy paid $10,000 I think?

Mr. ANDERSON: Yes. This is related to the strength of the forces overseas; that is the division of the costs.

The CHAIRMAN: Might I ask if any part of this mapping is done in cooperation with the geographical survey, or has it been entirely separate?

Mr. ANDERSON: The responsible government agency is the Department of Mines and Technical Surveys. We undertake to map certain areas under their control.

Mr. HALES: That includes licencing of vehicles, I think, under that heading?

Mr. ANDERSON: Yes.

Mr. HALES: On what basis does the federal government pay for any licences for vehicles? Is it at the same rate as the prevailing rate, or does it come up each year?

Mr. ANDERSON: It varies in the provinces I am familiar with. We buy the plates in some provinces at $1 and pay no other fee.

Mr. THOMPSON: May I revert to item No. 13 and ask what the $152,000 is for?

The CHAIRMAN: Would you repeat the question?

Mr. THOMPSON: It is the break-down on the white sheet under construction or acquisition of buildings and works, including land. I would like to know what the $152,000 is for at Cobourg under recent development?

Mr. ANDERSON: Repairs to the purlins of the roofs in camps 5 and 6. There is an engineers office and stores, a cafeteria, medical inspection room and dental clinic, a combined all-ranks mess or canteen, and combined all ranks quarters and utilities.

Mr. THOMPSON: That is for maintenance?

Mr. ANDERSON: No. The first item is the purlins; the pre-stressed concrete roof needed fixing to the extent of $25,000 in the two big warehouses. The other items are construction items in the continuing program.

The CHAIRMAN: Gentlemen, if we are through we will go to the item on Canadian Army-Militia, including Canadian Officers Training Corps.

I would like to say a word here. The minister hopes to be with us at our next meeting. He does have a cabinet meeting but he will be here immediately following it. At that time he will give us a statement on the general aspect of the militia. Nevertheless, I think we can proceed with the detail of the items under this estimate. I only point that out because, of course, all questions on policy relating to the militia will be deferred until the minister is here to answer the questions himself.

Mr. HARDIE: Could we revert for one question. I came here from another committee. I am wondering if the officials could tell me if the transfer of the R.C. Signals communication system in the Northwest Territories, and some of the northern parts of the provinces, was initiated by the army or initiated by the Department of Transport?

The CHAIRMAN: I am advised there is an item dealing specifically with this later on.

Mr. HARDIE: Which item is it?

The CHAIRMAN: It is on page 333.

Mr. HARDIE: Thank you.

Mr. SMALL: Do you think we will get that far this year?

The CHAIRMAN: I hope we will get that far and further.

Are there any general questions?

Mr. FISHER: I have had some questions from militia officers about the length of time it takes to qualify for a commission. Would that come under policy?

The CHAIRMAN: What is the question specifically?

Mr. FISHER: What requirements are there at the present time in order to qualify for a commission in the militia?

The CHAIRMAN: That answer will be obtained for you.

Mr. BROOME: In regard to high school cadets what regulations are there in regard to cadets serving in militia units?

The CHAIRMAN: Could we take that up under cadets, which is an item on the next page?

Mr. PAYNE: Would it be in order to inquire regarding the university training program?

The CHAIRMAN: That is on page 330.

We will proceed and perhaps questions will come to our mind.

I might also add that we will have a statement on the aspect of civil defence as it affects the military. This also will come from the minister.

Mr. MCILRAITH: Most of the questions concerning the militia have to do with the minister and are properly not asked here at the moment.

The CHAIRMAN: I realized that, but I thought we might cover some of the detail.

Mr. SMALL: Could you give us an explanation? At the bottom of the page it says part-time positions and seasonal positions. Would you differentiate between part-time and seasonal?

Mr. ARMSTRONG: A seasonal position is a full-time position during a part of the year. That would be perhaps during the summer or during the winter. A part-time position is a position involving employment for part of the day, perhaps, or perhaps part of a month, or mornings only or something of that sort.

Mr. CHAMBERS: In most of the other civilian staffs we have seen quite an increase apparently due to the raise in pay for the civil service. The amount here is fairly constant. The number of employees is constant and the additional amount paid is only a slight increase. Is there a reason for this? Are these occasional employees or civil servants?

Mr. ANDERSON: They are predominantly civil servants. There is this aspect of the part-time; say for instance the army caretaker who comes in for part of a day or one day a week and is seasonal. Obviously the straight six or eight per cent increase is not reflected.

Mr. CHAMBERS: Have there been some changes on the salary ranges?

Mr. ANDERSON: I am told one of the reasons is that the salary range for army caretakers from coast to coast has not been revised upwards.

Mr. SMALL: At the very bottom it says, "Net total continuing establishment," and then, "Casuals and others". Where do the casuals and others fit into these part-time and seasonal positions? Where are the casuals?

Mr. ANDERSON: They are on the separate line below that. Like the civil service, the prevailing rate employees are either full-time, part-time, or seasonal. Then there is a fourth category, the individuals hired as occasional help, for instance at a summer camp.

The CHAIRMAN: Page 330 "travelling and removal expenses". First of all, I wonder if we are through with page 329? If so we will turn to page 330.

Mr. MACNAUGHTON: There is quite a reduction in travelling and removal expenses. Is there any basic reason for it? Last year I believe the estimate was short.

Mr. ANDERSON: The minister will probably talk of the new militia training. One major factor is that since the militia are training with the regular forces, their summer training will be in the month of June. We anticipate there will be a lesser number getting better training.

The CHAIRMAN: I may point out to you that quite a number of us have questions on policy which will be directed to the minister.

Mr. MACNAUGHTON: Does that involve less training then?

Mr. ANDERSON: There is provision for as much training in the local areas as there always has been. Those of us who are participating in the preparation of these estimates assume that fewer people would take summer camp training.

Mr. FAIRFIELD: I notice that the pay and allowances has dropped by $2 million from last year, and yet the parades of the militia are cut almost in half. Why is the allotment of pay and allowances cut in half?

Mr. ANDERSON: I am back to the fact that fewer people expected to go to summer camp than went in previous years. This pay primary has a number of elements in it. One of course is the local headquarters training; another is camp training and a third is the civil training or administration time provided officers and N.C.O.'s with the G.O.C.'s special permission. A compounding of these factors led us to believe this year we could maintain a militia for less money than last year.

Mr. FAIRFIELD: I have a supplementary question. The expenditures last year were $16 million odd and expenditures estimated for this year are $13 million; yet the militia are only training half the time. At least they had two parades a week last year and this year they have cut down to one.

Mr. ANDERSON: I do not agree with the statement of their training half time. As you know, they were permitted last year a total of 60 days' training. We have reports from all commands, which when tabulated indicated that the average militia man—if there is such an individual—trained about 38 days. The authority this year is for 40 days' training, so it can be argued that there is room for all the training he will take.

Mr. PAYNE: I am sorry, but this question is of a general nature and, as you know, I waited a number of days to make it. I will explain its generality is because of the conviction of myself, and a great many other Canadians, that the university training program is today perhaps the greatest hope Canada has in the defence field. The estimates in no way attempt to break that down. I was wondering if it would be in order to have a statement, if not on a question of policy, then on a question of reporting the operation. I would like to know how are students selected, how much of our estimates are allotted to this work, what training is provided, how many there are involved and where they take their training. Generally, I would like to know all the factors concerned with the university training program which is offered through the Canadian militia.

The CHAIRMAN: Is that information immediately available? I do not see any reason why that should not be given.

Mr. PAYNE: I do not want to hold up the proceedings.

The CHAIRMAN: Would you mind giving us again specifically what you would like.

Mr. PAYNE: I would like to have the amount of money spent on the university training program, the number of students involved in the training, where they are, the type of courses that are offered and the period of service for which they sign. I would like a general statement on the university training program.

Mr. CLANCY: Mr. Chairman, we are on militia training and I think it is about time we had a policy statement from the department. I am all in favour of militia training.

The CHAIRMAN: I pointed out that this would be dealt with by the minister on Thursday.

Mr. CLANCY: I was wanting to bring it up.

The CHAIRMAN: It will be done.

Mr. FISHER: Could I add a couple of further questions to the ones that have been offered in relation to the university training program? Could we have some information on the ratio of success within the university scheme? I am sure records are kept of how these people make out, how many fail to attain qualification and that sort of thing.

Mr. MILLER: At the university each year?

Mr. FISHER: Yes. I want to be able to use these statistics to compare them with the Royal Military College.

Mr. PAYNE: And how many remain in the service?

Mr. MCCLEAVE: I wonder when the minister makes his statement of policy on the militia if he could provide us with a breakdown between officers and men and also a comparison as to why the naval reserve is cut down one-third and the army, the militia, is cut down about one-sixth or one-seventh.

The CHAIRMAN: All right.

Mr. CHAMBERS: On this matter of pay and allowances, what procedure is used in the department to see that the parades that are claimed for by militia officers and men are actually done?

Mr. ARMSTRONG: I am not sure I have all the details on this. However, each militiaman must sign for his attendance and his commanding officer must certify the attendance of those who are at the unit for training. The pay is compiled on the basis of those attendance records.

Mr. CHAMBERS: If I may say so, Mr. Chairman, I think these records were kept in the same way the rum issue was indented for during the war.

Mr. ARMSTRONG: If I may say so, these records are checked and audited. I would not claim there are not occasions when people perhaps are paid for a service that is not rendered, but there is a careful check made on these records both by the army, and through their area paymasters and command paymasters; and our own deputy minister's auditor goes in and checks on an on-the-spot basis the militia records. On the whole, I think the records are satisfactorily kept.

The CHAIRMAN: Is there anything further on page 330?

Mr. FISHER: I would like to ask a specific question; the answer will come later. Could you inquire for me whether there is any truth in the report that the 17th battery of militia unit in Fort William is going to be transferred to Port Arthur and come under the Lake Superior regiment?

The CHAIRMAN: We will get an answer to it.

Mr. FAIRFIELD: I suppose this is a policy question as well, relating to civil defence. Could the department tell me when the militia are taking civil defence training, which is about half of the time under your jurisdiction, do they come at that time under civil defence, the Department of National Health and Welfare, or do they come under the Department of National Defence?

Mr. MILLER: They come entirely under the Department of National Defence.

Mr. FAIRFIELD: They take their instructions throughout from civil defence personnel?

Mr. MILLER: Not that I am aware of. A syllabus of training would be worked out and agreed to on civil defence, I would presume.

The CHAIRMAN: Is there anything further on page 330?

Mr. BROOME: Page 330 is the starting of the northwest highway system?

The CHAIRMAN: Yes.

Mr. BROOME: What is the mileage of that system?

Mr. ANDERSON: 1200 miles.

Mr. NIELSEN: In regard to page 330, I understand that a year or two ago there were studies made with respect to the possibility of turning over the northwest highway system maintenance operations to the Department of Transport. Are there any plans of the department to implement the recommendations of that study in the near future? Is it the intent of the department to turn over the highway system?

Mr. MILLER: At the moment, there is no intention of the department turning over a highway to the Department of Transport. As you know, we have negotiated an agreement with the province of British Columbia that the first fifty miles that are being paved between Dawson Creek and Saint John will be turned over to the government of the province of British Columbia for maintenance after it is paid.

Mr. PAYNE: Dawson to where?

Mr. MILLER: Fort Saint John.

Mr. NIELSEN: Further along those lines, could the deputy minister state whether it will be the policy of the department to turn over various sections of the highway, as it becomes economically feasible to the province and to the territories involved to do so?

Mr. MILLER: I am afraid, Mr. Chairman, I cannot look clearly ahead to the future and see what the policy might be. At the moment, we are responsible for the maintenance of the highway. It is a heavy expenditure of the department. It is catering 95 per cent to civilian traffic, and the heavy traffic on the road makes the maintenance costs very high, as you see here. I am unable to say at the moment whether or not it will be practicable or possible to turn it over to some other agency in the future.

Mr. NIELSEN: I have quite a number of other questions on this.

The CHAIRMAN: Proceed Mr. Nielsen.

Mr. NIELSEN: Did the previous administration come to any fixed determination with respect to a chronological paving program of the highway?

Mr. MILLER: As I mentioned, the first fifty miles is all that has been dealt with. That was a heavily travelled portion of the road because of the development in the area, and the paving of that was done without its being set in an over-all plan for continuing paving.

Mr. NIELSEN: That was not my question. I wonder if you could state whether the previous administration came to any fixed intention progressively to pave the Alaska highway?

Mr. MILLER: Not to my knowledge.

Mr. NIELSEN: Is there any such intention which exists now?

Mr. MILLER: Not to my knowledge.

Mr. NIELSEN: Will the minister make a policy statement on that?

The CHAIRMAN: I believe he will. It seems to me by indicating the nature of these questions now, he will be in a position to answer them.

Mr. MACLEAN (*Winnipeg North Centre*): There are rumours that the Carpiequet barracks in Winnipeg are to be discontinued and the property sold to the city of Winnipeg. Can you give me any information on this?

The CHAIRMAN: That will be obtained.

Mr. CHAMBERS: I notice a reduction in the pay and allowances of the army cadets. Does this reflect a policy to restrict the cadet program?

Mr. ANDERSON: No, the money provided is in the amount which we think will be used. I think if you notice the expenditure last year, it is down $100,000 on that, so this year's estimate is more closely related to expenditure prospects without curtailment.

Mr. CHAMBERS: I know in my own area there are more candidates for summer cadet camps than places provided. Is it the policy to expand?

Mr. ANDERSON: There is an authorized ceiling for cadets of 75,000. This is a very large number, and the existing facilities are used as they have been in the past years.

Mr. CHAIRMAN: I have a supplementary question. What is the strength in relation to that 75,000?

Mr. ANDERSON: The total number of cadets is 66,797.

Mr. BROOME: In regard to the northwest highway system, could we have a map showing the route of that highway, including in that map the number of miles through British Columbia, Alberta and the Yukon, or wherever it goes to?

Mr. NIELSEN: Could we finish the militia first and deal with the northwest highway after?

The CHAIRMAN: Have you any further questions?

Mr. CARTER: I wonder if we could have that number you spoke about broken down by provinces. You do not need necessarily to give it now unless you have it there.

Mr. ANDERSON: This listing is for the army cadets. It is by commands, which coincides pretty closely to provinces. Do you want the number of corps or the number of cadets?

Mr. CARTER: Cadets.

Mr. ANDERSON: In the western command there are 3,907; the prairie command, 2,860; central command, 35,657; Quebec, 18,942; eastern command 5,431.

The CHAIRMAN: Are there any further questions on the militia?

Mr. FISHER: A number of years ago Lord Strathcona set up a fund that I believe was doled out to cadet corps to carry on some type of drill and physical training. What relationship has that fund to the Department of National Defence and the cadets? Is there any information available?

Mr. MILLER: It is not reflected in these, because it is a fund administered by the minister, I believe, and through committees in each of the provinces who advise the minister on how to spend the funds. The funds are allotted on a pro rata basis, not on the cadet basis, but children of school age basis.

Mr. FISHER: So in essence, it is more of a school set-up rather than a cadet set-up, but it is under the minister?

Mr. MILLER: There is a chairman of the committee at headquarters, and he is advised of local committees in the province.

Mr. GRAFFTEY: With regard to casual labour, when it is possible do your personnel officers at these summer camps work in close conjunction with the national placement service? What is the system for getting their casual labour?

Mr. ANDERSON: Yes they do. There is, as you know, a civilian personnel adviser, a departmental official in each of the command headquarters, and when people are placed he goes first to the waiting list, to the unemployed.

Mr. GRAFFTEY: He goes first to the waiting list of the unemployed?

Mr. MILLER: Yes.

Mr. CHAMBERS: I have one more question on the cadets. You mentioned 75,000. What capacity has the department for summer camps for cadets? How many can they take?

Mr. ANDERSON: We have not got that figure here. I can roughly estimate it at 5,000.

Mr. CHAMBERS: I would like to know if it is the policy to increase that capacity?

The CHAIRMAN: That will be obtained for you. Are there any further questions?

Mr. FISHER: I should preface this question by saying there is really no nasty intent in it. In filling positions in these camps, is the department under a certain amount of pressure or advisement from members of parliament?

The CHAIRMAN: That will be referred to the minister.

Mr. SMALL: If it is not, it should be.

The CHAIRMAN: Gentlemen, I think you have completed the militia and we will go on to Mr. Nielsen and the northwest highway system.

Mr. NIELSEN: The northwest highway system extends by way of explanation from mile zero at Dawson Creek to Fort Saint John, Fort Nelson, Watson lake, Whitehorse to Tok Junction on the Yukon-Alaska border. Would the deputy minister care to explain the present policy with regard to those responsibilities for the administration of the northwest highway system in connection with the procurement of equipment and supplies locally?

Mr. MILLER: I am not aware of any essential difference between the procurement for the northwest highway system and the standard procurement for the department in other areas. Equipment required, mobile equipment, that is required for the maintenance of a road is procured by the Department of Defence Production in their normal contractual arrangements. Local purchases of food and other items along the area I imagine again reflect a standard procurement policy, with probably more emphasis on local procurement than would normally be present in more settled areas of Canada. If you have any specific problems, we could look into it.

Mr. NIELSEN: I have many, Mr. deputy minister, which I referred to the department. I wonder if you could also tell us whether the policy of the department is to tender for building contracts rather than utilize the construction forces within the army? I mean to tender publicly for the carrying out of such projects rather than utilizing the army construction forces?

Mr. MILLER: Our standard method in the department is to employ public tender wherever possible. That would cover all new buildings and projects, and that sort of activity. When we get into the smaller maintenance activity where the preparation of plans and specifications that will enable a tender

to be called is a large element in a very small purchase, we use the works companies for smaller projects of that nature. We do not call for tenders on it. Those are very limited projects—$10,000 or something of that sort.

Mr. NIELSEN: Would the deputy minister indicate to the committee—perhaps by way of explanation before I ask the question I should say that large areas of the city of Whitehorse proper are occupied by army installations which provide storage grounds and storage buildings for the housing of army vehicles and equipment. I understand there is a program for enlarging the accommodation for this equipment and these supplies around the city of Whitehorse proper. Could the deputy minister give me any indication as to when it is intended to evacuate these forces from the city of Whitehorse, thus making them available for industrial and residential expansion?

Mr. MILLER: I am advised and we hope we will be able to relinquish that area within the next two years.

Mr. NIELSEN: Could the department provide this committee with a detailed breakdown of the total amount listed on the white sheet of $5,950,000 set aside for station development and a detailed breakdown of the item of $453,000 listed under the column "agencies".

Mr. ANDERSON: The construction program concerns all those items. There are eight-row houses at Haines Junction, Yukon Territory; replace the bridge at Little Beaver creek; a new Peace river bridge; a new well and utility building at Haines Junction—

Mr. PAYNE: How much is for the new Peace river bridge?

Mr. ANDERSON: The amount provided in commitment authority is $6 million. There is the new well and utility building which will cost $30,000; paving the 52 miles of the highway—$1,650,000; at Whitehorse a 120-bay hospital; 75 emergency married quarters to be renovated, which has civilian accommodation for 100 people; temporary deployment magazines for storage of explosives; 3 garages for existing married quarters at Beaver creek; 80 garages for existing married quarters at Whitehorse and a service car garage at Whitehorse.

The CHAIRMAN: I believe you had a question, Mr. Broome?

Mr. BROOME: Mr. Nielsen has covered a lot of them. What I was thinking, Mr. Chairman, if we could have prepared some general information on this highway system in the way of the routes, the traffic as taken by your people who count this traffic and any special regulations in regard to the use of the road; also the approximate period of time the road is open. I would like a general background on the highway system, and the policy in regard to the gradual transfer of this highway system over to civilian authority when it is contemplated. That will be a policy statement. I would also like any detailed account in regard to repairs and upkeep of buildings and works of roughly $1 million. What would be the total value of the buildings and works which are being kept up?

The CHAIRMAN: Where are you now?

Mr. BROOME: Northwest highway system.

The CHAIRMAN: Which section?

Mr. BROOME: 14, "repairs and upkeep of buildings and works". I know that you are unable to give that right away.

Mr. ANDERSON: The greater part of this, of course, is road maintenance. It is a gravel road maintained to good standards.

Mr. BROOME: The roads are?

Mr. ANDERSON: Yes. The only buildings are those at Whitehorse and maintenance camps.

Mr. NIELSEN: Could the department provide for this committee a detailed breakdown of the total amount listed on the white sheet of $5,950,000 set aside in these categories: new construction, road maintenance and buildings, as far as that is possible, when you describe it from the administration end of the estimates. When I say new construction I mean new road construction, because there is a constant program of new construction carried out on the Alaska highway and this falls into the category of new construction as opposed to maintenance. So that I would like new construction of roads and new construction of buildings and maintenance segregated in these estimates. I think it should not be too dfficult to obtain.

The CHAIRMAN: It will be obtained for you Mr. Nielsen. Is there anything further?

Mr. NIELSEN: Has the department made any further study with respect to the maintenance of the road from Haines Junction on the highway to Haines on the Alaska panhandle as an all weather road.

The CHAIRMAN: That will also be obtained for you, Mr. Nielsen.

Mr. NIELSEN: If they have this information could it be made available? In what part of the estimates is contained the provision which the Department of National Defence makes toward education and maintenance of schools, and the capital cost of the construction of new schools in the Yukon?

Mr. ANDERSON: Their continuing requirement is a municipal and utility public service, under item 19.

Mr. NIELSEN: Could you answer that question?

Mr. SMALL: We are on the northwest highway system on page 330 and 331. It is mostly a matter of salaries that are lumped into one sum, and there will not be any particular search for savings there that I can see. I suggest we go on to page 332 half way down where we come into these questions they are asking; civilian allowances, pay and allowances, travelling and removal expenses, freight express and cartage and all these questions asked under these various items. In this way we can make some progress today, and complete these two or three pages.

The CHAIRMAN: It has been our practice that you may revert back to those sections. We are dealing specifically with the sections which interest, at the moment, Mr. Nielsen. I am letting him proceed on that basis. We can consider that we are dealing with the subject matter as a whole, so that you may still have an opportunity of reverting back.

Mr. NIELSEN: I was on the northwest highway system vote as a whole. I cannot quite bring myself to see how the estimates of contributions toward educational or capital cost and maintenance could be contained in municipal items.

Mr. ANDERSON: There is nothing in these estimates, that I know of, of a capital nature. A year or so ago there were contributions made by special arrangement between the department and the town of Whitehorse for construction of schools. We now have in these items the non-resident school fees provision tied to the fact that the people in married quarters have rather special circumstances in the beginning.

Mr. NIELSEN: Where can I find them?

Mr. ANDERSON: Towards the bottom of page 332, municipal and public utility services.

Mr. MCCLEAVE: My question is a follow-up on the maintenance of roads. I was wondering if one of the witnesses now or at a future date could give the experience of maintenance, once the black top is put on this highway system.

Mr. MILLER: We have not the black top on yet. The money is in progress of being spent and the contract is being carried out this summer. Until this is completed and we get experience on it, I am afraid we have no comparable experience on this particular road.

Mr. PAYNE: Mr. Chairman, referring again to the Peace river bridge, has there or has there not been an agreement reached between the province of British Columbia and the Department of National Defence relative to maintenance costs once that structure is finished?

Mr. MILLER: I do not think there has been any specific agreement, so far as the bridge itself is concerned; but the bridge is part of that first 50 miles. I suppose it will be the continued responsibility of the province.

Mr. PAYNE: But there is no agreement at the present time that the province take over the maintenance of that structure.

Mr. MILLER: They have agreed to do so. Whether there has been a formal agreement or not, at the moment I am not sure.

The CHAIRMAN: Are you through with pages 330 and 331?

Mr. NIELSEN: No. Could you tell us, Mr. Miller, if the contract for the reconstruction of the Peace river bridge has yet been let and if so, to whom, and for how much?

Mr. MILLER: I think it is in tender form now and the contract has not yet been let. I point out again that the responsibility is that of the Department of Defence Production for a contract of that nature.

Mr. NIELSEN: Do you know, Mr. Miller, if it is the intention that all of that construction will go to public tender?

Mr. MILLER: It has all gone as far as I am aware.

Mr. BROOME: I have a supplementary question. Is that $1 million referred to in the Peace river bridge and the break-down, on the white sheet, an estimated cost of the new bridge, or does the existing bridge involve that in any way?

Mr. MILLER: I am not exactly sure of your question.

Mr. BROOME: In giving Mr. Nielsen details on the white sheet of some $5,950,000 for the northwest highway there was $1 million of that, I think, read out as being an estimate on the Peace river bridge.

Mr. ANDERSON: The estimated total cost of the bridge as read previously was $6 million, not $1 million.

Mr. BROOME: What was the $1 million for then?

Mr. CHAMBERS: The $1 million was for black topping of 52 miles of highway.

Mr. ANDERSON: Yes, $1,650,000 for black topping.

Mr. PAYNE: Does the amount cover the temporary use of the P.G.E. bridge which is in temporary service?

Mr. MILLER: We paid for the provision of the bridge, including the cost of the pine and planking of the bridge. I am not aware of any fee that we paid for the use of the P.G.E. bridge.

Mr. PAYNE: Where does that come in the estimates?

Mr. MILLER: It was paid for last year.

Mr. PAYNE: It was paid for last year?

Mr. MILLER: Yes.

The CHAIRMAN: Is there anything further on page 330 or 331?

Mr. NIELSEN: Concerning this northwest highway system, I wonder if the deputy minister could tell us where we might find the contribution of this department to the capital cost of the 120-bed hospital, which is not a Department of National Defence hospital but one belonging to the Northern Health Services in the area?

The CHAIRMAN: We note that it is not on pages 330 or 331. We may pass this, may we?

Mr. NIELSEN: If I can find out where it is.

The CHAIRMAN: We will find this for you.

Mr. NIELSEN: And I also have a supplementary question after that answer.

Mr. ANDERSON: It was on the list of items I read previously. The provision is for the regular army and general, primary 13. It is back several pages.

Mr. NIELSEN: I wonder, if any other occurrences of that type come up, if you include those in the over-all maintenance cost in the picture that you are going to provide this committee on the Alaska highway? Is it a roadway cost?

Mr. ANDERSON: Yes. We would, in answer, include the regular army and general costs, It is a matter of administrative convenience. It appears as part of the items on page 328.

Mr. NIELSEN: That type of information would have to be extracted for us to arrive at a reasonably accurate cost of maintenance.

Mr. ANDERSON: Yes. It is shown separately as a construction cost.

The CHAIRMAN: We have reached page 332.

I believe that a number of the members have an important meeting at 1:00 o'clock. Perhaps we might consider adjourning 15 minutes early.

Mr. SMALL: I so move.

The CHAIRMAN: Is there any objection to that? Our next meeting will be at 11:00 o'clock on Thursday in room 118. At that time we will have a statement from the minister on the militia.

Mr. MACLEAN *(Winnipeg North Centre):* I think we should move a vote of thanks to the officials of the department, for giving up part of their holiday so as to be with us.

The CHAIRMAN: I certainly support that.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

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THURSDAY, JULY 3, 1958

DEPARTMENT OF NATIONAL DEFENCE

WITNESSES:

Honourable George R. Pearkes, V.C., Minister of National Defence; and Colonel F. E. Anderson, Director of Army Budget.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
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OTTAWA, 1958

60132-8—1

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Pickersgill,
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Richard (*Kamouraska*),
Rowe,
Skoreyko,
Small,
Smallwood,
Smith (*Winnipeg North*),
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDERS OF REFERENCE

TUESDAY, July 1, 1958.

Ordered,—That the name of Mr. McGee be substituted for that of Mr. McDonald (*Hamilton South*); and

That the name of Mr. Skoreyko be substituted for that of Mr. Murphy on the Standing Committee on Estimates.

WEDNESDAY, July 2, 1958.

Ordered,—That items numbered 78 to 84 inclusive, as listed in the Main Estimates 1958-59, and item No. 541, as listed in the Supplementary Estimates for the fiscal year ending March 31, 1959, relating to the Department of Defence Production, be withdrawn from the Committee of Supply and be referred to the Standing Committee on Estimates, saving always the powers of the Committee of Supply in relation to the voting of public moneys.

Attest.

LÉON J. RAYMOND,
Clerk of the House.

60132-8—1½

REPORT TO THE HOUSE

WEDNESDAY, July 2, 1958.

The Standing Committee on Estimates has the honour to present the following as its

THIRD REPORT

On Tuesday June 3, 1958, the House referred to this Committee the Main and Supplementary Estimates for the fiscal year ending March 31, 1959, relating to the Department of National Defence.

Your Committee now recommends that its Order of Reference be enlarged to enable the Committee to consider the Items relating to the Department of Defence Production, as listed in the Main Estimates, 1958,59, and in the Supplementary Estimates for the fiscal year ending March 31, 1959.

Respectfully submitted,

ARTHUR R. SMITH,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, July 3, 1958.
(11)

The Standing Committee on Estimates met at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Allard, Baldwin, Benidickson, Broome, Bruchési, Cardin, Carter, Cathers, Chambers, Chown, Clancy, Danforth, Dumas, Fairfield, Fisher, Grafftey, Hales, Hardie, Hicks, Howe, Lennard, MacEwan, MacLean (*Winnipeg North Centre*), Macnaughton, McCleave, McGee, McIlraith, McMillan, More, Nielsen, Payne, Pearson, Peters, Ricard, Skoreyko, Small, Smallwood, Smith (*Calgary South*), Smith (*Winnipeg North*), Thompson and Vivian.—41.

In attendance: From the Department of National Defence: Honourable George R. Pearkes, V.C., Minister; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister-Finance; Colonel F. E. Anderson, Director of Army Budget; Lieut. Col. H. A. Bush, Deputy Director of Army Budget; and Mr. D. B. Dwyer, Superintendent of Parliamentary Returns.

Replies to questions asked previously were deposited for incorporation in the record (*See Appendix "C" to to-day's Evidence*).

Mr. Fisher suggested that the Commandant of the Royal Military College be called to supply information to this Committee.

On motion of Mr. Chown, seconded by Mr. Hales,

Resolved,—That the question of calling the Commandant and the Director of Studies of the Royal Military College be referred to the Steering Committee.

On motion of Mr. Broome, seconded by Mr. MacLean (*Winnipeg North Centre*),

Resolved,—That the suggestion that the Committee visit the A.V. ROE establishment at Malton be referred to the Steering Committee.

The Committee further considered the Estimates, 1958-59, relating to the Department of National Defence.

The Minister outlined the history of the Canadian Militia and its present day role; and he was questioned thereon.

Agreed,—That the question of calling Civil Defence officers of the Department of National Health and Welfare be referred to the Steering Committee.

Under Item 220—Defence Services:

The Minister answered various questions relating to Canadian Army—Militia, including Canadian Officers Training Corps, Royal Canadian Army Cadets, Northwest Highway System, and to the Northwest Territories and Yukon Radio System.

Moved by Mr. Peters, seconded by Mr. Grafftey,

That the Committee meet at 9.00 a.m. Friday, July 4, 1958, to hear a statement from the Minister on Air Defence Services,—

Carried on Division.

At 1.10 p.m. the Committee adjourned until 9.00 a.m., Friday, July 4, 1958.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

THURSDAY, July 3, 1958
11:00 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum, so we can proceed.

At a previous meeting Mr. Fisher requested that certain officials from the Royal Military College, namely the commandant and one other gentleman appear before the committee. In order to have this done, it would require either a vote of the committee or referral to the steering committee for a decision and recommendation. We have had many questions answered on the Royal Military College, but I gather, Mr. Fisher, you would like to have these officials here. Is that correct?

Mr. FISHER: I would like to state to the committee my reasons for wanting to have them here. I would like to underline the point that there is no thought of grilling these officials. It is in order to obtain information for the members in relation to the policy of the Royal Military College. I think you will all appreciate that R.M.C., now that it is going to offer degrees, is going to be a unique institution. It will be the only place in Canada where Canadian students can get an entire university education completely supported and subsidized. That, I suggest, is a new principle in Canada and something I think we need to consider with the gentlemen who are directly on the spot. In this way, they will be able to inform us.

It will compare with other university education and it will give us some idea of the projected areas of the establishment which they envisage.

It seems to me with this new business of offering degrees, there is going to be greater and greater pressure. I hope in offering degrees it will bring in a high standard of students.

There is one other factor I feel we can gain from having the director of studies and the commandant before us. It is a question not often discussed in university circles, that of academic freedom within such an establishment. As you know, in universities the whole air of the university is that of freedom to inquire. Thus, in having a university within a military establishment, there is a question of the relationship between the Department of National Defence and the faculty to be considered, to guarantee academic freedom for the teachers, and the whole relationship of the military side of the students' training with the academic side. For these reasons, I think it would be extremely informative for us and it would give us all an opportunity to know more about the immediate past of the Royal Military College and its projected future.

I would appreciate it very much if the committee were to recognize the reasons I have given, and would go along with calling these two gentlemen before the committee.

The CHAIRMAN: Gentlemen, I believe it has been customary to have the committee make a decision if they would like to hear such witness. Or, as an alternative, it may be referred to the steering committee. What is your request?

Mr. CHOWN: I move that it be referred to the steering committee.

Mr. HALES: I second the motion.

The CHAIRMAN: All those in favour? Opposed, if any?

Agreed.

The CHAIRMAN: Gentlemen, we have two new members this morning, Mr. Skoreyko and Mr. McGee. We are happy to have you gentlemen here today. As we stated at our last meeting, we continued without having the minister with us and we are very happy that he is with us again today, together with the officials of the department. It was suggested that we defer the questions in regard to policy in relation to the militia, and thus provide an opportunity for the minister to make a statement concerning such policy, and then to proceed with the general items we have covered in the northwest highway system. We will also have an opportunity to question the minister on civil defence as it affects the militia.

I would ask the minister if he would now proceed, and after that we can have a question period following his statement.

Mr. BROOME: Before you go on to that, there is one general item I would like to bring before the committee; that is the advisability, before we consider the R.C.A.F. estimates, that this committee go to the AVRO plant at Malton during a working day. I think we should secure the permission from the house, if the committee agrees, so that we can see the Malton operation at first hand. I think it would be useful for the committee to do that. Perhaps in the judgment of the committee it may not serve any useful purpose. However, it is a suggestion I would like to throw out for your consideration.

The CHAIRMAN: Perhaps that is something that could be referred to the steering committee to examine.

Mr. BROOME: I so move.

Mr. MACLEAN (*Winnipeg North Centre*): I will second that motion.

Agreed.

The CHAIRMAN: Mr. Minister, would you proceed.

Hon. G. R. PEARKES (*Minister of National Defence*): Mr. Chairman, I understand you desire a general review of the militia and its role in the present circumstances.

For a moment or two, may I start back and give you the background history of the militia. I will not take long, but I think it is helpful.

The first volunteer militia act in what was then known as the province of Canada was passed in the spring of 1855. It was passed at that time because the regular British regiments which had been responsible through their government for the defence of Canada, were withdrawn to take part in the Crimean war, which was then being waged between Russia and the allies.

Following the passing of that act, numerous militia corps were organized throughout the then settled part of Canada, and they gradually grew in strength. At first, there were not any Canadian regulars at all, but gradually training schools were established which were manned by ex-officers and non-commissioned officers of the British army. These schools were to instruct the various militia corps. Mind you, there had been some militia units before the passing of this first militia act.

After the South African war there was clearer evidence of the need of what would be called dominion troops to assist the British Empire in various wars in which it might be engaged. There was a great growth in the militia between 1900 and 1914. In 1914 the militia was not used except as a recruiting agency to form the battallions of the Canadian expeditionary force, which went over to fight the First World War. No militia unit as such carried its title through the first world war. They might have a sub-title with the exception of the units of the Canadian cavalry brigade and one or two others

such as the Royal Canadian Regiment, which had just become a permanent regiment, and the Princess Patricia Canadian Light Infantry which was raised under certain special conditions. They all carried a battalion number. It was rather a setback to the militia.

But again, after the conclusion of hostilities the militia was reorganized and was based on the divisional organization, in which it was considered that there should be six divisions of militia which could be organized, mobilized, and after a period of training and drawing of more stores and equipment, could be sent overseas.

That condition existed during the period between the First and Second World Wars. The mobilization scheme had been improved, and when war broke out in 1939 the militia was called upon to send units to the first and second Canadian divisions which were mobilized in the very early days of the war. After a limited period of training and recruiting up to strength, they were sent overseas. The first unit went over in December of 1939. Subsequent divisions were mobilized, and, in all cases, different to the mobilization of the First World War. They were mobilized as militia units carrying the titles which they had had during the period in between the wars.

In the period between the South African war and the outbreak of the Second World War, the militia was essentially a force which could be mobilized and after a period of training and equipping could be sent overseas if the government of the day so directed. They were able to follow the same practice in mobilization and recruiting up to strength if at the time it was considered Canada might be invaded.

Before the war there were some 4,000 regular soldiers, officers and men. They were primarily given the task of assisting the militia and being able to deal with any local problems here in Canada. When war broke out the second time they were brought up to strength and joined the expeditionary forces.

Today, we have a situation where there are between 47,000 and 48,000 regular soldiers, compared with the 4,000 of prewar days. Therefore, the role and position of the militia should be re-assessed in relation to the greatly increased number of regulars in the Canadian army today. Of course, the number of regulars now employed is based upon the changing conditions of war.

It is assumed, as I stated in my first remarks to this committee, that if there is any major war it will start off with a period of intense nuclear activity, with a very short period of warning. Therefore, it is considered essential that we have forces in being—that is, ships and men and aircraft—ready at short notice and in position. As I so stated on that earlier occasion, the opportunities for reinforcing troops which would be overseas during the early stages of the war, are considered by the military authorities of NATO to be practically impossible. They consider there will be no time for the mobilization, equipping and recruiting of large forces of citizen soldiers to be sent overseas in the event of another war, certainly not in the early phases of that war.

On the other hand, Canada is almost certain to be within the target areas of nuclear attack, and the chances, if there is another war, that Canada will be the theatre of operations are much greater than they have been during the previous half century. Therefore, it would seem to me that the important role of the militia of Canada has changed. It has changed from that of being an organization which, after the outbreak of war, could be recruited, equipped and trained and then sent overseas, to one whose primary role will be to cooperate with the regular forces stationed in Canada and with the civil defence organizations to maintain the life, the very existence, of this nation during that period of nuclear attack.

Therefore, in order to do that I feel we need a body of disciplined men who are trained, ready and organized to play their part in aiding the authorities under the confused and appalling conditions which will exist. It will exist perhaps in various parts of this country, if we are struck by nuclear attack. However, I cannot exclude altogether the possibility that circumstances might arise which would mean that some militia officers and men, and possibly units, would be needed for service overseas during the latter stages of a war.

We feel it is important that the militia officers and men in limited numbers should still retain their knowledge of employing the military arts, and how to use their weapons. They should know something of tactical organization, and that sort of thing. So, therefore, we cannot turn the militia into a civil defence organization entirely. I have stressed what I feel is the important thing they must develop—discipline and trained bodies of men, so that they can move in and restore the hopeless situation which would exist should any of our cities become the target of nuclear attack.

I do feel that the basis of organization of the militia, and the basis of training of the militia, which existed in pre-Second-World-War days, is not the right type of organization, is it the type of training we need for the militia to carry out the duties which I have indicated in the defence of their very homeland.

Therefore, we are reviewing all the estimates of the militia, and we feel that it should be changed from that of a divisional organization with infantry and reconnaissance units and artillery, and all the different component parts which make up a division and which are now represented by units of the militia all across Canada. The organization should be based partly on the proximity to possible targets in Canada, and primarily upon the ability of the various localities to support a militia unit. The question of reorganization of the militia along those lines is now under study. I still want to stress that the militia is an important element in our deterrent, because it is going to be trained so it can help sustain the life of this nation under a nuclear attack and, therefore, make that attack less effective than if there were no such organization.

A limited number of men will carry out their training with their particular corps, so that, if the second eventuality that I mentioned should develop, with the possibility of units being sent overseas in a latter stage, or the need for men with some knowledge of military training to be sent to reinforce units of the regular army which might be overseas and still in existence, it would be important that what one might describe as strictly military training to a limited extent be carried out.

One thing which is facing us is the ever increasing cost of military requirements, equipment, even the pay of the troops. Everything has gone up and is still going up. Sometimes an army will go through phases of requirements a phase perhaps when there was a shortage of men and the emphasis must be placed on recruiting. Another phase would be when there was a shortage of accommodation.

Now, the Canadian army has been through those two phases, and today the most urgent requirement would appear to be modern equipment. If we are to provide modern equipment for the army and the other two services, and the cost of those requirements in the foreseeable future are very heavy, then we have got to apply our money to those requirements which seem to the defence authorities the most urgent. We have to put in the lower order of priority the requirements of some of the other organizations. We need a great deal of new military equipment. The provision of that is not clearly reflected in this year's estimates. Next year we will have to place a larger proportion of our money into the provision of new equipment, some of which is being and has been developed over the past few years. Therefore, we are faced with this matter as to what the role of the militia will be in

the face of the operations I have described. We cannot spend a great deal of money in the training of the militia for a role that it is extremely unlikely they would ever have to carry out again, that is the role of providing an expeditionary force after the outbreak of hostilities.

As I said before, there is being carried out a review of the militia situation. There are some localities which experience has shown have not been able to maintain the number of units that previously had been allocated to these localities. Some of those units will have to amalgamate with others. As we do not require a divisional organization, there will have to be local units of a more general-purpose character. To implement that we have organized the militia, in their militia group organization, into a certain number, I think it is 42 of mobile support columns which would be groups of militia who would be ready to move, say, from one locality to a nearby one, if their own locality was affected, and the other had been destroyed by nuclear attack; or if they are in and surviving in an area which has been attacked or partially attacked, then to be able immediately to render aid to civil powers.

Emphasis has been placed this year on the training of the militia in those duties which will enable them best to help this nation survive under a period of nuclear attack. That has been their prime object in training this year. There have been only a limited number of men taken into camps to train with the regular units. The reports I have seen, both from militia and regular officers who have been carrying out that training, speak well of the type of man who has come in, and the progress made under the training, and in short the efficiency of that type of training. I would ask you to remember the changed conditions. Forty-seven thousand regular troops in the army today, instead of four thousand. The militia strength today is just over 40,000 effective men, and at the height of the militia activities in the period between the first and second war it averaged about 50,000. So there has been a little reduction in the number of effective militia men training and yet we have very materially increased the number of regular troops.

The primary role of the militia today is to help the regular troops which would be stationed in Canada and the civil defence organization throughout the country to enable this country to exist under attack from nuclear weapons. The secondary role would be, in a later stage of the war if we have survived, that of building up an organization of such forces as may be required to rehabilitate or restore conditions anywhere in the world.

The CHAIRMAN: Thank you, Mr. Pearkes.

Mr. CHOWN: The minister's statement on this subject relates the role of the militia primarly to civil defence. I asked a question previously and perhaps the minister would comment on it now. What is the relationship of civil defence, per se, to the role of the militia, and why was it transferred out of the Department of National Defence to the Department of National Health and Welfare; and why in the light of his remarks has it not been transferred back under his jurisdiction?

Mr. PEARKES: I think the answer to the first question probably is the answer to all three questions. The policy is that the militia and the regulars are here in Canada to render aid to the civil authority. I think it is traditional today, in case of disturbances, that as long as the civil authority exists that the military aids that civil authority. If, perchance, the civil authority broke down, then martial law might have to be declared in some part or parts of Canada. Then the military might have to take over; but as long as the civil authority is functioning, then it is the traditional role of the military to render aid to that civil power.

I think, from the point of view of administration, it was decided some six or seven years ago—I have forgotten the exact date—that the civil defence would be transferred from the Department of National Defence to some other department. The previous government selected the Department of National Health and Welfare to carry out the civil defence organization and we have not considered it desirable to alter that arrangement up to the present time.

As you have seen announced in the papers, the chief of the general staff, who is retiring at the end of next month, has been authorized by the government to carry out a survey of the civil defence requirement and to make his recommendations. Remember we have had little or no experience as to how to build up a civil defence organization in peacetime.

The CHAIRMAN: Gentlemen, might I suggest that since Mr. Chown has introduced the aspect of civil defence we might continue with that until we have exhausted discussion on it before we start on the other aspect.

Mr. BENIDICKSON: Doctor Vivian raised the point that he would like to go into this pretty fully.

The CHAIRMAN: Mr. Fairfield did.

Mr. BENIDICKSON: I wonder if we could have the other department before us. I am thinking of the Department of National Health and Welfare. I do not think we need to consider it as an item in their estimates, but I am concerned about the liaison between the civil defence division and the reserve units of the country. I wonder if we could have someone from civil defence come before us without necessarily having to approve, or consider, their item in the estimates?

The CHAIRMAN: I can personally see no objection to that. Nevertheless, it does not preclude us continuing on with our discussion at this time.

Mr. BENIDICKSON: No; but I would like to see coordination between the two branches.

Mr. PEARKES: Coordination has been emphasized since that particular type of training has been inaugurated for the militia. There have been exercises carried out this year in all parts of the country at which the senoir militia officers have conferred with the senior civil defence officers, and they work at essential policy at the level of national headquarters here and the commands in the country and with the militia brigade groups. Also there has been an increased number of militia men and officers, and regulars, I think, at the civil defence college.

Mr. BENIDICKSON: I would like to have some evidence before this parliamentary group about the role of the civil defence organization. I know, from my own territory, people come to Arnprior for courses. They are not identified with the reserve units. I would want to know what cooperation is being maintained between the reserve units and these civilians who are coming down under other governmental direction?

Mr. PEARKES: This is done on a lower level in all cases. I have been present when there have been some junior officials of the civil defence organization and I have seen them lecturing a small group of militia men on the duties which have to be carried out.

Mr. BENIDICKSON: The senior pepole in the civil defence in the community with which I am acquainted are not identified with the militia.

Mr. PEARKES: Oh, no.

Mr. BENIDICKSON: That is why I want to be sure we have proper coordination on this.

The CHAIRMAN: This could be placed on the agenda of the steering committee for tomorrow morning and as an outstanding member of that subcommittee you would have an opportunity of explaining your viewpoint on this.

Mr. FAIRFIELD: This may be a security question. However I would like to ask the minister this question. With the regular forces which we have stationed in Europe, a brigade plus ancillary troops, if troops are called upon in the case of a sudden attack in this country what numbers of regular forces would we have in Canada?

Mr. PEARKES: At this time the regular forces overseas in Germany are approximately 5,500; there are about 1,000 regulars in U.N.E.F. in Egypt, and possibly, let us say, another 1,000 in various parts of the world, for instance in England taking courses, and carrying out United Nations jobs. I gave the figures earlier. The balance of the 47,000 are in Canada.

Mr. PETERS: I am sure the committee appreciated the background which the minister gave us; but is it not obvious from what the minister did say that the militia as such is no longer an effective organization in the way in which it was previously contemplated to be. In other words, it was for the purpose of raising reserves.

This brings up the question that if we are going to use them for defence, in the event of attack—in other words, the defence of our own country as a last ditch stand—they would have to be completely integrated with the civil defence organization.

In my own part of the country the civil defence organization is just non-existent. It is non-existent for several good reasons. One reason is that they have no authority. You appoint a very good man to head up the civil defence organization and he finds he has no authority to deal with the municipalities or even with the militia; and he finds himself in the position of being trained to the extent of knowing what a nuclear war will do to our part of the country, and realizes that he has to educate the people in the basic means of survival. Therefore, he should either be under these people in the militia or they should be under him.

There is the matter of guerilla warfare. This may not be true in the big cities, but in the northern areas there is a possibility that there are people who are in the bush, hunters and that type of person, who are quite capable of existing on an individual basis. It would appear to me that a great deal more of our training, if we are going to survive, will have to be done between these two organizations along these lines.

I think we should take a look at what has happened in other countries. Previously in Canada we were setting up a militia, or an army force, which would be the nucleus of an army which would be an expeditionary force, and it has functioned very well in that way. I think that Canada should be proud of the fact that they did have the nucleus of an army—and I am thinking particularly of the Algonquin regiment. I thing there should be the nucleus for an army which could go to the aid of other countries like Lithuania, Latvia, and Estonia which are over-run—

The CHAIRMAN: Are you going to ask a question at the end of this?

Mr. PETERS: I think something should be done about this. If a Sunday-night soldier is going to be trained for the purpose that was previously the case I fail to see where we are fulfilling that requirement if we have geared our own defence structure to only the defence of our own country.

I think this committee must make a decision as to where this civil defence is going. Personally, I am of the opinion that it has to go the same place that the militia goes, wherever that happens to be, because I do not think there is room for two organizations. That may not be a question.

The CHAIRMAN: I am inclined to agree with you.

Mr. PEARKES: That is a question of government policy, as to what is the future organization. We must wait until we have the results of the survey which is being started immediately.

The government feels it is desirable now, after the experience which has been gained over a period of some ten years, to have a review made. In this connection we have chosen the best man we could find available to carry out that review.

I stress the importance of the link, or cooperation, between the militia units and civil defence. I cannot urge that too strongly. I do not say that one should be under the other or that one part of it should go to some particular place. I cannot say, at the present time, that they should both be under the same commander. Let us wait for the report.

Mr. CHAMBERS: I would like to express my appreciation to the minister for his statement this morning. It certainly cleared up a lot of confusion which had existed in my mind as to the role of the militia in the future.

In view of what the minister has said, will the training, particularly the qualifications for various ranks within the militia, be changed in accordance with the new role? Today it would seem to me that the training is along practically the same lines as the training in the regular forces and in many instances men are being trained for roles which they will not conceivably have to carry out in the future.

I would hope, for instance, in the militia staff course, that perhaps some of the advanced tactical work would be taken out of the course and civil defence matters substituted.

Mr. PEARKES: That is already undertaken. The basic militia staff course will deal mainly with the organization of mobile support columns and how to move them rather than with the staging of an attack in warfare. The whole requirement for the qualification of an officers is presently under review.

Mr. BROOME: I am still confused in respect of the minister's answer to Mr. Chown's question in respect of the cooperation with the civil authorities. It seems to me that with the civil defence going under the Department of National Health and Welfare that the militia could cooperate and work under a civil authority just as well as could a civilian body.

Secondly, in respect of the major cities, I think it has been conclusively proven that you just cannot evacuate a city such as Vancouver and a great deal of the reason for civil defence falls flat on its face because it would be a question of maintaining what we have and treatment of those who are injured if we were subjected to attack. It would be a question of more or less a hasty but not an immediate evacuation.

I just cannot get in my mind the reason for the civil defence set-up.

Mr. PEARKES: All I can say is that the decision to put the civil defence administration under the Department of National Health and Welfare was made some years ago and this government has not seen the occasion yet to transfer it.

Mr. BENIDICKSON: Who will succeed General Letson in charge of the militia activities?

Mr. PEARKES: There will be no successor to General Letson appointed immediately.

Mr. FISHER: I have two questions. My first question has to do with guerilla warfare which has been brought up. The minister has stated there will be, in nuclear warfare, a possibility of survival. Have there been any plans drawn up to carry out defensive guerilla warfare by Canadians in the north into which the militia would fit? Are there any depots of arms and ammunition across the country, and experts available across the country to put those into force.

Mr. PEARKES: There are courses conducted from time to time on living under Arctic conditions. Those are mainly carried out from Fort Churchill during the wintertime. Throughout the whole of northern Canada there is an organization known as the Canadian Rangers. They are small groups of men who have experience in living in the north, such as hunters, miners and survey personnel. They are receiving a limited amount of instruction, are provided with a limited amount of equipment, and would be invaluable in the event of say enemy parachutists being dropped in limited numbers in the north or in the event that an enemy airman might have bailed out. They could be rounded up and taken care of.

Mr. FISHER: Is there any plan to strengthen that corps and extend it a little further to the more settled fringe of the country?

Mr. PEARKES: We have put first things first and we feel that corps is strong enough at the present time.

Mr. FISHER: I have a second question, which may sound like an opinion. At the present time there is a remarkable lack of esprit-de-corps in civil defence organizations, if I judge by the municipalities with which I am acquainted. Would the minister keep that in mind if he has anything to do with determining a policy to bring civil defence under milita. I hate to see the spirit of the militia knocked down by that situation.

Mr. CARTER: As I understand it, in the past the general training program has been based on the principle that officers and men should be recruited proportionately from all parts of Canada. Will it be possible to apply that principle now under the changed role of the militia, or will that principle be abandoned altogether?

Mr. PEARKES: No. There is a requirement for civil defence training in all parts of Canada. I did say there is a requirement for the militia to be trained in rendering aid. It operates in certain parts of Canada far removed from a target area. The general principle will be to provide militia units and training to the various parts of Canada.

Mr. CARTER: I do not think the minister quite understood my question. I was referring to the recruiting of officers and men in the regular forces from all parts of Canada, and that in the past was done through the militia. Could it be done through the militia now? The minister referred to civil defence. I did not have that in mind.

Mr. PEARKES: The recruiting in the regular army has never been done directly through the militia. A great many men who join the militia express their desire to join the regular army, so many men do. As our regular personnel are attached to the administrative staff of the majority of militia units, they have the means of getting information about recruiting, through their personnel, and thereby can join the regular forces.

Mr. CARTER: The point of my question was that in the past the militia has been the system through which the training has been applied to enable the principle to be carried out that officers and men would be recruited proportionately from all parts of Canada. I do not see how you can apply that principle unless the militia abandons its present role. What takes the place of the militia in applying that principle?

Mr. PEARKES: There are various agencies which obtain recruits. A man may join as a result of an advertisement. He has seen a paper or heard a radio broadcast. He may join because he has met a soldier friend of his. There are many reasons why men join the regular forces and it is not solely through the militia. There is a percentage of ex-militia men who are now in the regulars. I could tell you the percentage.

Mr. PEARSON: The minister said that a larger proportion of the army budget next year would go to equipment in view of changed conditions. Could he give us any indication what would get a smaller proportion in consequence of this?

Mr. PEARKES: What would—

Mr. PEARSON: You said a larger proportion of the army budget next year would have to go to equipment, and I was wondering whether you had any idea what would get a smaller proportion in view of that change?

Mr. PEARKES: One thing, the construction period has pretty well come to the end. There is still some construction work to be done, but in regard to some of the larger camps, the construction is now nearing completion. There will be a reduction there.

Mr. MACLEAN (*Winnipeg North Centre*): There appears to be some confusion here, or at least it exists in my mind. The members of the militia will still be well trained soldiers, although the emphasis will be shifted from the concept of attack to that of defence. Is that correct?

Mr. PEARKES: The emphasis will be switched to the requirement of maintaining this country under nuclear attack. You may say that that is from attack to defence.

Mr. MACLEAN (*Winnipeg North Centre*): There will still be trained soldiers?

Mr. PEARKES: They still will have to train in many of the aspects of the regular soldier's work. I think the emphasis should be placed on having a body of disciplined men. That seems to me to be one of the essential things. Now, there may be a lot of work in connection with the re-establishment or reconditioning of the essential services of a city, and so the engineers might have to concentrate more on, shall we say, repairing essential services rather than the construction of earthworks and trenches. I just give that as an example.

Mr. HARDIE: I wanted to ask a couple of short questions on the Canadian rangers; but if there are general questions I would give up my place, and when they are finished I can ask my questions.

The CHAIRMAN: Proceed.

Mr. HARDIE: How many men are enrolled in the Canadian ranger corps? For instance, for last year what was the amount paid out in pay and allowances, and what was the value of the equipment?

The CHAIRMAN: We will get that information for you.

Mr. GRAFFTEY: Mr. Chairman, I know there are many articles we have all read in various periodicals. There are conflicting views on this subject, but tying it in with the general discussion of the militia, I would like to ask the minister if among the councils of the high commands in the western world, there is much information which expresses the fact that a major conflict would be preceded by a certain period of conventional warfare?

Mr. PEARKES: That is not the advice I have received. All the advice I have received from the military authorities is that they anticipate the next war will start with a period of intense nuclear activity.

Mr. BENIDICKSON: Without any infringement on security, I was wondering, as the militia obviously is in a new role, if it would be possible for the minister to table some of the orders issued to the militia units indicating the new purposes and, in particular, the cooperation that it is expected the militia will have with other civil defence organizations in communities across the land?

Mr. PEARKES: I think the best order that I can table is the directive for the training of the militia which was sent out last fall which, you will probably remember, was discussed. I am not certain that it was not tabled in the house. Some copies were given to members who expressed their interest in them. That could be tabled. It is not classified, and we will do that. Please remember that was issued a year ago, and we are advancing in our organization.

Mr. CHOWN: Was a similar directive sent out to the cadet corps? Could the minister comment on the role that any of the cadet corps have been given in relation to civil defence?

Mr. PEARKES: The cadet corps are, of course, schoolboys, and they cannot be used on active service or anything like that. They receive a general military education of a very elementary nature. First aid, and what might generally be called civil defence are part of the training they receive.

Mr. McCLEAVE: The minister mentioned the other day the change of syllabi for the naval reserve. Has there been any change in policy with regard to the naval reserve along the line of civil defence? Are they also going to get into it?

Mr. PEARKES: We regard the role of the naval reserve, as I explained when we were discussing the navy, as that of providing the additional personnel which would be required to bring the crews of the ships up to strength immediately and to release the regular naval personnel from shore establishments.

Mr. FAIRFIELD: I just want to preface this question with a statement about the militia. I do not think they are angry about this new role which they are asked to assume. I think they are very willing and quite capable of assuming it without any difficulties; but when you take the estimates for the year 1958-59, it is a very small fraction of the total defence department budget. It is a case of one in a hundred, really. They know their role is going to be extremely important, and yet there is very little expenditure in militia training. I feel that possibly a little more emphasis could be given toward mobility. I wonder if any of this equipment which is envisaged to be purchased in the coming year out of the total defence budget is going toward equipping the militia with vehicles to make it more mobile?

Mr. PEARKES: The vote under the item of militia does not in any way reflect the total amount of money which is being spent on the militia. For instance, the assistance given to the militia by the regular forces is not charged up to the militia vote. That is shown under the regular forces. The construction or rental paid for armouries and that sort of thing is not shown under here, there is a considerably larger outlay than that which is actually shown here. Now, regarding the acquiring of new vehicles, I think that generally speaking the army is pretty well supplied with vehicles and such vehicles as are available, such as the ordinary type of truck, would be available to the militia.

Mr. PAYNE: My question refers back to a matter of the role of the militia. I have been disturbed at some of the opinions expressed today. I would like to have an opinion from the minister regarding the necessity of having the civil authority under some authority other than the militia for purpose of returning to civil control after a time of disaster.

Mr. PEARKES: It has been governmental policy, as I have said, for some years to have the civil defence organization administered by a department other than the Department of National Defence. Some ten years ago it was under the Department of National Defence. The decision was then made, for administrative purposes I think, that it would be better to have it placed under some other department, and the Department of National Health and Welfare was selected. I think I am correct in saying that in the majority

of countries a civil defence organization which has to deal with matters of finance with the provinces and with the municipalities, because it is a co-operative effort, is usually under a department other than that of national defence.

Mr. CHAMBERS: My question was rather along the lines of the last one. Is it not the thinking today in regard to civil defence that it is to be more or less looked on as a national problem rather than a local one because, for instance, if Montreal was to be attacked with nuclear weapons, surely the civil defence organization to cope with it would have to come from outside Montreal, say Ottawa and Quebec, because the civil defence organization there would be knocked out. This it seems tome can only be handled with a national command.

Mr. PEARKES: Mr. Chairman, as I have said, we are having a review of civil defence requirements carried out this fall. However, I do not think in the absence of the Minister of National Health and Welfare, I should be asked to comment on his organization.

Mr. MACLEAN *(Winnipeg North Centre)*: This term "civil defence" which has been bandied about, between the Department of National Defence and the Department of National Health and Welfare, has caused me a great deal of confusion. I understand the militia would still be used for the military defence of Canada, if needed. Although at this time there is some emphasis being placed on construction with regard to civil defence, if the study is completed it may be shown, through the Department of National Health and Welfare, that there is really no adequate civil defence program that could be put into use in the case of a nuclear attack. I just want to straighten this out. The militia would still be used in case of a military attack on Canada, for the military defence of Canada. Is that correct?

Mr. PEARKES: I feel its primary role is to keep the life of this country going, under attack. The type of attack which we visualize is bombardment with nuclear weapons from the air and from ships at sea. We do not consider that a whole full-scale invasion of Canada is very probable, and so the militia have a role of helping this country survive during the war. I believe there is an excellent civil defence organization in some parts of the country. There may be other parts where it is not quite fully developed. We hope, as years go on and we gain more experience, that the developments of civil defence organizations will improve. As long as there is a civil defence organization, I regard it as a responsibility of the army to aid that civil defence authority.

The CHAIRMAN: If you would like to extend your remarks beyond the area of civil defence, it would be in order.

Mr. PETERS: In view of what the minister has said in regard to the militia keeping the country going in that period of attack, has there been any major change to give individual leadership or to broaden initiative that would lead to diversified leadership by the militia so they can do that? I am referring to the report the minister must have received from the organization that was set up in the city of Toronto at the time of hurricane Hazel, when the army proved most ineffective and inefficient in assisting at that particular time?

Mr. PEARKES: This is the first time I have heard that the army proved ineffective or inefficient during hurricane Hazel. The reports that I received are to the contrary. I was not in office at the time, but I know that the reports received from the city of Toronto were those of thanks for the assistance which had been rendered by the army.

Mr. PETERS: Maybe I should clarify my question. I spoke at some length to one of the co-ordinators who was appointed by the government during

that period. He pointed out that the two organizations which were more advantageous happened to be the Hydro and the Bell Telephone. The Bell Telephone was completely autonomous, and the same was true of Hydro. This man had used a number of military personnel; orders were given to them and they could not carry the orders out because of changing conditions. Their understanding was such it did not allow them to go back and decide what they could do for themselves. They had to be under direction at all times. I was wondering if there has been any diversification, or if, where we create small units for the purpose, as the minister has said, we are going to need them?

Mr. PEARKES: Realizing that there had been perhaps a lack of training in the past in those duties, this year we said the emphasis had to be placed on the aid which could be rendered to the civil power in the event of these circumstances, and if there is any change in policy, this is a change of policy which is now taking place. We say this is the prime raison d'être and we want them to study every aspect. I repeat the term which I used "keeping the life of the nation going under nuclear attack". The emphasis was only placed a year ago and there have been a lot of things happening in the last year. Progress is being made. To become efficient it takes a long time for these instructions really to be realized in the smaller units; but gradually we will get that greater standard of efficiency.

Mr. CARDIN: It is evident from the minister's remarks that a great deal is expected from the militia, both from the military and from a civil defence point of view. I believe there will be a lot of training done, and specialized training in civil defence. I was wondering if this would not justify the construction of armouries in strategic areas of the country, particularly in the less populated centres? I understand that the government has ceased to construct armouries.

Mr. PEARKES: Well, we have to judge these things in order of priority. Yes, it would be nice if I could give every member a new armoury,—and most of them have asked for one. But we have got to decide what things are of greater importance at the present time. My information is that in the next year or two we have to equip our forces, navy, army and air force, with more modern equipment and so we will have to carry on generally speaking with the accomodation we have. We can still have hope that some day armouries will be constructed.

Mr. SMALL: Mr. Chairman, just following up that remark, probably that is a throwback to the time when Mr. Bennett's government attempted to establish armories throughout the country, and they were accused of establishing a dictatorship. That was the criticism from the Liberal opposition.

Mr. PEARSON: I have been thrown off balance. My question is: Does the minister not think that in the effort to train the militia to carry out both the important roles which he has mentioned, there is danger of their not being trained effectively enough to do either one?

Mr. PEARKES: I put the first role as the more important one. I believe the emphasis should be on having disciplined units and that gives a certain amount of military training, the corps training, to enable the men perhaps to be able to carry or fire a gun. Artillery weapons or something of that sort I put as secondary, and the emphasis must be placed on the role for the defence of Canadian homes and territories.

Mr. GRAFFTEY: Mr. Chairman, at this stage of our general discussion on policy in relation to the militia, I want to make an observation that I hear from the public a great deal. It is an observation that has been worrying people in the free world for a long time, and often by unilateral action by dictatorship forces such as Russia, who carry out their defence planning in

relative secrecy. We in committees such as this and in the United States naturally discuss our policy in an open light, because we are discussing it in the view of a defence alliance and in the view of working for peace.

What worries me is that I think we in the estimates committee now have a particular responsibility and I want to make my observations in relation to the remarks Mr. Spaak made when he visited us. This committee, in discussing these things going to get a lot of publicity in the press. I think we should make the observation that while we expect the next conflict to be one of nuclear attack, we should in this committee make it quite clear that we are aware of the aspects of the cold war too, and are flexible enough to realize, as Mr. Pearson and the minister mentioned, that conventional war aspects are a possibility too.

I think our disadvantage often in the free world, in committees such as this, and in the United States, is that we have to show our open hand to the other side. I feel, as did Mr. Spaak, that we lack in the free world the ability to publicize what we are doing. I wanted to make those remarks because I feel it is a particular responsibility we have in discussions of this nature today.

The CHAIRMAN: Thank you, that is appreciated. There is a point here I would like to mention. One of the difficulties of the committee is that if our membership become involved in expressing our own opinions, it may be difficult in the time at our disposal to examine the witnesses we have here, and as much as our members are entitled to express opinions, we should try to utilize our time in examining the witnesses here with us.

Mr. PETERS: May I ask the minister if any new direction is going to the cadet corps throughout the high schools and universities in the training in the art of nuclear was survival? I say that because while we all know there are certain fundamental things that have to be done at times of disaster, such as having a supply of boiling water and other necessities, those people in the high schools now, who are taking the cadet training, if they know these things will be able to pass them on to some of the others.

Mr. PEARKES: The answer is very definitely yes. The cadets are being trained, and always have been trained, in first aid. Now first aid has changed. It deals not only with bruises, but one has to consider what happens under radioactive fall-out or something of that sort.

Mr. BENIDICKSON: Mr. Chairman, I appreciate your admonition not to make observations but to ask questions; but I am going to ask the minister if he thinks that in view of the radical change in the whole militia, which he says has been adequately publicized in the communities—and here I do probably make a break with your direction, because in the communities with which I am acquainted I do not think there has been any advertising at all about the role of the militia in so far as civil defence is concerned. The people who get publicity about their civil defence activities are those who go to Arnprior. There is no recognition at all about the new role of the militia in this respect. You say there has been a twelve months duration on emphasis.

Mr. PEARKES: Can you recall a number of questions which were asked of me in the house about a year ago?

Mr. BENIDICKSON: I mean local publicity.

Mr. PEARKES: I think I have been shown innumerable newspaper clippings, some for and some against. At first quite a number were opposed to it, but afterwards when the policy became better known, they have changed to being favourable. As one of the members said here, the general impression is that the militia units are beginning to know what their role is and are becoming more efficient.

Mr. FAIRFIELD: I wonder if the minister would in this cooperation between departments consider changing the name of the civil defence?

Mr. PEARKES: I think we would like to get general Graham's report before I make any statement on that. I would like to examine the whole thing.

Mr. FAIRFIELD: I should try to broaden this a bit. I have found that the militia do not like being named civil defence.

Mr. MACNAUGHTON: In the event of war—let us be practical—the city of Montreal would be isolated on an island. Bridges would be down and there are no tunnels. Do I understand that for the protection of the citizens we could only look to the militia and the cadet corps, inasmuch as there is no civil defence set-up there?

Mr. PEARKES: I think I said first of all that the regular troops stationed in Canada would be the first to be called upon to render aid to the civil power. Steps taken by civil defence authorities and the city of Montreal now is a responsibility other than mine.

Mr. MACNAUGHTON: That is my point; there are not any steps being taken and how could you get any forces from the mainland on to the island? It would be isolated.

Mr. PEARKES: You have a civil organization in the city of Montreal?

Mr. MACNAUGHTON: We have small separate municipal units.

Mr. PEARKES: The regular troops would move in there if Montreal was under attack, and would render all the assistance to the existing civil authority. You might have a unit coming in, regular or militia, and reporting to the chief of police saying, "How can we help you?" You might have an engineer group come in and report to the city engineer saying, "What can we do to help you restore your water system?" and so on.

Mr. MACNAUGHTON: I am afraid they would have to swim across the St. Lawrence river.

Mr. MACEWAN: I would like to ask the minister what is the set-up, as far as making training with regular force units available to the officers and men of the militia is concerned. Is consideration being given by the department to enable the officers and men of the militia to take advantage of such a scheme by way of making such training available at a time when it is most convenient for such personnel. Thirdly, is the training of regular force units limited to perhaps a week at camp with the regular force units, or will courses be available during the year for militia officers?

The CHAIRMAN: At our last meeting a considerable number of questions were asked about the advisability of advancing the camp date this year, due to the fact that a number of men could not attend.

Mr. PEARKES: Generally speaking, the attendance of militia officers and men at the camps has been arranged. It had to fit in with the training period of the regular troops. Most of the attachments of the militiamen to the regular units have been completed, but some are continuing over longer periods. Where it is practical for them to be attached to regular units during the summer.

You asked about the numbers. Provision in the estimates is for 15,000 to train with the regular units this time. There is some provision made for the younger men, some of whom might still be attending school, to train under several schemes which exist at their own local headquarters or in a special camp at times during the holiday period.

Mr. MCCLEAVE: I found Mr. Benidickson's suggestion quite worthy. I wonder if the minister could suggest to the militia public relations officers that they spend more time and place more emphasis on selling this new status of the militia.

Mr. PEARKES: I shall be very pleased to take that suggestion.

The CHAIRMAN: For the first time without a question, gentlemen.

Mr. FISHER: In the militia units in my area I understand that the age of the officers is perhaps getting a little bit too high for the amount of effective work they can do. As a matter of fact some of the officers are staying on out of a sense of loyalty rather than anything else. I understand that there is some difficulty in getting new people in because of the length of time it takes to qualify for a commission. I wonder if the minister can give us any information on the length of time it takes to qualify for a commission on this specific problem of recruitment of officers.

The CHAIRMAN: We have a reply here which we are going to distribute. Is that satisfactory, Mr. Fisher? It would be much better than reading it.

Mr. PEARKES: Generally speaking, the age of the militia was reviewed last year and a reduction was made in the percentage of officers and men who could be retained in the unit over a certain age. It was brought down so that instead of allowing 25 per cent of establishment only 10 per cent of the unit strength is allowed overage. We have had to part with the services of many loyal officers who have been in there for a long time, who have passed the age of retirement.

I have said earlier today we are reviewing all the requirements, so as to make the qualifications of officers fit in more with the role of the militia today.

Mr. CHAMBERS: As a member of the militia I would like to say that the summer camps this year in my area particularly have been well received. I would like to ask the minister if there is any study going on to increase the number of camps available to the cadets?

The CHAIRMAN: I wonder if we could manage to clean up this first page. I was ready to turn the page to take the officers training corps and army cadets. Are you finished with the page on general policy?

Mr. HARDIE: I wonder if I could get the answer to a number of short simple questions that I asked a moment ago?

The CHAIRMAN: It was information that we were going to obtain for you, Mr. Hardie.

Mr. HARDIE: It is not here.

The CHAIRMAN: No we have not got it here.

Mr. BENIDICKSON: What information is available statistically about attendance. We get gross figures as to enlisted personnel in the reserve units. Have you some figures about attendance on an annual basis, perhaps a percentage of parades attended or something of that kind.

Mr. PEARKES: The general policy is to take the number of units which are in one command, and assume that they are going to do their maximum training. Unless they completed 10 days of training at local headquarters they are not entitled to draw training money. That is the minimum that they must do and then the lump sum, you might say, is made available to the general officer commanding the command. If he finds some individuals—and there are always some who do not carry out the maximum training—he is able to allocate that to other men to give them further courses. You will recall that we reduced the average period of training from 60 to 40 days this year, because last year the average number of days trained by men drawing pay was 38 days.

Mr. GRAFFTEY: I know absolutely nothing about security and I know a lot of things are classified under such a heading and not asked about. In view of this may I ask the minister, at this point, a general question. Does

he feel that respecting some of the questions that are asked in committees of this nature that the publicity they get render the Russian intelligence job easier than it should be?

Mr. PEARKES: If any such question had been asked, I would have asked the committee permission not to answer it.

Mr. MACLEAN: (*Winnipeg North Centre*): I asked a question at the last meeting regarding the Carpiequet barracks in Winnipeg. Is there an answer yet?

The CHAIRMAN: We have a number of questions and replies to questions. I do not see that one here. We will see that the answer is obtained for you. Perhaps the minister could make a statement to include all these in his report.

Can we turn the page?

Mr. MCCLEAVE: Is any information available on the breakdown between the number of officers and men this year as compared with last year. I asked this question at the last meeting.

Mr. PEARKES: I have a breakdown of the total strength of the militia as of April 30, 1958; officers 6560, other ranks 34,453, making a total of 41,013. I would say that there had been very little change in proportion over many years. The numbers have remained approximately the same.

Mr. BENIDICKSON: Could you repeat the figures please. I did not get them.

Mr. PEARKES: The strength of the militia as of April 30, 1958, officers, 6560 and other ranks 34,453, making a total of 41,013.

I have now been given some more figures of previous years, which I hope will support the observation I made.

December 1955 the number of officers were 7263, men 37,822, making a total of 45,085.

In December 1956 there were 6,981 officers and 35,231 men, making a total of 42,212.

In December 1957 there were 6,666 officers and 36,439 men, making a total of 43,105.

And in January 1958 there were 6,683 officers and 35,556 men, making a total of 42,239. Really there is not much of a difference in the proportion.

The CHAIRMAN: We are now on page 330 gentlemen. Is there anything first of all on the top under the item Canadian army—militia, including Canadian officers training corps.

Mr. PETERS: What does all that include? Is that the high school corps?

Mr. PEARKES: High school corps and the corps in some of the private schools. It does not include—I think I am correct—the public school boards. There is a floor in the age limit.

Mr. CHAMBERS: We were told the other day that 5000 cadets were taken to camp and in my area there are more applicants than places available. I wonder if consideration could be given to enlarging that program which I think is very valuable.

Mr. PEARKES: I am sure the cadet training is very valuable but we have to weigh it in connection with the other service requirements. We have to place a priority on the essential requirements and I do not think there is any likelihood in the immediate future of increasing materially the amount of money allocated to cadets.

Mr. FISHER: Is there a certain amount of competition, Mr. Chairman, between the army and the air force in establishing cadet units in various places?

Mr. PEARKES: We are trying to avoid duplication and we do not allow one school to have an army cadet corps, a naval corps and an air cadet corps. We try to let the school have a corps of the particular armed service that the school prefers.

Mr. FISHER: As a result of the trend towards larger air services, has there been any policy in an attempt to get more schools to switch from say army cadet corps to air force cadet corps?

Mr. PEARKES: There has been no definite policy to get them to change. All the training is very similar, really, at that age, and it does not make a great material difference.

Mr. SMALL: Is it not mostly contingent upon the high school's preference whether they have an army or an air force cadet corps? I think you will find that a high school will have either an air force cadet corps or an army cadet corps depending on the high school principal's preference.

Mr. PEARKES: We always try to meet, as far as possible, the desire of the school authorities.

The CHAIRMAN: I wonder, Mr. Minister, if I might ask a question. The experience has been that the air cadet league, which is a civilian body, assists the air force in training air cadets. I was wondering if the same principle had ever been considered in respect of army cadets, so as to usefully call on civilian bodies, not only because of the public relations involved but also because of the financial aspect.

Mr. PEARKES: Not to the same extent as has been the organization behind the air force cadets. There are a number of militia units which support their own cadet units and contribute generously to help support their own cadet corps financially.

Mr. BENIDICKSON: Is there a policy that denies the use of armouries—say militia armouries—to those cadet organizations if they are operating outside of a school?

Mr. PEARKES: No. We do not provide accommodation for cadet units. If in the opinion of the officer in charge of an armouries there is some space in which a cadet unit could carry on its activities then it is left to the discretion of that local officer as to whether he can accommodate a cadet corps. It is not our policy to provide any accommodation. A school usually provides that accommodation.

Mr. BENIDICKSON: There are some cadet corps that are operating quite apart from schools, of course?

Mr. PEARKES: Yes, there are the ones that I mentioned.

Mr. BENIDICKSON: I am thinking particularly of the one at Kenora. They have to find their own accommodation and it is a financial imposition on the service club that sponsors that corps.

Mr. PEARKES: It is not generally the policy of the services to provide special accommodation.

Mr. GRAFFTEY: Does this part of the estimates cover the operation of the Farnham militia camp for cadets of this nature?

Mr. PEARKES: Yes.

The CHAIRMAN: Gentlemen, I think we will proceed then to the item on northwest highways.

Mr. Nielsen, have you any particular questions in regard to that item? We have a reply here to one of your previous questions.

Mr. NIELSEN: The minister was going to make a policy statement in regard to all those questions I asked at the last meeting.

Mr. PEARKES: Unfortunately I have not had an opportunity of seeing your questions. However, in respect of the brief policy statement, I might say that the Canadian government took over the northwest highway system from the Americans, who constructed that system, at the conclusion of the last war. Canada is obligated to maintain that system as a military highway in order to meet military requirements in the north.

The military requirements have decreased very considerably since the war. However, the federal government has gone far beyond maintaining the highway as a military system and, of course, the needs of the district have far exceeded those that civilians required at the time of construction. That applies particularly to the southern end.

We are, this year, hard-surfacing 50 miles, from Dawson Creek to Fort Saint John. That surfacing I believe will be completed by the end of this year. We had the unfortunate experience of losing the bridge over the Peace river.

That southern area is now used a great deal by civilian organizations, residents in the area, oil companies and so forth, with the result that we have entered into discussions with the province of British Columbia with a view to seeing whether, when that hard surfacing of that stretch from Dawson Creek to Fort Saint John is completed and the bridge has been restored, some arrangement might be reached with the province of British Columbia whereby they would take over the maintenance of that road.

Progress has been made, and I hope that when the surfacing has been completed we will be able to reach a satisfactory agreement with the province of British Columbia.

Mr. NIELSEN: I had asked the chairman at the last meeting whether there was any intention of the Department of National Defence to turn over the operational control of the highway to the Department of Transport.

Mr. PEARKES: No, that has not been considered.

Mr. PETERS: Could the minister tell us what the percentage of the traffic on the highway now is in relation to military and civilian, and the approximate tonnage the military carry?

Mr. PEARKES: We have, I am told, a full report which has been tabled, and I do know that the percentage of the civilian traffic is high on that road. That is the reason why the government over the years has felt it is necessary to maintain that road in a condition superior to what might be expected from a purely military road.

Mr. PETERS: In view of the fact that this road was originally set up as a military operation, is there any consideration being given to defending it, in the light of our present potential enemies? It would be a link. Are soldiers kept in that area?

Mr. PEARKES: The defence of the road would be covered in the over-all defence scheme for the defence of the North American continent.

Mr. NIELSEN: I asked a number of questions concerning breakdowns in cost of estimates at the last meeting, and I was wondering if I could have an opportunity of studying these before I asked further questions?

The CHAIRMAN: I am going to suggest that we leave the item open, and you will have an opportunity after your questions have been answered to ask any further questions.

Mr. NIELSEN: There is one other thing which perhaps the officials of the department could obtain for me and for the committee. That is with respect to any studies which might have been made as to the economic feasibility of continuing maintenance of the highway as a gravel road?

Mr. PEARKES: That, I know, has been considered; and it was decided that the maintenance of the road was more economical in the heavy traffic area with a hard surface. That is why the other part was hard surfaced. It is the heavier travelled portion.

Mr. NIELSEN: Do these economic studies disclose any other portions of the highway on which it might be feasible to follow the same policy?

Mr. PEARKES: That is under study at the present time.

Mr. BALDWIN: Having in mind that prior to the collapse of the bridge last year there was also one occasion when there had to be repairs made by divers, has any inspection been made as to the question of any future collapse of the bridge?

Mr. PEARKES: We employed the best possible team of consultants. We had a board of consultants who thoroughly inspected all conditions which led up to the collapse of that bridge.

Mr. BALDWIN: They are satisfied that the foundations are in reasonably good order?

Mr. PEARKES: I think the bridge has to be completely rebuilt, and there will be a new bridge in the immediate vicinity.

Mr. BALDWIN: May I follow up that question? Has any consideration been given to providing a possible alternative route? There are only two bridges at the Peace, one at Peace river and one at Turner Flats.

Mr. PEARKES: There are alternative routes being developed by the province of Alberta going up, by way of Dunvegan and Grand Prairie.

The CHAIRMAN: We have completed page 332. Mr. Hardie had a question at the top of page 333 under the heading, "Yukon radio system".

Mr. NIELSEN: I had asked at the last meeting if I could obtain a breakdown of the item "municipal and public utility service", because I have certain questions concerning contributions by the department to education and school construction, and other such things, which the officials at that time told me had been included in that item. I believe it was your intention to break that down for me in the same fashion as in this instance.

Mr. ANDERSON: I think some of the confusion between your question and my answer has to do with the fact that the contributions toward the schools, both Protestant and Roman Catholic, at Whitehorse, were made a year or so ago, and in these estimates there is no money for that purpose. The money in the municipal service portion is relatively small now, $62,000. That sum covers the non-resident school fees the military personnel pay to the schools. They have not been established.

Mr. NIELSEN: I wonder if I could follow that up by explaining what I am after, so you will have a better idea of the information I would like to obtain. The territorial government makes a per capita contribution to the education of children of civil servants in the area. They also make an annual per capita contribution to the education of Indian students. I would like to know what the per capita contribution of the Department of National Defence is to schooling that is in the Yukon Territory, in so far as that contribution is made on behalf of children of the Department of National Defence employees in the area. I understand that comes under this item of municipal service. That would be one item that would be there, and there are others undoubtedly, so I would like to obtain a breakdown.

Mr. PEARKES: We will get that for you; it would not be immediately available.

The CHAIRMAN: Would you proceed? I have one problem. Unfortunately we are going to lose the minister for about fourteen days. We have two

alternatives which I plan to place before the steering committee, but we might discuss it now. One alternative is that we could adjourn this section of the Department of National Defence and bring in the Department of Defence Production, and carry on with it with the D.D.P. minister here. But if you would be agreeable to sitting tomorrow, we could finish this section and go to the air force. If you agree to sit tomorrow, we can deal with the policy statement of the minister relative to the air force, and he would be present. The other alternative, of course, is not to sit tomorrow morning and to carry on Monday and Tuesday with the Minister of Defence Production. My suggestion is, as we have nearly completed this section, after dealing with your questions, Mr. Hardie—we can then proceed with the air force tomorrow morning at 11 o'clock.

Mr. HOWE: The house sits at 11 o'clock.

The CHAIRMAN: Would you like to sit earlier, at 9 o'clock?

Mr. DANFORTH: At 9:30.

The CHAIRMAN: Do I hear any complaints? I would like an expression of views. There are two alternatives. If you feel you would like to have the policy statement, you would have an opportunity to examine the statement of the minister. If you do not feel you wish to do that, it is simple: we will proceed with the other department.

Mr. MCCLEAVE: If the minister has written out a statement, could it not be placed in the record?

The CHAIRMAN: I believe the statement is not going to be a prepared text as such.

Mr. PEARKES: I have done some work on preparing a statement which I could give. It will take a full hour, and I have some charts prepared which will be shown to explain what I am saying.

Mr. MCCLEAVE: Would the minister object if the statement were written out and the charts published in today's proceedings?

The CHAIRMAN: That does not solve the problem we have.

Mr. PETERS: I move we hear his statement at 9 o'clock tomorrow morning.

Mr. GRAFFTEY: I second that motion.

The CHAIRMAN: Any objection?

Mr. MCGEE: Yes, there are two difficulties. A great many of the members have left the premises here today.

The CHAIRMAN: I do not think we can honestly consider that as a problem. We are still a working committee. Is there anyone who disagrees with that opinion? I am trying to get an expression generally from you. You have a motion. The motion is that we sit at 9 o'clock tomorrow morning.

Motion agreed to.

The CHAIRMAN: I would like to ask Mr. Hardie if he would proceed with his question to the minister, so we can complete this part of the section.

Mr. HARDIE: I notice in these estimates of the Northwest Territories and Yukon radio system an amount of $1,355,000 supplied by the Department of Transport. It seems that the Department of Transport are taking over this system. I wonder if the minister could tell the committee if this takeover or the giving away of this system was the idea of the Department of National Defence?

Mr. NIELSEN: The Minister of Transport made a statement about it this morning.

Mr. HARDIE: I would prefer to have the minister answer my question rather than Mr. Nielsen.

Mr. PEARKES: All I can say is that it was government policy considered by the government. The decision was reached that this system could be more effectively carried on under the Department of Transport than under the Department of National Defence.

Conditions have changed since this organization was put in many, many years ago, and the number of civilians and the number of people taking up residence in the northwest has led to the government making a decision that it would serve the area better if it came under the Department of Transport.

Mr. BENIDICKSON: I wonder about the sheer economics of the thing. In the book of estimates the total amount at the present time under your vote is subject to complete discount for the department. The two figures are the same, are they not?

Mr. PEARKES: I hope so.

Mr. BENIDICKSON: Why do we have them in the Department of National Defence?

Mr. PEARKES: The Department of National Defence has undertaken to maintain this line for a period not exceeding a year—I think it is—so that the takeover by the Department of Transport will cause the least inconvenience to the area and to the people who are going to take it over.

It takes some time to find suitable personnel to carry on under the Department of Transport. There are quite a few of the same personnel who are up there who are taking their discharges from the army in order to serve with the Department of Transport.

Mr. BENIDICKSON: I take it there is a dollar item under the Department of Transport for the coming year to this extent. Therefore we would be embarrassed in debating this matter in the committee of supply.

Mr. PEARKES: In item 570 I am told there is an indication "Northwest Territories and Yukon radio-system $1,355,000". That is a new item in the Department of Transport.

The CHAIRMAN: Are there any further questions?

Mr. HARDIE: I have a number of questions but I would just as soon have the committee adjourn now and go into them under the air force.

The CHAIRMAN: Then we can come back. Is that satisfactory?

Mr. HARDIE: Yes.

The CHAIRMAN: We have five or six replies to questions which will be tabled with the evidence. A motion to adjourn is in order.

APPENDIX "C"

Questions asked at previous meetings together with the answers submitted.

Mr. McIlraith: To what extent is the reduction of the proposed purchase of vehicle kits to 25% of what was contemplated in the 1957-58 Estimates due to a decision not to procure the kits at all, and to what extent is it merely a delay due to the lag of development work and related staff work being sufficiently advanced to permit their being obtained now?

Answer: Provision was made in the 1957-58 Estimates for procurement of 2,191 specialized kits for Army vehicles. Of that number decisions have since been taken that 993 kits, at an estimated cost of $3,860,000, are not to be procured. The remainder have been ordered or are to be assembled in Army workshops as the components become available.

Mr. Fisher asked if the 17th Medical Company, RCAMC, at Fort William was to be transferred to Port Arthur and come under the Lake Superior Regiment.

The answer is that it is not being transferred from Fort William to Port Arthur and is not being placed under the Lake Superior Regiment.

Question:— Mr. MacLean asked if the Carpiquet Barracks in Winnipeg was to be discontinued and the property sold.

Answer: Carpiquet Barracks were evacuated early this year, and all of the buildings and land have been or will be declared surplus to Crown Assets Disposal Corporation except those occupied by the Prairie Command Medical Equipment Depot (three DND buildings on three acres of city owned land). Agreement was reached with the City of Winnipeg in May 1958 to retain this land on annual rental.

This Directive to the Canadian Army (Militia) was tabled by the Minister of National Defence, as requested by the Committee.

CANADIAN ARMY (MILITIA)

Aim

1. The aim of training will be to prepare the Militia for its role to assist in any future mobilization for Active Service and for Civil Defence. Emphasis will be given to Civil Defence.

2. The role of the Canadian Army in Civil Defence is detailed in GSI 56/3.

Organization of Militia Training

3. For individual training units will continue to be organized as at present. For collective training units will be organized as regimental Mobile Support Groups and they will conduct exercises at or near local headquarters.

4. Summer camps, as held in the past, will not be conducted during this training year. In lieu, personnel will be attached to Regular Army units for training during June 58 and will qualify for the training bonus under QR 210.82 (1).

Allotment of Funds

5. Funds will be provided to permit up to 40 days training for all units.

Individual Training

6. During the individual training period at local Headquarters the Militiaman will be brought up to the standard of individual skills required to carry out his duties as a soldier in his Corps and as a member of a mobile support group in Civil Defence.

7. Training will be carried out in accordance with GSI 54/17 as amended. Appendix "T" issued under HQ 3290-1 (MT 2) dated 23 Sep 57, details the standards for Civil Defence duties. For the first 60 periods of training all units will complete recruit, trades, specialist or junior NCO training as appropriate. On completion of this training all men will take the first block (60 periods) of Civil Defence training.

8. During this period Militia Group Headquarters should conduct study periods on the organization and employment of Mobile Support Groups as outlined in GSI 56/3. Local Civil Defence organizations should be encouraged to participate in these discussions.

Collective Training

9. For the period of collective training major units will be organized as Mobile Support Groups by the attachment of available sub-units from RCE, RC Sigs, RCASC, RCAMC, RCOC, RCDC, RCEME and C Pro C. Training during this period should culminate in one or more exercises designed to practise the Mobile Support Groups in their role. Such exercises will be planned to support Civil Defence organizations where they exist.

10. Command entitlements of vehicles and major items of equipment, including those authorized by Command Militia Pools of Equipment (CAF S-23-610) are authorized to meet the requirements of this training. No additional items will be made available.

Additional Training

11. Subject to the limits imposed by total funds provided to Commands, and to the personal approval of General Officers Commanding Commands the following additional training is authorized:

(a) Attendance at Regular Army Schools of Instruction as covered in the Courses Schedule;

(b) Attendance at, or participation in, special training demonstrations or exercises;

(c) Attendance or instructing at courses conducted at local headquarters or at central locations;

(d) Administrative work in support of unit training.

12. Authority for the approval of this additional training may be delegated to Area Commanders in person.

Attachments to Regular Army Units

13. General Officers Commanding Commands may select personnel from Militia units for attachment to Regular Army units of their own Corps for a seven day period in mid Jun 58 exclusive of travelling times.

14. The object of these attachments is to provide an opportunity for selected Militiamen to gain practical experience in the training, organization and administration of units of their own Corps. Where practicable attachment from the arms or services will be made to field units of the arm or service concerned.

15. General Officers Commanding Commands will arrange the training programme on a course basis to include TEWTs, demonstrations and instruction in the field duties of the appropriate rank of the arm or service.

Provision may be made to conduct practical portion of officers qualifying examinations in accordance with GSI 54/17 Appendix "A", Annex III para 5(b) during these attachments.

16. Further details to include the allocation of vacancies by Corps to Commands will be issued by 15 Oct 57 as Appendix "E" to this instruction.

17. Funds for this training will be provided from within Command allotments under authority of para 5 above. Attachments will be classed as special duty for pay purposes.

Militia Courses

18. *Militia Staff Course*

(a) The theoretical portion of the Militia Staff Course will be conducted in Commands during the winter months;

(b) The practical portion, of two weeks duration, will be conducted at the Royal Military College from 28 Jul 58 to 9 Aug 58;

(c) Commands may nominate officers who have successfully completed the theoretical portion of the Militia Staff Course or who have obtained the qualification "csc" to attend the practical portion. Such officers will be awarded the qualification "msc" on passing the practical portion. In addition, selected officers in the rank of Lt-Col or above may attend either the theoretical or practical portion of the course for refresher training;

(d) To be eligible to attend the practical portion, an officer must not have passed his 46th birthday prior to the date the course begins.

19. *Other Courses*

Courses may be conducted by Commands on a full or part-time basis, from within their own resources (excluding personnel from Regular Army Field Units) for Militia personnel. The duration of courses will be at the discretion of Commands and may be conducted at any time suitable. Funds for Militia courses will be provided from within Command allotments under authority of para 11 above.

20. *Civil Defence Courses*

Course vacancies on Civil Defence Courses (see Part I para 28) may be allotted to members of the Militia at the discretion of General Officers Commanding Commands within their Command allotments.

Russian Language Training

21. The training of selected Militia personnel in the Russian Language will be in accordance with instructions contained in HQC 3505-1 (MT 2A1) dated 20 Jul 56.

Forecasts and Reports

22. The following forecasts and reports will be submitted by Commands:

(a) Forecasts of Mobile Support Group exercises and estimated participation by units—1 Apr 58;

(b) Reports on Mobile Support Group exercises—by 15 Sep 58.

Department of National Defence,
October 1, 1957.

Information requested by Mr. Benidickson, M.P.

SERVICE STRENGTHS (REGULAR FORCE) AT N.D.H.Q. AT SELECTED DATES

	Tri-Service*			Navy			Army			RCAF			Total		
	Off.	Men	Total	Off.	Men	Total	Off.	Men	Total	Off.	Men	Total	Off.	Men	Total
March 31, 1955...	75	69	144	334	45	379	650	747	1397	561	293	854	1620	1154	2774
March 31, 1956...	77	81	158	334	51	385	655	757	1412	602	291	893	1668	1180	2848
March 31, 1957...	71	98	169	346	74	420	653	717	1370	654	333	987	1724	1222	2946
March 31, 1958...	73	97	170	362	70	432	688	718	1406	684	339	1023	1807	1224	3031

* The tri-service category includes, e.g. Minister's office, Joint Staff, Office of Chairman Chiefs of Staff, Security Guard, Identification Bureau, Directorate of Inter-Service Development, Judge Advocate General, Joint Intelligence Bureau, Personnel Members Committee, Canadian Military Electronics Standards Agency.

Department of National Defence
July, 1958

Information requested by Mr. Fisher, M.P.

Qualification for Commission in Canadian Army (Militia)

The grant of commissioned rank in the Militia may be made to applicants for enrolment who have:

(a) qualified for commissioned rank in university contingents of the Canadian Officers Training Corps (COTC); or

(b) qualified for commissioned rank in the command contingents of the COTC; or

(c) qualified by virtue of previous commissioned service as follows:
  (i) previous commissioned service in a component or sub-component of the Canadian Army other than the Reserve Militia, or in an equivalent component or sub-component of the Royal Canadian Navy, the Royal Canadian Air Force or of any other Commonwealth, Navy, Army or Air Force.
  (ii) officers of the Cadet Services of Canada, although not eligible for grant of commissioned rank in the Militia by virtue of commissioned service in the Cadet Services of Canada, may complete qualification for the grant of commissioned rank in the Militia whilst serving in the Cadet Services of Canada.

(d) special civilian qualifications as follows:
  (i) doctors
  (ii) dentists
  (iii) nurses
  (iv) pharmacists, etc.

(e) the grant of commissioned rank may also be made to serving other ranks of the Militia who possess the necessary military qualifications.

Information requested by Mr. Bourget, M.P.

DEPARTMENT OF NATIONAL DEFENCE—ARMY

COMPARATIVE DATA

Estimates 1957-58—Expenditures 1957-58

Construction of Buildings and Works (13)
Details of Estimates and Expenditures by Principal Locations

Locations (by Province)	Estimate 1957-58	Expenditure 1957-58
	$	$
Alberta		
Calgary	5,060,000	1,934,647
Edmonton	6,960,000	3,953,273
Wainwright	323,000	111,219
British Columbia		
Chilliwack	900,000	409,219
Vancouver	733,000	833,542
Manitoba		
Churchill	780,000	533,471
Shilo	2,330,000	1,671,480
Winnipeg	1,690,000	1,068,434
New Brunswick		
Gagetown	18,825,000	16,129,246
Nova Scotia		
Halifax	1,176,000	781,724
Ontario		
Barriefield	4,600,000	4,062,912
Camp Borden	2,476,000	2,361,951
Cobourg	300,000	163,210
Kingston	560,000	42,682
London	2,400,000	890,252
Meaford	300,000	7,594
Ottawa	1,350,000	108,029
Petawawa	8,085,000	5,494,369
Quebec		
Montreal	555,000	308,309
Three Rivers	107,000	63,067
Valcartier	1,510,000	1,335,858
Saskatchewan		
Dundurn	130,000	49,078
Regina	100,000	35,990
Other Locations		
NWHS Bridges	350,000	589,997
Whitehorse	1,200,000	704,512
Various Locations	1,400,000	351,381
Minor Construction (country-wide)	2,700,000	2,189,792
TOTAL	66,900,000	46,185,238

Information requested by Mr. Nielsen, M.P.

NORTHWEST HIGHWAY SYSTEM

Construction 1958-59 Estimates

(a) Roads and bridges:		
Paving Mile 1—52.9	$ 1,650,000	
Peace River Bridge (estimated expenditure 1958-59)	4,000,000	
Renovation of bridge at Beaver Creek	100,000	
		5,750,000
(b) *Accommodation:*		
RCASC garage—Whitehorse	300,000	
Renovation emergency married quarters (Whitehorse)	70,000	
Haines Junction—New well and utility building	30,000	
Maintenance camp garage	80,000	
Temporary deployment magazine	34,000	
Garages for PMQ—Whitehorse	80,000	
Beaver Creek	15,000	
Muskua	3,000	
Civilian barracks	30,000	
Minor repairs	11,000	
		653,000
		$ 6,403,000

Maintenance in 1958-59 Estimates

(a) Maintenance of Highway and bridges	655,000	
(b) Maintenance of buildings	345,000	$ 1,000,000

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

FRIDAY, JULY 4, 1958

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DEPARTMENT OF NATIONAL DEFENCE

WITNESS:

Honourable George R. Pearkes, V.C., Minister of National Defence.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

60211-0—1

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Smallwood,
Smith *(Winnipeg North)*,
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

FRIDAY, July 4, 1958
(12)

The Standing Committee on Estimates met at 9.15 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Benidickson, Broome, Cardin, Carter, Cathers, Chambers, Chown, Clancy, Danforth, Fisher, Grafftey, Hicks, MacEwan, MacLean, (*Winnipeg North Centre*), McCleave, McGee, McQuillan,, More, Nielsen, Payne, Pearson, Peters, Ricard, Skoreyko, Small, Smallwood, Smith (*Calgary South*), Stefanson and Vivian.—(30)

In attendance: From the Department of National Defence: Honourable George R. Pearkes, V.C. Minister, Mr. Frank R. Miller, Deputy Minister, Mr. Elgin B. Armstrong, Assistant Deputy Minister-Finance, Air Vice Marshal W. E. Kennedy, Comptroller, R.C.A.F., Air Commodore M. D. Lister, Chief of Plans and Intelligence; and Mr. D. B. Dwyer, Superintendent of Parliamentary Returns.

The Committee resumed its consideration of the Main Estimates 1958-59, relating to the Department of National Defence.

Under Item 220—Defence Services: The Minister, assisted by Mr. Lister, made a statement concerning Canadian Air Defences.

The Committee expressed its appreciation of the statement presented by the Minister.

At 10.10 a.m. the Committee adjourned until 11.00 a.m. Monday, July 7, 1958.

E. W. Innes,
Clerk of the Committee.

60211-0—1½

EVIDENCE

FRIDAY, July 4, 1958.
9.00 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum. Before we proceed, I believe Mr. Chambers wishes to make a correction.

Mr. CHAMBERS: I do not think it is necessary now.

The CHAIRMAN: You will recall late in our session yesterday we agreed to proceed this morning with the heading of the air force section of the estimates under 220. I mentioned that we will have the minister here for Monday and Tuesday of next week and then he will be away for approximately two weeks. Our thought was this morning that we would proceed with his statement, which is fairly extensive, and then you would have it over the week-end. On Monday or Tuesday you would then be able to direct questions or go into the examination of the statement. I would just like to ask if that arrangement seems satisfactory now?

Mr. BENIDICKSON: Is it in writing?

Hon. G. R. PEARKES (*Minister of National Defence*): I have a prepared text, but as it was only finished after the budget last night, it has been impossible to get it typed out.

The CHAIRMAN: Mr. Benidickson, I will take it upon myself to see if I can get copies into your hands.

Mr. BENIDICKSON: Probably you could beat the Queen's Printer.

The CHAIRMAN: I will do what I can.

Mr. PEARKES: Of course, it will all be printed in the record.

The CHAIRMAN: The printed proceedings will not be in our hands by Tuesday; we have worked very hard this week. I will ask the minister to proceed.

Mr. PEARKES: In view of the fact there is a wide field to cover, I am going to read the text. I wish to do this also because we have some charts here that will illustrate my remarks. I will be in part repeating, some of the things that I said at the opening session, but as there are a number of changes in the personnel of the committee, I think it may be wise to do so.

First, I will describe our contributions to the integrated forces of the North Atlantic Treaty Organization known as NATO. I will then deal with the defence of the Canada-United States region, including the North American Air Defence Command (NORAD) which is responsible for air defence. In so doing I will describe briefly the four R.C.A.F. Operational Commands and our contribution to the United Nations Emergency Force in the Middle East. Then in turn I will discuss training, auxiliary forces which are the R.C.A.F. reserves, communications and search and rescue organization, logistic support organization and command and administration. In conclusion, I will outline the aircraft and manpower situation.

Canada has contributed air forces to the two main commands of NATO, Supreme Headquarters Allied Powers Europe (SHAPE) and Supreme Allied Commander Atlantic, which is known as SACLANT. I will explain these contributions briefly, beginning with SHAPE, and refer you to the chart.

Canada's air contribution to the integrated forces controlled by Supreme Headquarters Allied Powers Europe is No. 1 Air Division with headquarters

at Metz in France. The role of the No. 1 Air Division is to make the maximum contribution to the air defence Western Europe in accordance with the plans and directives of the Commanding General, 4th Allied Tactical Air Force, which is an air headquarters subordinate to the Headquarters Allied Air Forces Central Europe. These headquarters are depicted as squares on the chart. The commanders of those two forces are not Canadians.

To carry out its operational task the air division has four fighter wings operating from four airfields. These airfields are shown as solid triangles and are located at Marville and Grostenquin in France, Zweibrucken and Baden-Soellingen in Germany. The open triangles represent four additional fields allotted to Canada for re-deployment purposes. I might add here that all these airfields are within range of hostile forces and could be put out at short notice. Therefore, it is desirable to distribute and have alternative re-development fields.

Each of the four wings comprises two squadrons of Sabre Mk.VI day interceptor fighters and one squadron of CF-100 Mk.IVB all-weather fighters.

An R.C.A.F. Aircraft Control and Warning squadron provides the radar ground control for interception of aircraft. The R.C.A.F. maintains its own micro-wave communication system for the First Air Division.

An Air Materiel Base at Langar, England, consisting of a Supply Depot, a Technical Services Unit and a Movement Unit, is the main R.C.A.F. source of logistics support for the Air Division in Europe. This is shown on the chart. Aviation fuel, ammunition and rations are obtained on a repayment basis from the United States Air Force supply organization and thus we avoid a separate expensive logistics system for these common-user items. Both surface and air transport are used for the movement of supplies from the Air Material Base to the units of the Division. No. 137 Transport Flight based at Langar, equipped with Bristol freighter aircraft, is responsible for the air movement of materiel.

Another transport or communications flight of Dakotas is based at Grostenquin. It is used to move squadron equipment and personnel during tactical exercises and for the rotation of squadrons through the NATO air firing range at Sardinia. We have in Sardinia, Italy, a range where the squadrons from the air division go to carry out their firing practice. This range is used by Canada, Italy and Germany, with Italy as host nation responsible for operating, equipping and manning the base. The R.C.A.F. maintain a small permanent detachment there to assist in the operation of the base and to maintain a number of specialized shop and test equipment peculiar to R.C.A.F. aircraft. The R.C.A.F. makes annual payments for the use of the range facilities.

Finally, in our contribution to the NATO organization in Europe we have personnel assigned to the integrated headquarters at Supreme Headquarters Allied Powers Europe, Paris; headquarters of the Allied Air Forces Central Europe at Fontainebleau; and Headquarters of the Fourth Allied Tactical Air Force in Trier, Germany. The total R.C.A.F. personnel establishment for the contribution to NATO in Europe is 6,500.

The second part of our contribution to the North Atlantic Treaty Organization is to the Supreme Allied Commander Atlantic. This contribution, however, differs significantly from that to Supreme Headquarters Allied Powers Europe in that forces are earmarked to SACLANT in peace time for assignment only on the outbreak of war. The Supreme Allied Commander Atlantic has no operational forces under his command in peace time except during exercises, although he has a planning and operational headquarters at Norfolk, Virginia. The R.C.A.F. has one officer on this staff. The Supreme Allied Command Atlantic is divided into command areas, in any one of which SACLANT may require Canadian forces to operate. One of these areas, the Canadian-Atlantic Sub-Area will be under the control of the Canadian Maritime Commander,

Atlantic who may be either naval or air force. He is navy at the present time.

On "D-Day" aircraft of Maritime Air Command will be assigned to the control of the Supreme Allied Commander, Atlantic. If you will refer to this chart you will see these headquarters shown as squares which the insert shows how the national and allied command organization intermesh. I will return to this chart later.

It is in the defence of the Canada-United States region of NATO that the bulk of the R.C.A.F. operational effort lies. This involves four functional commands, Air Defence, Maritime Air, Tactical Air and Air Transport commands. Although a large number of R.C.A.F. auxiliary units—that is the active reserve—are under the control of three of these commands, I will deal with the Auxiliary later and we will cover now only the Regular Air Force.

Before turning to Air Defence Command, I should like to refresh your memory concerning the NORAD organization. With headquarters at Colorado Springs, the Commander-in-Chief of NORAD is responsible to the governments of Canada and the United States through the U.S.A. Joint Chiefs of Staff and the Canadian Chiefs of Staff Committee for the air defence of the continental United States, Canada and Alaska. Under this integrated organization the Commander-in-Chief of NORAD exercises only operational control over the air defence forces of both countries. All other aspects of command, that is training, administration and logistics remain a national responsibility. The Air Officer Commanding R.C.A.F. Air Defence Command is responsible to the Commander-in-Chief NORAD for exercising operational control over all Canadian air defence forces and United States air defence forces in Canada. We have certain United States squadrons stationed in eastern Canada. Thus the Air Officer Commanding Air Defence Command has at present a dual responsibility. He is responsible to the chief of the Air Staff for the command and administration of Air Defence Command. He is responsible to the Commander-in-Chief NORAD for the operational control of the air defence forces assigned, attached or otherwise made available in Canada.

One of the principles of the integrated control is that in air defence areas which contain forces on territory of both countries the commander and his deputy would not be from the same country. Accordingly, the Commander-in-Chief NORAD has an R.C.A.F. officer as his deputy and an integrated staff. Similarly, at air defence regional headquarters the R.C.A.F. will provide commanders or deputies and staff officers at appropriate staff levels.

At present, all Canada is considered a NORAD air defence region under the operational control of the Commander-in-Chief NORAD. However, the advantage of having integrated control is that territory can be divided as indicated by operational considerations and where necessary the international boundary can be disregarded.

Because of the complexities of air defence, it is essential that there be a considerable degree of integration of all the elements contributing to the air defence of North America. The air battle, if and when it occurs, will be sudden, brief and intensive, demanding no conflict in tactical orders and giving no time for consultation of the type ordinarily resorted to in achieving coordination. The NORAD agreement provides the required integrated operational control, while command remains a national responsibility.

I will now describe the four functional commands, beginning with air defence command. The role of our air defence command is to protect the war capacities of Canada and the United States. Their two air defence forces contribute importantly to the security of the North American base, the base for the bulk of the retalitory force of NATO, the forces of the strategic air command, and thus air defence makes a major contribution in the deterrent to global war.

The air officer commanding air defence command, located at St. Hubert, now exercises full command and control of all R.C.A.F. units allocated to air defence, operational control of the Royal Canadian naval unit when allocated to air defence, and operational control of the United States Air Force air defence forces located in northeastern Canada.

There are in addition detailed arrangements for the control of other United States air defence forces operating in or over all-Canadian territory.

No. 5 Air Division at Vancouver is a subordinate headquarters and exercises operational control over, and administers, the air defence forces on the west coast.

The fighting side of the air defence command consists of nine CF-100 Mark V all-weather fighter squadrons. Two squadrons are located at each of the airfields at St. Hubert, Bagotville, North Bay and Uplands and one squadron at Comox, British Columbia. Radar control for these squadrons is provided by the Pinetree system of radars. This ground control environment is a manual system. I will say something in a moment about the needs for its improvement. The R.C.A.F. also mans another radar at Cold Lake; but this radar is employed in the training role at the all-weather operational training unit at Cold Lake.

North of the Pinetree line manned radar is the Mid-Canada early warning line consisting mainly of unmanned detection stations. The maintenance of the Mid-Canada line is carried out from a number of sector control stations along its length. Construction, operation, maintenance and financing of this line is a Canadian responsibility.

North again of the Mid-Canada line is the Distant Early Warning line. Both of these lines are shown on the chart. The United States Air Force is authorized to man and operate the Distant Early Warning line, although the R.C.A.F. has a liaison officer at each of the main bases. Canada has reserved the right to take over the Canadian portion of this line at any time in the future. The Distant Early Warning line, the Mid-Canada line and the Pinetree line are closely integrated operationally and a warning anywhere within the system is transmitted simultaneously to the appropriate headquarters in Canada and the United States.

Complementing the various radar systems is the ground observer corps, a volunteer civilian organization for which the R.C.A.F. provides personnel as supervisors and instructors at all main units.

The total Royal Canadian Air Force regular force establishment for the air defence command is 13,500 personnel.

In the future it is planned that the CF-100 Mark 5 squadrons will gradually be re-equipped perhaps with the CF105 supersonic all-weather interceptor which is now being developed in Toronto equipped with the Sparrow air-to-air missile which is manufactured in Montreal. Eventually ground to air missiles may be introduced into the system.

In the ground environment, or radar system, other improvements are planned to increase the efficiency of our control and early warning system. These include consideration of the introduction of automaticity to speed up the processing of information from the radars to cope with the increased speed of future aircraft and guided missiles.

We know that in the United States of America and in Russia very active intercontinental ballistic missile—usually known as the ICBM—programs are under way. In Russia many regular firings of missiles are taking place, and many experts credit the Russians with the ability to have some ICBM's in operation in the near future.

In considering these air threats, it is believed that some of the long range missiles with nuclear warheads may be developed to sufficient accuracy to be effective against large area targets. However, the enemy would have to deliver

his attack with high accuracy on a large number of small targets before he could destroy or cripple the retaliatory forces of the United States of America, and if Russia dares to launch a major war, she must be prepared to destroy these small targets of the retaliatory forces. It is significant, therefore, that for several years, at least after the introduction of the ICBM, the manned bomber will continue to be an effective means of delivering attack with the degree of accuracy required. Therefore we must continue to be prepared to defeat a manned bomber attack.

The developments in guided missiles, both surface-to-air and air-to-air, and the use of atomic warheads on these missiles, show great promise of increasing the effectiveness of our air defences. It is logical therefore that Canada should adopt weapons of this nature in the near future. There are, however, important factors necessitating the continued use of manned interceptors in the air defence system for many years, indeed for as far as we can see into the future. Many of these factors are of far greater significance in North American air defence than in the United Kingdom where due to geography the facts of time and distance present air threats and defensive problems substantially different to those in North America.

The manned interceptor can be used in the identification role, whereas surface-to-air missiles cannot. Identification is one of the most difficult problems with which the air defence commander is faced. Even though there are certain limitations to the manned interceptor in this task, nevertheless, since the final and critical decision to launch massive retaliation may well depend upon a positive identification of a number of unknown aircraft in the system as "hostiles", and since failure to launch our defensive and retaliatory forces in time could bring about a decisive defeat of unprecedented magnitude, the inclusion of manned interceptors able to assist in the problem of identification is essential.

The supersonic manned interceptor is the development of a proven weapon, whereas the long range surface-to-air missile is as yet untried. Manned interceptors possess flexibility in deployment; for example for reinforcement or replacement purposes during or following a major attack. They can also be recovered or recalled after launching, whereas missiles cannot.

Every weapon has its own particular strength and weakness. There is consequently merit in a mixed weapon system where in the weaknesses of one may be covered by the strength of another. A bomber, carrying a man and subject to his control, may vary its tactics as circumstances demand in a manner which cannot be predicted. Thus the manned interceptor has a greater capability in the face of enemy counter measures than has the pure missile system.

In summary therefore, as long as the threat includes manned weapons, it is prudent to retain manned defensive weapons which have similar tactical flexibility.

I now consider the maritime air command, another command in the defence of the Canada-United States region. Brief reference has been made to this command when we discussed our contribution to the supreme allied command, Atlantic. The air officer commanding maritime air command, who has his headquarters in Halifax, Nova Scotia, is responsible to the Canadian maritime commander for all aspects of maritime air operations. That Canadian maritime air commander is a naval admiral at the present time and is a Canadian.

The role of the maritime air command, jointly with the Royal Canadian Navy, is to combat the threat from the sea against Canada and the United States. Thus the Royal Canadian Air Force land-based maritime air forces will

be utilized, in conjunction with other maritime air and surface forces, in offensive operations, to counter the submarine threat.

For these maritime air responsibilities we have three squadrons of aircraft. Two of these squadrons are located at Greenwood, Nova Scotia, each equipped now with Neptune aircraft. The remaining squadron is based at Comox, British Columbia and is equipped with obsolete Lancasters. The maritime operational training unit is located at Summerside, Prince Edward Island, and equipped with Lancaster and Neptune aircraft. Major reorganization is under way in the maritime air command with the introduction of the Argus aircraft which is in place of the Lancaster aircraft in the maritime role and will be in addition to the Neptunes we now have.

The total of our Canadian air force personnel establishment for the maritime air command is 2,798. This number will increase somewhat over the next few years as more Argus aircraft come into service, the Argus being a larger aircraft and demanding a larger crew than the Neptune. You will have an opportunity of seeing an Argus on Saturday.

The third operational command in the defence of the Canadian-United States region is the tactical air command with headquarters in Edmonton. This command provides air support in joint army-air force exercises, designed to maintain operational effectiveness between the Canadian army and air force units. The command is also required to keep abreast of developments in tactical air operations generally. The main regular force component of this command is at Rivers, Manitoba, the location of the Canadian joint air training centre, an army-air force unit. The base at Namao, Alberta, is also under this command. The air officer commanding tactical air command has no regular force squadrons directly under his control.

However, during exercises, some squadrons from air transport command are placed under his command for troop carrier operations.

Because the army requirement for air support is mainly in the air transport role, the Royal Canadian Air Force is now examining the need for a major reorganization of this command in order to provide more adequately for the transport requirements of the Canadian army for reconnaissance and strike operations. The total Royal Canadian Air Force establishment for tactical air command is 1707 personnel.

The last operational command of the four in the defence of the Canada and United States region is the air transport command with headquarters at Lachine, Quebec. The air officer commanding is responsible to the Chief of the Air Staff for air transport operations and for Arctic air reconnaissance. I have already mentioned how some elements of air transport command are placed under the control of tactical air command, when air support for army operations is required.

The role of the air transport command is to provide the maximum degree of support to other components of the R.C.A.F., to the other two fighting services and to such other government departments and agencies as may from time to time be directed. Two stations, Lachine in the province of Quebec, and Goose Bay in Labrador, are directly under this command, the operational forces of which, however, are widespread and share airfields of other commands. Major units are deployed as shown by the triangles on the chart. The circles represent smaller field detachments.

Two troop carrying squadrons equipped with C119 aircraft are based, one at Downsview, Ontario, and one at Namao, Alberta. Part of the transport squadron from the Namao base was engaged in operations in support of the United Nations Emergency Force in the middle east but the C119 aircraft recently returned to Namao. These two troops carrier squadrons carry out the domestic transport tasks of the Royal Canadian Air Force and the army

across Canada. A long range transport squadron is located at Dorval, Quebec with its administrative organization at Lachine. This squadron is equipped with medium range North Star aircraft and is employed on trans-Atlantic operations. Another squadron with a unit establishment of 19 aircraft of different types is based at Uplands, here at Ottawa, and provides aircraft for special transport work both within Canada and overseas.

I have already briefly mentioned the R.C.A.F. contribution to the United Nations Emergency Force. Air transport command has twice played an important role in support of Canada's obligations to the United Nations, firstly in Korea, and lately in the Middle East. The Middle East force now consists of one flight located at El Arish, Egypt, with a unit establishment of three Dakotas and four Otters to provide short range communications in the United Nations Emergency Force area. The routes presently flown in support of UNEF are shown on this chart.

Finally, in the organization of this command, there are two units at Rockcliffe. The first is an area reconnaissance squadron of Lancaster aircraft to meet the requirements for aerial photography and Arctic reconnaissance. The second unit is a helicopter transport and training unit. This latter unit is the remaining element of the much larger communications flight which provided the helicopter airlift for the construction of the mid-Canada line.

The total R.C.A.F. establishment of the air transport command is 3123 personnel.

Air transport command is also due for a reorganization in the near future with the introduction of the CC106 long range transport aircraft to replace the North Star. This reorganization will involve moving air transport command headquarters and a transport squadron from Lachine and Dorval respectively, to Trenton, Ontario, permitting the closing of the station at Lachine. The obsolete Lancasters in the area reconnaissance squadron will also need replacing before long.

This completes the section on the defence of the Canada-United States region and I shall now turn to training.

The air officer commanding the training command is responsible to the chief of the airstaff for all aspects of air and ground crew training in the R.C.A.F. excluding operational training which is the responsibility of the operational commands.

Since 1950, 5,360 aircrew from NATO countries have been trained by the R.C.A.F. in training command. During 1957 alone, the R.C.A.F. produced 705 aircrew for NATO countries in addition to the output of aircrew for the R.C.A.F. This training load had involved pilot flying training schools at the R.C.A.F. stations at Trenton, Centralia, MooseJaw, Claresholm, Penhold, Saskatoon, Portage la Prairie, Gimli and Macdonald, and an observer flying training school at Winnipeg. To assist training command headquarters in handling this large effort a group headquarters is located at Winnipeg. The aircraft used in these schools are the Chipmunk, for pilot primary flying, the Harvard for basic flying training and the T33 jet for advanced training prior to operational training. 52 Chipmunks, 260 Harvards and 280 T33's are now established in the pilot training schools. In the training of observers, Expeditors, Dakotas and Mitchells are used for the various stages. A total of 65 aircraft are established at the air observer school at Winnipeg.

Nearly all aircrew training is carried out in the prairie provinces whereas ground crew training is concentrated in the east. On this chart the triangles represent aircrew training stations and the circles ground crew training stations and manning depots. A manning depot at St. Johns, Quebec, processes airmen to the various ground training schools at Aylmer, Camp Borden and Clinton. The first two concentrate on the airframe, engine and administrative

trade while Clinton handles all the telecommunication trades. The average annual intake into the manning depot is 5400 and the output of basically trained airmen from the schools during 1957 was 4177.

Four operational training units train aircrew for the operational commands. These are an interceptor day fighter O.T.U. at Chatham, New Brunswick; an all-weather O.T.U. at Cold Lake, Alberta; a maritime O.T.U. at Summerside, Prince Edward Island; and a transport O.T.U. at Trenton, Ontario.

You are undoubtedly aware that the original program to train aircrew for various N.A.T.O. countries is now drawing to a close, with the last group of trainees to graduate in December of this year. This program is replaced with agreements to train 150 pilots and five observers per annum for only Norway, Holland and Denmark, with the first intake in October, 1957. Canada has also agreed to train 360 pilots for the West German Air Force on a repayment basis and this training began in September 1957 and is to be completed early in 1959.

The build-up of aircrew in the Royal Canadian Air Force is completed and the pilot and observer output per annum has been reduced to 240 and 170 respectively which will satisfy attrition. During the next year, therefore, major reductions in our training load will result. This will enable us to close the pilot training schools at Macdonald in 1959 and Claresholm this coming summer; to close the ground school at Aylmer when additional construction at Camp Borden is complete in 1960, and to reduce London to a small unit for auxiliary support by moving the regular ground training units to Centralia this summer. Associated with these moves will be the transfer of training command headquarters from Trenton to Winnipeg, along with the flying training units now at Trenton to Winnipeg and Saskatoon in 1959. This will clear Trenton to accommodate air transport command and the long range transport squadron from Lachine.

I might add that because of the development of road construction—there is a main highway which is to be put through the very centre of our Lachine establishment—it makes it impossible for us to continue at that establishment.

The air training group headquarters at Winnipeg will be disbanded when training command moves to Winnipeg in 1959. These moves, by reducing the number of stations and regrouping units, will reduce overhead costs and will also achieve our aim of concentrating our flying training in the west and our ground training schools in the east.

The present R.C.A.F. establishment for training command, including all trainee positions in the various schools is 15,144 personnel. This will be reduced by approximately 2,750 when the various moves outlined have been completed, thus providing manpower for the commitments confronting us in defence.

The R.C.A.F. auxiliary consists of officers and men of the active reserve who are serving in established units and carry out certain prescribed training.

The changing tempo and technology of war have dictated an alteration in the role and employment of flying squadrons of the auxiliary air force to enable them to contribute to the relief of civil emergency requirements in peace or war.

To this end all the auxiliary flying squadrons are being converted to the light transport, emergency and rescue role. The squadrons at Hamilton, Winnipeg and Calgary are now converted to the new role and the squadrons at Edmonton and Saskatoon have been re-equipped with Expeditor aircraft and converted to the new role. The six Sabre squadrons at Montreal, Toronto and Vancouver will be re-equipped with Expeditors later this year and conversion to the new role should be completed before the end of December. The auxiliary squadrons will ultimately be equipped with Otters and Helicopters as well as Expeditors.

There are also a number of aircraft control and warning squadrons in the R.C.A.F. auxiliary.

There are 30 auxiliary ground training units and eight auxiliary wing headquarters established across the country to provide a reserve of trained ground personnel.

The control of R.C.A.F. auxiliary units is assigned to various commands in accordance with the role of each unit and its geographic location.

The geographic distribution of auxiliary units is shown on the chart.

The R.C.A.F. has the prime responsibility in Canada for coordinating search and rescue operations. In accordance with International Civil Aviation Organization agreements, Canada additionally is responsible for giving assistance in emergencies in defined areas of the Atlantic and Pacific which are outside territorial waters.

R.C.A.F. search/rescue responsibilities include provision of aid to aircraft in distress and the coordination of all marine search/rescue services through R.C.A.F. rescue coordinating centres (RCC) at Torbay, Halifax, Trenton, Edmonton, Winnipeg and Vancouver as shown in chart 10. Air evacuation of the seriously ill and injured is sometimes undertaken from remote areas when other facilities are inadequate.

The control of communications and search-rescue units is exercised by the air officer commanding of the command in which the unit is located.

A total of 106 aircraft in eight units are established for these communications and search rescue operations comprising mainly Lancaster, Canso, Otter, Dakota, Expeditor, Harvard and H21 helicopters.

It is planned to replace the obsolete Lancaster and Canso aircraft by a triphibious aircraft especially equipped for search and rescue operations and capable of operating on skis.

Because of the highly technical and complex nature of the equipment and the magnitude of the R.C.A.F. logistics task, the responsibility for the logistic support of the R.C.A.F. has been assigned to a separate command, air materiel command with headquarters at Rockcliffe.

The functions of the air materiel command may be broadly stated as the procurement and distribution of materiel, the repair and modification of R.C.A.F. equipment, experimental and proving activities, and the quality control of R.C.A.F. materiel. It might be mentioned at this point that logistics planning and policy making are primarily the responsibilities of air force headquarters.

To carry out its tasks, air materiel command operates four supply depots; two repair depots; three technical service units; one construction and maintenance unit; ammunition depots; an experimental and proving unit; two requirements (procurement) units and a photographic establishment.

For the most part air materiel command units are located as lodger units on stations of other commands and the deployment is shown in chart 11.

Sixty seven aircraft of various types are established for air materiel command, the responsibilities of which include the testing and development of current and new types of aircraft and related equipment.

A total of 4,985 officers and airmen make up the air materiel command establishment.

As you have seen the R.C.A.F. is deployed throughout Canada and the over-all distribution of units is depicted on this chart.

Under the heading command and administration are grouped air force headquarters and the administrative, liaison and miscellaneous units which are either under the direct control of AFHQ or have air force wide responsibilities.

These units or forces include the R.C.A.F. elements of the various joint staffs and establishments in the U.S.A. and U.K. as well as the recruiting

personnel and movements units, the air attaches, and the security control system. A total of 2,513 R.C.A.F. personnel are allotted to these tasks.

In summary, the R.C.A.F. have at the present time 1,883 aircraft in unit establishments, which are made up as follows: 808 aircraft for all types of air operations; 900 aircraft employed in the air training role for both the R.C.A.F. and NATO countries; 63 aircraft employed in testing and miscellaneous activities and 112 aircraft in the R.C.A.F. Auxiliary.

I think it would be of interest to mention here the types of aircraft under development, and new aircraft being introduced into the squadrons. First of all there is the AVRO Arrow CF-105 for which a preproduction order of 37 aircraft was given some few years ago. The present situation of that aircraft is that the first two models have flown. The present stage is that of development. A year ago the government had to make the decision as to whether they would continue with another year of development of this aircraft before a decision was made as to whether they would go into procurement. That is the stage at the present time. The aircraft is being developed one year more and before the end of this calendar year a decision will have to be made as to whether the CF-105 is the type of aircraft which Canada would like to produce or acquire in order to meet the requirements of a manned aircraft for our Air Defence Command.

The Argus has been developed, as I have already mentioned, for the Maritime command; and the 106, which is a transport development of the Argus, is also being developed. That will give us long range transport facilities which we lack at the present time. There are 33 Argus aircraft now being produced, having passed through the development stage, and are now going into the squadrons for operational purposes. The first of those was accepted by the R.C.A.F. about a month ago.

We are developing the Cosmopolitan, which is an intermediate range aircraft. There is an order for ten of those.

We have also some 40 helicopters of various types being used for various purposes. I might say one word about the helicopters. We had to go into helicopters in fairly substantial numbers in order to construct the mid-Canada line. Now, that mid-Canada line has been taken over by civilian firms for maintenance and operation, we are making available some of those helicopters. We own the helicopters, but we have made them available to the companies concerned. It is their responsibility to maintain them and return them when required.

To carry out the responsibilities I have mentioned, there is at the present time a personnel establishment of 51,000 service personnel and 16,684 civilian personnel employed by the R.C.A.F. as of March 31, 1958. The actual strength was 50,937 service and approximately 16,000 civilian personnel.

The CHAIRMAN: Gentlemen, I think as you have indicated, we are indebted to the minister for a very comprehensive statement. I should also like to thank his officers who have assisted him in his preparation of this statement; thank you for your attendance.

Our thought was that we would like, as quickly as we could, to get this statement to the stenographer's pool in order to see if we could have it mimeographed and put in your mail boxes later today. In this way you would have it for the week-end and for discussion and examination on Monday and Tuesday.

We are going to be sitting in the house in three-quarters of an hour and I believe the intention was that we would adjourn at this point. Is that still your thought?

Mr. MCCLEAVE: I move that we adjourn.

The CHAIRMAN: Gentlemen, we are sitting at 11 o'clock on Monday morning.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

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MONDAY, JULY 7, 1958

DEPARTMENT OF NATIONAL DEFENCE

WITNESSES

Honourable George R. Pearkes, V.C., Minister of National Defence; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister-Finance; and Air Vice-Marshal W. E. Kennedy, Comptroller, R.C.A.F.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

60218-5—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Allard,
Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard *(Lapointe)*,
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fairfield,
Fisher,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Johnson,
Lennard,
MacEwan,
MacLean *(Winnipeg North Centre)*,
Macnaughton,
McCleave,
McGee,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,
More,
Nielsen,
Pallett,
Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard *(Kamouraska)*,
Rowe,
Skoreyko,
Small,
Smallwood,
Smith *(Winnipeg North)*,
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDER OF REFERENCE

FRIDAY, July 4, 1958.

Ordered,—That the name of Mr. Pallett be substituted for that of Mr. Jung on the Standing Committee on Estimates.

Attest.

LEON J. RAYMOND,
Clerk of the House.

60218-5—1½

MINUTES OF PROCEEDINGS

MONDAY, July 7, 1958.
(13)

The Standing Committee on Estimates met at 11.15 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Benidickson, Bourget, Carter, Clancy, Danforth, Fairfield, Fisher, Grafftey, Hales, Hicks, Howe, MacLean (*Winnipeg North Centre*), McCleave, McGee, McMillan, McQuillan, More, Pallett, Payne, Pearson, Ricard, Skoreyko, Small, Smallwood, Smith (*Calgary South*), Smith (*Winnipeg North*), Stefanson, and Tasse.

In attendance: From the Department of National Defence: Honourable George R. Pearkes, V.C., Minister; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister-Finance; Air Vice-Marshal W. E. Kennedy, Comptroller, R.C.A.F.; Air Commodore M. D. Lister, Chief of Plant and Intelligence; and Mr. D. B. Dwyer, Superintendent of Parliament Returns.

The Chairman presented the following as the Second Report of the Steering Committee:

Your Subcommittee recommends:

That at the meetings on Monday and Tuesday mornings next, the Committee proceed with its examination of the Minister's statement on Air Defence; and that following the Tuesday meeting the Committee direct its studies to the Estimates of the Department of Defence Production, with the understanding that the Committee will later revert to the further study of National Defence Estimates.

That Mr. Fisher and other Committee members should submit, in writing, questions for forwarding to the Commandant and the Director of Studies of the Royal Military College; and that following the receipt of the answers to those questions, the above-mentioned Commandant and the Director of Studies may be called if the Committee sees fit;

That the Minister of National Health and Welfare or his nominee be asked to appear before the Committee to outline the co-ordination of the Civil Defence Division with the Militia.

On motion of Mr. More, seconded by Mr. Hales,

Resolved,—That the Second Report of the Steering Committee be adopted.

The Committee proceeded to its consideration of the Estimates of the Department of National Defence, directing its attention particularly to the Minister's statement on *Air Defence.*

Under Item 220—Defence Services:

Air—Regular and General, Royal Canadian Air Cadets, R.C.A.F. Search and Rescue—were considered, the Minister and his officials supplying information thereon.

Agreed,—That the appropriate departmental official appear to explain to the Committee the method by which Civil Service position reclassification is carried out.

Documents relating to the Defence Research Board were tabled for distribution to Committee members (Exhibit No. 9). (*See Appendix "E" to printed Evidence No. 13*)

Replies to questions asked previously were tabled. (*See Appendix "D" to this day's Evidence*).

At 12.55 p.m. the Committee adjourned until 11.00 a.m. Tuesday, July 8, 1958.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

MONDAY, July 7, 1958.
11:00 a.m.

The CHAIRMAN: Gentlemen, we have a quorum and we will start our proceedings.

The minister is at present attending a cabinet meeting, but I understand that as soon as he is able to get away he will join us. Therefore, I suggest that we proceed with the air force section. Until such time as the minister returns we will deal with the items and then return to the matters of policy on such questions as those which may arise out of his statement at our last session.

In addition to Mr. Miller and Mr. Armstrong, we welcome the comptroller of the air force, Air Vice-Marshal Kennedy.

Also, before proceeding with the items, I will give you a rather brief report of the meeting of the steering committee which met last week and dealt with the problems which you left on our doorstep. I can say to you at the outset that, as always, in this steering committee the opinions which all expressed herein are unanimous.

It was recommended at the meeting that on Monday and Tuesday next that the committee proceed with the consideration of the minister's statement on air defence, and that following Tuesday's meeting our attention be given to a study of the estimates of the Department of Defence Production, with the understanding that the committee will later revert to further study of national defence assuming that we have not completed the estimates of the Department of Defence Production at that time.

All that we are doing, as mentioned at our previous session, is utilizing the Minister of Defence Production because Mr. Pearkes will be absent for at least two weeks. Is there any discussion on this item in the report of the steering committee?

The other item is in respect of a motion that Mr. Fisher and other committee members should submit, in writing, questions for forwarding to the Commandant and the Director of Studies of the Royal Military College; and that following the receipt of the answers to those questions, the above-mentioned Commandant and the Director of Studies may be called if the committee sees fit. This has been communicated to Mr. Fisher and I believe he has consented to such an arrangement. He was present during a portion of our meeting. If any of you have any questions, which you would like to have included, to be directed to the Commandant and the Director of Studies of the Royal Military College it would be appreciated if you would let the Chairman known as soon as possible because we would like to send them out tonight.

Our purpose in adopting this attitude was in order to determine the area which the questions would cover and it is still conceivable, as this minute points out, that the Commandant and the Director of Studies of the Royal Military College may be called. Are there any questions on that item?

The third item is that on motion, it was recommended that the minister of National Health and Welfare or his nominee be asked to appear before the committee to outline the coordination of the civil defence division with the militia. This is as a result of a request by Mr. Benidickson that we determine the liaison between the militia and the civil defence headquarters. This information has been sent to the minister concerned.

The fourth item is that the Chairman was asked to explore the possibility of the committee visiting Malton. At this point I would like to interject a personal comment. I realize a great many of you who have families here wish to spend your time with them during the weekend but I had hoped that there would have been more than ten members of our committee visit the defence installation at St. Hubert. I would like an expression of opinion as to whether or not you still see fit, or think it wise, to visit the Avro plant at Malton in view of the relatively small number which turned out to inspect the R.C.A.F. installations at St. Hubert. It is quite obvious that if we have a repetition with only ten members of the committee in attendance out of a total of sixty that there is not much point in going to the expense of making an inspection of this type. If there is an indication that more than ten would like to go, and if there is a real general interest, it will be arranged.

Mr. PALLETT: As this plant is in my riding I would be delighted if a very large number of the members of this committee would come down. In a little anticipation of this I have been in communication with some of the company officials who would welcome the visit of the committee. They suggested that if the committee decided to go that they go not on a Saturday but rather on a day when the plant is operating in order to see what is going on there. It is a tremendous industry; it is quite something to see the actual production which is going on there.

The CHAIRMAN: I think that that is the intention, and that it would be important to make it a week-day. However, I would like some indication from the committee, if the arrangements are made, as to how many would go. I am sure you would agree there would be no point in taking down a sixth of the membership of the committee.

Mr. SMALLWOOD: I feel like you do. I was very discouraged to see how few attended the tour on Saturday. As you know the C.C.F. members spent half our time here asking questions and not one of them took advantage of the opportunity of going on this tour. It was very educational and if they had attended it might have helped to eliminate some of the questions.

The CHAIRMAN: If a date can be arranged, would you indicate how many would like to go.

Gentlemen, we will make the arrangements. May I have a motion that the report of the steering committee be accepted?

Moved by Mr. More, seconded by Mr. Hales, agreed to? Carried.

I think we can now proceed. We have with us again the minister, and you have had an opportunity to examine his statement.

On your behalf I would like to thank the parliamentary stenographic pool for providing so promptly the statement which I believe you had in your boxes by about 3:00 p.m. on Friday.

If there are any questions we will proceed with them now.

Mr. PEARSON: Mr. Chairman, the minister mentioned on Friday that a formal government decision had been taken to proceed with the production of the 37 pre-production CF-105's this year. Would he tell the committee when that decision was taken.

Hon. George R. PEARKES, (*Minister of National Defence*): My understanding is that the decision for the 37, was I think taken when the original development order was agreed to, which would be about three years ago or something like that.

Mr. PEARSON: I asked that question because that was not my own understanding of the purport of the decision made at that time; but I have only my own recollection to go on.

Mr. PEARKES: I beg your pardon?

Mr. PEARSON: My understanding of the decision taken about three years ago was that it did not cover in specific terms the production of the 37 aircraft; but, as I say, perhaps my recollection of that is wrong.

Mr. PEARKES: I think I am right. I am having it looked up now and perhaps you would give me a few minutes to reply.

Mr. PEARSON: I wish to go back to the CF-100 and ask the minister if he considers that the CF-100's would now be obsolete in the face of the bombers which might be launched against us?

Mr. PEARKES: No. I do not consider the CF-100 obsolete. In a few years' time it may become obsolete, but at the present time it is my information that the CF-100 is capable of meeting and engaging the majority of the bombers which Russia might have available to attack this country. I think the CF-100 will be a serviceable weapon for several years yet. We are considering the possibility of improving its efficiency.

Mr. PEARSON: May I ask the minister what he means when he says it will be effective for several years against the majority of the bombers which might be sent against this country?

Mr. PEARKES: I mean that there will be various types of Russian bombers that could be used against Canadian targets. As the years move on some of those will become more and more efficient. Perhaps the most efficient ones which the Russians will have in the very near future could not be engaged by the CF-100 in its present form; but if we can add certain other equipment to the CF-100, certain other weapons, then I believe the CF-100 will be able to engage effectively the majority of the Russian bombers.

Mr. PEARSON: Mr. Chairman, that is what confuses me. When the minister says, "the majority of the Russian bombers", does he mean the majority that might come over now?

Mr. PEARKES: Which might come over now and which might come over in the foreseeable future—the next few years.

Mr. BENIDICKSON: In how many years from now is it expected that the CF-105 would be in squadron operation?

Mr. PEARKES: The date for squadron operation is 1961.

Mr. PEARSON: When the minister speaks about an improved CF-100, could he tell us what he means by that; what would enable the CF-100 to be more effective?

Mr. PEARKES: By the addition of other weapons which could be placed in the weapon armament of the CF-100.

The CHAIRMAN: Might I direct a question to the minister. On page 14 of his brief he deals specifically with the type of aircraft used in training command, for instance the 260 Harvards and the T33's. The question which I have asked air officers, dealing with training command, is whether they do not feel the time has come when we should eliminate the piston driven training aircraft and provide an elementary training jet. Our Harvard equipment involves a totally different type of flying.

Mr. PEARKES: That, Mr. Chairman, is a plan which we are considering for the future. It is not reflected in these estimates. In fact, I think you may have seen on your tour of Canadair a type of jet trainer which that company is developing on its own initiative.

Mr. MCGEE: There has been a lot of discussion and a number of articles which have pertained to a vertical take-off type of aircraft which requires very small landing space. Are there any plans being made to purchase that type of aircraft.

Mr. PEARKES: That type of aircraft is not yet in existence. It is very much the aircraft of the future. The Canadian army, at the de Havilland plant, are assisting in the development of an aircraft with a very short take-off run which is known as the Caribou. No decision has been made to purchase any of those aircraft yet. As a matter of fact, the first Caribou has not yet flown. The decision will be made in the future as to whether or not we purchase any of those aircraft.

A few years ago we assisted that company in the development of this type of aircraft, but no decision has yet been reached and no orders have been placed for that.

Mr. MCGEE: Does this follow along in the assisted take-off principle, or is this a new design? Could you tell us something more about this design?

Mr. PEARKES: It is the standard aircraft. I understand it is not a jet. It is a standard aircraft in which they are developing the ability to take off on a shorter run than is required with aircraft of a similar type now in operation.

Mr. MCGEE: What general type is this aircraft? What is the closest aircraft to it in design?

Mr. PEARKES: It is a further development of what you might call the family of the Otter and the Beaver which have been developed by de Havilland.

Mr. PEARSON: Would the minister agree that subsequent to the decision taken perhaps three years ago—I am not sure of the date—to proceed with the planning and development of the CF-105, the Arrow, there have been very important changes in respect of the increased efficiency of the manned bomber for attack and the development of intercontinental ballistic missiles, and if so does he think those changes have a bearing on the policy which should be adopted from now on in respect of the development of the CF-105?

Mr. PEARKES: The decision was reached this time last year that the development of the CF-105 was showing such progress as to justify the inclusion in this estimate of funds for the development for one year more. Now, that year will expire with this financial year. Some time this fall the government must reach a decision as to whether or not it is going to go ahead with the CF-105 or look elsewhere for the type of aircraft which can carry out the function which the CF-105 was developed to carry out. That decision will have to be taken some time this fall.

I am convinced, in my own mind, that we are still faced with the threat of the manned bomber, and that with the developments which we believe the Russians are doing in perfecting, or improving, their manned bombers—we understand that the Russians are building manned bombers—an aircraft of the CF-105 type will be required.

Mr. PEARSON: Could I ask the minister how much money has been spent on the CF-105 to date and how muich is appropriated for this current year before the final decision has to be made?

Mr. PEARKES: Speaking in round figures, $220 million has been spent and there is approximately $178 million in these estimates to carry on that development until the end of this financial year; that makes approximately, or very nearly, $400 million. If you want the actual figure I will have it looked up.

Mr. PEARSON: No; that is all right. I have seen a figure in respect of the cost of the CF-105 when it is in full production and ready for use by squadrons of $4½ million per plane. Is that an approximate figure?

Mr. PEARKES: That is an approximate estimate. Of course it will depend on the numbers of the CF-105 which may be ordered, either in this country or elsewhere.

Mr. BENIDICKSON: To put it another way; If we proceed to purchase the CF-105's to the extent they would be required to equip our squadrons operationally in 1961, I believe I have read that to have the necessary spares, parts and so on, our investment in the CF-105 would be in the nature of $1 billion.

Mr. PEARKES: Well, I think that that would be purely an estimate. We have no accurate figure on that.

Mr. PEARSON: Does the CF-105, in the minister's opinion, give us any protection against intercontinental missiles?

Mr. PEARKES: It will give us protection against the unmanned bomber; that is an air breathing missile. When you get into the realm of intercontinental ballistic missiles, as far as I know, the CF-105 in its present form could not offer protection against the intercontinental ballistic missile.

Mr. PEARSON: Following up that, may I ask the minister whether or not he thinks the CF-105 is protection against the most advanced type of manned bomber aircraft that may be launched against this continent?

Mr. PEARKES: My honest opinion is that it is, that is assuming that the present development of the CF-105 proves that it reaches the goals which have been set.

Mr. FAIRFIELD: Could I ask the minister if there are other nations who are interested in the purchase of CF-105's?

Mr. PEARKES: I can best answer that by saying that we are trying to interest particularly the United States in the purchase of the CF-105, but as the United States themselves are developing a similar aircraft, even though this aircraft will not go into production as soon as the CF-105 and therefore may be considered a slightly more advanced type of aircraft being given the same role, I am not very optimistic that the United States will necessarily purchase CF-105's. We are putting forward to them in strong terms the desirability of the United States purchasing these aircraft.

Mr. BENIDICKSON: If a decision is reached to go ahead with the CF-105 program, to what extent by reason of known limitations on our budgeting, technical matters, man-power and so on that we can put in this skilled work, to what extent would that limitation restrict us in providing defence of another kind against missiles?

Mr. PEARKES: It would naturally be a limitation on the funds that we have available, but since this decision has not yet been taken as to whether we place an order, the amount of money which we can make available for that order and the number of CF-105's we require, we cannot say the extent of that limitation. I mentioned in the paper last week that consideration has to be given to the possibility of having some missiles as well as manned interceptors in our general defence framework.

Mr. DANFORTH: Mr. Chairman, I would like to ask the minister is it fair to assume that since this 105 may not prove to be all that is expected, are there other types of planes in the planning stage here in Canada, or is the entire Canadian effort devoted to the development of this one particular plane?

Mr. PEARKES: There are no other planes being planned in Canada to meet this particular role, that is, the role of the supersonic interceptor.

The CHAIRMAN: I wonder if I could make a comment—if it is possible for the chairman to do so—because we were told on our tour that private industry does, of course, keep the air force fully informed of new aircraft designs on

their own drafting boards. Private industry conceivably has plans for a more improved type than the CF-105, or, for that matter, for the Sabre. The detail is something we do not know at the moment.

Mr. PEARSON: Would the minister agree that it is not always possible under the sort of balanced forces to which we are all committed in NATO to have the United States develop, if I may use the expression, in competition with ourselves a plane of this kind when I think they would, assuming that they are not likely to produce anything more efficient and perhaps not as efficient as the CF-105 and if they did produce an aircraft of a type such as the CF-100 would they not utilize it themselves?

Mr. PEARKES: Yes, it is regrettable that we cannot get standardization in equipment. It is something which Canada has been striving to obtain for at least the last ten years. I do not think any previous minister has had any greater success than I am having.

Mr. PEARSON: That is quite true. Will the use of the CF-100 and the CF-105 require lengthening and strengthening of existing runways of airports?

Mr. PEARKES: In some cases.

The CHAIRMAN: I wonder if I might again ask a question of the minister. It has often been suggested that the number of our fighter squadrons, especially of interceptors, will be determined by our radar equipment. The question is, do we therefore expect that in view of our decision in the foreseeable future to further improve our three radar lines that it would almost necessitate an increase in the number of fighter squadrons?

Mr. PEARKES: Radar is being improved, but as far as I know there is no intention to increase the number of fighter squadrons that Canada is maintaining.

Mr. PEARSON: I am doing a lot of questioning—

Mr. BENIDICKSON: Is the present degree of radar detection obsolete?

Mr. PEARKES: No, the degree of radar detection is not obsolete, but it has not got the required facilities to track some of the bombers which are now in existence in the world. It has got to be improved. The greatest problem, I think, is the need for speeding up the information which is obtained from the radar and transferring that to the control system.

Mr. BENIDICKSON: If it is obsolete with respect to certain known bombers, what do we do to improve it? How rapidly could that be done?

Mr. PEARKES: Well, the whole question of improving the radar systems of North America is under the most careful study at the present time. It is too early to give details as to the type of protection—in fact, I do not think it is desirable to give information regarding the details of the improved equipment which is now being investigated.

Mr. PEARSON: On that point, Mr. Chairman, the United States authorities have themselves announced that they will have introduced semi-automatic ground environment, Sage, into their defence and complete the introduction by 1962, I think the date is. Therefore I ask the minister if there is to be a Sage system for Canada?

Mr. PEARKES: That is under consideration.

Mr. PEARSON: May I ask this: if there is not the completion of this Sage system by the filling of the gaps in Canada can the system be effective for both countries?

Mr. PEARKES: Yes, I think one could say that it could be effective even if there are any gaps existing in the system. Of course, it would be more effective if those gaps were filled.

Mr. PEARSON: Well, is it not the fact now that the Pinetree system is already fitted into the continental detection system that if one part of that system, say, Sage was not added to the Pinetree system in Canada, or part of it, surely that would prejudice the effectiveness of the whole system?

Mr. PEARKES: The Sage system is a system of speeding up the information which is passed down. It consists, in the main, of making it possible to identify many more targets and reduces the time very materially in getting the aircraft into the air and controlling them and directing them to the target. It can handle many more targets than can be done by the system, which those members of the committee who were down at St. Hubert on Saturday saw demonstrated. This is an automatic system of recording information and controlling aircraft.

The CHAIRMAN: Any other questions?

Mr. HALES: Mr. Chairman, I would like to ask the minister, in view of the comparatively small population we have in Canada and the extreme and heavy expenditure that we have in the production of this aircraft 105, what steps or what studies are being made with the hope of getting somebody to tie in and help carry this financial load for the taxpayer of Canada? We have our general commitment to NORAD and we are in NATO. Is there not some way in which we can try and spread this cost over a greater number of people some way?

Mr. PEARKES: I do not think there is anybody else but the United States who would be in a position to help us, and our consultations with the United States are continuous and whether they will be in a position to help us or not—they are helping us in some respects now, but whether they will help us further in the production of the CF-105 is not clear. The best way they could help us would be to purchase some CF-105's for their own squadrons.

Mr. HALES: Do you feel that we have done as much as we possibly can to try to institute that help being forthcoming?

Mr. PEARKES: I think Canada has been pressing towards a standardization of equipment and trying to get the United States to purchase more equipment in Canada for a good many years. I have not the actual figures here, but I have seen figures including how much money has been spent by the United States in Canada. The actual amount of money which has been spent in Canada by the United States could be given to the committee, when the Department of Defence Production comes here.

Mr. PEARSON: May I ask the minister whether it is a fact that the Pinetree stations are all fitted into the United States detection and control centres and cannot operate—and I am not complaining about this—but cannot operate individually without fitting into the United States centres?

Mr. PEARKES: They can certainly operate without it because they report in to the air defence command at St. Hubert. They simultaneously report in to Colorado Springs now we have the NORAD agreement.

Mr. PEARSON: Well, is St. Hubert now a control centre within the continental scheme of things?

Mr. PEARKES: It is the air defence command headquarters of Canada and all the information comes there. The information is then sent out from the air defence command to various control stations on the Pinetree line.

The CHAIRMAN: Further questions, gentlemen?

Mr. PEARSON: May I ask the minister in what way the development of the intercontinental ballistic missile has affected our defence planning and policy and especially our policy of detection?

Mr. PEARKES: It has affected our policy to the extent that emphasis is being placed on the detection and tracking, and general defence against the intercontinental misile in so far as the Defence Research Board is concerned. We are in the research stage now.

Mr. PEARSON: Well, I have a great many questions on this. I do not want to monopolize the questioning if there are some other questions someone wants to ask.

The CHAIRMAN: It would appear there are not, Mr. Pearson, so I would suggest you proceed.

Mr. PEARSON: I was going to ask the minister if he would say anything about the ballistic missile early warning system which is surely a matter of the most vital importance to us in our continental defence and whether Canada is to participate with the United States in the planning and construction of that system which, so I read, is to be completed by the United States by 1960.

Mr. PEARKES: Canada has no operational stations to detect intercontinental missiles. I understand that the United States is developing certain stations which will be capable of detecting the intercontinental missiles. We shall naturally render the United States any assistance which we can in the way of making available to the United States the results of the experiments which are being carried out by the Defence Research Board. While this comes more under the details of the Defence Research Board and we will have the proper officials here when we come to that item who will be able to tell you what is being planned, I would just mention the new radar station which is being developed at Prince Albert which is for the study of the aurora zone and the effect upon the aurora of anything which may be passing through that zone. That is being carried out in conjunction with the United States. The United States have made the instruments available. We have provided the land, are maintaining the station or building the station, and scientists from the University of Saskatchewan have been developing or studying this process for several months now.

Mr. PEARSON: Will the DEW line have to be reconstructed to fit into the ballistic early warning system in order to make it effective, as was indicated by American General Dutt, who says that this new system should depend for its effectiveness upon the extending of the DEW line connection.

Mr. PEARKES: I think any development which the United States are doing will be supplementary to the DEW line rather than an extension of the DEW line position.

Mr. PEARSON: Well, then, that is reassuring because I have read that the DEW line would have to be pulled to pieces and put together again in the light of the new development.

Mr. PEARKES: I have no information on that, but my officials tell me that is not so.

Mr. PEARSON: I would like to ask the minister if nobody else wants to ask him—he will be getting tired of hearing my questions—a question about Bomarc. Is it contemplated that Bomarc, the missile, will be replacing manned interceptors before long and are we proposing to build Bomarcs in this country that will replace interceptors? Are they to be built in this country or bought from the United States?

Mr. PEARKES: There are no plans for the construction of Bomarc missiles in this country at the present time. If a decision is reached to install Bomarcs then we would necessarily have to investigate the possibility of constructing them in this country and whether the quantity which we will require would justify the setting up of the machinery to build Bomarcs here in Canada.

Mr. BENIDICKSON: Have they been offered to Canada?

Mr. PEARKES: I do not think any direct offer to give them to Canada has been made. There have been consultations on the official level as to the advisability of installing certain Bomarc stations in Canada, but they are not reflected in these estimates and the desirability of installing Bomarcs in Canada will be discussed later this year when government policy is worked out in connection with the continuation of the CF-105. But the Bomarc will not replace the manned interceptor; it is supplementary to the manned interceptor.

Mr. PEARSON: It is ground to air guided missile?

Mr. PEARKES: It is a ground to air missile.

Mr. FAIRFIELD: I was just going to ask the minister if Bomarc was not more of an offensive weapon than a defensive one?

Mr. PEARKES: It is essentially a defensive weapon, ground to air, offensive to the extent that it is intended to destroy an attacking aircraft, but it is not anything like an intercontinental missile; it is a ground to air defensive weapon.

Mr. PEARSON: It is a fact, then, that no decision has yet been taken to equip our R.C.A.F. squadrons with Bomarcs?

Mr. PEARKES: No decision has yet been taken to equip the R.C.A.F. squadrons with Bomarcs.

Mr. BENIDICKSON: And it has a relationship to the decision forthcoming on the CF-105?

Mr. PEARKES: It has a relationship to that decision.

Mr. PEARSON: Is it a fact—and this is a very technical question, perhaps Defence Production officials would be more able to answer it—but is it a fact that Sage is postulated on the use of ground to air missiles and that without those the government would not have gone ahead with Sage, without that possible use?

Mr. PEARKES: No, I do not think that is correct. The Sage operation is necessarily connected with the control of the manned interceptor. It will assist in the control in that it is able to report the approach of hostile aircraft and thus it would be of assistance to the control of the Bomarc as well. But if there were no Bomarc missiles at all it would still be considered desirable to go ahead with the Sage system for the continent as a whole.

Mr. PEARSON: It is, of course, said in the United States that Bomarc they will be using, I understand, 120 per squadron, are capable of having atomic war-heads. Does that present any problem for us in regard to the United States regulations for the control of the use of Bomarc and has there been any discussion or agreement on this with the United States about it?

Mr. PEARKES: I cannot say definitely whether Bomarc could be equipped with a nuclear war-head. I know that has been reported in the papers that it could be, but I am not in a position to say authoritatively that it could be.

Mr. SMALL: After listening to all this discussion, is it not leading up—or would I be fair in saying it this way, that our defence inter-dependence now has arrived at the stage where the United States Pentagon is planning to abandon our sovereignty in regard to the defence of our country?

Mr. PEARKES: They want us to abandon our sovereignty?

Mr. SMALL: That is the way it would appear to me, that the inter-dependence does not appear to be so urgent as far as we are concerned, that they will not cooperate in any way to purchase our CF-105's, but they are interested in us purchasing from them.

Mr. PEARKES: We are endeavouring to work as a partnership. I do not think the defence of Canada could be provided by Canada alone and I do not

think the defence of the North American continent, including the United States, would be possible without the cooperation of Canada.

Mr. SMALL: But they do not seem to be interested enough unless they are going to have complete control.

Mr. PEARKES: There is no suggestion that there is complete control. These things are discussed and there is an agreement reached. We would like them naturally to purchase our CF-105's. I do not close the door to that possibility at all. No doubt they would like us to purchase some of the equipment that they are developing and there are other factors which have to be kept in mind. It has been the policy for some time that we should retain an aircraft industry in Canada. The aircraft industry in the United States is a very important industry too and I think their government must be just as anxious as we are to keep that industry alive.

Mr. SMALL: Well, out of this discussion the evidence seems to me that there was a trend to the effect that they did not want to probably enter into defence interdependence unless they have some say about it, let us put it that way.

The CHAIRMAN: Is it not true, Mr. Minister, that one of the problems has been that up until recently the United States has not followed the principle of the all-weather two-seater fighter type of aircraft? Up until now they have used a single-seater type and they are looking for the possibility of using a two-seater type?

Mr. PEARKES: They have both single and two-seater types.

Mr. PEARSON: Is it not true, Mr. Chairman, that they were developing, although they were well behind us, a two-seater all-weather jet aircraft when the CF-100 was well on the way in planning and development?

Mr. PEARKES: That is correct.

Mr. PEARSON: Is it not also a fact perhaps, Mr. Minister, that they are not authorized, that it would not be possible for the United States under their present law to make available to us or to our air defence squadrons Bomarc or any other guided missiles with an atomic war-head?

Mr. PEARKES: There are, I think you will recall, amendments now being considered in the United States so as to make available to their allies automatic or nuclear equipment.

Mr. PEARSON: Well, I read that amendment, Mr. Chairman, and that is not how I interpret it. The present amendment applies to the United Kingdom and gives them access to American atomic weapons but to nobody else.

Mr. PEARKES: Our cooperation is very close with the United States, as you well know, and I am of the opinion that a request from us would be met by the United States very rapidly in the event of hostilities being commenced.

Mr. FAIRFIELD: Has it been brought to attention of the minister that in England they have lost to a certain degree some of their faith in ground to air missiles against manned bombers in recent studies in the United Kingdom?

Mr. PEARKES: They have launched some ground to air missiles?

Mr. SMALL: Lost faith in them.

Mr. PEARKES: I certainly have not heard that because they have far more urgent problems than we have, owing to geograhy, and the present Minister of Defence, Mr. Sandys, has been stressing the urgency that there is to develop the ground to air defence missile. In fact they have gone a very long way to not utilizing manned interceptors for the defence of the United Kingdom.

The CHAIRMAN: Further questions?

Mr. PEARSON: I would like to ask the minister his opinion whether in view of developments Mr. Chairman, of the last couple of years it would not

be more advantageous for Canada to have complete control of its ground environment system and less participation in some of the other aspects of air defence which would have to be turned over to the United States. I am thinking of manned interceptors and that kind of thing?

Mr. PEARKES: My opinion is that Canada cannot entirely rely upon another country no matter how friendly they might be to provide all the interceptor defence of Canada even though Canada decided to take over all the ground environment system in Canada. I feel that we should at least make a contribution and be able to have some interceptors capable of defending our own country.

Mr. MORE: Mr. Chairman, I gather that there is no cooperation to the extent that research on the necessary weapons for defence is designated to any particular country; there is no understanding that Canada should spend her money on research in a certain area and that she go it alone in the matter of research.

Mr. PEARKES: No. That is not true. As far as research is concerned there is the closest cooperation through the tri-partite committee which has been set up. There is the friendliest exchange between American scientists, Canadian scientists and United Kingdom scientists. Continually there are visits being made by our scientists going to the United States or the United Kingdom, and there is the freest possible exchange. I think, when we get into the estimates of the Defence Research Board they will be able to tell us in detail the extent of that cooperation.

However, I can give you an assurance that there is the freest exchange and in many aspects there is the question of definite research tasks to be done. Sometimes it is desirable to have several agencies researching or groping for some piece of information. As soon as it is practicable we specialize on certain research work.

Mr. MORE: Thank you. I think that answers my question. Do I take it that cooperation extends to the development of the CF-105?

Mr. PEARKES: To the extent that continually over the past two years or more there have been Americans coming up and watching with interest the development of the CF-105. As far as the company is concerned they have received a lot of information from industry in the United States.

Mr. MORE: But the cost of its development is specially Canada's?

Mr. PEARKES: Yes.

Mr. DANFORTH: I would like to ask the minister a question. We have had a great deal of discussion about the DEW line and the Pinetree line. I am interested in knowing if our ships and planes on the east and the west coast share the responsibility in the radar system; or is that done by units of the United States?

Mr. PEARKES: As I have explained before, the DEW line is maintained by the United States and a shift of personnel there would be the responsibility of the United States. The mid-Canada line is operated entirely by Canada and any shift in personnel there from east to west would be entirely a Canadian responsibility.

Some of the stations on the Pinetree line are operated by Canada and some by the United States; any shift of personnel between Canadian stations would be a Canadian responsibility and shifts of personnel between the United States stations would be a United States responsibility.

Mr. DANFORTH: I am speaking of radar protection offshore on the east and the west coast. My question is, is it entirely a responsibility of the United States, that is in respect of the picket ships and planes; or do we have Canadian units committed?

Mr. PEARKES: No. It is entirely a United States responsibility. We have no Canadian naval picket ships. Any vessels of the Royal Canadian Navy operating in waters, either on the east or on the west coast, of course would send any information they had in a normal way back to Canada; but the picket ships are entirely United States ships.

Mr. PEARSON: Is it the minister's view, in the light of what we have heard from him, that the missile interceptor is not likely to take the place of the manned fighter for some time?

Mr. PEARKES: That is my firm conviction.

Mr. PEARSON: And that the manned bomber is not likely to be replaced by the intercontinental missile for some time?

Mr. PEARKES: It will gradually be supplemented. There will be missiles brought in, but I think it will be many years, if ever, before the manned bomber is entirely replaced by the missile.

Mr. MCGEE: We have heard a great deal about the distant early warnings and so on and of protection all around us. What, and under whose responsibility, is the task of preventing the possibility of nuclear devices being planted within populated areas of the continent? Would you like to comment on that?

Mr. PEARKES: That would be the responsibility of the Royal Canadian Mounted police; that would be internal sabotage, if I understand your question correctly. The planting of any bomb in Canada is the responsibility of the police forces.

The CHAIRMAN: Gentlemen, as we appear to have run out of questions, shall we proceed to take the items?

Mr. BENIDICKSON: I do not think we are running out of questions. It is simply a matter of giving everybody their turn.

The CHAIRMAN: Do you have more questions?

Mr. BENIDICKSON: I am concerned with the comment that was made in the *Edmonton Journal* of February 14. It says: "The Department of National Defence has announced an order to Canadair Company of Montreal for ten medium transport aircraft to be produced by the forced marriage of a British turbo-propeller engine to an obsolescent American airframe." In reading the minister's statement under the heading Air Transport, I did not identify the aircraft which might be referred to. In any event would the minister comment on that editorial?

Mr. PEARKES: That would be the Cosmopolitan which is being developed by Canadair. Members of the committee had the opportunity to see that aircraft on Saturday.

Mr. BENIDICKSON: I believe you referred to it under a different description?

Mr. PEARKES: It is generally known by the name Cosmopolitan. It is the 109. Apparently there is some confusion about the name.

Mr. BENIDICKSON: In your statement you usually referred to the aircraft by their technical numbers.

Mr. PEARKES: Yes.

The CHAIRMAN: The difference is that the company attach one insignia to it and the other is the name given to it by the air force.

Mr. BENIDICKSON: Would the minister comment on this statement of General Simonds of May 9 when referring to the CF-105 he said: "The program

in my opinion cannot possibly be finished before it is indisputably clear to even the most stubborn that the missile has become the principal weapon of attack and the missile must be the only effective weapon of defence."

Mr. PEARKES: That is an opinion expressed by an officer who has had a great deal of experience during the last war. It is not the opinion of the military advisors to the government and the chiefs of staff, nor is it the opinion of the NATO military advisors, nor is it the opinion of the American advisors, who have from time to time been up here and who have discussed this matter with me and with the joint chiefs of staff here; it is not the official military opinion.

Mr. HOWE: In connection with the ground-to-air guided missile, which is under development, in a country as large as Canada probably if they came into use they might create just as much of a hazard when they fell, the ones which missed, as the planes they were shooting at. What consideration is being given to preventing things like that happening?

Mr. PEARKES: After these missiles have travelled a certain distance they become self-destroying and they would not, like a shell from a howitzer which fell down, explode on impact. They are, as I say, self-destroying after they travel a certain distance.

Mr. HOWE: Suppose they were equipped with atomic war-heads; would they be self-destroying or would the fallout from them be dangerous?

Mr. PEARKES: As Canada is not, at the present time, using atomic war-heads, I think that that is a rather hypothetical question. If they are used over Canada, they will be made as secure and as safe as it is humanly possible to do so, so as to avoid any premature or delayed explosion.

The CHAIRMAN: It is suggested facetiously behind me that we would never miss.

Mr. PEARSON: There are some United States air defence squadrons on Canadian soil which could be armed with this kind of weapon with which we are not armed. Is that the case?

Mr. PEARKES: There are two United States squadrons in the northeastern part of Canada. They are under the operational control of the Canadian air defence command.

Mr. PEARSON: Are they armed with the Bomarc missile?

Mr. PEARKES: I do not think they have any Bomarcs up there at all.

Mr. PEARSON: I have a statement here which was made by Air Marshal Curtis which if true is encouraging. He said that the CF-105 engine costs considerably less than the inferior equipment built elsewhere and the Canadian taxpayer has been saved millions.

Mr. PEARKES: I am not competent to comment on that, but Curtis is a retired air marshal. He has made that statement to me, as have other people, and from the figures which he has obtained I believe that statement is correct.

Mr. HALES: Since we have a tri-research council or committee composed of Canada, the United States and the United Kingdom for research problems, have we endeavoured to establish the same tri-committee of the three countries in respect of discussing the production and manufacture of equipment? I am thinking that such a committee of the three countries might say, well now, maybe the CF-105 can be manufactured more economically in Canada or maybe more economically in the United States and that Canada could take care of transport production. Would that not be a reasonable way to get at this problem so that this tremendous expenditure with which this small population of Canada is faced could fit into the picture more economically.

Mr. PEARKES: The cooperation at the research level is excellent. The cooperation at the development level is more difficult. We and the defence production department are continually stressing the desirability of more standardization and more allocation of specific tasks to the different countries. That was one of the matters which was stressed at the heads of governments meeting in Paris a year ago; that is, the desirability of limiting production of certain weapons to certain definite areas. There has been some progress made. As I mentioned the other day, we have since that meeting, appointed Major General Bernatchez as head of the weapons standardization section at NATO.

Mr. PEARSON: If the decision is taken to go ahead with the CF-105, is it the ultimate policy to equip the nine air defence squadrons with CF-105's?

Mr. PEARKES: That would be the intention. To what extent and in what numbers each squadron might be equipped is a matter to be decided later this year. It might be necessary to equip certain squadrons first and others later.

Mr. PEARSON: If the decision is made eventually we would have nine squadrons of twelve planes each equipped with airplanes which cost $4½ million to make?

Mr. PEARKES: I am not quite prepared to go that far. Decision will have to be made as to the relationship between these interceptor squadrons and the other means of defence. I am not prepared to commit myself at the present time that all nine squadrons would be fully equipped with CF-105's.

Mr. PALLETT: On this question of $4½ million apiece, is it not a fact that as numbers of production increase the cost per unit decreases, as was the case with the CF-100; it would depend on the manufacturing target and the extent of development. Development costs regulate immediate cost, but as units are manufactured the unit cost goes down. So the figure of $4½ million is perhaps not the true figure in relation to the final cost?

Mr. PEARKES: Of course the number of aircraft either for Canada or for other countries would affect the actual cost. The more produced the less the cost. We have to work on the assumption that there will only be a very limited number produced because that is all we see in sight at the present time. That figure $4 or $4½ million is purely an estimate.

Mr. PEARSON: I wonder if the minister has the answer to the question which I raised at the beginning as to the form of the original decision?

Mr. PEARKES: I am informed that the original order specified that we would require 37 of these aircraft for the development stage, and that we have proceeded year after year on that assumption. It is hoped that some of those 37 will be operational and will be able to be put into squadrons. But the whole question of the numbers depends really on the speed and the cost—the speed at which we require the special aircraft and the cost. If you have only a few aircraft being developed it takes that much longer to get the aircraft operational. If you order a larger quantity, of course, it costs that much more in the development stage.

The CHAIRMAN: May I turn your attention to page 334. You will still have an opportunity to ask questions on any of these items if we may proceed. I will not take these item by item because they are all fairly general until we come to the large items. When we come to any area which we have covered in the general report, you may still refer to any question which you have at that time.

Pages 334 to 336 inclusive agreed to.

Page 338.

Mr. CARTER: I do not know the page in respect of which this question should be asked, but I have been told, I think at Uplands airport, that there

are some people employed by the civil service doing a certain job who are also employed by the mess. In other words, one man is covering off two jobs and receiving two salaries. I think the case which was brought to my attention was the case of a person who has some job for which he receives a civil service salary and in addition to that he is employed as a mess manager and receiving another salary from the mess. Is that sort of thing possible?

Mr. PEARKES: No. It is not possible for that to happen during ordinary working hours; but there is nothing to prevent a civil servant taking a job after hours providing it does not affect the efficiency of his regular job. There is nothing to prevent a civil servant taking another job out of regular working hours.

Mr. CARTER: I understand that there is no provision for such a position as a mess manager in the establishment and that they added a clerical position or some other position on the civilian establishment and then use this person as a mess manager for which he receives a greater salary than he would get for his original job from the civil service.

Mr. PEARKES: It certainly should not happen and if you will send me the information about this particular case we will look into it. However, there is nothing to prevent a civil servant who is working on a clerical job during the daytime, in the evening, say, auditing the accounts of the mess. But if there is a position for a mess manager and a position for a clerk, no one man could occupy the two at the same time.

Mr. HALES: Mr. Chairman, I am sorry but I wish to revert to page 336. At the bottom of the page we have an expenditure of $103 thousand for punch-card equipment operators. That is an expenditure which we did not have last year and it involves 38 people. How does that come about?

The CHAIRMAN: We expect, Mr. Hales, that it is reclassification; but they will check it and get a definite answer for you.

I might say here, gentlemen, that the deputy minister has offered to bring us one of the officials to go into considerable detail on the question which has been of interest to the committtee of reclassification, to explain the process and the method by which it is determined. If you feel that you would like that I could arrange it very quickly. Would you indicate to me whether you would like to have someone to go into detail on this question of reclassification?

Mr. SMALL: Yes.

The CHAIRMAN: All right, that will be done.

Mr. HOWE: On page 338 I notice an item there that there are two maintenance men, Eskimos, and the amount for them this year is $6,037, and last year there were two of them, the same, and the amount was $2,400. Why would they have gone up so much?

The CHAIRMAN: I wonder if you would mind obtaining the figures?

Mr. FAIRFIELD: I notice that on 334 there are 13 architects employed. Defence Production are supposed, to look after buildings. Why the 13 architects here?

Mr. F. R. MILLER (*Deputy Minister, Department of National Defence*): Those are the contractual agencies. The services design their own building requirements and the architects are used in the designing process.

Mr. MCQUILLAN: Where does this northern wage differential come in and how much is it? Where does that apply and how does it work out?

The CHAIRMAN: The question is, where does the northern wage differential fit into this picture?

Mr. E. B. ARMSTRONG (*Assistant Deputy Minister, National Defence-Finance*): If I can answer that— the place so far as the air force is concerned,

it is payable at Churchill and Goose Bay and generally following north, I think, of about the 55th parallel of latitude, but it varies across the country to some degree. The rates for northern allowance for classified civil servants in full-time positions is $1,500 per annum for married employees and $900 per annum for single employees. There are a number of variations from this that apply in different categories of employees. Those are the rates for classified employees only.

The CHAIRMAN: Gentlemen, on page 339 we have for the first 15 items in the form individual material items. I am going to suggest if there are any general questions you might ask them. I am not taking them individually with the exception of the mid-Canada line which is a very vital one and, of course, major procurement of equipment, at the bottom of the page. On page 339 are there any questions up to mid-Canada line or including it?

Mr. SMALL: Mr. Chairman, before we get to that and following up what Mr. Carter said in regard to what was termed as moonlighting, in which he said there was some condition existing not only in the air force but in other places, is there no way we can find how prevalent this condition is?

Mr. PEARKES: I do not know how you could. We have no control over a man's spare hours. The man has got some spare time and if he wants to go out and cut somebody's lawn or audit their accounts at night, that is all one form or another of moonlighting. Or if he wants to go and paint his mother-in-law's house it is all included under that same general heading.

Mr. MCCLEAVE: He is taking on double work and holding two positions and geting a definite salary for them, and that in itself is contributing to the unemployment in the country; if it could be stopped it would help us out in that regard.

Mr. PEARKES: I do not know how you could control the spare time of a service man. If he is on leave there is really nothing to stop him going out and taking a job if he wishes or if he sees fit—on an exhibition board, for instance, during his leave period.

Mr. CARTER: Mr. Minister, I have in mind—I will get some particulars of it and give it to the minister—that as I understood this particular case the man was not employed at all on the civil service duties for which he received his civil service salary and was taking his full time up with the job of mess manager, for which he received another salary from the air force, which was in addition to his salary as a civil service employee.

Mr. PEARKES: It might be out of non-public funds his salary was augmented because of additional work that he did. He might be employed as a clerk, expected to run the mess, or to keep the accounts of the mess where he might be required to do some extra work, and his salary might be augmented out of non-public funds, that is, out of the mess funds to do the additional work. If you will give me the details and name and location we will look into it.

Mr. CARTER: I will try and get it. I understood further that this was a device that is used in many cases. There is a need for this particular position and the Civil Service does not recognize it and makes no provision for it and this is how they get around it. But it means that one man is getting two salaries.

Mr. ARMSTRONG: It is possible, of course, that a man might be employed on some other job in a large establishment than the position that has been established for him, but it is checked. There is an effort to check it through the audit examinations in these establishments and I would not say that it does not happen because I think it probably does. All these cases are not caught but there are checks to prevent it where we find that this happens and is stopped.

The CHAIRMAN: On page 339 would you like a breakdown on major procurement of equipment? Would you like a breakdown of that item of the $246 million?

Mr. HALES: Yes.

The CHAIRMAN: Would you give us 339, major procurements of equipment, $246 million?

Air Vice Marshal W. E. KENNEDY (*Comptroller, R.C.A.F.*): This is under aircraft and engines, the breakdown in that category. Against the Arrow program there is $133 million, helicopters $3½ million, drones $1½ million, CF-100 $28 million, T-33 or Silver Star $3 million, CC-109 or Convair or Cosmopolitan $3½ million, Argus aircraft $46½ million, the CC-106, which is a large transport version of the Argus, $28.8 million.

The CHAIRMAN: Thank you. Are there any further questions on item 339?

Mr. HOWE: I have one in regard to the professional specialized services for the corps of commissionaires and civil servants? What other professions are included in that? I understand there are special medical and dental consultants and architects and professional consultants. Who are included in those professional consultants?

Mr. KENNEDY: The people who are included in that are first of all the one item you mentioned, corps of commissionaires, $1.6 million; school teachers, $3.2 million; civilian officiating clergy—this is where we do not have a permanent padre or the unit is too small to warrant a permanent chaplain—$100,000 and security and protective services $66,000. That last item I might enlarge on. That is in Germany where we use dogs and dog handlers to provide services at night.

Mr. HOWE: Is that the other professional consultants?

Mr. KENNEDY: That is the security and protection services.

Mr. MCCLEAVE: The item of $172,000 for Halifax under the construction item, is that for the construction of the Anderson Square barracks as a result of the fire?

Mr. KENNEDY: Yes, that includes the reconstruction of the officers' mess, a transmitting and receiving building and a micro-wave link connecting them.

The CHAIRMAN: Is there anything further on page 339? We will now go over to page 340 then, gentlemen. Let us take it only half way down the page, the total for civil salaries, pay and allowances, travelling and removal expenses, a total of $4,605,000.

Mr. HALES: Under that air force reserve there is an item on casual labour, summer training camps, an increase of $130,000. What camps were those at or is it one camp? If so where is the camp?

Mr. ARMSTRONG: I understand the reason for this increase shown this year under casual labour is that a number of positions that were previously carried as continuing positions have now been transferred down to casual labour. You will notice that there is a substantial reduction in the number of the positions above from 73 down to 34.

Mr. MCCLEAVE: Pay and allowances for reserve has decreased about 30 per cent. Can the minister make a brief statement on th role of the R.C.A.F. reserve or what has happened there?

Mr. PEARKES: Yes, I have already made a statement on the role of the auxiliary squadrons. Experience has shown that it is impractical to have reserve pilots and ground crews brought up to operational standards in the fighter squadrons and therefore the role has been changed in some cases from fighter squadron to light transport, search and rescue operations. I think that change is reflected in the pay and allowances. There is a slightly detailed answer here.

Mr. ARMSTRONG: The reduction in pay and allowances on the reserve force. There are three general reasons for this. The first one is that certain air cadet expenses were carried also in this vote and have now been transferred and are now carried under air cadets and you will find the pay and

allowances under that vote accounting for $400,000. This reflects also a small reduction in reserve force strength from the previous year and also the flying training, as the minister announced in his policy statement, has been discontinued and that involves some saving.

Mr. McCLEAVE: Have you a breakdown of officers and men in the reserve?

Mr. ARMSTRONG: That figure, incidentally, is given in the original statement that was given to the committee. I do not seem to be able to put my finger on it at the moment.

Mr. PEARKES: It is in the original statement that I gave.

Mr. ARMSTRONG: This statement gave the strength over a number of years and was up to March 31, 1958. There were 1848 officers and 2902 other ranks.

The CHAIRMAN: All right, gentlemen, R.C.A.F. cadets, R.C.A.F.-search and rescue—I wonder if I might ask the minister if any thought has been given...

Mr. SMALL: Air cadets, I see in the first item there is a drop from 332 down to 120. Is that included in the next item pay and salaries where it has jumped?

Mr. ARMSTRONG: As I mentioned these civilian cadet instructors I believe the allowances were provided for in the auxiliary and are now provided for in the cadets. The reduction in civil service is really a book-keeping entry. It is a transfer of certain people who were kept as civilians or considered to be civilians who were also instructors and they are now carried for pay and allowances.

Mr. FISHER: How successful from a strength point of view do you find the cadets as a proselitizing force for the permanent air force?

Mr. PEARKES: I do not know whether we have got actual figures here but from all reports that have come to me I am informed that there is a strong element from the Royal Canadian Air Cadets who go into regulars. Here is the statement: in the last calendar year 962 ex-air cadets were enrolled into the R.C.A.F., 183 officers and 779 as airmen. This represented 13.8 per cent of the total regular male enrolment in the R.C.A.F. for the same period. I would say that is very satisfying.

The CHAIRMAN: I wonder if I might add a word for as vice-president of the Air Cadet League I can tell you that the taxpayers of Canada pay actually a very small proportion of the total training cost because a great part of it is raised by the Air Cadet League of Canada.

Mr. GRAFFTEY: They also provide some to commercial flying. Is there an actual saving in training an air force man who has at one time been an air cadet? Is there a saving in preliminary training at the time?

Mr. PEARKES: I don't think there is any saving in the amount of time. They go through the same courses but they do not have to repeat very often, and there is a higher standard of efficiency generally. We believe that the air cadets are well worth while.

Mr. FISHER: Have you figures of the cadets who go into the Canadian service colleges or the air force?

Mr. PEARKES: No, I would not have those but when a young man makes application to go into the service colleges he would, of course, indicate that he had been in a cadet corps because that question is asked definitely whether they have had any previous military service.

Mr. FISHER: One does see in the colleges that I have had connection with that it has been apparent that these super summer plums that go to certain cadets, especially the trip to England are looked on almost as the value of a scholarship. I hope that the department will keep it in mind if it has anything to do with supporting those trips that they are very well worth while.

Mr. PEARKES: Thank you very much.

Mr. GRAFFTEY: I understand from the minister's answer that the former air cadets do show a high level generally speaking of efficiency in their work.

Mr. PEARKES: The experience that they have gained in the cadet corps helps them very materially in their work in the early stages of their life in the air force.

The CHAIRMAN: Are there any further questions on air cadets? Royal Canadian Air Force—search and rescue. Perhaps I might ask, Mr. Minister, whether there is any thought in policy in relation to the Department of Transport of turning over any of this work to private aviation?

Mr. PEARKES: No, I do not think that there is any intention to turn over our work to the Department of Transport. There is the closest cooperation with the Department of Transport and when there is an accident at sea or on land, the government medium which is most available is used to carry out this work. We consider that this is a useful service to Canada that we are doing but it is rather a side line as far as the air defence is concerned.

Mr. FISHER: Is there any way—suppose you have someone lost, say, in the woods, maybe another aircraft or something, is there any way of recovering any of the expenses of this service?

Mr. PEARKES: I do not think that any of the costs are recovered. This is regarded as an international responsibility, that if there is a lost aircraft in the country the resources of that country will be provided to rescue the crew. No, I am told that there is no amount recoverable.

Mr. FISHER: If we take an example such as a Canadian Pacific Airlines transport forced down somewhere and there was a search for it and an investigation and it was proved that the fault lay with the airline in its safety precautions or something like that there would be no way of going after the airline for any of the cost?

Mr. PEARKES: Not that I know of.

The CHAIRMAN: Gentlemen, to the top of page 341. You have your gross total there. Is it agreed to?

Agreed to.

Are there any questions with respect to the credits from NATO aircrew training on page 341?

Mr. FISHER: How are those credits that are in sterling converted?

Mr. ARMSTRONG: There are no credits in sterling. This is a transfer from a mutual aid account for these services. There is no payment by the United Kingdom where they are involved in air crew training.

The other item here in respect of air crew training is a payment by Germany for the payment of a portion of the training in Canada and that is payable in Canadian dollars.

The CHAIRMAN: Gentlemen, I am going to suggest as it is five to one and we have come to the question of defence research and development that this might be a good time to adjourn.

I would like before we do that, though, to first of all thank the minister for providing for ten members of this committee to visit St. Hubert. As I said at the outset I regret there were not more of us.

I have here some questions related to the army which I will table and which will be included therefore in the evidence, and you will have an opportunity to place further questions to any of the military staff at a later date.

I have one other thing before you leave, gentlemen. I notice that we had this morning five members of our committee who took their seats outside of

these chairs. I wonder if they would be kind enough so that we can identify them to sit with us. There may be occasions where we have not a full quorum so it will be easier to recognize them if they sit on these chairs.

Is there any further discussion?

A motion to adjourn is in order.

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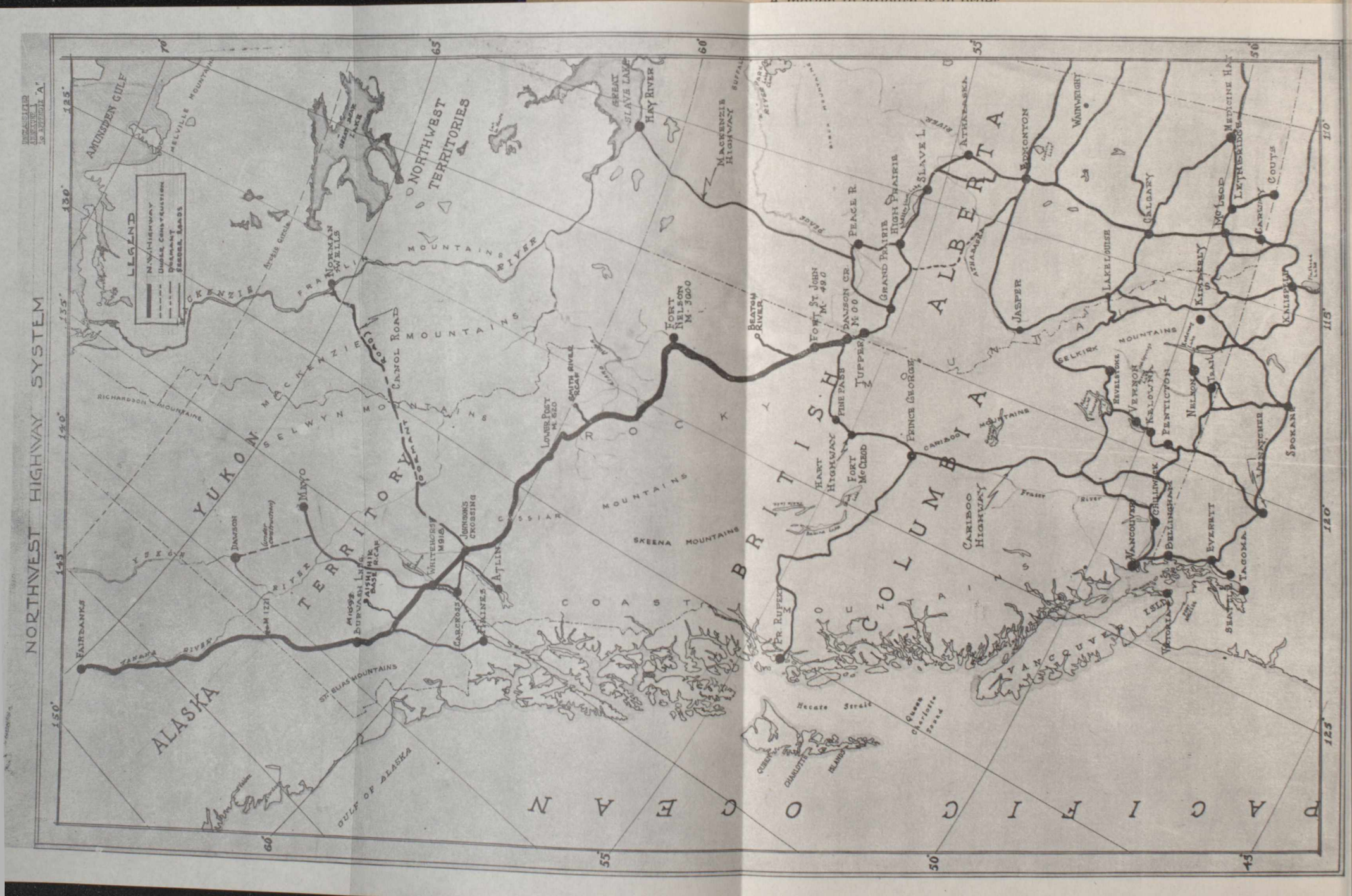

APPENDIX "D"

Information requested by Mr. Broome, M.P.

Northwest Highway System

Army Maintenance Task

1. The Canadian Army is responsible for the maintenance of:

(a) The Canadian portion of the Alaska Highway including the Canadian portion of the road from Haines Junction, Y.T., to Haines, Alaska;
(b) Seven emergency landing strips and access roads at Sikanni Chief, Prophet River, Liard Canyon, Pine Lake, Squanga Lake, Pon Lake and Burwash;
(c) Access roads to the following airfields associated with the Northwest Staging Route, Fort St. John, Fort Nelson, Watson Lake, Whitehorse, Smith River, Aishihik and Snag;
(d) All fixed assets relative to the highway such as buildings, bridges, culverts, maintenance camps, etc.

Standard of Maintenance

2. The Canadian portion of the Alaska Highway is being maintained as an all-weather road to a standard which will prevent deterioration to the road bed. Load limits are in force, and additional weight restrictions are imposed from time to time depending on weather conditions.

3. Although an integral part of the Alaska Highway, the Canadian portion of the cut-off road from Haines Junction, Yukon Territory, to Haines, Alaska, is being maintained to a standard lower than that applicable to the main Alaska Highway. It is being maintained as a secondary road capable of carrying wheeled traffic during periods of fair weather. It is subject to restrictions consistent with preventing deterioration of the road-bed during periods of wet weather, thaw and freeze-up. Maintenance, including snow removal is not being carried out during winter months.

4. The emergency landing strips and access roads associated with the highway maintenance tasks will continue to be maintained to a standard to enable the prime user agency to use and service the landing facilities concerned.

5. Treasury Board approved funds in the amount of $2,650,000.00 to provide for the paving of approximately 51 miles of the Alaska Highway, between Mile 1.4 Dawson Creek, B.C., and Mile 52.1 Charlie Lake, B.C. A contract was awarded on 26 August 1957. The expected completion date of the project is 10 December 1959.

6. *General Information on Routes*

(a) Main Alaska Highway—1221.4 miles from Mile 0—Dawson Creek, B.C., to Canada-Alaska Border.
(b) Access Roads—327 miles which includes 117 Miles of the Haines Cut-Off Road.

7. *Traffic and Special Regulations*

There are no special traffic or other regulations regarding the use of the road system. Haines Cut-Off Road is closed to traffic during the winter months from 1 November to 1 May.

8. *Total Value of Buildings and Works*

The total value of buildings and works for the Northwest Highway System is approximately $33,758,878.00. In view of the immediate requirement for this information this can only be considered as an approximation.

9. *Details of 1958-59 Annual Estimates*

The following is the detail covering the proposed expenditure of $1,000,000 requested in the 1958-59 Annual Estimates.

Maintenance of Buildings		
Projects $1,000 to $10,000	$,121,700	
Project $1,000 and under and routine maintenance	223,300	345,000
(These items are done by Command on local approval but details are not known until the report due in August following the end of the fiscal year.)		
Maintenance of Highway		
Rehabilitation of the Sikanni River Bridge	75,000	
Routine Maintenance	180,000	
(Maintenance done by regular maintenance crews such as grading, snow-plowing, ice control, etc.)		
Periodic Maintenance	245,000	
(Periodic maintenance is done by roving crews during the summer months such as replacing culverts, resurfacing, bridging, etc.)		500,000
Other costs including materials for culverting, contingencies, and projects $1,000 to $10,000		155,000
Total		$1,000,000

Information requested by Committee members *July 1958*

GENERAL STATEMENT ON UNIVERSITY TRAINING PROGRAMME

Regular Officer Training Programme (ROTP)

When the ROTP was inaugurated in 1952 it was realized that the product from the Canadian Services Colleges would not be sufficient to supply the requirements of the Services insofar as officers were concerned. It was, therefore, decided to expand the Plan to include the universities where there was military representation on the campus. This representation was in the form of Reserve units such as the UNTD, the COTC and the URTP.

An overall ceiling has been set for enrolment in the ROTP, namely

Navy	250
Army	697
Air Force	720
Total	1,667

The ROTP university enrolment was 674 in 1957/58 with the Canservcol enrolment being 903 for a total of 1,577.

In 1956 it was decided to expand the university programme to enable a limited number of junior matriculants at universities to be enrolled. This number, within the ceiling mentioned above was set at 100.

Thus the University Training Programme (ROTP) sponsors students from one to five years.

The Department of National Defence undertakes to pay all normal university expenses and charges such as university fees, Student Council fees, recreational club dues etc. Cadets receive pay at the rate of $63/month, a subsistance allowance of $65/month for the university year and a grant of $75/year to cover cost of books, drawing instruments etc.

In return for this sponsorship an ROTP cadet must undertake to serve in the Regular Forces for at least three years after graduating from a university.

Selection

There are two types of selection used in obtaining candidates for the University Training Programme:

a) Candidates from High Schools
b) Candidates from Universities.

a) *High School Candidates*

High school graduates apply to NDHQ signifying their choice of service, choice of university and course they desire to enter.

After being medically examined and interviewed they are found basically acceptable or not to the services.

If acceptable they are offered a vacancy in the University ROTP and then if they are acceptable to the university concerned they are enrolled in the service of their choice as officer cadets.

b) *University Candidates*

Candidates who are already enrolled in a university may apply for the ROTP. In this event a candidate applies to the nearest Regular Force Establishment to the University or to the nearest Recruiting Unit.

After a medical examination and an interview provided the course he is following is within five years of graduation if he is in his senior matriculation year or within four years of graduation and such course is acceptable to his service he is enrolled in the service and receives pay and subsistence from the date of application and university fees from commencement of the academic year.

Training Provided

University ROTP students receive a total of 64 hours of military training during the winter term. This training takes the form of lectures. During the summer they receive a minimum of 16 weeks practical training with their service and may extend this to a maximum of 22 weeks.

Enrolment and Place of Training
University Section
as of 31 Mar '58

University	*RCN*	*Army*	*Air Force*	*Total*
Memorial	1	2	0	3
Dal-Kings	3	8	16	27
N.S. Tech.	3	6		9
Ste. Mary's	1			1
Acadia		4	5	9
St. Francis Xavier		13	16	29
St. Dunstan's	1			1
Mount Allison		4	8	12
New Brunswick	1	17	11	29
Sac. Heart & St. Thomas		1		1
Laval		10	29	39
Sherbrooke		1		1
Bishops		2		2
McGill	1	24	32	57
Sir George William's		2		2
Montreal		11	6	17
Ottawa	2	4	11	17
Carleton		6		6
Queen's	2	11	22	35
Toronto	1	28	60	89
McMaster	1	8	6	15
Western Ontario		9	16	25
Assumption		5		5
Manitoba		20	22	42
Saskatchewan	5	14	52	71
Alberta	1	21	38	60
British Columbia	4	27	39	70
Total	27	258	389	674

Courses Offered

Any Engineering, Pure or Applied Science, Honours Maths, Honours Chemistry, Honours Maths and Physics, Honours Physics and Chemistry, Architecture, General Arts, Commerce and Dentistry.

Expenditures

Average cost per student/university year	
Tuition	$ 450
Books	75
Pay	504
Subsistence	520
Total	$1549

Navy expenditure for 1957/58	$ 48,627.00
Army expenditure for 1957/58	$ 502,639.00
Air Force expenditure for 1957/58	$ 700,589.00
Total Expenditure	$1,251,855.00

Period for which signed

Under the ROTP, enrolment in the Regular Force shall be on a career basis, i.e., for an indefinite period of service at the Queen's pleasure; however, if after the completion of three years' service dated 1 May of the graduation year from university, an officer requests release, it will be favourably considered provided that a period of national emergency does not exist at the time of the application for release.

Ratio of Success

University Year	*Numbers*	*% Wastage*
1st year	100	37
2nd year	63	18
3rd year	52	21
4th year	41	11
Graduates	36	

Retention in the Service

	Number Commissioned (Permanent)	*Number Entitled to Option after 3 years service*	*Number Released*
RCN	53	21	2
Army	171	59	20
RCAF	125	36	17
Total	349	116	39

% Retained in the Services—66.4%

Note: Approximately 25% of those cadets who are released for academic reasons during their university course are retained for the services as these cadets are given short service commissions which may be converted into regular commissions after a period of service.

QUESTIONS ASKED PREVIOUSLY TOGETHER WITH THE ANSWERS SUBMITTED

Mr. Hardie asked for the strength, pay and allowances and value of equipment with respect to the Canadian Rangers.

Answer:

Strength 2690.

Service in the Rangers is unpaid unless the Ranger is placed on active service or employed with the Regular Army, e.g., on northern exercsises or attending a regular army school.

Each Ranger is issued, at the discretion of officers commanding Commands, one rifle and ancillary equipment. The value of one of the above mentioned equipment is estimated at $42.00.

Mr. Nielsen asked for the percentage of civilian to military traffic on the Northwest Highway System.

Answer:

No traffic records are maintained on the Northwest Highway System other than that by the Department of Customs and Excise at the Canada-Alaska border. For April and May, 1958, these records were:

North-bound, April 263 — May 1234; South-bound, April 481 — May 998.

It should be noted that these figures reflect cross border movement only, and that traffic would be much more dense on the southern portion of the highway.

While no records are maintained, it is estimated that military vehicles might comprise one per cent of traffic on the Northwest Highway System.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

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TUESDAY, JULY 8, 1958

DEPARTMENT OF NATIONAL DEFENCE

WITNESSES:

Honourable George R. Pearkes, V.C., Minister of National Defence; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister-Finance; Dr. G. S. Field, Chief Scientist, and Mr. G. W. Dunn, Chief of Administration, both of the Defence Research Board.

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60387-8—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Allard,
Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard *(Lapointe)*,
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fairfield,
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Grafftey,
Hales,
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Hicks,
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Lennard,
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MacLean *(Winnipeg North Centre)*,
Macnaughton,
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McGee,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,
More,
Nielsen,
Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard *(Kamouraska)*,
Rowe,
Skoreyko,
Small,
Smallwood,
Smith *(Winnipeg North)*,
Stefanson,
Stewart,
Tassé,
Thompson,
Winch—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDER OF REFERENCE

MONDAY, July 7, 1958.

Ordered,—That the name of Mr. Winch be substituted for that of Mr. Fisher on the Standing Committee on Estimates.

Attest.

LEON J. RAYMOND,
Clerk of the House.

60387-8—1½

MINUTES OF PROCEEDINGS

TUESDAY, July 8, 1958.

(14)

The Standing Committee on Estimates met at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Allard, Baldwin, Benidickson, Bissonnette, Broome, Carter, Chambers, Danforth, Doucett, Grafftey, Hales, Hicks, Howe, Lennard, MacEwan, MacLean (*Winnipeg North Centre*), McCleave, McGee, McGregor, McIlraith, McQuillan, More, Payne, Pearson, Peters, Richard (*Kamouraska*), Skoreyko, Small, Smallwood, Smith (*Calgary South*), Smith (*Winnipeg North*), Stefanson, Stewart, Vivian, and Winch—35.

In attendance: From the Department of National Defence: Honourable George R. Pearkes, Minister; Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister—Finance; Dr. G. S. Field, Chief Scientist, and Mr. G. W. Dunn, Chief of Administration, both of the Defence Research Board; and Mr. D. B. Dwyer, Superintendent of Parliamentary Returns.

The Committee continued its study of the Minister's statement on Air Defence.

Under Item No. 220 of the Main Estimates, 1959—Defence Services: Defence Research and Development was called.

The Minister made a statement and was questioned thereon. Detailed consideration of the estimate was continued and concluded.

Defence Expenditures by other Government Departments; and *Mutual Aid* were considered and approved.

The question of calling certain personnel from the Defence Department respecting construction and procurement costs was referred to the Steering Committee.

During the meeting a group of Parliamentarians from Nigeria visited the Committee. The Chairman, on behalf of the Committee, welcomed the group to the Committee's sitting.

Agreed,—To continue the consideration of the Estimates of the Department of National Defence on Thursday next, turning to the Estimates of the Department of Defence Production on Monday July 14, 1958.

At 12.45 p.m. the Committee adjourned until 11.00 a.m. Thursday, July 10, 1958.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

TUESDAY, July 8, 1958.
11.00 a.m.

The CHAIRMAN: Good morning gentlemen. We have a quorum, so we can proceed.

We have with us this morning in addition to the minister Dr. G. S. Field, chief scientist with the Defence Research Board and Mr. G. W. Dunn, chief of administration.

You will recall at our last meeting we had reached on page 341 the item on defence research and development. Now we are going to go ahead and follow our usual pattern in hearing a short statement from the minister covering this branch. Following this, we will again open this session to any questions for examination of either the minister, or our two new witnesses whom we welcome here at this time. Perhaps Mr. Minister, you might proceed with your statement.

Hon. G. R. PEARKES (*Minister of National Defence*): May I refer you to the extracts from the National Defence Act which were issued yesterday. (*See Appendix "E" to today's Evidence.*) They outline the purposes and composition of the board. You will find under section 53(1) of the National Defence Act, which is the first section of your pamphlet, these words:

> There shall be a Defence Research Board which shall carry out such duties in connection with research relating to the defence of Canada and development of or improvements in materiel as the minister may assign to it, and shall advise the minister on all matters relating to scientific, technical, and other research and development that in its opinion may affect national defence.

The first point I would like to make is that this board has two responsibilities. One is connected with research work; that is the laboratory work which is carried out in the ten laboratories of the Research Board across Canada; and the second responsibility is that of development. Development is really the next stage after the research has been done; the preparation of the models, one might say, of the equipment which is later to be produced. Now, it is very hard to draw a firm line between research and development. There is a certain amount of overlapping. But I think the simplest yardstick that one can use is that research is carried out in laboratories and development is carried out generally elsewhere—in the workshops of industry for example.

There may be some confusion as to where development ends. Development is carried on into what I would call the preproduction stage where one has several items of the developed equipment as a preliminary to beginning the production run. This stage is carried on in an industrial plant and is shown in the votes covering the procurement or acquisition of major equipment. There are, as it were, four stages in obtaining new equipment: research, development, the preproduction stage and finally the production stage. I think those are the four different lines you will find in the estimates. This is the first time that research and development have been so divided. Research has been allocated $26,885,000, and development $55,640,000.

Included in the research is the important factor of grants in aid of research. These grants in aid of research are moneys which are given to various individuals, usually scientists, in the various universities in order to follow up

some particular project. $1,425,200 has been allocated to these grants in aid of research.

The next sub-paragraph in the pamphlet says:

> The Defence Research Board shall consist of a chairman and a vice-chairman, appointed by the Governor in Council, the persons who from time to time hold the offices of chief of the naval staff, chief of the general staff, chief of the air staff, president of the honorary advisory council for scientific and industrial research, and deputy minister of national defence, and such additional members, representative of universities, industry and other research interests, as the Governor in Council appoints.

At the present time there are fifteen members on the Defence Research Board. Then in order to help the defence research board to carry out the projects which are initiated by the Board, there is a staff of some 711 scientists or professional men, 733 technicians who are not necessarily university graduates and some 1,437 administrative and other personnel for carrying out the various phases of the work. Perhaps one might refer to the Defence Research Board as the board of directors for the whole of our defence research organization, although what is usually referred to as the Defence Research Board embraces the scientists, the technicians and the administrative personnel.

The main tasks which have been assigned to the Defence Research Board are: defence against the ballistic missile, particularly in the field of radio propagation in high altitudes; submarine detection and anti-submarine defence systems; operational research studies of weapons systems with emphasis on the joint air defence of North America; studies of nuclear propulsion of ships; responsibility for a large part of the Canadian contribution to the international geophysical year; research in man's ability to survive in such environments as high altitudes, great speed and extreme cold; development of communications and navigational systems; improvement in conventional weapons; development of new rocket type weapons; research in the field of atomic, bacteriological and chemical warfare; research on data processing and the ever widening use of electronics; research on propellants and explosives and scientific advice to civil defence authorities.

Those are the main headings describing the main fields in which research is carried out. For the details, I will ask Dr. Field to answer any questions that there may be along these lines because he is the chief scientist. In connection with administration, Mr. Dunn will be able to answer any questions.

I must ask the consideration of the committee in respect to questions of detail in connection with this research work. I am sure it is quite obvious to all of you that much of the work which is carried out by the Defence Research Board is of a classified nature. Therefore it would be unreasonable and contrary to the best interests of security if we divulged information of detail in connection with the work being carried out by this highly scientific body which is trying to peer into the future and trying to provide the armed forces with the information they desire. I do not think I need labour the point; it must be quite obvious to everybody.

I have endeavoured so far to give all the information possible in connection with questions asked up to date, but I must ask the committee to use discretion in connection with the questions which are asked in regard to this branch of our work.

The CHAIRMAN: Gentlemen, you have heard the statement from the minister. Perhaps I should say that unfortunately he is only going to be with us until 12 o'clock today as he has to attend a cabinet meeting. Perhaps we could deal specifically with the questions relating to his statement.

Mr. PEARSON: I must apologize because unfortunately I arrived only after the minister had introduced the question of defence research. I was hoping to

have brought up one or two questions arising out of yesterday's evidence in order to clear up some confusion that at least is in my mind. They could be properly directed to defence research because they are concerned with radar detection. Could I do that now?

The CHAIRMAN: That can be arranged. In what detail do you wish to go into it?

Mr. PEARSON: I just wanted to ask the minister a question arising out of a statement made here yesterday and statements made later to the press by officials of his department in an effort to clarify what was said in the committee. The clarification has left one member of the committee at least in some confusion and perhaps we could have a further clarification from the minister. What I have in mind is a statement made yesterday by the minister to the effect—and I have not the record—that the majority of attacking aircraft would be detected by the distant early warning line and the inference was that some might get over that line without detection. The statement made outside the committee was that the distant early warning line could detect any known bomber, but the Pinetree line might not be able to do so. I wonder if the minister could reconcile these two statements?

Mr. PEARKES: Perhaps I might read the actual words which were taken down by the reporters as being what I actually said yesterday. I think that may go quite a little way toward clarifying it.

Mr. BENIDICKSON: Is the present degree of radar detection obsolete?

Mr. PEARKES: No, the degree of radar detection is not obsolete, but it has not got the required facilities to track some of the bombers which are now in existence in the world. It has got to be improved. The greatest problem, I think, is the need for speeding up the information which is obtained from the radar and transferring that to the control system.

Mr. BENIDICKSON: If it is obsolete with respect to certain known bombers, what do we do to improve it? How rapidly could that be done?

Mr. PEARKES: Well, the whole question of improving the radar systems of North America is under the most careful study at the present time. It is too early to give details as to the type of protection—in fact, I do not think it is desirable to give information regarding the details of the improved equipment which is now being investigated.

Mr. PEARSON: On that point, Mr. Chairman, the United States authorities have themselves announced that they will have introduced semi-automatic ground environment SAGE into their defence and complete the introduction by 1962, I think the date is, and therefore I ask the minister if there is to be a SAGE system for Canada?

Mr. PEARKES: That is under consideration.

Mr. PEARSON: May I ask this: if there is not the completion of this SAGE system by the filling of the gaps in Canada, can the system be effective for both countries?

Mr. PEARKES: Yes, I think one could say that it could be effective even if there are any gaps existing in the system. Of course, it would be more effective if those gaps were filled.

If you want to see it, it is here.

Mr. PEARSON: And my particular question, Mr. Chairman, was, is it a fact that the DEW line as now constructed can detect any known bomber irrespective of what the effectiveness of the Pinetree line may be?

Mr. PEARKES: I think I am correct in saying that the DEW line can detect any bomber, the capabilities of which are known to the Canadian authorities. We recognize the fact that improvement to the Pinetree line is necessary.

Mr. PEARSON: And may I ask whether provision is made in the estimates this year for replacement and modification of the Pinetree system in order to make it more effective higher up?

Mr. PEARKES: There is money included in these estimates to improve the Pinetree line. I am afraid the improvement will not be completed this year but a start is being made on the improvement of the function of the Pinetree line.

Mr. PEARSON: Do we manufacture any of that equipment in Canada, or does it all have to be imported?

Mr. PEARKES: We manufacture in Canada, so I am told.

Mr. PETERS: Mr. Chairman, is this an indication then that the DEW line has been completely modified and the modification that was taking place has been completed?

Mr. PEARKES: The DEW line is carrying out the function for which the DEW line was designed, that is, to locate and track any manned bomber.

Mr. WINCH: Irrespective of its altitude?

Mr. PEARKES: Any known altitude—capable of detecting at altitudes which, as far as we know, existing bombers can fly.

The CHAIRMAN: Does that cover the point?

Mr. PEARSON: There was one other point arising out of the evidence yesterday, and it concerns equipment in R.C.A.F. planes in the continental air defence program. The minister yesterday said, and a good deal of publicity has been given to this statement, that in order to equip those planes with the latest missiles, with nuclear war tips, the kind of nuclear missiles that would be in United States planes on the same duty, all that would be required would be a request of the United States, and he was confident that that request would be met. The information that is available to me in regard to the legislation that has been recently passed in the United States Congress would indicate that that cannot be done except by change of legislation by Congress.

I wonder if the minister would comment on that?

Mr. PEARKES: I think that is correct at the present time but I do not think there would be any appreciable delay if the request was made by Canada. What I mean by that is I think the Congress of the United States would realize that we are a partner with them in this continental defence and pass it on as speedily as it is possible in connection with legislation and authority.

Mr. PEARSON: Does the minister not think it would be wise to make the request to the United States government that that change should be made now; in view of the fact that all operational aircraft on defence under a joint command should be equipped in the same way?

Mr. PEARKES: It would be expressing an opinion as to the question of how soon this could be done and when the right time would be which must be a matter of consultation between the two governments.

Mr. PEARSON: Today might be a good day.

Mr. PEARKES: I gather some distinguished Americans are arriving in Canada today.

Mr. PETERS: Could I ask—and this might not be a legitimate question—has the radar that we have on the DEW line been modified to the extent that it will pick up planes, at, say, 60,000 feet?

Mr. PEARKES: I cannot tell you the actual height, nor do I think it desirable to disclose exactly the limitations of our radar equipment there. I have said that it is my belief that our radar can pick up any plane which we know of at the present time.

Mr. PETERS: Mr. Chairman, this might also not be a legitimate question, I do not know. Have we done any modifying to our radar system to prevent this business that they call E.C.M., that is, this collection of jamming devices? As I understand it our radar is all on a set frequency and very obviously if there was an attack of any description all they would need to do would be to use high frequency radio which would jam that frequency which would immediately eliminate all radar in Canada and the United States if it stays on a set frequency.

Mr. PEARKES: This question of electronic counter measures, which I understand you refer to by the initials E.C.M. is under constant study all the time, and modifications are taking place in order to take care of that.

The CHAIRMAN: I think, gentlemen, we can then, as Mr. Peters has lead us back to the item—are you through with your line of questioning, Mr. Pearson?

Mr. PEARSON: Yes.

The CHAIRMAN: So we can deal with the items under the heading of defence research and development. Would you then like to proceed with questions on the minister's statement?

Mr. GRAFFTEY: Mr. Chairman, the minister made a statement that some universities receive assistance from the federal authority under this heading. Am I right in understanding that this assistance to the universities and research units is in the form of annual grants in aid? Actually, my question is, Mr. Chairman, has the department ever considered approaching the question on an endowment basis rather than just annual grants and aids?

Mr. PEARKES: It has been always grants in aid of research annually, and my understanding is that these grants are made to the actual professors rather than to the universities.

Mr. GRAFFTEY: Have the universities ever expressed the preference that they might wish to receive this aid on an endowment basis rather than in annual grants and aid?

Mr. PEARKES: It has never been considered as being desirable to do it on that basis.

Mr. WINCH: Mr. Chairman, might I ask for some explanation of the technical administrative transitional stage between development and pre-production. I would imagine that you are going then from your straight research and development into perhaps some company utilization. Would you explain that transitional stage there and the collaboration and cooperation and all that is essential to bring it to the pre-production basis?

Mr. PEARKES: A recommendation is made as to whether the development that they have carried out would justify going a further step. Then, the decision would have to be taken on the recommendation of the chiefs of staff by the minister and submitted to the government as to whether they would proceed with a certain project. The amount of money which would be required to develop that particular project would have to be included in the estimates, and finally the treasury board, in consultation between the Minister of National Defence and Minister of Finance would decide whether we could afford to proceed into the pre-production stage on that particular type of equipment.

Mr. GRAFFTEY: The point I am not quite sure about is this: after the treasury board has decided that we shall go ahead with an item into the pre-production stage it is then on the industrial level—how does the Research Board tie in with that industrial level on the pre-production?

Mr. FIELD: The answer to that is that the research is the first stage. This having been completed, and it having been agreed that this is a good thing to go on with, the next stage is the actual development, that is, the engineering development of the item in industry. That having been agreed upon and a company having been selected which is the best to handle the project, then research people maintain an interest in it until the thing is thoroughly launched.

At the development stage there is an introduction of the service technical officers who are going to be concerned with it later on. But until it proceeds to engineering it is a scientific matter and scientists have full control. Then it moves along into the hands of technical officers of the services who are going to operate the equipment and they take a greater and greater interest in it. So at the last stage it is completely under the control of the service people. So there is a smooth flow from the research to the technical and to the operational stage.

Mr. WINCH: And if there develops any conflict what would happen?

Mr. FIELD: This would be a conflict between scientists and the technical officers?

Mr. WINCH: Yes, because I have heard it sometimes mentioned and I wondered what was the deciding factor.

Mr. FIELD: This, is ultimately resolved in some sort of committee which is ordinarily set up for the project. Such matters are threshed out in the committee and it is they who make the decisions.

Mr. CARTER: Along that line, Mr. Chairman, I was wondering if something could be said as to what extent pure research from these universities is integrated into the research program of the Defence Research Board?

Mr. FIELD: With respect to university research, I think I might say first of all that we endeavour not to involve the universities in matters which are highly classified. We do not think they should be involved and usually they do not like to deal with things that are highly classified. So what we try to do with universities is have them do research which is basic and not openly military.

For instance, in the communications field we are keenly interested in the upper atmosphere, where the auroral zone markedly affects radio communications. Some university groups are studying the aurora for us. They study that and make available the results to us. We put these together and the final result may be highly classified, but the results they get are generally not classified.

The CHAIRMAN: May I interrupt a moment and ask you to speak a little more slowly.

Mr. FIELD: The work in universities is generally in the field of developing research areas which we know are of vital importance from the point of view of defence. The university professors develop a field, if you like, and pass that information on to us and then work is done in our own laboratories to apply the results to a military purpose.

Mr. CARTER: They would be taking a prominent part?

Mr. FIELD: In other words, they are doing what we call the fundamental side of defence research.

Mr. CARTER: When you work out with the universities concerned part of the program, do you deal with each university separately or do you deal with them as groups?

Mr. FIELD: We generally deal with them separately although as I told you we have a number of advisory committees on which sit a number of university professors so that in considering a program often several professors will be sitting on the committee representing each university. In the final analysis, however, we are dealing with each university separately.

Mr. PEARSON: Would the minister care to comment on a sign which I understand appears on the wall of a defence research laboratory which reads: "If it works, it is obsolete"?

Mr. PEARKES: There are many slogans used in all kinds of institutions with the idea to suggest to people that they look well forward in carrying out the general objective.

The CHAIRMAN: Have you one in your department, Mr. Pearson?

Further questions?

Mr. PETERS: I am interested in this E.C.M. business because it appears that although we have had problems with radar ceilings and that sort of thing and some of that has been corrected many of the people I have talked to in the military field, are very interested in the fact that this is a field that we have had very little to do with. They have a memory of what happened during the last was in Lorraine, for instance, where a jamming process that was mechanical. Maybe we can eliminate that, for as I understand it, if we operate our radar on a set frequently without further development into some devices in the radar which will keep changing the frequency rapidly by code, it is not going to be satisfactory. Today, as I understand it, all radar is on the same frequency.

Are we working on that field?

Mr. PEARKES: There are people in the board and in the services themselves, several groups, which are working on this particular project to which you refer.

Mr. CHAMBERS: Mr. Chairman, this is sort of skirting around security here, and perhaps I should ask the question and if it affects security it will not be answered.

I was wondering if it would be possible at this time to report on the progress in devising methods of detecting inter-continental ballistic missiles?

Mr. PEARKES: There is a great deal of research going on in that particular respect but I do not think we should mention the degree of progress which is being made. I am told by Dr. Field that we are quite hopeful of achieving results in that respect.

Mr. WINCH: Is there a high degree of collaboration between the scientists in the United States and Great Britain and Canada on that matter?

Mr. FIELD: I am very glad to say in connection with that problem we are very happy today with the cooperation we have between United States, Great Britain and Canada. The Research Board operates liaison offices in Great Britain and the United States which are working constantly on measures for cooperation and collaboration. In addition to these liaison offices we have a number of committees which have been set up in a variety of fields on a tripartite basis.

I can assure you that cooperation today in defence research is most satisfactory.

Mr. WINCH: May I also ask if in your collaboration there has been involved, shall I say, a useless duplication? If something is being done in the United Kingdom and certain phases done in the United States why should they be done in Canada? Is there a process of removing duplication in the interests of economy and speed?

Mr. FIELD: I may say in recent years we have noticed a much greater development in this than used to be the case. At one time when the United States seemed to have almost unlimited resources, there was occasionally a duplication which some thought was unnecessary. But there has been an increasing need as time has gone on for each of our countries to pool our resources to the greatest degree possible. Today that duplication has decreased and is not a serious problem at the present time.

The CHAIRMAN: Perhaps if there are not any further questions on the general statement we might proceed with the details of the item.

Are there any further questions on the general statement?

Then, let us look at page 341. I said we would only take the large total, but naturally you will have an opportunity of questioning any of the totals.

We will come to full time positions as detailed above, a total of $12,788,200.

Agreed to.

Total civil salaries and wages down to material and supplies, $2,063,630, shall the item carry?

Agreed to.

The CHAIRMAN: Acquisition and construction of buildings and works $2,600,000. Shall the item carry?

Agreed to.

The CHAIRMAN: Acquisition and construction of equipment $3,900,000. Shall the item carry?

Mr. CARTER: Do we have—let me put it this way: to what degree do we have use of electronic computers and does the Defence Research Board construct its own? Do we have one with fairly high ability or capabilities?

Mr. FIELD: We do have in our laboratories some of these electronic computers of very high capacity, but actually because the general need for such computers fluctuates we do hire computing assistance. For instance, there is at the University at Toronto a large computer for which we hire the time. We have some of our own, but we hire time for surplus capacity.

The CHAIRMAN: Further questions on the item? I can perhaps remind you, gentlemen, that you have a copy of your expenditures for 1957-58, in addition to the copy we gave you. It is also printed if you wish to make the comparison.

Contributions, grants, subsidies, $1,425,000.

Mr. CHAMBERS: Is this the grants to universities?

Mr. PEARKES: That is the grants in aid to universities.

Mr. CHAMBERS: I was wondering how the amount paid for any specific item of research was reached. Are we generous to the universities and do they make a profit?

Mr. FIELD: We think we get very inexpensive research indeed from the universities. We do not pay the professors, their salaries are paid by the universities, and assuming a professor indicates after a consultation that he is desirous of undertaking a certain program in which he himself is interested our contribution is to help him buy scientific equipment and to provide him with certain technical assistants, what we used to call "lab boys" in the university. We do not pay the professors, we help them by equipment and help them get assistance. In a sense this is very cheap because for $1 million we get perhaps $5 million worth of research.

Mr. CHAMBERS: In other words, you are not helping the universities; the universities are helping you.

Mr. FIELD: I think it is a mutual thing. The universities have these professors who want to do research and if we did not help them in these things they would be either disgruntled because they could not get the equipment they needed or the universities would have to get it for them.

Mr. MCILRAITH: Are you not following out a program which the National Research Council has been doing?

Mr. FIELD: We follow exactly the same system.

The CHAIRMAN: Carried.

Agreed to.

The CHAIRMAN: The item "All other expenditures", $1,100,000. May we have a breakdown, please?

Mr. DUNN: Mr. Chairman, the breakdown of that item is largely—$1 million of that amount is for contracts with industry and there are contributions to what we call the E.C.-D.C. program, $160,000, bacteriological research $11,000 and for service by the Department of Transport $45,000 and also in that large figure are expenses of our panels, advisory committees and consultants. That sum comes to $46,000.

Mr. CHAMBERS: What does "E.C.-D.C." mean?

Mr. FIELD: "E.D.-D.C." is the short term for electronic component development committee. This is the committee which, on behalf of the three services and the Defence Research Board, initiates the development of electronic components. It comprises small items, resistors, capacitors, vacuum tubes, and so on—small devices which are required in the larger items which are being built.

Mr. PETERS: Mr. Chairman, might we have some explanation as to what we are doing in bacteriological development, this $157,000?

Mr. FIELD: This is a small item of some $11,000 and frankly I do not know what it means in this context. This does not refer to the whole of our B.W. activity, but I assume refers to some small item which was bought under contract for some larger equipment because those items under the vote largely refer to contracts. I assume it was for material of some sort that we had to buy somewhere.

Mr. PETERS: Mr. Chairman, that is why I asked have we not got a more extensive program of bacteriological warfare than this?

Mr. FIELD: Yes. As a matter of fact this item refers to, as I said, some small purchase for our medical laboratory in Toronto. Our medical laboratory in Toronto is not a laboratory where we ordinarily carry on bacteriological warfare research. We have a laboratory at Kingston which is our principal laboratory for this field and I might point out at this stage, in case there is any misconception of our bacteriological warfare program, that our efforts are not on the offensive side. Our program is an entirely defensive one. What we are trying to do is to provide means of countering the various bacteriological agents which we know exist and which at some time might be used against us. We are working to produce prophylactic measures for our troops and our population if we are ever subjected to this type of warfare. Our total effort in this field is very much more than $11,000. This, as I say, refers only to a small item which I presume is for some chemical material which they wanted, but our big effort is somewhere else.

Mr. PETERS: Why don't you try. Is our country having some success—it was one of the big threats in the last war that there was germ warfare—are we having any success and does that success, if we have any, relate to, or is it channelled into the medical field on medicines that could be available?

Mr. FIELD: We are having some success and the results are available to those who would need the information in case of emergency. This applies to knowledge obtained concerning attacks on animals as well as attacks on human beings, for this type of warfare might be carried out against either one.

Mr. BEST: May I ask a short question, Mr. Chairman, that also refers to item 1? What difficulty, if any, is experienced in getting professional personnel to serve? Is there a shortage of professional personnel and is that accounted for by the approximately $1 million increase in salaries shown there?

Mr. PEARKES: There is difficulty in getting the scientists of the required standard which are required. The increases to some extent, increases of the money, also reflect general salary increases.

Mr. BEST: There was largely no change in the number of personnel but a considerable increase in the salaries?

Mr. FIELD: A small increase in the numbers but a larger increase in the salaries. There was, as you know, a general increase in civil service salaries in the previous year and that is a good part of this item.

Mr. MCGEE: Mr. Chairman, in the matter of university grants in aid, is an effort being made to assist able students of modest means in connection with this program?

Mr. FIELD: The assistance which we are able to render to students of modest means is generally by reason of their being employed by the professors whom I have indicated. The professors like to take on undergraduate or postgraduate students to work on their research programs. We are thus in these programs hiring these students in part-time and summer employment. So we do channel a very large portion of our university grants by this means to deserving students.

The CHAIRMAN: Page 342.

I notice that many of these items, such as (12), are the same as on the previous page.

Materials and supplies $1,248,000

Agreed to.

Acquisition and Construction of Equipment $50,290,000

Mr. MCGEE: I notice in respect of a number of civil staff salaries there is an increase. Does that represent only an increase in salary paid to the same size of a group or is it additional staff?

Mr. FIELD: I think that item refers to the fact that the navy manned ships on behalf of the Defence Research Board. We have a naval research establishment which requires ships; these are provided by the navy. The salaries for the crews of these ships are paid under this vote; these are civilian crews for Canadian naval auxiliary vessels. This is a switch-over from naval to civilian crews.

Mr. MCILRAITH: The item acquisition and construction of equipment has increased from $34 million to $50 million. Could we have an explanation of what is involved in that increase?

Mr. FIELD: This item includes what has been called the development part of the Arrow and Orenda programs. That is, the total program is very much larger than this, but in this Arrow and Orenda program, the part which is engineering and design is charged to development and the amount which is to take care of production comes under the other vote. The tooling for example is a very expensive part of the program and is considered as chargeable to production rather than development. This item largely reflects an increase in the CF105 program in this particular year and is for the development part of it.

Mr. MCILRAITH: I just want a little clarification on the stage of development. You referred to the 105 program. I thought that as far as your activity was concerned that this development was largely completed.

Mr. FIELD: In the Arrow program there is, of course, the airframe itself and the engine, the electronic equipment which goes in it, and also the missile program associated with it.

Particularly, the electronic program is in an earlier stage of development than the other parts. Although one is tapering off, the other has been increasing.

Mr. MCILRAITH: Do I understand from that that it is the electronic part of the program that is increasing and that the actual physical attributes of the engine and airframe are decreasing?

Mr. FIELD: They are tending to decrease, whereas the other side is still going through its maximum, if you like.

Mr. PETERS: Does this item include the rocket motor development at Valcartier; and what is the stage of that development?

Mr. FIELD: The rocket motor program is carried out under the Defence Research side. It is not in the particular part of the estimates now being considered. It is essentially a research program; that is, the program at Valcartier, and it is handled under the earlier vote.

Mr. PETERS: Could you tell us the stage which that development is at?

Mr. FIELD: That program, first of all, is a general improvement and research program designed to follow up certain ideas which we have had in this country. It is not something which has a terminal date as does a program which is to fit a rocket into a particular aircraft. As long as good ideas appeared—and they are still appearing—this program will go on; so it has no terminal date in the sense the others have.

Mr. PETERS: Are those geared to any other program?

Mr. FIELD: No. It is a supplementary program, the results of which will be fed into the development programs; it is a basic research program to back up development programs.

Mr. PETERS: In conjunction with this are we undertaking a fuel development program? I understand we are looking continually for a solid fuel propellant. Does this fit into it?

Mr. FIELD: Yes. This is part of the same program.

Mr. PEARSON: Is this program concerned with ultimately throwing a rocket into outer space?

Mr. FIELD: No. This program is thought of as a program involving ground-to-air rockets, anti-ICBM's or rockets of the anti-aircraft type.

Mr. CARTER: My question is on a little different subject. I wonder if any work is now being done on the development of a coal-fired steam turbine?

Mr. FIELD: The coal-fired turbine is a program carried out by Professor Mordell at McGill university with support from the Department of Mines and Technical Surveys.

Mr. CARTER: It has nothing to do with defence research?

Mr. FIELD: No.

Mr. BEST: I would like to ask, in the discussion on this item, in respect of the Arrow and Orenda program, whether most of this expenditure is for work done at Malton or is it for purchase of equipment and for study by the Defence Research Board itself?

Mr. FIELD: This is essentially an industrial program. It is partly at Avro, and partly with companies associated with them; but it is an industrial program.

Mr. BEST: But not directly with the actual professional people of the department.

Mr. FIELD: That is right.

Mr. PETERS: It would appear to me that some of these developments about which we have beeen speaking, for instance, fuels and motors, have a commercial application also as well as military. Does the department have a patent system? For instance, if we work through Canadair, do we give Canadair the rights to the government developments it they are adaptable to commercial application, or does the department retain some kind of copyright or patent on the work which the research department does?

Mr. FIELD: If research is done within the laboratories of the Defence Research Board we apply for patents through Canadian Industrial Patents, handled by the National Research Council. If a development leads to invention within a company, then this is a matter of negotiation with the government

as to who gets the rights to it, depending on the amount of money which the department has involved in it and so on. This is a matter for the Department of Defence Production and we do not handle it.

The CHAIRMAN: Pensions, superannuation and benefits for personal services. All other expenditures.

May we have a breakdown of the $2,952,500?

Mr. G. W. DUNN *(Chief of Administration, Defence Research Board, Department of National Defence):* Mr. Chairman, this item is broken into two amounts; naval development projects, $2,300,000, and army projects of $600,000. I do not have any further detail than that.

Mr. CHAMBERS: Would these amounts be spent outside the department? You are paying someone this money?

Mr. FIELD: Yes. Most of what you see here is money which goes outside the department to industry.

The CHAIRMAN: Are there any further questions?

Mr. PETERS: Could I ask how new development programs are referred to the research board. Where do the original ideas for research come from? Is it a continuing process?

Mr. FIELD: This is a continuing process. Ideas for new development arise in a number of places, but principally either in the Defence Research Board, and I mean in the laboratories, or from technical officers in the services who see the possibility of something and discuss it with the Defence Research Board to see whether or not it has any potential; but basically bright ideas arise, as we say, from the low levels—people on the bench, the people working with equipment, or our own scientists in the laboratories, or perhaps a serving officer in the field who sees a need for something.

Mr. PETERS: Is there a remuneration of any description given to, for instance, civilian enterprise for original ideas?

Mr. FIELD: Yes. In several cases there have been quite substantial grants made to individuals for particularly deserving things.

Mr. PETERS: You encourage it?

Mr. FIELD: Yes.

Mr. WINCH: Do you also recommend cessation of work if you find there is going to be a lot of money spent for a non-useful purpose?

Mr. FIELD: Yes. We always endeavour to "prune the rose bush"; if you take off some of the withered shoots, we think that others will develop better. We eliminate the programs which seem to be getting nowhere. There is continual review and there is an attempt to make the program more efficient.

Mr. CARTER: Would it be possible to have a comment as to what success may have been achieved in the development of new products as a result of the research carried on?

Mr. FIELD: There have been some developments which have turned out to be useful. For example, a navigational device developed in one of our laboratories in collaboration with the R.C.A.F. is now being taken up by the company which was associated with it and they now are very hopeful of selling this to a number of United States airlines. There have been several such products. If we see a civilian use for some device, we are quite anxious to see that it is put on the civilian market.

Mr. CARTER: What about materials like alloys and different processes of substituting wood for metal and that sort of thing.

Mr. FIELD: We do not have very much going on in the development of materials as such. We do have a little bit of that and if there is an opportunity

to get it into the civilian field we do; but we do not do a great deal of research on materials.

The CHAIRMAN: Shall the total carry?

Agreed to.

The CHAIRMAN: Before we let our witnesses leave, I think we should thank them. I think you will agree that by any standard Doctor Field has been a very excellent witness. We also wish to thank Mr. Dunn for being with us today. Thank you very much indeed gentlemen.

We are going to lose the minister at this point.

Mr. PETERS: Before we lose the minister, I unfortunately could not be here yesterday, but I understand that we have been interested in this committee, as well as others, in this matter of reducing expenditures if there is a possibility of doing so, and it has come to my attention that there are, particularly in the air services, some things that I would think could bear closer scrutiny. We are wondering if we could have a number of people called as witnesses at a later date. These persons would be: Air Commodore Whiting, Chief of Construction Engineering, Department of National Defence—R.C.A.F.; Wing Commander Griffiths, Director of Architectural Construction, Department of National Defence—R.C.A.F.; Mr. O. Bush, Architectural Projects, Department of National Defence—R.C.A.F.; Mr. James A. Stanton, Architectural Design, Department of National Defence—R.C.A.F.; Mr. Patrick, Executive Secretary, Inter-Service Equivalents Board, Department of National Defence—R.C.A.F.—Building Materials Equivalents Approval.

The CHAIRMAN: I think that we might handle this as we have handled other such matters in our steering committee to determine who you require and the manner in which it might be approached. You are a member of that subcommittee and I suggest that this would be the best approach.

Gentlemen, I am going to take a few minutes out to introduce to you this very fine group of Nigerian parliamentarians who wish to sit with us for a few minutes while we go through our committee estimates. I would ask you to welcome them in the usual manner. We are very happy to see them.

To our guests may I say please feel free whenever you have had enough, to leave or to stay with us at your convenience.

Now may we proceed to the next item, *Defence expenditures by other government departments*. The first total is $5,207,000. Would you like to have a breakdown or an explanation thereof? We have with us Mr. Miller and Mr. Armstrong.

Mr. E. ARMSTRONG (*Assistant Deputy Minister, Department of National Defence*): Mr. Chairman, this item covers a number of services which are rendered to the Department of National Defence by other government departments.

The details of that provision make up totals which are included in the other government department's estimates.

The particular services which are involved here are provided by the Department of Transport, and they include meteorological services, certain airway traffic control facilities, various services in the way of radio aids to air and sea navigation, consultant services in connection with airfields and runway construction, certain services in connection with the purchase of land for the Department of National Defence, and some lightering services for the landing of materials required for the mid-Canada line.

Mr. HALES: Mr. Chairman, on what basis would the Department of Transport charge the Department of National Defence? On what basis do they make that charge?

Mr. ARMSTRONG: Mr. Chairman, the charge is estimated at the actual cost from the provision in their estimates. It is simply transferred to the Department of National Defence, and it is the actual expenditure which they would make for this purpose as far as I can determine.

Mr. HALES: Do you agree with their bills, expenses and charges as a rule?

Mr. ARMSTRONG: This item is discussed in the course of preparing the estimates between the officials of the Department of National Defence who are concerned, and the officials of the Department of Transoprt, and these figures are agreed on.

Mr. MORE: There is an increase in the estimate over the actual expenditure last year of $1,712,000 roughly. Is there any particular reason?

Mr. ARMSTRONG: The reason is that this item includes certain of what are called "A.M.I.S.", that is aircraft movement information service which is provided by the Department of Transport in connection with the air defence command.

That program got started last year and was somewhat slower in developing than was expected. That accounts for the low expenditure in 1957-58.

Mr. CHAMBERS: With respect to meteorological services, does the Department of Transport supply meteorological information to the Department of National Defence, or is this a cooperative effort?

Mr. ARMSTRONG: This is provided by the Department of Transport. Certain people are assigned to the Department of National Defence and to the air force in particular for this purpose, but they control the whole of the meteorological services.

Mr. CHAMBERS: You do no work.

Mr. PETERS: Does this include the money which the government spends on such towns as Churchill and the maintenance of those towns?

Mr. ARMSTRONG: No. There is no provision in this item for an expenditure on such things as that.

The CHAIRMAN: Are there any further questions, or shall the item carry?

Agreed to.

The next item is mid-Canada line lighterage cost, provided for $738,000. Are there any questions? Oh, I am sorry, it is a reduction.

Mr. PETERS: From whom do we get it back?

Mr. ARMSTRONG: This is really a bookeeping entry. This money is actually provided under the air force vote but in order to show the total in which the Department of Transport or other government departments are interested, it is shown in the top item as well, and it is then deducted.

Mr. PETERS: What is lighterage?

Mr. ARMSTRONG: It is the use of certain landing craft to bring in supplies to certain sites on the mid-Canada line.

Agreed to.

The CHAIRMAN: The next item is under the heading of *mutual aid*—

Mr. PEARSON: I notice that the amount appropriated for next year under mutual aid is but $130 million. I wonder if we could be told how much of this mutual aid would qualify for crediting to defence equipment account? In other words, how much of it represents a transfer of equipment against which the Department of National Defence can credit itself with the replacement value of that equipment?

Mr. ARMSTRONG: None of this will be credited to the special account, since 1956 there have been no credits to that account.

Where equipment is transferred from service stocks, while the money is shown, and it is part of the $130 million total, it is deducted from the service appropriation which is included in that item which we have observed in going through, namely, the deduction from the gross total of services.

Mr. PEARSON: We have been informed that the defence equipment account balance as of March 31, 1958 was $212 million against which the department could draw. And also that at the end of the current fiscal year that balance will be reduced to $165 million. Does that mean that the department is going to draw with respect to mutual aid matters against that account, an amount of about $45 million?

Mr. ARMSTRONG: These estimates assume an expenditure against this special account of approximately $49 million, and that is in respect of equipment being procured for the army.

Mr. PEARSON: If this account is to be liquidated at the end of this year so that in future there may be better parliamentary control over expenditures under this item, then why should $45 million be drawn against it this year? I know that may be a difficult question for an official to answer.

Mr. ARMSTRONG: The answer is this: the basis for the preparation of these estimates was that there would be $45 million or $49 million paid out of this special account.

But to the extent that the amount payable is over and above this amount, then there would be a corresponding lapsing in the appropriations.

Mr. PEARSON: When this account is liquidated, to what will the department charge the replacement value—if they charge it at all—of material made available to NATO under mutual aid?

Mr. ARMSTRONG: We would go on doing just as we are doing currently. The actual defence appropriation that is shown in the estimates covers only the cash requirements of the department.

This is done as I explained by taking the portion of $130 million that represents equipment from service stocks and deducting it from the cash requirements of the services; so that we get a net figure which represents cash only.

Therefore the liquidation of the defence special account does not alter this at all.

We merely go on doing just as we have been doing for the past few years.

Mr. PEARSON: So in effect it will be the same as it is now?

Mr. ARMSTRONG: That is right.

Mr. PEARSON: Is it true that under section 11 of the National Defence Act, provision has also been made for a special account to which proceeds from the sales of material are credited—not necessarily going to mutual aid countries, but the sales of material generally can be credited against that account?

Mr. ARMSTRONG: That is correct. Section 11 of the National Defence Act makes provision for crediting to the special account the proceeds of sales of equipment to other governments international welfare organizations.

Mr. PEARSON: May I ask if this account is also to be eliminated in order to bring cash outlays under this account under parliamentary control?

Mr. ARMSTRONG: The general practice in so far as this Section 11 account is concerned is to currently apply the proceeds that go into that account. By that I might explain that the balance in that account is known at any particular time when the estimates are determined, and it is applied to the next year's estimates so that large balances do not accumulate in that account.

Mr. PEARSON: Are expenditures from this account considered as projected expenditures?

Mr. ARMSTRONG: No. Where funds are available from that account—I take if you mean appropriations—it is not necessary then to appropriate that money.

Mr. PEARSON: No steps are to be taken to change the practice in respect to this account?

Mr. ARMSTRONG: I am not aware of any.

The CHAIRMAN: We are still under the general heading of mutual aid.

Mr. WINCH: Under the general heading of mutual aid, and the transfer to NATO countries of equipment from service stocks, can you give us a breakdown as to what countries are included in this rather large amount?

Mr. ARMSTRONG: We do not have a breakdown as to which countries would get this equipment. The method used—one which has been used for many years—is to seek the recommendation of the NATO authorities and particularly that of the Standing Group as to the distribution of the equipment that is included here. At this stage we have not got those recommendations.

Mr. WINCH: How do you get this amount?

Mr. ARMSTRONG: The amount is calculated on the basis of the equipment that is to be offered. The amount provided here does not have anything specifically to do with the countries which receive the equipment. It is calculated to be the value of the equipment which is to be offered.

Mr. WINCH: Do you make the offer or do the NATO countries ask you for it?

Mr. ARMSTRONG: The offer is made by Canada generally to the Standing Group, seeking their recommendations.

The recommendations of the Standing Group come back and are considered by the Canadian government, and then the offers are made directly to the countries concerned.

Mr. WINCH: Is it a policy decision or is there a recommendation made to the government as to how much we shall give in a year?

Mr. ARMSTRONG: I am not sure that I follow you, Mr. Winch.

Mr. WINCH: Does the department or the minister ask you what we can make available, or do you tell them that we have certain things which could be made available?

Mr. ARMSTRONG: In the preparation of the mutual aid program in so far as it is comprised of equipment from service stocks, the services chiefs of staff are asked about this time of the year—perhaps a little later, in the preparation of the estimates whether they have any equipment which might be suitable and which they could make available for mutual aid.

The CHAIRMAN: I suggest that we might pass the first group of estimates under mutual aid and proceed in that manner. Is the $1,500,000 agreed to?

Mr. McILRAITH: I am not sure which item they come under. I refer to the CF-100's. Which item is that?

The CHAIRMAN: It comes under aircraft.

Mr. McILRAITH: There are two aircraft and engine items.

The CHAIRMAN: Shall we deal with them under the second group?

Is there anything further on the first group?

Mr. BENIDICKSON: May I follow with a question or two about the equipment account. First of all, what is the balance in the special account with respect to material?

Mr. ARMSTRONG: The balance of the special mutual aid account as of March 31, 1958, was $211 million.

Mr. BENIDICKSON: No. I mean the other account, the material account.

Mr. ARMSTRONG: Oh, you are speaking of section 11. I have not got the figure. The balance as of March 31, 1958 was, roughly speaking, $18 million.

Mr. BENIDICKSON: I raised this question on June 12 which was before we heard more about the account, a little bit later, and the answer on pages 36 and 37 of the Committee's Proceedings refers to it.

At the top of page 37 Mr. Armstrong said with respect to the intentions and utilization of the special equipment account that we would find the estimates by looking at the cost of major equipment procured by the army.

I was not able to find that as such in an item, but I presume it is the total of the items on page 328 at the bottom of the page under the heading "Major procurement of equipment". Is that right? It is the total of the seven items?

Mr. ARMSTRONG: Yes, these items would come out of special mutual aid account.

Mr. BENIDICKSON: It was your intention to utilize the special equipment account to pay for all of these items?

Mr. ARMSTRONG: That is right.

Mr. BENIDICKSON: So that the items of national defence—

Mr. ARMSTRONG: I am sorry, perhaps I got this wrong, I am speaking of the mutual aid account, not the section 11 account. I presume that is what you are talking about.

Mr. BENIDICKSON: You are talking about the fund being held as a result of former transfers to the fund for mutual aid expenditures.

Mr. ARMSTRONG: That is right, the $211 million.

Mr. BENIDICKSON: That is right. You intended, as it says on page 37 to charge to the special equipment account, the value of the major equipment that would be procured this year by the army?

Mr. ARMSTRONG: That is right, yes.

Mr. BENIDICKSON: And that figure would not appear in the total that now appears before us in these pages but it is actually a total of the seven items on page 328, is it?

Mr. ARMSTRONG: That is right.

Mr. BENIDICKSON: "Major procurements of equipment".

Mr. ARMSTRONG: "Major procurements of equipment", yes.

Mr. BENIDICKSON: Then in the estimates themselves when we state that the Department of National Defence will require $1,680,717,180 as shown on page 46 is that with or without the $49 million odd or so that is referred to there?

Mr. ARMSTRONG: That is the net requirement. The $49 million from the special account is required in addition to the amount of that appropriation.

Mr. BENIDICKSON: In addition to the amount that I just read from page 46 of the book in front of us?

Mr. ARMSTRONG: That is right.

The CHAIRMAN: Any further questions, Mr. Benidickson?

Mr. BENIDICKSON: No.

The CHAIRMAN: Let us take the second group individually, gentlemen— "Transfers to NATO countries of equipment from service stocks", the first item is ships. Shall this carry.

Agreed to.

"Aircraft and engines".

Mr. McIlraith?

Mr. McILRAITH: Concerning the CF-100 transferred to Belgium under mutual aid, how many were transferred?

Mr. ARMSTRONG: Canada, of course, did not transfer CF-100's itself. This was a joint agreement with the United States but the total number was 53, I believe.

Mr. McILRAITH: 53—and how was this a joint arrangement? How was that worked out, a proportion of the cost charged?

Mr. ARMSTRONG: Well, the United States procured aircraft on off-shore procurement and these were given to Belgium and Canada provided certain support equipment and spares.

Mr. McILRAITH: What was the approximate value of the equipment procured, gross?

Mr. ARMSTRONG: In so far as Canada is concerned, it runs in the order of —the total figure is in the order of $12 million to $13 million.

Mr. McILRAITH: The Canadian component?

Mr. ARMSTRONG: The Canadian share.

Mr. McILRAITH: And was that on a percentage basis to the total or how was that arrived at in relation to the United States?

Mr. ARMSTRONG: It was not arrived at on a percentage basis. It was an agreed arrangement that Canada would do certain things and the United States would do certain things.

Mr. McILRAITH: There was a reference in the May trade export figures to this item, and as I understand it some $3 million of that $12 million was included in the May export trade figures. Do you know when the rest of the component will be shipped?

Mr. ARMSTRONG: I am not familiar with the exact amount that has been shipped. The total provision in this particular year is $6 million for the program.

Mr. McILRAITH: $6 million of the $12 million will be in this year's estimates?

Mr. ARMSTRONG: That is right.

Mr. PETERS: Mr. Chairman, what was the arrangement of the balance, the CF-100's that were sent from Malton and flown overseas by the Canadian Air Force?

The CHAIRMAN: What detail of the arrangement would you like, Mr. Peters?

Mr. PETERS: Were these the ones that went to Belgium and if so why did the Canadian Air Force handle it? They were obtained from a private supplier and our R.C.A.F. flew them there.

Mr. ARMSTRONG: This was part of the overall program in respect of this transaction and the R.C.A.F. undertook to ferry these aircraft to Belgium.

The CHAIRMAN: Shall this carry?

Agreed to.

The next item is "Mechanical equipment including transport", $3,573,396.

Mr. McILRAITH: Just to clarify aircraft and engines, if there is $6 million of the estimates in the mutual aid to Belgium, where is the other $35 million coming from—do we know yet?

Mr. ARMSTRONG: The complete details have not been worked out yet, but those that have include Expeditor aircraft for which there is a little over

$1 million provided. For T-33 aircraft, there is approximately $10 million included. There are some spares, spare support for aircraft that have been transferred for mutual aid in past years and some details will be worked out.

Mr. McILRAITH: That would mean they would be worked out for about $24 million?

Mr. ARMSTRONG: In the order of $20 million, yes.

Mr. PEARSON: Is it a fact, Mr. Chairman, that the NATO countries will ask in mutual aid for $20 million worth of additional aircraft to the ones you mention?

Mr. ARMSTRONG: This is not, Mr. Chairman, a question of the NATO countries asking for these. This is a question of the program to be worked out by Canada on the offer through the Standing Group.

Mr. PEARSON: But the offer has not yet been made?

Mr. ARMSTRONG: No.

Mr. PEARSON: But this is on the assumption that $41 million of aircraft will be offered to NATO countries under mutual aid and accepted by them as mutual aid?

Mr. ARMSTRONG: That is right, Mr. Chairman.

The CHAIRMAN: "Mechanical equipment including transport". Shall the item carry?

Mr. PETERS: Is this the item where Canadians in Europe donated a number of Canadian automobiles that were later reconditioned and sent down into some of our markets in North Africa where they are causing some commotion amongst the wholesalers?

Mr. MILLER: I am not aware of any impact on that of our mutual aid program. As you may know we do have a disposal arrangement for unserviceable or worn out vehicles. We turn them over to the Crown Assets Disposals Corporation and they find markets for them wherever they happen to be if they can. It is not, I do not think, any involvement in the mutual aid program.

The CHAIRMAN:

Agreed to.

The next item is "Armament equipment, $6,318,898". Are there any questions on this. Shall the item carry?

Agreed to.

"Signals and wireless equipment, $378,970".

Agreed to.

"Ammunition and bombs, $22,924,630".

Mr. PETERS: In regard to this item, considering there is no standardization in NATO countries of this type of unit, is this ammunition and bombs for the armament that has been supplied and if so will we have to continue to supply ammunition for this type of armament?

Mr. ARMSTRONG: In the transfer of this type of equipment there is no assurance or obligation attached to continue to supply the particular type of ammunition that is given away and, of course, there are other sources of supply, as a general rule, besides Canada.

Mr. CARTER: There is a big increase over last year. What is the explanation for that?

The CHAIRMAN: Explanation for the increase in bombs from $5½ million to $22 million.

Mr. ARMSTRONG: The explanation for this is that this year's program includes a considerable quantity of ammunition that is available from the

Canadian army stocks, and this includes 75 millimetre recoilless rifle ammunition, 76 millimetre, some 90 millimetre, anti-aircraft ammunition, 3.5 inch ammunition for rockets, 66 millimetre mortars of various types and some 303 ammunition.

Mr. CHAMBERS: Is there any provision made for ensuring that this ammunition and bombs do not get into danger areas through other NATO countries in to the Middle East, for instance? Have we any control of that?

Mr. ARMSTRONG: Canada in giving mutual aid gives it to NATO countries only, as you probably know, and under conditions which place the responsibility for control of the equipment or ammunition and its use for NATO purposes on the country that receives it. Canada itself does not attempt to maintain any organization to follow specifically the use or attempt to control the ammunition or equipment that is in the hands of its NATO partners.

Mr. CHAMBERS: There would be nothing to prevent some of this, then, from being used by the French in Algeria. That is the kind of thing that is hurting the American reputation in the Middle East.

Mr. ARMSTRONG: If it were used for that purpose it would be, shall I say, a breach of the conditions under which it is granted.

Mr. PEARSON: Surely not, Mr. Chairman, because Algeria is a NATO area and if this was given to France as mutual aid they would certainly be entitled to use it in the NATO area of Algeria. Algeria is in the NATO area.

The CHAIRMAN: It does seem to me we are getting into an area which is actually the responsibility of the minister.

Mr. MILLER: I might clarify this one point which was left out. When we make a mutual aid donation, shall we say, when that equipment is no longer required and becomes subsequently beyond the requirements of the recipient nation they make it available back to the NATO pool, and if it is not taken up then they can dispose of it through whatever agency they see fit.

The CHAIRMAN: Shall the item carry?

Agreed to.

The CHAIRMAN: Shall your total carry for mutual aid? Any further general questions? The total carries?

Agreed to.

Mr. GRAFFTEY: I was wondering if there was any co-ordination with Crown Assets on this question. Let us suppose that Crown Assets—I know it comes under D.D.P., Mr. Chairman, but I also know there must be quite a working liaison with the Department of National Defence. Has that been worked out with Crown Assets? Let us suppose they have a supply of something they cannot move and they would have to let it go at a ridiculously low price compared with its value. Do you ever co-ordinate these things with the NATO countries?

Mr. MILLER: We would not supply it to Crown Assets if it had any value as mutual aid. That is, if we ourselves do not want the equipment the NATO authorities would be the first who would be consulted as to whether it was useful to NATO.

Mr. GRAFFTEY: But, Mr. Chairman, the stuff could originally have been offered to Crown Assets and not moved very fast, and subsequent to this you might find out that the NATO countries do require the stuff and it is just lying around in Crown Assets. This information from NATO countries could possibly come to us subsequent to moving the stock into Crown Assets so I was wondering if there was any working liaison where we could find out sometimes if they are holding stuff that is not moving if it could be made available.

Mr. MILLER: That situation has not occurred, but if it did occur I see no reason why we could not make an agreement with Crown Assets for the provision of it to NATO.

The CHAIRMAN: Gentlemen, I asked you to look at the total on page 342. You might wish to ask questions before passing the general question of mutual aid. Are there any questions in reference to NATO aircrew training? Before anyone asks what "infrastructure" means as mentioned, it is shown on page 39 of the evidence, it has already been answered.

Mr. CHAMBERS: There will, presumably, with the slowing up of the NATO air training become a good deal of equipment available for either NATO or other purposes. Is it reflected in this year's estimates?

Mr. MILLER: The T-33's that we referred as comprising part of this year's offer do come from that source.

The CHAIRMAN: You have come to the last portion of item 220, which we will not close but will leave open for any further discussion. It is fifteen minutes before one. Do you wish to proceed on the next item? I wonder if before you adjourn if I might ask for your advice. The steering committee had recommended, and it was consented to by the committee, that we proceed Thursday with the Department of Defence Production. I now realize that the Minister of National Defence, who was going to be away Thursday, now can be with us. He can be with us for better than an hour on Thursday. Now, we cannot, of course, complete National Defence but we can complete the detailed study with the exception of those witnesses you may yet wish to call. Would you like to defer Defence Production until Monday next and do what we can with *"General Services," "Military Service Grants"* and so on, with the Minister of National Defence? Is that agreed?

Agreed.

The CHAIRMAN: A motion to adjourn is in order.

APPENDIX "E"

Exhibit No. 9 (July 7, 1958)

Tabled by the Department of National Defence on July 7, 1958 for the information of the Committee on Estimates.

THE NATIONAL DEFENCE ACT
PART III

THE DEFENCE RESEARCH BOARD

Defence Research Board and its functions

53. (1) There shall be a Defence Research Board which shall carry out such duties in connection with research relating to the defence of Canada and development of or improvements in materiel as the Minister may assign to it, and shall advise the minister on all matters relating to scientific, technical, and other research and development that in its opinion may affect national defence.

Constitution

(2) The Defence Research Board shall consist of a Chairman and a Vice-Chairman, appointed by the Governor in Council, the persons who from time to time hold the offices of Chief of the Naval Staff, Chief of the General Staff, Chief of the Air Staff, President of the Honorary Advisory Council for Scientific and Industrial Research, and Deputy Minister of National Defence, and such additional members, representative of universities, industry and other research interests, as the Governor in Council appoints.

Chairman and Vice-Chairman—tenure and salary

(3) The Chairman and Vice-Chairman shall hold office during pleasure, and shall be paid such salaries as the Governor in Council determines.

Other members—tenure and remuneration

(4) The members of the Defence Research Board, other than the Chairman, Vice-Chairman or the ex-officio members, shall hold office for a period not exceeding three years but shall be eligible for re-appointment, and shall be paid such remuneration, if any, as the Governor in Council determines.

Expenses of members

(5) Each member shall be paid his travelling and other expenses incurred in connection with the work of the Defence Research Board.

Duties of Chairman

(6) The Chairman is the chief executive officer of the Defence Research Board and under the direction of the Minister and in accordance with policies approved by the Board, shall oversee and direct the officers, clerks and employees of the Board, have general control of the business of the Board, have supervision over the work directed to be carried out by the Board, be charged with the organization, administration and operation of the defence establishments of the Board and perform such other duties as the Minister may assign to him.

Duties of Vice-Chairman

(7) The Vice-Chairman shall perform such duties as may be assigned to him under the by-laws made by the Defence Research Board.

Status of Chairman

(8) The Chairman has a status equivalent to that of a chief of staff of a Service of the Canadian Forces.

Powers of The Defence Research Board

54. The Defence Research Board may, with the approval of the Minister,

(a) notwithstanding the Civil Service Act or any other section of this Act or any other statute or law, appoint and employ the professional, scientific, technical, clerical and other employees required to carry out efficiently the duties of the Board, prescribe their duties and, subject to approval of the Governor in Council, prescribe their terms of appointment and service and fix their remuneration;

(b) make by-laws or rules for the regulation of its proceedings and for the performance of its functions;

(c) enter into contracts in the name of Her Majesty for research and investigations with respect only to matters relating to defence; and

(d) make grants-in-aid of research and investigations with respect only to matters relating to defence and establish scholarships for the education or training of persons to qualify them to engage in such research and investigations.

Expenses of the Defence Research Board

55. (1) All expenses of the Defence Research Board shall be paid out of moneys appropriated by Parliament for the purpose or received by the Board through the conduct of its operations, bequests, donations, or otherwise and shall be paid by the Minister of Finance on the requisition of the Minister.

Scholarships and grants-in-aid

(2) The Minister may request the Minister of Finance to allocate any portion of the moneys appropriated by Parliament for the purposes of the Defence Research Board for scholarships or grants-in-aid of research and investigations, and thereupon the Minister of Finance shall hold that portion of the moneys in trust and may at any time on the requisition of the Minister disburse that portion of the moneys for scholarships or grants-in-aid of research and investigations.

(3) Any moneys allocated by the Minister of Finance under this section that, in the opinion of the Minister, are not required for the purpose for which they were allocated shall cease to be held in trust.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

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THURSDAY, JULY 10, 1958

DEPARTMENT OF NATIONAL DEFENCE

WITNESSES:

Mr. Frank R. Miller, Deputy Minister; and Mr. Elgin B. Armstrong, Assistant Deputy Minister-Finance.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

60462-9—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Allard,
Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard *(Lapointe)*,
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fairfield,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Johnson,
Jung,
Lennard,
MacEwan,
MacLean *(Winnipeg North Centre)*
Macnaughton,
McCleave,
McGee,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,
More,
Nielsen,
Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard *(Kamouraska)*,
Rowe,
Skoreyko,
Small,
Smallwood,
Smith *(Winnipeg North)*,
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian,
Winch—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, July 10, 1958.
(15)

The Standing Committee on Estimates met at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs, Allard, Anderson, Bourget, Broome, Bruchesi, Cardin, Carter, Cathers, Chambers, Chown, Danforth, Doucett, Fairfield, Grafftey, Hales, Hicks, Howe, Lennard, McCleave, McGregor, McIlraith, McMillan, McQuillan, Payne, Pearson, Peters, Ricard, Rowe, Smallwood, Smith (*Calgary South*), Stefanson, Tasse, Thompson, Vivian, Winch—35.

In attendance: From the Department of National Defence: Mr. Frank R. Miller, Deputy Minister; Mr. Elgin B. Armstrong, Assistant Deputy Minister—Finance; and Mr. D. B. Dwyer, Superintendent of Parliamentary Returns.

Replies to questions asked previously were tabled for inclusion in the record (*See Appendix "F" to this day's Evidence*).

The Committee resumed its detailed study of the Main and Supplementary Estimates, 1959, relating to the Department of National Defence.

Item numbered 220—Defence Services was allowed to stand.

Items numbered 221 and 222—General Services were considered and approved.

Supplementary Item numbered 578—General Services was considered and approved.

Items numbered 223 to 225 inclusive—Pensions and other Benefits were considered and approved.

Items numbered 504 and 505—Capital Assistance and Loans to the Town of Oromocto, N.B. were considered and approved.

The question of calling certain former senior military officers was again raised. Following discussion, the matter was referred to the Steering Committee.

At 11.40 a.m. the Committee adjourned until 11.00 a.m. Monday, July 14, 1958, at which time the Committee will turn to a study of the Estimates of the Department of Defence Production.

E. W. Innes,
Clerk of the Committee.

60462-9—1½

MINUTES OF PROCEEDINGS

VID.

Thursday, July 11, 1929.

(10)

The Standing Committee on Estimates met at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Allard, Anderson, Dauphin, Dirvonne, Bourbeau, Cedar, Carter, Cathey, Chevrier, Chisholm, Braithwaite, Denault, Fairfield, Graffiny, Hales, Hicks, Howe, Lennard, MacCleave, MacGregor, McGrath, McMillan, MacQuillan, Ryan, Pearson, Peters, Rudolf, Sterling, Sturdivant, Thrift, Tolmie, Smith, Stedman, Tate, Thompson, Vipan, Wigle.

In attendance from the Department of National Defence: Mr. Frank R. Miller, Deputy Minister; Mr. Elgin M. Hemming, Assistant Deputy Minister; Director and Mr. D. S. Forbes, Superintendent of Financial Branch.

Replies to questions asked previously were tabled for inclusion in the record (See Appendix "A" to this day's Evidence).

The Committee resumed its detailed study of the Main and Supplementary Estimates, 1929, relating to the Department of National Defence.

Item number 229—Civilians Services was allowed to stand.

Items numbered 231 and 232—General Services were considered and approved.

Item number 233—General Services was considered and approved.

Items numbered 237 to 239 inclusive—Pensions and other Charges were considered and approved.

Items numbered 240 and 241—Capital Services and Loans to the Town of Owendale, B.C., were considered and approved.

The question of adding certain former naval militia officers was again raised. Nothing further, the matter was referred to the Steering Committee.

At 12.40 o'clock p.m. the Committee adjourned until 11.00 a.m. Monday, July 14, 1929, at which time the Committee will turn to a study of the Estimates of the Department of Soldiers' Protection.

W. W. Innes,

Clerk of the Committee.

EVIDENCE

THURSDAY, July 10, 1958.
11.00 a.m.

The CHAIRMAN: Gentlemen, we have a quorum; we can proceed. I regret that the minister apparently is not going to be with us, as I had hoped he would be. Something has come up which has made it impossible for him to attend. We are going to proceed with the balance of the detail in item 221. We have with us, however, our good friends Mr. Miller and Mr. Armstrong together with the comptroller of the air force and we can, I hope, complete the detail under 221 and I hope the balance.

Monday, as I mentioned earlier, we will go on to Defence Production, and if the minister returns we will have the opportunity of concluding National Defence estimates and hear any witnesses who may yet come before us.

I can tell you now that Mr. Monteith is going to appeal with his civil defence people in approximately ten days and he will make a statement on the relationship of his department in civil defence as it affects the militia. You will have an opportunity to hear from Mr. Monteith as well as a gentleman from "personnel" who will give us a breakdown on the relationship of his personnel, civilian to army personnel and the method by which reclassification is made. That takes into consideration those witnesses we know will come plus any others that the steering committee in their wisdom possibly may suggest to the committee should yet come before us. So if we can turn to the book, to page 343, we had reached the heading of "General Services," which is under item 221, and under that we have grants to military associations, and others.

Item No. 221. Grants to Military Associations, Institutes and others, as detailed in the Estimates $259,175

The CHAIRMAN: Now we are ready for any questions in relation to any of the first group of those grants. Are there any questions?

Shall the amount of $93,125 carry?

Agreed to.

The CHAIRMAN: The second group—military service associations—are there any questions? Shall the amount of $68,400 carry?

Agreed to.

The CHAIRMAN: On page 344—military, united services institutes and others—are there any questions? Shall the amount of $97,650 carry, plus its sub-total?

Agreed to.

The CHAIRMAN: We are now on the next item 222 and we also have here a supplementary estimate, if you will look at your supplementary estimates, No. 578, grant to the town of Oromocto.

Item No. 222. To authorize, subject to the approval of the Treasury Board, grants to the Town of Oromocto for municipal services including the maintenance and operation of schools and to promote the development of the Town $570,000

Item No. 578. (Supplementary)—To authorize, subject to the approval of the Treasury Board, grants to the Town of Oromocto for municipal services including the maintenance and operation of schools and to promote the development of the Town. Further amount required $390,500

The CHAIRMAN: If you look at page 7 of the supplementary estimates and at page 344 of the main estimates, the amount of $570,000, together with the supplementary of $390,500—shall the amount carry?

Mr. WINCH: Where is this town?

Mr. F. R. MILLER (*Deputy Minister, Department of National Defence*): The town of Oromocto represents the civilian and married quarters outside of Camp Gagetown. It is an arrangement that has been undertaken there to provide housing for dependents and to provide also housing for the civilian employees and shops and that sort of thing associated with Camp Gagetown.

The CHAIRMAN: Shall the amount carry?

Agreed to.

The CHAIRMAN: I wonder if there are any comments on appropriation not required for 1958-59?

Mr. PETERS: In this kind of statement how do you arrive at that figure? Are there certain payments that are deducted from this and that is the balance that is left? Some of these people must pay for their housing units too.

Mr. MILLER: You refer to Oromocto?

Mr. PETERS: Yes.

Mr. MILLER: It is loans and grants the government is making to establish facilities in the town.

Mr. PETERS: How long will it take to write that off? If you rent those units out you get money back, and how will that show?

Mr. MILLER: This is for the schools, sewage, roads, that sort of thing. It is a grant to the town. Rather than the government making this a government town we have established this municipality which is providing the services for the town.

Mr. PETERS: Will there not be some money paid by the service personnel who live there?

Mr. MILLER: The service people who live in the houses that will be built there will not draw their quarters allowance. In effect the rentals represented by that will accrue to the government. The town of Oromocto does not provide the housing. These grants are not for housing; these grants are for the services to the town.

The CHAIRMAN: Further questions?

We shall now go on to the next item. I am assuming that item 222 is carried?

Item agreed to.

The CHAIRMAN: Items 223, 224 and 225 are pensions under their general headings.

Item No. 223. Civil Pensions as detailed in the Estimates $2,457

The CHAIRMAN: The first one, pensions and other benefits?

Mr. CHAMBERS: Mr. Chairman, could we have an explanation of this appropriation not required for war museum?

Mr. MILLER: Heretofore this department has paid the salaries of staffs at the war museum. This year it is being turned over to the Northern Affairs and National Resources.

The CHAIRMAN: Further questions? The top, then, of page 345, under pensions and other benefits—civil pensions, the amount of $2,457?

Mr. PETERS: Could I ask what they are?

Mr. E. B. ARMSTRONG *(Assistant Deputy Minister-Finance-Department of National Defence)*: These are a number of pensioners whose names are

detailed on page 345, and the pensions have been authorized under a variety of circumstances where the individual did not qualify under any legislation that was in effect at the time for a pension. I can give you the details if you are interested.

Mr. PETERS: Why would it be so little? For instance, $193, that would be of so little advantage to anybody.

Mr. ARMSTRONG: That is the first one, is it?

Mr. PETERS: Yes.

Mr. ARMSTRONG: This is a pension that is granted in respect of partial disability. This man was employed as a civilian truck driver and he suffered an accident in 1916, resulting in a disability to his ankle joint.

Mr. PETERS: Well, in this particular case—

Mr. ARMSTRONG: The original pension was $269.52. That was authorized in 1918.

Mr. PETERS: Per year?

Mr. ARMSTRONG: Yes, per year. It was subsequently reduced following a review by the Workmen's Compensation Board as to the extent of the disability. The disability having decreased the pension itself was decreased.

Mr. PETERS: Has the amount been readajusted in view of the living standard?

Mr. ARMSTRONG: Well, this amount, as I say, has been readjusted downward on the basis of the re-examination of the Workmen's Compensation Board. This man is being treated in so far as this pension is concerned on the same principles as would have applied had he been eligible for a pension under the Workmen's Compensation Act of Ontario.

Mr. PETERS: Of course the amounts of pensions have risen very rapidly.

Mr. ARMSTRONG: Well, have the amounts of pensions risen rapidly in respect of people who were awarded pensions? I do not think so.

Mr. PETERS: Unfortunately not in the province of Ontario.

Mr. ARMSTRONG: Well, this is governed by the province of Ontario and is treated the same as though he were under the Workmen's Compensation Board.

Mr. PETERS: The other ones are similar, are they?

Mr. ARMSTRONG: Yes, they are all more or less similar. There is a variation in detail in the last two, which are pensions to widows, but they follow the same sort of principles.

The CHAIRMAN: Pensions and other benefits, item 223; will the item carry?

Item agreed to.

Item No. 224. To authorize in respect of members of the Royal Canadian Air Force on leave without pay and serving as instructors with civilian training organizations operating under the British Commonwealth Air Training Plan who were killed, payment to their dependents of amounts equal to the amounts such dependents would have received under the Pension Act, as amended, had such service as instructors been military service in the armed forces of Canada, less the value of any benefits received by such dependents under insurance contracts which were effected on the lives of such members of the Royal Canadian Air Force by or at the expense of the civilian organizations $4,310

The CHAIRMAN: The next item, 224, payments in respect of the members of the Royal Canadian Air Force killed while on leave as instructors, and so on, payments to dependents. Any questions on 224? Shall the item carry?

Item agreed to.

Item No. 225. Defence Service Pension Act—Government contribution to the Permanent Services Pension Account $49,504,051

The CHAIRMAN: Item 225, defence services pension account; shall the item carry?

Mr. MCCLEAVE: I want to ask one question here, if I may. Are these pensions determined on efficiency ratings or are they determined on general service?

Mr. ARMSTRONG: These are pensions for service and they are normally not determined on the basis of efficiency rating, but a man who is retired or discharged for, say, misconduct, would not be entitled to a pension. Anyone with the necessary service retired because of age, medical unfitness, and so on, would be entitled under the pension plan based on his service in the force.

Mr. MCCLEAVE: If somebody were to retire before their term was up, is there any possibility that his pension could be cut down for inefficiency or alleged inefficiency?

Mr. ARMSTRONG: No, under this particular section which deals with Parts I to IV, if he were to retire, before his time was up, on a voluntary basis he would be eligible for pension if he had sufficient service. There is a reduction in the pension payable on voluntary retirement with less than 25 years' service, I believe.

Mr. MCCLEAVE: Is that determined by what the efficiency was, or just on the amount of time?

Mr. ARMSTRONG: In the other section of the act, which is the next item, there is a provision that a member of the force retired for inefficiency will receive a reduced pension. He receives a pension which is two-thirds of the normal pension until he reaches the age 65, I believe, and then he gets the full pension.

Mr. MCCLEAVE: That, Mr. Chairman, is where I wanted to ask some questions, and I apologize to the committee for my ignorance in not using the right section.

Mr. ARMSTRONG: May I correct that? It is half his pension until he is aged 65, and two-thirds thereafter if he is retired for inefficiency.

The CHAIRMAN: Defence Services Pension Act; any further questions?

Mr. MCCLEAVE: I guess this is the point where I come in again. I understand in one case, that I am personally familiar with, of a man retired with the recommendation of the officers with whom he worked that he would be recommended for the full pension, and the board then went over this man's file and recommended this cut in his pension for this inefficiency. I am also informed that up until the moment he retired there was no charge of inefficiency levelled at him, and as a matter of fact he had just been promoted to staff sergeant before he retired and I presume a promotion to staff sergeant would be some indication that he was not inefficient.

Mr. ARMSTRONG: Well, I am not familiar with the circumstances of that particular case, of course, but there is under the Defence Services Pension Act a pension board that reviews each retirement and the reason for it and it is their responsibility under the law to determine the reason for retirement for for the purpose of the Defence Services Pension Act. It is conceivable that a member of the services might be retired or it be proposed that he be retired by his own officers for one reason and when it is reviewed by the pension board, it perhaps would be decided that the cause of retirement for the purposes of the Defence Services Pension Act should be perhaps inefficiency or something different. It might be either way, up or down—something different that was decided by the responsible officer in the service.

Mr. McCLEAVE: Mr. Chairman, I am very interested in this case because it involves an individual problem and it seems to me a strange one. Perhaps to save the time of the committee I could take it up with the witness as I assume that we will have an opportunity for questions at some later time.

The CHAIRMAN: Fine, Mr. McCleave.

Defence Services Pension Act; any further questions? Shall the item carry?

Item agreed to.

The CHAIRMAN: Regular forces death benefit account—any questions?

Mr. McQUILLAN: What contributions are made to this fund?

Mr. ARMSTRONG: This is an individual contribution. The act provides for $5,000 life insurance for officers and $3,000 for other ranks. The individual officer pays a premium of $2 per month, or 40 cents per month per $1,000 and other ranks pay a sum of $1.20 per month all told for their $3,000.

The CHAIRMAN: Any other questions?

Mr. McQUILLAN: Was there not some money left from the canteen fund and so on that was given to this fund?

Mr. ARMSTRONG: No, this has nothing to do with the canteen fund. This particular benefit was established, I think, about three years ago and it is part of the Civil Service Superannuation Act. It is self-supporting with the exception that the government contributes an amount equivalent to the gratuity that had previously been paid and the government also pays for the administration of the fund.

The CHAIRMAN: Further questions on item 225? Shall the item carry?

Item agreed to.

The CHAIRMAN: Gentlemen, we find ourselves in the rather interesting position now of having temporarily run out of work. I am going to make a suggestion to you. We had, as I said at the outset, hoped to have the minister here for any policy questions. Also, Mr. Hardie, I believe, had some questions on the Northwest Highway System. With, then, the calling of those witnesses whom I mentioned earlier National Defence could be concluded and we could be ready to go *into camera* on the preparation of the report. That is, of course, with the exception of certain witnesses whom I have mentioned.

Mr. WINCH: How can we go about the preparation of that report when the report might be based on what was told us by the witnesses?

The CHAIRMAN: I have pointed out, Mr. Winch, naturally the witnesses would be heard first. We have on Monday the Department of Defence Production. The steering committee is meeting tomorrow to determine what other witnesses might be recommended to come before the committee and on Monday morning the Department of Defence Production will come before us.

Now, there may be some other general questions not related to policy on which the committee might wish to question our witnesses.

Are there any questions outstanding on which you have not had an opportunity to receive replies?

I might say I have here three replies in answer to questions which are being tabled with the evidence.

Mr. PAYNE: What replies are those?

The CHAIRMAN: These concern the punch card equipment, duplicating equipment operators, office appliance operators, et al. A question from Mr. Howe requests an explanation for the increase in salaries for two maintenance men listed at page 38; a question on assistance given schools in Whitehorse.

As they require detailed information asked by a member from a particular area and concerning a particular problem, we thought we would follow the practice of including them in our minutes.

I wonder if I could ask you to turn to page 90. Half-way down the page, item 504, in National Defence, we have certain loans to the towns of Oromocto. I wonder if perhaps either Mr. Miller or Mr. Armstrong might give an explanation of 504 and 505?

Item No. 504. To authorize in the current and subsequent fiscal years, under such terms and conditions as the Governor in Council prescribes, a capital assistance loan to the Town of Oromocto, New Brunswick, to be covered by town debentures, for the purpose of assisting in the completion of the physical development of municipal works and the further development of the Town's assets....	**$2,000,000**
Item No. 505. To authorize in the current and subsequent fiscal years, under such terms and conditions as the Governor in Council may prescribe, loans to the Town of Oromocto, New Brunswick, or its agent, for housing projects in Oromocto	**$2,500,000**

Mr. ARMSTRONG: Item 504 provides for loans to the town, to assist the town in the development of municipal services and this $2 million is additional to the previous amount of $1,500,000 that has been provided for that purpose.

Item 505 provides for loans to the town, to assist the town or to provide funds for the town to enable the town to develop housing for civilians in the area.

Mr. HALES: When was this town incorporated and how much has the government contributed up to date?

Mr. ARMSTRONG: The bill incorporating the town of Oromocto was passed on March 29, 1956. The actual contributions are the loans, as I mentioned, to assist the town municipal development, the provision of services, and so on. $1,500,000 has been loaned and this provides an additional $2 million. In addition to that there is this $2½ million which is for another purpose—the development of civilian housing in the town. Over and above that there were the outright grants which were mentioned earlier which are basically grants in lieu of taxes.

Mr. HALES: Is it conceivable that this will be the total amount? Will this set it up now?

Mr. ARMSTRONG: I would not like to say that it will be the final amount. I think perhaps it may be, but then again it is possible there will be additional money required.

Mr. MCGREGOR: What is the population of the town?

Mr. ARMSTRONG: It is expected it will be 10,000, but I cannot tell you the exact population at the moment.

Mr. HOWE: Who is building the homes, the Department of National Defence?

Mr. ARMSTRONG: The particular homes that I refer to here I do not think anyone is building them yet. The town will have to make its arrangements with some development organization or housing contractors to provide houses there. The department itself will not be directly concerned. We will loan money to the town and receive the town's debentures as security. They themselves will organize the construction of those houses. So far as the Department of National Defence is concerned we have, of course, built houses for members of the forces there and paid for them.

Mr. MCGREGOR: How far is this town of Oromocto from what was previously an established community?

Mr. ARMSTRONG: Well, the nearest community of any size—there, of course, was a village of Oromocto there before—is Fredericton, which is about twelve or thirteen miles.

Items 504 and 505 agreed to.

The CHAIRMAN: Any further supplementary questions? I wonder, Mr. Bourget, if you are in a position to ask those questions for Mr. Hardie? We know he gave indication of a number of questions he wanted to ask on the Northwest Highway System.

Mr. BOURGET: I am not aware of what questions he intended to ask. He is in the building. Will he still have an opportunity before the committee concludes?

The CHAIRMAN: Yes. Well, gentlemen, if there are not any further questions we might as well adjourn. The procedure, so that I may explain it once more, the steering committee will be meeting tomorrow afternoon and be ready to report Monday any further witnesses it thinks should be called. Monday we will take the Department of Defence Production.

May I say now also that a week from Saturday we have arranged a trip to the A. V. Roe Plant. That has not been definitely confirmed, but that is the date we have suggested and you will receive notice at that time or prior to that time if you are interested in going. It is not possible to go on a week day because of the fact of the house sitting and it would mean if we went on a week day we would end up by taking 60 members, possibly, out of the house, and that would be a little inconvenient for the purposes of the house.

Mr. HOWE: It has been done other years.

The CHAIRMAN: If you wish me to go back again I will do so, but I think you recognize the obvious inconvenience.

Mr. GRAFFTEY: Never having been on a committee before, you say there is a report we are going to prepare in camera. Is that a report of recommendation to the department?

The CHAIRMAN: It is a report of recommendation to the house. We are expected in all departments that come before us to produce a report and I understand the practice has been that that report has been prepared as such in camera in the committee and then submitted to the house.

If any members wish to suggest any more witnesses or anyone else who should be heard we should be glad to list them.

Mr. CARTER: Mr. Chairman, we have not yet finished Defence, have we?

The CHAIRMAN: Item 220 is held up for a final session with the minister and also for the opportunity to examine other witnesses.

Mr. CARTER: Thank you.

The CHAIRMAN: We have completed all other items of National Defence with the exception of the first part of 220.

There being no further questions a motion to adjourn is in order.

Thank you, gentlemen.

APPENDIX "F"

Information requested at previous meetings:

Mr. Nielsen requested information as to the assistance given the schools at Whitehorse.

Answer: The Department of National Defence provided capital assistance for construction and furnishings through the Department of Northern Affairs in the following amounts:

Public School	$ 243,900
Separate School	153,613

Fees in the amount of $25.00 per month per student or $250 per school year are paid on behalf of dependent children of civilian employees and members of the forces at Station Whitehorse attending Yukon schools.

Mr. Howe requested an explanation of the increase in salaries provided for two maintenance men (Eskimo) listed on page 338.

Answer: The reason for this increase is that in 1957/58 these men were provided with food and certain supplies for themselves and their families in addition to their salaries. This policy has now been changed and the Eskimos are paid an all-inclusive salary and are not provided with food and other items in kind.

Requested by Mr. Hales:

DEPARTMENT OF NATIONAL DEFENCE

ROYAL CANADIAN AIR FORCE

Punched Card Equipment Operators, Duplicating Equipment Operators, Office Appliance Operators, and Office Composing Equipment Operators

Fiscal Year	Number of Positions	Amount Provided
1958-59	118	$ 326,220
1957-58	106	260,010
Increase....	12	$ 66,210

Positions			
17	Transferred from Classifications outside the Office Equipment Operator Classifications.....	$ 46,230	
5	Deleted (approximate).....	12,125	34,105
12			
	Salary Increases (approximate).....		15,390
	Reclassifications (approximate).....		16,715
			$ 66,210

DETAILS OF POSITIONS RECLASSIFIED

Classification	NUMBERS OF POSITIONS							
	1958–59	1957–58	Inc	Dec	Reclass In	Reclass Out	New Positions	Deletions
Punched Card Equipment Operators	46	2	44		37		7	
Punched Card Equipment Supervisors	7	2	5		5			
Office Appliance Operators and Junior Office Equipment Operators	13	78		65		61		4
Duplicating Equipment Operators	26	21	5		11			6
Duplicating Equipment Supervisors	5	2	3		3		1	1
Office Composing Equipment Operators	19	1	18		20			2
Office Composing Equipment Supervisors	2		2		2			
Sub-Total	118	106						
Others		17		17		17		
		123		82	78	78		13
	118	118	77	77			8	8
Deleted		5		5				5

The increase in the numbers of Punched Card Equipment Operators shown in the 1958–59 estimates compared with those shown in the 1957–58 estimates involved changes in a number of other classifications brought about by a review of the duties performed by the employees holding these classifications. The review covered employees operating punched card equipment, office composing equipment, duplicating equipment, and other office appliances.

JULY 10, 1958.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

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MONDAY, JULY 14, 1958

DEPARTMENT OF DEFENCE PRODUCTION

WITNESSES:

Honourable Raymond O'Hurley, Minister of Defence Production;
Mr. D. A. Golden, Deputy Minister of Defence Production.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

60620-2—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Allard,
Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard *(Lapointe)*,
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fairfield,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Johnson,
Lennard,
MacEwan,
MacLean *(Winnipeg North Centre)*,
Macnaughton,
McCleave,
McGee,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,
More,
Nielsen,
Pallett,
Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard *(Kamouraska)*,
Rowe,
Skoreyko,
Small,
Smallwood,
Smith *(Winnipeg North)*
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian,
Winch—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

MONDAY, July 14, 1958
(16)

The Standing Committee on Estimates met at 11.00 a.m. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Benidickson, Bourget, Broome, Clancy, Danforth, Grafftey, Hales, Hicks, Howe, Macnaughton, McGee, McIlraith, McWilliam, More, Payne, Peters, Pickersgill, Ricard, Skoreyko, Small, Smith *(Calgary South)*, Smith *(Winnipeg North)*, Stefanson, Winch—24.

In attendance: From the Department of Defence Production: Honourable Raymond O'Hurley, Minister; Mr. D. A. Golden, Deputy Minister; Mr. G. W. Hunter, Assistant Deputy Minister; Mr. W. H. Huck, Assistant Deputy Minister; Mr. R. M. Keith, Financial Adviser; and Mr. W. J. Mulock of the Deputy Minister's office.

The Chairman presented the Third Report of the Steering Subcommittee as follows:

"1. On suggestion of Mr. Peters, the question of calling certain Defence Department personnel respecting construction costs was allowed to stand.

2. That, in view of the fact that this Steering Subcommittee is divided on the principle of calling former senior military officers, other than departmental officials the Subcommittee has decided to refer the matter back to the Main Committee."

On motion of Mr. McGee, seconded by Mr. Grafftey,—

Resolved,—That the Third Report of the Steering Subcommittee be received now and that it be considered on Tuesday, July 15th.

The Committee proceeded to its study of the Main and Supplementary Estimates, 1958-59, relating to the Department of Defence Production.

Item numbered 78—Departmental administration was called and the Chairman introduced the Minister who in turn introduced his departmental officials.

The Minister presented a prepared statement, copies of which were distributed to Committee members.

During the course of his statement, the Minister referred to a printed statement on Purchasing Policy. This document, identified as *Exhibit No. 10,* was also distributed to Committee members and it was ordered to be printed in the Committee record. *(See Appendix "F" to this day's Evidence).*

On motion of Mr. Hales, seconded by Mr. Grafftey,—

Resolved,—That representatives of certain Crown Corporations, reporting to Parliament through the Minister of Defence Production, be asked to appear before the Committee.

Item No. 78—was considered, the Minister and his officials supplying information thereon. The item was allowed to stand.

At 12.55 p.m. the Committee adjourned until 11.00 a.m. Tuesday, July 15, 1958.

E. W. Innes,
Clerk of the Committee.

60620-2—1½

EVIDENCE

MONDAY, July 14, 1958.
11:00 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum so we can proceed. Before introducing the witnesses, I am going to read the report of the steering committee.

> On suggestion of Mr. Peters, the question of calling certain defence department personnel respecting construction costs was allowed to stand.

Mr. Peters was not certain at that particular point whether he wished to have the four gentlemen, which at our meeting of two weeks ago, he had asked to appear. He will, of course, have the right to introduce the question again. This motion is with respect to the former senior military officers:

> That, in view of the fact that this steering subcommittee is divided on the principle of calling former senior military officers, other than departmental officials, the subcommittee has decided to refer the matter back to the main committee.

I am not going to say very much at this point on the matter. On Tuesday we propose to take it up in committee in order to give all members who are not going to be with us today an opportunity to discuss and consider it. Suffice it to say there was a fairly substantial division of opinion amongst the steering committee and it was felt in view of the fact that no conclusion could be reached that this should be referred back to the committee as a whole. Perhaps I might say that the recommendation was unanimous to do that after the division occurred. I would ask for a motion accepting the report of the steering committee.

Moved by Mr. McGee and seconded by Mr. Danforth.

Motion carried.

The CHAIRMAN: Gentlemen, we have with us the Minister of Defence Production, Mr. Raymond O'Hurley and I am going to ask him prior to the consideration of his estimates if he would be kind enough to introduce the witnesses from his department whom he has here with him today. Mr. O'Hurley will then proceed prior to the consideration of the details of the estimates to give us a statement a copy of which you have in front of you. We will proceed in the usual manner, with one exception. It may be a little difficult to follow item by item as we did in national defence estimates and the suggestion is that we take the annual report, copies of which we have here, and take those items and follow them in the usual manner. That will provide us with some continuity in our examination.

Mr. O'Hurley, I would ask if you would be kind enough first of all to introduce your departmental officials and in so doing, I am calling item 78 under administration.

Item No. 78. Departmental administration and payments to Canadian Commercial Corporation and other corporate agencies for services provided in connection with defence purchasing and production $7,232,086

Hon. RAYMOND O'HURLEY (*Minister of Defence Production*): Mr. Chairman, I wish to introduce to the members my deputy minister, Mr. D. A. Golden, my assistant deputy ministers, Mr. Hunter and Mr. Huck, and our financial adviser, Mr. Keith.

I am sure that, by now, the members of your committee are well aware of the main function of the Department of Defence Production. In essence, it is simply the procurement of supplies or services needed by the armed services and the Defence Research Board. Military construction is undertaken by Defence Construction (1951) Limited, a crown company which reports through me to Parliament and is closely associated with this department.

I propose, this morning, to give the committee a brief account of the purchasing policies followed by the department. Following this and in subsequent meetings, I shall do my best to answer any questions which the members of the committee may wish to raise. As a relative newcomer to this office, I cannot pretend to have mastered all the details of the department's procedures or all of the contracts now in force. However, I am sure that my senior officers can fill in such details as the committee may require. The names of these senior officers will be found on the chart which has been distributed to members of the committee, which will also give you some idea of our organization.

As you will see from the organization chart, the purchasing function has been broken down within the department in terms of the principal kinds of supplies needed by the services. Five branches of the department are concerned with getting those kinds of equipment which are peculiar to the armed services —military aircraft, specialized electronic and communications equipment, guns, naval ships, and ammunition. A sixth branch buys machine tools, both for the workshops of the services and for our program of assistance to defence industry. These six branches we call the production branches since they are all concerned with supplies for which, as a general rule, special production facilities are needed. Then, of course, there is another very broad category of supplies which have civilian counterparts and for which we look to industries already supplying the civilian market. This includes such things as food, clothing, vehicles, petroleum products, coal, furniture and kitchen equipment, and a thousand-and-one other everyday articles, as well as such services as laundering and garbage removal. All these supplies and services are bought by the general purchasing branch. This branch also runs a chain of district offices in fourteen cities stretching across Canada from St. John's, Newfoundland, to Victoria, British Columbia, to take care of the local needs of service establishments in their districts.

In addition to the procurement branches of the department, there are, of course, a number of branches providing financial and legal advice, and accounting and administrative services. Finally, the department has offices in Washington and London to handle procurement in the United States and United Kingdom, with a sub-office in Dayton, Ohio, working with the United States Air Force, and two sub-offices in France and Germany which cater to the needs of the RCAF Air Division in Europe.

Before outlining our basic purchasing policies, I might say something about the department's estimates for the year, which have been placed before you. As you will see, there is relatively little change from the pattern of the previous year except for the provision of $1,800,000 for the administration of Canadian Arsenals Limited, in place of the token vote of $1.00 for the last year. I might comment briefly on each of the seven votes which comprise the estimates, and explain the arsenals vote in its turn.

To supplement the information given in the blue book, I have had prepared a summary statement which shows the current year's estimates in comparison with the actual expenditures for 1957-58, which may be of use to the members.

Vote 78, which provides for the costs of departmental administration, shows an increase of approximately $300,000 or 4 per cent of the total provision made for 1957/58. This represents, actually, $400,000 or 6 per cent more than was actually spent last year. The great bulk of the increase is accounted for by salaries, and is attributable to normal annual increments, some upgrading of positions and the cumulative effect of the salary increase of a year ago. These factors have been offset, to some extent, by a reduction in the total establishment from 1551 positions to 1527.

Vote 79, for the care, maintenance and custody of standby defence plants, buildings, machine tools and production tooling, has also been increased, from $400,000 to $450,000. This item is required to ensure that the buildings, machinery and equipment which make up key production lines do not deteriorate on completion of production contracts. Arrangements must be made to preserve these facilities in such a manner that they can readily be put back into service with little or no delay. Facilities are placed in standby condition only on the basis of advice from the Department of National Defence that there will be a future need for them, either to meet peacetime requirements or in the event of an emergency.

Vote 80 in the main estimates and 541 in the supplementary estimates provide a total of $2,100,000 for capital assistance. This is to cover the construction, acquisition, extension or improvement of capital equipment or works employed by contractors engaged in defence contracts. The provision for 1958/59 represents a reduction from both the amount voted in the previous year and from the actual expenditures in 1957/58, and relates principally to capital assistance projects needed in connection with the Iroquois engine and the ASTRA electronic system.

Vote 81 provides for the payment, in keeping with the act respecting grants to municipalities, of grant in lieu of taxes on crown-owned defence plants which are operated by private contractors. The grants recommended in lieu of taxes, in each case, are computed on the normal assessment of the municipality concerned, having regard to the services rendered, and are estimated to equal the tax assessment which would be applied in the case of private ownership. It will be noted that this item is now of relatively minor significance, reflecting the fact that most plants orginally furnished under capital assistance have subsequently been purchased by private undertakings, while others have been leased to contractors for commercial use and the responsibility for taxes has been assumed by the contractor.

Vote 82 provides for the expenses incurred by Defence Construction (1951) Limited in procuring the construction of defence projects on behalf of the Department of National Defence. The volume of these construction projects declined quite appreciably during 1957/58 as may be seen from the fact that total staff was reduced from 586 on April 30, 1957, to 425 on April 30, 1958. The reduction in this year's vote, to $3,009,666, reflects the expectation that activity will continue at or near this reduced level.

Vote 83 is the one I singled out above as showing a marked change from last year. I should explain that, since its establishment in 1945, one of the responsibilities of Canadian Arsenals Limited has been the maintenance in serviceable condition of certain facilities which were developed under crown ownership during or prior to World War II and which the government wished to conserve.

In the company's early years costs related to this custodial responsibility were defrayed by parliamentary votes. Later, with the development of the defence programme because of the Korean crisis, the volume of production work became adequate to meet expenses out of sales and thus a nominal figure of $1.00 a year was submitted to cover operating costs.

Based on studies during the past several years, the company estimates that a minimum economic volume of about $40 million in sales is required each year to permit the company's functions to be carried out on a self-supporting basis. According to the orders currently on hand, a probable sales volume of only $30 million is expected in 1958-59, or 25 per cent less than the above-mentioned economic volume. On this basis, the company anticipates a manufacturing loss of some $2,300,000, which is expected to be reduced by miscellaneous revenue of around $500,000, derived mainly from services and rentals, thus producing the net possible requirement for the current year of $1,800,000 as shown in the estimates.

Finally, vote 84 provides for the cost of construction improvements and new equipment for Canadian Arsenals Limited, and, as you will see, has been cut by almost 50 per cent from the provision made last year. I would emphasize that this is intended to cover only capital costs of a general nature, which are not attributable to any specific program. When additional capital assistance is required for the production of a specific item of defence equipment, the funds are provided through capital assistance votes 80 and 541.

I might draw to the committee's attention the fact that three other crown companies report to me for which no provision is necessary in our estimates. These are Crown Assets Disposal Corporation, which meets its expenses out of commissions on the sale of surplus crown assets. Canadian Commercial Corporation, which obtains its revenues from a nominal surcharge on purchases made on behalf of the foreign governments, and the Polymer Corporation which, of course, operates on a normal commercial basis. Although parliamentary votes are not required for these three companies, I shall be glad to arrange for representatives of the companies to appear before the committee if members wish to raise any questions of detail concerning their operations.

In its purchasing policy, the Department of Defence Production relies wherever possible on competition to ensure the best value for the money spent. For this reason, we try to provide an opportunity for all competent and interested Canadian suppliers to compete for defence orders.

In the case of the construction program, competition is sought by the public advertising of invitations to tender, both in the daily and weekly papers which are nearest to the site of the proposed work and in the trade journals and information bulletins of the construction industry itself.

The department proper does not use public advertisements but instead maintains source lists for all types of goods and services which are requisitioned by the armed forces. These lists include all firms who indicate an interest in obtaining defence orders and give some evidence of competence to do the work required.

The composition of the department's source lists reflects certain principles which govern its procurement procedures. For example, since the department has in the past devoted considerable attention to developing and promoting Canadian production of needed defence items, non-Canadian producers are not listed if it is clear there are adequate Canadian sources of supply. Again the department will not ask possible suppliers to compete against their own sources of supply; distributors will not be asked to compete against the manufacturers of the goods they handle.

Specifically only those firms which fall into one of the following classes are listed by the head office of the department in its source of supply records.

(1) Canadian manufacturers.

(2) Canadian agents appointed by Canadian manufacturers who do not have sales organizations.

(3) Canadian wholesalers, jobbers or distributors dealing in what are commercially described as "open lines" when the manufacturer cannot be approached directly or is unwilling or unable to appoint a Canadian agent.
(4) Canadian agents appointed by foreign manufacturers.
(5) Non-Canadian manufacturers when Canadian sources of supply are non-existent or inadequate, and it has been determined that it is not essential to establish Canadian sources.

Separate source lists are maintained by each of the district offices as a basis for their local procurement activity. Since they are expected to make most of their purchases within the geographical area they serve, there is less emphasis on dealing directly with the manufacturer, and their lists normally include wholesalers, jobbers, and even retailers.

For all head office purchasing by competitive tenders a stringent system of safeguards has been established to ensure that bids are not divulged prematurely and are dealt with fairly. The lowest tender meeting the requirement is invariably accepted as a basis for a firm price contract.

In the district offices there is some relaxation of the formalities normally followed in the handling of tenders. Because of the very great number of orders placed by the district offices, numbering almost 150,000 a year, and the relatively small dollar value of most of these, tenders are frequently invited by telephone to minimize delay. It remains the rule, however, that the lowest bid is accepted.

In a number of very important cases, the calling of tenders is not possible. There may be a lack of competing sources of supply; specifications may not be precise enough to provide a suitable basis for firm price tenders; security considerations may restrict the range of possible suppliers, or an isolated delivery point may have the same effect; or a requirement may be so large as to tax the facilities of any single plant.

If one or more of these factors are present, the department must consider with whom it is to negotiate. If a source exists within Canada there is no problem. If, however, a Canadian source does not exist, a number of questions must be asked. How essential is the item? In what quantity is it likely to be needed, both immediately and in the future? Is it available from a foreign source, and if so where?—and would it continue to be available in an emergency? What would it cost to produce in Canada, including the cost of creating the necessary facilities, and how does this compare with the cost of buying abroad? Also, if it were decided to develop a Canadian source, would the resulting facilities and know-how be useful for other purposes, civilian as well as military? Obviously, this Department must consult closely with the Department of National Defence in determining the answers to some of these questions.

Unlike the competitive tender system, negotiation does not normally give rise to firm prices. A negotiated firm price can only be obtained if the contracting officers have a sufficiently detailed knowledge of the actual costs involved in the production of an item. This is likely to be the case, however, only in the advanced stages of a relatively long production program, or in a repeat order of equipment which the contractor has recently supplied on an audited cost basis.

Where the price cannot be fixed, other types of contracts must be employed, all involving reimbursement to the contractor of his actual costs as determined by audit, together with a fee or allowance for profit. These vary in type from the cost plus contract, which is avoided wherever possible, to the target price and incentive type arrangement which rewards efficiency. The acual terms

adopted in each contract depend on the circumstances of the case. Various factors may make it difficult to estimate, with any reasonable degree of precision, the actual costs likely to be incurred in the course of a program. This is particularly true of research and development contract, or orders for new types of equipment for which no prior cost experience exists, or certain repair and overhaul requirements where the extent of the work to be performed cannot be established until after the job is begun. Where cost estimating is most difficult, contracts may have to be awarded on the basis of the reimbursement of audited costs, plus a percentage of those costs as profit allowance. As our knowledge of the work required improves, it becomes possible, first, to substitute a fixed fee for the percentage of costs, or to establish a ceiling price. From this the next step up the scale is to the target price, to which can be linked an incentive arrangement under which, if the actual costs are less than the target, the contractor shares in the savings.

The auditing of costs, in each case, is carried out by the cost inspection and audit division of the treasury, which is a part of the Department of Finance. The definition of what costs are to be allowed is set out in standard form supplied to contractors by my department—our form DDP 31—of which copies have been supplied to the committee.

A wide variety of other terms and conditions are found in our contracts. Some of these vary from one contract to another, although standard clauses are used wherever possible. Certain conditions, however, are applicable to all contracts, and these, too, are supplied to contractors as printed memoranda, in our forms DDP 26A and 26B, and copies of these have also been supplied to members of the committee.

Il existe maintenant une version française des conditions générales des contrats à prix ferme du Ministère, formule DDP 26A. J'en ai remis une certaine quantité d'exemplaires au secrétaire du Comité; les députés qui veulent se servir de cette version peuvent l'obtenir de ce dernier. Nous avons aussi, en anglais et en français, un mémoire que le Ministère a préparé afin de renseigner les députés et les hommes d'affaires sur les méthodes d'achat que nous employons. Je regrette de n'avoir pu vous remettre l'édition française du rapport du Ministère pour 1957; malheureusement, la traduction n'en est pas encore achevée.

In conclusion, I would emphasize that it is the aim of the department to obtain defence supplies and services in the most business-like manner possible. In my brief association with the department, it has become very evident to me that the officials take great pride in this aim, and pursue it with enthusiasm. We cannot, of course, claim to have reached perfection, and we welcome inquiries and suggestions which may put us on the track of improvements in our methods. I would assure you, Mr. Chairman, that my officers and I will try to answer all the questions of your committee in the fullest and most frank manner.

I would remind members of the committee that the annual report of the department for the calendar year 1957 was tabled in Parliament last May and that copies were distributed to all members. For the benefit of any members here who would like to consult this report but may not have their copies, I have given a supply to the clerk. I have also provided him with both English and French versions of a memorandum prepared within the department, which outlines, for the guidance of members of parliament and businessmen, the purchasing methods which we employ.

The CHAIRMAN: Thank you, Mr. O'Hurley. You have heard the statement from the minister and I think we will follow the usual procedure of discussing the statement as in the past. We will also keep open the first item No. 78,

so that in the event you wish to direct further questions on either the statement of the minister or any other matter prior to the completion of the department's estimates, you will have that opportunity. The minister has made a suggestion that you might like to hear from certain companies which, as he mentioned, do not show an amount in the estimates. Is it your wish gentlemen that at a later date you would like to have such people as Crown Assets before you?

Moved by Mr. Hales and seconded by Mr. Grafftey.

The CHAIRMAN: We will now proceed with any general questions in regard to the statement made by the minister.

Mr. MCILRAITH: Before the general questions are asked, I want to have clarified the last sentence of the minister's statement. He speaks about a memorandum prepared within the department, which outlines, for the guidance of members of parliament and businessmen, the purchasing methods which they employ. I do not see that memorandum.

The CHAIRMAN: They are going to be distributed right now. While they are being distributed, are there any questions?

Mr. BROOME: I have one question in regard to the purchasing policy on heavy equipment. Is it usual to combine total requirements regardless of the location to which this machinery will go and where these locations may extend from one coast to another? For instance, tractors are required all the way from Nova Scotia to Vancouver Island. Many suppliers of heavy equipment have one agent whose responsibility is to quote the government. That practice is going out, but at the same time a man who is located in the Ontario region is closer to Ottawa and therefore is in a preferred position. Yet, these machines do go into remote areas where the local agent is supposed to do the servicing and it has been suggested to me that it would be much more preferable if the department called their tenders on a regional basis so that one agent in Ontario does not obtain all the government business. In one case which I know of a British Columbia agent could not get any business and he finally bid his cost price and he still did not get the business on the basis he was not low tender, which meant as far as I could make out the manufacturer was giving an overriding discount to the local Ontario agent quoting government business. This of course is another form of dumping, because that same price would not be extended to any other agent across the country. I know that certain government departments are now in the process of changing these methods so they have tenders on a regional basis and if a shovel is going into Nova Scotia they are calling for tenders there only. We must consider that in any one of these heavy items of equipment there are at least half a dozen or more manufacturers and agents. There is still plenty of competition. I was wondering whether the deputy minister would care to comment on that particular phase of their procurement because it is not working out?

Mr. O'HURLEY: Mr. Golden will give a statement on that, but as far as experience has proven so far, we ask tenders from the manufacturers themselves in regard to heavy equipment. Mr. Golden has had a lot of experience in this connection.

Mr. BROOME: I am referring to where the manufacturer sells only to an agent.

Mr. D. A. GOLDEN (*Deputy Minister, Department of Defence Production*): There are requirements which are called for from the area where the particular equipment is going to be used. Where there is a requirement where it is not certain where the equipment is going to be used or whether it is an annual requirement or a replacement involving a considerable number of pieces of

equipment, we would have to notify tenderers on a nation-wide basis. I think it is fair to say that by and large that system does give the maximum protection to the department. We, of course, would be glad to look into any particular case where it seems to have resulted in any inequities.

Mr. BROOME: I would like to clarify my question. I have seen dozens of these requests for quotes and I am talking only of heavy equipment. The point I am trying to make is that the people who handle that type of equipment in the outer areas of the country are prevented from obtaining any of that business and yet they have the problem of taking care of the equipment once it arrives. I contend that this is wrong.

The CHAIRMAN: Mr. Golden says he will consider your suggestion.

Mr. MCILRAITH: On that point, Mr. Chairman, does not the difficulty arise, Mr. Minister, where the manufacturer arranges with his own selling organization that only one of the organizations will deal with government business? Is not that the difficulty?

Mr. GOLDEN: Mr. Broome mentioned this has been one of the practices in the past. I understood him to say he thought this was no longer evident.

Mr. BROOME: There are a very limited number of manufacturers interested in that. There is another point in regard to dumping. I am convinced that certain agents who quote on government business get an extra throwback which is in effect dumping.

Mr. PICKERSGILL: What do you mean by "dumping"?

Mr. BROOME: If an agent buys on a 10 per cent discount. I am convinced that certain companies give an overriding commission of, say 5 per cent, when they are quoting on a government basis and therefore it should set a pattern for duties on all of that equipment coming into Canada.

Mr. PICKERSGILL: Is Mr. Broome referring to imports?

Mr. O'HURLEY: I do not think it is really dumping but a commission, if you will. He gives an extra commission. I do not say it is really dumping. However, it is a problem.

Mr. PICKERSGILL: Perhaps I did not hear Mr. Broome accurately, but I have understood dumping to refer only to imports.

Mr. BROOME: I am referring to American equipment.

Mr. PICKERSGILL: I had not understood when Mr. Broome first spoke he was referring only to equipment imported into the country from some other country.

Mr. O'HURLEY: If it is a question of this heavy equipment being sold, it will come under Crown Assets and it is then a question for national revenue.

Mr. PICKERSGILL: It appears to me Mr. Broome was referring exclusively to imports to Canada from another country and as I understand it we do not import equipment from other countries for defence purposes when that equipment is produced in Canada except perhaps in some general lines where the prices are out of line. That is my recollection from my experience with the treasury board. It seems to me what Mr. Broome has said is to the effect that taxpayers should be obliged to pay the high prices in order to get this foreign equipment, and I think that would be very undesirable.

Mr. WINCH: Mr. Chairman, I would like to ask the minister whether the prices cannot be fixed and a contract so employed on a fee or an allowance for a profit basis. Does your department follow the policy, which I believe was in effect during the major part of the last war, of placing a ceiling on the profits? If so, what is that ceiling or how is it determined?

Mr. O'HURLEY: That depends on the nature of the equipment and what the amount is. If it is a large amount there is not the same percentage of profit.

Mr. WINCH: Have you changed the policy since the last war on purchasing where, if I remember correctly, there was a very substantial limit?

Mr. GOLDEN: There is a ceiling. The general maximums are 7½ per cent or 10 per cent depending on the types involved.

Mr. WINCH: Can you tell us what is the average profit allowed?

Mr. GOLDEN: Do you wish the average dollarwise?

Mr. WINCH: Percentagewise; what do you generally allow, 7½ per cent or 10 per cent?

Mr. GOLDEN: You might have a very large contract where you do not get anywhere near the maximum. There might be a large number of small contracts where everybody achieved the maximum. I would find it difficult to give an average.

Mr. WINCH: Because on the employment of a contract on this basis he includes all his costs and then a profit. Why do you differentiate when your profit is based on entire costs?

Mr. GOLDEN: We do not allow all costs. There are a number of costs which are never allowed in a defence production contract. Secondly, there is a difference in different types of contracts. The shipbuilders element of profit is substantially lower than in some other industries because of the fact there is so much assembly work to be done in a shipyard. Research and development contracts usually have a 6 per cent and 10 per cent maximum. Because of the type of contract, it has a very small dollar value. This is the incentive type which might shift depending on whether or not the costs had been favourable. However, 10 per cent is the general maximum.

Mr. PICKERSGILL: Surely, Mr. Chairman, the real effect of a percentage would depend normally upon the duration of the contract. It is one thing to earn 10 per cent on something that takes you a week to do and another thing to earn 10 per cent on something that takes you two years to do.

Mr. WINCH: In connection with the same matter, may I ask if contract was employed on a fee basis? What is the basic policy in establishing a fee basis?

Mr. GOLDEN: The principle established in arriving at a fee is to ensure that the profit does not fluctuate with the costs and to give an inducement to the contractor to keep his costs as low as possible so his profit will reflect as high as possible in relationship to these costs.

Mr. WINCH: I would like to see that in writing.

Mr. GOLDEN: Well, if you have a fee of $100,000 for a contract which it is expected wil cost $2 million, that is 5 per cent. If the contractor gets the cost down to $1 million, then his fee in relation to his cost would approximate 10 per cent.

Mr. WINCH: The fee would not change?

Mr. GOLDEN: That is the purpose of it, if we have some reasonable expectation that we can figure out what the cost will be.

Mr. HALES: With respect to the cost-plus type of operation—and they refer to audited costs—who audits these costs.

Mr. GOLDEN: Cost Inspection and Audit Division Department of Finance. It is not part of the department of Defence Production.

Mr. WINCH: In view of the fact then that there is an outside audit by the treasury department, what is the difference between a profit basis and a cost-plus, which I remember the minister saying you were trying to get away from? In view of a close check by the treasury branch, you must have something in mind when you differentiate from a profit basis and a cost-plus basis. I seem to remember the minister saying that he was trying to get away from a cost-plus. If you have an audit outside your department, which I presume is an

officient audit, what is the differentiation in policy then between a straight profit policy which you outlined under certain circumstances and a cost-plus?

Mr. GOLDEN: The great disadvantage to cost-plus is that if you do not have a conscientious contractor and his costs are not being watched closely, his profit will go up.

Mr. WINCH: I thought the auditing of costs was carried out by the cost inspection and audit division of the treasury and that is the reason I asked the question.

Mr. GOLDEN: The audit is historical and not concurrent with production.

Mr. WINCH: That is rather important to me. You mean that your payment to a contractor—this is outside of a tender contract—is based on your own decision and not on any recommendation made by audit?

Mr. GOLDEN: No, no. The cost inspection and audit division would not advise the department with respect to the rate of profit which should be allowed. The cost inspection and audit division examine the books to see what the actual costs incurred were.

Mr. WINCH: Let us say, for example, that the treasury department should find one of these contractors was inefficient or was padding. Are you able to take any action in such a case?

Mr. GOLDEN: We are always behind in payment on a cost plus profit.

Mr. WINCH: You say you are always behind for a sufficient length of time to get a report from the treasury branch on that operation.

Mr. GOLDEN: We would hold something back so that the problem would not arise.

Mr. HALES: In respect to contracts I have not had a chance to look them over, but I understand you specify that a Canadian manufacturer of components be used wherever possible.

I have reason to believe that this is not being followed too closely, and that some firms are trying to abide by the contract and using Canadian-made component parts but are losing the contract to other firms who are importing American component parts.

That does not sound too fair to me and I would like to know if your department has had occasions when this was brought to your attention before?

Mr. GOLDEN: Discussions such as this are taking place in various branches and divisions of the department every working day. There is no absolute ban against the use of American equipment.

There are occasions in connection with United Kingdom equipment, for example, where it would be necessary or desirable that such equipment be used; but there is certainly a preference for Canadian equipment.

Mr. HALES: Suppose a contract distinctly states that Canadian-made component parts must be used, and then one particular manufacturer abides by the contract but loses the contract because some other fellow goes ahead and quotes on American component parts.

Mr. GOLDEN: Perhaps I might read the relevant section. This is contained in other government contractural documents:

> To the full extent to which same are procurable, consistent with proper economy and the expeditious carrying out of this contract, Canadian labour, parts, and materials shall be used in the work.

Mr. HALES: That is very fine. I can hope to put my contract in on that basis. Then I find I have lost the contract because my competitor imported material which was cheaper, and he got the contract. That is what I am objecting to.

Mr. GOLDEN: What is the difference in cost?

Mr. HALES: Well, I would not know just what the difference would be; but he would lose the contract. In other words, one fellow is trying to play the game as the contract calls for, while the other fellow does not, yet he gets the contract.

The CHAIRMAN: Do you know of any specific situation that you would be able to give to Mr. Golden?

Mr. GOLDEN: We deal with thousands of them and we would be glad to look at any which has not been properly looked at.

Mr. O'HURLEY: If it is the Canadian component, the department looks continually into the matter of Canadian components.

Mr. MCILRAITH: I think there is a little bit of cross purposes in the question. Is not Mr. Hales talking about a case of large contract bids, with specific Canadian components, and one of the competitors does not follow this specification, and yet he is awarded the contrat notwithstanding his failure to follow the specification. Isn't that the point?

Mr. HALES: Yes.

Mr. GOLDEN: Specifications are written by the Department of National Defence and not by the Department of Defence Production. The primary estimate as to whether specific components meet the intent of the specifications or not is also the responsibility of the Department of National Defence.

Mr. MCILRAITH: That still does not fully answer Mr. Hales' question. He is interested only in the result of his question. As I understand your answer it is that that part would be dealt with by the Department of National Defence.

Mr. GOLDEN: The Canadian content of every tender is most definitely one of the elements that is looked at before any submission is processed to the minister and from the minister to the treasury board. That is the difficulty I have with the question.

Mr. HALES: It is getting by your attention and fellows are getting contracts by using American parts. That is the point.

Mr. GOLDEN: We would like to know of a specific case.

Mr. BROOME: Is the country of origin not specified in your contract?

Mr. GOLDEN: In a case where it is not, these questions are asked in many thousands of tenders. But we would know exactly where it is coming from. But in those cases where this information is not within the knowledge of the department, those are the cases we ask for it and it is considered in the assessment of the tenders.

Mr. HALES: The deputy minister stated that the Department of National Defence draws up the specifications. On general policy I think it is possible—and correct me if I am wrong—but I think there would be some duplication between the two departments.

Do you draw up specifications as well when you call for tenders?

Mr. GOLDEN: We do not draw up specifications at all.

Mr. PICKERSGILL: There is a question I would like to put to the minister. It is based on the third complete paragraph on page 6 of his statement. Perhaps it is not based directly on it, but it came to my mind when he made this particular statement.

If I recollect correctly it was that the government indicated—or the leader of the government indicated before it was the government perhaps, that it would be the policy of the government to institute measures to increase the amount of defence procurement in the Atlantic provinces.

I wonder if the minister could tell us what specific steps his department has taken to carry out that policy and what changes have been made in departmental procedures for the implementation of that policy since the present government came into office.

Mr. BROOME: Mr. Chairman, Mr. Pickersgill's request would seem to be at variance with the remarks he made in respect to the question I asked.

The CHAIRMAN: May we get on with the point under consideration, gentlemen?

Mr. O'HURLEY: The question is under study in the department. There has not been any overall change in the departmental procedure as yet.

Mr. PICKERSGILL: You say there has not been any change in the departmental procedure as yet? Thank you, that answers my question.

Mr. WINCH: Referring to the question of tenders, and just by way of information, may I ask this: when tenders are called, they must be based on certain specifications. The contract is let according to the information given by the minister as far as possible—and almost invariably—on the low tender basis if they are capable of doing the work.

Whether it is right or wrong, there is a feeling among certain contractors that everything may not always be above board even on a tender basis. I have on occasions been told that they felt it was being carried out this way: a contractor would put in a tender which gets him the contract because he is the low tender.

But almost immediately after his having received the contract, the specifications are changed and new plans are evolved and the result is that the original person who got the contract then goes ahead with changed specifications and plans without a tender. Possibly he knew that in the first instance and that it was on a basis of changed plans and specifications that he would make his profit.

I do know, although they may not be granted particularly by tender, that with respect to our submarine chasers, for example, the one they started on construction and then there was a change in the plans, and the new estimations I am told were very very large.

Basically my question is this: suppose someone is awarded a contract having been a low tenderer and there are major changes in the plans or specifications. The one who got the original contract carries on with that work, and on that basis he completes the work. Is he paid for the changes in plans and specifications?

Mr. O'HURLEY: He is paid by the engineers.

Mr. WINCH: Is he paid on a profit basis?

Mr. O'HURLEY: He is paid on the basis set by the engineers for the cost of the changes.

The CHAIRMAN: We seem to have more than one question here.

Mr. WINCH: It is all on one question, principally.

Mr. GOLDEN: If Mr. Winch means defence production, it is true that the work proceeds sometimes when there are additions to the contract.

In most cases that is a type of work where the contract is awarded on a unit price basis, in which case extras will be paid for on the unit price basis which was included in the original tender, and which, if they were the low tenderers, may have been accepted.

With respect to ordinary contracts, what you have described is not too common. If it should occur, then it would be a matter for negotiation as to what the cost of the change would be.

Mr. WINCH: Take the *Restigouche* and the *St. Laurent* for example.

Mr. GOLDEN: That was not a tender; that was not a firm price. That was an allocation. There was no question there of the low man tendering and being given extra work. That was an allocation to the shipyards across Canada. There were no tenders.

The Maritime Commission recommended to the government that these respective yards be allocated the destroyer escorts. There was no low tendering.

But with respect to your general point, I do not believe that what you have stated exists in the Department of Defence Production.

Mr. WINCH: May I ask: if it should be that we have this before us, whether the estimates will show as big a difference, as we proceed, between the unit price and the type of work that is being done on actual cost?

Mr. GOLDEN: You mean with respect to the destroyer escorts?

Mr. WINCH: Or the submarine chaser or whatever you may call it, the *St. Laurent* and the *Restigouche*?

Mr. O'HURLEY: The information will be given.

Mr. BROOME: With regard to tenders received where you have either identical prices or prices which are very close so that they are almost identical, what action would the department take?

Before you answer my question I would like to mention something that happened in the province of British Columbia. There identical prices were given and it resulted in a good deal of publicity which had the effect of very much lowering the prices.

There are price agreements and they must be reflected sometimes in tenders. What does the department do?

Mr. GOLDEN: We have in the past on rare occasions drawn to the attention of the proper authorities, the fact that the tenders seemed all to be the same price.

Mr. BROOME: Why should it be done only on rare occasions?

Mr. GOLDEN: Because it only occurs on rare occasions.

Mr. GRAFFTEY: I have a few questions in relation to the buying policy of the department, let us say, in relation to summer camps and summer establishments which are just used during the summer months.

Am I right in saying that in the majority of cases for most contracts, the practice followed by any person wishing to do business with the department is to take the initiative and get his name listed with the Department of Defence Production?

Mr. GOLDEN: Yes.

Mr. GRAFFTEY: That being the case, the second point is this: that for a lot of things that the department has to buy, in order to get a decent price it has to buy them on a bulk basis, and this really can only be done in large cities.

Does the department,—let us say, outside of Toronto or Montreal—when you have an establishment that is only going to be used for a few months in the summer—does the department during the long winter months, send a man out into that area to canvass it to make sure that the local people in that area will be solicited in respect to providing things for the summer camp?

Mr. O'HURLEY: What do you mean?

Mr. GRAFFTEY: I means for normal requirements.

Mr. O'HURLEY: You mean food?

Mr. GRAFFTEY: Food, garbage disposal, trucks, or heavy equipment that the department might need in the summer camps to do excavation work and repair work.

Mr. GOLDEN: It is very rare indeed where the department does not have a long list of suppliers in every district for almost every item you can imagine.

That is the reason we do not actively solicit. Our lists are very long indeed in most instances for most items which the district officers buy. But everyone who wants to put in a bid is perfectly free to do so.

Mr. GRAFFTEY: I realize that and in large measure I agree with that policy. I cannot see how actually you can get around it.

I would like, however, to find out about a situation which often happens in my own particular area which is at Farnham, abou 50 miles outside Montreal. It is fair to say that most rural people do not realize the implications involved in going all the way up to Montreal and having their names placed on your list. That is assuming they do not do it.

Mr. GOLDEN: Perhaps that is something that members of parliament might do.

Mr. GRAFFTEY: If your department does not send a man into the area during the winter months to see what the requirements are, what is going to happen when the camp opens, and they start looking for heavy machinery all of a sudden to meet requirements?

What happens is that people from the city go out, even with a small piece of equipment. You cannot expect the men of the Department of National Defence to canvass the area to see about it, but this has the tendency of creating a litle illwill, because the requirements are met by the large city contractors. The people will say "Here comes the large city contractors".

The CHAIRMAN: Will you please put your question?

Mr. GRAFFTEY: I asked my question, and I believe the deputy minister has answered it. It was: does the department try to canvass in these outside areas?

Mr. GOLDEN: In general we do not. If there was any specific occasion where we felt that the list of potential suppliers was insufficient, then certainly the local district agent would see what he could do about it. But those occasions are rare.

Mr. BOURGET: Coming back to contracts: can you tell us what kind of arrangement you have with the different shipyards? Is it cost plus, or cost; or contract with incentive, or what? What arrangements have you got?

Mr. GOLDEN: The early destroyer escort vessels were cost plus. But since that time, as the situation has changed, six minesweepers were built, and they were target contracts on an incentive basis; ammunition lighter, firm price contract; marine diving vessels, firm price contract basis; power operated, firm price contract; miscellaneous small boats, firm price contracts; and the repeat class Restigouche was intended to have a firm contract.

Mr. BOURGET: What is the incentive? Is it five per cent or four per cent or what?

Mr. GOLDEN: The incentive is usually arranged so that if the cost is less than the estimated contract, then the crown and the contractor share in the same.

Mr. BOURGET: In what proportion would they share?

Mr. GOLDEN: Usually it is one-third to two-thirds; one-third to the contractor and two-thirds to the crown. The overall selling profits for contractors usually are provided not to exceed a certain percentage.

Mr. WINCH: Isn't that where you are going to give an explanation about the situation I raised?

Mr. GOLDEN: Yes, I might do that now.

The CHAIRMAN: All right, at this point let us proceed to do it now. It will come under methods of procurement.

Mr. GOLDEN: The question, as I understand it, relates almost entirely to an earlier question when the Department of National Defence was before the committee. It asked why there are these major differences in the estimated final costs of identical ships, destroyer escorts.

There are a number of reasons for these variations. First of all, materials.

Material costs of DDE205, the first ship of the class, are substantially lower than those of any of the follow ships.

This is accounted for by the fact that major components for this lead ship, including main machinery, gearing and auxiliary machinery were purchased in the United Kingdom, and during that period facilities for their manufacture were being set up in Canada.

Such equipment was supplied by United Kingdom manufacturers who had a wealth of experience in this field.

The follow ships, however, also demonstrate variations in material costs, which are accounted for by:

(a) Shipyards vary in the amount of work that they subcontract. For example, some shipyards subcontract a certain amount of the electrical installation work. Where this is the case such costs appear as a material charge rather than as direct labour on the part of the yard itself.

(b) The principal components were manufactured in central Canada. To illustrate, main engines in Toronto, gearing in Montreal, auxiliary turbines in Hamilton. Accordingly, yards on the coasts were exposed to higher transportation costs associated with the delivery of such equipment than were yards in the St. Lawrence area.
Variations in labour costs are indicated.

The labour cost is determined by several factors which vary between yards. These are:

(a) Wage rates: there is a significant variation in wage rates between yards over the history of these contracts.

(b) Design changes: the variations reflect design change. To illustrate, in one yard, 60 per cent of the structure forward had been complete at the time a decision was taken to introduce the 3"/70 naval gun. This also involved a significant expenditure of manpower. When the change was introduced much of this structure had to be removed and reinstalled and was reflected in additional labour costs.

(c) Application of manpower: there are bound to be different views concerning the application of manpower, and this results in differences in labour expenditures.

There are some differences in the quality of supervision and the skills of workmen. These differences are reflected in labour expenditures.

(d) Deliveries: delays in the delivery of components can effect a single yard by slowing up the rate at which manpower is used and create a non-economic situation.

Overhead: variations occur between shipyards in the overhead burden. Basically, the overhead is distributed between jobs on the basis of direct labour. Accordingly there are two variable factors affecting the overhead burden absorbed by a destroyer escort. These are:

(a) Number of manhours of direct labour.

(b) The volume of concurrent commercial or other work in the yard which attracts a percentage of the overhead costs. To illustrate this factor, one of the yards was operating a year ago at an overhead rate of approximately 50 per cent.

Since that time there has been a major reduction in the volume of work in the yard, and as a consequence, its overhead rate at the present time is approximately 100 per cent. Although its total overhead did not increase its rate did as a result of fewer units of production and low manhours.

Profit: since profit on these contracts was based on five per cent of actual costs, any variation in labour, material, or overhead was correspondingly reflected in variation in profit.

Sales tax: Sales tax at 10 per cent is applicable on new construction. As in the case of profit, sales tax correspondingly reflects differences in the other elements going to make up the selling price.

Mr. HALES: I have a supplementary question. When we were asking the Department of National Defence the costs of these ships—for instance, the St. Laurent was commissioned in 1955—they were not able to give us the cost of that ship three years later. Could we have an enlarged explanation why Canada does not know the cost of material that has been afloat for three years?

Mr. GOLDEN: The question is: why the delay in determination of final costs. This delay occurs in cost-plus contracts. It is not normally characteristic of firm price contracts. The reasons are as follows: (1) the cost-plus contract requires an audit of all costs before final settlement of the contract; (2) overhead costs are determined for audit purposes on an annual basis. Overhead distribution is averaged out by the cost inspection and audit division of the Department of Finance over each year and a final overhead rate is set for naval work after the event. At the present time, final audits for 1955 are complete and those for 1956 are in process; (3) the principal materiel and components are contracted for on a program basis. For the most part such components for the destroyer escorts have been on a cost-plus. The determination of final unit costs for such components occurs only after the entire requirement of fourteen shipsets is complete. As a result, material costs of an individual ship may be subject to variation long after acceptance of the ship; (4) at the time of acceptance, there are invariably deficiencies representing items that could not be completed at the specific date of acceptance. Under such circumstances the ship is accepted without prejudice and subject to correction of such deficiencies. Due to operational requirements the completion or correction of such deficiencies may be delayed for a significant period with consequent delay in determination of final costs; (5) adjustments in ship construction involves adjustments well after completion for items such as surplus and duty drawbacks.

In actual fact, although the final costs may not be known for several years after completion of the contract, the degree of adjustment is normally very small. The costs reported on completion of the ship are very close to the final cost.

Mr. PAYNE: That refers to the St. Laurent and Restigouche class. Could we have information as to what yards were given contracts, when the contracts were let, when did construction on the various contracts begin and when were they completed?

Mr. HALES: I think that information is in our estimates book.

Mr. GOLDEN: Much of this was filed by the Minister of National Defence.

The CHAIRMAN: I believe that is available.

Mr. WINCH: In view of the importarnce of the maintenance of a shipbuilding industry in our country, especially in the event of an emergency, is it your policy or government policy to try to allocate the construction of ships throughout the yards of Canada in order to try to keep them in operation in the event of trouble?

Mr. O'HURLEY: That is absolutely correct, Mr. Winch.

Mr. WINCH: If so, how do you arrange the distribution?

Mr. O'HURLEY: It depends on the size of the ship that is being built and the yards that are available. That is the work of the maritime commission; they look after the allocation of the ships.

Mr. WINCH: You do not deal with the allocations at all?

Mr. O'HURLEY: It is the recommendation of the maritime commission.

Mr. GOLDEN: The Minister of Defence Production makes a recommendation to treasury board but the Canadian Maritime Commission makes the allocation.

Mr. WINCH: You let the contracts?

Mr. GOLDEN: Yes.

Mr. HALES: In connection with the St. Laurent ship, the estimated cost was roughly around $8 million and now the final estimate is around $14 million, and that does not include equipment on it.

Mr. GOLDEN: We know nothing of any estimate of $8 million.

Mr. HALES: That is what we were given in our estimates meeting by the Department of National Defence. I think it is in the minutes here.

Mr. GOLDEN: I do not know how it was arrived at.

Mr. BOURGET: In the case of target price does the target price vary from one shipyard to another due to the fact there is a difference of salary in the area?

Mr. GOLDEN: With respect to ships, the only real effective target used is the target of labour hours, and we use exactly the same number of labour hours as a target for each ship. However, this was not done with respect to the destroyer escorts which have been mentioned.

Mr. BOURGET: In your contract with the company, have you an escalator clause to look after increases in salary?

Mr. GOLDEN: There is a provision for negotiation if the character of the ship were to change in the course of construction or something like that; but the target is the number of labour hours.

Mr. MORE: Not the cost per hour?

Mr. GOLDEN: No.

The CHAIRMAN: Gentlemen, are there any further questions?

Mr. HALES: Mr. Chairman, are we buying other equipment through the department for the Department of National Defence on this basis on which we are buying ships? Personally, I think it is a pretty sloppy way of doing business. We have had an explanation why it is done, but I still think there could be a more businesslike way of buying ships in Canada. I am wondering if we are doing business in other departments in the same way.

The CHAIRMAN: Mr. Hales, would you repeat your question.

Mr. HALES: We have had an explanation of what is going on with regard to the navy, but in the army for instance are we contracting for equipment on the same basis?

Mr. GOLDEN: I do not know which element of what I have just said you described as sloppy.

Mr. HALES: I am referring to ships. I am wondering if we are buying airplanes on the same basis. Will it be three or four years from now before we know the costs of these airplanes?

Mr. GOLDEN: With respect to the question of knowing the costs of the components of the destroyer escorts, this is purely a bookkeeping matter. We might have just as easily charged $5 million for the first Y 100 ship set against

one of the first destroyer escorts and $500,000 for the fourteenth. It would not change the cost by one cent. It is purely a bookkeeping transaction. This bulk purchasing and revolving fund procurement is not commonly used. It is mainly used for the destroyer escort program because the crown had to contract for this equipment and not the individual contractors. The crown contracted for it and paid for it.

The CHAIRMAN: Does the same principle apply to any other part of defence construction?

Mr. GOLDEN: Mr. Keith reminds me I should have dealt with the other point about catching up on cost. The enormous increase in defence contracting as a result of Korea put cost inspection and audit division in a situation that as far as we know they have never been able to get current since. No final costs can be known until the audit reports are received and, as I have said, these reports are not current.

Mr. HALES: When might we expect a final figure on these ships, the end of the year, 1959 or 1960?

Mr. GOLDEN: Any adjustments at this stage are likely to be very minor. At the end of this year we should have these finalized. Mr. Keith reminds me that the cost inspection and audit division are catching up.

The CHAIRMAN: Is this the only area in which this is practised?

Mr. GOLDEN: No.

The CHAIRMAN: I am referring to the question first asked by Mr. Hales. Is there any other area which involves this method of ascertaining the cost?

Mr. GOLDEN: We had to buy some aircraft components.

Mr. PAYNE: I do not want to duplicate, but I cannot agree that page 109 of the defence estimates studied by this committee cover the question which I asked. They do and they do not.

The CHAIRMAN: What would you like?

Mr. PAYNE: My question was directed to the destroyer escort of the St. Laurent-Restigouche class. What yards were given contracts, when were these contracts let, when did the construction of the contracts commence and when were they completed?

The CHAIRMAN: Mr. Golden says he has the answer.

Mr. GOLDEN: I have here the last seven; I do not seem to have the first seven because we thought they had already been filed. I have everything you asked for with respect to the last seven.

Mr. PAYNE: I would like them for all.

The CHAIRMAN: That information will be obtained.

Mr. BENIDICKSON: Mr. Golden outlined his intentions with respect to the establishment of a system for profit on the new Restigouche class destroyers. He indicated the department will abandon the cost plus system. What are we going to do in substitution? I am pleased to see a new approach.

Mr. GOLDEN: We are going to get a target incentive type contract similar to the contracts that we used with respect to the last six minesweepers, which was very successful. We propose to do the same thing with respect to the repeat class Restigouche vessels, at which time the shipyards will be set on a labour man-hours target. Of course, the specifications are now known, which they were not eight years ago.

Mr. BENIDICKSON: Is there a basic set profit or fee and then a larger fee or profit if the number of labour hours is less?

Mr. GOLDEN: Yes.

Mr. BENIDICKSON: And in estimating that basic profit, is it arrived at after consideration of the likely over-all costs of the ship, or how?

Mr. GOLDEN: The actual negotiation of the profit rate and the area of share and savings has not yet been completed.

Mr. BROOME: This question has to do with procurement under Defence Construction Limited. Is this the proper place to ask it or not?

The CHAIRMAN: I think we will hold it until we reach that point. Did you have a question Mr. Bourget?

Mr. BOURGET: No.

Mr. SMALL: I would like to direct a question in connection with Canadian Arsenals which is set out on pages 4 and 5. It is in my riding. I would like to know what the future prospects are for the continuance of that organization?

The CHAIRMAN: I wonder if I might interrupt. The Canadian Arsenal officials will be here before us; could you hold your question until then?

Mr. SMALL: This may be a policy question and I do not know whether or not they will be able to answer it.

The CHAIRMAN: Proceed.

Mr. SMALL: It is in regard to the economic volume. The company estimates that a minimum economic volume of about $40 million in sales is required each year to permit the company's functions to be carried out on a self-supporting basis. According to the orders currently on hand, a probable sales volume of only $30 million is expected in 1958-59. On this basis the company anticipates a manufacturing loss of some $2,300,000 which is expected to be reduced by miscellaneous revenue of around $500,000, thus producing the net possible requirement for the current year of $1,800,000 as shown in the estimates. They point out that vote 84 provides for the cost of construction, improvements and new equipment and, as you will see, it has been cut by almost 50 per cent from the provision made last year. It looks as if there is a future for this to continue but during the election year of 1957 and 1958 it was generally circulated if the Tory government got into power it was going to be closed up or discontinued. I would like to know if it is part of the policy that it is going to continue?

Mr. O'HURLEY: What plant?

Mr. SMALL: Under 83 and 84, Canadian Arsenals.

Mr. O'HURLEY: But no special plant?

Mr. SMALL: Particularly in Scarboro.

Mr. O'HURLEY: I will give you a report on it.

The CHAIRMAN: Are there any further questions?

Mr. PETERS: Regarding these other types of contracts where we call for a tender at a fixed price, with specifications, and tenders are conducted on that specification—if it is a changed specification or a changed supply product that does not necessarily meet the specification, do we renegotiate a price for that or how do we know whether we do or do not? Is there a department that checks that?

Mr. GOLDEN: The department which ensures that a product meets inspection is not the Department of Defence Production; it is the inspection service branch of the Department of National Defence. If you mean is the price renegotiated after a specification is changed, the answer is yes.

Mr. PETERS: For instance, if you bought these chairs and the Canadian price was $40, you could buy the same chair in Great Britain for $20. How would you stop that being supplied, provided it was an identical product, and yet your specification called for their being made in Canada?

Mr. GOLDEN: The Department of National Defence inspection services has to inspect all the products. With respect to a chair of course we would not invite any foreign firm to bid on it.

Mr. PETERS: This is a Canadian supplier using foreign produced goods.

Mr. GOLDEN: That would be caught by inspection services.

Mr. BENIDICKSON: Does the crown pipe line company come under the administration of the Department of Defence Production?

Mr. GOLDEN: No, the Department of Trade and Commerce.

Mr. PETERS: It is defence construction.

Mr. GOLDEN: Are you referring to defence construction contracts?

Mr. PETERS: Yes, building construction.

The CHAIRMAN: We will have that before us shortly.

Mr. BROOME: Mr. Chairman, on page 8 there is a line which says: "Is it available from a foreign source, and if so where, and would it continue to be available in an emergency?" Although it is talking only about negotiable contracts, has that clause been used at any time to discriminate against Canadian suppliers as compared with American suppliers? If it was, is it now?

Mr. GOLDEN: This relates to a somewhat different—

Mr. BROOME: I know it does, but for example let us take diesel engines; is there anything in your purchasing policy which places the United Kingdom in an adverse position as opposed to an American supplier of diesel engines in regard to source of supply?

Mr. GOLDEN: No, we bought many diesel engines from the United Kingdom.

Mr. BROOME: There is nothing in the department's purchasing policy which places the United Kingdom supplier in an adverse position as compared to an American supplier?

Mr. GOLDEN: No.

Mr. BENIDICKSON: To follow up my question, I have a recollection that Mr. Golden the deputy minister has had a close association with the crown pipe line company; you are at least a director?

Mr. GOLDEN: I am the president of it, but I report to the Minister of Trade and Commerce with respect to the pipe line corporation.

Mr. BENIDICKSON: Did you always report to the Minister of Trade and Commerce and never to the Minister of Defence Production?

Mr. GOLDEN: Yes.

Mr. HALES: Has the Department of Defence Production the authority to change or revise requisitions given to them by any of the three services? Supposing the army requisitions for such an article and your department felt it was not necessary or they were ordering too many of them, what do you do in a case like that?

Mr. O'HURLEY: Of course, Mr. Hales, if there is some article we feel is not needed, I would have a chance of talking to the Minister of National Defence about it.

Mr. BOURGET: Have you done it up until now?

Mr. O'HURLEY: No.

Mr. PETERS: Is there an arrangement whereby on certain commodities which are of a similar nature produced by a number of companies you spread it around?

The CHAIRMAN: Spread it around?

Mr. PETERS: I am thinking of companies like tire companies supplying tires where tires are at a relatively fixed price. Do you give one order to this company and the next order to another company?

Mr. GOLDEN: We buy them by competitive tender.

Mr. PETERS: Do they do that themselves?

Mr. GOLDEN: We have no evidence to that effect.

Mr. WINCH: I just wanted to ask whether in the main on bulk purchases you endeavour to buy wholesale?

Mr. GOLDEN: We try to go to the manufacturer.

Mr. HOWE: In regard to a price by the Department of National Defence I well remember a statement from a former minister who bears the same name as my own that intimated that if the Department of National Defence asked for a gold-plated piano, the Department of Defence Production would get it. Is that the policy?

Mr. O'HURLEY: That is one case where I would speak to the minister.

Mr. McGEE: Approximately what is the total dollar value of goods purchased in a year? A rough estimate will suffice.

Mr. GOLDEN: We can give it to you exactly. I think it runs between $800 million and $850 million a year.

Mr. WINCH: I understand you pay sales tax?

Mr. GOLDEN: Yes.

Mr. BENIDICKSON: Could you furnish us with a breakdown in dollars of the volume of orders placed at the district offices as well.

Mr. GOLDEN: Would you like it by offices?

Mr. BENIDICKSON: Yes.

The CHAIRMAN: That will be obtained.

Mr. McGEE: Having been a buyer myself and having been subjected to some of the blandishments of agents and manufacturers, have there been any instances in the department of what we might call improper acceptance of gifts or other such things by members of the department since its beginning. Have there been any people discharged for that reason? If there have been what were the names of the companies involved?

Mr. GOLDEN: I do not recall any.

Mr. McGEE: What effort is made by the department to determine that such instances do not occur? This is done all the time in private industry. Having been a buyer in a large organization myself, I know it exists. Are there no instances that have occurred in the history of the department that smacks of any irregularity?

Mr. GOLDEN: Well, the way the department is organized you would have to resort to bribery on a mass scale because it passes through so many hands. It passes through several hands and then reaches the treasury board. They have to approve it together with all the supporting data. They have the information regarding who was invited and who was low. Specifically, I do not recall any case. I do recall cases where it has been brought to our attention that there were alleged irregularities but we have never been able to establish any.

Mr. GRAFFTEY: Mr. Chairman, at the district purchasing level, could the deputy minister give me a few typical cases wherein one of the purchasing men would resort to his telephone as opposed to purchasing from the list he has?

Mr. GOLDEN: The use of the telephone does not mean he would not use the list. He would still use the people on his list, but he would phone them instead of going out in a more formal way. There might be the odd case where he has not anybody on his list and he needs something by two o'clock. He would turn to the yellow pages and use the telephone.

Mr. GRAFFTEY: Has he authorization to phone people who are not on the list?

Mr. GOLDEN: Yes, certainly.

Mr. WINCH: In view of the fact there are heavy purchases in the district offices, do they by any chance have what is known as a select list, people they are supposed to phone first, and if so, from whom do they get that list? Has there been any change made in the list in the last two years?

Mr. O'HURLEY: No changes have been made. You ask if such a list exists, if there is a preferred list. We have no information on this. If anyone wants to get on the list the member has to write to the department and have his name put on the list. Anybody can be put on the list.

Mr. GOLDEN: The list are changing all the time because of the enormous number of people on our lists. Failure to quote is regarded as a disinclination to do business and the firm may be taken off the list. This is not irrevocable as he can write in and be placed back on the list.

Mr. WINCH: Are they notified in order that they may know that certain things are required?

Mr. O'HURLEY: Yes.

Mr. MACNAUGHTON: On page 52 of the minister's annual report there are tables 6a and 6b. Could you tell me what the difference is? What is the meaning of the two tables? They appear to be the same.

Mr. GOLDEN: Table 6a is the value of contracts placed; table 6b is the value of expenditures and shows what has been paid perhaps on contracts placed many months or years before.

Mr. DANFORTH: If we may return to the ships for a moment, there is a question I have in mind. In view of the fact that there is a difference in the costs of these ships between the various shipyards of some million of dollars and in view of the fact it has been explained to us this morning that there are some basic reasons, perhaps in transportation of equipment and source of supply, could we infer from the explanation this morning with the advent of the new target incentive that the actual cost from the various shipyards will be brought to a more comparative basis?

Mr. GOLDEN: There will still be substantial changes because of the factors which I have mentioned. Some of the factors which we hope will not change are changes in specifications and delays, but some of the other factors will exist if you use this method of accounting which we have used today.

Mr. DANFORTH: I appreciate that, but there should not be a difference of perhaps $4 million, $5 million or $6 million.

Mr. GOLDEN: I should think the difference will be less than that. There are wide differentiations such as the areas in which they are situated and because of this they have to pay higher wages than other yards. That can be a significant difference when you are dealing with millions of manhours.

Mr. GRAFFTEY: Mr. Chairman, I am definitely not referring to Defence Construction Limited here, but on large requirements where the department does not feel it has sufficient listing, do they use any forms of advertising on big requisitions?

Mr. GOLDEN: The Department of Defence Production never advertise publicly.

Mr. GRAFFTEY: On a large requirement?

Mr. GOLDEN: But that would not mean we would not go to somebody who did not happen to be listed for that particular item. We have specialists in every branch who would know immediately one must go to this or that firm before inviting tenders. They know this is one firm that might be included.

The CHAIRMAN: Is that really a satisfactory method? These experts undoubtedly will be on top of most of the new current business. Would advertising not be a further safeguard to make sure you are getting a sufficient number of companies tendering?

Mr. GOLDEN: The problem there is if you advertise you are going to get a hundred people who answer the advertisement who are not in the business or never have been in the business, but they send you a tender. In that case you have to comb all of them. You have to send someone down to try and eliminate him if he is low. You have to go through a lot of procedures before you get rid of a low man.

Mr. PAYNE: This discussion on lists has alarmed me considerably. There have been statements made and I would like a qualification. When was this list first established?

Mr. GOLDEN: About eighteen years ago.

Mr. PAYNE: And it has operated consistently ever since?

Mr. GOLDEN: Yes.

Mr. PAYNE: You have advised us that certain firms are cut off the list on a more or less arbitrary basis because they have not tendered.

Mr. GOLDEN: No. We send a form with a tender which states clearly, if you are not tendering, please indicate why—and there are many reasons why. If somebody fails to tender and fails to complete the form—because our lists are so enormous and because it is expensive to send these thousands and thousands of invitations to tender out—we assume that if the tender does not come in and if the form from the firm indicating why the tender has not come in is not received, then it is appropriate to take the firm off the list; also it is not given in others; it is appropriate to take the firm in and of course the firm may come on again.

Mr. BROOME: How do you know they were missing if you do not advertise?

Mr. GOLDEN: There are a number of chances given. We do not cut off anybody the first time. We might send out three or four invitations, and for three or four occasions when this failure to quote form is not filled out.

We have a very large number of business men in the department every working day. I think most businesses do know the way in which these lists are made up.

Mr. BROOME: Does the demolition of the Peace river bridge come under your department?

Mr. GOLDEN: I think D.C.L. had some connection with it.

The CHAIRMAN: Better let it stand.

Mr. BROOME: I have been in the engineering field and I can say that defence production does its best to get out knowledge of all the bids they possibly can. The impression seems to be that they do not, but in fact they do. They are wide open, and they are good people to deal with.

Mr. PETERS: This is on another matter. We asked some time ago on the other Department about this matter. I am thinking of heavy equipment which was mentioned earlier.

Has the department done a survey on the advantages of rental equipment as opposed to purchasing? We also discussed it in terms of automobiles for the services on a rental basis rather than an outright purchase and on the basis of cost per mile and cost per hour of the unit, particularly with respect to heavy construction equipment.

Mr. GOLDEN: According to the analysis we have made, it would be less appropriate than the system presently followed by national defence requirements. It would not result in savings.

Mr. PETERS: Does the department maintain a certain type of "vehicle cost per mile" record? Have they worked it out to the cost per mile?

Mr. GOLDEN: The Department of National Defence are the ones who use records. We buy from the manufacturer, and most of our vehicles are special

pattern types. We get what we consider to be excellent vehicles. Most of them are not of a commercial nature, and we do not think this would be an appropriate change.

The CHAIRMAN: I think that in order to make progress, we should look at page 173. You will of course have an opportunity to carry on with any general questions on the statement. But may I draw your attention now to the top of page 173 under *departmental administration.* I will not take up any of the items individually, but if there are any questions with regard to that page I shall be happy to recognize any member who has a question.

Mr. HALES: We have, roughly speaking, 453 defence production officers. What is their category, or what is their line of work?

I think the count has been reduced by some 81 since last year. But the cost of salaries has gone up over $1 million for defence production officers. What is their specific duty?

Mr. GOLDEN: I am sorry, but I do not have any reference to salaries going up over $1 million.

Mr. HALES: On page 173 the number of defence production officers has been reduced by 81, yet the estimates from last year and the estimates for this year show that the salary increase is over $1 million. Nevertheless, we have reduced the staff by 81. Of course, the increase in salary takes care of some of it, but that is not my question.

Mr. GOLDEN: There are reclassifications. There is one category where we called them defence production officers, while the Civil Service Commission suggested they should come under another heading. That accounts for the switch.

I do not have any difference of $1 million. We have a difference of somewhere around $400,000 for the total salary vote.

Mr. HALES: I took defence production officers only on page 173.

Mr. GOLDEN: This is due in part to taking a large group of people out of the defence production officer classification. There have been some reclassification problems, and we find that they would cause these changes.

Mr. HALES: What is a defence production officer?

Mr. GOLDEN: He might be a contractual officer, a production officer, or a technical officer; any classification.

Mr. HALES: Any employee of the department?

Mr. GOLDEN: Yes.

The CHAIRMAN: Are there any further questions on page 173?

Mr. PETERS: Why is there no technical consultant listed for this year?

Mr. GOLDEN: It is a change in title, I am told.

The CHAIRMAN: It has not been changed otherwise. Are there any further questions on page 173? Are there any questions on page 174? You are on vote 78.

Mr. HOWE: Going back to page 174, I notice that defence production officers in the United Kingdom have been discontinued.

Mr. GOLDEN: I do not think that is correct. It must be due to a change in the title because I do not think there has been any change in the people we have in the United Kingdom. They might be people who are now hired from Canada and therefore are not shown as local assistants. It must be due to some change in the title.

The CHAIRMAN: Are there any questions at the top of page 175?

Mr. HALES: May we have a brief rundown on what assistants we have in the United States? We have several of them, may be 30 assistants in the United States. What is their particular function?

Mr. GOLDEN: This is just the ordinary job for which, instead of recruiting in Ottawa, you recruit them right in Washington.

Mr. HALES: You recruit what?

Mr. GOLDEN: You recruit the people. These are the people we use to run our office in Washington. They are not recruited in Ottawa but are locally recruited in Washington.

Mr. HALES: Is that to procure the things that we buy in the United States?

Mr. GOLDEN: The department in Washington has a number of officials who work closely with respect to any critical components, or to expedite scarce materials. We have provision in Washington in regard to Canadian contractors who have contracted with American contractors, and we have a group which works closely with the American services, and we have telephone operators and clerks and so on.

The CHAIRMAN: Are there any further question?

Mr. MCGEE: Reverting to my earlier question, and some of the procedures adopted by the firm for which I worked—one in particular I remember—where the department was circularized at Christmas time with specific instructions that gifts in excess of the value of $2 were to be returned.

I wondered if any similar action was taken by this department or ever has been, to your knowledge?

Mr. GOLDEN: No, not to my knowledge.

Mr. HOWE: I wondered about the United States people and uniformity. Is there, in our type of defence equipment, such as weapons—is that a continuing thing? Do you make it uniform under any NATO organization? I mean such things as rifles and the type of things that are being used? Is there any joint action between the two countries?

Mr. GOLDEN: Yes sir, but that is not a function of the Department of Defence Production. That is a military matter and comes under national defence.

Our office in Washington does procurement. We have today in Washington a special section which has duties in connection with the special arrangement which we have with the United States to be protected should there be any shortage or any critical problem in connection with any of our programs where we have to rely more on American suppliers or subcontractors.

Mr. HOWE: Are there any records of materials for which we have to rely on the American suppliers?

Mr. GOLDEN: In many of our programs we started out with a very high foreign content but we ended up with a very low, if not nil, foreign content. That happened with the CF-100 and the F-86.

Mr. MACNAUGHTON: That is because so much research work is done in the United States, of course.

The CHAIRMAN: I think we have reached half way through.

Mr. MCILRAITH: On the matter of personnel, and the Canadian Trade Mission personnel being presently in Washington—

Mr. GOLDEN: One or two.

Mr. PETERS: I move we adjourn.

Mr. MCGEE: Before we adjourn, Mr. Chairman, it seems silly for us to come in here and shut off the fan on a day when the need for the fan is the greatest.

Is there any way you can make representations to the appropriate person to get a fan for us which would not drown out the speakers?

The CHAIRMAN: I shall do what I can, Mr. McGee, but you might be interested to know there was a two-hour meeting held in this room just before our committee met. This helped to warm up the room more than usual.

APPENDIX "F"

(Exhibit No. 10) July 14, 1958.

DEPARTMENT OF DEFENCE PRODUCTION
PURCHASING POLICY

The Department of Defence Production is the contracting authority for procurement of defence supplies. The Department of National Defence determines its own requirements and the quantities required; the Department of Defence Production's role is to obtain the needed goods or services.

The general practice in head office procurement is to buy only from Canadian primary producers and manufacturers or from accredited Canadian agents of foreign manufacturers. The competitive tendering system, which this Department employs whenever possible, has the twofold object of ensuring the best buy for the public's money and affording all Canadian firms an equal opportunity to compete for Government orders.

The Department puts on its lists of those to be invited to tender all qualified firms which ask to be so listed and submit some proof of ability to fulfil a contract if one is awarded to them.

Suppliers not already listed with the Department of Defence Production can arrange for such listing by writing to:

The Secretary,
Department of Defence Production
OTTAWA, Ontario.

Most defence requirements are, in the interests of economy, filled by large bulk purchases even when delivery is to be made to several depots or bases located across Canada. Such purchases, including clothing and personal equipment, vehicles, fuel and petroleum products, are made through Head Office. It is obvious, however, that all defence purchasing cannot be centralized in Ottawa.

The Department, therefore, maintains district purchasing offices located throughout Canada to buy, from sources within their area, those goods and services of a local or urgent nature which are required by defence installations also located within that area. The dollar value of any single district office purchase is normally restricted to $10,000 and the average purchase is very much smaller.

In such small purchases the general rule of dealing only with manufacturers is relaxed and district offices frequently fill small requirements after obtaining quotations from wholesalers, jobbers, etc., located in their area.

Most district office purchasing falls under one or other of four headings:

A. Services.

Contracts for such services as snow and garbage removal, laundry and dry cleaning, boot and shoe repairs, bus transportation and haulage, etc., are placed by the district offices. Suppliers of such services should arrange to have their names listed in the nearest district office. Such contracts are usually let on an annual basis. On service contracts it is essential that evidence of ability to perform the required service be supplied. The geographical location of the supplier in relation to the Department of National Defence unit requiring the service is an important factor in letting such contracts.

B. Foodstuffs.

Food purchased by head office in Ottawa is normally confined to bulk purchases for delivery to Department of National Defence depots and includes such items as tea, coffee, and some canned goods and cheese. Whenever possible, other foodstuffs, including those of a perishable nature, required by the Department of National Defence are purchased by the district office of the Department of Defence Production in the area to be served. Accordingly potential suppliers should get in touch with the nearest district office and request listing.

Perishable foods such as meat, dairy products, etc., may only be purchased after certain sanitary and other regulations of the Federal and Provincial governments have been met by the suppliers. The District Purchasing Agent is in a position to advise potential suppliers of these regulations.

C. General Contracting and Construction.

Defence construction contracts involving an expenditure over $10,000 are placed by Defence Construction (1951) Limited, a Crown Company operating under the control of the Minister of Defence Production. These contracts are the subject of publicly advertised competitive tenders. The advertisements appear in the daily press in the area concerned and in the construction trade press.

Construction contracts estimated to cost less than $10,000 are placed by Department of Defence Production district offices, with Invitations to Tender being sent to all firms which have been listed. Contractors for such items as painting, plumbing, electrical installation, seeding and sodding, etc., who wish to be invited to tender should get in touch with the district office in their area and arrange to have their names placed on the appropriate lists.

D. General Stores.

A district office also contracts for small quantities of all types of goods or services which may be required on a day-to-day basis by Department of National Defence units in the area. Firms interested in being asked to quote on such requirements should get in touch with the nearest district office.

Attached is a list showing the location, telephone number, address and officer-in-charge of each district office.

DEPARTMENT OF DEFENCE PRODUCTION
DISTRICT PURCHASING OFFICES

OFFICE AND PHONE NUMBER	ADDRESS	DISTRICT PURCHASING AGENT
ST. JOHN'S, NFLD. (5742)	Building No. 40, Buckmaster's Field, P.O. Box 663.	Mr. M. L. Reynolds
HALIFAX, N.S. (3-6621)	H.M.C. Dockyard, P.O. Box 1655.	Mr. G. C. Manuel
SAINT JOHN, N.B. (Oxford 2-1506)	Room 408, Sadium Bldg., Canterbury & Duke Sts.	Mr. W. G. O'Brien
QUEBEC, P.Q. (Lafontaine 3-0667)	126 St. Peter Street.	Mr. J. P. Dallaire
MONTREAL, P.Q. (Belair 2593)	1441 St. Urbain St.	Mr. J. S. Stevenson
OTTAWA, ONT. (CE 2-8211 Local 2-2501)	953 Somerset St. West.	Mr. E. S. Wood
TORONTO, ONT. (Walnut 4-7777)	25 Clair Ave., East.	Mr. G. S. Hincks
LONDON, ONT. (Hudson 3-7760)	388 Dundas Street.	Mr. LeB. Mitchell
WINNIPEG, MAN. (Whitehall 3-6873)	Room 502, New Post Office Bldg. Graham and Garry Sts.	Mr. G. E. Torpey (Acting)
REGINA, SASK. (Lakeside 3-9237)	3rd Floor, New Post Office Bldg.	Mr. N. A. Bradford
CALGARY, ALTA. (Amherst 6-5701)	Room 731 Public Building.	Mr. F. Hopson
EDMONTON, ALTA. 4-0251 Local 287)	906 Federal Public Bldg. 99th Ave & 107 Street,	Mr. G. F. McKay
VANCOUVER, B.C. (Cherry 2111)	c/o Dept. of National Def., 4050 West 4th Avenue.	Mr. R. C. Herrin
VICTORIA, B.C. (Beacon 2-5171)	Room 414, Belmont Bldg., Government Street.	Mr. T. G. Sewell

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 16

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TUESDAY, JULY 15, 1958

DEPARTMENT OF DEFENCE PRODUCTION

WITNESSES

Honourable Raymond O'Hurley, Minister of Defence Production; Mr. D. A. Golden, Deputy Minister of Defence Production; and Mr. R. G. Johnson, President, Defence Construction (1951) Ltd.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

60710-1—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Allard,
Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard (*Lapointe*),
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fairfield,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Johnson,
Lennard,
MacEwan,
MacLean (*Winnipeg North Centre*)
Macnaughton,
McCleave,
McGee,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,
More,
Nielsen,
Pallett,
Payne,
Pearson,
Peters
Pickersgill,
Ricard,
Richard (*Kamouraska*),
Rowe,
Skoreyko,
Small,
Smallwood,
Smith (*Winnipeg North*),
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian,
Winch—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, July 15, 1958.
(17)

The Standing Committee on Estimates met at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs, Allard, Anderson, Baldwin, Benidickson, Bissonnette, Bourget, Broome, Cardin, Carter, Cathers, Chambers, Chown, Clancy, Coates, Danforth, Doucett, Dumas, Fairfield, Grafftey, Hales, Hicks, Howe, Lambert, Lennard, MacEwan, Macnaughton, McGee, McGregor, McIlraith, McWilliam, More, Payne, Peters, Pickersgill, Ricard, Skoreyko, Small, Smith (*Calgary South*), Smith (*Winnipeg North*), Stefanson, Stewart, Vivian, Winch.

In attendance: From the Department of Defence Production: Honourable Raymond O'Hurley, Minister; Mr. D. A. Golden, Deputy Minister; Mr. G. W. Hunter, and Mr. W. H. Huck, Assistant Deputy Ministers; Mr. R. M. Keith, Financial Adviser; and Mr. W. J. Mulock, Deputy Minister's office.

From Defence Construction (1951) Ltd: Mr. R. G. Johnson, President.

From Canadian Arsenals Ltd: Mr. J. H. MacQueen, President and Mr. J. H. Berry, General Manager.

From Canadian Commercial Corporation: Mr. F. F. Waddell, Secretary.

From Crown Assets Disposal Corporation: Mr. Louis Richard, President and General Manager.

The Chairman outlined plans for the proposed visit to Malton and Toronto by the Committee.

On motion of Mr. Broome, seconded by Mr. Winch,

Resolved,—That permission be sought from the House for the Committee to sit in Toronto and Malton, Ontario, on Saturday, July 19, 1958.

On motion of Mr. Hicks, seconded by Mr. Chambers,

Resolved,—That the Clerk of the Committee accompany the Committee to Toronto and Malton on July 19, 1958.

Moved by Mr. Winch, seconded by Mr. Chambers,

That former senior military officers, other than Departmental officials be invited to appear before the Standing Committee on Estimates.

Following discussion, the said motion was negatived on the following recorded division:

Yeas: Benidickson Chambers, Dumas, Macnaughton, McGee, McWilliam, Payne, Peters, Winch—9.

Nays: Allard, Anderson, Baldwin, Bissonnette, Bourget, Broome, Cardin, Carter, Cathers, Clancy, Coates, Danforth, Doucett, Fairfield, Grafftey, Hales, Hicks, Howe, Lambert, Lennard, MacEwan, McGregor, McIlraith, More, Pickersgill, Ricard, Skoreyko, Small, Smith (*Winnipeg North*), Stefanson, Stewart, Vivian—(32).

60710-1—1½

Note: As indicated in the Minutes of Proceedings of July 17, the above result of the vote should be *Yeas: 9, Nays: 31,* by reason of the vote cast by Mr. Lambert being withdrawn.

The Committee resumed its detailed study of the Main and Supplementary Estimates 1958-59, relating to the Department of Defence Production, the Minister and his officials supplying information thereon.

Replies to questions asked proviously were read into the record.

Item numbered 78—Departmental administration etc. was further considered and allowed to stand.

Item numbered 79 was considered and approved.

Item numbered 80 and Supplementary Item No. 541 were considered and approved.

Item numbered 81 was approved.

Item numbered 82 was considered, Mr. Johnson supplying information thereon.

At 1.00 p.m. the Committee adjourned until 11.00 a.m. Thursday, July 17, 1958.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

TUESDAY, July 15, 1958,
11:00 a.m.

The CHAIRMAN: Gentlemen, I see a quorum, so I think we can proceed.

There are two items I would like to deal with before we proceed with the item under consideration of the Department of Defence Production. This morning I had an opportunity to speak to Vice-Marshall Plant of A.V. Roe and he will be very happy to receive our committee at Malton on Saturday. The plan is that we will leave here fairly early so that we will arrive at Malton at 10 o'clock. We will spend the morning with A.V. Roe and the afternoon at the Orenda engine plant, and the entire visit would conclude in or around 5 o'clock on Saturday.

This does not leave you too much time to make up, your minds whether you are going to go or not, and you will be getting a notice almost immediately to ascertain how many of you would like to go. It would facilitate matters if you would telephone my secretary and let her know in advance if you would like to go, so that we can give our hosts some idea of our numbers.

We will have lunch at the A.V. Roe plant. We will have an opportunity to see the development of the Avro Arrow and also the entire operation of another aircraft plant.

Mr. WINCH: Also over my objection the house will be sitting on Saturday.

The CHAIRMAN: Mr. Winch, I believe we will have to ask the authority of the house in order to consider this a sitting as such. I assume the committee considers it is, in view of the very large expenditure and the importance of the nature of the visit. I assumed when that resolution was presented and passed that they had that in mind.

Mr. BROOME: I think I moved the resolution and I had this in mind, that this was a regular sitting of the committee. Minutes would be taken, and everything else.

Mr. WINCH: This should be included as a sitting, as we are only allowed 21 days.

Mr. BROOME: To be considered as a regular sitting of the committee.

Mr. WINCH: Otherwise it goes off our 21 days.

The CHAIRMAN: It is Saturday. After all, at the time we discussed this the house was not sitting on Saturday. So that it is clearly understood that we intend to sit, perhaps we might have this motion passed.

Moved by Mr. Broome, seconded by Mr. Winch that permission be sought from the house for the committee to sit at Malton, Ontario, this coming Saturday. That is the extent of the motion.

Mr. MCGEE: When do we get back?

The CHAIRMAN: That evening if you so desire.

Motion agreed to.

I would like to welcome Mr. Lambert, a new member of the committee, who has been sitting at the rear for the past 15 meetings. It is nice of you to be with us, Mr. Lambert.

Mr. WINCH: I understood from you yesterday that today you were going to report on the calling of witnesses.

The CHAIRMAN: Yes, that is right.

We need a second motion, gentlemen, that the Clerk of the Committee accompany the Committee to Toronto and Malton. This is required.

Moved by Mr. Hicks and seconded by Mr. Chambers.

Motion agreed to.

The aircraft time of departure will be in the vicinity of 9:00 o'clock. Details will be given to the committee later.

Mr. BROOME: Since this is a regular sitting space should be made available for a limited number of press people, if they so desired. Otherwise we will be holding the sitting in camera.

The CHAIRMAN: It will not be held in camera because there will be press from Toronto. We have anticipated that, Mr. Broome, and asked if it is possible to include a number of the press. I hope the invitation will be extended through the press gallery.

We have another item, gentlemen, for consideration before we proceed to the estimates before us. As you will recall, Mr. Winch had asked some time ago if the committee could hear from certain former senior military officers. At that time the steering committee met and considered that it was not appropriate to have these men come at the time of the request. The committee again met last Friday and were divided as to whether or not there was anything to be gained in such a meeting. They were not only divided as to whether there was any advantage in hearing these gentlemen but as to the principle of whether these men should be invited. Because of the division of the committee it was felt important enough that this should be referred back to the main committee for a decision in this respect.

I think it would be inappropriate for me as chairman to present anything more than that statement, so that there would be no suggestion I am attempting to colour or lead any discussion in this respect. I think the efficient way to deal with this is first of all to have a motion because until we have something before us it seems a bit unnecessary to proceed with any debate until we have such motion.

Mr. BROOME: I move that we do not call these outside people to the committee.

The CHAIRMAN: I think, Mr. Broome, it would be better if we had a positive motion because your motion is of a negative nature.

Mr. WINCH: If I can get a seconder I want to move that people outside of the department be called. I say this for a very definite reason. This is an important committee. We are taxed with complete investigation as to policies of the departments and to obtain all the information we possibly can. I do not think that it is a true representation if a committee of this nature can hear only those of the department or that department wants to call. We can only therefore hear one side of a question. I would be opposed, and the first to oppose, anything in the nature of cranks to take up the time of this committee. But when we have men who have held such positions as chiefs of staff, high responsible positions in the armed services of our country, who have felt it necessary to make certain public statements, with their knowledge, then I say that this committee would be derelict in its responsibilities if we only hear one side of the case.

The CHAIRMAN: I will second that motion.

Mr. WINCH: I appreciate receiving a seconder, but I believe my point has been made as far as I can make it—that we should hear anyone of knowledge and authority who can give us advice. That is all I have to say.

The CHAIRMAN: Is there any discussion, gentlemen.

Mr. BROOME: Mr. Chairman, I must confess when this question first came up in the committee I had ideas very much along the lines of Mr. Winch. However, on thinking it out, to what I think to be a logical conclusion, I find I am opposed to it, and I was opposed to it in the steering committee. I am opposed for the reasons that, first of all, this is a fact finding committee and we are asking these outside people to come and be questioned on opinion, not on fact.

Secondly, where do you draw the line? Thirdly, how do you determine as to which particular viewpoint gentleman A represents, and should we have gentleman B and gentleman C and gentleman D? Where do we end on this sort of an arrangement? It seems to me that all it will be doing will be that we will get nothing but negative results out of that. I cannot see anything positive coming out of such a discussion because it is limited in regard to the numbers we can call to this committee, and they might not necessarily be the best people in the field, regardless of the positions they have held and regardless of whatever publicity they may have received through public statements and articles in magazines and the press. So I am definitely opposed to this.

Mr. WINCH: May I ask a question of Mr. Broome?

The CHAIRMAN: As you well know it is inappropriate for members to question one another in committee. Let us hear if there is any further discussion.

Mr. FAIRFIELD: I do not want to cast any reflection on these people who may be called as witnesses, but the fact that they have not any recent research at their fingertips, and the fact that they have made public statements in a more or less derogatory manner of the department seems to indicate that anything that we get out of them may be rather biased and I would be very much opposed to it.

Mr. CATHERS: I do not think it is a good idea, because bringing back a former officer of the army might have an effect on the morale of the existing forces. I do not think it is a good idea for, let us say, a former officer to say something derogatory about the forces; and I think the effect on the morale might be detrimental.

Mr. PAYNE: My viewpoint is at variance with that of the last three speakers. During the recent election campaign I, along with a great many others, committed myself to a fresh look and an open minded review of the whole picture of national defence.

The name of one of the witnesses that has been suggested is Lt. Gen. Guy Simonds who is a military leader of outstanding record in Canada in the immediate past. He is a man of remarkable intellect.

I feel obligated to agree with those members that feel Lt. Gen. Guy Simonds should appear before this committee in an attempt to broaden our outlook. I do not say that I agree or disagree, but I do feel that it is an obligation on me as a member of the House of Commons to listen to what that witness might say.

The CHAIRMAN: Mr. Lambert? This will be your maiden speech here.

Mr. LAMBERT: Mr. Chairman, first of all I think perhaps there is misconception in some circles as to the purpose of an estimate committee. This is not a policy-forming committee. It is given an exposure of policy to a limited extent. The policy is there and on the basis of that policy this committee is asked to accept the estimates. I do not feel that this is a general standing committee on national defence which would have the power to call for persons, papers and things with respect to department policy. That is not the purpose of an estimates committee.

Secondly, if that concept were accepted, there then is the matter of defence policy being a long-term one.

If we were to call former officers before this committee, while they may be critical of present policy—certainly I for one would perhaps be critical of their own records—I do not think they would have the facts and figures before them to perhaps justify their decisions. I say that bringing in a former officer or chief of staff would be most unfair. If we were to call such an individual as a competent witness, not merely to put forth his personal opinion as of today, we could then question him as to what he did and why he did it five years or eight years ago. For that reason I think it is wrong to call these gentlemen before this committee.

I would also underline Mr. Broome's opposition in regard to where we should draw the line. This motion does not specify individuals, it merely deals with the calling in of outside witnesses.

Mr. CHAMBERS: It is for the very reason that Mr. Lambert has just mentioned that I find it very difficult to understand why anyone would oppose this motion. We were specifically given the power by the House of Commons to call before this committee persons, papers and things. The present motion is a motion doing exactly that. There is no specific motion before us, as I understand it, regarding specific individuals.

We in this committee have the responsibility of examining the estimates. There are very large expenditures involved which are very close to policy. How one can differentiate between the policy of building something and an estimate providing the money for that construction I find difficult to determine.

It has been suggested that two individuals be brought before this committee, both of whom have great experience, great training and great ability which I think would help this committee in its consideration of the estimates before us. It seems to me that if we refused to hear competent witnesses of that type that we would not be fulfilling the job given to us by the House of Commons. I would be opposed, of course, to calling people before this committee who were merely publicity seekers.

Mr. MCILRAITH: Mr. Chairman, could we have the motion read?

The CHAIRMAN: It was moved by Mr. Winch that people outside of the department; ex-senior officers of the armed forces be called before this committee.

Mr. MCILRAITH: The language of the motion as drafted is bothering me. The motion as worded is in general language.

We undoubtedly have the right to call people outside of the department before this committee as witnesses if we wish to do so. There might be dozens of cases where we might want to call an outside witness. I would like to discuss the matter on a somewhat narrower basis than that because I think what Mr. Winch really has in mind is the calling of the ex-chief of general staff and possibly one or two others of that calibre. If that is what the motion before us is, I want to be clear about it.

The CHAIRMAN: Mr. Winch, would you like to clarify that?

Mr. WINCH: I would like to clarify it but I do not want to close this debate.

The CHAIRMAN: You will not be closing it.

Mr. WINCH: The intention of my resolution is based on my understanding of the purpose of this committee. This is an investigating committee. If we receive only the departmental report we are not then an investigating committee.

If we have knowledge from those persons who have held not only senior, but higher offices in the armed forces and who have made statements since their retirement or superannuation that they think our policy is wrong, then as an investigating committee, I certainly feel we should hear from those persons.

A moment ago I named the two individuals, Mr. Chairman, Lt. Gen. Guy Simonds, who was chief of staff and Maj. Gen. Macklin who also held a high office.

Mr. McILRAITH: I thank you for clarifying the point.

I see nothing wrong in the resolution itself but it seems to me that what we are really becoming involved in is the danger of this committee embarking on what, to me, is a very dubious venture without realizing what is being done.

There is no doubt at all that we have the right to call outsiders in regard to these estimates. If some member thinks that a saving could be made in some way as a result I hope we will do that. What is concerning me is this: the reference to the committee, as I understand it, is for the consideration of the estimates, which presumably has to do with the money being voted, and the saving of as much as we can, or perhaps the spending of more. In any event the real key of the matter before us, as I see it is whether or not we will embark upon the calling of witnesses who would be discussing policy.

I confess the greatest difficulty is in deciding where the line is drawn between matters of fact affecting expenditures and matters of policy. It is no secret that I have been quite concerned and a little critical of the government in respect of the whole matter of committees and what is being done with them. I do not want to open that subject up here, but I do want to make this point clear; if we are only going to discuss policy with these witnesses then we are departing from the practice of our parliamentary system.

If it is decided that this will be done then I want a clear understanding of the situation. Parliament did not refer matters of defence policy to this committee.

Mr. WINCH: Yes it did on the administrative vote.

Mr. McILRAITH: As a matter of fact if parliament did that, I know of some things I would enjoy asking about in that regard. But Parliament referred only the estimates of the department to us for consideration.

If we start to call these witnesses we will be embarking on a first class argument in respect of policy matters which were not referred to us. I do not know how we can limit our discussions with these witnesses to matters of the estimates without getting into matters of policy.

Mr. WINCH: The administration vote is a policy matter.

Mr. McILRAITH: I for one do not wish to see the United States system of committees adopted if it can be helped. Other members of this committee may have different views on that.

Yesterday afternoon the Prime Minister put forward a motion to lengthen the hours of sitting of the House that involved a lot of argument to the effect that we must move forward with the business in order to bring this session to a close within a reasonable time. That is obviously the government's position. If at this stage of the session and our consideration of the estimates we are going to divert our energies to matters of policy I would like to take a better look at the situation. If the majority of the members of the committee wish to proceed in this manner I am perfectly prepared to go along with them.

I think I can foresee some considerations that I will thoroughly enjoy. However, I think the committee should realize just what we are getting into.

If we call Lt. Gen. Guy Simonds and then call other ex-senior officers I suppose we would then like to call Air Marshal Curtis, and then probably Gen. Macklin. I cannot see where it will end.

With those remarks, Mr. Chairman, I will conclude. I am prepared to go along with this suggestion if the majority of the committee members wish to do so but I do not like to do so without a clear exposition of what we are doing and where we are going.

The CHAIRMAN: I wonder if I might have the benefit of the committee's attention in regard to tidying this resolution up a bit?

To begin with we cannot subpoena anyone. The resolution, if it meets with your approval Mr. Winch, would read: that former senior military officers other than departmental officials be invited to appear before the standing committee on estimates. Is that satisfactory?

Mr. WINCH: That is right.

Mr. MACNAUGHTON: Mr. Chairman, I am in a slightly embarrassing position but there is no reason why I should not state my position as I see it. I do not profess to be an expert on the subject but it seems to me that when we are calling upon the taxpayers of this country in the next four or five years to spend billions of dollars we are entitled to know where we are going. There has been a great deal of debate in the newspapers by retired officers who are well known, of course, who are maintaining their own positions and their own viewpoints. I think we are entitled to call those officers and have those viewpoints presented to the people of the country.

There is the danger of adopting Washington methods, which certainly we are all against, but nevertheless the risk of that as compared with billions of dollars which we may be spending foolishly instead of intelligently, to my way of thinking, justifies the calling of those witnesses. I believe that instead of having this subject discussed in "pubs" and pool-rooms, we should bring this discussion out in the open and have the matter settled once and for all.

Mr. PICKERSGILL: Mr. Chairman, this question which is now before the committee came before the committee of estimates when it was first established in 1955. You will recall, Mr. Chairman, that at that time the committee did not have the power and was not given the power by the House of Commons to call witnesses. A great deal was made of that situation in the House of Commons and was subsequently made of the situation in that committee. I thought I would just like to remind the committee of the attitude taken by the principal spokesman of the Conservative Party on March 1, 1955 on this very question. Mr. Fulton addressed himself to a question exactly analogous to the question which is before this committee now.

> I want to suggest to the committee, and later I shall formally move—

I might say that this was a consideration of my estimates when I was the minister so my recollection of this is very clear.

> I want to suggest to the committee, and later I shall formally move, that the committee seek the power to call witnesses and that it call as witnesses the two members of the Canadian Bar Association subcommittee whose names have been mentioned in the house, namely Mr. John H. McDonald and Mr. John R. Taylor. I do this for the following reasons:—

The reasons given are similar to the reasons which have been given by Mr. Winch in support of his motion.

> We are now considering the estimates of the department and the particular branch of the department against which the most serious allegations have been made and concerning which a number of recommendations for far-reaching changes in administrative procedure have been made.

You will see that there is an exact analogy, Mr. Chairman.

> We are asked now to approve the estimates of money required for the operation of this branch for another year, and I submit that it would be most helpful to the committee and only logical in our consideration

of the matter that we should have before us these gentlemen who make these charges and these recommendations, so that we can hear in detail what they are and what they would accomplish.

And so on. Then Mr. Fulton made a formal motion and it is recorded at page 96. I would just like to read a sentence from that.

So that if we invite these two gentlemen to come before us, I think it is quite clear that we are not inviting somebody who is disgruntled or who has made a series of reckless statements.

I might say I did not agree with Mr. Fulton in that regard, but that is what he said.

We are inviting two men who have given this matter more careful, and longer, consideration than anyone else in Canada—

I do not know if the consideration that these two gentlemen gave to the immigration branch would compare with the considerations that Gen. Simonds has given to the Department of National Defence.

I might say that Mr. Fulton and other Conservative members of the committee, and, if I remember rightly the C.C.F. members too, participated in that discussion over a series of days, interfering with the proceedings of that committee at that time. We were subsequently told, of course, that great reform was going to be made when this committee was set up with the power to call witnesses, and that it was for the purpose of effecting a reform in doing away with the reactionary policies of the previous administration.

We now find that most of the Conservative members of this committee support the opposition to that motion.

The CHAIRMAN: Would you keep to the facts, Mr. Pickersgill?

Mr. GRAFFTEY: You are pre-judging the whole thing.

Mr. PICKERSGILL: My remarks will be found, Mr. Grafftey, to be very comparable to those made by Mr. Fulton in 1955.

The CHAIRMAN: Would you come to a conclusion please, Mr. Pickersgill?

Mr. PICKERSGILL: I did not understand, Mr. Chairman, that the chairman of this committee had any power of closure in the committee. I am exercising my right to speak in the committee and as long as I am speaking directly to the motion, as I think I have demonstrated I am, I shall go on speaking.

The CHAIRMAN: I wonder if I might just interrupt for a moment, Mr. Pickersgill? I am not suggesting for a moment that I am imposing closure. I am only asking that you endeavour to keep your remarks as relevant as possible if you would sir.

Mr. PICKERSGILL: I do not think, Mr. Chairman, that my remarks could conceivably have been more relevant than they have been. Here we have a case, when this committee was first instituted by the previous administration three years ago, when the committee did not have the power which it now has to call witnesses. Nothwithstanding the fact that it did not have the power, and notwithstanding the fact that that motion was out of order that was made by Mr. Fulton at that time, it was discussed at very considerable length. This then became a political issue. We were told that when this committee was set up it was going to be set up as an open committee with the widest possible powers.

This was a great issue in the election. This was supposed to be one of the things that was changed. Now we find a great number of people who advocated and supported this change taking the position that was taken by the previous administration.

I was simply commenting on that fact and drawing it to the attention of the committee.

An Hon. MEMBER: Are you for it or against it?

Mr. PICKERSGILL: I wanted to draw to the attention of the members of the committee that those who were advocating the change are now against it.

Mr. GRAFFTEY: Mr. Chairman, I would simply like to say that I believe the hon. member is pre-judging the situation. He will see how things go when the vote comes.

Secondly, I would like to say, Mr. Chairman, that I do not think he has drawn an apt analogy there. We have the power in this committee of calling witnesses whether we want to or not. This is a specific case. If we vote against this motion and turn it down that is not an indication that we are voting in general terms in regard to the future action of this committee. We feel that this is a specific case.

We should make it quite clear, Mr. Chairman, at this point of our proceedings that if we call in these witnesses we are going to get into—there is no doubt about it—a policy debate. I simply say as a new member that I am not prepared to do that now. I think most members who have taken even a modicum of interest in the national defence have heard Gen. Simonds' point of view on military policies expressed. Even if those members have read a few newspapers they will be familiar with that point of view.

I do not mean to convey the impression that I am generally opposed to the calling of witnesses in the future.

Mr. HALES: Mr. Chairman, I do not wish to cause any reflection on the gentlemen whose names have been mentioned. They are very capable, experienced and fine men but I do feel that things have moved along at a very fast pace since they have spoken. Technically I think we are all agreed as to how far we are advanced at this time.

I think this estimates committee was designed to discuss and look into the estimates more so than to investigate policy. I, like some of the former speakers, feel that if we invite these men here we would get into a policy discussion as a result. I feel we are here to study the estimates. If the time comes when the officials of this department, with which we are dealing, cannot give us the answers to the questions that we ask, and we feel we are not getting the information we need or require, then I think it would be time to call in outsiders. At this point I am quite satisfied in the way we are going and I would oppose the motion.

The CHAIRMAN: Would you like to conclude the debate, Mr. Winch?

Mr. MCILRAITH: Mr. Chairman, it seems to me that we are involved in a very important matter. I personally would like to hear from some of the other members here. I do not want to reflect on any of the newer members but there are members here who have had a lot of experience on committees. I would like to hear their viewpoints.

Mr. LENNARD: As a member who has been on committees for a number of years I would like to say that I am opposed to this motion. I am not going to waste any time in explaining my opposition; I am just opposed to it.

The CHAIRMAN: I was not attempting to close the debate Mr. McIlraith. I was looking around the room for some indication that someone wanted to speak.

Mr. BALDWIN: I would like to amplify the position taken by Mr. McIlraith. If you call these gentlemen before the committee you may tend to have a wide range of discussion followed by questions which you may have difficulty in restricting. It seems to me that by implication at least there will be some measure of criticism directed to individuals and policy. You will be bound

to call other witnesses in rebuttal. We will become involved in what will be in fact a debate into a matter with which this commitee should not be concerned.

Mr. BENIDICKSON: I would find it difficult to vote against this motion. On the other hand in past committees I think I have always taken the position that we should be a bit slow in calling individual witnesses, if it is possible to call in advance, people who are spokesmen for national organizations. I think I have always taken that stand. I have never taken the stand that there might not be good reason for calling individuals who are undoubtedly experts in a particular field which is under discussion by a committee.

I believe our first job is to examine the people who are available to us through either the Department of National Defence or the Department of Defence Production. I would prefer to have a vote on a resolution of this kind after I felt satisfied that we had completed the foundation job of examining the official side. It rather appeals to me that, before we call ex-chiefs of staffs, or ex-service officers, I would be a little more anxious, if I still had doubt in my mind after examining the minister, and so on, to start questioning his present advisers before I turned to persons whose information, on the official side certainly, is based on documents and detailed advice which they had at their finger-tips some years ago. Those things bother me a little bit. It is simply a matter of timing.

I would not for a moment want to vote against a motion of this kind. First of all we do have the powers, as everyone admits, of sending for persons. It is simply a question of appropriateness in sending for certain individuals that the mover might have in mind at this time.

An hon. MEMBER: That would be another motion.

Mr. BENIDICKSON: It might well require another motion. I must say that I would like to see us adopt an appropriate procedure. I am never one to think that the steering committee should not be overruled by the committee as a whole. But I have always been of the belief that there is a great virtue in having the agenda considered by a steering committee and its recommendations received by the committee of the whole before decisions are reached.

I presume the resolution before us does not bind us as to the timing of witnesses. I would presume that the steering committee would first consider the appropriateness of fulfilling our estimate studies first. Those are the things that rather bother me.

I would quarrel a little bit with Mr. Lambert when he says that this is not a policy making committee. While I quite agree with him in the actual wording, on the other hand, unlike the public accounts committee where one is looking back upon things that have been done, surely if a committee, such as the committee of estimates, is going to make any recommendations at all they must have some connection with policy because, in a normal year, we would have been considering these estimates much earlier, before many expenditures had been undertaken in a fiscal year. I cannot see that there is any purpose in an estimates committee if it is not examining witnesses for the purpose of making recommendations with respect to policies for which items come before us in the estimates.

I am not going to say that our recommendations would be effective in so far as the final judgment of the administration is concerned. They must take responsibility. However, they have given policies some forethought and recommended the estimates to the treasury board, and in turn have presented them to us. I thought that the new administration at least was not presenting these estimates to us with the thought that recommendations that were in deviation from the estimates indicated want of confidence. That is the impression I got from listening to the debate when this committee was set up.

I do recollect that the Prime Minister suggested that on matters of administration policy it would be normally expected that we would examine the minister. Surely any recommendation of this committee in deviation from the actual items that are in this estimates book would not be taken as an expression of want of confidence, and therefore that supporters of the government could not support any recommendation that is at variance with the estimates.

I would agree on this point that Mr. Lambert mentioned, that we have been given very limited information in regard to policy in the committee. That is part of the difficulty in considering the items that have terrific implications from the point of view of expenditure. I find every time, in regard to difficult items, that we are told that while it is in the estimates the administration and the cabinet have not reached a decision on it. We cannot say either that they are embarking on a right course or a wrong course because we have not been told what they are embarking on. That is particularly true of the program in respect of the CF-105 which is probably the biggest thing we have to worry about.

To sum up, I think that it is a little premature to examine someone outside of the administration but I for one would not like to debar myself by voting at this time and saying that we could not do so in the future.

Mr. CARTER: Mr. Chairman, I felt that we would have to come to grips with this matter sooner or later and perhaps we might well come to grips with it now.

The only difference between this committee and the previous committee on estimates was that this committee was empowered to send for outside persons and papers. Apart from that innovation which was introduced by way of an improvement over the former committee, there is little difference. If we are going to send for outside persons and papers I believe they will not be able to give us information about the department and about individual workings that we wish to discuss.

These individuals could only give us their opinions in respect of policy. I think we will find ourselves faced with contradictory opinions and then we will find ourselves in the position that many of us on another committee—the divorce committee and the miscellaneous private bills committee—are in. That is, having to make up our minds as to whom we are going to believe. Now, if we are going to effect any saving in expenditures, these savings can only be effected by a change of policy. If this committee undertakes to make recommendations in respect of policy, then we are departing from the established functions and duties of parliamentary committees in the past in adopting a totally new function. I do not see why this extra power was given to us unless it was intended that we do that; apart from that is no use to us.

Personally I have no inclination one way or the other. I am like Mr. McIlraith; if we want to do this it is all right with me. But what point will be served? Are we going to get opinions from these persons and balance those opinions with opinions from somewhere else and finally add it up and come to an assessment on the basis of that? If we are going to do that, let us do it; but before doing it, let us take into consideration what we were intended to do. We have not bothered to think what our action will mean. Let us see what we were intended to do when we were given this particular power to bring in outside people who can give us nothing but opinions on policy. If that was the intention of parliament, to give us that power, and it is part of our duty, let us do it but before we go ahead let us find out what we were intended to do in this matter.

Mr. PICKERSGILL: Mr. Vivian asked me, when I spoke before, what is my position on this. I will tell the committee what my position is. It is precisely the same as it was when I was a minister.

My view is that under our system of responsible government it is the duty of the government to recommend to us estimates, and that in the consideration of the estimates we should examine the minister and any officials of the department whom he wants to bring with him. It would serve no good purpose to bring outsiders, however well qualified. I argued that against every Conservative member on the estimates committee when I was a minister, and I have not changed my views whatsoever, but it would appear that a great many others have changed theirs.

Mr. WINCH: Mr. Chairman, in concluding the discussion on this motion I am not going to have anything whatsoever to say on how this committee operated in previous years, nor do I intend to have anything to say whatsoever on any differentiation between the attitude of the previous government and this one.

I have moved this motion with only one thought in mind; that is the responsibility, as I understand it, that was given to this committee by the House of Commons. It has been mentioned by one or two members who have spoken previously that the timing is wrong.

Mr. Chairman, I draw to your attention, and to the attention of all the hon. members of this committee, that I gave notice of this, I believe, some four or five weeks ago and I am certain, Mr. Chairman, that you will inform this committee that I have cooperated with and abided with the view of the committee that it be left until this time for consideration and decision.

It was stated by Mr. McIlraith that we only have before us certain estimates that have been referred by the House of Commons to this committee. I present for the consideration of the members of this committee that in giving this committee the responsibility which it now has it was not to make puppets of any one of us by saying yes or no on any given estimate, because an estimate can only be considered in the light of policy—I repeat, in the light of policy.

I am certain that all hon. members will remember that we started off our meetings by a statement of policy from the minister concerned. We spent day after day in discussions on policy. You cannot differentiate between estimates and policy. Up until now we have had only one indication of policy direction; naturally so, and that is that which has been given us by the minister and the witnesses, all of whom are members of the minister's department. We are discussing estimates which involve hundreds of millions of dollars and, over the years, billions of dollars. Personally I feel we would be derelict in our responsibilities if we did not consider the estimates in the light of policy. So far we have only heard one side, and it may be completely correct; that is the government's side, or the departmental side—perhaps I should put it that way.

There are, those who have held very high positions, the highest, in the armed services. When they have retired or have been superannuated, I presume they have continued their lifetime interest in the matter of the defence of Canada, and the defence estimates of Canada. If they have information to give us, then I feel we definitely ought to hear what they have to say. We would be wrong if we did not hear expert advice, whether we agree with it or disagree.

Therefore, all we are asking, through this motion now, is that we accept our responsibilities as members of this committee to align the estimates with policy. The motion before you now is a general one that we exercise our power given to us by the House of Commons to call outside witnesses.

Some hon. MEMBERS: Oh no.

Mr. MCGEE: Read the motion.

The CHAIRMAN: Shall I read the motion?

> That former senior military officers other than departmental officials be invited to appear before the standing committee on estimates.

Mr. WINCH: No names at all have been mentioned. It is a general motion. If the motion is to carry, then I presume myself, and perhaps others, would then move a motion asking for authority to have designated persons called.

I do not think I can say very much more than that. I have sat on committees of parliament now for twenty-five years. We have a responsibility and that is not to make a farce of our work. I am most anxious, in this committee, that we do not make a farce of our work, nor fail to meet our responsibilities.

Our job is not only to say yes or no on estimates, but also to relate it to policy. If there is anyone, in the view of the committee, who is a responsible person, then we feel we should pass this motion in this committee and invite them to come before it if they feel that they have something to present to us of a concrete and constructive nature for the good of Canada.

The CHAIRMAN: I should say, this motion is in exactly the same form as it was when it was presented to the steering committee by Mr. Winch some weeks ago. You have heard the motion. It is moved by Mr. Winch, seconded by Mr. Chambers: That former senior military officers other than departmental officials be invited to appear before the standing committee on estimates.

Would you indicate by holding up your hands, or do you wish a registered vote?

Indicate by holding up your hands.

I declare the motion defeated.

Mr. PICKERSGILL: I wonder if the vote could be recorded?

The CHAIRMAN: Yes.

(Recorded vote taken.)

Mr. WINCH: I think I know, Mr. Chairman, why present government policy is very much the same as Liberal policy and I do not think the Liberals want it open.

The CHAIRMAN: I do not think those remarks are in order.

I do not think that remark is in order, Mr. McIlraith, and I do not think there is any need to answer it.

Mr. MCILRAITH: I think we have to go further and have the remark withdrawn. It is completely out of order.

The CHAIRMAN: I agree with that principle, and I suggest it is out of order.

Mr. WINCH: That is my honest opinion.

The CHAIRMAN: This discussion ended with this vote, Mr. Winch, and that should be struck from the record.

Mr. WINCH: I have no objection to it staying on the record.

The CLERK: Yeas, 9; nays, 32.

The CHAIRMAN: I declare the motion defeated.

Mr. LENNARD: Is Mr. Winch's statement to be taken from the record, or is it not?

The CHAIRMAN: Mr. Winch, in the interest of harmony and in view of the fact that this debate ended with the vote, I think that remark should be taken from the record.

Mr. WINCH: I have no objection to it staying on the record and it will have nothing to do with the harmony in this committee.

Mr. PICKERSGILL: I think it would be an illegal thing to strike anything from the record of the committee. I think Mr. Winch should have liberty in this committee, and I support it standing.

The CHAIRMAN: Gentlemen I ask for your guidance as I may be taking a liberty to which perhaps as a chairman I am not entitled. I will accept the view of Mr. Pickersgill that it should be kept on the record, but these words I consider to be out of order at that point.

Mr. WINCH: If they feel strongly about it, a person can move that it be stricken from the record.

Mr. CHAMBERS: Let it stay on the record to his discredit.

The CHAIRMAN: First of all, may I apologize for the necessary delay which has occurred thus keeping the officials from the Department of Defence Production waiting; but this was important, because in the event that we were to call witnesses they would, of course, have had to be given notice in time.

We had under discussion the general item of defence production.

We have with us, as many of you may know, the Minister of Defence Production and his officials. First of all we might start out with a correction by Mr. Golden as the deputy minister is concerned about a statement which was misinterpreted.

Mr. D. A. GOLDEN *(Deputy Minister Department of Defence Production)*: One of the newspapers this morning reported me as having said that in incentive bonus types of contracts the general practice is that savings are shared two-thirds to the contractor and one-third to the crown. I, of course, said just the opposite that the general practice is the savings are shared two-thirds to the crown and one-third to the contractor.

Mr. WINCH: I am glad that you brought that up, because I was going to ask you that question.

Mr. GOLDEN: Would you like me to file answers to the questions asked?

I have two statements; one is the volume of purchases by each district office for the fiscal period April 1, 1957 to March 31, 1958, and a similar tabulation for the period April 1, 1958, to June 30, 1958. There is also a statement on the destroyer escort program.

DISTRICT OFFICE DIVISION—GENERAL PURCHASING BRANCH

VOLUME OF PURCHASES BY EACH DISTRICT OFFICE FOR THE FISCAL PERIOD 1 APRIL 1957—31 MARCH 1958

Location	Staff Employed	Files Processed	Documents Issued	Value
St. John's Nfld.	3	1,121	1,800	775,211
Saint John, N.B.	8	4,050	6,308	2,992,290
Halifax, N.S.	21	9,615	18,502	9,808,856
Quebec, P.Q.	12	7,796	10,791	3,630,956
Montreal, P.Q.	16	6,856	11,679	5,956,528
Ottawa, Ont.	18	11,561	16,869	6,923,689
Toronto, Ont.	18	10,575	15,779	7,212,727
London, Ont.	8	4,606	7,192	3,086,757
Winnipeg, Man.	13	6,679	11,936	5,004,909
Regina, Sask.	5	2,321	3,590	1,223,925
Calgary, Alta.	11	5,906	10,194	2,760,776
Edmonton, Alta.	11	5,867	10,668	4,550,324
Vancouver, B.C.	8	3,490	5,790	2,414,582
Victoria, B.C.	12	6,266	9,593	4,121,914
TOTAL	164	86,709	140,691	60,463,451

DISTRICT OFFICE DIVISION—GENERAL PURCHASING BRANCH

VOLUME OF PURCHASES BY EACH DISTRICT OFFICE FOR THE PERIOD 1 APRIL 1958—30 JUNE 1958

Location	Staff Employed	Files Processed	Documents Issued	Value
St. John's, Nfld.	3	246	510	165,055
Saint John, N.B.	7	1,282	1,903	1,222,813
Halifax, N.S.	20	2,926	4,597	2,944,620
Quebec, P.Q.	12	1,810	2,515	1,092,676
Montreal, P.Q.	15	1,877	2,816	1,801,390
Ottawa, Ont.	19	3,687	5,049	2,638,637
Toronto, Ont.	17	3,078	3,938	1,855,626
London, Ont.	8	1,330	1,781	873,548
Winnipeg, Man.	12	1,919	3,025	1,944,662
Regina, Sask.	5	822	1,054	397,435
Calgary, Alta.	11	1,592	2,476	846,605
Edmonton, Alta.	12	1,939	2,710	1,768,262
Vancouver, B.C.	8	1,043	1,395	804,679
Victoria, B.C.	12	1,877	2,506	1,219,970
TOTAL	161	25,428	36,275	19,575,978

The CHAIRMAN: Are there any questions on these statements?

Mr. BENIDICKSON: I was wondering, without additional basic research, if the department has some of these district reports broken down into categories of commodities?

Mr. GOLDEN: By value?

Mr. BENIDICKSON: Yes?

Mr. GOLDEN: I do not think we keep them in that way. We put these through the machine and this is the way it comes out.

Mr. BENIDICKSON: I wonder if you could, without any research work, say, for instance, how much is for foodstuffs and how much is for service requirements and things like that?

Mr. GOLDEN: I am informed we can not.

Mr. WINCH: In respect of the volume of purchases by each district, you said that the total is around $60 million.

Mr. GOLDEN: For the last fiscal year.

Mr. WINCH: That is all done without tender?

Mr. GOLDEN: Oh no. The question was as to the orders through the district purchasing offices by offices. This is done by tender. Tenders for some of these commodities might not be obtained by the use of formal documents but tenders are obtained.

Mr. WINCH: The minister yesterday in his excellent introduction, pointed out that district offices up to a certain amount could arrange for purchases without having to go through the central office.

Mr. O'HURLEY: Under $10,000.

Mr. GOLDEN: It is still by tender.

Mr. WINCH: This is the amount that was done at the district offices without having to go through the central office and the amount is $60 million?

Mr. GOLDEN: Yes.

Mr. BENIDICKSON: How do you provide that there would not be split orders just for the purpose of avoiding the $10,000 ceiling?

Mr. GOLDEN: The treasury board takes a very serious view of splitting orders. The board has a very comprehensive check on anything in the nature of the splitting of orders to avoid treasury board approval.

Mr. HOWE: Much of these are for yearly expenditures such as paint and things like that. Do those contracts come up for re-tender every year?

Mr. GOLDEN: Yes.

Mr. BROOME: I was wondering whether or not the deputy minister has given any thought to the suggestion I made yesterday that instead of combining tenders for heavy equipment right across Canada, that rather you should call for them on a regional basis because the distributors who are to service that equipment have a franchise on a regional basis.

Mr. GOLDEN: I did not understand that I was to bring back a report this quickly.

Mr. BROOME: I believe that certain government departments are working along the lines I am suggesting or are looking very closely into that.

The CHAIRMAN: That will be looked into.

Mr. BROOME: I would like the Department of Defence Production to take a very good look at it, because under the present system it definitely must be a hardship on the distributors who are not in the central Ontario area.

Mr. LAMBERT: Mr. Chairman, this question may require notice and perhaps study for the preparation of an answer. It is a matter of policy. In so far as fuel requirements overall for the services are concerned, has the Department of Defence Production a check or does it prepare studies as to the adequacy of Canadian supplies and facilities in the event of a suddent step towards hostilities?

I am concerned primarily here with oil, fuel oils, jet fuels, and so forth, and the adequacy from one end of the country to the other. If, as I say, hostilities suddenly develop and we find our other supplies are cut off what provision does the Department of Defence Production have for assuring to the services adequate supplies throughout the country?

Mr. O'HURLEY: Concerning the question of fuel, there is an interdepartmental inquiry going on presently between the Department of Trade and Commerce, the Department of National Defence, the Department of Defence Production and the Department of Mines and Technical Surveys on this question. There is an active study going on, and probably before the estimates of this department are finished we will be able to give you a report on the fuel situation.

Mr. LAMBERT: My question is: has defence production the facility for determining whether or not there are sufficient reserve facilities for supply for the armed services in the attack situation or otherwise.

Mr. O'HURLEY: Not in our department. That would be for the Department of Trade and Commerce.

Mr. CARTER: I am not clear as to what these figures represent. Do they represent local purchases for consumption in the area?

Mr. GOLDEN: Yes.

Mr. CARTER: Just within the area where the purchase is made?

Mr. GOLDEN: Yes.

Mr. CARTER: About $775,000 worth of purchases were made in Newfoundland and were used in Newfoundland?

Mr. GOLDEN: Yes, sir.

The CHAIRMAN: I believe the answer was yes, Mr. Carter. Are you through?

Mr. CARTER: I have another question but it is not on this.

The CHAIRMAN: Mr. Golden has an answer to give to a question that was asked.

Mr. GOLDEN: The question was asked yesterday whether a statement could be filed with respect to the forty-four destroyer escorts, listing the contract date, the date when construction on the various contracts began, when they were completed and the individual costs.

The CHAIRMAN: Mr. Payne, you asked for this; do you wish it read or filed with the evidence?

Mr. MCILRAITH: Read it out.

The CHAIRMAN: Is it satisfactory to have it filed?

Agreed.

DESTROYER ESCORT PROGRAMME

Ship Number	Ship Name	Contract Date	Laid Down	Builder	Completion Date	Estimated Cost
	HMCS					$
DDE 205	St. Laurent.....	12/ 4/50	Nov. 1950	Canadian Vickers Ltd., Montreal, P.Q.....	Oct. 1955	14,426,000
DDE 234	Assiniboine.....	24/11/50	Nov. 1952	Marine Industries Ltd., Sorel, P.Q.....	Aug. 1956	18,487,000
DDE 229	Ottawa.....	15/11/50	July 1951	Canadian Vickers Ltd., Montreal, P.Q.....	Nov. 1956	16,380,000
DDE 206	Saguenay.....	12/ 5/50	April 1951	Halifax Shipyards Ltd., Halifax, N.S.....	Dec. 1956	18,044,000
DDE 207	Skeena.....	12/ 5/50	June 1951	Burrard Dry Dock Co., North Vancouver, B.C.....	March 1957	19,762,000
DDE 233	Fraser.....	14/11/50	Dec. 1951	Yarrows Ltd., Victoria, B.C.....	June 1957	17,921,000
DDE 230	Margaree.....	13/11/50	Sep. 1951	Halifax Shipyards Ltd., Halifax, N.S.....	Oct. 1957	18,636,000
DDE 257	Restigouche.....	9/ 6/51	July 1953	Canadian Vickers Ltd., Montreal, P.Q.....	June 1958	18,398,000
DDE 256	St. Croix.....	9/ 6/51	Oct. 1954	Marine Industries Ltd., Sorel, P.Q.....	Oct. 1958	19,575,000
DDE 236	Gatineau.....	9/ 6/51	April 1953	Davie Shipbuilding Ltd., Lauzon, Levis, P.Q.....	Nov. 1958	17,158,000
DDE 258	Kootenay.....	9/ 6/51	Aug. 1952	Burrard Dry Dock Co., North Vancouver, B.C.....	Feb. 1959	20,054,000
DDE 259	Terra Nova.....	9/ 6/51	Nov. 1952	Victoria Machinery Depot Co., Victoria, B.C.....	June 1959	21,839,000
DDE 235	Chaudiere.....	9/ 6/51	July 1953	Halifax Shipyards Ltd., Halifax, N.S.....	Sept. 1959	19,403,000
DDE 260	Columbia.....	12/ 6/51	June 1953	Burrard Dry Dock Co., North Vancouver, B.C.....	Nov. 1959	20,657,000

Item No. 79. Care, Maintenance and Custody of Standby Defence Plants, Buildings, Machine Tools and Production Tooling $450,000

The CHAIRMAN: We have reached a point halfway down on page 175, item 79. Are there any other items you wish to revert to in order to discuss them?

Mr. LAMBERT: On the basis of the defence plant facilities, what is the progress of the Department of Defence Production in liquidating this investment in these various defence facilities which have been a carryover from World War II or the Korean war period?

Mr. GOLDEN: They are substantially all liquidated, Mr. Lambert.

Mr. O'HURLEY: Do you mean at the present time?

Mr. LAMBERT: Yes; and what has been the average progress?

Mr. GOLDEN: They are almost all owned by private industry now. There are very few plants still owned by the crown.

Mr. LAMBERT: I understand defence production has investment in certain defence production facilities at the present time by way of loans or advances. What is the rate of retirement?

The CHAIRMAN: What is your question?

Mr. LAMBERT: What is the rate of retirement of these advances or loans of these various defence production facilities?

Mr. GOLDEN: There are no loans or advances outstanding as such at the present time.

Mr. CARTER: Have we finished 78?

The CHAIRMAN: Yes, you are on 79; do you wish to revert to 78; it is being held open?

Mr. McGEE: There was a question raised by Mr. Hardie yesterday.

The CHAIRMAN: Have you a question?

Mr. CARTER: I was just wondering if when calling tenders has there been a change of policy to exclude transportation costs from the tenders. Newfoundland in particular has a serious disadvantage if it must add transportation costs in the tender, whereas on the basis of factory price they can compete very well. As a gesture to the maritimes to hold their economy through defence purchases, has that change been made or could it be considered?

Mr. O'HURLEY: There will be no change made. If it was applied it would be used against the maritimes in the same way.

Mr. BENIDICKSON: I suppose it is a question of the f.o.b. item?

Mr. GOLDEN: There are large depots in the maritimes as well and in that case the result would be to work against the maritimes.

The CHAIRMAN: Are there any further questions?

Mr. HALES: On vote 78, in the statement from the minister I notice three increases over the amount of money spent last year. In view of the fact that the department is operating in a peace time period, I would think those expenditures would be less rather than more. The particular items I am referring to are travelling and removal, telephone and telegrams, and sundries. These three showed substantial increases over the money spent last year. What explanation can you give us for that?

Mr. GOLDEN: With respect to travelling and removal expenses, we do not expect that the experience of 1957-58 can be repeated this year. This is a year in which there is more removal than there is normally and more home leave than we had last year.

Mr. HALES: Why would there be more removals this year than last?

Mr. GOLDEN: I do not know if there is any particular reason. The number of shifts that are projected are more, and the home leave is every three years; this is the year in which it comes. With respect to the telephones and telegrams, the actual expenditures last year were $129,420 and the estimate for this year is $132,500, an increase of $3,080. Domestic telegraph rates were increased in the middle of the last fiscal year by 13 per cent and that accounts for some of the increase. The other increase is arrived at by projected communications from the district offices to head office and vice versa.

Mr. HALES: That is the part I do not agree with. I think it should be less rather than more.

Mr. GOLDEN: Our experience for the three months of this fiscal year has been that there are more inquiries and references to district offices from head office. I think I could get some help from some of the members of the committee on this point.

Mr. GRAFFTEY: I realize there is an inspection system in regard to some of the larger contracts and it works out, but the small contract, let us say a contract to supply stove oil to military camps, who would be responsible to see that the terms of the contract are carried out? As I understand it D.D.P. asks for the contract to be fulfilled on national defence requirements. Where does the coordination exist?

Mr. GOLDEN: Through the supply officer at the national defence installation concerned.

Mr. GRAFFTEY: Would that supply officer at the camp necessarily see the actual D.D.P. order that brought the contract in; do you see what I mean?

Mr. GOLDEN: Yes.

Mr. GRAFFTEY: Very often I feel the supply officer might be on the site of a camp and a local supplier is supplying the camp on the site. That officer would not be too conversant with the details.

Mr. GOLDEN: I understand he would be versed.

The CHAIRMAN: I would suggest that we endeavour to keep to the items. As I said, we were on item 79.

Mr. BENIDICKSON: Along this line, I wonder if you would remind me what your intentions are. We have of course before us now individual items in the book of estimates. Did I understand you correctly yesterday when you said that when we finished with the detail on these pages, we would then go to the annual report and examine the general purchases according to subject. There are many of course for which we do not find an expenditure item in national production. The expenditure item is in national defence.

The CHAIRMAN: That was my intention and I thought we would discuss that under 79. If there are any further questions dealing with 78, I would like them cleared up so we can proceed.

Mr. HALES: The question the deputy minister answered a while ago was incomplete. There is one other item, that of sundries.

Mr. GOLDEN: In regard to that item, there is provision for 16 imprest accounts, $10,000; Dunn and Bradstreet services, $600; payment to Crown Assets Disposal Corporation for disposal of scrap, $7,000; paymens to Canadian Commercial Corporation of ¼ of 1 per cent of the value of NATO procurements (surcharge for procurement services), $10,000; social security payments for the European offices, $3,500 and various other items—for all offices, $25,900. I do not have a breakdown of the final figure. It is less than last year.

Mr. MCGEE: Could I have the first three again?

Mr. GOLDEN: Provision of 16 imprest accounts, Dunn and Bradstreet, payments to Crown Assets Disposal Corporation for disposal of scrap.

Mr. McGEE: What are these imprest accounts?

Mr. GOLDEN: There is one in each branch office and it is a requirement of government accounting policy that it be set up in this way.

Mr. McGREGOR: Do you mean they are paid for the disposal of their own scrap?

Mr. GOLDEN: Just for the services of the officers of Crown Assets Disposal Corporation who supervise the disposal of the scrap in contractors' plants.

Mr. WINCH: That is the point I had in mind; all your scrap is disposed of through the medium of Crown Assets Disposal Corporation. Is your department then given credit from Crown Assets Disposal Corporation for the value of the scrap?

Mr. GOLDEN: With respect to this type of disposal the contracts are credited. With respect to the ordinary disposal of all government surpluses, crown assets remits to the receiver general.

Mr. WINCH: There is no credit in your department showing the value of that disposal?

Mr. GOLDEN: No.

Mr. CHAMBERS: I do not quite understand the statement as to why the increases are in existence, because this item has more than doubled since last year. What is new in there?

Mr. GOLDEN: It is not double the provision of last year. It is double our actual experience of last year. It may be that the $57,000 will not be spent. This is what we believe will be spent and what we think we will have to spend, but last year we spent only $24,451.

The CHAIRMAN: I am addressing these remarks to all the members but in particular to Mr. McIlraith. I find some difficulty in applying the annual report to the estimates in the sequence that is necessary. Otherwise, if we are to have any form of continuity in the discussion of the estimates, we are going to have to pass these votes. As an example, "production and procurement" is going to spread over most of the votes. I think it might be better, and I ask your advice, if we proceed in the manner we are following in taking the votes with an opportunity for you at any time to revert, in the event there is an area in the annual report which has not been discussed, under the open item of 78; if we do not follow that practice and use this as our guide we will find that we are not finishing the business we are here for, passing votes.

Mr. McILRAITH: Mr. Chairman, the difficulty is that the department is spending money in other estimates than the departmental estimates. I think the members are concerned with the purchases which are being made by the department rather than with the departmental estimates.

I am wondering if we would make faster progress if we just continued with the estimates themselves and then consider the annual report itself.

The CHAIRMAN: That was my suggestion. I suggested that we do that. We should follow through and take each vote, pass the vote, and then under vote 78 if there is any difficulty contained in this, the difficulty could be considered at that time.

Mr. McILRAITH: I would go a little further, Mr. Chairman. The estimates of the Department of Defence Production, I would suggest should be limited to our discussing the department's own expenditures through its own votes. That would be a very narrow and brief discussion, I would think.

After that discussion we could then take the annual report and go through it from start to finish. A consideration of the annual report will provide an opportunity for the members to discuss the workings of the department.

Mr. WINCH: I would just like to say that I take exactly the opposite view. I think you are doing a wonderful job, Mr. Chairman, but I think that the report of the Department of Defence Production covers everything that comes within the purview of that department. I would suggest we go through this report and that by doing that we will then automatically have passed the estimates as such. That procedure seems to be a very sensible way of handling it. I thought that is what you had in your mind yesterday when you spoke about it.

The CHAIRMAN: I did have that idea in mind but having discussed this with the officials, they tell me that you cannot relate this annual report to these estimates, and for that reason I felt you would have the opportunity of taking the estimates. If you have done your homework you will know what is contained in the annual report and perhaps you will be in a position to apply this report to the estimates.

Mr. MCILRAITH: Mr. Chairman, I do not think you can ever apply the annual report to the estimates without the greatest difficulty. If you take it separately I think we will move along on a more orderly basis.

The CHAIRMAN: We will deal with the crown corporations separately in any event.

I suggest, gentlemen, in view of the fact that there is some division in regard to this subject that we follow the practice with which Mr. McIlraith and myself are at least in agreement.

Mr. WINCH: If you can change your mind, Mr. Chairman, do not blame me for changing mine.

The CHAIRMAN: That is your privilege.

Mr. CHAMBERS: I notice there is a substantial increase in this item. Could the minister or his deputy explain this increase?

Mr. GOLDEN: I have a breakdown here, sir, if you would like an explanation as to how we arrived at this estimate.

Mr. CHAMBERS: Is there one particular change?

Mr. GOLDEN: There is one large item involved, and that is the crown owned plant at Longueuil.

Mr. CHAMBERS: Which plant is that?

Mr. GOLDEN: That is the former gun plant at Longueuil which required an over-haul of boilers, repairs to the heat distribution system, over-haul and replacement of standby compressor and distribution lines. In addition to that there is still a disposal operation going on there.

Mr. WINCH: Could I ask you at this point, sir—perhaps I should know—whether the department still owns the plant built by Dominion Bridge, or whether the government has any connection with it? That is the plant that was making Bofors guns, I believe.

Mr. GOLDEN: That plant is not owned by the department.

Item agreed to.

Item No. 80. To provide capital assistance for the construction, acquisition, extension or improvement of capital equipment of works by private contractors engaged in defence contracts, or by Crown Plants operated on a management-fee basis, or by Crown Companies under direction of the Minister of Defence Production, subject to approval of Treasury Board $900,000

Mr. MCILRAITH: There was a substantial reduction in the amount spent last year as compared with the amount spent in last year's estimates. Could we have some explanation as to what the anticipated expenditure was that was not proceeded with?

Mr. GOLDEN: In a large part we had not proceeded as quickly as we had anticipated in connection with certain projects related to the CF-105. The estimate for the current year substantially relates to the CF-105 and associated equipment.

The CHAIRMAN: I wonder if you could be a little more specific in that regard, Mr. Golden?

Mr. MCILRAITH: There is quite an article on that in the annual report. That whole subject is covered, and there will be some questions in regard to that annual report.

Mr. GOLDEN: I have the details here, sir.

The CHAIRMAN: Would you mind giving us that information?

Mr. GOLDEN: This is a very difficult vote to estimate accurately but we think we are pretty close this year. The Avro aircraft takes up some $36,000-odd; the orenda engines and a number of other items aggregate over $600,000. Lucas Rotax comes to something over $250,000. R.C.A. Victor amounts to just under $1 million and the rest of that estimate is made up by a number of small items.

Item agreed to.

Supplementary item 541 agreed to.

Item 81 agreed to.

CROWN COMPANIES

Item No. 82. To provide for expenses incurred by Defence Construction (1951) Limited in procuring the construction of defence projects on behalf of the Department of National Defence and procuring the construction of such other projects as are approved by Treasury Board $3,009,666

The CHAIRMAN: We have Mr. Dick Johnson with us, the president of Defence Construction, the first of the crown companies we will deal with.

Mr. BROOME: Mr. Johnson, the subject I wish to deal with is perhaps not within your department. However, I believe that it does come in a way within your Company, Mr. Johnson. I have in mind the writing of specifications, with which you are familiar. Where a specification calls for a certain item by name and it is possible that other people supply similar or equivalent and acceptable equipment through the equivalents board and secures the approval of that board the situation works out fine. It is quite a good system except it is very difficult for manufacturers who are 3,000 miles away, such as on the west coast, who must come to Ottawa in regard to every little bit of a job to secure that approval which does not carry forward to succeeding jobs.

The argument given in this regard is that in the writing of the specifications it is easier to name an item because then you do not have to go into a great amount of detail. The contractor must bid on the basis of the cost of that named item. However, after the general contract has been allotted, that general contractor then is permitted to offer substitute equipment which is equivalent but which must be passed as equivalent, but it is not necessarily the named item or the named variety. I believe that again mitigates against the general participation in your business by manufacturers across the country.

I am wondering whether your department or your company is looking into that situation and whether any changes are proposed in collaboration with the services in the way of making it possible for manufacturers who are not in Ontario, or in the Montreal area, to be given the same chance as is given to manufacturers in Ontario and the Montreal area without having to go to the expense of travelling to Ottawa every time a problem develops?

Mr. R. G. JOHNSON (*President and General Manager of Defence Construction (1951) Limited*): Mr. Chairman, as the member has stated, the authority in regard to specification for materials lies in the Department of National

Defence who are the design authority. The responsibility of Defence Construction is to let a construction contract and see that it is carried out in accordance with the specifications as provided by the Department of National Defence.

Those specifications do, in some cases, name particular products, materials or equipment. There is provision through the international services equivalence board which is a board administered by the Department of National Defence, for what are described as equivalent certificates so that manufacturers of materials that are not named, or specified, can receive the approval of the Department of National Defence for use on a project.

It might apear that those manufacturers at some distance from Ottawa are at a disadvantage in that regard, but I think that the practices of the international services equivalence board in regard to the acceptance of equivalent materials have become very well known over the past few years. I think that in practical result there is really very little difficulty at the present time.

I would agree that some years ago when this procedure was established that people at some distance were perhaps at some disadvantage. The effort to avoid the disadvantage of which the member has spoken is largely in the selection of architects and engineers to assist the Department of National Defence in preparing specifications as far as possible to be selected in the area where the works are to be performed.

I do not suggest this arrangement is a perfect arrangement, but it is an arrangement that I think perhaps the Department of National Defence should speak about. I think every effort has been made through this policy of issuing equivalent certificates to give all who have an equivalent product an opportunity to be considered for projects.

Mr. BROOME: Following that up I would like to point out, Mr. Chairman, that this involves a disadvantage to the crown company. That disadvantage lies in the fact that the named article is an article which is put into a general contractor's bid at a named price. You therefore have no complication in regard to the pricing of this article.

Afterwards if the general contractor, or if someone goes to the trouble of getting an equivalent certificate, any savings in that regard does not revert back to the crown, but is a saving to the contractor. So, in effect, this practice limits free and open bidding for the contractor on the bid at the time of the bidding, but throws it open afterwards to the contractor?

Mr. JOHNSON: The contractor at the time of tendering is aware, usually as a result of representations by the persons interested in the production concerned, that where equivalent certificates have been issued in the past, or may be issued in the future, that that is taken into consideration at the time of the tender. It is true he must bid on the specified item, but he is also aware of the alternative open to him and the practice of the Inter-Services Equivalents Board in assessing equivalents. If there is a recognized and substantial difference in price, instead of issuing an equivalent certificate, what is known as an alternative certificate is issued and the crown gets the benefit of the difference in the price.

Mr. BROOME: This system is not right, because on that basis there is no incentive to the contractor to do anything about it. The incentive should come by the contractor having to search for materials which meet specifications in order to get the lowest bid. It does not work that way in this system. This is not the system used practically any place else in Canada outside of government departments.

Mr. JOHNSON: The contractors are aware of the various products that are open to them for use at the time of the tender. It may be that they would be denied, or that the manufacturer would be denied, an equivalent certificate in

a particular case. But we find, in general, that the contractors are taking advantage of the various products and are getting the benefit of the price in actual practice.

Mr. McGEE: In a report of another company it showed that they were able to reduce the number of staff by methods which might not be possible under the civil service commission. Has this been your experience also?

Mr. JOHNSON: I am aware of some comment on that subject. I am not in a position to compare the experience of the Department of Defence Production with the experience of a government department. My experience is on the basis of eight years when we have operated almost entirely as a crown company, and during that period we have had freedom in the selection of staff. I am not able, nor qualified, on matters which are involved under another system.

Mr. McGEE: I was referring, particularly, to the Central Mortgage and Housing Corporation where they were able to reduce their staff by a substantial amount. Has there been a similar reduction in your establishment?

Mr. JOHNSON: Yes. As I pointed out in our annual report we have reduced our staff. As at March this year we have a staff of 405 as compared to a staff of 580 a year ago. This reduction in staff was due to a reduction in the volume of our work being administered. A large part of our staff is engaged in supervisory work in the field, and we completed development projects during the period covered by the annual report and we were able to reduce our staff.

Mr. McGEE: The Central Mortgage and Housing Corporation has, as I understand it, brought in an outside organization to examine the degree of efficiency in the corporation. Am I correct, Mr. Chairman? I wondered whether or not similar action had been taken by this company or is contemplated?

Mr. JOHNSON: We have made a constant survey of our own staff requirements without the assistance of an outside organization. We have watched it carefully throughout the years and we have reduced staff as the volume of work made it possible, and where we have had a substantial increase in the volume of work we have had to increase our staff. We keep a close watch on the forecasts of requirements for the staff and we try to forecast them and we keep the staff in relation to the volume of work.

Mr. GRAFFTEY: Do you feel that the deposit which is required on the part of contractors before they carry out work precludes some from doing work for the government?

Mr. JOHNSON: Our practice with regard to the security deposit was modified some years ago. The practice, some seven or eight years ago, in work of the kind which we are administering was to require a security deposit of 10 per cent at the time of the tender and also require a hold-back of 10 per cent of the value of the work during the performance of the work. That was a total retention of 20 per cent. We modified that, but we still require the 10 per cent security deposit at the outset. However, we also provide that the total of the security deposit and the hold-back together shall not exceed 15 per cent. The fact is that this is in keeping with the provisions, although we are not bound by them, of the Mechanics Lien Acts of the various provinces in respect of retentions.

We find that very few people, if any, who are qualified for the projects are barred by our security deposit and hold-back requirements. We have no difficulty in obtaining tenders as a result of our requirements.

Mr. GRAFFTEY: I was wondering if the president could inform the committee if, in his opinion, on what I call standard jobs, such as an airport hangar, the normal military facilities, does he feel that there is an undue amount of extras creeping into these works?

Mr. JOHNSON: Mr. Chairman, the extras that are required on our projects are the result of additions to the work as required by the design authority. I might say our experience, I think in the past year, is rather that there is a diminishing number of extras. As a result of the experience gained in the program during the past few years, there has been a substantial improvement in the plans and specifications and the number of extras required is becoming less rather than more.

Mr. GRAFFTEY: Is that brought about by close liaison with the Department of National Defence?

Mr. JOHNSON: We maintain a very close liaison with the department throughout. For a long period of time, with the pressure to get a large volume of work out, possibly the plans and specifications perhaps did not get the care which they are getting at the present time.

You mentioned particularly standard plans and specifications. It has been possible, where standard buildings are involved, to review those plans and improve on them. We do have a close liaison with the Department of National Defence in that respect. I can only say that what you suggest is a responsibility of the Department of National Defence as far as the building is concerned.

Mr. HALES: In view of the fact that the Department of National Defence draws up the requirements and specifications, what is to be gained by having such a crown corporation as this rather than turning that work over to the Department of Public Works and ask them to call for tenders. I am wondering if there is an overlapping of the services?

Mr. O'HURLEY: Defence Production is in a more complicated field. Mr. Johnson has engineers who study these plans before they ask for tenders. As far as the Department of Defence Production is concerned it is in another field than the Department of Public Works as far as this work is concerned.

Mr. LAMBERT: There is no indication as to the total number of technical personnel. I am particularly interested in engineers, architects and whether they do any specification preparation or are they merely there for assessing?

Mr. JOHNSON: Mr. Chairman, the responsibility, as I mentioned, for design is in the Department of National Defence and our responsibility is to review the plans and specifications when they come to us to see that they are in a form suitable for tender call.

There is a branch of our company known as the engineering services branch which is composed of technical men, engineers specializing in mechanical and electrical engineering, engineers, and a staff I think of about a dozen or so. Our total complement of engineers in the organization is 88. 71 per cent of our engineers are members of the professional association of the various provinces and the balance are technically qualified as engineers by a university degree or other equivalent status.

Mr. LAMBERT: What I am concerned with is a growing tendency among government departments to carry on a "do-it-yourself" program. I am wondering how many of your people are appointed for the purpose of assessing and advising, as against preparation and carrying on from the information given them. Are not architects and engineers in the employment of the Department of National Defence competent to prepare specifications within the form required under the treasury board regulations? Or do your people have to go over them again?

Mr. JOHNSON: I am happy to say that the architects and engineers with the Department of National Defence are well qualified. Our purpose is merely to review the plans and specifications to put them in a suitable form for tender

call. It is not an exhaustive review, but rather just to make sure that when you do call for tenders that you have them out on a basis that the contractors will all be bidding on a comparable basis.

The Department of National Defence carries out its function very well.

Mr. LAMBERT: I have a question arising out of a question asked by Mr. Grafftey in respect of this matter of hold-backs and so on. In my experience as a lawyer I find that a lot of the contractors on D.C.L. work were having great difficulty in financing because of the requirements of taking on major projects involving a large proportion of capital, and there seemed to be a rather long lapse of time between their putting out the work and being able to collect for it.

Secondly, the form of declaration to be provided by a contractor or a sub-contractor stating that he has paid all his accounts is difficult for him to make because his money is all tied up. There is a certain inflexibility which arises in practice which, I suggest, rules out a large number of contractors who do not have very extensive financial reserves and cannot get involved in a contract with D.C.L.

Mr. JOHNSON: There have been times when money is more difficult to obtain than in other periods when we have received perhaps somewhat less the number of tenders than at other times; but our experience in that regard, I think, is not different from private industry or other government departments.

We work very, very closely with the industry and through the Canadian Construction Association constantly keep under review our procedures for payment. At any time that the members of the industry feel our procedures are causing them some problem it is discussed with us and we do our best to meet the suggestions which they make within the bounds of protecting the crown in respect of getting satisfactory work.

The CHAIRMAN: I think, gentlemen, that there are four of you who have questions, but we will wait until our meeting on Thursday.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 17

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THURSDAY, JULY 17, 1958

DEPARTMENT OF DEFENCE PRODUCTION

WITNESSES:

Honourable Raymond O'Hurley, Minister of Defence Production; Mr. D. A. Golden, Deputy Minister; Mr. G. W. Hunter, Assistant Deputy Minister; Mr. R. G. Johnson, President, Defence Construction (1951) Ltd.; Mr. J. A. MacQueen, President, Canadian Arsenals Ltd.; Mr. Louis Richard, President and General Manager, Crown Assets Disposal Corporation.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

60821-6—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,
and Messrs.

Allard,
Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard *(Lapointe)*,
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fairfield,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Johnson,
Lennard,
MacEwan,
MacLean *(Winnipeg North Centre)*
Macnaughton,
McCleave,
McGee,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,
More,
Nielsen,
Pallett,
Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard *(Kamouraska)*,
Rowe,
Skoreyko,
Small,
Smallwood,
Smith *(Winnipeg North)*
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian,
Winch—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDER OF REFERENCE

WEDNESDAY, July 16, 1958

Ordered,—That the Standing Committee on Estimates be authorized to sit in Malton, Ontario, on Saturday, July 19, 1958.

Attest.

LEON J. RAYMOND,
Clerk of the House.

60821-6—1½

REPORT TO THE HOUSE

WEDNESDAY, July 15, 1958

The Standing Committee on Estimates has the honour to present its

FOURTH REPORT

Your Committee recommends that it be authorized to sit in Malton, Ontario, on Saturday, July 19, 1958.

Respectfully submitted,

ARTHUR R. SMITH,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, July 17, 1958.
(18)

The Standing Committee on Estimates met at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Allard, Anderson, Benidickson, Bissonnette, Bourget, Broome, Bruchesi, Cardin, Cathers, Chambers, Chown, Clancy, Coates, Danforth, Fairfield, Grafftey, Hicks, Lennard, McCleave, McGee, McGregor, McMillan McWilliam, More, Peters, Ricard, Richard (*Kamouraska*), Rowe, Skoreyko, Small, Smallwood, Smith (*Calgary South*) Stefanson, Stewart, Tasse, Thompson, Vivian, Winch.

In attendance: From the Department of Defence Production: Honourable Raymond O'Hurley, Minister; Mr. D. A. Golden, Deputy Minister; Mr. G. W. Hunter, and Mr. W. H. Huck, Assistant Deputy Ministers; Mr. R. M. Keith, Financial Adviser; and Mr. W. J. Mulock, Deputy Minister's office.

From Defence Construction (1951) Ltd.: Mr. R. G. Johnson, President.

From Canadian Arsenals Ltd.: Mr. J. H. MacQueen, President and Mr. J. H. Berry, General Manager.

From Canadian Commercial Corporation: Mr. F. F. Waddell, Secretary.

From Crown Assets Disposal Corporation: Mr. Louis Richard, President and General Manager.

The Chairman indicated that Mr. M. Lambert, M.P., who was not a member of the Committee on July 15, 1958, inadvertently had been allowed to vote on the Motion of Mr. Winch for the calling of certain persons.

On motion of Mr. Bourget, seconded by Mr. McWilliam,

Ordered,—That the name of Mr. Lambert, M.P., recorded in relation to the above-mentioned vote be withdrawn.

The Committee resumed its detailed consideration of the Main and Supplementary Estimates 1958-59, relating to the Department of Defence Production, the Minister and the respective officials supplying information thereon.
Under Crown Corporations.

Item No. 82—Expenses incurred by Defence Construction Ltd. on behalf of others etc., was considered and approved.

Item No. 83—Canadian Arsenals Ltd.—Administration and operation was considered and approved.

Item No. 84—Canadian Arsenals Ltd.—Construction, Improvements and Equipment was approved.

The work of Crown Assets Disposal Corporation was reviewed.

On motion of Mr. Winch, seconded by Mr. Peters.
Resolved,—That the following persons from the Department of National Defence be asked to appear before the Committee:

Lieut.-Colonel E. Churchill, Deputy Director of Army Works—Engineering; Squadron Leader W. E. R. Patrick, Executive Secretary of Interservice Equivalents Board; and Air Commodore C. F. Johns, Assistant Deputy Minister—Construction and Properties.

At 1.00 o'clock p.m. the Committee adjourned until 11.00 a.m. Tuesday, July 21, 1958.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

THURSDAY, July 17, 1958.
11:00 a.m.

The CHAIRMAN: Good morning, gentlemen; we have a quorum. I would like first of all prior to taking up the vote under consideration to just point out a situation which is not serious, but I would like to make a correction in the record. I was under the impression that our good friend Mr. Lambert was as of our last meeting a member of the committee. As it turned out, he will not be a member of the committee until today, assuming of course that the house permits the usual motion to pass. However, Mr. Lambert did sit with the committee and he did vote. While it is not a serious situation, I think the record should be corrected and that I should be permitted to remove that vote from the record. May I have that authority?

Mr. BOURGET: I so move.

Agreed.

The CHAIRMAN: We have with us today Mr. Golden, the deputy minister, together with Mr. Dick Johnson, the President of Defence Construction Limited. Later in the morning we will have with us the minister. He is at present attending a cabinet meeting. You had under consideration vote 82 so we will proceed. I think you will recall that we had dealt fairly extensively with some of the questions directed to Mr. Johnson, but there were a number left over from our last meeting. Will you proceed with further questions to Mr. Johnson. The page number is 176.

Mr. CHAMBERS: At the other session we were talking about these cash deposits and so on. Has any consideration been given to performance bonds issued by insurance companies and what is the objection to them as a substitute for actual cash?

Mr. R. G. JOHNSON *(President and General Manager of Defence Construction (1951) Limited)*: There has been considerable thought given to the question raised and it has been reviewed from time to time. A decision to change to a system of accepting performance bonds has never been reached, but it is under review. It has not been clear that the costs to the crown would necessarily be less than under the present system of cash security deposits. There has been concern to whether the effect of a performance bond in respect to satisfactory completion of the work would be as satisfactory as the cash security deposit system. Where we hold the contractor's security deposit, there is a considerable desire on his part to complete the work as quickly as possible and get his money back. In a performance bond the same incentive would not be there and if difficulties in performance occurred, we would find ourselves dealing with the bonding company as well as with the contractor. We might find ourselves in a more complicated situation than under the present arrangement and for these reasons a decision to make a change has never been reached.

Mr. MCGEE: To comment on this subject, my understanding is that the Canadian Construction Association are not agreed among themselves that it is a desirable thing.

Mr. CHAMBERS: I believe the insurance companies would like to see it.

Mr. FAIRFIELD: I do not know whether this question should be put to the deputy minister or not, but I would like to ask who makes the decision on repair works to existing stations as to whether it should be by contract or a Canadian maintenance unit?

Mr. JOHNSON: That is a question I think would be more properly answered by the Department of National Defence. So far as we are concerned, we act on contract when requested so to do by that department.

Mr. D. A. GOLDEN *(Deputy Minister, Department of Defence Production)*: And if it is under a certain amount, it is done through the district offices of the Department of Defence Production.

Mr. JOHNSON: Under $10,000 they are handled by the general purchasing branch of Defence Production.

The CHAIRMAN: As we will have that department again before us, you can bring your question up at that time.

Mr. MCGREGOR: On this bond question, is it not a fact that the federal government are the only people who do not use the bonding system?

Mr. JOHNSON: It is used by a number of private owners and a number of provincial governments, but the cash security deposit system is also used by provincial government departments as well.

Mr. MCGREGOR: What provincial governments do not use the bond system?

Mr. JOHNSON: I am afraid I could not answer that question without a careful check, but I believe the situation is that a number of provincial departments use both systems.

Mr. STEWART: The province of New Brunswick use the cash deposit until a contract is awarded and then return that and take a bond.

Mr. MCGREGOR: This deposit has to stay there until the contract is finished?

Mr. JOHNSON: That is correct.

Mr. MCGREGOR: For example, take a contract for a million dollars; you have $100,000 tied up and therefore a small contractor has not a chance to bid against the big fellow. In other words, they use the same policy as in the provincial governments and the municipalities. He puts up his deposit of 10 per cent and he puts up a bond. He gets his 10 per cent back which gives him another $100,000 working capital.

Mr. STEWART: It is most unfair to the small man.

Mr. CHAMBERS: Particularly so in times when credit is difficult to obtain; it does work against the small contractor.

Mr. JOHNSON: On large jobs, it undoubtedly does, but then the question arises as to whether it is desirable to have small contractors on large jobs.

Mr. MCGREGOR: As far as that is concerned, what difference does it make who has the job as long as he is bonded.

Mr. JOHNSON: Our experience shows that the performance of the work is the vital result in which we are interested. We must be satisfied that the contractors have the personnel and the finances to carry out the work in the large projects, or on all projects. We review the capacities of the firm very carefully before we make a recommendation as to the award of the contract. I would like to suggest that on large jobs a small contractor would be in a position that might ultimately become embarrassing to us from a performance standpoint.

Mr. MCGREGOR: I do not see why as long as he has the contract. The bond company assures themselves this man is capable of carrying out that contract or he does not get the bond. I do not see why it makes a particle of difference.

Mr. STEWART: Quite often you get more efficient service from the smaller man than from the large contractor.

Mr. MCGREGOR: The big contractors all know that nobody but the big contractors can bid and they bid accordingly.

Mr. JOHNSON: The situation is that we publicly advertise our tenders on a firm price basis and the conditions are the same for all bids. Consideration has been given to the bonding method and a decision to use it has not been reached.

The CHAIRMAN: Are there any further questions?

Mr. BROOME: In regard to that, Mr. Chairman, have you considered using pay and performance bonds along the same lines as public works?

Mr. JOHNSON: Yes.

Mr. BROOME: That has been a rule in the past has it not?

Mr. JOHNSON: I do not think the Department of Public Works has adopted a system of accepting performance bonds. I believe they are on the same basis as we are.

Mr. BROOME: On pay and performance bonds?

Mr. JOHNSON: They do not have that arrangement in the Department of Public Works, to the best of my knowledge.

Mr. BROOME: I understand they do, but I could be wrong. I wonder whether the company should check on that point and report on it. I believe that Mr. Johnson stated that wherever possible they try to use architects in the area in which the buildings are being erected. I brought up the question in regard to the material that was being used. I referred to products and familiarity with products that were manufactured in the locality.

I wonder if a list of the projects which have been undertaken in the past year, together with the location of these projects and the architect involved, could be added to our minutes?

The CHAIRMAN: We seem to be a little conversational. It is understandable, but it is difficult to hear members at this end of the room.

Mr. JOHNSON: I would be glad to provide such a list.

Mr. MCCLEAVE: Does this preference for the larger companies mean that the tenders are restricted to them or is it just that the smaller companies' bids may be rejected even though they are lower?

Mr. JOHNSON: May I try to make my position clear. There is no preference given to large contractors. I was trying to direct my remarks to the size of the projects, for example, the one mentioned in the amount of $1 million. This is a sizeable project for a small contractor. On the smaller jobs they are normally bid by and awarded to smaller contractors and the larger jobs are normally bid by and awarded to the larger contractors.

Mr. MCCLEAVE: Or to a small contractor too on a large job?

Mr. JOHNSON: If he provides the security deposit and has the personnel and is the low tenderer, the job is recommended for an award to him. We merely make sure they have the ability to carry out the job. If we are satisfied in that regard, the job is awarded. It is very rare that any other than the low tenderer is recommended. In the past seven or eight years I can think of no more than two or three instances in which the job was awarded to other than the low tenderer.

Mr. BROOME: At our last meeting I had quite a lot to say in regard to what I thought was wrong with the way the specifications were written and the naming of products. I would like to have Colonel Churchill and the head of the equivalence board called before this committee before the Department of Defence Production is finally off the hook.

The CHAIRMAN: I may not agree with your interpretation of who is on the hook. Who is it you would like called and what are their titles?

Mr. WINCH: If I said that I would be called to order.

The CHAIRMAN: I believe I was calling him to order.

Mr. BROOME: Colonel Churchill, Department of National Defence and Mr. Johns.

The CHAIRMAN: When we are considering the Department of National Defence, will you ask us for those people?

Mr. BROOME: It has to do with working with Defence Construction Limited.

The CHAIRMAN: We are still dealing with the Department of Defence Production.

Mr. BROOME: I will put it another way. Is the department considering changes in the way of specification writing and calling in bids, because I consider the present method to be against the public interest?

Mr. JOHNSON: The Department of National Defence is the design authority. They write the specifications and are responsible for the operations of the inter-service equivalence board.

The CHAIRMAN: Are there any other questions?

Mr. WINCH: If a request is accepted, could I re-open my request of the other day?

The CHAIRMAN: You have that right at any time.

Mr. BROOME: I would like it understood that I am asking for these people to be called in order to obtain factual information. Any time a member requests that people be brought here to get factual information, I will support his request.

The CHAIRMAN: Are there any further questions? Shall the item carry?

Item agreed to.

Item No. 83. Canadian Arsenals Limited—Administration and Operation.... $1,800,000
Item No. 84. Construction, Improvements and Equipment $1,354,820

The CHAIRMAN: Gentlemen, we have now Canadian Arsenals Limited and I am happy to introduce its President, General MacQueen, at this time. I believe he has a short statement dealing with this crown company, and I would ask him to proceed now as we would be happy to hear it.

Major-General J. H. MACQUEEN *(President, Canadian Arsenals Limited)*: I thought it might be useful if I gave a comprehensive and short statement of the company's functions.

Canadian Arsenals Limited was formed on September 20, 1945, under the Companies Act of 1934, and is subject to this act and to the Financial Administration Act.

The conception behind the company was to:—

(1) take over and administer crown-owned plants which produced service requirements not obtainable from commercial sources;

Two of these plants, as you probably know, were arsenals which were operated by the Department of National Defence long before the war and the others were war time plants.

(2) also to select and take over crown-owned strategic equipment, machinery and materials which are not normally held by industry;

(3) minimize delays such as occurred at the start of World War II by providing for prototype production and production development of non-commercial stores;

(4) cooperate with the armed services and research and development establishments and, as development agents, assist them in the supply of their requirements;

(5) to operate within certain understandable limitations on an industrial basis in the interests of speed and flexibility;

(6) to maintain such crown facilities as are or might become necessary to carry out these basic functions;

(7) to operate as economically as possible in carrying out these functions without creating a profit from production of such service requirements which could be obtained directly from commercial sources.

From this, it will be seen that the concept of this crown company is national, as a logical extension of the armed services to provide insurance, of readily made procedures, techniques and technical personnel for non-commercial production in a national emergency.

It is essential to maintain this arm of the services as efficiently as possible; such costs as are not recoverable from operations should be charged to national security—the same as the costs of the navy, the army and the air force.

Company operations are carried out within the law and in agreement between the Minister of Defence Production and the company. This agreement prescribes banking and general financial arrangements and submissions of periodic statements and outlines the functions and duties of the company.

The general policies stem from parliament through the Minister of Defence Production and are directed by a board of eleven directors, six of whom are prominent industrialists, one is a senior officer of the Department of Defence Production and the other three are the principal supply officers of the services.

The company head office in Ottawa administers and coordinates the work of six divisions—three in Ontario and three in Quebec. Each division is an operating unit in charge of a division manager who is in turn responsible to the general manager at the head office. As the company is nationally owned, it very rightly operates on a basis in which profit is not the prime consideration. As its products are non-competitive, the usual measurements of success—volume and profit—do not fully apply. The company, however, is alive to the importance of costs and is, therefore, organized internally so that costs are given their full importance—this is achieved by the head office acting as a holding and sales company with six wholly-owned operating subsidiaries or divisions. The head office places orders with each division at prices fixed by studied estimates or on the basis of previous performance. The manufacturing division then accumulates the costs in accordance with a prescribed costing system and invoices the head office at the fixed price so that the economical performance of each division is measurable by accepted industrial standards. The head office, in turn, renders invoices to the purchaser after applying a surcharge to meet and spread administrative costs.

In round figures, the balance sheet shows that the dollar cost to Canada for operating the company for twelve years is $5½ million which is the difference between the $41½ million drawn against parliamentary votes and $36 million which has been returned to the Receiver General by the company.

Against this apparent net cost to the Canadian people of $5½ million, the company has increased the value of its capital assets by $20 million for such items as lands, new buildings, modern equipment and has brought the temporary buildings and services of extensive war time plants to permanent basis by major rehabilitation, so that in twelve years operation, the company has been a substantial asset to Canada and is performing its main duty—which is to be ready, and able to reduce lead-times of production.

The CHAIRMAN: Thank you very much, General MacQueen. I wonder if I could interject here for a moment? Mr. Broome, would you send up the names of the people you would like called and the committee will decide later if they would like to have them. Gentlemen, you have heard the statement; are there any questions you wish to ask of General MacQueen?

Mr. McMILLAN: Why is item 83 a new item there?

Mr. MACQUEEN: It is not really a new item. For the past six years the company has been self-sustaining in regard to operations and there has been a token vote of $1 for each year. So while the item is not new, the fact we have asked for a vote of $1,800,000 this year is that we expect to have a deficit in our operations this year owing to diminishing orders.

Mr. MORE: Are the products of the arsenals all sold to our own armed forces?

Mr. MACQUEEN: Not entirely. We have manufactured non-domestic requirements and for NATO.

Mr. McGEE: Could we have the number of employees this year as compared with last year?

Mr. MACQUEEN: The number of employees has dropped about 200 from last year. We have 4,100 now.

Mr. BENIDICKSON: I was wondering. I note—

The CHAIRMAN: Have you finished, Mr. McGee?

Mr. McGEE: Pursuant to the question I asked of other presidents of crown corporations who were before us the reduction in staff is due to what?

Mr. MACQUEEN: Is due to orders tapering off since the Korean crisis. Our production went up from $10 million to $80 million a year and is now slowly coming down and the indications are that it will go still further down unless there are new developments.

Mr. McGEE: The other crown corporations have had independent inquiries as to the relative efficiency of staffs. Has such a course been considered by your company?

Mr. MACQUEEN: We carry out a perpetual internal examination, job assessments.

Mr. McGEE: Has there been any thought given to doing this in future in view of the rather spectacular results achieved by the Central Mortgage and Housing Corporation, for instance, and other crown corporations?

Mr. MACQUEEN: I might say in answer to that that we have endeavoured to hold these staffs during the last year, to retain as many people as we can properly and gainfully employ rather than see the maximum number that we can lay off.

Mr. McGEE: In view of the unemployment situation last winter as a matter of general policy and with regard to specific periods when such unemployment is high has there been consideration given to calling in an outside organization to examine it?

Mr. MACQUEEN: We examine the techniques of outside organizations and we apply them within our own.

Mr. McGEE: Are there any impediments to calling in such outside organizations?

Mr. MACQUEEN: Not at all, we are perfectly free to call in any consultants we wish.

Mr. BENIDICKSON: On that point I was noticing from the annual report that the forecast of work to be processed for the current fiscal year is $30 million, compared with something more than $34 million last year and, as Mr. MacQueen has said, the staff complement is down 200. I note in 1955-56 the volume of work was as high as $64 million. I was wondering what the staff complement was on March 31 of that year.

Mr. MACQUEEN: I can give you that directly, I think. The year in question, Mr. Chairman?

Mr. BENIDICKSON: When you were doing double the volume of work that you think you will have this year I was wondering how the staff compared with 4,104 that you had as of March 31, 1958?

Mr. MACQUEEN: We had 4,700 at that time and now we are in the neighbourhood of 4,000. It has dropped off 700 since that time.

Mr. COATES: I notice in section E of the main capital expenditures a provision for staff housing. I was wondering to what extent they do have staff housing and what this year's expenditure will be in that regard and what they expect to do in the future in this regard?

Another question, the answer to which might not be obtainable at this point, I notice that concentration of this operation is in Ontario and Quebec and I was wondering if there was any special reason for this?

Mr. MACQUEEN: The main reason for this is that that is where the wartime plants which the planning board considered were the best ones to retain, existed at the time of the formation of the company.

Mr. COATES: What about the staff housing?

Mr. MACQUEEN: There is no staff housing construction this year at all.

Mr. MCGEE: Mr. Chairman, I notice Mr. Small is not here today, he raised the question concerning the plant in Scarboro, which is in Mr. Small's riding but has quite an effect on mine. For the record I would like to clear up the matter he raised, and I am sure he would like me to do it.

A constant threat made during the last election or the 1957 election was that a Conservative government if elected would close the plant. I would like for the purposes of the record to have that settled.

The CHAIRMAN: Mr. Golden has pointed out we have a statement by the minister which he was going to read, but Mr. Golden could read that for you.

Mr. MCGEE: That includes something about the future of the plant in Scarboro?

Mr. GOLDEN: This is a statement the minister had planned to make but as you mentioned he is at a cabinet meeting.

On the instrument and radar division at Scarboro, Canadian Arsenals is retaining a strong force of engineers and others to meet the increasing requirements for development of the new electronic field and manufacturing will be resumed when requirements are resolved.

The future policy of the company will be to continue each of its operating divisions except the small arms plant on a standby basis, thus maintaining the nucleus of special skills and specialized production machinery which would be required in the event of an emergency.

It is certainly not the intention, as has been suggested, to close any of the existing plants, but rather that each one will continue to do those jobs for which it is particularly suited.

Mr. MCGEE: In fact, then, the policy concerning this crown company has not in fact been subject to change with the change in government

Mr. GOLDEN: That is right, sir.

Mr. CATHERS: In the president's remarks earlier on he said this arsenal had been set up to operate on non-commercial business that the ordinary company would not have and yet in your answer to Mr. McGee when he asked who you sold your products to, whether all to the Canadian government, you mentioned certain domestic markets.

Mr. MACQUEEN: No, not domestic, I think I said non-domestic.

Mr. CATHERS: Oh, I am sorry. The other thought in my mind was, you mentioned profits in your operations.

Mr. MACQUEEN: That was a mistake, Mr. Chairman. I should have said surplus.

Mr. CATHERS: Oh, I see. The non-governmtnt business is very small, I think. I think the report says it is a little over one per cent.

Mr. MACQUEEN: Well, last year the non-domestic business was quite small, but in the past it has been quite large. During the company's existence we have manufactured quite a lot for the United States and other friendly countries and also on D.N.D. account for NATO.

Mr. CHAMBERS: Is this the arm of the government which keeps in contact with the Canadian Industrial Preparedness Association?

Mr. MACQUEEN: To a great extent, although I think the Department of Defence Production keeps in touch with them, but Arsenals also keep in touch.

Mr. CHAMBERS: At some point I would like to hear what that liaison is and what work it does in keeping Canadian industrial plants, that is, private industry, prepared for emergency work.

Mr. MACQUEEN: I think Mr. Golden would agree that that might better come from the Department of Defence Production.

Mr. GOLDEN: Well, sir, the relationship is a fluid one. The departmental chart, which I think has been distributed, shows that the Canadian Industrial Preparedness Association has an advisory body to the minister, I believe. There is contact between various officials of the department and the C.I.P.A. The C.I.P.A. wait on the minister from time to time to discuss mutual problems with him.

We try to attend their business meetings and they feel free at any time to make representations to the department on any matters on which they consider they are in a position to give advice.

The CHAIRMAN: Are you through, Mr. Chambers?

Mr. CHAMBERS: Not quite. What I am trying to get at is to what degree the Canadian industries that might be called on in times of emergency to expand military production tremendously—to what degree are they kept informed and in a state of readiness by liaison with the department?

Mr. GOLDEN: I think the liaison is close. It varies, depending, as you see, on the degree of emergency and so on. There have been occasions when committees of the Canadian Industrial Preparedness Association have found sources of supply for the department and have made recommendations in that regard to the department, and so on.

Mr. PETERS: Does this department do any research into new devices and explosives and fields that are allied to or would be advantageous to commercial production?

Mr. MACQUEEN: In so far as that arises directly out of our work on production development we do a certain amount of that. We do more of it in the field of explosives, I think, than anywhere else, because we are the only organization which is manufacturing or developing service explosives in Canada.

Mr. PETERS: Is this department the department responsible for developing this new explosive that is now being used on the trans-Canada pipe line, for instance?

Mr. MACQUEEN: No, that is commercial.

Mr. WINCH: In view of what has been said I would like to ask the witness if in the event of the development of industry in the last war now being sold to private industry whether you still hold an interest in that department? Let me explain it in this way: in Vancouver in the latter part of the last world war there was an ordnance plant built in Vancouver. I know all about that because I was second in command of a wiring outfit. Do you still hold an interest in that although it has now been sold back to Dominion Bridge?

Mr. MacQUEEN: We hold no interest in it. We may have some of the documents that originated in that plant.

Mr. WINCH: I do not mean that. In the event of an emergency are you keeping in touch with that plant which was built for the purpose it was so that in event of emergency you can take over the plant?

Mr. MacQUEEN: That is outside our purview. That would be in the purview of the Department of Defence Production rather than Arsenals.

The CHAIRMAN: Do you wish to comment, Mr. Golden?

Mr. GOLDEN: I cannot comment with respect to the particular plant.

Mr. WINCH: It is an ordnance plant at Dominion Bridge.

Mr. GOLDEN: I cannot comment on the particular plant, but in general it is certainly true that we try to have a knowledge of and to be acquainted with all the defence production facilities which exist in Canada.

Mr. CATHERS: I think the point is that these plants were sold after the war to private industry and I am quite certain because I was attached to one in London and it was sold to private industry, and there was an agreement there that they could in the event of war be, I think, reclaimed.

Mr. GOLDEN: I am advised not, sir.

Mr. CATHERS: They might have had a certain number of years in the agreements?

Mr. GOLDEN: The arrangements with respect to the sale of the plants which have been made since Korea certainly provided for the type of arrangement you have mentioned, but I am advised not in respect of the plants sold after World War II.

Mr. McMILLAN: It has been stated that over a period production decreased by 50 per cent and employees decreased in that same period by about 15 per cent, roughly from 4,700 to 4,000. What percentage of employees are engaged in technological research work, for instance, and how many are actual employees on production?

Mr. MacQUEEN: I would require to make a study of that particular question.

The CHAIRMAN: That is information that could be obtained for us?

Mr. MacQUEEN: It could be obtained. We have over 200 qualified engineers. I would say about 50 per cent of those would be regarded as on production development.

The CHAIRMAN: You would like that information more detailed, Doctor?

Mr. McMILLAN: Not necessarily, no. You say 200?

Mr. MacQUEEN: Yes.

Mr. WINCH: I want to ask a question which perhaps might involve policy, Mr. Chairman, but to me it is rather important. In the second world war and in the Korea crisis the government of Canada or the government of Great Britain paid for certain developments in Canada. For example, you have the Boeing Aircraft near Vancouver and anti-aircraft, the Bofors, in Burnaby. Is there still, because of the fact that it was built for war purposes and was sold back to private companies, is there still any direct contact so they could be revitalized or renewed in the event of an emergency?

Mr. GOLDEN: If I understand the question correctly, this relates to events which occurred long before the establishment of the Department of Defence Production.

Mr. WINCH: No.

Mr. GOLDEN: The department was established in 1951. The plants to which you refer were sold shortly after 1945.

Mr. WINCH: No, let us take the Bofors plant of Dominion Bridge for the production of Bofors guns.

Mr. GOLDEN: I think that plant has never been in the purview of the Department of Defence Production. It has never been handled by the Department of Defence Production.

Mr. WINCH: But it was built for war purposes.

Mr. GOLDEN: Long before the Department of Defence Production was established. The point I am trying to make is, the Department of Defence Production was established in 1951.

Mr. WINCH: It may have been before 1951, but is there a relationship at all between your department and those plants in the event of emergency?

Mr. GOLDEN: Yes, we try to be apprised of all the defence production facilities which are in existence in Canada. We do not have any contractual arrangement with the particular plant to which you were referring.

Mr. CHAMBERS: In these plants that have been sold and in which production facilities exist that would be available in time of war, does the company have any liaison with you before destroying or disposing of these plants or replacing them with milk powder machines and so on?

Mr. GOLDEN: With respect to plants sold after Korea, yes.

Mr. COATES: On the last page of the report, I wonder if an expansion could be given on the last sentence, which reads as follows:

> Present indications are that, in the fiscal year 1957-1958, your company will continue on a self-supporting basis; the work-load indicates that the level of production and sales will be approximately 15 per cent below that of the current year.

The CHAIRMAN: That is on the last page of the statement of General MacQueen?

Mr. COATES: No, on the last page of the Canadian Arsenals annual report.

Mr. MACQUEEN: As far as our projection goes, Mr. Chairman, there is only one of our divisions which will be in the black this coming year. Each of the others will show a loss.

The CHAIRMAN: Are you through, Mr. Coates?

Mr. COATES: Yes.

Mr. BENIDICKSON: Mr. MacQueen has just, of course, used the phrase "in the black" but I find nothing in the income and outgo statement to indicate, as would be done in a commercial organization, that there is any charge for obsolescence and depreciation?

Mr. MACQUEEN: We do not make any charge for depreciation.

Mr. BENIDICKSON: Some show in your annual report that you have an investment in machinery of almost $60 million and nothing is charged off each year in your report for obsolescence of that machinery?

Mr. MACQUEEN: That, Mr. Chairman, is departmental policy.

Mr. GOLDEN: Excuse me, it is government policy.

Mr. BENIDICKSON: But when the phrase is used "in the black" we cannot compare that with another company in the same field because nothing is charged for depreciation.

I notice also in a footnote in the balance sheet that it refers to nine plants, saying that eight are under your direct operation. There is a ninth that does not fall within that category?

Mr. MACQUEEN: Yes.

Mr. BENIDICKSON: What is the ninth one that does not fall within that category?

Mr. MacQUEEN: The ninth is the Hexachlorethane plant at Shawinigan. The plant machinery is owned by us, but when we operate it we have it operated on an agency basis by a subsidiary of C.I.L.

Mr. BENIDICKSON: What is the crown investment in that plant?

Mr. MacQUEEN: I would judge it would be about a quarter of a million dollars.

The CHAIRMAN: Further questions?

Mr. WINCH: A very short one. Is there very much differentiation between what was known, I believe, as the Department of Munitions and Supply and the now Department of Defence Production?

The CHAIRMAN: What is the question again, Mr. Winch?

Mr. WINCH: I understand that it has only been "Department of Defence Production" since 1951. Before that I believe it was the Department of Munitions and Supply?

Mr. GOLDEN: Before Defence Production it was Reconstruction and Supply, and before that it was the Department of Munitions and Supply.

Mr. WINCH: Any differentiation in your working policy since it has changed in name?

Mr. GOLDEN: I cannot answer that, sir, the Department of Munitions and Supply operated almost entirely during the war and I suppose there was that differentiation.

Mr. WINCH: How long have you been in your job now?

Mr. GOLDEN: Almost four years.

Mr. WINCH: And before that, what? I am trying to get in my mind the differentiation, if there is any, between 1951, when it was called Defence Production, and before 1951 and if they are doing the same work?

Mr. GOLDEN: Well, if this stems from your earlier question perhaps I can go back to it. What I had in mind to say was that the records presumably are available but it had not been under the Department of Defence Production and nothing was handed over to us to indicate that there were any agreements which we were supposed to monitor. Therefore, I suppose there is no such agreement respecting the plant at Vancouver to which you refer.

Mr. WINCH: Then I can presume what we are discussing now only starts from 1951?

Mr. GOLDEN: Yes, sir.

The CHAIRMAN: Gentlemen, you are on vote 83. Shall the vote carry?

Mr. CHAMBERS: One more question. The legal fees shown in the annual report, are they paid to outside lawyers or your own counsel?

Mr. MacQUEEN: They are paid to outside legal firms.

Mr. CHAMBERS: Can you tell us what the cost of your own counsel was?

Mr. MacQUEEN: You mean our company counsel?

Mr. CHAMBERS: Yes.

Mr. MacQUEEN: Nothing, nil.

The CHAIRMAN: Further questions on 83? Shall the vote carry?

Mr. PETERS: Mr. Chairman, is there any relation between this department and D.I.L.?

Mr. MacQUEEN: There is a very close relationship between Canadian Arsenals and D.I.L. D.I.L. was set up to bring our explosives plant back into operation at the time of the Korean crisis. After they had it operating and had hired and trained the necessary personnel we took it back from them, but that D.I.L. still remains an entity as a subsidiary of C.I.L. and they use

it to do government work such as reoperating the Hexachlorethane plant at Shawinigan if it had to be operated again. If it had to be operated again it would be operated by D.I.L., not C.I.L.

Mr. PETERS: Is there not a government control over Dominion Industries Limited?

Mr. MACQUEEN: No, it is purely a subsidiary of C.I.L.

Mr. PETERS: But held as a government agency?

Mr. MACQUEEN: No, any work we want to have them do we have to arrange for them to do it on a fee basis.

Mr. PETERS: It comes through your department, Mr. Golden?

Mr. MACQUEEN: It usually comes through Canadian Arsenals.

Mr. PETERS: Well, that is your department, then, Mr. Golden.

Mr. GOLDEN: Canadian Arsenals is a crown company reporting to parliament through the Minister of Defence Production.

Mr. PETERS: Well, who controls it?

Mr. GOLDEN: The Minister of Defence Production.

Mr. PETERS: On what basis?

The CHAIRMAN: I think he has just replied that they report to parliament through the Minister of Defence Production.

Mr. PETERS: On what basis?

Mr. MACQUEEN: The Minister of Defence Production is the major shareholder. He holds the control of the majority of the shares issued and he holds the resignations of the directors.

Mr. PETERS: I mean on what basis of policy does it operate, instructions come from whom?

Mr. MACQUEEN: There is an agreement between the company and the minister as to what the company is to perform.

Mr. PETERS: Could we have information as to what kind of agreement that is, what kind of orders they get on that?

Mr. CHAMBERS: I think we should have the minister for this type of report.

The CHAIRMAN: It would seem to me that the minister should reply to a question such as that. He will be here.

Mr. WINCH: Further on this point, if, for instance, you needed the production of D.I.L. and the Canadian Arsenals make that decision that you need the production of whatever it happens to be, what I am wondering is why D.I.L. operates independently from C.I.L.?

Mr. MACQUEEN: I think, Mr. Chairman, the reason is domestic within C.I.L.

The CHAIRMAN: Further questions on 83? Shall the vote carry?

Mr. WINCH: You will have the minister reply?

The CHAIRMAN: Yes, I can assure you you will have a reply, Mr. Winch. Shall vote 83 carry?

Item agreed to.

The CHAIRMAN: Vote 84—shall vote 84 carry?

Item agreed to.

The CHAIRMAN: Thank you very much, Mr. MacQueen.

Mr. MACQUEEN: Thank you, Mr. Chairman.

Mr. WINCH: On that question, Mr. Chairman, when the minister makes his statement Mr. MacQueen will be here again?

The CHAIRMAN: That can be arranged.

Genltemen, you did request that Crown Assets Disposal Corporation appear before us and we have the president, Mr. Richard. This, gentlemen, is Mr. Richard, the president of Crown Assets Disposal Corporation and he also has a short statement which I would ask him to proceed to make before we carry on with any questions.

Mr. LOUIS RICHARD *(President and General Manager, Crown Assets Disposal Corporation):* I would just like to make a few remarks on the operations of Crown Assets Disposal Corporation.

The CHAIRMAN: This does not appear in the estimates as such. We were asked earlier, when we first had Defence Production before us, if Mr. Richard would also appear.

Mr. WINCH: This is on the Crown Assets Disposal Corporation?

The CHAIRMAN: Yes, it is one of the crown companies.

Mr. RICHARD: Crown Assets Disposal Corporation is a crown corporation, without share capital, created under a special act of parliament known as the Surplus Crown Assets Act.

The original name of the corporation was War Assets Corporation and this was amended to Crown Assets Disposal Corporation effective December 31, 1949.

Established in July 1944, the corporation was largely concerned, at the outset, with the disposal of surplus war stocks, but it is now the disposal agency for assets surplus to the requirements of all government departments and most boards, commissions or corporations.

When crown property becomes surplus to the requirements of a government department, it is made the subject of a report of surplus to the Minister of Defence Production, which is turned over to Crown Assets Disposal Corporation. 12,724 such reports were received during the 1957-1958 fiscal year.

The custody or control of the property remains with the declaring department and the latter is responsible for turning the property over to the buyer on instructions from the corporation.

It is the established selling policy of the corporation to dispose of commodities, goods and equipment on an "as is, where is" basis to recognized dealers in the various trades and every endeavour is made to effect disposal in that part of the country where the surplus originates.

The procedure adopted is to circularize dealers on our offerings and invite bids from them. Care is taken to obtain maximum coverage in this connection by constant revision of lists and adding new names as inquiries develop. Care is also taken to prevent unfair competition with established business by limiting such lists to bona fide dealers.

Land, buildings and power lines, as well as aircraft and ships, are generally made the subject of newspaper advertisements calling for offers. Certain properties may be advertised through the medium of posters in post offices and public buildings of localities involved. Anyone may purchase this class of property and parties known to be potential purchasers are also circularized and invited to bid.

Surplus assets offered are sold to the highest bidder, provided the price offered is, in our opinion, a fair one.

Proceeds realized by the corporation from the sale of surplus assets are turned over to the Receiver General of Canada.

The corporation derives its revenue from a withholding allowance from net proceeds of sales, the percentage of which was fixed by the governor in council at 10 per cent for the fiscal year 1958-1959. This same rate has now been in force some ten years.

In addition to its normal function under the Surplus Crown Assets Act, the corporation, by virtue of an international exchange of notes and under the authority of the governor general in council, acts as agent for the United States government in the disposal of its surplus in Canada on a 10 per cent commission basis.

The corporation also acts as an agent, on a 10 per cent basis, for certain boards and commissions of the crown who are entitled to dispose of their own surpluses under section 3 of the Surplus Crown Assets Act, or under other acts, but who have found it advantageous to utilize our services for this purpose.

The fourteenth annual report of the corporation for the year ended March 31, 1958, was tabled in the House of Commons on June 27, 1958, and, as in other years, it contains, as an annex, a list of all sales of $5,000 and over made during the year for the account of the government of Canada.

The CHAIRMAN: Gentlemen, you have heard the statement, are there any questions?

Mr. McGEE: What is the number of employees this year compared to last year in your company?

Mr. RICHARD: There is a slight rise. Our staff is not very large. It is under 100. At June 30, 1958, it was 94. Did you wish to compare it with some other period?

Mr. McGEE: Last year.

Mr. RICHARD: Last year was 89.

Mr. McGEE: I want to ask a number of questions. This question of United States surplus material being handled by your corporation, there has been some comment recently about certain army surplus construction material which was apparently shipped from depots in Japan to Canada. Were these handled by your corporation and are they at the present time offered for sale?

Mr. RICHARD: This was the result of private interests being to Japan and purchasing American surplus there.

Mr. McGEE: Obviously in other countries besides Japan there is surplus equipment of this nature. Has any of this been offered to your corporation for disposal by the United States government?

Mr. RICHARD: No, we only deal with the surpluses of the United States government which are located in Canada.

Mr. BROOME: A supplementary question to that: is there a tremendous surplus of American heavy equipment in Newfoundland, for instance, at Harmon field or in any other American bases where they have what you might call an extremely large amount of surplus material which has been offered to you or may be offered to you?

Mr. RICHARD: Yes, there are quantities. What you would consider large I do not know.

Mr. BROOME: Perhaps in the neighbourhood of $10 million to $15 million.

Mr. RICHARD: Oh, no.

Mr. CHOWN: The old Winnipeg post office is being advertised for sale. Have there been any bids received on that?

Mr. RICHARD: No, I believe the closing date for the receipt of bids is sometime in the future. I believe it is in August, it has not come yet.

Mr. CHOWN: There have been no bids as yet?

Mr. RICHARD: There are very seldom any bids received long before the closing date and I doubt that we would have any at the moment.

Mr. PETERS: Mr. Chairman, is a report made from Crown Assets to Defence Production in the light of large surpluses of equipment that may be continuous in nature? There are examples in clothing and certainly there have been examples in radio equipment where they are selling radio equipment from War Assets stores and that is a term that they use probably in keeping with the old name of this corporation, but where they are selling radio transmitters in large quantities do you report back to the minister that it would be justified because of the surplus not to make any more of those? Is there any control? If we are getting immense quantities of something coming on the market would you offer any advice in that field?

Mr. RICHARD: No, I would not say we have any advice on policy to give to the department. We do not solicit surplus and we would not advise on policies of that kind.

Mr. PETERS: Well, do you report to Defence Production on what you are selling?

Mr. RICHARD: They are advised of the volume of sales and the proceeds realized.

Mr. PETERS: Not items, not individual items?

Mr. RICHARD: No, I would not say that.

Mr. WINCH: I would like to ask the witness, sir,—I am not quite certain, do you now dispose of all crown assets of all departments or if not exactly to what does your field extend?

Mr. RICHARD: In a general way, yes. There are exceptions. The exceptions are Canadian National Railways, Canadian Broadcasting Corporation, Bank of Canada, Industrial Development Bank, Trans-Canada Air Lines and National Harbours Board.

Mr. WINCH: Outside of that you handle in your department everything of crown assets that are to be disposed of?

Mr. RICHARD: Yes, there may be a further exception in the case of a board or commission or corporation set up for the purpose of disposal.

Mr. WINCH: I was going to ask that. That was leading up to my next question. If you have anything referred to you for disposal what is your procedure then to let it known throughout the country that you have certain assets to dispose of and how do you proceed in selling same?

Mr. RICHARD: Did you say to other countries?

Mr. WINCH: No, just in Canada.

The CHAIRMAN: It is in the report, I believe. Do you want to add anything?

Mr. WINCH: I am sorry. I was afraid it was not.

The CHAIRMAN: I wonder if you would perhaps refer to the area in the report where you said you informed people of crown assets which you are going to dispose of.

Mr. WINCH: How do you proceed on that basis?

Mr. RICHARD: I think I might read from this statement.

> It is the established selling policy of the corporation to dispose of commodities, goods and equipment on an 'as is, where is' basis to recognized dealers in the various trades and every endeavour is made to effect disposal in that part of the country where the surplus originates.
>
> The procedure adopted is to circularize dealers on our offerings and invite bids from them. Care is taken to obtain maximum coverage in

this connection by constant revision of lists and adding new names as enquiries develop. Care is also taken to prevent unfair competition with established business by limiting such lists to bona fide dealers.

Surplus assets offered are sold to the highest bidder provided the price offered is, in our opinion, a fair one.

The CHAIRMAN: Is there anything further you require?

Mr. BROOME: In regard to American surplus material, is this material sold solely through your corporation, or are there other avenues of sale in Canada?

Mr. RICHARD: Government departments have the first pick.

Mr. BROOME: Through the corporation; but that is not my question.

Mr. RICHARD: If it is surplus of the Americans, it is sold through our corporation.

Mr. BROOME: You say it is sold.

Mr. RICHARD: That is right.

Mr. BROOME: What was the value of such sales this last year?

Mr. RICHARD: $970,000 gross.

Mr. GRAFFTEY: I heard the policy remarks made by the president and I would like to make this observation before I put my question: I also realize that there are a great number of difficulties involved here.

Let us suppose for example that there are 50 army jeeps which are going up for sale. These would go definitely to recognized agencies, as I understand it.

Is it the view of the corporation to allow any one individual to bid on either one, two, three or four of these vehicles? Would that be unfair competition as against recognized dealers?

Mr. RICHARD: Well, we do not sell at retail. And in the case of jeeps, there is a very great demand for them but we have very few; and those that we do get are in such a terrible condition that we do not sell them to individuals.

They can only be handled by dealers who are in a position to put them into workable shape. We would only be inviting trouble if we sold them to individuals.

Mr. MCGEE: Getting back to the question of staff: where is this staff located in the main? Is it at Ottawa here?

Mr. RICHARD: We have 71 persons in Ottawa; 5 in Montreal; 4 in Halifax; 6 in Toronto; 2 in Calgary; and 2 in Vancouver.

Mr. MCGEE: In respect to my question about sufficiency of staff, have you made any attempt or considered bringing in an outside source to examine the degree of efficiency of the operation? Has it been considered in the past, or is it being considered for the future?

Mr. RICHARD: Our staff is not very large, and I do not think for a staff under 100 it would be advisable to bring in outside efficiency experts. We keep a constant watch on it and we believe we have operated very efficiently with the staff we have.

Mr. MCGEE: In the last year there has been an increase—a slight increase in the volume of surplus handled. What are the relevant figures on the volume of surplus.

Mr. RICHARD: The figures concerning the surplus we have received in the past three years show an upward trend. There has been an upward trend in the last four years, I would say.

The CHAIRMAN: Would you like to have specific figures?

Mr. McGEE: No, it is not important. I do note that in C.M.H.C., which is a crown corporation there has been a reduction in staff in the face of a substantial increase in volume of work. It is this particular aspect of the thing that interests me.

Apparently the C.M.H.C. reduction was brought about through the services of an outside efficiency organization, and this result was obtained. Yet, in the case of every one of the crown corporations we have spoken to, to date, the employees have followed the ratio of volume of work so that where it has increased, the ratio has gone up, and where it has decreased, the ratio has gone down.

I wonder if the problem is not sufficiently important for this crown corporation to look at at this time. Do you agree with that view?

Mr. RICHARD: I cannot speak for other corporations, but in so far as our corporation is concerned, I believe our staff is low, and that it is efficient. I have not seen the need for any outside study of that kind.

Mr. WINCH: I would like to put a very direct question to the witness hoping that he can and will answer it.

In your operations in the disposal of crown assets, are you subject to any direction or influence of a political nature?

Mr. RICHARD: Of a what?

Mr. WINCH: Of a political nature? I ask you that question because I have on more than one occasion been approached by persons in my home city of Vancouver who told me that they wanted to buy certain products which you had but they could not buy them; yet a little later those same products were disposed of at a lower price than the former people who had offered to purchase them would have paid. May I ask this direct question as I have put it to you?

Mr. RICHARD: To answer your question directly, no. We are subject to the direction of the minister and I would not say there is any political direction. But I would like to have knowledge of the cases you have in mind. Were these people on our list? Were they invited to bid?

Mr. WINCH: No, no. It was material that you had, and they offered to purchase it and they were turned down. But shortly thereafter the material was sold at a lower price than they offered to purchase it for in the first place.

Mr. RICHARD: I cannot think of a case of that kind.

Mr. WINCH: Would you say it has not occurred in your department?

Mr. RICHARD: That is right, I would say it has not occurred in my department.

Mr. CHAMBERS: In the disposal of land and buildings it was mentioned that you usually deal through a recognized dealer. Do you deal exclusively through a real estate agent or do you deal directly with purchasers in such a case?

Mr. RICHARD: I said in my statement that with lands, buildings, power lines, as well as aircraft, anyone may purchase this class of property.

Mr. CHAMBERS: What is the usual position of the local real estate dealer when a transaction of this kind takes place?

Mr. RICHARD: He is welcome to bid on it too.

Mr. CHAMBERS: But as a purchaser, not as an agent?

Mr. RICHARD: No, we do not employ agents.

Mr. STEWART: The property is advertised for sale in the usual way?

Mr. RICHARD: Yes.

Mr. McCLEAVE: How much use does this organization make of auction rooms?

Mr. RICHARD: None.

Mr. McCLEAVE: Is there any reason for that?

Mr. RICHARD: Yes. Early in the history of War Assets Corporation there were some auction sales held but the experience was far from satisfactory and we have not resorted to it again.

Mr. McCLEAVE: Could you not follow up with this: would it not be possible for you to state some minimum amount which would be acceptable and which would allow the auctioneer to withdraw the article if he did not receive a bid for the minimum amount which you expected?

Mr. RICHARD: It is not only a question of a minimum bid. There are expenses involved, and the difficulty of accounting for all the surplus. Moreover, the surplus which we have is distributed all over the country. It is not concentrated at one central spot, and there would be problems of moving the surplus and storing it in and additional expense which, in our opinion, would not be justified.

Mr. GRAFFTEY: In conjunction with the initial question which I asked the president, and following up what would probably seem to be a reasonable policy in disposing of crown assets only through recognized agents, does the corporation receive an inordinate amount of complaints from smaller people or from individual buyers or smaller companies which are precluded from purchasing government crown assets under this policy?

Mr. RICHARD: I would say that the number of complaints received is very small.

Mr. GRAFFTEY: I realize from the president's statement that there is a large staff in this corporation. But what provision does the Crown Assets Corporation make for keeping an inventory or list of the stocks which they have in their possession? Do you keep a large and extensive inventory list of crown assets? Do you keep track of them?

Mr. RICHARD: Yes. At the present time we have about 3,500 separate declarations which have been received from the services. They constitute our inventory list.

Mr. GRAFFTEY: Are there any types of assets which are more or less hard to list in an actual paper work style because they have been in the corporation for a long time or are hard to move? Are there any assets which, after a certain length of time, do not get listed in a normal paper work style?

Mr. RICHARD: No. We have a system of recording declarations and keeping track of each one.

Mr. GRAFFTEY: My final question is this: before the Department of National Defence the other day we went through the various procedures by which they stated that materials were moved to various foreign countries. Do you ever receive requests from the Department of National Defence—this would be on behalf of NATO countries—do you ever receive requests from national defence as to whether you have certain military equipment on hand which might be disposed of through this program which was recently invoked by the Department of National Defence?

Mr. RICHARD: As a rule, no, but I would not say we have not had any. But as a rule, these surpluses have been screened as to the needs of NATO or of any other body before they reach us.

Mr. GRAFFTEY: You feel that they have been pretty well screened before they reach you?

Mr. RICHARD: That is right.

Mr. GRAFFTEY: I asked a question of the Department of National Defence because I visualized that there would be a request for these materials on behalf of NATO countries only after they had moved into crown assets. Is there some liaison between the two departments?

Mr. RICHARD: That is why I said that perhaps we have had requests of that kind but I do not recall them. However, we could have had them.

Mr. PETERS: I would like to go back to my question now that the minister is here, and by asking the president if the equipment that you sell as crown assets is all obsolete?

Mr. RICHARD: Oh, most of it, I would say, but not necessarily so.

Mr. PETERS: If it is surplus equipment, it is obvious that if it were not surplus equipment, crown assets would not have it would it not be advisable for the Department of National Defence to have some people in crown assets not to supervise it in crown assets, but to report back to the Department of National Defence as to those things which appear to be in surplus, and therefore to stop the purchase of them.

Many of these commodities sell very well, so would it not be a good place to check up and have officials of the Department of National Defence there for the purpose of advising the Department of Defence Production to curtail the purchase of a particular commodity rather than having it declared as surplus?

Mr. RICHARD: I think I should correct your impression here that we have physical custody of these surplus materials. Those materials remain in the hands of the department which is declaring them surplus.

If there are items which become useful to the Department of National Defence, they have custody of them themselves, although they are surplus. And they can ask that the declaration of surplus be withdrawn because they have a need for them.

We do not have the physical custody of them.

Mr. PETERS: That is not what I referred to. What I meant was the matter of having an extra check made of the purchasing of equipment arising out of the fact that there is certain equipment in surplus rather than equipment that is obsolete. I wonder if there could not be a further check to see that the requirements of the Department of Defence Production do not bring about a repurchase of a commodity which is already on hand.

Mr. BROOME: Crown Assets Corporation handles material, and whatever they give in the way of a transfer, they keep a record of it, and they try to sell it.

The CHAIRMAN: One moment, I would like to resolve this matter. Is there anything you wish to say, Mr. Richard?

Mr. RICHARD: I am afraid that I have lost track of Mr. Peters' question.

Mr. PETERS: My question was not directed to the president. It was referred to the minister, knowing that the minister is here, because it would not help crown assets at all. It would not affect them at all.

The CHAIRMAN: You mean it is not relevant to crown assets?

Mr. PETERS: Yes, but only that these people would be attached to crown assets because that is the place where the physical material is located.

The CHAIRMAN: We shall be having a number of questions dealing with the Department of Defence Production. Perhaps we might hold them until that time.

Hon. RAYMOND O'HURLEY (*Minister of Defence Production*): As far as I understand the situation, Mr. Richard has explained it in detail. We do the selling, but as long as it is not disposed of by crown assets, it still belongs to the department which has declared it surplus.

As long as we have not disposed of it, it is their property and they have the custody of it, and it is theirs. It belongs to them. We do not have the physical custody of this material.

Mr. PETERS: Do you not get the custody of it?

Mr. O'HURLEY: No. It belongs to the department which has declared it surplus. It remains their property until it is sold.

Mr. PETERS: This might be a method of control over re-purchasing in the Department of Defence Production. For instance supposing a commodity was purchased for a number of commands, a particular item. It might become over-purchased. In that case it would end up in crown assets for disposal.

I submit there should be some method of ascertaining what was in surplus rather than checking again on the original purchases by the Department of Defence Production. That would appear to me to be a way to do it.

Mr. O'HURLEY: I get your point, Mr. Peters, but I think your recommendation should be made to the Department of National Defence.

Mr. GOLDEN: They do it.

Mr. O'HURLEY: Yes, they screen it.

Mr. GOLDEN: Yes.

Mr. WINCH: Until the item is actually sold, its ownership is retained by whatever department has declared it surplus.

Mr. O'HURLEY: That is right.

Mr. WINCH: But the moment you sell it, the money is turned over to the treasury branch and not to the department which gave you the material to sell.

Mr. O'HURLEY: That is right.

Mr. PETERS: In order to make this clear, I am not talking about the Department of National Defence. He said the Department of Defence Production; that is the department which does the purchasing for a great number of government agencies. The Department of Defence Production acts upon a request from various sources such as the Department of National Defence or the Department of Public Works or any other department.

Mr. GOLDEN: No, no, no.

Mr. PETERS: They do the purchasing for other organizations?

Mr. GOLDEN: No, no.

The CHAIRMAN: I am afraid you do not have a full grasp of the situation, Mr. Peters. We shall have one more explanation and then leave the point.

Mr. PETERS: You can leave it right now if that is not the situation. But I was told that it was.

Mr. CATHERS: I heard a rumour recently that at a certain spot—I think it was the old Ottawa Car Company Building—there are four million world war flags which have been stored there for a considerable length of time. Is there any truth to that statement?

Mr. CHAMBERS: Are they new designs or old ones?

Mr. RICHARD: I do not know.

Mr. CATHERS: I am only asking the question, I do not know how true it may be.

Mr. RICHARD: We have no knowledge of it whatsoever.

Mr. MCGEE: I think perhaps what Mr. Peters was getting at was: what steps are taken to see that items are not declared as surplus by certain departments which might be purchased by other departments. Are all government departments circularized as to your offerings?

Mr. O'HURLEY: In the Department of Defence Production screening takes place before it is declared, and we have disposed of it. But what goes on in other departments I do not know.

Mr. MCGEE: What are the reasons for the various companies you list as being exceptions to the rule as to the merchandizing of surplus which you do not handle? What are the reasons?

It would seem to me to be an advantage if all government surplus were channelled through the one department. What is the reason it is not done in that way?

Mr. RICHARD: What is that?

Mr. MCGEE: They were excepted in the statute.

Mr. O'HURLEY: You mean when the law was passed. Why were the exceptions made? Do you know the history of it?

Mr. MCGEE: It seems to me there would be a material advantage in having one source of government surplus so that your prospective purchases would not have to go all over the country trying to find the surplus commodity they required. It would also help the scrutiny and responsibility of parliament with respect to the activities of a particular crown company if all surplus was sold through you.

Mr. G. W. HUNTER (*Assistant Deputy Minister, Department of Defence Production*): I think, Mr. Chairman, that the history of this relates to the fact that normally companies would have specialists in their ranks who are more familiar with the surplus of the company concerned. I was thinking particularly of Polymer Corporation which might have surplus chemicals. It would be normal for Polymer to dispose of chemicals because they have specialists who normally handle these things, and they have people who would be best equipped to handle them.

Again, in the case of T.C.A., if they have certain equipment for which they were responsible, they would probably have people who were best equipped to handle their surplus sales. I think that is the history of it.

Mr. CATHERS: For example, T.C.A. might be selling an obsolete aircraft or part of an aircraft which would be surplus to them, yet the Department of Transport might require such things for their own aircraft; and if it was funnelled through you, it might improve the situation.

Mr. HUNTER: Since T.C.A. is part of the Department of Transport, it is quite possible for them to make their own screening just as we do, and the way, we understand, the Department of National Defence makes its screening before anything is declared surplus.

The CHAIRMAN: I want you to be satisfied, Mr. Peters. Is there anything further you want to ask?

Mr. PETERS: No, I do not think so. I was probably wrong in asking. It may be the treasury branch we should ask about these things.

Mr. GRAFFTEY: Does the corporation make it easier, let us say, for municipalities or charitable institutions to obtain goods than, let us say, other individuals? Do you give them any advantage without prejudicing your normal operations?

Mr. RICHARD: Yes. We give priorities first of all to the Departments of the federal government; secondly, to the provincial governments; and thirdly, to municipal governments, in that order.

Mr. GRAFFTEY: How about recognized charitable organizations? Do they ever get preferred treatment?

Mr. RICHARD: Yes.

Mr. McGEE: Are they circularized? Would you contact the Salvation Army, or the Red Cross, for example? Would they be normally informed or have access to the offerings of your company?

Mr. RICHARD: Not unless they asked to be allowed to bid on a certain piece of property.

Mr. McGEE: The fact they were individuals and not agents would not prejudice their position with respect to purchases?

Mr. RICHARD: No.

Mr. GRAFFTEY: In conjunction with my first question today, and in view of the policy stated by the president at the beginning of this meeting, is every possible effort made to accommodate individual purchasers of individual items, when, in the opinion of the corporation, they are not prejudicing normal business operations of agents and sellers?

Mr. RICHARD: We will indicate to them the sources where they can obtain the goods; we will indicate to them the names of the dealers who have purchased the goods which they desire.

Mr. WINCH: My question has to do with clarification only, because it is still not clear in my mind: may I ask the witness if a government department has land or buildings which it no longer requires, are they turned over to you for disposal?

Mr. RICHARD: Are you referring to the physical custody of the property?

Mr. WINCH: I mean the selling of it.

Mr. RICHARD: The selling of it is turned over to us.

Mr. WINCH: But the physical custody remains with the department until you sell it?

Mr. RICHARD: Yes, that is right.

Mr. WINCH: If a department of government has land or buildings which it no longer requires, are they turned over to your department for selling?

Mr. RICHARD: The Surplus Crown Assets Act provides that any property surplus to the requirements of a department be turned over to the minister and to us for sale.

Mr. McCLEAVE: In order to breathe a little bit of life into a horse which has been pretty well flogged to death for the last hour, I would like to ask any of the witnesses here if they can point to any specific case in which something which was second hand from one department has been turned over to another department, such as cars, blankets, or anything else?

Mr. RICHARD: Yes.

Mr. McCLEAVE: You mean between one government department and another; I ask that of any witness here except Mr. Richard who has already given the answer I want on that.

Mr. WINCH: In other words, if one department retains the custody but gives to you in your department something to sell, do you ever sell it to another department of the government?

Mr. RICHARD: Yes.

Mr. CHAMBERS: Would you offer it to other departments of the government before you offered it to the public?

Mr. RICHARD: Yes.

Mr. PETERS: Are they on a mailing list?

Mr. RICHARD: Some government departments are, yes.

Mr. CHAMBERS: When you say that priority is given to other departments, how do you work out the bids?

I happen to know of a piece of property in Montreal which has been declared surplus by the Department of Public Works. I think that the National Harbours Board would like to have it.

Suppose the National Harbours Board made you a bid, and suppose that some commercial outfit made you a bid which was twice as much, which one will get it?

Mr. RICHARD: In such a case we would obtain a valuation of the property, or make a valuation of it ourselves, and offer it to the government department at that price. In that case we would not call for bids.

Mr. WINCH: If it is government property—and it must be government property before it is turned over to you—would it not then almost automatically be sold to another department of government?

Mr. RICHARD: If they asked for it, yes.

Mr. WINCH: And you would not call for any bids in that case?

Mr. RICHARD: No.

Mr. WINCH: Would you sell it at the valuation price?

Mr. O'HURLEY: At the valuation price, yes.

Mr. PETERS: This should have been said in the first place because it has changed the whole aspect of it. I am glad it has been said in any event, but I wish it had been said in the first place.

Is it not simply this: that if there is a need for it by another department, there is just a straight transfer and no sale made at all?

Mr. RICHARD: Commodities and equipment are sold to government departments upon payment of the price.

Mr. WINCH: What is the price? Is it the cost price?

Mr. RICHARD: No; it would be our own valuation.

Mr. WINCH: Could the witness give us any indication as to what has gone through his department from one department for disposal, to some other department in the government? Can he give us any idea of the valuation?

Mr. RICHARD: What do you mean?

Mr. WINCH: I mean this: if, in your department, which is the crown disposal department, things have been handed over to you from one department, and you have resold them to another department, can you give us any idea of the valuation of the things which have changed hands as between departments?

Mr. RICHARD: I would say that it amounted to about $120,000 last year.

Mr. WINCH: For how long?

Mr. RICHARD: For one year.

Mr. WINCH: Can the witness also tell us—this may be a policy question—but when he comes to the transfer of property from one government department to another government department, if he thinks it should not have to go through his organization?

The CHAIRMAN: I think the question should be answered at this end of the table, please.

Mr. WINCH: Perhaps I might put it this way, Mr. Chairman: as far as any departmental transfers are concerned, you are the transfer agent?

Mr. RICHARD: Yes.

The CHAIRMAN: Gentlemen, I assume that you have further questions you would like to ask Mr. Richard. Would you like to have him back on Monday.

Mr. MCCLEAVE: Yes.

The CHAIRMAN: All right. I thank Mr. Richard very much for being with us today.

The minister is going to prepare a statement in reply to your question, and we will have it for you on Monday as well.

With respect to Mr. Broome's query, we usually refer such items to the steering committee, but the committee may feel that these deparmental people, Mr. Churchill, Mr. Patrick, and Air Commodore Jones, the assistant deputy minister should be heard from, does the committee wish to have these gentlemen appear before us?

Mr. WINCH: I so move.

Mr. PETERS: I second the motion.

Mr. CHAIRMAN: You have heard the motion. All those in favour? Opposed, if any?

I declare the motion carried.

The three gentlemen I mentioned will be called. Is there any further business? If not, a motion to adjourn is in order.

But before we adjourn may I remind those of you who are going with us to Malton that if you are there at five minutes past nine rather than at nine, you may miss the bus because we are working on a very tigh schedule. You have all had notice that the bus will be stationed right in front of the main door of the centre block at nine o'clock and that we must adhere to the schedule. So please do not be late.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 18

SATURDAY, JULY 19, 1958
(Visit to Malton, Ontario)
TUESDAY, JULY 22, 1958

RECEIVED
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DEPARTMENT OF DEFENCE PRODUCTION

WITNESSES:

Honourable Raymond O'Hurley, Minister of Defence Production; Mr. D. A. Golden, Deputy Minister; Mr. Louis Richard, President and General Manager of Crown Assets Disposal Corporation; Mr. E. R. Rowzee, President and Managing Director of Polymer Corporation; and Mr. F. F. Waddell, Secretary of Canadian Commercial Corporation.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

60823-2—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Allard,
Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard *(Lapointe)*,
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fairfield,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Lambert,
Lennard,
MacEwan,
MacLean *(Winnipeg North Centre)*
Macnaughton,
McCleave,
McGee,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,
More,
Nielsen,
Pallett,
Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard *(Kamouraska)*,
Rowe,
Skoreyko,
Small,
Smallwood,
Smith *(Winnipeg North)*,
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian,
Winch—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDER OF REFERENCE

THURSDAY, July 17, 1958.

Ordered,—That the name of Mr. Lambert be substituted for that of Mr. Johnson on the Standing Committee on Estimates.

Attest.

LEON J. RAYMOND,
Clerk of the House.

60823-2—1½

MINUTES OF PROCEEDINGS

(VISIT TO MALTON ONTARIO)

SATURDAY, July 19, 1958.
(19)

The Standing Committee on Estimates assembled at 9.00 a.m. this day at the Main Door of the Parliament Buildings. The Chairman, Mr. Arthur R. Smith, was in charge.

Members present: Messrs. Anderson, Broome, Carter, Chambers, Clancy, Coates, Danforth, Fairfield, Grafftey, Hales, Lambert, McCleave, More, Pallett, Peters, Skoreyko, Small, Smallwood, Smith (*Calgary South*), Smith, (*Winnipeg North*), Stefanson and Stewart—22.

Other Members of Parliament present: Messrs. Dinsdale, Fisher, Drysdale, Nugent, and MacInnis.

Also present: Air Commodore S. Cornblatt and Group Captain R. S. Turnbull, both from R.C.A.F. Headquarters; also representatives of the Parliamentary Press Gallery.

Having travelled by bus to Uplands Airport, the Committee boarded a plane of 412 (Transport) Squadron R.C.A.F., for transportation to Malton Airport, Ontario.

Arriving at Malton, the group was welcomed by Mr. J. L. Plant, President and General Manager of Avro Aircraft Ltd. In his remarks Mr. Plant mentioned in particular the following points:

1. The history of A. V. Roe (Canada) Ltd. from 1945 to date with the division of facilities so that they are now known as "Avro Aircraft Limited" and "Orenda Engines Limited".

2. Avro Aircraft employing over 9,000 persons has 1,700,000 sq. ft. of floor space and occupies an area of 43 acres. The Engineering Division has over 1,500 personnel and 70 per cent of all Avro employees are working on the CF-105 program in the $22,000,000 plant.

3. Loan of a B-47 Aircraft from the United States in order to test the *Iroquois Engine.*

Divided into small groups, and accompanied by very helpful guides, the Committee toured the facilities of Avro Aircraft Ltd. Of particular interest was the 3-D layout, experimental section, computer section, tooling and wing jigs, as well as the assembly lines of the CF-105. The B-47 plane which has been modified to flight test the Iroquois engine was also of special interest. Members were given an opportunity to examine and compare the CF-100 and the CF-105.

Following the tour of the plant the Committee was tendered a very appetizing luncheon in one of the plant's cafeterias. A film entitled "First Flight of the Avro Arrow" was shown.

Mr. Plant outlined the development of the Avro Arrow and explained the coordination with Orenda Engines Ltd. in the search for a suitable power unit.

The Chairman, Mr. Arthur Smith, expressed the Committee's appreciation for the hospitality and information tendered by Mr. Plant and his associates, and in particular Messrs. J. A. Morley, J. C. Floyd, W. H. Riggs, J. W. Ames, J. Turner, D. H. Rogers, G. Hake, A. H. Stewart, M. D. Willer, C. Kirk, and E. Alderton.

Mr. Earle K. Brownridge, Executive Vice-President and General Manager of Orenda Engines Ltd., was introduced to the group. Under his direction the Committee travelled by car to the installations of Orenda Engines Limited, where Mr. Brownridge outlined the history of the company from its formation as "Turbo Research", a Crown Corporation to the present with its name now "Orenda Engines Limited".

In his remarks, Mr. Brownridge pointed out that the company with a payroll of about 6,000 persons and over 1,300,000 sq. ft. of floor space, has expanded greatly in the last few years.

The Company's 3 D unit was used to explain the operations of the various sections of the plant. An explanation of the operating principle of the Turbo-jet engine was given by Mr. Charles A. Grinyer Vice-President—Engineering.

Mr. Brownridge and Mr. Grinyer then conducted the group on a tour of the main points of interests in the plant including the production plant, new development test cells, altitude test facility, and experimental and engineering building. Committee members were permitted to examine and compare the Iroquois Engine and its components with those of the Orenda Engine.

Refreshments were served in the Company's cafeteria.

Mr. Brownridge thanked the Committee members for their visit.

Mr. Smith extended the Committee's thanks to the "Orenda" people, and in particular to the following who assisted Mr. Brownridge and Mr. Grinyer:

Messrs. K. R. Church, J. May, J. Nesbitt, L. E. Marchant, and Bob Robinson.

Leaving the "Orenda" plant at 5.30 p.m. the group boarded the R.C.A.F. plane piloted by S/L J. R. Marshall.

The Chairman thanked A/C Cornblatt and G/C Turnbull for their attendance and assistance. Appreciation was expressed by members of the Committee for the pleasant, speedy and courteous transportation to and from Malton. The following were members of the R.C.A.F. plane crew: S/L J. R. Marshall, Captain; F/L W. Davidge, 1st Officer; F/O D. Yates, Radio Officer; Sgt. C. Magnes, Flight Eng.; LAC G. F. Smith, Flight Stwd.

At 7.00 p.m. the plane landed at Uplands Airport and the group dispersed in front of the Parliament Buildings at 7.30 p.m.

Note: As the Committee was divided into small groups at various times, a verbatim record of the Proceedings was not taken.

TUESDAY, July 22, 1958.
(20)

The Standing Committee on Estimates met at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Allard, Anderson, Baldwin, Bissonnette, Bourget, Carter, Cathers, Chown, Coates, Danforth, Fairfield, Grafftey, Hales, Hicks, Howe, Lambert, Lennard, MacLean (*Winnipeg North Centre*), McCleave,

McIlraith, McQuillan, McWilliam, More, Payne, Peters, Ricard, Small, Smallwood, Smith (*Calgary South*), Smith (*Winnipeg North*), Stefanson, Stewart, Tassé, Thompson, Vivian and Winch—36.

In attendance: From the Department of Defence Production: Honourable Raymond O'Hurley, Minister; Mr. D. A. Golden, Deputy Minister; Mr. G. W. Hunter and Mr. W. H. Huck, Assistant Deputy Ministers; Mr. R. M. Keith, Financial Adviser; and Mr. W. J. Mulock, Deputy Minister's Office.

From Canadian Arsenals Ltd.: Mr. J. H. MacQueen, President, and Mr. J. H. Berry, General Manager.

From Canadian Commercial Corp.: Mr. F. F. Waddell, Secretary.

From Crown Assets Disposal Corp.: Mr. Louis Richard, President and General Manager.

From Polymer Corporation Ltd.: Mr. E. R. Rowzee, President and Managing Director.

The Committee resumed its consideration of the Main and Supplementary Estimates 1958-59, relating to the Department of Defence Production.

Crown Assets Disposal Corp. operations were considered; Mr. Richard supplied information thereon and he was permitted to retire.

Polymer Corporation Ltd. was considered, Mr. Rowzee outlining its history and operations of the company to date. He was questioned, and permitted to retire.

Agreed,—That the Committee meet on Wednesday, July 23, at 9.30 a.m.

Under Item No. 78:

Canadian Commercial Corporation was considered, Mr. Waddell presented a brief statement and he was questioned thereon.

The Minister and the officials were thanked by the Chairman.

At 1.05 p.m. the Commitee adjourned until 9.30 a.m. Wednesday, July 23.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

TUESDAY, July 22, 1958.
11 a.m.

The CHAIRMAN: Gentlemen, I believe we have a quorum. Would you two gentlemen not feel a little more comfortable closer so we can recognize you as part of our quorum? Are you happy there?

I think before we proceed we might have a look at what we have yet to do. While it is often dangerous to anticipate the program from here on in, it might be worth while to have fixed in our minds, at least, some idea of the amount of work that we have left ahead of us. This is important because we have yet some witnesses to hear and I would like, as Chairman, some idea of when I should warn them to be on hand.

Mr. WINCH: Government witnesses, or outside?

The CHAIRMAN: These are government witnesses.

One is the Minister of Health and Welfare who is available to discuss the aspects of the militia as it affects civil defence. Then, there are two R.C.A.F. officers who were requested by Mr. Broome. Those are the only ones which the committee has requested to hear.

I am going to put before you a suggestion, and of course it must be kept flexible, if we wish to take more time on any particular aspect.

Mr. WINCH: Mr. Broome, I understand, is leaving today.

The CHAIRMAN: Mr. Broome has gone. He is the gentleman who asked for these two men but I think you still want to have them. I think Mr. Peters has some interest in examining these two officers.

I thought we would proceed and perhaps conclude the Department of Defence Production, if not today, certainly in a second meeting; we would then, in our third meeting, clear up any unheard witnesses from the Department of National Defence or the Department of Defence Production. In our fourth meeting, we would use it as our, so to speak, catch-all, for any questions on national defence policy with the minister. Then, assuming that we had given sufficient time to these, in our fifth meeting, we would consider our reports respecting the Department of National Defence and the Department of Defence Production.

As I say, it is very flexible, but I wanted to lay it before you as a suggestion and that it might be a guide to us.

I have discussed this with the steering committee and they thought that it was reasonable.

Does that generally seem to satisfy you?

Mr. WINCH: Is there any intention that any other estimates will be referred to our committee?

The CHAIRMAN: Well, of course, Mr. Winch, that is a discretionary power of the committee itself and of the House but, keeping in mind the mechanics of it, it would be difficult I think under the circumstances, in that the committee of the whole House is now considering the estimates, and there are yet others still before other committees.

If the committee wishes to call any other department that certainly is within its power. In any event, I suggest we proceed. We still have three to five meetings ahead of us and perhaps we could look at the situation when the time arises.

As you will recall Mr. Richard was replying to certain questions under Crown Assets. This is not under an item listed as such but is contained in the annual report.

We have the Polymer Corporation to follow and also under the Crown Companies, the Canadian Commercial Corporation. We have witnesses, of course, for both of these crown companies.

I think we will proceed under Crown Assets. Are there further questions for Mr. Richard?

Mr. McCLEAVE: Mr. Chairman, I was going to ask the witness the type of materials he mentioned the other day which are sold between one department and the other. I think he mentioned a figure of $120,000.

Mr. RICHARD: It would be difficult to give types of material. There is a great deal of surplus which comes to our organization and which would include all types of things. Machine tools probably is one that might be mentioned. It would be hard to give them all.

Mr. McCLEAVE: Well, for a specific category, what about office furniture, Mr. Richard?

Mr. RICHARD: There would be very little of that, I think.

I would like to emphasize that much of the material that we get, the great bulk of the material that we get is very obsolete and much the worse for wear and tear. When it gets to us it does not have much more use. In other words, a great portion of the surplus that we get is pure scrap.

Mr. McCLEAVE: Do you deal more with scrap dealers than palming one department's goods off on another department?

Mr. RICHARD: We certainly do a large business with scrap dealers. In connection with dealings with government departments I should explain, following some questions which were asked the other day, that the surplus should be classified under two headings: first, movable goods; and, secondly, lands and buildings.

Movable goods are paid for by government departments at a price which we establish, and which is supposed to be a fair market value. Lands and buildings are transferred between government departments at no price, or, at least no charge. I think the underlying principle is that assets should be transferred between government departments at no charge.

In 1944 we sought some clarification from treasury board on this question and they formulated the policy that government departments should pay for surplus goods, which they wished to acquire from us. The reasons given at the time were:

> The principal advantages to be obtained by adoption of the payment basis are:
>
> *(a)* The tendency under a no charge system for departments to avail themselves of salvage stock for which there is no real need or current requirement.
>
> *(b)* Elimination of the objection inherent in the no payment procedure involving, in effect, increases in parliamentary appropriations for the services effected, since the amounts stated are available for other purposes.

Mr. McCLEAVE: Could we have some detailed breakdown on your activities, say, in any one particular province just as an example before this committee, which could form, Mr. Chairman, an appendix to our proceedings on one of these days? The witness cannot apparently give it today.

Take Nova Scotia, one of the smaller provinces, could we find out exactly what sort of material is being dealt with as junk or scrap? Would that be possible, Mr. Richard, without putting your department to a lot of extra work?

Mr. RICHARD: I am afraid we could not give classifications of types of materials very easily.

Mr. WINCH: Why?

Mr. RICHARD: We can perhaps give you the source of our surplus as to departments.

Mr. MCCLEAVE: Could that be done for a province? The Department of National Defence, could you give the number of vehicles scrapped?

Mr. RICHARD: Anything can be done, but it is a long process.

Mr. MCCLEAVE: I just wish to anchor this to reality, Mr. Chairman, that is the purpose of my questions.

Mr. HALES: Mr. Chairman, as a supplementary question: when a sale is made of surplus goods is not an entry made in the ledger as to what the sale represents?

Mr. RICHARD: Yes, but it would be a general classification. It could be either ships, or ship components, aircraft or aircraft components; it could be ferrous or non-ferrous scrap.

The CHAIRMAN: Is that not exactly what Mr. McCleave would like, a general breakdown? You would have your various offices in the province. Would that not be categorized?

Would that not be sufficient, Mr. McCleave?

Mr. MCCLEAVE: Yes, that is what I had in mind, Mr. Chairman.

Mr. RICHARD: Except, the accounting is done here and there is no breakdown by provinces.

The CHAIRMAN: Is there any other breakdown we could file?

Mr. RICHARD: We could review the volume of sales by provinces.

Mr. MCCLEAVE: And into these various non-ferrous categories.

Mr. RICHARD: Not readily.

Mr. MCCLEAVE: Not readily?

The CHAIRMAN: Would you still like that, Mr. McCleave?

Mr. MCCLEAVE: Yes. I think that would be sufficient for the time being at least.

The CHAIRMAN: You would like, still, a complete breakdown by provinces, or just the volume?

Mr. MCCLEAVE: By provinces.

Mr. RICHARD: By provinces.

The CHAIRMAN: By provinces.

Yes, Mr. Thompson?

Mr. THOMPSON: There is an item in the clothing in Crown Assets.

Mr. RICHARD: Yes, we handle clothing. Most of it is used and much the worse for wear and tear.

Mr. THOMPSON: What type of clothing would it be, Mr. Chairman?

Mr. RICHARD: It could be trousers or shoes or underwear, or things of that type.

Mr. THOMPSON: Do you handle used underwear?

Mr. RICHARD: Oh, yes.

The CHAIRMAN: Are you an interested purchaser, Mr. Thompson?

Mr. THOMPSON: No, thank you.

The CHAIRMAN: Are there any further questions, gentlemen, for Mr. Richard?

Yes, Mr. Lambert?

Mr. LAMBERT: During the last few years have you had occasion to handle the disposal of stocks of clothing declared surplus in rather large quantities? I had in mind certain disclosures made in the United Kingdom parliament of rather large quantities of stocks which had accumulated simply by process of reordering when they were not being used.

Mr. RICHARD: Well, that all depends on what you might consider large. We have had some articles of clothing that have come to us from the services through changes in design or type of clothing which the services have, but I would not say they are exceptional quantities.

Mr. LAMBERT: Another thing, if I may ask: throughout the country there are a number of so-called army surplus stores. Examining their stock at all it is obvious they are also outlets for manufacturers' ends of runs, and sub-standard products, but there still appears to be a fair amount of surplus service equipment. Have you a continuous contact with these people, and can you estimate as to what the volume of annual sales would be to that type of outlet?

Mr. RICHARD: They are good customers of ours no doubt, yes. But I would not venture any figure on the volume we sell to them.

Mr. MORE: Is that sold by tender?

Mr. RICHARD: It is all sold by tender.

Mr. HALES: I wonder if Mr. Richard could give us the largest individual sale of clothing? I do not care whether it is boots or trousers, or what it is, but just the largest sale which was made recently, within the last year or so.

Mr. RICHARD: I would have to—

Mr. HALES: I would be interested to know what it was and the amount of it and what we got for it, and what it cost.

The CHAIRMAN: Could that be obtained?

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

Mr. LAMBERT: Mr. Chairman, in so far as disposal of crown assets are concerned, other than those items which might be considered as durable, lands and buildings, do you follow a policy of active merchandising in order to get rid of them as quickly as possible, or is it that there are no active efforts made until some time later?

Mr. RICHARD: No, we endeavour to clear out everything as quickly as we get it. I think the figures show that we clear out surpluses on an average in about two and a half months, which is a fair enough average. There are some items we cannot find buyers for and, eventually, we may have to sell them for scrap or for the metal that is in them, and so on.

Mr. LAMBERT: Another question with respect to the Northwest Highway System where there is a lot of road equipment and mechanical equipment in use: Where do you dispose of the used items, and have you any idea as to the volume?

Mr. RICHARD: We dispose of it in the same manner as other surpluses but in this case in two seasonal sales every summer. We advertise the sale, and the buyers go up the highway and put in their bids in the same manner as any other type of surplus, and we sell it right there and then. These buyers will come mainly from the west, of course, but they may come from any part of the country.

Mr. LAMBERT: Are they limited to dealers in this type of equipment?

Mr. RICHARD: No, in sales of that kind, on the Alaska highway and in Newfoundland, it is not limited to dealers; anyone can come along.

Mr. WINCH: May I ask a question of that same nature?

I would like the witness to be very careful in his answer on this: Do you have a number of items in the same group, especially of mechanical equipment,

which you insist on selling as one group, or will you accept an offer of purchase at a good price on one piece of equipment?

Mr. RICHARD: Yes, we will accept if it is for one piece. Where we have several substantial items of mechanical equipment we will ask for bids on each item and will select the highest bid in each case.

Mr. WINCH: I would like to ask you now, very definitely, if you have had experience over the years where you have had a good offer for the purchase of one piece of equipment and turned it down and then sold it later at a lower price?

Mr. RICHARD: No.

I would like to know if you know of any case like that.

Mr. BALDWIN: What about real property, land, have you ever had occasion to function in getting rid of land which no longer is of any value or of any use? I have a case in mind where some buildings are situated on land and there is no further use for them and they will probably go through your hands. I was wondering what your procedure is for land?

Mr. RICHARD: We have no dealings with it until it is reported to us and made the subject of a report and comes into our hands. If the item is large enough we will advertise it and ask for bids; if it is not too large we will, possibly, have notices posted in the local post office of the district and circularize anyone we think would be interested in the property.

Mr. GRAFFTEY: Mr. Chairman, before asking this short question I want to underline the fact that we in the committee realize that the corporation is a relatively small employer of personnel in relation to the amount of goods they have to dispose of. Is it foreseeable that the following could happen: Let us say that the corporation has a number of items to sell. By following their bulk sales policy could one firm obtain any given number of articles, thus bringing in a smaller cash return to the government than had two or three willing purchasers obtained the goods?

Mr. WINCH: The exact point I had in mind.

Mr. GRAFFTEY: I realize the difficulties involved because of the relatively small number of employees, but in the opinion of the president is this a possibility by following a bulk sales policy?

Mr. RICHARD: You mean, we might obtain more for this if we could put it into smaller lots?

Mr. GRAFFTEY: Smaller lots.

Mr. RICHARD: I do not think so. I do not think we have enough large bulk items to suggest that that would bring any better return. Most of our lots are relatively small.

Mr. LAMBERT: Have you considered, instead of conducting your own auctions on these things, where you are perhaps bringing people up, say, to the Alaska highway, have you considered placing that equipment in some of the large auction lots where there are a large number of buyers who come to see this type of equipment. I have in mind auctions held at Edmonton and Calgary which attracts hundreds of buyers. That is a really going market of heavy equipment.

Mr. RICHARD: Well, you would, first of all, have to demonstrate that these people could conduct an auction sale in a better manner than we do. We conduct an auction sale in effect.

Mr. LAMBERT: I am not suggesting that, Mr. Richard; I am wondering as to the fact that you would attract more buyers by being on these lots and having this equipment on consignment to these very large sales?

Mr. RICHARD: We do attract a very large number of buyers up the highway, perhaps as many as these auctions might.

Mr. MACLEAN (*Winnipeg North Centre*): With regard to real property where a municipality or a city shows an interest in acquiring that real property is it ever divested to them without being let out by tender to all interested parties?

Mr. RICHARD: The basic principle of our system of priority is that we allow the federal government, the provincial government and then the municipality to meet the highest bid we have received, but in the case of properties where the provincial governments and municipalities have already expressed an interest in it and it has become generally known sometimes a year or two years before we ever get it, there does not seem to be much purpose in calling for bids.

The method of calling for bids is to establish a fair market price and in cases of that kind we would not get it and therefore we resort to negotiating with the government that enjoys the priority on a basis of perhaps an expert valuation or a fair market price which we establish from municipality assessments or other methods.

Mr. MACLEAN (*Winnipeg North Centre*): In that connection has the old post office in Winnipeg yet been placed in your hands for disposal?

Mr. RICHARD: Yes, it is being advertised now.

Mr. MACLEAN (*Winnipeg North Centre*): Has the city of Winnipeg shown an interest in purchasing it or has it been let out for tender?

Mr. RICHARD: For tender. We have advertised it and are asking for bids on it.

Mr. MACLEAN (*Winnipeg North Centre*): The city of Winnipeg has shown no interest in purchasing it itself?

Mr. RICHARD: They have, but not actually enough, I think the purpose in calling for bids in cases of that kind is to establish the fair market value.

Mr. MACLEAN (*Winnipeg North Centre*): After the fair market value is established it would still go to the highest bidder regardless of whether or not the city of Winnipeg would pay the price or would meet the price?

Mr. RICHARD: If the city of Winnipeg is willing to meet the price they can have it.

Mr. MACLEAN (*Winnipeg North Centre*): They would have to tender on it?

Mr. RICHARD: They would have to meet the highest price we get.

Mr. MACLEAN (*Winnipeg North Centre*): Would they be given an opportunity?

Mr. RICHARD: Oh, yes.

Mr. WINCH: I want to ask, do you establish an upset price, you will not accept any bid lower than that?

Mr. RICHARD: Oh, yes.

Mr. WINCH: Always?

Mr. RICHARD: Oh, yes.

Mr. WINCH: On what basis do you establish it? On the assessed value or market value?

Mr. RICHARD: Are you talking about movable goods or property?

Mr. WINCH: Oh, property.

Mr. RICHARD: Well, in the important items we will have an expert valuation from independent valuators or if it is not too large our own people can usually fix a good price on it.

Mr. WINCH: On movable goods do you also establish an upset price when you ask for bids?

Mr. RICHARD: Yes.

Mr. WINCH: On all equipment?

Mr. RICHARD: On all equipment.

Mr. PAYNE: Do I understand the witness aright in connection with the Winnipeg post office that the city of Winnipeg is given an opportunity to meet the highest bid but there is also another method whereby you have land priced, either by municipal assessors or some other means and by negotiation provinces or municipalities can buy before the property goes to bid, is that right?

Mr. RICHARD: We do it either way, yes.

Mr. PAYNE: Well, how do you determine which way?

Mr. RICHARD: Well, depending on the circumstances.

Mr. PAYNE: Well, what type of circumstances? This is a very important point.

Mr. RICHARD: It depends how much interest is shown in the property.

Mr. PAYNE: How do you know if there is interest shown if you have not called for tenders?

Mr. RICHARD: Oh, we have files that thick (indicating) before we ever get the property declared surplus to us.

Mr. PAYNE: Do you know if these people are curious or interested or not, until you have called for tenders?

Mr. RICHARD: We do know whether they are interested or not.

Mr. PAYNE: How do you know?

Mr. RICHARD: They make inquiries from us.

Mr. PAYNE: There are two methods here. I am very interested because frankly in our area there is a great deal of dissension over this problem at this time.

Mr. RICHARD: The Winnipeg post office is a rather large item and unusual—and we are not too sure of what the market value would be.

Mr. PAYNE: You have had no appraisal made on it?

Mr. RICHARD: We have had appraisals made.

Mr. PAYNE: By whom?

Mr. RICHARD: By two Winnipeg firms and they differ.

Mr. PAYNE: What firms, appraisal firms?

Mr. RICHARD: Real estate firms, yes.

Mr. PAYNE: Qualified appraisers or realtors?

Mr. RICHARD: They are qualified appraisers.

Mr. MACLEAN (*Winnipeg North Centre*): What made you decide the city of Winnipeg was not interested in purchasing before you let tenders?

Mr. RICHARD: We know they have a certain interest in the property.

Mr. MACLEAN (*Winnipeg North Centre*): Did you say they were not interested in meeting the appraised value?

Mr. RICHARD: No, I think they would like to have it under another basis.

Mr. PAYNE: They would like to negotiate?

Mr. RICHARD: No, they would like to rent it, I believe.

Mr. WINCH: Mr. Chairman, that is the very thing I am interested in. Could the witness give us a clear indication—if a fixed property comes into your hands do you establish first of all a priority by checking with, first of all, the federal departments and then the provincial and then the municipal to find

whether they are interested in this property and if so do you establish the basis of price and if you do do you then call tenders automatically and if any private concern gives a higher price do you then if you have been dealing with a federal department, provincial government department or municipal department have to meet that price? I do not know if I have put it clearly or not.

Mr. RICHARD: First of all, in most cases, I would say probably 99 percent of the cases, where a federal government department is interested in the property we know beforehand.

Mr. MACLEAN (*Winnipeg North Centre*): And by what process then do you establish the transfer of title?

Mr. RICHARD: I would like to point out here that the federal government departments do obtain this property without charge.

Mr. MACLEAN (*Winnipeg North Centre*): Just on the transfer of title?

Mr. RICHARD: Yes.

Mr. MACLEAN (*Winnipeg North Centre*): That is automatic?

Mr. RICHARD: Yes.

Mr. MACLEAN (*Winnipeg North Centre*): Let us go on to the next step. If as far as you know no federal department is interested do you then move on to the provincial and possibly the municipalities before you put it up for bid?

Mr. RICHARD: We must work on the same process for the provincial government. We generally know beforehand whether a provincial government is interested or not and if they are again we will negotiate with them on a price which we establish through expert valuations or through our own valuations.

Mr. MACLEAN (*Winnipeg North Centre*): And the same with the municipalities?

Mr. RICHARD: And the same with the municipalities.

Mr. MACLEAN (*Winnipeg North Centre*): And if the federal, provincial or municipal governments want it it does not come up on a tender, or does it? That is the key point I am trying to get at. If all three levels of government, if any of the three are interested it does not go up on tender, a price is worked out.

Mr. RICHARD: Well, if we feel that calling for bids will not establish a fair market value then we will negotiate with the provincial or municipal authorities without calling for bids. As I pointed out a while ago, when this is too well known calling for bids will not bring forth the offers that we would like to get.

Mr. MACLEAN (*Winnipeg North Centre*): In which case you will put it up for tender and they would have to meet it?

Mr. RICHARD: We have had extreme cases where this was known, and the only bid we get is that of the municipality for $1, and that does not establish the value.

Mr. PAYNE: In making this decision on whether negotiations should be conducted for a property with the municipality, for instance, or as to whether tenders should be called, who makes the decision?

Mr. RICHARD: The manager of the commodity sales division of our land and buildings division in consultation with myself.

Mr. PAYNE: In Ottawa here?

Mr. RICHARD: In Ottawa here.

Mr. PAYNE: There are just two officials?

The CHAIRMAN: I wonder if you would repeat that question, Mr. Payne?

Mr. PAYNE: In the decision as to whether lands shall be negotiated with a municipality or whether they should be placed for tender I want to know what officials make this basic decision?

Mr. RICHARD: I will take the responsibility for it, yes.

Mr. WINCH: Is there any appeal from your decision?

Mr. RICHARD: Certainly.

Mr. WINCH: To whom?

Mr. RICHARD: To the minister.

Mr. MCCLEAVE: Have such appeals ever been made?

Mr. RICHARD: Oh, sure.

Mr. MCCLEAVE: I thought you were an independent corporation.

Mr. RICHARD: We are subject to the direction of the minister, that is in the act.

Mr. WINCH: Is it completely within the minister's decision or might it go before the governor general in council or is it strictly up to the minister to make the final decision if there is an appeal made on your decision?

Mr. RICHARD: The minister has the power to make the final decision.

The CHAIRMAN: Further questions?

Mr. SMALLWOOD: Do you ever contact the minister in these situations?

Mr. RICHARD: We do consult him in certain cases, yes.

The CHAIRMAN: Further questions?

Mr. WINCH: On what basis—when you have made a decision, I mean you are not in doubt about the price, then do you appeal for a decision in your own regard to the minister in the event of almost a joint offer or on what basis do you then ask the minister to make a decision because I gather you state on occasions you do refer the matter to the minister? Just when do you refer matters to the minister?

Mr. RICHARD: First when I would like to get outside advice on my own judgment.

Mr. WINCH: Do you not get your advice from assessments and matters of that nature?

Mr. RICHARD: Yes, but in a number of cases perhaps I may not be too sure of my own judgment.

Mr. PAYNE: Mr. Chairman, in the course of the last year I wonder if the witness could give us figures as to the amount of land that was sold back to the municipalities by negotiation and the amount of land in dollars that was sold by tender. There is a point in that certain lands that are or have been in the past declared surplus have in the original instance been expropriated by the federal government by the municipalities and under an existing arrangement it is quite conceivable that the municipalities may not again be able to participate in that land when it is declared surplus.

The CHAIRMAN: Mr. Payne, would you designate or restrict this to any time limit or any particular area?

Mr. PAYNE: I would like it across the country.

The CHAIRMAN: For what period?

Mr. PAYNE: Say for one year.

Mr. WINCH: Might I ask the same information on provinces for the same period of time, and whether it was done by negotiation or sale by tender?

The CHAIRMAN: Further questions? If not we will thank Mr. Richard.

Thank you very much, Mr. Richard.

Mr. WINCH: That information will be forthcoming at a later date?

The CHAIRMAN: Yes.

We have with us now Mr. Ralph Rowzee, president of Polymer Corporation, second of the crown companies for which there is no item listed but which is covered by the annual report. Mr. Rowzee, I believe you have a short statement, have you?

Mr. E. RALPH ROWZEE *(President, Polymer Corporation Limited)*: Yes.

The CHAIRMAN: We will proceed then and hear from Mr. Rowzee, who will now read a short statement on the operations of the Polymer Corporation.

Mr. ROWZEE: Gentlemen, I am very glad to have this opportunity to appear before you. I understand that perhaps at the outset you would be interested in knowing a little more about Polymer Corporation, that is, its beginning and background and how it operates.

I am particularly glad to be able to represent the company in this regard. Mr. O'Hurley suggested that I might take a few minutes to sketch the background of the company, how it has developed and how it functions at the present time, and consequently I would like to spend these few minutes summarizing the situation and then, of course, I am at your disposal.

I have with me a number of photographs which I will pass around so you may look at them and you will have some idea of what is being referred to.

I think most of you know that Polymer is what we might call a "war baby". The company was incorporated during the war years and the date of incorporation was February 1942. It was charged with the responsibility for building and operating a synthetic rubber plant. This establishment was to be Canada's contribution to the overall rubber program which was developed among the United Kingdom, the United States, and Canada during the months immediately following Pearl Harbour.

You may recall that within ninety days after Pearl Harbour the western nations were cut off from all major sources of natural rubber. The Baruch Report which was issued a few months later emphasized the necessity of creating a synthetic rubber industry before existing stocks of natural rubber were exhausted. The deadline in this regard was determined as the end of 1943. The creation of the synthetic rubber industry in North America during 1942 and 1943 is well documented as a truly great chemical and chemical engineering achievement. Particular note should be taken of the date of Polymer's first production of rubber—September 29, 1943.

In regard to the construction and operation of Canada's synthetic rubber plant, it should be recorded that Polymer had no skills, experience, technical know-how or patent position which would enable it to handle such a responsibility. Accordingly, it proceeded to enter into agreements with companies who had the appropriate knowledge. The basic technical know-how and patents were owned by a number of leading United States chemical, petroleum and rubber companies. Based on this information a group of Canadian and United States engineering firms prepared the designs for Polymer's plant which were then used by several leading Canadian construction companies.

In regard to the operation of the Polymer plant, it should be realized that it consists of a number of closely integrated production units which fall into three basic categories, each very different from the other. Consequently, Polymer entered into operating agreements with Canadian Synthetic Rubber Limited, Dow Chemical of Canada Limited and a subsidiary of Imperial Oil Limited, each of which was to operate a particular section of the plant. These three companies, in turn, were heavily dependent upon their parent companies such as Dow Chemical Company, Standard Oil of New Jersey and others in the United States for technical information, staff assistance, and training facilities.

Under this arrangement Imperial Oil operated the units producing ethylene, butadiene, butyl rubber and also the steam and power plant. Dow operated

the styrene plant, and Canadian Synthetic Rubber operated the copolymer plant where styrene and butadiene were combined to produce GR-S (now Polysar S) types of synthetic rubber. It should be noted that Canadian Synthetic Rubber was formed jointly by Canada's four largest rubber companies for the purpose of operating the copolymer plant. These companies were Dominion, Firestone, Goodrich and Goodyear.

The type of agreement which Polymer entered into with each of the three operating companies was known as a management-fee contract whereby Polymer paid all operating costs, acted as a general coordinator of operations, provided supervision of financial matters, and paid to the operating companies a specified fee for each pound of specification material produced.

The location of the Polymer plant in Sarnia was decided by Polymer management in consultation with the operating companies. The controlling factor was that Imperial's largest refinery was located in Sarnia and this refinery was the only one in Canada which at the time could supply sufficient quantities of the light hydrocarbons required for the manufacture of synthetic rubber and had its crude oil supply assured by an inland pipe line delivery system.

The post-war period was one of transition from wartime operations to normal commercial business. During most of this period, the future of Polymer and its 2,000 employees was in the balance because there was serious doubt as to intense activity during which the objective was to build as quickly as possible and produce rubber. Costs were a secondary consideration.

The post-war period was one transition from wartime operations to normal commercial business. During most of this period, the future of Polymer and its 2,000 employees was in the balance because there was serious doubt as to whether the company could operate profitably. The principal features of the period were (1) the development of important export markets for synthetic rubber, (2) the diversification of rubber production, (3) the sale of by-products and co-products such as steam, power, styrene, butane, and isobutylene, (4) the establishment of an effective research and development division, (5) the emergence of Polymer as the direct operator of all facilities by virtue of termination of the operating contracts over the period 1946-1951.

The current period has been one of financial reorganization, technical development, expansion in production, and recognition as one of Canada's leading industrial companies. This period has also seen the sale of the United States synthetic rubber plants to private interests. In summary, Polymer has been transformed from a wartime operation fulfilling an urgent strategic need to a company operating on a normal commercial basis making an important contribution to the Canadian economy. Its existence together with certain new developments in the synthetic rubber field provides assurance that Canada will have a more than adequate supply of rubber in any emergency situation which may arise in the future.

An important factor in Polymer's progress as outlined above has been the kind of personnel which the company has been able to attract and hold. Most of the trained personnel who were assembled to operate the plant during the wartime period were in the employ of the operating companies. When the operating agreements were terminated, there was a natural tendency for the key personnel to return to their parent companies rather than stay with Polymer whose future appeared highly uncertain. However, a large number of the operating people and of the technically trained personnel decided to stay with Polymer. This election was a reflection of their interest and confidence in the future of Polymer and of the synthetic rubber industry. The progress of the company, to which these people have contributed so markedly, has justified their confidence of ten years ago.

ADMINISTRATION AND ORGANIZATION

As mentioned above, Polymer was incorporated by letters patent, dated February 13, 1942, under the Dominion Companies Act. The administration of the company has been carried on under the provisions of the Companies Act and certain special legislation applicable to crown companies; namely the Government Companies' Operations Act and the Financial Administration Act. This latter act came into effect on April 1, 1952 and fundamentally sets forth certain requirements for crown companies. In accordance, Polymer, as a proprietary company, has been submitting its annual operating budgets to the Minister of Defence Production and its annual capital budgets to the Minister of Defence Production and the Minister of Finance. The president of Polymer has kept the Minister of Defence Production informed of Polymer's operations through a published monthly report and conversations in Ottawa from time to time.

From the standpoint of general administration Polymer has conducted its operations as a normal business enterprise. Polymer has a board of directors made up of the following nine prominent Canadians:

Executive Committee	*Affiliation*	*Date of Service*
E. J. Brunning	Chairman of the Board, Polymer Corporation Limited, and President, Consumer Glass Company, Montreal, Quebec	April 25, 1947
J. D. Barrington	President McIntyre, President Ventures Limited, Polymer Corporation Limited	June 8, 1951
E. R. Rowzee	President and Managing Director, Polymer Corporation Limited	May 1, 1942

Directors	*Affiliation*	*Date of Service*
G. A. LaBine	President, Gunnar Gold Mines Toronto, Ontario	February 26, 1942
J. A. Hodgson	Partner, C. J. Hodgson & Co., Montreal, Quebec	April 11, 1945
John W. Bruce	General Organizer, United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, R.R. 1 Richmond Hill, Ontario	August 22, 1947
C. A. Massey	President, Lever Brothers Ltd., Toronto, Ontario	June 17, 1949
F. A. Sherman	Chairman, Dominion Foundries & Steel Ltd., Hamilton, Ontario	June 17, 1949
R. W. Todgham	President, Chrysler Corporation of Canada Ltd., Windsor, Ontario	September 19, 1956
Other officers		
L. D. Dougan	Vice-President—Operations	July 16, 1942
R. E. Hatch	Vice-President—Marketing	
W. J. Dyke	Secretary and Chief Legal Officer	October 1, 1943
Stanley Wilk	Vice President—Finance	June 1, 1946

The executive organization consists of six officers and seven other senior division managers as set out in the attached organization chart.

Pursuant to an agreement dated March 31, 1952, Polymer issued additional shares of common stock, up to a total of 2,000,000 shares valued at $15, and $8,000,000 in 4 per cent debentures in order to acquire the plant and other assets owned by the government of Canada. Since then the Minister of Defence Production has held all of the common stock in trust for the government of Canada. Polymer has made regular dividend payments and by 1954 it had retired all of the debentures. In addition it has also paid income taxes, sales taxes, municipal taxes, duties and other related levies in exactly the same way as any private company. In its operations within the city of Sarnia, Polymer has also accepted its fair share of obligations for the support of charities, community services, and other similar activities. The company carries appropriate insurance to cover all of the normal risks associated with its business operations.

During the war period, the government investment in Polymer reached a peak of $48.4 million and by June 30th of this year, Polymer will have made payments in the form of dividends, debenture retirements and other repayments in a total of $53.3 million. The government also will have received an additional $39.35 million in income taxes and interest.

In a ten-year summary of certain key measures of Polymer's growth and expansion, it is worthy of note that dollar sales have quadrupled; rubber production has tripled; net income after taxes over the past several years has been good when related to sales volume or capital invested in the business; plant investment, at cost, has increased from $52 million to $92 million; and working capital has about doubled. This record of performance has been accomplished entirely from funds generated by Polymer and after repaying to the government the original wartime investment.

SCOPE OF BUSINESS AND GENERAL OUTLOOK

Polymer's level of business has expanded from approximately 50,000 long tons of rubber per year in 1946 to 130,000 long tons in 1957. Most of this expanded activity has taken place since the outbreak of the Korean war in June 1950. The series of events which took place in 1950 and 1951 resulted in the emergence of synthetic rubber as a dominant factor in the world rubber trade. This led to the first expansion of the Polymer plant and has dictated the steady growth which has taken place during the past five years. The total number of employees is now 2,700.

It should be noted particularly that Polymer is supplying the bulk of the synthetic rubber consumed by domestic industry. The remainder, some 65 per cent of its production, is being sold outside of Canada. Polymers products are being sold in practically every country of the world. Ever since the sale of the United States synthetic rubber plants to privately owned companies two years ago, Polymer has been subject to increasingly stiff competition in the export market, and to a lesser extent in the domestic market. Its success in withstanding this competition is a measure of the soundness of the company's export and marketing program which was established ten years ago. Particular note should be taken of the ownership of the synthetic rubber industry in the United States. It is controlled by the large chemical, oil, and rubber companies. But no single plant in the United States is as highly integrated as our plant in Sarnia.

Currently there is a surplus of productive capacity for synthetic rubber in the United States. A number of producers are operating well below capacity and this situation is expected to prevail for the next year or so. Polymer on the other hand is operating full and is pushing hard for additional production.

To complete the picture it should be noted that synthetic rubber plants are currently being built in the major countries of western Europe despite the fact that North American production has the advantage of being more economic.

At first glance, this would suggest that Polymer's future is uncertain. Actually this is not the case and Polymer continues to be in a favourable position due to three factors:

(1) Demand for synthetic rubber in western Europe and in other foreign countries is developing faster than new synthetic plants are being built or are likely to be built.

(2) The increase in world demand for rubber now averages about 150,000 long tons per year, all of which must be met in the form of synthetic rubber, and

(3) As a result of ten years of intensive marketing and technical service, Polymer is in a position to hold a substantial share of the world markets.

The future outlook for synthetic rubber demand is bright, since it is acknowledged that natural rubber production has reached a level where further significant increases in production are unlikely.

From the above you can see that Polymer enjoys a unique position in the synthetic rubber industry. To maintain this position Polymer must be prepared to intensify its sales and research efforts so that it may continue to compete effectively opposite some very large and powerful companies in the United States and Europe. It must also be prepared to make substantial capital expenditures to assure that it will have supplies of basic raw materials at reasonable costs and to maintain its position with regard to the quantity and quality of its production.

To finance such a programme despite the profit squeeze that exists is a real problem. It should be recorded that Polymer prices have remained at the current level for a full five years in spite of substantial increases in the cost of labour, materials and services. To date, increases in productivity based on process improvements have made it possible for Polymer to maintain a satisfactory earnings level.

With respect to the high competitive outlook for the years ahead, it is gratifying to report that Polymer has an excellent organization and a strong board of directors.

I would like to commend the organization to you as being well equipped to look after the future development of the company along the lines that I have mentioned.

Thank you very much.

The CHAIRMAN: Thank you very much, Mr. Rowzee.

Gentlemen, I think you will agree that we have heard a very comprehensive statement from the president of the Polymer Corporation. We are now open for questions.

Mr. CHOWN: After the initial investment by the government in this plan, how was it financed subsequently? As to these four Canadian companies which supplied the materials and the processing techniques to this plant once it was set up in your corporation, what is their financial interest in the corporation at the present time? In other words, who owns it?

Mr. Rowzee: It is owned by the people of Canada; it is a crown company wholly owned by Canada, and as evidence of that, the Minister of Defence Production holds two million shares.

Mr. CHOWN: You have been able to raise the needed capital requirements for extending and so on throughout the years?

Mr. ROWZEE: That is correct.

Mr. CHOWN: Is there any other company in Canada producing synthetic rubber in competition with your company?

Mr. ROWZEE: There is a small production of synthetic rubber latex by a plant which is operated by Dow Chemical Company and which is located just to the south of us in Sarnia.

Mr. CHOWN: It has not proved to be any source of trouble competitively speaking?

Mr. ROWZEE: No.

Mr. CHOWN: Have any private interests approached the corporation with a view to purchasing it?

Mr. ROWZEE: I believe it would be correct to say that there have been private interests which have approached various members of the government from time to time with a view to sounding out the possibility of a purchase. But I am not aware of any direct approach to the corporation itself.

The CHAIRMAN: You will have an opportunity shortly to ask that question of the minister.

Mr. CHOWN: Would you be good enough to tell us who handles the advertising for the corporation?

Mr. ROWZEE: Harold Stansfield.

Mr. CHOWN: Is that a Sarnia company?

Mr. ROWZEE: No, they have offices in Toronto.

Mr. CHOWN: Have representations been made by any advertising agencies recently?

Mr. ROWZEE: The matter was reviewed quite carefully last year. I believe there were several firms; and the matter was gone into quite carefully at that time.

Mr. CHOWN: How long has Stansfield had the advertising account?

Mr. ROWZEE: I believe it has been ever since we started advertising, which I believe was approximately five years ago.

Mr. CHOWN: Can you tell me who is handling your insurance? Is it a general insurance broker or a single agency, or several?

Mr. ROWZEE: Yes. The man through whom we deal is a Mr. Burns in Toronto.

Mr. CHOWN: What is his company?

Mr. ROWZEE: I am not completely sure as to the full name of his company. I would have to provide it.

The CHAIRMAN: Would you like to have that, Mr. Chown?

Mr. CHOWN: Yes, if I may.

Mr. GRAFFTEY: I do not know if this question might not be better directed to the minister, but I do not think it necessarily should be.

The president is aware of the main arguments which are usually put forward. I am not asking for a policy statement here, but I think, to clarify the matter for the committee, the president might review for us the main arguments which are usually put forward to justify the position of the government in continuing operation of the Polymer corporation.

The CHAIRMAN: Might I suggest that he has pointed out that no direct offers have come to his attention, but that he is aware that some may have come to the government. So it would seem that the government would state what the basis of them was. I suggest you direct your question to the minister.

Mr. GRAFFTEY: I think this is a general statement.

The CHAIRMAN: I think the reply was given that no offers had come directly to the company. I suggest that you direct your question to the minister.

Mr. GRAFFTEY: I am not asking that same question at all. There are obviously many many good reasons of which some of us may not be as aware as others. I have no opinion one way or another as to whether the government should be or should not be in this business, but I am sure that the president of the corporation could outline the general reasons why.

The CHAIRMAN: I do not think that is within our purview. It is a question which should be directed to the minister.

Mr. WINCH: Here is a successful public ownership. I shall be interested to hear what is going to be asked.

Mr. CATHERS: Originally there were four or five Canadian companies or subsidiaries of American companies and they entered into a financial undertaking on this thing. Did they put money into it originally?

Mr. ROWZEE: No, at no time. They provided only the necessary technical knowledge and skills of operation construction and design that were necessary to bring the plant into being.

All money spent was supplied by the government of Canada. Then each of these operating companies undertook to produce materials for synthetic rubber or basic raw materials for the effective manufacture in the plant, and for doing so they required a specified management fee of a certain fraction of a cent a pound for each pound of material produced.

The only part that they played was in the active supervision of construction and operation of the plant, and the receiving of a fee for those services.

Mr. WINCH: Do they still supply material to you?

Mr. ROWZEE: No.

Mr. WINCH: It is all self contained now?

Mr. ROWZEE: As of 1951 the last of those operating contracts terminated. From the end of 1951 to date it has been entirely a self contained company, with no more operating companies in the picture.

Mr. CARTER: May I have an interpretation of what the president said: that competition between natural rubber and synthetic rubber is lessening.

Mr. ROWZEE: I do not know that it is quite safe to say that, because natural rubber still represents 60 per cent of all rubber used in the world.

In Canada natural rubber represents about 45 per cent of the total Canadian consumption.

In the United States natural rubber represents 35 per cent of the total consumption.

In Europe, a few years ago, the consumption of synthetic rubber was very small, but it is now tending in the direction which was mentioned with respect to Canada and the United States. Nevertheless 60 per cent of the rubber being used in the world today is still natural rubber.

But natural rubber has been one of the most variable of world commodities speaking pricewise; in 1910 it sold for $3 a pound. But in 1933, when the world war was in preparation it sold for three cents a pound. And as recently as 1951 shortly after the Korean war started, it sold for as much as 80 cents a pound.

What happens is that as they produce synthetic rubber it tends to stabilize the price of natural rubber so that it would seem rather that the price of natural rubber is unlikely ever again to go as high as some of the figures which I mentioned because there is a surplus of synthetic rubber capacity in the world today, particularly in the United States.

Mr. CARTER: How does the present price of synthetic rubber compare with that of natural rubber?

Mr. ROWZEE: The principal grades of synthetic rubber which we sell to Canadian industry sell at 24.1 cents a pound.

Natural rubber over the past several months has varied between a low of about 26 cents a pound and a high of about 29 cents a pound. But that is for the top grade of natural rubber.

There are several grades of natural rubber, and there are certain lower grades which are quite usable in rubber factories which sell for from two to three cents below the prices for the top grade which I mentioned.

Mr. CARTER: How does the quality compare of synthetic rubber, vis-a-vis natural rubber.

Mr. ROWZEE: You have really asked me quite a question. But to over-simplify it, there are certain uses for which natural rubber is still preferred and there are certain uses for which synthetic rubber is preferred.

Roughly speaking, I think it would be safe to say that at least in one third of the total world consumption of world rubber, synthetic rubber is preferred. In other words, it is the best material from the standpoint of quality.

Mr. WINCH: In view of the present emergency situation which we all hope will work out satisfactorily, I would like to ask whether or not with this new self contained plant, if you are capable of producing the rubber requirements of Canada on the basis of your plant, in the event of either Canada or North America becoming isolated, and in addition, in view of what you said, what percentage does your crown corporation supply the synthetic rubber requirements of Canada?

Mr. ROWZEE: The total Canadian consumption of rubber of all kinds, natural and synthetic, last year was slightly in excess of 90,000 long tons.

Polymer produced and sold last year 130,000 long tons.

Mr. WINCH: In Canada?

Mr. ROWZEE: No, not in Canada. But I mention these figures now to show you that we have the capacity to supply any quantity which Canada might forseeably need.

Mr. WINCH: In your own corporation?

Mr. ROWZEE: Yes.

Mr. WINCH: Without having to call on outside sources for your basic raw materials?

Mr. ROWZEE: That is right. But there is one small clarification I should make concerning synthetic rubber. We make most of the synthetic rubbers, but there are many varieties made down in the United States. Obviously we cannot make every type that they make. But we make all the basic types of synthetic rubber that are required today.

And in the laboratory stage there is under development, both in the United States as well as in Canada, a synthetic rubber which is a complete duplicate of natural rubber.

Therefore if we were to be cut off from our supply of natural rubber, it would now be possible, with a large capital expenditure, to move into the production of synthetic-natural rubber.

Should you ask why we do not do it now, the answer is that it is more costly than natural rubber.

Mr. WINCH: Even in the present situation if Canada were cut off from its source of supply of natural rubber, you are in a position, as a crown corporation, with your set up to be able to meet the majority of the needs of Canada for all kinds of rubber without having to go outside of Canada?

Mr. ROWZEE: That is correct.

Mr. FAIRFIELD: I wonder if the witness could give us a general comparison of prices of synthetic rubbers in Canada and the United States, or are they equivalently priced.

Mr. ROWZEE: They are equivalent in the sense that a difference in the exchange rate may exist between our two countries.

Mr. FAIRFIELD: Generally speaking the price you quote of 24.1 cents a pound for the largest selling synthetic rubber would be about the same in the United States?

Mr. ROWZEE: That is correct.

Mr. CHOWN: Where do we get our natural rubber?

Mr. ROWZEE: We get our natural rubber from the principal natural rubber producing areas which are Malaya, Indonesia, and Ceylon.

Mr. CHOWN: That represents 60 per cent of our consumption in Canada at the present time?

Mr. ROWZEE: No, it represents 45 per cent at the present time.

Mr. MCCLEAVE: I have several questions which I shall ask on behalf of the hon. member for York Scarborough, Mr. McGee, who is unable to be present today. First of all, what is the number of the staff of your corporation?

Mr. ROWZEE: We have a total number of employees of 2700 approximately.

Mr. MCCLEAVE: How does this compare? Has there been any reduction or addition to the staff as compared to two years ago?

Mr. ROWZEE: There has been a slight but gradual growth. There have been no discharges or cut backs in employment in the last ten years.

Mr. MCCLEAVE: Do you employ efficiency firms to recommend the number of men you hire, or do you make use of efficiency firms from time to time?

Mr. ROWZEE: Yes.

Mr. MCCLEAVE: How does your work force compare with the operations of the privately-owned synthetic rubber plants in the United States?

Mr. ROWZEE: In so far as a comparison is possible, we feel that we compare very favourably. But it is very difficult to compare them because we produce butane and styrene and butyl rubber all in separate units at Sarnia.

Generally speaking in the United States these units are split up with the result that the butyl plant is usually operated by an oil company, the styrene plant is usually operated by a chemical company, and the synthetic rubber plant is usually operated by one of the rubber companies.

In so far as we can make a comparison, we compare very favourably with them.

Mr. MCCLEAVE: On behalf of Mr. McGee I thank the witness.

Mr. CATHERS: The witness mentioned the European market and that heretofore there had not been a plant established there. You made the statement that competition is not too critical. Can you enlarge on that? Why would a company in Germany which I believe was really the originator or inventor of this patent, with its near supply of oil from the Near Middle East—why could it not compete and be really competitive with Canada, as the German companies are in so many other things which they produce in the manufacturing line.

Mr. ROWZEE: I shall try to answer your question. Yes, Germany was the leader in the synthetic field as part of their self sufficiency program during the 1930's when they developed synthetic rubber. That was before they were developed in North America.

At the close of the war I comprised one of a team of scientific people who were put into uniform to have a quick look—at the German synthetic rubber plants immediately after they were taken over by the allied forces.

We learned quite a bit at that time—things which have been useful to us in a number of ways.

In the immediate post war period, the control commission which took over Germany prohibited the production of synthetic rubber in Germany.

There was no relaxation of that prohibition until 1951. But in 1951 permission was given by the control commission to resume the production of synthetic rubber in Germany on a very limited scale.

But the Germans themselves were not interested in assuming it on more than a limited scale at the time because their production of synthetic rubber was based primarily upon coal.

Please do not think that I am trying to say anything against coal or any other particular material, but facts developed over the past ten years indicated that synthetic rubber can be produced more cheaply when based on natural gas or petroleum than when based on coal.

The German production of synthetic rubber based on coal was proven to be less economic than the North American production of synthetic rubber which is based on natural gas and petroleum, and for that reason the Germans were not interested in establishing a large scale production until two years ago.

They have now proceeded to build a plant which has a capacity from 40,000 to 52,000 long tons a year, and which will go into production this year. It will be based on petroleum, some of which will be imported for the next two or three years.

They themselves acknowledge that they cannot sell the product of that plant as cheaply as we can sell our product in Europe.

Consequently they have asked the German rubber industry to agree to pick up their entire output at a price which is roughly two cents above our laid down price in Germany, for the next five years.

The German rubber industry has agreed to do so. But they themselves feel, with that kind of money, that they cannot make a satisfactory profit from their operations unless they can sell above the price at which we can sell the product laid down in Germany.

Mr. CATHERS: Can you give a reason why they cannot?

Mr. WINCH: I think he has already given the reason.

Mr. CATHERS: No, he has not. He said that they say they cannot. But why can they not produce it as cheaply as you can here, in your own opinion? I mean, with oil?

Mr. ROWZEE: Coal, oil and gas are all forms of energy.

If you look around you, you will see there is very little production possible in Europe, because the cost of energy is one of the main reasons.

A pound of synthetic rubber requires a larger amount of energy than a pound of aluminum. Energy in Europe is more expensive than energy in North America, generally speaking.

Therefore, whether you produce that synthetic rubber in England, France or Germay, it will be basically more costly than the same product produced here, largely because of that difference in energy cost.

Mr. CATHERS: But their oil cost—would it not be very similar to ours?

Mr. ROWZEE: No, it is higher.

The CHAIRMAN: I think Mr. Lambert has a question.

Mr. LAMBERT: Here in Canada do you not enjoy any tariff protection as against American production? Of course there is a surplus American production just as there is in many other fields. Are you not prepared to sell your surplus production at a price below theirs?

Mr. ROWZEE: Generally speaking there is ten per cent, or slightly less than ten per cent tariff against our products entering the United States; and there is

a five per cent tariff against United States syntheic rubber entering Canada. In view of the difference which has existed within the last everal years, that five per cent might just as well not exist.

Mr. DANFORTH: We have here a very successful company. I understand you have nine directors who are all well known in the industry. May I ask if each of the directors has been with your company since its inception, or have there been any changes as a consequence of death or resignations? How would a new director be appointed?

Mr. ROWZEE: There are several directors who have been with the company since its inception. Gilbert Labine is one, and Mr. Hodgson is another. He was the wartime head of the Fairmont Corporation which handled the sale, the purchase, and the distribution of natural rubber. He became a member of the polymer board.

I think two others have been on the board since.

As to the basis on which vacancies have been filled, the board would consider the matter and make a recommendation to the Minister of Defence Production. The basis on which vacancies have been filled is that the board has considered the matter, made recommendations to the Minister of Defence Production, usually in the form of recommendations one, two, three, and the Minister of Defence Production has then acted on that recommendation.

Mr. CHOWN: What are your plans for plant expansion? For example, there was a rumour there would be some sort of a development at Red Deer, Alberta.

Mr. ROWZEE: That is correct.

It is more than a rumour. The company has purchased property in the vicinity of Red Deer. It is the intent of the company to build a butadiene plant in Alberta at a cost of somewhere between fifteen and eighteen million dollars.

The reason for that is that our rubber producing capacity in Sarnia has outrun our butadiene production. We have been able to expand our rubber production facilities faster than we have been able to expand our butadiene production facilities. Consequently, we will be buying this year about thirty per cent of all the butadiene we require from the United States.

The single most important factor in keeping this company competitive with the best producers of rubber in the United States is a cheap source of butadiene. We have studied the situation very carefully and feel that we should supply the bulk of our butadiene needs. To that end we have examined the various hydro-carbons that might be used and have determined that butadiene is the most economical one, and the one that offers the best long range supply outlook. Therefore, it has been our intent to build a plant in Alberta based on butane that derives from the natural gas production out there and must be removed from the natural gas before it enters Trans-Canada pipeline moving east.

The CHAIRMAN: In that respect, why was Red Deer selected in relation to your raw product?

Mr. ROWZEE: Because Red Deer appeared, and still appears to us, to be closest to the largest butane suppliers that might come into production within the next few years.

The CHAIRMAN: That was initially introduced, of course, at the time of your survey. I wonder if the more recent developments in Alberta might indicate whether Red Deer is the best location?

Mr. ROWZEE: Our most recent survey still confirms that selection of that location as being a good one. We have purchased property. We have not started to build anything yet.

Mr. WINCH: Mr. Chairman, the evidence we have had given is most interesting, and I am very glad that I am here.

The CHAIRMAN: We are, too, Mr. Winch.

Mr. WINCH: The evidence gives rise to what I consider a most interesting question. From what has been said I gather the people of Canada, through the Minister, own a two million share company. Your board of directors are all very well known men in private industry. I take it, and I have to say this, Mr. Chairman, before I can ask my question, I take it the board of directors, being some of the leading financiers and industrialists of Canada, have a realization that, in the public interest of Canada, this should be a crown corporation, which has proven itself, not only in emergencies but in the competitive field, able to operate. Basically, in view of all the shares being owned by the people of Canada through the Minister, your board of directors being leaders of private industry, just where is the policy control on your operations? Where is the policy control on your operations?

Mr. ROWZEE: Well, the Minister of Defence Production acts collectively as the shareholders.

Mr. WINCH: But there are nine—

Mr. ROWZEE: The Minister of Defence Production could, at any annual meeting, by voting his shares throw out the board of directors and constitute a new board of directors. Any group of shareholders could do that if they so desired.

Mr. WINCH: My question now follows: in the public interests private enterprise supports a crown corporation—

The CHAIRMAN: I do not think that is a conclusion we need ask the witness to comment on, Mr. Winch.

Mr. WINCH: That is the only one we can come to. It is the most marvelous example of public interest.

Mr. CHOWN: It is a virtual monopoly and has a captive market, not to leave this CCF philosophy.

Mr. WINCH: It is done by a government corporation.

Mr. MORE: I wonder if I can ask the president if 135,000 long tons is the maximum production of the plant?

Mr. ROWZEE: No, that was the amount of rubber produced in 1957. We hope to do better than that this year, and we have plans in the making by which we hope we will see that increase stepwise to some higher level over the next two or three years.

Mr. MORE: That is the highest level you have ever achieved?

Mr. ROWZEE: Yes.

Mr. MORE: Do you have to pay royalties on any of the processes you use?

Mr. ROWZEE: Yes.

Mr. MORE: Do you still license other plants? Have you any relationship with the plants you forecast being built in Canada, is your licence sold to those people?

Mr. ROWZEE: Consideration is being given at the present time to the sale of the knowhow we have acquired over the years to certain plants which are being projected.

Mr. LAMBERT: Is your corporation at the present or within the forecast of the immediate future self sufficient on Canada for the source of its raw materials, right down to the basic raw materials?

Mr. ROWZEE: Yes. The basic raw materials that we require are light hydro carbons from the refining of oil or, conversely, light hydro carbons from the

refining of natural gas. Also benzol from the coke ovens of Canada, which is also produced from petroleum today by Canadian oil in Sarnia and, I believe, Imperial Oil will soon do the same thing. We import no benzol at the present time and the hydro carbons which are purchased in Canada are sufficient for our needs.

I have to qualify that by reiterating that we are, at the present time, purchasing butadiene from the United States but that will not last.

These light hydro carbons available in Canada, plus the benzol, are sufficient for our total requirements, not only as they exist at the moment but as we hope to expand them.

Mr. WINCH: In other words, it is an entirely Canadian operation.

Mr. LAMBERT: In going right back to the basic raw materials, are the oil supplies from which the light hydro carbons required by your industry obtained entirely in Canada or do they come from foreign sources?

Mr. ROWZEE: I think I am safe in answering that question in the affirmative.

We do not draw on the Montreal area at all for our hydro carbon feed stocks, and the Montreal area is the only one I know of that operates to any extent on imported crude oil. All the Sarnia refineries are supported by the Inter-Provincial Pipe Line that comes from the west.

Mr. CATHERS: The president said earlier he had a ten year survey of their operations.

The CHAIRMAN: That will be available in the minutes.

Mr. CATHERS: It is not available now that we can study?

Mr. ROWZEE: Yes.

The CHAIRMAN: Have you one available that can be studied?

Mr. ROWZEE: I have one with me.

Mr. CATHERS: When are we going to adjourn? Usually we adjourn—

The CHAIRMAN: No, Mr. Cathers, we go to one o'clock. You must have missed one or two meetings.

Would you like a copy of this report, Mr. Cathers?

Mr. CATHERS: Yes.

When are we going to meet again on this? Are we going to have an opportunity of discussing this further after 1 o'clock?

The CHAIRMAN: As I mentioned earlier at the outset of the meeting, we would like to try to conclude, either today, or if we are not going to do it today then on the day indicated.

In view of the fact we lost Monday, which I think you will agree was wise to sit in the house and listen to the Prime Minister of Ghana, I asked the committee that we should sit tomorrow morning at 9:30 and that we then conclude hearing the witnesses on Defence Production and Crown Companies.

Mr. WINCH: The Chairman of the Banking and Commerce committee should never have asked that question because he knows his arrangements.

The CHAIRMAN: We are going to continue to 1:00 o'clock and you will have an opportunity, if Mr. Rowzee is still with us, to question him tomorrow.

Mr. VIVIAN: The answer to this question may have been brought out: what percentage of the Canadian market does this corporation satisfy?

Mr. ROWZEE: We satisfy approximately 90 per cent of the Canadian market for synthetic rubber.

The other 10 per cent consists of a particular type of synthetic rubber known as Neoprene, which is manufactured only by the Dupont company, and miscellaneous grades of synthetic rubber which are imported from the United

States. In volume they are too small for us to be interested in them. It would cost too much money to produce them in the very small volume required in Canada.

Mr. MORE: Does the 90 per cent include the Dow Chemicals production of latex?

Mr. ROWZEE: Yes.

Mr. CATHERS: What rate of depreciation are you writing this equipment off at?

Mr. ROWZEE: The specified rate under the depreciated slide method established by the government.

Mr. CATHERS: Not accelerated?

Mr. ROWZEE: No.

Mr. WINCH: That is, the same as private industry?

Mr. ROWZEE: Yes.

Mr. WINCH: And you pay the same taxes as private industry.

Mr. ROWZEE: We pay the same taxes. Our plant is assessed in the same way that Imperial to the north is assessed and Dow to the south. The only difference is that when the cheque goes in it is labelled as a grant in lieu of taxes; but in amount it is exactly the same as a direct levy.

Mr. WINCH: It goes from your corporation to the municipality?

Mr. ROWZEE: It goes to the municipality from us.

Mr. WINCH: You are not getting any subsidy from the federal government.

Mr. ROWZEE: No.

The CHAIRMAN: Would you not agree, Mr. Rowzee, the greatest concentration of wet gas, and therefore the highest production of butanes, would come from those areas south of Red Deer rather than north of Red Deer? I am going back to the question of the location of this plant—and for the benefit of the committee I am not suggesting it should be in Calgary.

Is not this question of location really more market than location? Was not market also a large factor in locating it in Red Deer?

Mr. ROWZEE: Market, in one sense.

The CHAIRMAN: In the distribution, more than anything else, of your product; or was it primarily the availability of the raw product?

Mr. ROWZEE: It was the availability of butane.

Mr. WINCH: Mr. Chairman, that is my last question.

The CHAIRMAN: I beg to disagree.

Mr. CHOWN: Earlier we were asking if any private interests had approached you or your predecessor, according to the records, with any sort of a formal offer to purchase this industry?

Mr. O'HURLEY: Since I took office on the 12th of May I have been approached by one company to purchase Polymer. The reason no answer given was that: I did not see the need at the time. It is an interesting enterprise for the government, for the time being and, really, the question has not come up seriously, to dispose of Polymer. I am quite interested in receiving that dividend cheque every three months.

Mr. WINCH: May I ask the minister, Mr. Chairman: If you are approached what is your major decision of policy on something produced by Canada, should it not be retained by Canada?

Mr. O'HURLEY: That is a very direct question and I would be glad to answer it. I think Polymer, especially in my position as minister of defence production, and the possible needs in the future, should remain a crown corporation.

Mr. WINCH: Very good.

The CHAIRMAN: Any further questions?

The minister would like to say a word.

Mr. O'HURLEY: I want to say a word. I invited Mr. Rowzee personally to be present this morning and I insisted he give the company picture of Polymer. I think it was interesting for the members of the committee.

I wish to thank Mr. Rowzee personally for remaining here and giving all the information we wanted. I wish to express my personal thanks and the thanks of the committee this morning.

The CHAIRMAN: I wonder if I could hold the committee, I do not want to lose a quorum.

Mr. WINCH: I was going to say, Mr. Chairman; may I express my thanks to the minister for his invitation to our witness and the freedom that he gave him.

The CHAIRMAN: Certainly.

It was my intention, gentlemen, in my role as chairman to thank Mr. Rowzee also for being with us.

I wonder if we might continue with the list of crown companies. We have with us now in the consideration of the Canadian Commercial Corporation, Mr. F. F. Waddell, the secretary of the corporation. The president was unable to be with us due to illness at the present time.

It is my pleasure, therefore, to introduce Mr. F. F. Waddell.

Have you a short statement?

Mr. WADDELL: Yes.

The CHAIRMAN: Would you proceed, Mr. Waddell?

Mr. WADDELL: Canadian Commercial Corporation was established by the Canadian Commercial Corporation Act of 1946. The Corporation,

1. Acts for commonwealth and Foreign governments, especially the army, navy and air force of the United States, when such governments wish to purchase goods, services or defence supplies in Canada.

2. Arranges the purchase of all goods, commodities and services, and contracts covering projects, for the Colombo plan (trade and commerce).

3. Ships defence supplies purchased for NATO.

4. Purchases certain goods and commodities in Canada for the United Nations International Children's Emergency Fund (UNICEF) and the Supreme Headquarters Allied Powers in Europe (SHAPE).

5. Imports goods and commodities which must be bought from other governments, as they are not available from commercial sources. Many governments when buying in Canada wish to purchase on a government to government basis. This applies particularly to the United States Military departments, which have arranged that all their purchases in Canada of defence supplies for export shall be bought from Canadian Commercial Corporation. By using the corporation, the United States knows it receives the benefit of the Canadian defence purchasing procedures. Furthermore, by purchasing from Canadian Commercial Corporation the United States government is not only buying from the government of Canada but, at the same time, is able to enter into purchase contracts with the corporation in the same commercial form as it places with industry in the United States, which form of contract is required by the Armed Services Procurement Act of that country. The Corporation is able to pay the Canadian suppliers promptly from its funds, as the supplies are exported from Canada. The corporation then bills and receives corresponding payments from the United States government. This business with the United States military departments resulted in the placing of contracts with Canadian industry to a value of over $74,000,000 in the fiscal year 1957-1958.

The CHAIRMAN: Thank you, very much.

You have heard the statement of Mr. Waddell, are there any questions?

Mr. MORE: Is this handled on a commission basis?

Mr. O'HURLEY: Commission basis.

Mr. WADDELL: Excepting the contracts from the United States government and the placing of purchase orders for the procurement of supplies in Canada; that is done for the United States without charge.

Mr. WINCH: Do they also give you the same basis if you purchase?

Mr. WADDELL: Yes. It is reciprocal.

The CHAIRMAN: I think Mr. McCleave has a series of questions.

Mr. MCCLEAVE: I have questions on behalf of Mr. McGee, who is not here this morning. How many employees has the corporation.

Mr. WADDELL: Forty-nine.

Mr. MCCLEAVE: Does that represent a reduction or addition, compared with a couple of years ago?

Mr. WADDELL: There has not been any change in the last five years.

Mr. MCCLEAVE: Are these civil servants?

Mr. WADDELL: No, they are employees of the crown company, Canadian Commercial Corporation.

Mr. MCCLEAVE: Do you take any advice from efficiency expert firms?

Mr. WADDELL: No.

Mr. MCCLEAVE: That is all I have on behalf of Mr. McGee.

Mr. WINCH: Do you have a floating fund by parliament which is built up on your requirements?

Mr. WADDELL: Yes. Under the Canadian Commercial Corporation Act the minister of finance can advance as much as $10 million for our working capital. The need for working capital varies throughout the years but the advance at the present time stands at $4 million.

Mr. WINCH: That is your reserve at the moment?

Mr. WADDELL: That is our working capital, and there is a reserve in addition to that which has been built up over a period of time. It shows in the financial report.

Mr. WINCH: Are you a self sustaining corporation or do you return a profit and loss statement to the minister?

Mr. WADDELL: We are self sustaining. We show either a loss or a profit at the end of the year. For the last five years or so the corporation has ended up with a profit of approximately $30 thousand per annum.

Mr. HOWE: What was the value of the contract or the purchases made in the United States by this corporation during the past year, 1957?

Mr. WADDELL: We do not purchase in the United States.

We receive contracts from the United States.

Mr. LAMBERT: A supplementary question arising out of the last answer: is the fact that the American government purchases in Canada are funnelled through your corporation the result of American legislation or regulation which governs the type of contract that would have to be entered into and which is not in a form which is either acceptable or generally current to Canadian industry?

Mr. WADDELL: I think I can put it this way: the United States military authorities must purchase under the armed services procurement act, which more or less prescribes a commercial type of agreement. This type of agree-

ment is used in the United States and could be used directly with Canadian industry in Canada, but the United States prefer to purchase from Canadian Commercial Corporation in any event.

Mr. LAMBERT: Why?

Mr. WADDELL: And the corporation is able, then, to accept that form of contract.

Mr. LAMBERT: Why? Is the natural sequence or consequence of the statement you have made, that they prefer to buy through Canadian Commercial Corporation? Why?

Mr. WADDELL: I think, on a government basis, they can use their ordinary form of contact. They have the advantage of assistance from Canadian government in dealing with suppliers in Canada at one central source, in the Canadian Commercial Corporation.

Mr. LAMBERT: Following my series of questions I have a supplementary question, if I may: Do you have available to you the services of the officers of the department of defence production to vet or test or search out the sources of supply for the requirements of the American authorities, or do they do that themselves and then ask you to go and buy it on their behalf?

Mr. WADDELL: No, we have the services of the department of defence production in that regard.

Mr. WINCH: I may have misunderstood the witness, Mr. Chairman, and I would like to clear it up; I understood from the question you answered a moment ago on purchases from the United States that you said there were none?

Mr. WADDELL: Canadian Commercial Corporation does not buy defence supplies from the United States; that is done by the Department of Defence Production.

Mr. WINCH: I am trying to tie that in, Mr. Chairman, to Mr. Waddell's previous answer to me that on a reciprocal arrangement no commission on purchases was paid either way. I could not tie that in with your answer.

Mr. WADDELL: Actually the department does that. The department of defence production.

Mr. HOWE: Supplementary to these questions; is there an agency in the United States comparable to this corporation through which our purchases are made?

Mr. WADDELL: I do not think so, no.

Mr. MOORE: You say there is a profit and loss statement. If you do not charge the people you act for where do you get your money to operate?

Mr. WADDELL: I said we do not charge the United States government because of a reciprocal arrangement; but there is an administration charge made to other governments for purchases made on their behalf, which is a source of income to the corporation.

The CHAIRMAN: Any further questions?

Mr. O'HURLEY: You are not clear on that?

Mr. MOORE: I do not see where there is any reciprocal arrangement. We are told our defence buying in the United States is not done through any American government agency; we have a Canadian government agency which operates without charge. Where is the reciprocal arrangement?

Mr. WINCH: That is exactly what I was trying to find out a moment ago.

Mr. WADDELL: Defence production does buy defence supplies through the United States government, placing orders with the United States government through its Washington office.

Mr. WINCH: The United States government buys through you?

Mr. WADDELL: Right. Yes.

Mr. DANFORTH: In neither case is there a commission?

Mr. WADDELL: No commission. No administrative charge.

Mr. WINCH: So all your surplus, therefore,—it is small, only around $30 thousand a year—it comes from your buying on behalf of other governments at their request outside of the United States government?

Mr. WADDELL: Yes, other governments. There is a surcharge for some services rendered to other Canadian government departments.

Mr. BOURGET: Have you an office in the United Kingdom also, besides the one in Washington?

Mr. WADDELL: No, just the one office.

The CHAIRMAN: Any further questions? Mr. Lambert?

Mr. LAMBERT: Since the American government has an advantage through buying through the Canadian Commercial Corporation is there not the same feeling on the part of the Canadian government that it would prefer to buy through a similar corporation in the United States set up for the same purposes? If the advantages are on one side do they not apply on the other side?

Mr. O'HURLEY: There is Mutual Defence Assistance in the United States; but, really, there is not an organization like this one. I see your point but I am not clear on it.

Mr. Waddell, can you clear that up?

Mr. WADDELL: I know the United States government has looked at the Canadian Commercial Corporation as being a very good agency but so far they have not set up any such agency. They have no crown corporations.

Mr. GOLDEN: The United States does not have any such organizations comparable to crown corporations such as we have in Canada; but the situation is not too different.

We do have available to us in procurement for defence supplies in the United States the services of the United States military departments and the particular section which deals with mutual defence assistance. Although, of course, we pay for everything we buy. We go to the same agency which has the responsibility of allocating supplies to other foreign countries. But the situation is not too different.

This arose as a result of discussions which took place between the two countries in 1951 and early 1952. A letter agreement of February 1952 was signed between the United States military departments and the department of defence production which sets out that these facilities would be made available at a time when very substantial purchases were contemplated in Canada.

The CHAIRMAN: Mr. Howe?

Mr. HOWE: You say there is a fairly similar organization in the United States through which we place our purchases. How much do we buy from the United States? You say the purchases made by the United States government, through this corporation, was $74 million.

Mr. GOLDEN: It is not in the annual report. It is not necessarily through this mutual defence assistance agency. The total of all contracts placed and expenditures made in the United States in the calendar year 1957 is shown on page 49 of the report of the department of defence production. It shows the net value of Canadian government defence contracts placed in the United States in 1957 as $34,750,000.00

Mr. HOWE: Thank you.

Mr. LAMBERT: One supplementary question arising out of the reply given by Mr. Golden.

The CHAIRMAN: I wonder if I may interrupt here. Are there likely to be more questions? If so we will have this witness come back. Are there going to be more questions?

Mr. WINCH: Yes.

The CHAIRMAN: I would like to suggest we adjourn, gentlemen, if there are going to be more questions.

One point before you leave; I assume 9:30 tomorrow morning is satisfactory. I see no objection to it.

The second point, and this is a question specifically for you, Mr. Bourget, as a member of the steering committee: I believe at that time we agreed we would go through the annual report and deal with such items as shown under production and procurement. Can you tell me if your committee members, Mr. Bourget, who had some questions will be here tomorrow morning?

Mr. BOURGET: I think they will be here tomorrow morning.

The CHAIRMAN: And, Mr. Winch, will your people be here tomorrow morning?

We will conclude with that item under consideration now and then go into the annual report and then we will proceed with the report. We have a reply to a question which you posed, Mr. Winch, which could be answered tomorrow.

A motion to adjourn is in order.

HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 19

Including Index of Items relating to the Department of Defence Production

RECEIVED
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WEDNESDAY, JULY 23, 1958

DEPARTMENT OF DEFENCE PRODUCTION

WITNESSES:

Honourable Raymond O'Hurley, Minister of Defence Production; Mr. D. A. Golden, Deputy Minister; Mr. R. M. Keith, Financial Adviser; Mr. D. L. Thompson, Director of Aircraft Branch; Mr. D. B. Mundy, Director of Electronics Branch; Mr. F. F. Waddell, Secretary of the Canadian Commercial Corporation; and Mr. R. G. Johnson, President and General Manager of Defence Construction (1951) Limited.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

60950-3—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Allard,
Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard (*Lapointe*),
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fairfield,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Lambert,
Lennard,
MacEwan,
MacLean (*Winnipeg North Centre*)
Macnaughton,
McCleave,
McDonald (*Hamilton South*)
McGee,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,
More,
Nielsen,
Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard (*Kamouraska*),
Rowe,
Skoreyko,
Small,
Smallwood,
Smith (*Winnipeg North*)
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian,
Winch—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDER OF REFERENCE

TUESDAY, July 22, 1958.

Ordered,—That the name of Mr. McDonald (*Hamilton South*) be substituted for that of Mr. Pallett on the Standing Committee on Estimates.

Attest.

LEON. J. RAYMOND,
Clerk of the House.

60950-3—1½

MINUTES OF PROCEEDINGS

WEDNESDAY, July 23, 1958.
(21)

The Standing Committee on Estimates met at 9.40 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Benidickson, Best, Bissonnette, Bourget, Bruchési, Carter, Cathers, Chambers, Clancy, Doucett, Dumas, Fairfield, Grafftey, Hales, Hicks, Howe, Lambert, Lennard, McCleave, McDonald (*Hamilton South*), McGee, McQuillan, More, Peters, Pickersgill, Smith (*Calgary South*), Stefanson, Tassé, Vivian, and Winch—30.

In attendance: From the Department of Defence Production: Honourable Raymond O'Hurley, Minister; Mr. D. A. Golden, Deputy Minister; Mr. G. W. Hunter and Mr. W. H. Huck, Assistant Deputy Ministers; Mr. R. M. Keith, Financial Adviser; Mr. C. L. Muir, Director—Ammunition; Mr. R. Mosher, Director—Machine Tools; Mr. J. M. Dymond, Director—Guns; Mr. D. L. Thompson, Director—Aircraft; Mr. A. D. Belyea, Asst. Director—Aircraft; Mr. D. B. Mundy, Director—Electronics; Mr. J. C. Rutledge, Director—Shipbuilding; Mr. D. M. Erskine, Director-General Purchasing; and Mr. W. J. Mulock, Deputy Minister's Office.

From Canadian Commercial Corp.: Mr. F. F. Waddell, Secretary and General Adviser; and Mr. W. R. Harris, Assistant to the President.

From Crown Assets Disposal Corp.: Mr. Louis Richard, President and General Manager.

From Defence Construction (1951) Ltd.: Mr. R. G. Johnson, President and General Manager.

From Canadian Arsenals Ltd.: Mr. J. H. MacQueen, President; and Mr. J. H. Berry, General Manager.

The Committee continued its study of the Main and Supplementary Estimates, 1958-59, relating to the Department of Defence Production, the Minister and his officials supplying information thereon.

Under Item No. 78: The work of the Canadian Commercial Corporation was further discussed. Mr. Waddell was thanked and permitted to retire.

Information sought at previous meetings was tabled for incorporation in the record (*See Appendix "G" to this day's Evidence*).

The Minister supplied other related information, with the assistance of Messrs. Golden, Waddell, Thompson, Keith, Mundy, and Johnson.

The Committee considered certain matters referred to in the Department's annual report.

Item numbered 78 was approved.

On behalf of the Committee the Chairman thanked the Minister and his officials and they retired.

A letter from Mr. Broome, M.P. was referred to the Steering Committee for consideration.

Agreed,—That the Committee meet again at 9.30 a.m. on Friday, at which time the Estimates of the Department of National Defence will be further considered.

At 10.50 a.m. the Committee adjourned until 9.30 a.m., Friday, July 25, 1958.

E. W. Innes,
Clerk of the Committee.

Note: The Committee's Report to the House relating to the Estimates of the Department of Defence Production will appear in Proceedings No. 21.

EVIDENCE

WEDNESDAY, July 23, 1958.
9.30 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum. This is, undoubtedly, not a good day to call our extra meeting.

We have with us again the Minister, together with the heads of the various Crown Corporations.

We had under consideration the Canadian Commercial Corporation. Mr. F. F. Waddell, the secretary of that crown company, is with us. I think there were a number of questions, or one or two questions in any event, left over from the last meeting.

Would you like to proceed, Mr. Lambert?

Mr. LAMBERT: Mr. Chairman, at the adjournment I was going to ask this question: the fact the Canadian government does not maintain a corresponding purchasing agency or facility in Washington, does that mean the Canadian government, or the Department of Defence Porduction, feels it is more economical for its representatives to range through the United States to make their purchases independently, in preference to having a centralized agency acting on its behalf, as compared with the American procedure of buying through a centralized Canadian agency in Canada?

Mr. D. A. GOLDEN *(Deputy Minister of Defence Production)*: Mr. Chairman, that is not quite a correct statement of the situation. The Department of Defence Production does not range through the United States in its procurement necessary in that country. The situation is very analogous; we do most of our procurement in the United States through the United States military agencies, or this other group which I mentioned yesterday. The Department of Defence Production does maintain a purchasing office in Washington and purchases in the United States are channelled through this office, or direct from the head office in Ottawa, mainly with the United States military departments.

Mr. LAMBERT: May I ask a supplementary question? Do you feel that policy gives you the greatest economy and facility in purchasing?

Mr. GOLDEN: Yes. We have a very close relationship with the United States military departments. If, in an appropriate case, it is agreed between the two departments that it would be better to go direct to the American contractor concerned, then we do that with their concurrence.

Mr. FAIRFIELD: Has there been an answer, Mr. Chairman, to the question of Mr. Chown, who will not be here today, concerning the insurance for Polymer, where it will be placed, through what agency?

Hon. RAYMOND O'HURLEY (*Minister of Defence Production*): It is insured with Dale and Company, Toronto.

Mr. FAIRFIELD: One broker?

Mr. O'HURLEY: Yes, Dale and Company, Toronto.

Mr. FAIRFIELD: Secondly, Mr. Chairman, I would like to ask Mr. Waddell, "When the United States orders some material in Canada through the Canadian Commercial Corporation do you ask for tenders from different companies or do they do their purchasing through a certain company, or ask that you buy from a certain company, and designate it as such?"

Mr. F. F. WADDELL *(Secretary, Canadian Commercial Corporation):* No, we normally ask for tenders, using the tendering facilities of the Department of Defence Production. That is, we follow their purchasing procedures on behalf of the United States and go out to tender, just as we would if it had been a Canadian requirement.

Mr. FAIRFIELD: Do you have anything to do with services, as well as goods and materials, such as transportation services?

Mr. WADDELL: Yes. We enter into agreements with the United States in some cases for the carrying out of services in Canada for them.

Mr. FAIRFIELD: Do they designate what service shall be used?

Mr. WADDELL: No.

Mr. FAIRFIELD: I am thinking particularly of the DEW line services from northern Alberta in one case in the last few years.

Mr. WADDELL: It is generally in a special case like that, done by arrangement. Tendering would not always be satisfactory. We are rendering, for example, the service of transporting supplies to the DEW line for the United States. That is a type of service we render.

We also render the service of maintaining some of their Pinetree stations here. In that case we do go out to tender where possible. If it is not possible to get tenders, then, of course, we negotiate, but in doing that we follow the Department of Defence Production practices, The United States government expects us to do that, as they want the benefit of our purchasing system here in Canada.

Mr. CATHERS: Mr. Chairman, my question is supplementary to Mr. Chown's, if I may go back to that.

The CHAIRMAN: Yes.

Mr. CATHERS: I understand the government buildings are not insured. My question is, "Why would the government-owned crown corporation then be insured?"

The CHAIRMAN: Are you going back to Polymer Corporation insurance? Mr. Minister?

Mr. O'HURLEY: The crown corporation administers Polymer just like any company; Polymer is just the same as a commercial company. They have the administration and they insure like an ordinary company.

Mr. CATHERS: It is a crown company owned by the people of Canada: why should we insure those people and not another?

Mr. O'HURLEY: It is a crown corporation and if they had a loss the directors would be responsible, that is why they cover themselves with insurance. It is not exactly like the parliament buildings here in Ottawa; they operate like an ordinary business on a commercial basis.

The CHAIRMAN: I wonder if we could finish with the present company and, then, if you wish to come back to the Polymer Company we can do so.

Are there any more questions for the witness? If not I shall thank him on your behalf.

Thank you very much, Mr. Waddell.

Are there any further questions? Do you wish to pursue the matter, Mr. Cathers?

Mr. CATHERS: I am not satisfied with that answer, because the directors are running it. Those directors are not shareholders, they are not responsible in any way, and I frankly do not think there is any logic in insuring a building that the people of Canada own in one case and not in another.

Mr. WINCH: Mr. Chairman—

The CHAIRMAN: Do you wish to comment any further?

Mr. WINCH: I would like to add to that. The point I wanted to raise is that as far as I know in the majority of the governments of Canada they have found it a correct thing to do to carry their own insurance. As far as I know the majority do, both federal and provincial.

In view of the fact it has been found by experience the best thing for governments to carry their own insurance on their own properties, has the minister given any thought to extending that principle to the crown corporation?

Mr. O'HURLEY: You see, Polymer is completely self-sustaining. Just like any company. There is no vote on it, we do not vote them any money, they are absolutely self-sustaining. The company belongs to the Dominion of Canada, it belongs to the crown, but it is just like an ordinary administration.

The Canadian Broadcasting Corporation has insurance.

Mr. PICKERSGILL: What about the Canadian National Railways?

Mr. O'HURLEY: They have insurance, have they not?

Mr. CARTER: I know they do not insure their steamships, not the coastal boats. I asked that question several years ago. But, they have a depreciation fund which they build up over the years and if they lose a ship they replace it out of that fund.

Mr. WINCH: That is exactly what I was questioning, that is followed by all the governments. The governments have found that to be a correct principle. I speak only of the property coming under your department, the crown companies. Would that not also be a good policy to follow?

Mr. O'HURLEY: Another thing, Polymer, with all these chemicals is a dangerous thing. Mr. Rowzee has spoken to me about—

Mr. CARTER: What I spoke about was marine insurance, which is much more costly than building insurance, fire insurance. I am not sure whether the Canadian National Railways carries insurance on their buildings.

Mr. O'HURLEY: I am sorry, we have not the figures for insurance on Polymer. Mr. Rowzee is not here.

Mr. PETERS: How long have they had it with this same company?

Mr. O'HURLEY: I do not have that information.

The CHAIRMAN: Would you like that information?

Mr. PETERS: Yes.

The CHAIRMAN: We would like the length of the term that insurance has been held.

Mr. WINCH: Mr. Chairman, I presume the information asked for is going to be filed?

Mr. O'HURLEY: Yes.

The CHAIRMAN: Yes, Mr. Winch. Gentlemen, you will recall that earlier, in consideration of item 78, we said we would provide an opportunity for you to ask some questions pertaining to the annual report.

May I suggest that you turn to page 13, under Production and Procurement. You will have an opportunity to take from the six odd pages any questions which may occur to you. I am going to make the suggestion, and this is at the suggestion of the steering committee, that we do not take them in any particular rotation because the three groups have indicated to me that there are not any detailed questions expected. If we find we are becoming bogged down we will go back to the rotation under the headings here.

Perhaps I might also say at this point that the Minister of Health and Welfare, assuming we would conclude this portion of the estimates, is attending a cabinet meeting and has agreed to be available on call to complete his

evidence in so far as civil defence and the militia is concerned. You were advised of this at our last meeting. I am not attempting to rush you, of course, but I am only letting you know that the Minister of Health and Welfare will be here, assuming we get through with this portion of the estimates.

In addition to that there were a number of questions which were asked yesterday and the day before, the answers to which will be filed with the evidence in the usual manner.

I think we will proceed.

Have you all copies of the annual report? We have, I think, all the necessary officials here, in addition to the minister. Would you like to proceed, then, gentlemen?

Perhaps while you are looking through and examining the report—there was one question which has not been answered. It was a question by Mr. Winch. We might ask the minister to make his reply now.

Mr. O'HURLEY: Mr. Chairman, at the last meeting of this committee Mr. Winch requested information on the agreement betwen the crown and Canadian Arsenals Limited governing its operations.

Briefly, responsibility for administration of the company is shared as follows: on matters of major policy the president invariably consults with me, either at my request or upon his own initiative; operational policy, generally speaking, is set by the board of directors, and the day-to-day operations are directed by the management.

This arrangement is formally set out in the form of an agreement, which was approved by order in council P. C. 6451, of 1945, which provides for:

(1) The company, on behalf of and as agent for Her Majesty, to organize, maintain and operate the Arsenals subject to instructions as may be given by the minister from time to time;

(2) Maintaining bank accounts with a chartered bank and depositing all revenues and other moneys received by the company and withdrawing therefrom proper costs and expenses incidental to the operation of the company;

(3) Montly submissions to the minister of detailed statement of the transactions through the bank account, supported by a certified copy of the bank's monthly statement;

(4) The submission to the minister of montly financial statements;

(5) Keeping of proper accounts and records which shall be open to audit and inspection by the Auditor-General of Canada;

(6) The exercise of control by the minister over the affairs and operations of the company;

(7) Provision for the limitation of liability of directors and officers of the company for acts undertaken in good faith;

(8) General provision for continuation, termination or assignment of the agreement.

The CHAIRMAN: Any further supplementary questions? Dr. Fairfield?

Mr. FAIRFIELD: No, it is not on that.

The CHAIRMAN: Shall we go to the report, gentlemen? Are there any questions on the report before item 78 passes?

Mr. FAIRFIELD: I want to ask the minister what advances have been made in the manufacture of the Sparrow? What proportion of the Sparrow guided missiles now in use by the air force are manufactured in Canada, or are they all produced in the United States?

Mr. GOLDEN: It is not in use, sir. It is in the process of being manufactured in Canada at the moment.

Mr. FAIRFIELD: We have not, as yet, manufactured any great total in Canada?

Mr. GOLDEN: We are doing the engineering, tooling and pre-production at the present time.

Mr. WINCH: Is it cheaper to have that done in Canada than to have the same thing developed in the United Kingdom or the United States?

Mr. GOLDEN: It varies from case to case; you cannot give an answer to that in general.

Mr. WINCH: What about the Sparrow, is there available to Canada from anywhere outside Canada something of a similar nature which would save us doing the engineering and development and production work?

Mr. GOLDEN: Not the particular weapon called for by the air force in this case.

Mr. WINCH: What is the particular reason which requires Canada to do its own work on this particular weapon?

Mr. GOLDEN: I cannot tell you in a committee like this, Mr. Chairman.

The CHAIRMAN: Then, just say that it is restricted information.

Mr. GOLDEN: The particular weapon called up by the air force is not available in any other way. I cannot tell you what feature of the weapon is important.

Mr. WINCH: It is of such a nature you feel it must be done in Canada alone?

Mr. GOLDEN: Yes, sir.

Mr. WINCH: It cannot be obtained from any other country?

Mr. GOLDEN: No.

Mr. PICKERSGILL: That decision is really made by the Department of National Defence, in any case.

Mr. GOLDEN: Yes, it is not a Department of Defence Production decision.

Mr. LAMBERT: In your general procurement program is there any general advantage granted to Canadian manufacturers as against outside or foreign companies?

Mr. O'HURLEY: Absolutely.

Mr. LAMBERT: And to what extent is the margin, or is that information that is classified?

Mr. O'HURLEY: You mean, the percentage?

Mr. LAMBERT: Yes, what is the yardstick?

Mr. O'HURLEY: The policy is naturally to do as much with Canadian components as possible. Everything that can be made with a Canadian component.

Mr. BENIDICKSON: What about on tendering, do you reject foreign tenders if there is a Canadian supply?

Mr. O'HURLEY: Yes, sometimes.

Mr. WINCH: May I go back, Mr. Chairman? I believe it was said that the decision on the Sparrow is strictly a decision of the Department of National Defence?

Mr. GOLDEN: The operation—

Mr. WINCH: Is it not an engineering decision, which comes under your department?

Mr. GOLDEN: No. The operational characteristics of any weapon is a matter for the Department of National Defence. Once the operational characteristics have been set, then it is a matter for the Department of Defence Production to decide whether to purchase or manufacture, and if so where.

Mr. WINCH: The initial answer, then, is not National Defence, it is the Department of Defence Production, as to whether it should be proceeded with in Canada or to utilize anything which is available outside of Canada. I want to clear that point up.

Mr. GOLDEN: National Defence sets the operational characteristics, which by themselves might have an important bearing on whether the weapon was available off the shelf somewhere else or not.

Mr. PICKERSGILL: I would like to come back to this question of the preference in procurement between Canada and other countries, with particular reference to the United Kingdom.

My recollection is that it was the policy of the previous administration to give a quite considerable margin—if I remember rightly it was 10 per cent then —to the Canadian producer as against foreign purchases, but as between Canada and the United Kingdom no preference was given. I wondered if that was the policy at the present time?

Mr. GOLDEN: Yes, sir, that is the situation at the present time.

I think, to clarify the record, I should point out that in many cases because of considerations only Canadian suppliers are invited to tender. There are many cases where, on strategic, logistic and other grounds, no invitation is issued to anybody outside the country.

With respect to those cases which you have outlined that is in fact what does happen.

Mr. PICKERSGILL: It will be recalled I think that shortly after the Mont Tremblant conference the British people were here trying to find ways of increasing British sales to Canada. The government announced it was going to do something to increase government purchases in the United Kingdom over what had been done hitherto.

Has this policy been reflected in any way in the purchases and procurements of the Department of Defence Production?

Mr. GOLDEN: Yes, sir. One of the assistant deputy ministers of the Department of Defence Production accompanied the trade mission for part of the time, together with a technical adviser, and very intimate negotiations and consultations were held with the appropriate authorities in the United Kingdom. As yet it is difficult to tell what the outcome will be. That was a step that was taken.

Mr. PICKERSGILL: I suppose the deputy minister or the minister would not be in a position to say whether it has resulted in the diversion of any purchases from the United States to the United Kingdom?

Mr. O'HURLEY: No, I cannot.

Mr. FAIRFIELD: I want to get back to this availability of the Sparrow. It may be a security question. Are they available? I see on page 24 that a substantial part of the contracts and amendments issued were for the CF-105 and the Sparrow II guided missile. Are they in the process of manufacture? If you cannot answer, fine.

Mr. GOLDEN: Yes, sir, they are in the process of manufacture right now.

The CHAIRMAN: Gentlemen, can I get a guide from you? Would this be approximately the time to have the Minister of Health and Welfare start to move, or have you a good many questions?

May I ask Mr. Benidickson, have you a great many questions?

Mr. BENIDICKSON: On the report?

The CHAIRMAN: Yes.

Mr. BENIDICKSON: I think there will be quite a few questions on the report. I was hoping the committee would get from the department an outline of its procurement policy in respect to aircraft similar to the manner in which we went into it on the question of ships.

The CHAIRMAN: You can proceed to do that, Mr. Benidickson. All I want to do is to prevent a lengthy delay between the time you complete these estimates and we call the next witness.

Mr. CARTER: While we are on the Sparrow may I just ask—

Mr. BENIDICKSON: I do not mind having an interruption.

Mr. CARTER: Are we modifying the Sparrow? Are we manufacturing a modified version in some way?

Mr. GOLDEN: Yes, sir.

The CHAIRMAN: Are there any further questions? Mr. Benidickson, you have a question?

Mr. BENIDICKSON: Well, I do not know whether we have passed the first pages or whether we are taking them in order; but I wonder if you could give us the basis of awarding contracts, even in the development stage, of such an item as the CF-105. How does the thing start and on what basis does the contractor obtain his profit? Is it provided in a manner similar to that described in our discussion on ships?

Mr. GOLDEN: With respect to the CF-105 there are two main components, the airframe and the engine. With respect to the airframe, there is a contract with the A. V. Roe Company. I do not believe that the profit rate has yet been established on that. It is a price-to-be-negotiated basis, I believe. With respect to the engine, this started as a private venture by the Orenda Company and as the development continued and became of interest to the Department of National Defence, the Department of Defence Production then entered into a contract with Orenda for the further development and production of that engine. I believe I am correct in saying that the profit on that has not yet been established.

Mr. D. L. THOMPSON (*Director, Aircraft Branch*): The contract is divided into several areas. One is pre-production of engines, tooling of engines and the design and development contract. The design and development is on a fixed fee type of contract. I believe the average profit rate worked out at about between three and four per cent. The tooling is on a cost plus contract; it is not determined yet. The pre-production is on a fixed fee.

Mr. PETERS: Cost plus what?

Mr. THOMPSON: Five, sir. The pre-production is on a fixed fee of five per cent.

Mr. BENIDICKSON: What does a fixed fee of five per cent mean?

Mr. THOMPSON: We estimate what it is going to cost to produce the engine; then we put a five per cent fee on that.

Mr. BENIDICKSON: And if it costs more, they do not get more than five per cent of the original estimates?

Mr. THOMPSON: The dollar fee of five per cent remains constant.

Mr. HALES: On this matter of cost, I think it leaves quite a wide field for discussion. It is quite a big subject. How do you assess these costs with the Orenda Company. For instance, do you check through these and do you have auditors on the job, and so on. What is your method of setting up or checking their costs?

Mr. GOLDEN: Well, sir, the costs are only those which are permitted under D.D.P. 31 and all the costs are audited by the cost inspection and audit division of the comptroller of the treasury.

Mr. WINCH: How do you cover the administration of things like compensation and matters of that kind? Is that included as a cost?

Mr. GOLDEN: Some items are and some items are not. It is all included in D.D.P. 31, copies of which have been filed with the committee.

Mr. HALES: Could you give an example of some costs that they have put in that you disallowed?

Mr. GOLDEN: Sales expenses, advertising.

Mr. HALES: Is that all; are there any more?

Mr. GOLDEN: Mr. Thompson says entertainment; financing charges, bank interest. Some of the items on D.D.P. 31, are allowances for interest on invested capital, entertainment expenses, dues and other memberships other than regular trade associations—there are 19 of them on D.D.P. 31.

Mr. BENIDICKSON: When you were discussing the ships item I understood that you explained that costs went up considerably in a yard which at the beginning had certain work of its own. And then later as the work proceeded the only work in that plant was defence production work, and then the costs element went up. Is that so, that you undertake the entire overhead if a plant is performing a contract of this kind even though the plant is underworked or is not fully utilized?

Mr. GOLDEN: Not necessarily, sir. There would be different circumstances in different cases. There are some plants which are engaged almost entirely on defence work and where considerations such as this might obtain. There are other cases where you certainly would not absorb all the overhead. For instance, in a contract at Canadair we would be getting the benefit of the substantial overhead which would be absorbed by the F-86 order for Germany. In De Haviland we would get the benefit of the substantial overhead which is being borne by their world-wide sales of Beaver and Otter aircraft, and so on.

Mr. BENIDICKSON: Supposing they did not have those orders and your requirements do not fully utilize the plant, would you under those circumstances assume the entire overhead?

Mr. GOLDEN: We might, or we might not, depending on whether the government had decided it was or was not essential to maintain the whole plant or whether it was satisfactory to have just part of the plant maintained and have the other part closed, or sold, or used for some other work.

Mr. HALES: In view of your experience in the purchasing of ships, are you following the incentive or target plan in those aircraft purchases?

Mr. GOLDEN: Wherever possible we are getting away from any cost plus and going, if we have no other alternative, to fixed fee, and from there to target incentive; and in many cases we have been able to get a firm price.

Mr. HALES: Have you any examples of the target incentive purchasing of aircraft?

Mr. GOLDEN: Yes, many examples.

Mr. HALES: But not the CF-100 or CF-105?

Mr. GOLDEN: For the CF-100, yes; but for the CF-105, no, not yet. We definitely got firm prices for the CF-100.

Mr. HALES: You got firm prices on the CF-100?

Mr. GOLDEN: Yes. As production continued and as cost experience grew, we were able to negotiate a firm price.

Mr. HALES: Cost-plus applies to what purchases?

Mr. GOLDEN: As Mr. Thompson pointed out, to the very beginning of the CF-105. We will get away from that as the development continues.

Mr. HALES: Did it apply to the CF-100, too?

Mr. GOLDEN: Yes, originally.

Mr. HALES: Until they produced how many? We have produced roughly 600 I believe.

Mr. GOLDEN: Until we had produced 82.

Mr. HALES: So we bought 82 CF-100's on a cost-plus basis.

Mr. THOMPSON: Yes.

Mr. HALES: And from then on?

Mr. THOMPSON: The next 330 were on a target price, and from then on they have been on a fixed price.

Mr. HALES: How many are on target?

Mr. THOMPSON: 330.

The CHAIRMAN: I think we were told, Mr. Golden, at the plant that the actual cost was approximately half the initial cost of the final order, on the CF-100. Is not that correct?

Mr. GOLDEN: I think so.

Mr. WINCH: I am sorry that I was not able to be with the committee last Saturday, so if I am asking a question that is in the transcript I will withdraw it. But, in this matter of the CF-105 I would like to ask this: In view of the fact that on the pre-production basis the departments have to spend a great deal of money, and other countries—I am going to mention the United Kingdom—are also doing a lot of work in the same field,—I read recently that they felt they had produced a jet fighter which was unexcelled,—is there any tie-in there on the engineering basis?

Mr. GOLDEN: None whatsoever. There is no aircraft of this type being developed in the United Kingdom at all. The aircraft to which you refer has an entirely different role.

Mr. GRAFFTEY: Is it in the type of manufacturing process that we saw last Saturday on our trip? Is it relatively difficult to maintain adequate security in a plant like that?

Mr. GOLDEN: We have not had any security difficulty I know of.

Mr. WINCH: On this question I was asking, if it is restricted for security reasons, you will say so. Can you tell us what is the entirely different role that is required for our own pre-production and production work in Canada.

Mr. GOLDEN: Well sir, I do not want to say anything to the committee about the particular aircraft to which Mr. Winch refers in the United Kingdom, but the Canadian aircraft is a high performance, long-range, all-weather fighter. That is not the role of the aircraft to which Mr. Winch referred.

Mr. HALES: I would like to follow with another question about the CF-100. That is the only aircraft that we really know much about on a cost basis. We had 82 on a cost plus basis. Approximately what did they cost us, each? Then we had so many on a target basis; what did they cost? The balance were on a fixed price basis. I would like to know those three costs.

The CHAIRMAN: Have you that information available?

Mr. GOLDEN: The average cost of the first 70 which were known as the Mark III was $1,089,000 each. The average cost of the next 330, which were known as the Mark IV was $675,000 each. The average cost of the next 280 known as the Mark V was $535,000 each.

Mr. WINCH: May we have the same for the CF-105? Could Mr. Golden tell us?

Mr. GOLDEN: The figures I have given are for the CF-100, not the CF-105.

Mr. WINCH: I am going to go back to my previous question on the CF-105, which I think is most interesting and informative to this committee in view of your statement that it is absolutely requisite that Canada work on a

certain type of supersonic jet fighter, as you outlined it, and as such can only therefore be for the purpose of the defence of Canada, which ties in automatically with the United States, who are not up against the same proposition. Are you receiving any assistance on that basis because of what it means to the United States in our development?

The CHAIRMAN: As you have concluded your question I wonder if I might just interrupt for a moment. I think it is important that we separate the division of responsibility by the Department of National Defence as to the type of aircraft required and the role that they play as compared to that of Defence Production, who purely procure these aircraft. On the question of the military need this is the responsibility of the Minister of National Defence; he will be appearing before us again.

Mr. WINCH: But the production of these aircraft comes under this present department, and I presume from what we have heard before from the engineers, that we have do this very thing. Now, of course, we know it is a defence by an interceptor fighter which affects the United States the same as Canada. So, because of that, are we receiving, or is your department receiving any assistance whatever on an engineering or production basis from the United States?

Mr. GOLDEN: If you mean financially, the answer is no.

Mr. WINCH: And engineeringwise?

Mr. GOLDEN: We are getting a great deal of assistance from the United States. They are interested in the aircraft and are of great assistance to us; but it does not take the form of financial assistance.

Mr. WINCH: Has any of their scientists or technicians worked here in Canada to assist you on this basis?

Mr. GOLDEN: I do not think that is the type of assistance that we have required or are getting from them.

The CHAIRMAN: Are there any further questions, gentlemen?

Mr. PICKERSGILL: I have one question. Maybe it is more of a policy than a departmental question; if it is, I will not press it al all. But, my recollection is that the previous administration made a decision that shipbuilding capacity up to a certain amount was to be kept available as a military necessity. I wondered if there was any similar policy with respect to aircraft production facilities.

Mr. GOLDEN: The minister has asked me to deal with that sir. The problem of policy has not arisen because the requirements have still been sufficient to keep the basic aircraft plants operating.

Mr. PICKERSGILL: Yes, that was certainly the case up to a year ago; but I just wondered whether that had engaged the attention of the minister or the government since that time.

Mr. BENIDICKSON: Mr. Thompson indicated that some CF-100 aircraft were purchased on a target basis. My understanding of that is that there is an estimate of probable cost and the profit actually increases if the cost goes down. I was wondering in the case of this portion of the contract whether the contractor simply received your original estimate, or whether his operation was such, that the cost would go down and he received a sort of incentive value for the reduced cost.

Mr. O'HURLEY: Can you answer that, Mr. Keith?

Mr. R. M. KEITH (*Financial Adviser of the Department of Defence Production*): The latter is true. The contractor did receive additional profits through having achieved savings below the target estimate made prior to the production period.

The CHAIRMAN: Are there any further questions, Mr. Lambert.

Mr. LAMBERT: This has to do with the general overall policy. I understand there was some question between industry and Defence Production as to the entitlement to royalties and royalty rights under development programs—I believe it is more under cost and design or, shall we say, construction and design type of contract—whereby there was some difficulty about engineering costs being not allowed under such a type of contract with the anticipation by the contractor that he might recoup these costs subsequently under a production contract, but that with the assignment of the royalties to the crown, the crown was then in a position to ask any bidders—any other suitable contractors—to bid on the production contract. Have those type of controversies been resolved as yet?

Mr. GOLDEN: There are always controversies between the department and the contractors who always think that they do not get enough, and that their virtues are not sufficiently recognized. But, I do not know of any major conflct in this particular field. Certainly, the department always, wherever possible, tries to get a development to a point where it would be possible to apply the normal departmental procedures of opening up to tender and getting everybody to compete for it. That is certainly true.

Mr. WINCH: I have one question which is not on aircraft. It is just a general policy question with regard to crown corporation. Is this the time to ask it?

The CHAIRMAN: Proceed, Mr. Winch.

Mr. WINCH: This question is likely to be my last. I have been rather pleased to note that in crown corporations there has been to an almost major extent, industrial peace. I would like to ask if the crown corporations employees are organized and, if so, what is the basis of negotiations that go on between the employees and the crown corporations for the negotiating of agreements and the maintenance of industrial peace. I think this is rather important, and I would like to hear how it operates.

Mr. O'HURLEY: There are only two arsenal plants. They are not organized yet; they are in the process of organization.

Mr. WINCH: What about Polymer?

Mr. O'HURLEY: Polymer is organized.

Mr. WINCH: Are they recognized as an organized group by the department who sit down and negotiate?

Mr. O'HURLEY: Polymer does with its employees.

Mr. WINCH: And there has been no trouble?

Mr. O'HURLEY: No.

Mr. CATHERS: In respect of the target price, in the case where the costs ran below and a larger profit was granted, I would like to ask if the cost had run higher than the target price would the profit be less?

Mr. GOLDEN: Profit, as a percentage, would definitely be less. That is the purpose of that type of contract.

Mr. BENIDICKSON: It is not a fixed profit plus an incentive addition. There is a penalty as well.

Mr. GOLDEN: It is a percentage of the target. Therefore if the costs exceed the target then the profit as a percentage of the cost would go down.

Mr. HALES: In connection with the CF-100, after the contractor had produced or delivered seventy models, why could we not obtain a fixed price at that point? I would think that seventy would be enough units on which to establish a fixed cost.

Mr. R. M. KEITH *(Financial Adviser, Department of Defence Production)*: One point is that there was the model cost and the early costs were not applicable strictly to the new model. It is very difficult to go directly from cost plus to a fixed price. Usually the costs are not squeezed to the point where stability is achieved.

Mr. GOLDEN: And your learning curve, I think, at that stage would not give you sufficient information in respect of that which you would have later on.

Mr. HALES: If such an arrangement could have been arrived at there could have been a saving of $85 million.

Mr. GOLDEN: No, sir. If such a saving could have been arrived at it might have been on an entirely different set of figures than the ones which you have now. It might have been quite different depending on the costs as we knew them at that time.

Mr. PICKERSGILL: If you had taken the target price as a fixed price, we would have been out a great deal for the whole period.

Mr. KEITH: These figures are misleading in the sense that they create an average. The cost of production is gradual.

Mr. GOLDEN: The average cost per aircraft is as a result of lumping a large production.

Mr. MCDONALD *(Hamilton South)*: The first one might have cost $800,000 and the bottom one $500,000.

Mr. GOLDEN: Perhaps a good deal in excess of $800,000 for the first one.

Mr. BENIDICKSON: We had some discussion about insurance. As a manufacturer proceeds, does the crown own the aircraft?

Mr. GOLDEN: As payments are made the crown takes title and does not insure.

Mr. BENIDICKSON: That is when the aircraft is complete?

Mr. GOLDEN: Not necessarily; depending on whether or not there are big payments and so on. But, whenever payment is made, title passes and insurance is not carried.

Mr. WINCH: In the course of production, if there was a fire you would lose the entire amount?

Mr. GOLDEN: Yes, sir.

Mr. PICKERSGILL: Up until the time the crown does obtain title, presumably insurance premiums are included as a cost?

Mr. GOLDEN: Yes, sir.

Mr. GRAFFTEY: In respect of Mr. Winch's question, I do not think the record ought to be left as it is. With reference to crown companies, could the deputy minister point out the fact that just because they are crown companies possibly is not the basic factor involved regarding such good labour management relations. I think that should be made clear.

Mr. WINCH: I was most happy that there has been such good relations.

The CHAIRMAN: Gentlemen, are there any further questions? Well, gentlemen, I have just been advised, unfortunately, that Mr. Monteith cannot leave the Cabinet meeting. If we have concluded the examination of the annual report, I suggest that we carry item 78, which is the last item.

Mr. LAMBERT: I have a question concerning defence construction. In respect of defence construction and the choice of architects and consultants is it the policy to use local architects and consultants as much as possible?

The CHAIRMAN: This question has been asked and the answer will be filed.

Mr. LAMBERT: My question carries on from there. I have a particular example in the new Sarcee barracks at Calgary. My information is that four architects were used there which resulted in four general contracts being called. That is my information and that it led into difficulty as a result thereof with the inter-services equivalents board, and so on. Now, I think we would like an answer from Mr. Johnson in that regard and then we could get to the officials of the Department of National Defence and carry on.

Mr. R. G. JOHNSON (*President and General Manager, Defence Construction*): Mr. Chairman, as you mentioned, I have a prior return to a previous inquiry illustrating the selection of architects in the area where the works are carried out. This return covers the last fiscal year.

In respect of Mr. Lambert's question, it is quite possible that Sarcee is one of a number of stations throughout the country built or designed by three or four architectural firms. There are a considerable number of buildings in development as large as Sarcee, and others of a comparable size.

In the early stages, following the outbreak of the Korean war, the Department of National Defence, which is responsible for the design of the buildings, felt—and this answer should be made by them but I take it as a matter of convenience to illustrate it—that, as I understand it, the policy should be to develop standard buildings. That is why there is a standard barrack block, standard warehouse, or standard hangar, which could be constructed anywhere in Canada subject to adaptation of foundations to local site conditions.

The result is that we may have a barrack block built in Vancouver island or Newfoundland by an architect who might be from Winnipeg or from Montreal. The situation which you suggest could and no doubt did occur at Sarcee. This was felt to be an economic measure, and the same type of building was being repeated many times over. But, where individual buldings are concerned, every effort is made to select an architect in the area where the work will be constructed.

Mr. LAMBERT: Am I correct in my information that there were four general contracts in respect of this Sarcee project?

Mr. JOHNSON: I am not sure of the number of general contracts, but the determination of the number of general contracts at Sarcee did not relate to the number of architects who designed the building; it related to the availability of the plans and specifications as they were developed. It related to the scope of the work, as a reasonable scope of work for the contractors who were likely to bid in the area, and it related also to the relation of the buildings one to another on the site. There were several contracts but that had no relationship to the architectural design.

Mr. WINCH: I have a question on the same subject. Is it not the general policy that the foundation plans and specifications will be drawn by the appropriate federal department and then, on a local basis, associate architects are brought in on actual construction and the finalizing of plans.

Mr. JOHNSON: That is generally correct. As I mentioned earlier, where standard buildings are involved, a standard set of plans is prepared which would include a typical outline of the foundation, but that is modified to suit local site conditions by private consultng engineers in the area where the works are to be constructed.

Mr. GRAFFTEY: Mr. Chairman, over the past years has it been the policy of the department, in buildings like that where everythng else has been equal on the bids, that the local contractor has been given the most favourable consideration?

Mr. JOHNSON: Mr. Chairman, our projects are the subject of publicly advertised competitive tender, and I think only once in the past seven and a

half years do I recall a case where identical prices were tendered. In that case the contractor closest to the site of the work was recommended for the work and awarded the work.

Mr. HALES: In connection with the J-75 Pratt and Whitney engine, did the department buy the engines and pay for them separately, or did the Avro company buy them and bill you for them as a complete unit?

Mr. GOLDEN: We bought them.

Mr. HALES: Was it on a fixed price?

Mr. D. L. THOMPSON (*Director, Aircraft Branch, Department of Defence Production*): The engines were procured by the department through the U.S.A.F., and we were billed on the basis of the cost when finalized. When they finally have their cost Pratt and Whitney in respect of their contracts we will be billed our share.

Mr. HALES: What is the basis of the contract, in respect of the Iroquois engine, with the Orenda or Avro people? Will it be on a set price basis or what?

Mr. THOMPSON: We are on a fixed fee basis now on the pre-production engines. When we go into production on the first engines we will have sufficent experience to go on a target.

Mr. HALES: How many will you buy on cost plus? You call it a fixed fee?

Mr. THOMPSON: Fixed fee.

Mr. WINCH: On the purchases which are made through the United States Air Force, do you get the advantage in price because of the bulk purchases being made by the United States?

Mr. THOMPSON: Yes, sir.

Mr. BENIDICKSON: In respect of the electronics, you operate under contracts, and that includes everything?

Mr. GOLDEN: Not everything. Some services are contracted for directly by the department and others by the two contracts who operate the mid-Canada line.

Mr. BENIDICKSON: How many contractors do you have on the mid-Canada line.

Mr. GOLDEN: Two maintenance and operation contractors.

Mr. BENIDICKSON: Who are they?

Mr. GOLDEN: Trans-Canada Telephone System and Canadian Marconi.

Mr. BENIDICKSON: Are they based on firm prices or cost plus?

Mr. D. B. MUNDY (*Director, Electronics Branch, Department of Defence Production*): These are on a cost plus, fixed fee basis.

Mr. BENIDICKSON: In respect of materials, there is a reference on page 30, to the United States Defence Materials System, and the cooperation which you have received from them at times when certain materials were scarce. Is this the organization which does the metal stockpiling in the United States?

Mr. GOLDEN: No. The metal stockpiling, I think, is done by O.D.M., Office of Defence Mobilization.

Mr. BENIDICKSON: Do we do any stockpiling or is it, as the report would seem to indicate, that our efforts are confined to assisting the contractors in obtaining supplies?

Mr. GOLDEN: There has been no stockpiling.

Mr. WINCH: Going back to electronics, is this department responsible for the efficiency of the operation of the line and such matters as SAGE, or is it strictly a matter of supply?

Mr. GOLDEN: Operational requirements are a matter for the Department of National Defence.

Item 78 agreed to.

The CHAIRMAN: Gentlemen, that is the concluding item in the estimates of the Department of Defence Production.

I know that you would want me to thank the minister and his witnesses for the time which they have given us and the very excellent submissions which they have all made to us.

Mr. WINCH: And for the fullness of their replies to the questions.

The CHAIRMAN: Thank you, Mr. Winch.

Before we adjourn, you will recall that Mr. Broome and Mr. Peters had asked that Mr. C. F. Johns and Mr. Churchill appear before us. Mr. Broome is away and will not be back for some time and Mr. Peters has stated that he has no particular questions to ask of these persons. However, Mr. Broome has written a letter to the chairman which, I suggest, could be included in the evidence. It deals with a point which is not a question but rather an observation. I thought, with your permission, I would include it in the evidence and the Minister of National Defence might wish to make observations on it when he appears on Friday.

Mr. BENIDICKSON: Is this a usual procedure to be followed by a member of a committee? Normally, when a member is absent he gives any information he has to a colleague and asks the colleague to ask the questions.

The CHAIRMAN: Might I read the opening paragraph:

> I regret that I will not be present at the meeting of the Estimates Committee when Colonel Churchill and Mr. C. F. Johns will be present. For this reason I would like to make, through you, a statement in regard to the calling of tenders by D.C.L. and the operation of the Inter-Service Equivalents Board.

This was discussed with Mr. Peters, who seconded the motion, and he said that he had no questions to ask these gentlemen. Therefore, I do not see any reason for calling them.

Mr. BENIDICKSON: I think that probably the steering committee will be having a meeting and they might have a look at the letter.

The CHAIRMAN: Is it agreeable that the letter be referred to the steering committee?

Agreed.

The CHAIRMAN: We had hoped to have the Minister of National Defence here tomorrow for a final catch-all, but he will not be here although he can be here on Friday.

I thought that we might come back on Tuesday to complete the report. That would give us the week-end to have a look through the evidence.

I am assuming that you will have had all the time with the minister which you might desire if he is present at one more meeting. If it is agreeable he can appear on Friday, and we might meet at 9:30 a.m.

Mr. LAMBERT: Do you mean that the appearance of the witnesses requested by Mr. Broome is now being dispensed with?

The CHAIRMAN: That is correct.

Mr. LAMBERT: I indicated this morning, when I was asking for information of Mr. Johnson, that this would supply the basis of questions to ask of those particular witnesses.

The CHAIRMAN: Would you like to have them here?

Mr. LAMBERT: Yes. I would like to have the matter cleared up. I move that Mr. Johns and Mr. Churchill appear before this committee.

Mr. CARTER: Was there not a motion passed at a previous meeting?

The CHAIRMAN: Yes.

Mr. WINCH: Personally I do not know why they were called. Could you give us a brief indication of that, Mr. Chairman?

The CHAIRMAN: I would have to read the letter.

Mr. LAMBERT: It was in relation to the procedures adopted in the naming of products and specifications, and the question of obtaining approval for alternatives which was suggested by Mr. Broome.

Mr. WINCH: That was the failure of the western people to be able to tender on a contract?

Mr. LAMBERT: It applies throughout Canada. The particular product obtained approval for one job only and could not continue throughout, and there was an elaborate and involved process which occasioned considerable expense to industry in obtaining new approvals.

The CHAIRMAN: There are two points to consider. If the committee requires these gentlemen, of course, they will be here; however, if only one or two members require information there is a recognized practice by which that can be obtained. We can also obtain through them replies to written questions, or we can have them here.

Mr. PICKERSGILL: On that point, Mr. Chairman, it is not suggested these gentlemen should be called as witnesses in any different way from the way Mr. Golden is here now, for example. They are officials of the minister and are coming with the minister when he appears. I would have some hesitation in supporting a proposal that civil servants should have to come here as witnesses. The minister should have in his discretion which of his officials he wants to have with him.

Mr. WINCH: Are you looking forward to getting back to your former office?

Mr. PICKERSGILL: I am looking forward to the maintenance of responsible government, whether I get back in office or not.

The CHAIRMAN: I think, when we have the final day we can have the minister and he may have these gentlemen appear with him so that they will be available for any questions.

Mr. O'HURLEY: Do you require the presence here of Mr. Johnson of the Department of Defence Production? Mr. Johnson was prepared to leave this morning on an extended trip for his department and I held him here for this morning. If he is not required I will give him permission to continue on his trip.

Mr. LAMBERT: Mr. Johnson, as far as I am concerned, gave me all the information I required.

Mr. FAIRFIELD: What about the calling of the Minister of Health and Welfare?

The CHAIRMAN: I cannot tell you anything except that he will be here before us. I know he cannot be here Friday or Monday.

Mr. PICKERSGILL: What about having a meeting tomorrow? It is a nice sitting day.

Mr. WINCH: Do not make it any more difficult for me than it is.

Mr. PICKERSGILL: Or Saturday, I mean.

The CHAIRMAN: Gentlemen, I will advise you. As the situation stands we will sit Friday morning at 9.30 a.m.

A motion to adjourn is in order.

APPENDIX "G"

Information requested at previous meetings

DEFENCE CONSTRUCTION (1951) LIMITED

List of projects in connection with which contracts were awarded to consulting architects during fiscal year 1957/58, showing names and addresses of architects involved.

July 22, 1958.

PROJECT		CONSULTING ARCHITECT
Description	Location	
Standard Drill Hall Bldgs.....	Various Sites.....	G. S. Adamson & Assoc., Toronto, Ont.
Facilities at Armament Depot.	Esquimalt, B.C.....	Amalgamated Defence Projects, Vancouver, B.C.
Naval Supply Depot Bldg.....	Ville La Salle, Que.....	P. C. Amos, Montreal, Que.
8-Classroom School.....	Goose Bay, Lab.....	Craig, Madill, Abram & Ingleson, Toronto, Ont.
11-Classroom School.....	Barriefield, Ont.....	Craig, Madill, Abram & Ingleson, Toronto, Ont.
Storage Building.....	Dartmouth, N.S.....	Duffus, Romans & Single, Halifax, N.S.
Naval Research Establishment Building.....	Dartmouth, N.S.....	Duffus, Romans & Single, Halifax, N.S.
Laboratory Wing for High Speed Tunnel.....	Ottawa (Uplands), Ont.....	Dobush & Stewart, Montreal, Que.
Permanent Married Quarters..	Various Sites.....	Durnford, Bolton, Chadwick & Ellwood, Montreal, Que.
Permanent Married Quarters..	Various Sites.....	Durnford, Bolton, Chadwick & Ellwood, Montreal, Que.
Medium Armoury.....	Kimberley, B.C.....	Allan Gray, Stilwell, Lobban, Vancouver, B.C.
10-Bed Casual Care Hospital...	Clinton, Ont.....	Riddle, Connor & Assoc., London, Ont.
T.M. & Q.M. Stores Bldg.....	Edmonton, Alta.....	K. C. Stanley & Co. Edmonton, Alta.
Small Armoury Bldg.....	Melville, Sask.....	Messrs. Storey & Marvin, Melville, Sask.
Headquarters Bldg.....	Vancouver, B.C.....	Thompson, Berwick & Pratt, Vancouver, B.C.
Pacific Naval Laboratory.....	Esquimalt, B.C.....	Thompson, Berwick & Pratt, Vancouver, B.C.
Bldg. No. 25, C.A.R.D.E.....	Valcartier, Que.....	F. A. Walker, & A. Terrier, Quebec, Que.

July 22nd, 1958.

Mr. Arthur R. Smith, M.P.,
Chairman,
Standing Committee on Estimates,
House of Commons,
Ottawa, Ontario.

Dear Sir:

At the meeting of the Committee on Estimates on Thursday, July 17th, I was asked to report with respect to the practice of the Department of Public Works as to the acceptance of pay and performance bonds. I find that it is not the practice of that Department to accept such bonds. Both the Department of Public Works and Defence Construction (1951) Limited are subject to the Government Contracts Regulations under The Financial Administration Act which call for security deposits in the form of a certified cheque or Government bonds.

Yours very truly,

R. G. Johnson,
President.

Information requested by Mr. Cathers

POLYMER CORPORATION LIMITED

TEN YEAR SUMMARY

Fiscal period ending	Net sales and other income	Net income before income tax	Net income after income tax	Dividends	Provision for income tax	Working Capital at year end	Plant and equipment at cost	Capital expenditures	Provision for Depre-ciation	Rubber production Million pounds	Domestic del'd price of Polysar S at year end ¢./lb.	Number of employees at year end	Salaries, wages and employee benefits
Mar. 31/1948	17,358,776	25,623	Not subject to income tax	Gov't of Canada advances reduced by $4,886,298	Not subject to income tax	8,404,865	52,027,157	2,178,468	2,192,967	89	19.00	1,767	4,789,295
1949	21,709,429	403,543				10,343,912	52,844,582	1,163,159	2,356,712	95	19.05	1,919	5,098,124
1950	26,255,997	843,660				13,065,121	54,582,380	1,858,011	3,722,328	108	19.10	1,969	5,609,789
1951	35,871,610	4,108,363				17,004,837	57,853,906	3,760,120	4,830,532	132	25.10	2,055	6,233,115
1952	45,895,465	8,375,786				12,384,398	66,285,318	8,806,724	5,179,917	149	25.10	2,308	8,401,304
Dec. 31/1952 (nine months)	33,676,579	5,803,481	2,798,481	7,500,000	3,005,000	13,047,251	67,675,358	1,454,972	3,806,999	121	24.00	2,384	6,857,182
1953	50,614,959	10,043,638	5,097,638	4,000,000	4,946,000	14,271,962	69,325,308	2,943,757	5,036,831	180	24.00	2,343	9,504,650
1954	53,467,428	9,651,753	4,924,753	3,000,000	4,727,000	15,295,685	72,258,703	3,256,422	5,350,244	192	24.00	2,458	10,288,273
1955	61,835,965	14,170,200	7,531,200	5,000,000	6,639,000	17,817,128	76,742,879	4,956,764	4,939,269	231	24.00	2,556	10,877,855
1956	71,576,404	17,845,380	9,450,380	6,000,000	8,395,000	19,262,034	83,303,240	6,855,072	4,843,195	268	24.00	2,592	12,028,345

June 14, 1957.

Information requested by Mr. Peters

POLYMER CORPORATION LIMITED

Insurance requirements of Polymer Corporation Limited are placed through Dale & Company, Toronto, Ontario. This firm has looked after these matters since February 9, 1953.

Information requested by Committee members

CROWN ASSETS DISPOSAL CORPORATION

Analysis of sales of lands and buildings to municipalities for the fiscal year April 1, 1957 to March 31, 1958

	Negotiated sales (No tenders)	Municipality meeting highest bid
By provinces:		
Quebec	$ 12,500.00	$ 54,800.00
Ontario	15,000.00	20,525.00
Manitoba	—	21,000.00
Alberta	13,200.00	—
British Columbia	8,390.00	7,500.00
	49,090.00	103,825.00

Note: The above analysis is limited to sales of $5,000.00 or over.

CROWN ASSETS DISPOSAL CORPORATION

Analysis of sales made by the Corporation for the fiscal year April 1, 1957 to March 31, 1958, by provinces:

	Fiscal year ended March 31, 1958
British Columbia	$ 524,596.70
Alberta	478,591.14
Saskatchewan	96,515.97
Manitoba	363,695.61
Ontario	2,511,754.86
Quebec	2,534,348.90
New Brunswick	95,881.72
Nova Scotia	417,781.56
Prince Edward Island	32,069.00
Newfoundland	195,021.04
Yukon and Northwest Territories	79,258.73
Outside Canada	512,481.28
	7,841,996.51

Note: The classification is made according to the address of the purchaser.

Information requested by Mr. Hales

CROWN ASSETS DISPOSAL CORPORATION

The largest individual sale of clothing made by Crown Assets Disposal Corporation within the fiscal year April 1, 1957 to March 31, 1958 was that of 124,353 pairs of khaki drill short trousers of an original cost of $242,880.50 sold to New Toronto Surplus Centre Limited, New Toronto, Ontario, for the price of $33,333.33 after being offered twice, the first time to forty-four firms with six insufficient bids resulting; the second time to fifty firms with seven bids resulting, the highest of which was that of the named firm.

The sale is included in the annex to the fourteenth annual report of the Corporation tabled in the House of Commons on June 27th, 1958.

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HOUSE OF COMMONS

First Session—Twenty-fourth Parliament
1958

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STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 20

FRIDAY, JULY 25, 1958

DEPARTMENT OF NATIONAL DEFENCE
Including Index of Items

WITNESSES:

Honourable George R. Pearkes, V. C., Minister of National Defence; Honourable J. Waldo Monteith, Minister of National Health and Welfare; Mr. Frank R. Miller, Deputy Minister of National Defence; and Major General G. S. Hatton, Deputy Federal Civil Defence Co-ordinator.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

61133-5—1

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Allard,
Anderson,
Baldwin,
Benidickson,
Best,
Bissonnette,
Bourget,
Brassard (*Lapointe*),
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Chown,
Clancy,
Coates,
Danforth,
Doucett,
Dumas,
Fairfield,
Fisher,
Gillet,
Grafftey,
Hales,
Hardie,
Hicks,
Howe,
Lambert,
Lennard,
MacEwan,
MacLean (*Winnipeg North Centre*),
Macnaughton,
McCleave,
McDonald (*Hamilton South*),
McGregor,
McIlraith,
McIntosh,
McMillan,
McQuillan,
McWilliam,
More,
Nielsen,
Payne,
Pearson,
Peters,
Pickersgill,
Ricard,
Richard (*Kamouraska*),
Rowe,
Skoreyko,
Small,
Smallwood,
Smith (*Winnipeg North*),
Stefanson,
Stewart,
Tassé,
Thompson,
Vivian—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDER OF REFERENCE

THURSDAY, July 24, 1958.

Ordered,—That the name of Mr. McIntosh be substituted for that of Mr. McGee; and

That the name of Mr. Fisher be substituted for that of Mr. Winch on the Standing Committee on Estimates.

Attest.

LEON J. RAYMOND,
Clerk of the House.

61133-5—1½

MINUTES OF PROCEEDINGS

FRIDAY, July 25, 1958.
(22)

The Standing Committee on Estimates met at 9.30 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Allard, Benidickson, Bissonnette, Cathers, Chambers, Clancy, Danforth, Doucette, Dumas, Fairfield, Fisher, Grafftey, Hales, Hicks, Howe, Lambert, MacEwan, MacLean (*Winnipeg North Centre*), McCleave, McDonald (*Hamilton South*), McIntosh, McMillan, More, Payne, Peters, Ricard, Small, Smith (*Calgary South*), Stefanson, Tasse, and Thompson—(31).

In attendance: From the Department of National Defence: Honourable George R. Pearkes, Minister; Mr. F. R. Miller, Deputy Minister; Mr. E. B. Armstrong, Assistant Deputy Minister—Finance; Air-Commodore C. F. Johns, Assistant Deputy Minister—Construction and Properties; Colonel E. Churchill, Deputy Director of Army Works—Engineering; and Mr. D. B. Dwyer, Superintendent of Parliamentary Returns.

From the Department of National Health and Welfare: Honourable J. Waldo Monteith, Minister; and Major General G. S. Hatton, Deputy Federal Civil Defence Coordinator.

The Committee resumed its consideration of the Main and Supplementary Estimates 1958-59, relating to the Department of National Defence.

The Chairman reported that the steering Subcommittee recommends that Mr. Broome's letter, which was referred to it on Friday, July 25, be not printed in the Committee's evidence.

Under Iten 220: The following information was tabled for inclusion as APPENDIX "H" today's record, as requested previously by the Committee:

1. Construction Specification and Approvals Procedures (Department of National Defence)
   Inter-Service Equivalents Board (Construction)
2. Reclassification of Civilian Positions
3. Answers to questions submitted by Mr. Fisher respecting Royal Military College.

The Committee considered the information tabled and the Minister and his officials answered further questions thereon.

The Chairman thanked the Minister of National Defence and his officials for the information and assistance they have given to the Committee.

The Committee questioned Mr. Monteith and Mr. Hatton on "Civil Defence" and the role of the military in relation thereto.

Item No. 220—Defence Services—was approved.

The Chairman expressed the Committee's appreciation for the information tendered by Mr. Monteith and Major General Hatton. He thanked the Committee Members for their attendance and cooperation: and he commended the work done by those responsible for the prompt reporting and printing of the Committee's proceedings.

At 11.00 a.m. the Committee adjourned until 11.00 a.m. Tuesday, July 29, at which time the Committee will meet *in camera* to prepare its Report to the House.

E. W. Innes,
Clerk of the Committee.

Note: The Committee's Report to the House relating to the Estimates of the Department of National Defence will appear in printed Proceedings No. 21.

EVIDENCE

FRIDAY, July 25, 1958.
9:30 a.m.

The CHAIRMAN: Gentlemen, we have a quorum so we will proceed.

You will recall that we agreed at our last meeting after having finished the estimates of the Department of Defence Production we would revert to the estimates of the Department of National Defence, having held open vote 220 for a final session with the minister and his officials. I might say that the minister, after having arrived in very late last night from the coast, is kind enough to be with us again this morning.

Perhaps I should also say that assuming you are in a position to close the estimates or deal specifically with those questions concerning the minister and conclude them we will also have the Minister of National Health and Welfare before us on the aspect of civil defence related to the militia.

The hope is of course that perhaps we can give consideration to our report on Tuesday and Wednesday or Thursday but conclude the estimates as such now. If, however, you feel there are some further questions we will go over until next week.

Perhaps I should mention these two things. First of all we have a number of replies to questions. Mr. Fisher has his with respect to the Royal Military College, which can be filed. We also have a short paper on reclassification of civilian positions, which was requested. We have too a descriptive narrative of the construction specification and approvals procedures of the Department of National Defence which is part of a question raised initially by Mr. Broome and pursued by Mr. Lambert. In that respect your steering committee in giving consideration whether or not to accept Mr. Broome's letter which was as we stated earlier merely an expression of an opinion but not a question, the steering committee felt it was not advisable, having read the letter, to introduce it as evidence. This decision was reached because the questions can be asked or any question resulting from his opinion can be asked by a member here present, as it is in the hand of one of the committee members. It would seem improper to be introducing an opinion of an individual member into the record where no question was involved.

These are all the matters we have of an organizational nature and I think we will just proceed with what we have described as our "catch-all" for the Minister of National Defence. Gentlemen, would you like to proceed with your questions.

Mr. LAMBERT: I might reopen the question in regard to the matter of specifications and also the question of the type of approval given by the Inter-service Equivalence Board. This point was brought to my attention some time ago by industry. They felt there was, as far as they were concerned and as far as the Department of National Defence was concerned, a machinery that was somewhat complicated and very costly to them. In order to clarify the position of the department and to get the procedure straight, I am asking these questions.

The basis for my questions arise primarily out of Camp Sarcee where four architects were commissioned to deal with the plans and specifications of that camp which resulted in four general contracts being called. I am told that in the specifications named products were indicated and then the

contractors and subcontrators came along with proposals of alternative materials which meant that some of them who happened to be on two or three or four parts of the job had to submit four different applications for the same product. In some cases they were granted and in others they were not. I am informed there are some sections where a particular product is used and some where it is not for the same purpose. The number of copies and so forth they feel are excessive and I personally would like to see it clarified as to whether this is justified. The department officials may have perfectly valid reasons for the procedures they adopt, but I think we should have it cleared up.

The other point is the matter of getting an equivalent certificate for only one job when there are others in the area going on at the same time and the same procedures have to be gone through. I would like to have the views of the officials on that and on the proposal that a certificate could be given to a product for a limited period, say one or two years.

The CHAIRMAN: I might also mention, gentlemen, we have with us today, as requested, Mr. Johns and Mr. Churchill.

Mr. F. R. MILLER (*Deputy Minister, Department of National Defence*): Mr. Chairman, we have passed around some information on the operations of this interservice equivalence board. I did not fasten on any particular question that was raised and I wonder after having read this paper whether there would be any specific question. However, can I say this in a general way. This is an evolving procedure. We started a very large building program coincidental with the build-up at the time of Korea. We were forced to adopt a standard set of buildings which could not be tailored to specfic sites or locations. We had to turn to a general standard type of building program. Instead of designing barrack blocks shall we say particularly designed for particular areas of Canada we designed a standard barrack block and one firm of architects did it. To adapt that standard form to the various parts of Canada we recognized that there would be certain weaknesses and problems there because the architects who designed the building would not be the supervising architects on the ground. The man who was doing the supervision on the ground might not be au fait with the problems and the background which the designing architect had applied in his design. So we had to set up some sort of organization back in Ottawa to rule on proposed changes in the field. We did not give the supervising architect authority to use his own discretion in the field to make substitution in fields of equipment or design because too many times those changes in design react back into the other parts of the design. Therefore, the intention was that we would not give the field supervisor the authority to make major changes in the design to satisfy local conditions and we set up this board in Ottawa to pass on the proposed design or proposed substitutions of equipment.

Now, I do not say we have reached finality or perfection in dealing with these things. We are having a better time now and I hope we can be more specific in our requirements. As you know, the standard practice, I understand, in private construction is for an architect to design the building, to supervise the building and to specify generally in a named way what furnace, hardware and other appurtenances go into the building. We adopted that practice and we had to name furnaces by name, recognizing that there were other furnaces in the field, but that we could not give a clearance right across the board for standard furnaces. We have not got around to defining the furnace we need in terms of B.T.U. per hour or gauge of steel or capacity of blowers. We still have to use a standard name to define what we want and I do not know whether we can ever really get away from that. Take, for example, if you wanted a light motorcar. You could not write a specification that would define

you did not want a Chevrolet or a Plymouth when you wanted a Ford, nor would you accept one of the three. So I would think the matter of the brand name still continues despite the fact we are attempting further definition and to define by capacity or performance rather than by name. That is not a specific answer to the problem, but I want the committee to feel we are in an evolving process in regard to this. We are better than we were and we hope in the future to be better than we are now in regard to procedures. I might say we work in designing our procedures very closely with construction, architectural associations and the trade generally.

Mr. LAMBERT: Why would it not be found feasible to issue an equivalence certificate for a year or two years for particular products to avoid this higher cost to industry in having to go back on every job?

Mr. MILLER: That is an obvious problem which we have considered and in some cases it will work. In some cases the situation is changed and no two products are the same. Therefore, to apply a certificate that was issued to one job to another job has weaknesses in it.

Mr. LAMBERT: I am talking about standard products such as a plaster aggregate or concrete aggregate or materials, particularly in the case of materials rather than say a furnace or some other thing—and I take as an example insulating materials.

Mr. MILLER: Say for example we have three different types of insulation and a choice must be made among those types for use on a hangar. The three types are interchangeable but the insulation value is the same.

In another job, possibly on the same station, where they are building a control tower which requires that people get out on it and walk round, two of these three types of insulation material would be useless because they would crush down and break when walked on.

However, the third type is satisfactory for this particular purpose and it is equivalent for the contractor to use it in the control tower. I give you this just to illustrate the problem of equivalence, broadly and specifically.

The CHAIRMAN: Are there any further questions?

Mr. FISHER: The answers which have been given by the R.M.C. officials to the questions I asked have been quite good and thorough. However, there are a number of points raised. I understood there had been a study made at R.M.C. by a mathematician known as Dulmadge who has left the staff, on the question of academic performance of students from various provinces.

I would appreciate, if it is at all within the attainment of this committee, to have that information.

Another point, in answer to question 1 (*e*) the R.O.T.C. plan has succeeded in this respect in broadening the avenue for qualified candidates; but there has been a decrease in the number of applicants from the class of people who are well able to send their sons to college without payment.

R.M.C. has succeeded in broadening its base, but from these remarks I take it they are not getting quite the calibre of students in terms of academic achievement as they did before, and they are no longer drawing from the people who once were the mainstay of R.M.C.—I suppose the sons of officers and of people belonging to well to do families.

While I have no particular brief for the latter group, I do feel it is worth while to have representation from both the high scholarship level as well as from those of high social background.

I think that point might be well considered on the part of the minister in establishing R.M.C. policy.

I hope that when the estimates come before the house the minister may have something to say in this regard, and as to whether any adjustment could be made to the policy in order to bring in more of these people—that is, people of high scholarship and people from the upper economic levels.

If R.M.C. is going to expand—and we hope that it will—it says that the facilities in terms of library and staff could take it up into 600, yet it states that the dormitory accommodation is below 500.

I would like to know if the minister and the department would seriously consider extending the dormitory facilities in order to take advantage of any expansion which would be possible through the other facilities. If not, I hope that in our report the members of this committee will consider supporting a recommendation of that kind.

The CHAIRMAN: I wonder if you would like to have a reply to your questions at this time, Mr. Fisher, or would you prefer to finish? The minister might like to comment on the questions you have raised.

Mr. FISHER: I would like to go on, Mr. Chairman.

The other information here in regard to the faculty is quite satisfactory, but one point is raised in the answer to question 3. I asked a question about the lack of a graduate school. Most top-notch academic faculties like to have contact not only with undergraduate students but also with graduate students. And I asked if this lack was getting away from recruiting the very finest kind of staff. It says the lack of a graduate school is a big handicap in attracting good staff. It is felt most in economics and engineering where a professor needs more pairs of hands to tackle complicated research problems . . .

This again is something which I hope the minister and his officials will seriously consider—to see if there is some way they can incorporate a graduate program—may be in regard to the National Defence College which is just across the way.

I do feel that if we are to have a top-notch military school turning out the best of graduates, then we need to have the best of staff.

The other point I wanted to make—I did not make it another question—is this: at the present time R.M.C. is going to be a degree-granting college and it should have the highest possible status, but it needs to take a much more active role athletically, one on the level with other universities in this country or in this part of the country, if it is going to have the prestige and the status which draws to it the best students.

Some of us may not have a high regard for athletic tendencies in our schools, but the fact remains that many excellent students in high school will go to the university where they can get a chance to take part and to compete in organized athletics.

At the present time R.M.C. is in the minor league and I suggest that it could compete much better and at a higher level with universities such as Varsity, Queens, and the others.

In the United States at West Point, athletics is considered one of the important factors in drawing to itself some of the best students. I think R.M.C. might well do the same thing. It is something which the minister and his officials should take under serious consideration.

If you do that, you will have to change your athletic setup at R.M.C. and you will have to hire a man as full time athletic director instead of it being a sort of spring between exercises of the old time military type and the more modern views of team sports. It should be a group endeavour as I believe it is in other colleges.

I do hope that everyone in the committee will look at the answers given to these questions because I think that R.M.C. could be a magnificent institution in every way and on a national level tying everything together. And I hope the members will notice particularly the answers given in relation to French Canadian students.

Mr. PEARKES: I want to thank Mr. Fisher for the interest he has taken in R.M.C. I know he has been a frequent visitor there.

His questions have stimulated a careful examination of the points he has raised therein. I shall review them very briefly because I know Mr. Fisher has to leave shortly.

The question of additional dormitories has been for some time receiving very careful consideration. The first priority seems to be to get this new library and laboratory.

Library books are now distributed in half a dozen small cubby holes extending all over the college. It has been unsatisfactory for many years now —this lack of a suitable library.

Even in the days when I was at R.M.C., library facilities were recognized as being quite inadequate. So I think that is the first priority we have to meet.

If the time comes when we need more officers in the services, we would have to increase the accommodation at R.M.C. That could be achieved first of all by doubling up in some of the dormitories, although that is not entirely satisfactory. We would like to give a boy a chance to study in a room where the degree of quietness is better than when there are two or three boys congregated together.

We have additional accommodation or we could make available additional accommodation at some of the camps adjacent to R.M.C., but that would not be an entirely satisfactory solution.

When the time comes that we need additional dormitories, we have the plans already drawn up for them and we have the space set aside where additional dormitory buildings could be constructed.

In order to take care of messing facilities, an additional mess building for cadets or rather an additional wing of the existing mess building is being constructed now.

I quite agree regarding the desirability of drawing cadets from many many different sources. We draw lads from the universities, the high schools, and from private schools.

I have from personal experience seen how well they mix together as a result, and some of those former cadets that I know are now holding very senior positions in the Canadian services. Those cadets came from many different families—families in different walks of life. I know a senior officer today who was the son of a warrant officer who was at R.M.C., and there are others from what you might call traditional R.M.C. families.

I am pleased that the sons and grandsons of some of the earlier students are still attending.

I was present at the annual dinner of the R.M.C. club last fall when reference was made to the fact that there were several grandsons of earlier students still attending.

I am glad to say that the number of applications to enter the services colleges this year is up a little from what it was last year.

I agree with your remarks regarding the desirability of having a link with ex-cadets and making it possible, to use cadets during their summer vacation in some cases, to work with the professors on research.

Regarding the question of athletics, there again it seems to be a question of the money which has to be found. I hope it will be possible. I think it is reflected in these estimates in respect to the hockey rink which is to be constructed at R.M.C. I hope that work will commence on that hockey rink this fall.

I think it is correct to say that the college encourages every cadet to take part in athletics, and would like all cadets playing games rather than attempting to build up some team of specialists which could compete with other universities. The essence of this being that they would like to see all cadets playing games.

I think your suggestion, that possibly the athletic supervisory staff might look into the situation in order to find out if there are any changes which might

be desirable in that respect, is a good one. I very sincerely thank you for your interest, and for the remarks which you have made in this regard. I assure you that we will follow those suggestions up.

There is a meeting of the commandants of the service colleges to be held shortly. Some time this fall there will be a meeting of the advisory board. There has not been a meeting of the advisory board for some time. That advisory board is drawn from a number of sources; universities, industrialists, educationalists and ex-cadets, as well as representatives of the services.

I will see that the points which you have raised are brought to the attention of this advisory board for their consideration.

Mr. FISHER: In regard to hockey, it has always been a greater source of hurt to my pride and to the pride of a number of other people to see that the R.M.C.'s have done relatively poorly against West Point, than even Canada losing hockey games to Russia at various times. I certainly feel that this is one element of the athletic program that could be stressed much more strongly.

The CHAIRMAN: Mr. Fisher, I would like to ask if you are satisfied with the replies to your questions? Is there any further information that you would like, or are the replies which the minister has given sufficient?

Mr. FISHER: I have a few further points in which I am interested but I will take them up with the minister.

Mr. LAMBERT: I would like to pursue a little further the reply given by Mr. Miller. I do not think it quite went to the point I was making. I fully recognize the point he was making; that you cannot give a general equivalent certificate for all uses for a product. However, for a specific use—say insulation in walls—perhaps it would be in order to grant a certificate for a year or two in regard to a particular product which met specifications, rather than granting a certificate for each job where the product is required for that specific use.

Mr. MILLER: Mr. Chairman, as I explained, at the moment the equivalence certificate covers a limited operation. We are looking for all the flexibility that we can acquire in this regard without getting into these possible trouble areas which we realize exist. There is no easy, straight-forward way of doing this, and therefore, we must develop the method as we go along.

Mr. LAMBERT: What is the experience of the board in regard to the period of time required to grant a certificate? This has also been a subject of complaint. Work has often been held up because of the time required for granting a certificate.

Mr. MILLER: Mr. Chairman, there has been a great volume. I was going to suggest that some 25,000 requests have been received in this regard. With that sort of a volume, there are possible instances you could point to where delays occurred, but by and large, with the limitations which I have referred to here, this system is working reasonably well. I would not like to say that there are no problem areas, but we recoginze them and are working towards improving them as fast as we can.

This again is a dangerous quotation, but the average time involved in acquiring an equivalent certificate is 10 days. When you speak of averages; 30 days might be quoted in regard to some cases as opposed to the one day, which is automatic, in making up the average.

Mr. PAYNE: Mr. Chairman, earlier in the session I made an inquiry which was treated with a certain amount of levity. The question was not asked in that vein, it was asked in all seriousness.

I would like to know a little bit about the feelings of the ballistic control committee, if such is its proper name, in relation to the undertakings of certain youth groups which are doing highly commendable experimental work regarding rockets.

It is my understanding that a very negative approach is taken in this connection. Having regard to the initiative of these youth groups, and their ability, and in view of the approach of utter condemnation, I feel they are subjected at this time to possible criminal prosecution. I do not feel that this is a very imaginative approach to a very important subject.

The CHAIRMAN: Your question is, what action, or what attitude does the Department of National Defence take in this regard?

Mr. PAYNE: What is the attitude of the ballistics branch in this regard; are they offering encouragement, or are they offering prosecution?

Mr. PEARKES: I think that when the representative from the Defence Research Board appeared before you he explained that encouragement was being given in a number of research activities through the medium of grants to the various universities. There is very definite emphasis being placed on research in connection with ballistic missiles. We have referred on several occasions, I think, to the research work which is being done at Prince Albert in conjunction with the scientists at the university at Saskatoon.

That type of encouragement is being given to the junior staffs in many of the universities.

Mr. PAYNE: I strongly feel, Mr. Chairman, that a broad review of this matter is essential because, while I realize the principles of the research councils present certain limitations, there are cases today where those principles are not being carried forward, and prosecution is definitely being threatened. Certain rocket clubs have established exceptionally good records in this country.

Mr. PEARKES: We have nothing to do with the establishment of rocket clubs in which, I understand, immature scientists are experimenting in immature ways. In regard to the development of these clubs, they are rather like the ham operators of radio development periods.

Mr. PAYNE: I think it is very important, sir, to realize that the success of some of these clubs has been much more pronounced—with the infinitesimal amounts of money they have available—than has been the sucess of the official research conducted by our councils. The only accolade that these clubs have received from officialdom is a visit from the mounted police.

Mr. PEARKES: I do not believe that this subject comes within the purview of the Department of National Defence.

Mr. PAYNE: Does the ballistics branch operate under the Department of National Defence?

Mr. MILLER: I do not know. We have no organization such as you define. That is, we have no ballistics branch. Any research that is being done is being done under the aegis of the Defence Research Board.

Ballistics is sort of a generic term and applies to rifle bullets, artillery shells and that sort of thing, so that there may be some organization some place in our services that has the name "ballistics".

Mr. PAYNE: Could we find out who these ballistics control people are? These people are purportedly in the Department of National Defence.

Mr. MILLER: If you would give us a description of the sort of dealings which you have had, I think perhaps we could very shortly run them down.

Mr. PAYNE: My experience has not been very great in this regard but I have a number of fathers in my constituency who have had a number of visits from the mounted police in this connection, and I think we should get to the bottom of this problem.

Mr. MILLER: Speaking in general terms, there is a Canadian Explosives Act that forbids the use of dangerous explosives except under certain conditions.

Mr. PAYNE: Which department administers that act?

Mr. PEARKES: The Department of Mines and Technical Surveys.

Mr. PAYNE: Thank you.

The CHAIRMAN: Gentlemen, this is your final question period in regard to the entire area of national defence. Are there any further questions?

Mr. HALES: Mr. Chairman, the question I would like to ask involves the two departments, but I think one phase of it can be answered by the purchasing department of national defence. This question has to do with clothing.

I asked a question at the crown assets disposal meeting the other day in regard to the largest sale that had been made of surplus army material. An answer was provided yesterday having to do with khaki drill short trousers. In order to secure a full and complete answer, I would like to know how many of these articles were on hand when the order was placed, and who signed the requisition for them.

The point I have in mind is this: there were 124,353 pairs of khaki drill short trousers sold at a loss to the taxpayers of $209,500.47. That number of short trousers were purchased and then had to be sold. I am anxious to know who would sign a requisition for that number, when the requisition was signed, and when they ordered through Defence Production.

Mr. PEARKES: We do not have the information available but it can be looked up for you. We will certainly let you know.

Mr. HALES: I would appreciate if you would. This represents quite a sizable loss, and now that we have started on this subject I think we should finish it.

The CHAIRMAN: That information will be obtained, Mr. Hales.

Mr. HALES: Mr. Chairman, when will I have the opportunity of asking other questions of the Department of Defence Production, and of the Crown Assets Disposal Corporation?

The CHAIRMAN: We discussed that yesterday, Mr. Hales, and as you will recall, we did close the item in regard to Defence Production. I suggested that you bring this subject directly to the attention of those concerned. I suppose we could open that item again and bring back witnesses, but that would involve a bit of problem. Would you accept the suggestion that you obtain that information directly from those persons concerned?

Mr. HALES: That will be quite satisfactory and the information could be included in our report.

Mr. PEARKES: I could say a word on that short question, or that question on shorts. Shorts were used quite extensively when we had troops in Africa and when we had troops in Korea. I do not know the time when these particular orders were given, but we are no longer using shorts as part of the regular uniform of the troops. They have not proved entirely satisfactory. In thick bush they do not offer much protection. They offer little protection against flies and that sort of thing. We have gone into this bush uniform now which is just as cool and is really, I think, more suitable to the conditions under which Canadians usually live than the shorts.

The CHAIRMAN: If there are no further questions, perhaps rather than closing item 220 we might conclude with the evidence from Mr. Monteith and at that point close the entire item. However, I do want to thank the Department of National Defence officials, the minister, the deputy minister and Mr. Armstrong. We are very much indebted for your evidence and the time you have given to the committee.

Gentlemen, we have now the Minister of National Health and Welfare, Mr. Monteith and also the deputy coordinator, Major General Hatton. It will be recalled that Dr. Fairfield requested that these gentlemen appear to discuss the relationship of civil defence as it is related to the militia. I would suggest you proceed with your questions in the usual manner.

Mr. FAIRFIELD: The minister has now had a year's association with his department and I do not know whether he would be in a position yet to answer this question. Has he found to any degree any reason why civil defence was transferred to the Department of National Health and Welfare in 1951 from the Department of National Defence? Perhaps it may have been that under nuclear warfare there was a misapprehension that the name of the department was wealth and hell-fire—I do not know—but has he found any specific reason why it was changed?

Hon. JAY WALDO MONTEITH (*Minister of National Health and Welfare*): Mr. Chairman, I do not think I can give a specific reason. I can surmise that the department was felt to have fairly close liaison with provincial governments and municipal governments across the country and as civil defence was a volunteer effort, one might say at those levels possibly it was felt at the time that it would be better under a department other than the Department of National Defence in order to keep it on a purely civil volunteer level. That is about all I can say on that point.

Mr. BENIDICKSON: Is the minister giving consideration to having it transferred back to National Defence?

Mr. MONTEITH (*Perth*): I think possibly that question could better be answered after Lieutenant General Graham has completed his study.

Mr. FAIRFIELD: Could the minister tell me how many employees are at the present time in civil defence?

Mr. MONTEITH (*Perth*): Do you mean permanent employees paid by our department?

Mr. FAIRFIELD: Yes.

Mr. MONTEITH (*Perth*): About 180 to 200.

Mr. FAIRFIELD: And could the minister also give us the number of trained active people in civil defence across Canada.

Mr. MONTEITH (*Perth*): 200,000 approximately.

Mr. FAIRFIELD: Volunteers?

Mr. MONTEITH (*Perth*): Approximately.

Mr. FAIRFIELD: In the event of an attack—

The CHAIRMAN: I am going to suggest to Mr. Monteith that he treat this informally and remain seated when replying to questions.

Mr. FAIRFIELD: In the event of an attack, say on the city of Ottawa or Montreal, how many volunteers would be in these areas?

Mr. MONTEITH (*Perth*): Well, I think it is safe to say that possibly civil defence as such in those two municipalities has not been developed as much as it has in other prime target areas.

Mr. MCMILLAN: How many schools are you maintaining in Canada, training schools and so forth?

Mr. MONTEITH (*Perth*): One school, the Civil Defence College at Arnprior.

Mr. MCMILLAN: None in the western provinces?

Mr. MONTEITH (*Perth*): No.

Mr. SMALL: Could the minister give us an outline of the civil defence setup?

The CHAIRMAN: Would you hold your question for a moment, Mr. Small; the minister wants to make a further reply to Dr. McMillan.

Mr. MONTEITH (*Perth*): I am informed that some of the provinces do have their own schools on a much lesser scale with possibly a permanent staff of four and running classes with an enrollment of approximately thirty.

Mr. McMILLAN: How much does the Dominion of Canada contribute towards this training?

Mr. MONTEITH (*Perth*): We contribute 50 per cent.

Mr. SMALL: Could the minister or the officials give an outline as to how civil defence works in the country, where does it start, who has control and how are powers delegated throughout the country? No one seems to have any idea who is operating or how it is operating.

Mr. MONTEITH (*Perth*): I do not want to appear uncooperative, but I understood that actually I was called in to discuss the liaison between the Department of National Defence and my own department as it pertains to civil defence. I do not think it is my estimates that are before the committee at the moment.

The CHAIRMAN: That is correct, Mr. Small. I think if we do not confine this to the subject matter requested by our member, we might end up in a discussion on every aspect of civil defence. I would ask that you keep your questions within these limitations.

Mr. PETERS: Would the minister have any objection if the committee saw fit to recommend that civil defence be transferred to the Department of National Defence? The minister may not be aware of some of the discussion which took place before. I think it is felt by some members of the committee that the proper place for civil defence is in conjunction with national defence, through the militia.

Mr. MONTEITH (*Perth*): Well, Mr. Chairman, I personally would have no objection whatever but I think there are arguments probably pro and con. I would think that due to the, one might say, peculiar setup of civil defence in that it is constituted on such a voluntary effort at the civic level that possibly keeping it detached from national defence might have its merits. I feel that those people who are interested in civil defence at the civic level are dedicated people. Whether they would wish to give the same voluntary effort if the department was under national defence, I am not prepared to say. I have been giving that some thought, both pro and con.

Mr. GRAFFTEY: Has the minister by coordination with the Department of National Defence the following information: Having in view our large population centres, in cases of attack has the minister the information with regard to the probable destruction that would be involved, where our hospitals are located around major areas—I am sorry; I am not wording my question very well. In case of attack, is the minister in receipt of information from the Department of National Defence which would let him know which hospitals in outlying areas would survive attack, for clearance purposes?

Mr. MONTEITH (*Perth*): I do not know whether or not I completely comprehend your question.

Mr. GRAFFTEY: It is very poorly worded. Let us say the island of Montreal was attacked. Is the civil defence body in receipt of information which would tell them what hospitals would survive this attack, for evacuation purposes?

Mr. MONTEITH (*Perth*): It is difficult to say what hospitals might survive an attack. If the city of Montreal was attacked, I am presuming they would immediately appeal to the militia for assistance, lacking any civil defence forces, and even if there was a civil defence organization that organization might well appeal to the militia for assistance. That, I think, is the prime point of relationship between the two departments in that the army—if I understand it, General Pearkes—is there to come to the assistance of the civil authority when requested so to do.

Mr. FAIRFIELD: As I understand it, civil defence under this department at the present time have plans for evacuattion of major target cities. Is there a direct liaison between the plans as they have been drawn up and plans of national defence for the defence of those cities.

Mr. MONTEITH (*Perth*): Yes, I would say very definitely in that there have been more and more personnel from national defence assigned at Arnprior college with a view to studying our civil defence setup and with a view to developing a planned coordinated effort in such cases. For example, the number of military personnel who trained in 1955 at the Civil Defence College at Arnprior was 200. In 1956 there were 371 and in 1957 the enrolment number was 955. In the first half only of 1958, there were 823 who attended the course. By referring to these figures you can see there has been a great acceleration in the training of military personnel at the Civil Defence College at Arnprior.

Mr. CHAMBERS: I would like to know if the numbers given refer to regular troops or militia?

Mr. MONTEITH (*Perth*): Mainly regular, but both.

Mr. SMALL: I note you have provision for grants to provinces for general civil defence purposes in the amount of $2 million. That is the point on which I would like some further information. We are spending that amount of money and I would like to know where does it tie in with respect to national defence and with respect to the provinces because that is where the money is going. I would also like to know how that relates itself to the municipalities where they have set up an organization in which there seems to be considerable confusion on how it actually operates. I am talking particularly about the metropolitan area of Toronto. Several individuals have resigned because of the confusion which exists in regard to lack of instructions and directions. I mention this because we are spending $2 million of the estimates this year on the basis that you have a college established at Arnprior, and to build up some kind of a nucleus for civil defence throughout the country. How does this all tie in?

Mr. MONTEITH (*Perth*): Civil defence estimates and the amount to be spent are arrived at on a per capita basis. We contributte 50 per cent to those provinces which are themselves in civil defence and which are contributing. So it comes down to the province contributing 25 per cent, the municipalities contributing 25 per cent, while we contribute 50 per cent.

That has been the policy for some years.

But in those provinces which do not themselves have civil defence organizations, we consequently contribute nothing to the province.

The policy has been—and I am not saying whether it is right or wrong at the moment—for the federal government to contribute 25 per cent, and the municipality would have to contribute 75 per cent.

I assume that the thinking behind that was to encourage the provinces themselves to come in. I hope that is one of the angles which General Graham will study.

Mr. SMALL: As to getting people into civil defence, it should give it an impetus. But when you have educated the people, they must have some direction. Who directs them in the Dominion of Canada, generally, to see that some kind of plan is worked out?

Mr. MONTEITH (*Perth*): Major General Hatton acting under myself as minister.

Mr. MACLEAN (*Winnipeg North Centre*): In view of the fact that if an attack should come it is reasonable to expect there will be hydrogen bombs; and in view of the fact that some of the cities in England and in parts of the

continent have already decided that effective plans for civil defence would be of no value with such an attack, and in view of the fact that we are spending so much money on civil defence, quite apart from your department, would the minister say whether or not he would consider a policy of civil defence apart from the Department of National Defence would be of any value in the event of an atomic attack being made on this country?

Mr. MONTEITH *(Perth)*: I would put it this way: that it is a case of a changing picture today; whereas some might expect an attack to develop in 15 minutes and others might think it would still take 48 hours, as a consequence we have this changing picture.

Mr. MACLEAN *(Winnipeg North Centre)*: You are not prepared to comment on it at this time?

Mr. MONTEITH *(Perth)*: No, I do not feel that I can do so at this time.

Mr. PAYNE: I would like to refer to the initial point discussed and to the minutes of our meeting of July 3, in view of the fact that a member of the committee seemed to consider that there was an essential advantage by virtue of a reduction in the spending and by having civil defence administered by the militia.

I would like to ask the minister for his opinion relevant to the question I asked at that time, because I think there is in it a very cardinal point.

My question refers to the role of the militia in civil defence. I was disturbed at some of the opinions expressed at that time, and I am again disturbed at some of the opinions expressed at the meeting today.

I would like to have an opinion from the minister regarding the necessity of having civil defence authorities come under some authority within the militia and the Department of National Defence for the purpose of referring to civil control the governmental machinery of this country at a time of disaster.

The reason I ask this question is that I think it is a very cardinal point that you have this administration coming under an authority other than that of national defence.

Mr. MONTEITH *(Perth)*: Why civil control should not be returned to civil authority?

Mr. PAYNE: No. It should be. Is civil defence not administered under your department with that idea implicitly in mind?

Mr. MONTEITH *(Perth)*: I think that that was certainly behind the thinking, that civil defence is a civil authority, and that it comes under the municipalities or the municipal council.

Mr. PAYNE: You agree it is a civil function and that the role of the militia is merely to assist you in your problems at a time of disaster?

Mr. MONTEITH *(Perth)*: Absolutely.

Mr. MCCLEAVE: I attended the first special course for the militia at Arnprior. I wonder if the minister would consider a special course for members of parliament at Arnprior after the Graham report is in?

Mr. MONTEITH *(Perth)*: It might be a very good idea, and for ministers too.

Mr. PETERS: Has it been defined who would be in control in a given area in case of disaster? Would the civil defence coordinator come under the militia? Who would know officially, or has it ever been decided?

Mr. MONTEITH (*Perth*): The civil defence coordinator acting under the municipal council as being in charge of the municipality politically would advise them undoubtedly as to what requirements might be needed from the militia or from regular troops to assist them in case of disaster.

Mr. PETERS: Has he been given a supernumerary rank?

Mr. MONTEITH (*Perth*): No, not this coordinator of civil defence in the area.

Mr. PETERS: Is it not true that the militia could not take his orders unless he did have a classification higher than that of the commanding military officer in the area?

Mr. MONTEITH (*Perth*): In any kind of disaster such as that, I think that it would probably be the normal course to ask for aid. In the case of martial law being declared, I do not know just how that works exactly. But I would feel that the civil authority is in supreme charge and if they are faced with a disaster, they would ask for assistance from the militia.

Mr. CHAMBERS: I appreciate that the minister would like to withhold his opinions on some of these questions until after General Graham's inquiry. I hope we will survive to have eight or ten more inquiries, or an indefinite number.

It would seem obvious that in the case of a hydrogen bomb attack no area could be civilly defended by the people or the civil defence organization in that same area. You would have to expect heavy casualties among the civil defence people as well as among the population generally. Therefore, the civil defence people who would go into the bombed area would have to come from elsewhere.

Under the present setup is there a command or coordination at central level which enables civil defence personnel or militia from one end of the country to be sent to another part of the country, and what communication arrangements are there? Are they your communications or military communications?

Mr. MONTEITH (*Perth*): There is a chain of communications right across the country. Incidentally as far as civil defence is concerned, these communications have been enlarged over the past few months considerably, and further developed. This chain of command if destroyed, of course, as it might be, would leave whole areas in somewhat of a state of flux no doubt. But I do feel that this chain of command would be such as to designate to the national defence department where assistance is needed.

Mr. CHAMBERS: Is the word "command" or is it not "cooperation"?

Do you have anyone, for example, who could tell the civil defence at Ottawa to go to the help of another place?

Mr. MONTEITH (*Perth*): No, we have not got that but there is cooperation.

Mr. GRAFFTEY: Might I ask the Minister of Health and Welfare if, once the Department of National Defence has estimated the possible effects, does the minister find that the authorities in large municipalities are taking this information into serious consideration in locating new hospitals?

Mr. MONTEITH (*Perth*): I get your point now, Mr. Grafftey.

Mr. GRAFFTEY: I wrote it out this time.

Mr. MONTEITH (*Perth*): I would not say that that has been too much in their thinking concerning the development or building of new hospitals as yet.

Mr. GRAFFTEY: Do you think it should be a factor and should be taken into more serious consideration?

Mr. MONTEITH (*Perth*): I do not feel at the moment I should say yes or no.

Mr. FAIRFIELD: I did not clearly understand the minister. In making plans for civil defence, has there been direct cooperation between the Department of National Defence and civil defence?

Mr. MONTEITH (*Perth*): Yes.

Mr. FAIRFIELD: Or, has civil defence made their plans solely by themselves?

Mr. MONTEITH (*Perth*): No, no, there is complete coordination and cooperation between the civil defence coordinator who, at the moment, is the deputy coordinator, and the chiefs of staff.

Mr. FAIRFIELD: How many civilians have been trained altogether at Arnprior since the existence of the civil defence college there?

Mr. MONTEITH (*Perth*): 16,000, I am told, who in turn go back to their own various municipalities, provinces and so on. For instance, we train commanders and staff officers, and we give training in technical services all the way down to the instructors, who, in turn, go back to their various localities and do training there.

Mr. DOUCETT: Do they receive an allowance while they attend the Arnprior college?

Mr. MONTEITH (*Perth*): They get their travelling expenses and their keep while at Arnprior.

Mr. DOUCETT: Is there any setup to decide who may go and what type of people?

Mr. MONTEITH (*Perth*): I am told that the coordinators of the various organizations, along with the provincial coordinators, decide what distribution shall be made or from where these attendants at the school will come, but they are supposed to have had some training before. In other words, this is more or less of a post graduate course.

Mr. MCMILLAN: My question has been partly answered already, but I wondered how many civilians had been trained at Arnprior every year?

Mr. MONTEITH (*Perth*): We have had 16,000 all told. I think they take them in classes of 90. There was between 2,500 and 3,000 last year. I think the average class runs around 90.

Mr. HATTON: The classes run between 80 and 120.

Mr. MCMILLAN: How long does the course take?

Mr. MONTEITH (*Perth*): I shall ask General Hatton to answer your question, Mr. McMillan.

Mr. HATTON: These classes run for different periods. In British Columbia they have a travelling instruction staff that travels around to different areas. In Alberta, Ontario and New Brunswick they have schools that run for roughly six months in the year and they train about 30 people at a time.

Mr. CATHERS: I do not know whether this question was asked before. I was not able to hear Mr. Grafftey, and perhaps he has asked this question. I could not tell from the answer that was given.

I understand that practically all the hospital construction in recent years has taken place in large municipalities.

Mr. MONTEITH (*Perth*): Yes.

Mr. CATHERS: What is the policy going to be in the future in regard to that construction? If one large bomb dropped on Toronto it would wipe out the total hospital accommodation there. My home town is 30 miles away and has a hospital with 120 beds. I am interested in knowing how we are going to evacuate people and where are we going to evacuate them to?

Mr. MONTEITH (*Perth*): I suppose this is a very good question but I think we must also remember that if someone in Toronto is suddenly taken to the hospital I do not suppose they would want to go to Newmarket. There are a great many more people in Toronto than there are in Newmarket, and I think hospital facilities have to be provided there.

In the event of a nuclear attack there will be an evacuation. You ask to where these people will be evacuated. I read in the paper the other day, and I have seen the plans at the Arnprior college which actually points out where these people from Toronto are supposed to go. Hospitals of a temporary nature will have to be set up in school buildings and whatever else that may be available.

Mr. PETERS: I would first like to ask if a coordinator in a given area is a paid official?

Mr. MONTEITH (*Perth*): Yes.

Mr. PETERS: How does the coordinator recruit staff in a given area? We have had a great deal of trouble with coordinators throughout northern Ontario.

Mr. MONTEITH (*Perth*): You are not alone in this regard.

Mr. PETERS: They just are not coordinating. If this subject remains under the jurisdiction of this minister, is he prepared to implement an all-out civil defence organization, one with powers to do something stable? One of the problems in our area—perhaps we are a little bit like the city of Montreal—is that we are never sure whether the civil defence organization is going to be operating next month or not.

Mr. MONTEITH (*Perth*): I think I can appreciate Mr. Peters' problems. Let me put it this way: when General Graham's report is received I think you will find some positive action in civil defence quarters. We feel that this report is necessary. If the civil defence organization remains under my department, as it is at the moment, some changes will perhaps be made. I feel that General Graham's report will be very helpful in determining the future policy.

Mr. FAIRFIELD: I would like to ask the minister a question, but first I would like to make a few remarks.

The provincial liaison is not too good, and I think we all know that. It certainly is obvious in western Canada. Does the minister feel that this situation is a result of the lack of direct ability to command these so-called volunteers? For instance, in the event of an attack on a city in Manitoba, you have no authority to order municipal volunteers from Saskatchewan to go in that area. It was the ordinary rule, at least in England, during the last war that volunteers did not want to leave their homes during periods of disaster. Even the paid volunteers did not want to leave their own areas at such times.

What is the interprovincial liaison like now, is it good or bad?

Mr. MONTEITH (*Perth*): I am sure that you are pointing out that if what I have been calling volunteer workers were definitely under a direct command they could be of more assistance in helping a municipality other than their own in cases where they were required.

In this regard I might say first that it would cost a teriffic amount of money, I am convinced, because these voluntary workers would expect to be paid, I presume.

I am reminded of an experience I had during the national registration period in 1940. In my community of Perth the national registration was completed without cost whatsoever to the government of Canada. We asked for volunteers, and I think we had the best set-up for national registration at that time of any riding in Canada.

I think this was directly because we had voluntary help. We did not pay these people $5 or $6 a day as was done in most ridings. If we had done that I feel we would have had many more requests for jobs whereas I think the voluntary help we did have actually wanted to do their bit.

Mr. FAIRFIELD: Perhaps I have not understood the minister.

I was asking what the liaison between the provinces and the municipalities is like at this time in so far as civil defence. I understand this is an integrated thing?

Mr. MONTEITH (*Perth*): I think so, yes. I think the municipalities are cooperating very well with the provincial commands.

Mr. HALES: My question, Mr. Chairman, is directed to both the ministers. They may not care to answer it until after they have received General Graham's report.

In the city of Guelph we have an excellent coordinator of civil defence. An exceptionally good job is being done there. The press is giving good coverage to the whole thing. However, accommodation is a great problem. Is there any reason why civil defence headquarters could not be located in armouries if there is room and facilities?

Mr. PEARKES: Perhaps I could answer that question.

In some cases civil defence headquarters are located in armouries where there is accommodation.

Mr. SMALL: Keeping in mind the information which we have been given in this regard, I think the situation is beginning to work out. A question was asked in regard to provincial coordinators. This question has been answered now. I think there is a good set-up of liaison between the coordinators of municipalities. Who are the coordinators responsible to?

Mr. MONTEITH (*Perth*): They are responsible to the provincial minister.

Mr. SMALL: To the provincial minister. Who is the provincial minister responsible to?

Mr. MONTEITH (*Perth*): He is not particularly responsible to anyone, I would say. He does work together with me in this regard.

Mr. SMALL: Perhaps we could have a graph, as some of the other departments have, showing the whole line of succession of responsibility.

Mr. MACEWAN: Did I understand the minister correctly when he said that the cost of civil defence at this time is on a basis of 50 per cent, 25 per cent and 25 per cent; that is 50 per cent federal, 25 per cent provincial and 25 per cent municipal?

Mr. MONTEITH (*Perth*): Yes.

Mr. BENIDICKSON: Are there some provinces to which you make no contribution because they are not operative?

Mr. MONTEITH (*Perth*): Yes.

Mr. BENIDICKSON: Could you name the provinces?

Mr. MONTEITH (*Perth*): Quebec and Prince Edward Island.

Mr. MCINTOSH: Could I ask a supplementary question? Are there any municipalities that do not cooperate?

Mr. MONTEITH (*Perth*): Yes, there are some municipalities which do not cooperate in this regard, but there are more and more municipalities coming into the organization all the time. More municipalities are developing civil defence units in their localities.

Mr. MCINTOSH: This is all done on a voluntary basis?

Mr. MONTEITH (*Perth*): Yes.

Mr. MCINTOSH: I suppose that must be so?

Mr. MONTEITH (*Perth*): Yes.

Mr. MCDONALD (*Hamilton South*): After General Graham's report is presented and we have a definite policy in regard to civil defence, do you think more municipalities will cooperate?

Mr. MONTEITH (*Perth*): Let me clear up one point.

We do not at this moment necessarily agree that we are going to accept all General Graham's recommendations. He is not reorganizing the civil defence organization as such. He is making this study and will present a report which in turn will have to be studied by ourselves.

Mr. BENIDICKSON: Has General Graham commenced his investigation?

Mr. MONTEITH (*Perth*): No. I expect he will start next month.

Mr. BENIDICKSON: Has he given an estimate of how long he thinks the investigation will take?

Mr. MONTEITH (*Perth*): He has only indicated that he will complete it just as soon as he possibly can. I have been given to understand that he expects to have it completed some time earlier than what had been originally anticipated.

Mr. MORE: If there was a disaster at the present time and an evacuation was necessary in a given area, where would the direction for that evacuation come from, and is there a provision to take care of the evacuation cost?

Mr. MONTEITH (*Perth*): Mr. Chairman, I think we are straying a little from National Defence liaison. However, I would say that many municipalities have already made plans as to where they would evacuate to, but other municipalities have not done so.

Mr. MORE: Is there any provision for the cost in connection with an evacuation? Have arrangements been made to take care of an evacuation?

Mr. MONTEITH (*Perth*): It has been considered.

Mr. PETERS: I would like to ask Major General Hatton who gave the orders in regard to the civil defence operation which took place at the time of the "Hazel" hurricane in Toronto.

Mr. HATTON: There was no civil defence organization at that time.

Mr. MONTEITH (*Perth*): I am told that there was actually no civil defence organization at that time.

Mr. PETERS: I presonally met an officer who was appointed by someone here in Ottawa to take over the scheme in Toronto at that time. He was put in charge of the police and other organizations that worked in that field.

Mr. MONTEITH (*Perth*): I am afraid I cannot help you in this regard at all, and I do not think Mr. Hatton can either.

Mr. MCMILLAN: I would like to suggest that the difficulty in regard to civil defence is that public opinion is not at this time 100 per cent behind the idea. I would also like to suggest that the department has not given leadership. I do not mean that this department is not giving as much, or more leadership than it did two years ago.

I was just wondering if there was a difficulty because of the lack of leadership and cooperation.

Mr. MONTEITH (*Perth*): Educating the public and maintaining interest at a certain level I think is quite a difficult undertaking.

Mr. MCDONALD (*Hamilton South*): Has the civil defence organization established stockpiles of medical supplies?

Mr. MONTEITH (*Perth*): Yes.

Mr. MCDONALD (*Hamilton South*): Are these stockpiles located outside of the large cities?

Mr. MONTEITH (*Perth*): Yes.

Item 220 agreed to.

The CHAIRMAN: At this time I would like to thank the ministers and Major General Hatton. I would also like to thank the members of this committee for their attendance here. I realize that there were five committees meeting this morning, and I would like to thank you for your cooperation.

This is the last public opportunity that I will have to thank the official reporters of the committees. I know that you want to join with me in thanking them for the accurate way in which they have reported the minutes of our meetings.

We should also thank the printing bureau for sending our minutes through so quickly. Perhaps you could show your appreciation.

Some hon. MEMBERS: Hear, hear.

The CHAIRMAN: One final point, gentlemen. We are meeting *in camera* at eleven o'clock on Tuesday morning to consider our report. We will also sit on Wednesday if necessary. I hope that our report can be submitted to the House of Commons later next week.

APPENDIX "H"

CONSTRUCTION SPECIFICATION AND APPROVALS PROCEDURES DEPARTMENT OF NATIONAL DEFENCE

In addition to using the Engineering Design Sections of the three Services, Canadian firms of architects and engineers have been retained on our behalf by Defence Construction Limited to design the various types of buildings required by the three Services and Defence Research Board.

This gives the Department of National Defence the benefit of the best professional knowledge and experience available and also that of comparative current civilian standards and practice.

All consultants are instructed to produce the most economic designs possible and, during the design period, there is constant liaison and coordination by the Service engineering staffs to ensure that this basic concept is maintained.

In the majority of cases, standard plans have been developed on a joint Service basic and are in general use. The use of such standard plans across the country, as opposed to the preparation of individual plans for each site, may produce problems in the use of local materials and equipment. This has been recognized and procedures evolved to meet them. These procedures are being constantly checked with a view to improvement.

Where it is neither possible nor practical to draft adequate general specifications, the materials specified by the consultants are those, which in their opinion and experience are best suited for the particular purpose. In order to avoid the exclusion of equivalent and alternative products, provision is made in Department of National Defence standard specifications for any manufacturer to apply for an equivalent Certificate, which if approved, gives his material the same status as that originally specified by the consultant.

In establishing standards of construction, the governing principle in the Department of National Defence has been to achieve economy in initial outlay, while keeping future maintenance costs to a minimum.

In specifying materials and equipment, technical needs are of prime importance, but full consideration is also given to economy, availability, maintenance and other relevant factors. It is felt that any attemps to restrict our consultants in specifying materials which they consider best and most generally applicable, would tend to adversely affect the design and also the cost.

It is readily understood and agreed, that all comparable products are not equally and favourably known to all consultants. It was to meet this condition that the Inter-Service Equivalents Board was formed in 1951. It is now generally accepted by both industry and contractors, as offering the best and most practical means of assuring equal opportunities for all comparable products.

The Board provides a central agency for the approval of all departmental construction materials and thus tends to avoid the inconsistencies that would undoubtedly occur were approvals given by individual on-site inspectors, or even by Headquarters of the three Services, operating independently.

Every D.N.D. Specification includes full and clear details of the procedure for obtaining approvals. In addition, specifications and drawings are made available to all interested parties at local Defence Construction offices and at Builders Exchange offices during the tender call period, which is widely advertised in the appropriate daily papers and trade journals.

Full details on I.E.B. and on the associated tender call documents will be found in the mimeographed sheets attached. In addition, we have available for any interested member, copies of sample certificates, covering "Equivalents", "Acceptable Alternative" and "Rejection".

It is our opinion that the present policy has generally worked satisfactorily throughout the large and often complicated construction programme of the Armed Forces and has proven fair to all manufacturers. At the same time, it has ensured that the necessary technical standards are retained and that full value is received by the Department.

It should be pointed out that the fact that a manufacturer, however large or small, has to apply to the Equivalents Board, should not be regarded as an unnecessarily imposed burden. It is but one step in their sales procedure. All manufacturers can apply to I.E.B. and those who conform to the specifications and receive their certificates, then throw their sales effort on the contractors concerned. If the successful contractor or subcontractor is able to choose between two or more approved products, then his main interests are usually price and delivery. The manufacturer that can best satisfy these requirements will get the contractors order.

Finally it is interesting to note that during the seven years of operation of the Inter-Service Equivalents Board, in excess of 25,000 applications have been reviewed and processed. The present procedures, improved as experience and advice have warranted, have been shown to be effective in practice. Further constructive improvements are always welcomed. It can, however, be fairly stated that the system, as now operating, has the active support of interested contractors, manufacturers and suppliers, as well as achieving its prime purpose, that of safeguarding the interests of the Department and of the tax payer.

24 June, 1958

DEPARTMENT OF NATIONAL DEFENCE
INTER-SERVICE EQUIVALENTS BOARD (CONSTRUCTION)
OTTAWA

Its Function, Operation and Relationship
and
General Instructions for Use of Its Facilities

In order that the function and operation of the Inter-Service Equivalents Board and the relationship between the Department of National Defence, Defence Construction Limited, and the Inter-Service Equivalents Board, may be better understood, the following paragraphs provide an outline of the responsibilities of the above departments, in so far as National Defence Construction is concerned.

The Department of National Defence decides that a construction requirement exists, and after obtaining approval of funds for construction, produces, or employs a consultant to produce, plans and specifications for the requirement. The plans and specifications are then forwarded to Defence Construction Limited together with funds in the amount estimated as required and a request that tenders be called accordingly. Defence Construction Limited advertise for tender through that agency's regional offices, receive the tender and apply to Privy Council for authority to award a contract. On receipt of the authority a contract is entered into between Defence Construction Limited and the successful tenderer. Defence Construction Limited then supervise and inspect the work through to completion and eventual handover to the respective service of Department of National Defence.

The Inter-Service Equivalents Board was formed as the agency to decide on questions of materials, and to prevent discrimination against any manufacturer whose product had not been mentioned by name in the specifications.

The procedure adopted by the Inter-Service Equivalents Board is to have the manufacturer make application by letter or form in six copies to the Executive Secretary, for approval of his product as an equivalent or as an acceptable alternative, to that specified. When an application is received an assessment of the product is made by the engineers or architects of the Service concerned and the Inter-Service Equivalents Board, and if the material is considered satisfactory, a Certificate of Approval is issued. *This certificate is valid only for the projects listed and for the time limit specified, and no general or blanket certificates are issued for any material.* Copies of the certificate are forwarded to the manufacturer, and the inspecting agencies and no material should be installed on the job unless it is either the specified material or the one for which a certificate has been issued.

Any interested party, manufacturer, distributor, or contractor, may make application for a certificate, but it is the duty of the contractor to ensure that he has a certificate for any product not specified. Obviously it is of prime interest to the manufacturer, who is most concerned with the sale of the product, to obtain the certificate for it.

The Inter-Service Equivalents Board does not have authority to deal with materials for new housing projects but this phase of Department of National Defence work, except for certain few projects in isolated locations, is entirely the responsibility of Central Mortgage and Housing Corporation, and any request received by the Inter-Service Equivalents Board for this type of work is forwarded for Central Mortgage and Housing Corporation's action.

A section of the Department of National Defence General Specifications entitled "Approval of Materials", which is intended for insertion in all construction specifications, describes the procedure required in making applications for certificates of approval.

This Section, as revised 19 June, 1958, states:

> THE CONTRACTOR, IN TENDERING, SHALL BASE HIS PRICE ON THE ORIGINAL SPECIFICATIONS AND ADDENDA THERETO, AND SHALL NOT ALLOW IN HIS TENDER FOR SUBSTITUTION OF MATERIALS WHICH HAVE BEEN OR MAY BE APPROVED BY THE INTER-SERVICE EQUIVALENTS BOARD (CONSTRUCTION)

Equivalents:

Where in the specifications any product, equipment or method is specified, whether or not provision is made for the use of an "equal" product, and equivalent product, equipment or method may be employed provided the Inter-Service Equivalents Board (Construction) shall have issued to the supplier a certificate authorizing its use as an equivalent. An approved Equivalent will be considered to have, after tenders have closed, the same status, as if it had been originally specified in the Specifications or Drawings. No extra cost will be allowed for approved equivalents.

Acceptable Alternatives:

Where the Owner is prepared to permit the use of a product, equipment, or method as an *Acceptable Alternative* to any product, equipment or method specified even though such alternative may not be equivalent to that specified, such Acceptable Alternative may be employed provided the Inter-Service Equivalents Board (Construction) shall have issued to the Supplier a certificate authorizing its use as an Acceptable Alternative, *this Certificate becoming valid only after price adjustment has been negotiated and a suitable credit approved by the Engineer.*

Address:

Manufacturers or Suppliers seeking a Certificate of Approval shall apply to:

Executive Secretary,
Inter-Service Equivalents Board (Construction),
Department of National Defence,
Building No. 18,
Victoria Island, Ottawa, Ontario.

Data Required:

All submissions shall be accompanied by sufficient data on the proposed product including the following:—

(*a*) Delivery
(*b*) Country of Manufacture
(*c*) Specifications of Product being offered as alternative
(*d*) Tests passed (Test Reports by recognized and acceptable Canadian, British or American Testing Agencies will be considered).
(*e*) Specific project (i.e. building and location on which product will be used. If several buildings each must be listed).
(*f*) Governing section and paragraph number of Specification
(*g*) Specified material, method or equipment for which the proposed product is offered for approval.

SIX COPIES OF THE ABOVE INFORMATION IS TO BE PROVIDED

Cost Information:

Information on cost of a proposed product although not always essential, may often be of assistance to the Board in assessment of the product, and for future reference in recommending materials for specifications.

Approval of Equivalent or Acceptable Alternative:

Approvals by the Board will be issued to the Supplier, Manufacturer, or Contractor who has made application and will indicate whether the material is approved as an "Acceptable Alternative" or an "Equivalent".

The issuance of a certificate of approval for a product for one project does not necessarily set a precedent for the approval of that product for another project.

CERTIFICATES GIVING "BLANKET" OR GENERAL APPROVAL WILL NOT BE ISSUED FOR ANY PRODUCT.

Renewals:

When a certificate has expired the Supplier, Manufacturer, or Contractor may request that a new certificate be issued. Renewals will not be issued by the Board without a request by the supplier or manufacturer. The fact that a certificate has been issued for a product places no obligation on the Board to reissue or renew that certificate unless, in the opinion of the Board, such action is warranted.

Purpose:

The purpose of this specification is to provide a method whereby a Supplier or Manufacturer, whose product is not mentioned in the specifications, may obtain evidence that such product is acceptable, either as an equivalent or as an acceptable alternative to that specified. Nothing herein or in any certificate of approval shall be deemed to amend the provisions of the Specifications or contract except:—

(*a*) Determination of an "Equivalent" will be by the Inter-Service Equivalents Board (Construction) instead of the Engineers.

(*b*) Variation in the terms of the contract may result from the use of an Acceptable Alternative approved by the Inter-Service Equivalents Board (Construction) *but such approval shall not become valid until after any price adjustment required has been negotiated and approved by the Engineer.*

Technical Requirements Responsibility:

The issuance of a Certificate of Approval for a product does not eliminate the necessity that the approved item complies with all the governing technical requirements and conditions shown on the drawings or mentioned in the specification.

It is the responsibility of the contractor who selects the approved item to insure that the item can comply with these conditions, and no extra cost will be allowed for any changes in any trade which may be required to accommodate such approved items.

W. E. R. Patrick,
Executive Secretary,
Inter-Service Equivalents Board (Construction),
Victoria Island, Ottawa, Ontario.

Revised 24 June 1958.

Our file ref. 2-510-24 (IEB)

DEPARTMENT OF NATIONAL DEFENCE

OTTAWA, Ontario.
3 June, 1958.

Assessment Number	14 April, 1958 Date of Ass. Req.	Refusal Number

SAMPLE REJECTION

Dear Sirs:

This refers to your letter dated 1 April, 1958 requesting approval of Fans for use on the at

This matter has been re-examined by the Design Authority and it is regretted that the following points have now been brought to our attention:

(*a*) The units offered are utility ventilating sets and cannot be considered equal to Class I fans which are specified;

(*b*) Gauges of metals for housing, supports, etc., are heavier for the specified units;

(*c*) Bearings in specified unit are heavy duty pillow block ball bearing type. The bearings are not mentioned for the utility sets but it is likely these are either light or medium type ball bearings arranged for flange mounting;

(*d*) The rpm are greater for the utility sets to realize the same cfm. This could lead to shorter life for fans with rubber coatings;

(*e*) Utility sets are equipped with two belt drive while the specified units have three belt drive which will tend to increase belt life;

(*f*) The box type bearings pedestal used on the specified units is apparently structurally superior to the supports for bearings on the utility sets;

(*g*) Specified units will operate against higher static pressures than utility sets;

(*h*) Specified units have ratings certified by the Canadian Fan Manufacturers' Association. The utility sets offered apparently do not have any recognized approval for their ratings.

In view of the above the fans , cannot be considered equivalent or alternative to the specified equipment,

Yours very truly,
W. E. R. Patrick,
Executive Secretary,
Inter-Service Equivalents Board (Construction),
Victoria Island, Ottawa, Ontario.

RECLASSIFICATION OF CIVILIAN POSITIONS

The purpose of this paper is to supplement the information given in Exhibit 5 "Control of Civil and Military Establishments" regarding the reclassification of civilian positions in the Department of Natonal Defence.

The Civil Service Act makes the Civil Service Commission responsible for the "classification" or the grouping under one class or job title of all positions in the government service that have similar duties and responsibilities. This classification process is applied to all positions whether they are vacant or occuped.

No organization is a static thing. Rather, all organizations are constantly being modified: growing, contracting, being adapted to changed conditions. Because change is inherent in any organization, it is not possible to classify positions once and for all. Over a period of time the duties of a position undergo changes of various sorts. Methods change, workloads increase or decrease, and many other factors modify in greater or lesser measure the duties of a position. In addition, from time to time, changes are made in the classification plan itself.

"Reclassification", which is the changing of a position from one classification to another, is a consequence of keeping the organizational structure in line with changing requirements. Reclassification may involve the creation of a position carrying a lower salary range than the old position (referred to as "downward reclassification"), the creation of a position with a higher salary range than the old position (referred to as "upward reclassification"), or the substitution of one class for another class with the same salary range. The reclassification process may involve the substitution of:

1. One classified position for another classified position,
2. A classified position for a prevailing rate position,
3. A prevailing rate position for a classified position,
4. One prevailing rate position for another prevailing rate position.

Reclassification always involves the substitution of one classification for another and never a net addition in numbers of positions. It should be noted that reclassification applies to a position and not to an employee. Where a position is reclassified, the incumbent of the position is not necessarily affected by this action. Because a position is reclassified upward does not necessarily mean that its incumbent will be promoted. He may instead be reassigned to another position at his old classification and salary.

Reclassification of individual positions are normally initiated by the Department as a part of the establishment review process described in Exhibit 5 "Control of Civil and Military Establishments". Reclassifications of groups or

types of positions result either from departmental studies or from modifications of the overall classification plan implemented by the Civil Service Commission as a result of the studies of its officers.

In some cases, recommendations for the creation of new classes, or the consolidation of old classes made by the Department to the Civil Service Commission are followed by a broader study conducted by the Commission's officers covering all departments engaged in the functional activity concerned.

ANSWERS TO QUESTIONS SUBMITTED BY MR. D. M. FISHER, MP TO THE COMMITTEE ON ESTIMATES

Question 1. Selection of Students

Has the present system of selection of students been satisfactory from the following points of view:

(a) In achieving some kind of provincial balance with regard to ratio.

Over the past four years the proportion of accepted candidates at the Canadian Services Colleges shows that Quebec has exceeded its proportion by about 18%; Ontario and the Prairie provinces are approximately in proportion; British Columbia is less than its proportion by 30% and the Atlantic provinces by 45%.

(b) Has there been any variation or noticeable trend in applicants from various regions?

No marked change has been noticeable from year to year.

(c) Has there been any variation or trend in the numbers and academic achievements of the applicants?

No serious change has taken place in the academic achievement of accepted candidates. It is noticeable that there has been an increase in the number of more poorly qualified students in recent years and a decrease in the number of students with Honours standing.

(d) Has R.M.C. made any studies of the performance of its students to determine the relative preparedness of these students from the various parts of the country?

A continual study is made of performance. Matriculation marks in specific subjects and in overall matriculation averages are annually compared to our First Year results. We now can rate reasonably accurate the various provinces so that students have an equal chance of success. Certain deficiencies, i.e., Analytical Geometry in Nova Scotia, are made up by special instruction to the newly joined cadets.

(e) Has R.M.C. made any studies of its student body and the applicants to determine if there is any trend in the economic and social status of the applicants?

No specific study has been made of a trend. It is noticeable, however, that economic and social status of applicants has gone down since the introduction of R.O.T.P. Now, a great many applicants claim that they would not be able to go to college without the Plan. They require financial assistance. Many of these applicants, those below university scholarship level, are not very good prospects. The Plan was designed to broaden the avenue for qualified candidates and so to increase the number of applicants. The Plan has succeeded in this respect, but there has been a decrease in the number of applicants from the class of people who are well able to afford to send sons to college without commitments.

(f) Is there any basis by which a comparison could be made of the matriculation standard of those entering the normal university?

The matriculation entrance requirement is similar to that required by university engineering faculties. Universities differ one from another in their entrance requirements; R.M.C. maintains an average requirement.

(g) How many applicants are turned down for (i) medical reasons (ii) personality or social awkwardness reasons (so far as is known).

(i) About 10 to 15% of applicants are turned down for medical reasons; (ii) about 30% are turned down for unsuitability such as lack of motivation, evident lack of officer potential, weaknesses in character, etc., but none has been turned down because of social awkwardness or colour or race or religion.

(h) What changes in the process of selection have taken place since 1948?

No major changes have been made in the process of selection since 1948; however, improvements have been introduced gradually. Interview boards have been staffed by more senior people, the Air Force has introduced more stringent tests, the briefing of the chairmen has become more thorough, and the follow-up of letters of enquiry by recruiting units across the country has been introduced.

Question 2. Student Body

In the programme of studies given in the R.M.C. Calender, a very full timetable is outlined for the students; certainly for those students who take the arts subjects and the general course, a much fuller timetable than in the arts colleges of our universities. How has this heavy timetable worked out in practise for the student body?

(Answer to para. 1) The First Year at R.M.C. is similar to a typical First Year in Engineering (after Senior Matriculation), except that in place of 3½ hours Geology per week R.M.C. substitutes 3 hours French and in place of 2 hours Surveying per week R.M.C. subsitutes 2 hours History. The amount of Mathematics covered in the First Year is about 70% of that covered in the corresponding engineering year in the university. In the Second Year a cadet may elect to take a typical arts course or a science and engineering course. In the latter there is a higher proportion of time spent on the humanities and social studies than in a typical university engineering course. In the Third and Fourth Year the Arts, Science and Engineering courses are similar to those found in the universities. Our experience indicates that the timetable has worked out well in practice.

(Question para. 2) This very general question stems from a viewpoint that questions whether such a heavy timetable and the budgeting of student hours is inimical to a true university atmosphere. Further on this point, the years at university are usually looked on as ones where the student can question, criticize, rebel against conventional wisdom and concentrate intensely on specific interests. How has the military regime and the authoritarian atmosphere affected such points, assuming, of course, that they are valid points?

(Answer to para. 2) As a military college the R.M.C. has regimentation of cadet life. This regimentation decreases as cadets become more senior, especially so as practice in man management and command entails responsibility and judgment. Class meetings and similar sessions afford opportunities for freedom of expression. Criticism and questioning are encouraged in the classrooms. Cadets in their extra-curricular activities such as Debating, International Relations, Engineering, Newman and other clubs join with students from other universities in all aspects of academic freedom. There are here the normal extra-curricular activities found in the universities.

(*a*) What has been the failure rate in each of the four years at R.M.C. over the last five years? How many students have repeated their years in the last five years; with what success?

The academic failure rate in each of the four years at R.M.C. over the last five years is tabulated:

Year	I	II	III	IV
1953-54	25 %	16.7%	12.3%	7.6%
1954-55	22.9%	14.5%	18.2%	3.2%
1955-56	20.0%	23.8%	15.2%	0.0%
1956-57	18.0%	26.9%	13.2%	1.7%
1957-58	16.9%	18.5%	8.7%*	1.6%*

*Supplementals have still to be written.

The number of students who repeated their year in the last five years total 101 and are shown in three groups:

(i) Successful; Graduated, 40; Passed Second Year and entered the Services 3; total 43.

(ii) Unsuccessful; Passed but withdrew before graduation 3; failed a second year, 29; total 32.

(iii) Still in the stream of students, 26.

(*b*) Aside from failures, what have been the other wastage rates at R.M.C. for the same period (examples:—ill health, accidents, compassionate grounds, bad behaviour)? Has R.M.C. found preparation in English to be inadequate? If so, has it carried out any remedial measures such as have been undertaken at other universities?

Other wastage rates for the past five years are the voluntary withdrawals for all reasons other than academic failure and are shown in the table:

1953-54	5	—	1	—	6
1954-55	1	—	—	1	2
1955-56	14	—	1	—	15
1956-57	10	2	4	—	16
1957-58	15	—	2	1	18

English: We have found that English preparation is inadequate. We offer remedial classes in English until improvement is considered satisfactory.

(*c*) Do many students ask for a switch from one branch to another during their R.M.C. years? If so, is there a guidance programme which seeks to place them in the right niche? Further to this, has there been a policy to select those engineering and arts students who should go on to further university training because of their talents? If so, how has this policy been made effective?

Very few cadets transfer from one Service to another, not more than two or three a year and these normally because of medical reasons. Three or four a year change from one branch to another within a Service, again normally for medical reasons. The Service Staff Officers study each case and make a recommendation to the Commandant and to the Service concerned. Cadets entering any specialized course of study are guided and advised by the Director of Studies, the Registrar or heads of departments. Cadet capability, Service requirements and course facilities are considered.

(*d*) Does R.M.C. participate in the Atkinson study on the utilization of student resources? If so, how many students at present in R.M.C. are on file with the Atkinson Study Centre?

Yes, two members of the staff were invited to sit on a Sub Committee in September 1955 when cooperation was promised by the Ontario universities, including R.M.C. Only the students entering R.M.C. from Ontario are concerned and these total about 40 in 1956 and 50 in 1957. No list was submitted by the Study Centre, but reports have been made through school principals as requested.

(*e*) What time in a normal day and in a normal week is given over to purely military matters such as drill, parades, and military studies?

Drill, Physical Training and Military Studies hours per week are set out in the Calender. The combined total of six hours per week for the First Year, five hours per week for each of the Second and Third Years, six hours per week for Fourth Year Arts and Science, and four hours per week for Fourth Year engineers. The times in the day are allotted through the regular timetable and are fitted in to suit the instruction staff and the facilities available.

(*f*) Would it be possible for R.M.C. to expand its student body without drastic alterations to the present facilities? If so, how many students?

The present maximum student population is 472 with considerable overcrowding of the teaching facilities. If and when the new Library and Educational Building is completed in the fall of 1959, the teaching facilities could be expanded to 600 cadets. The dormitory accommodation, however, now limits the cadet population to 472. To bring the dormitory accommodation in line with the teaching accommodation a new dormitory would be required.

Question 3. Faculty

(*a*) What has been the teacher-student ratio, year by year, at R.M.C. since 1948? How does it compare at present with C.M.R. and Royal Roads? What proportion of the teaching staff is on active service? What is the scale of salaries for professors, associate professors, assistant professors, lecturers, demonstrators, and research assistants? How does this scale compare with that recommended by the Canadian Association of University Teachers? What is the average number of hours per week given by the average faculty member to lecturing? How does this compare loosely, with the recommendations of the C.A.U.T.?

	Ratio Students/Teaching Staff (Full Time)
1948/49	5.9
1949/50	8.6
1950/51	7.4
1951/52	6.2
1952/53	7.5
1953/54	6.3
1954/55	7.4
1955/56	6.5
1956/57	6.2
1957/58	6.2
1958/59	6.5

Professors, Associate Professors, Assistant Professors and Lecturers. There are no instructors, demonstrators or teaching assistants.

Present Ratio	RMC	Royal Roads	CMR
1958/59	6.5	7.6	6.0

Proportion of teaching staff on Active Service 1958/59, 16%. (Military Studies not included).

		Salaries	
	C.A.U.T. Floor	Present RMC	Under Consideration
Chairman, Divisions (3)			$12,000
Professors & Heads of Departments	$14,000	$7,140-10,140	9,060-11,000
Associate Professor	11,000	6,360- 7,320	7,500- 8,580
Assistant Professor	8,000	5,580- 6,780	6,360- 7,320
Lecturer	6,000	4,740- 5,640	4,740- 5,880

The RMC Faculty is divided into 3 divisions: Arts, Science and Engineering. The Chairman of a Division corresponds to a Dean in a university.

Research Assistants (6)—Post Doctorate scientists paid by D. R. B. Salaries $6,000-6,600. Full time is spent on research under the direction of a senior faculty member.

An average work load does not convey much information and is misleading because it depends so much on the nature of the work: lectures, tutorials, seminars, problem periods and laboratory periods.

Arts professors are normally responsible for 3 courses (usually 3 hours per week per course) given in one academic year. In addition a professor would normally have a fourth course and occasionally a fifth which he would alternate every other year with one or two of the three courses mentioned above.

Science—2 to 3 courses (2-3 hours per week each plus laboratory periods.

Engineering—the same as for science.

In science and engineering most (80%) of the lecturing load is carried by the professors. The lecturers mark most of the laboratory reports and the laboratory supervision is shared between the professors and lecturers.

At R.M.C. there are no demonstrators or teaching assistants because there is no graduate school. A lecturer does the marking of most of the laboratory reports carried out by 3-5 demonstrators in the university. No laboratory reports are marked by under-graduates. No laboratory reports are marked by markers in local industry as is done in some universities.

It is believed that the R.M.C. work loads are approximately equal to those at the major Canadian universities and would compare reasonably well with the recommendations of the C.A.U.T.

(b) Do civilian members of the faculty have the normal privileges of university teachers as far as summer vacations are concerned? That is, can they use them for research, travel and further training for themselves as they sit fit? If not, what restrictions are placed upon them as members of the Civil Service? If a member of the faculty receives a research grant for work in the summer, must he obtain leave of absence in order to benefit from it?

Members of the R.M.C. Faculty have opportunities for study and research equivalent to members on university faculties. They are encouraged to do research, travel and study during the summer break. They cannot, of course, receive two salaries from the government and hence are not quite on the same footing as university professors in this respect. They can, of course, receive grants from learned societies to assist them to travel or to publish books.

(c) Has R.M.C. encountered any difficulty in recruiting faculty members? If so, in what areas of study are there the greatest difficulties? What means does R.M.C. use to recruit people? Are possible faculty members approached before notices of competition are published? Has the fact that there is no graduate school at R.M.C., and so no opportunity for the faculty to take an active part in graduate training, hampered staff recruitment or been a factor in making it difficult to retain staff? What numbers of the faculty have left R.M.C. since 1950 to take other university teaching positions?

R.M.C. has had and still has difficulty in recruiting good engineering staff and good mathematical economists.

As soon as a vacancy occurs a suggested advertisement is sent to the Civil Service Commission who edits it and sends copies into likely recruiting areas. At the same time R.M.C. sends copies of the advertisement to universities, departments and individuals who might be interested.

If it is known a long time ahead that there will be a vacancy the department head concerned at R.M.C. will write to the large graduate schools in Canada, the U.K. and the U.S.A. suggesting that there is likely to be a vacancy and giving the nature of the appointment and the approximate date the Civil Service Commission advertisement will be published.

The lack of a graduate school is a big handicap in attracting good staff. It is felt most in economics and engineering where a professor needs more pairs of hands to tackle complicated research problems.

The research assistants financed by DRB have been a vital factor in helping us to recruit and retain some excellent men in Physics and Chemistry.

The lecturers at R.M.C. are hired on a two-year basis. They constitute about one third of the Faculty and there is thus quite a planned turnover in lecturers. The assistant professors after a probationary period are given permanent appointments. Most staff are hired at the assistant professor and lecturer level.

The following members of the R.M.C. Faculty left R.M.C. for other university appointments since 1950:

Lecturers	42
Assistant Professors	4
Associate Professors	4
Professors	11

(d) Has the Faculty at R.M.C. published a considerable number of works of research in their respective subject fields? If so, is there a list available of such publications, especially monograph publications?

The number of books and papers published by the present staff (assistant professors—professors) is as follows:

	No. of Staff	*Books*	*Papers*
Humanities	7	8	60
Social Sciences	10	8	129
Science	15	2	145
Engineering	7	0	18
Total	39	18	352

Mimeographed notes and laboratory manuals used in courses at R.M.C. are not included.

There is no list published giving all the publications to date. A "blue book" is kept at R.M.C. which contains an up-to-date curriculum vitae of each member of the Faculty. All the publications are listed in this book which is available for use of the Faculty Review Committee in making promotions.

A list of publications made during the year is given in the Commandant's Annual Report.

(*e*) Has there been any consideration of increasing the number of departments within R.M.C. For example, a philosophy department, a political science department, or a geography department?

The following 11 departments have operated at R.M.C. since 1948:

Miltary Studies	Physics
English	Chemistry & Chemical Engineering
Modern Languages	Civil Engineering
History	Electrical Engineering
Political & Economic Science	Mechanical Engineering.
Mathematics	

(*f*) The average size is 7-8 members per department. In order not to have small departments of one or two men we teach:
Philosophy in the English Department.
Geography in the Political and Economic Science Department.
Metallurgy in the Physics Department.
Chemical Engineering in the Chemistry Department.
Engineering Drawing in the Mechanical Engineering Department.

There has not been any serious suggestion so far to increase the number of departments. If R.M.C. increased in numbers in Engineering it might be advisable to split Chemistry and Chemical Engineering following university practice.

(*g*) If R.M.C. receives degree-granting status, what additions or changes will be required in the Faculty?

If R.M.C. gives a B.A. in Arts and a B.Sc. in Science no changes in staff will be required on this account.

A plan is under study to give a four year engineering course leading to the degree of B.Eng., B.A.Sc. or B.Sc. (Eng.). Should such a plan be considered sound, then a small increase in staff would be necessary in Mathematics, Science and Engineering.

Question 4. Administrative Staff

(*a*) What is the total number of administrative staff at R.M.C. during the normal school year? What is the breakdown of the various duties carried out by this staff?

There are seven officers and one civilian administrator on the staff of the Administrative Wing.

The Administrative Officer controls and coordinates the work of his Wing and is the Accountant Officer of the College.

The Deputy Administrative Officer is responsible for services and quartering, including engineering, development programme, quartermaster stores, audit and fire prevention.

The Assistant Administrative Officer is responsible for personnel, orders, documents, Orderly Room, Central Registry, Civilian Personnel Officer and the Medical Inspection services.

The Paymaster is responsible for pay, institute accounts and cadet accounts.

The Quartermaster and his assistant are responsible for supplies, financial control and procurement services, and have supervision over the Tailor Shop, and the necessary small College repair services.

The Food Service Officer has control of the kitchen and dining room staffs and is responsible for catering.

The Civilian Personnel Officer is responsible for the documentation of all civilian personnel, and for the general College business for civilians including pay, leave, travelling claims, records returns, etc. He maintains liaison with the Director of Civilian Personnel at Army Headquarters and the Civil Service Commission.

(*b*) Has the Civil Service Commission made any recent survey of the administrative staff at R.M.C.? If so, were the recommendations of this survey carried out? What percentage of the administrative staff is housed on the grounds of R.M.C.?

The last survey carried out by the Civil Service Commission (Inter-Service Establishment Committee) was in November 1956. The recommendations made at that time were carried out. Thirty-five per cent of the administrative staff have accommodation on the grounds at R.M.C.

(*c*) What is the policy of the service with regard to personnel which is on administration duty at R.M.C. in regard to selection for such duty and length of tenure?

R.M.C. is administered by the Army. The administrative officers are drawn from that service. They are selected as required by the Director of Army Personnel at AHQ. The normal tour of duty is three years.

Question 5. Library

(*a*) What relationship is there between projected library expansion and the degree-granting role of R.M.C.? After the general programme is completed, what is the anticipated size of the book collection? What expansion of library staff will be necessary? Is the library stock to be of such breadth and depth as to be suitable for a future graduate programme? If this has not been considered, would it be adequate for such a purpose?

Library expansion is required in order to provide proper study and research facilities; it is not, therefore, specifically related to the degree issue. The present stock of books numbers about 60,000, with expansion between 2,000 and 3,000 books a year. The new library capacity will be about 140,000. The present collection was carefully selected primarily to meet course requirements and the annual expansion keeps this aim in view. The closeness of the Queen's University collection is borne in mind, but Queen's cannot be expected to supply the RMC undergraduates with other than special material. The Military Collection is the best in Canada, and is increasingly used by students of military and naval history through the National Bibliographical Centre in Ottawa.

No expansion of the library staff is contemplated at this time.

If postgraduate degrees are given, there will necessarily have to be expansion in certain fields.

(*b*) Has any cooperative scheme been worked out with the Library of Queen's University and the National Defence College to prevent overlapping and to supplement the respective book stock? What has been the total expenditure for (i) books (ii) periodicals, annually since 1950?

R.M.C. makes good use of the inter-library loan system and has free access to Queen's University library. The National Defence Library and the R.M.C. Library interchange accession lists.

Expenditures have approximated the following estimates:

Year	*Books*	*Periodicals*
1950-51	$13,380	$1,200
1951-52	25,000	1,600
1952-53	25,000	1,600
1953-54	20,000	1,700
1954-55	18,800	1,800
1955-56	18,800	1,800
1956-57	16,500	1,800
1957-58	10,000	2,250

Larger expenditures were made in the first five years in order to provide as quickly as possible a satisfactory working collection for teaching and research. About 4,000 books were purchased annually until the collection numbered 50,000 volumes.

(c) Do students at R.M.C. provide their own textbooks?

R.M.C. Cadets are issued their textbooks.

(d) What is the estimated cost of the proposed library expansion in so far as (i) structure, (ii) book stock, are concerned?

In the new Library and Educational Building approximately half the space, costing about $700,000, will be devoted to the library. In addition, approximately $37,000 will be necessary for furniture and library equipment.

Question 6. Relationship with Other Universities

(a) How does R.M.C. ensure that its standards are comparable with those of other Canadian universities?

(i) Entrance qualifications for R.M.C. are those likewise required by Queen's, Toronto and other universities for admission into a faculty of applied science.

(ii) Study is made periodically of courses offered, subject by subject, at other universities to ensure that the R.M.C. graduate covers the ground required for admission into the final year.

(iii) Recommended R.M.C. Graduates are accepted into the final year at all Canadian Universities in Arts, Science and Engineering.

(iv) Certain recommended R.M.C. Graduates are accepted into graduate schools in those Arts options offered at R.M.C.

(v) R.M.C. staff is a highly qualified one and is drawn mainly from other universities, N.R.C., and D.R.B. The members of the R.M.C. Faculty have studied or taught at 56 different universities.

(vi) R.M.C. Graduates are admitted into law schools on the same basis as university graduates.

(b) What success or failure has R.M.C. had in placing their students at other universities for a final degree year? Do any other countries have military colleges which award degrees in arts and sciences?

(i) R.M.C. has an understanding with Canadian universities for the admission into the degree year of all recommended graduates. So far, even with overcrowding, R.M.C. graduates have been accepted.

(ii) Degrees are granted at USMA, USNA and USAFA and the Royal Military College of Science. Ecole Polytechnique graduates qualified engineers.

(*c*) Since R.M.C. graduates may be able to take a degree in the near future without a further year of university, what steps does R.M.C. feel will be necessary to strengthen its courses to degree standards?

Only minor adjustments need be made in Arts, such as the possibility of a thesis for Honours degrees. Additional time, by a slight extension of the academic year, will have to be found and additional courses will have to be given if a degree in Engineering is to be granted.

(*d*) Have discussions taken place with the N.C.C.U. to ensure the recognition of R.M.C. degrees at other universities?

The N.C.C.U. is not the executive body for Canadian universities. The application for degree-granting power was announced to the N.C.C.U. officially both by letter to the Secretary and by a statement authorized by the Minister at the Annual Meeting of the N.C.C.U. last June. The announcement was received with widespread appproval. Please refer to sections (a) and (b).

(*e*) Were there any internal reasons evolving out of its experience that led R.M.C. to seek degree-granting privileges? Is it thought that this bill will lead to more applicants and applicants with a higher academic standard?

The granting of degrees by R.M.C. will remove the serious disadvantage of a five year course as against a four and should not only increase the number of applicants but better the quality of the applicants.

(*f*) In order to broaden the opportunities for various kinds of university training, has R.M.C. considered any working arrangement with Queen's University, in order to give its degree-seeking students a wider choice

It would be difficult to fill R.M.C. Science and Engineering courses into the Queen's timetable because of the tight nature of both Queen's and our own timetables. Time lost by travel would be serious. In Arts some courses might be taken at Queen's. It does however, present problems of time lost, transportation, timetabling for lectures and examinations, posting of marks (R.M.C. has a short examination and marking period—Queen's has a long one), etc.

(*g*) Will French-speaking students be under any disadvantages in pursuing courses to a degree?

The great majority of French-speaking students go to Le college Militaire Royal de Saint-Jean where a strong attempt is made to produce fluent bilingualism. R.M.C. also has a language laboratory with emphasis on bilingualism. Evidence is strong that French-speaking students are able to encompass their course without a serious handicap. Special instruction is given where necessary. After a year' period of adjustment, cadets from C.M.R. entering the R.M.C. Third Year have succeeded as follows:

1956-57	English-speaking..24	Passed 18
	French-speaking ..24	Passed 18
1957-58	English-speaking..21	20 at College
	French-speaking ..26	22 at College.

(*h*) If so, has consideration been given to extending the amount of attention given to such students in their final years at R.M.C.?

A special course in the Third and Fourth Years in English is given to French-speaking cadets with a language handicap. French-speaking cadets may write their examinations in French. A number of French-speaking persons on the teaching staff are available for tutorials. No serious disadvantages really exist for French-speaking students seeking a degree.

(*i*) Are most members of the faculty at R.M.C. members of the C.A.U.T.? Has there been a formal relationship between R.M.C. and N.C.C.U.? If not, will some such relationship be necessary in the future?

No members of the R.M.C. Faculty are members of C.A.U.T. although C.A.U.T. supplies R.M.C. with all its bulletins. R.M.C. has been a member of the N.C.C.U. for many years.

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HOUSE OF COMMONS

First Session—Twenty-fourth Parliament
1958

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ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS
No. 21

TUESDAY, JULY 29, 1958
WEDNESDAY, JULY 30, 1958
MONDAY, AUGUST 4, 1958

Including

A LIST OF PAPERS AND DOCUMENTS RECEIVED BY THE COMMITTEE

and the

FIFTH REPORT TO THE HOUSE

respecting the Estimates of the

DEPARTMENT OF NATIONAL DEFENCE

and the

DEPARTMENT OF DEFENCE PRODUCTION

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

61195-4—1

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Stewart,
Tassé,
Thompson,
Vivian,
Winch—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDER OF REFERENCE

WEDNESDAY, July 30, 1958.

Ordered,—That the name of Mr. Winch be substituted for that of Mr. Fisher on the Standing Committee on Estimates.

Attest.

LEON J. RAYMOND,
Clerk of the House.

61195-4—1½

REPORT TO THE HOUSE

WEDNESDAY, August 6, 1958

The Standing Committee on Estimates has the honour to present its

FIFTH REPORT

For the first time, provision for the constitution of the Estimates Committee as a Standing Committee was made on May 30, 1958, when the House of Commons added it to the list of Standing Committees in Standing Order 65.

On Tuesday, June 3, 1958, the House by Orders of Reference, appointed the original membership of the Committee, and extended to it the powers ordinarily granted to Standing Committees in a Resolution which reads as follows:

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

On the same date, the first referral to the Committee was made by the House, being the Main and Supplementary Estimates, 1958-59, relating to the Department of National Defence.

On Wednesday, July 2, 1958, the Main and Supplementary Estimates relating to the Department of Defence Production were also referred, on the recommendation of this Committee.

Your Committee has considered and approved these Estimates, (being items numbered 78 to 84, inclusive, 220 to 225, inclusive, 504, 505, 541 and 578) and commends them to the House with certain observations and recommendations.

During its consideration of the above mentioned Estimates, this Committee heard evidence from the Minister and Deputy Minister of National Defence, the Minister and Deputy Minister of Defence Production, together with many Departmental officials, and representatives of the following Crown Corporations: Canadian Commercial Corporation; Canadian Arsenals, Limited; Defence Construction (1951) Limited; Polymer Corporation, Limited; and Crown Assets Disposal Corporation. The Committee held 25 sittings, heard 23 witnesses, called for and received 31 papers and documents in connection with the operations and expenditures of the two Departments. In addition, the answers to numerous questions were tabled in the Committee.

The Minister of National Health and Welfare, The Honourable J. Waldo Monteith, Air Commodore C. F. Johns, Assistant Deputy Minister, Construction and Property, Department of National Defence, and Lieutenant Colonel E. F. Churchill, Deputy Director, Army Works, were called before the Committee. The Committee also was requested to call certain former Senior Military Officers, other than Departmental Officials. On a recorded vote the Committee decided against calling the aforementioned former Officers.

In addition to the Committee's regular sittings, the Steering Subcommittee was called into session on six occasions to deal with matters referred to it by the Main Committee.

I. DEPARTMENT OF NATIONAL DEFENCE

With respect to the Estimates of the Department of National Defence, your Committee makes the following observations and recommendations:

1. *Policy Related to CF-105 Program*

The Committee recognizes its responsibility to examine and report on policy only where it is related to or influenced by an expenditure in the Department Estimates.

The line of demarcation which separates matters purely of policy as compared with those Votes where an economy may be effected, is sometimes difficult to define.

The complications of this problem are all the more involved where the Vote in question provides the Government with a springboard on which to embark on future expenditures as a result of the commitment already contained in these Estimates.

Perhaps the best example of this is the Vote authorizing the Government to continue for one year the further development of the CF-105. This item, representing approximately $175,000,000.00, came under the close scrutiny of the Committee which, in addition to examining several witnesses, also visited the two plants involved in the manufacture of this model.

While the Committee concurs in the necessity of this expenditure, having regard to the terms of reference, it does not feel authorized to comment at this time on future action with respect to further development of this portion of the defence program. Having made that point, however, and in view of the heavy financial burden, the Committee does express its concern in the Government entering into any subsequent weapon program of this magnitude without first negotiating for some cost-sharing agreement with either NATO member countries or the U.S.A. under the NORAD Agreement.

2. *Integration of Services*

(a) With a view to effecting economies within the Defence Department, your Committee recommends that a greater measure of integration of the ancillary branches of the three Services should be effected. This Committee is not satisfied that it is necessary to maintain separate provost corps, padre services, and medical corps. It is to be noted in this respect that the dental corps perform dentistry for all three Services.

(b) Your Committee further recommends that the Department examine areas where overstaffing may occur resulting from duplication at the administrative level, and suggests that here also a measure of integration may be applied.

(c) Recognizing the substantial cost of recruiting, your Committee suggests that the Department review its policy in maintaining separate recruiting establishments for the three Services. In addition to duplication of both manpower and accommodation, the Committeee is concerned that the recruiting services, in competing with one another, are not obtaining maximum efficiency in relation to the cost of their operation. The need for Tri-Service recruiting units is stressed with a view to reducing the requirements for accommodation, advertising, and promotion, and to effect some reduction in recruiting costs.

3. *Civil Defence*

The Committee examined in some detail the statement of the Minister relating to the new and expanded role of the militia. It also called on the Minister of National Health and Welfare to describe civil defence under his authority and its relation to the militia. In view of the Minister's announcement that Lieutenant General H. D. Graham would shortly undertake a review of Canada's civil defence program, the Committee feels it would be presumptuous

for it to pre-judge or anticipate the conclusions of this review, but does recommend however, that the following points be studied in the course of the examination of the program:

(i) The question of retaining the supervision and responsibility of Civil Defence under its present authority or returning it to the Department of National Defence;

(ii) the desirability of intensifying training in civil defence and employing a greater measure of co-ordination between the various units whether civil or military;

(iii) the need for providing a substantial increase in equipment to include transportation units and a communication system so as to carry out the civil defence role on short notice.

The Committee wishes to impress on the Government the urgency in having the review of the civil defence program proceed without delay so that appropriate action may be taken on the recommendations.

4. *Training Command (Aircraft Purchase)*

The Committee was informed that Training Command employs two types of piston engine aircraft—Chipmunk and Harvard, for elementary and intermediate training prior to service flying in T-33 jet aircraft. Your Committee recommends that consideration be given to replacing the outdated elementary and intermediate aircraft with a primary jet trainer. Such a program, it suggests, would make the step up to service flying more gradual with an appreciable saving through the elimination of high replacement and maintenance cost of present equipment. It is to be noted that this recommendation follows the pattern adopted by Air Forces in other countries.

5. *Service Colleges and University Training*

(*a*) The Committee commends the decision to award degrees at Royal Military College and wishes to encourage every possible measure to maintain this College's standards and general efficiency. It is recommended that the Department of National Defence include in its annual report a statement showing:

(i) The cost of all service colleges, with a breakdown of the various aspects, including the cost per student;

(ii) what remedial action may be necessary to attract more candidates from those provinces now producing less than their per capita proportion of students;

(iii) what alterations in the Regular Officers Training Plan may be required to ensure that students come from all economic and social levels;

(iv) what further steps may be necessary to maintain and/or to improve faculty standards, and to ease the problem in the recruitment of faculty.

(*b*) Scientific research and studies in Canadian Universities are becoming more important yearly and are generally co-ordinated with the work of Defence Research and Development. Continuing co-operation between the universities and the Department is strongly urged so that greater advantages will accrue to the parties involved and to the Canadian people.

6. *Cicilian Personnel*

Recognizing that consideration is presently being given to a general revision of the Civil Service Act, it is suggested that there should be more co-operation between the Department and the Civil Service Commission in the classification of personnel within the continuing establishment. Noting that it takes one civilian to maintain every two men in uniform, your Committee urges that there be a constant review of the numbers of personnel on each establishment to prevent any retention of unnecessary staff. It is further observed that there is an apparent tendency to re-classify an increasing number of prevailing rates employees in the Department of National Defence. It is the opinion of the Committee that under the present rigidity of the Civil Service Regulations, classification does not permit sufficient flexibility in adjusting the number of civilian employees to the requirements of the Department. This procedure, it is hoped, will come under the review of the Examining Board.

7. *Interservice Equivalents Board*

(*a*) With reference to the equivalence procedure followed by the Department, the Committee suggests that consideration be given to its simplification so as to favour competition.

(*b*) The Committee recognizes that in order to adequately cover the characteristics and quality features of a component on plans or specifications, it is often necessary to specify the component by name product. However, this practice results practically in the elimination of competition in view of the relatively short period of time available for tendering and the impossibility of then obtaining an equivalence certificate. Consequently, the Committee recommends that consideration be given to establishing standard procedure whereby at *least two* name products will be mentioned whenever it is felt advisable to use name products in plans and specifications.

8. *General*

(*a*) Your Committee feels that Item No. 220, of the Main Estimates, an amount of over $1,600,000,000.00 should be divided into a number of smaller items. The Standing Committee on Estimates or the Committee of Supply then could more easily consider the expenditures and be in a position to better recommend what savings could be effected in a particular area; and Parliament would have more control of expenditures as the opportunity to transfer funds within smaller Votes would be lessened.

(*b*) This Committee recognizes the need for more detailed information in order to enable Members to better consider the expenditures proposed in the Estimates for a particular year. With this in mind, your Committee recommends that at the end of each fiscal year the departments be required to present to Parliament a statement, on a quarterly basis, of actual expenditures and encumbered funds, together with the unexpended amounts, under each of the Votes relating to that Department. Members then could compare the expenditures of the previous year with those proposed in the Estimates. Where an Item includes a number of large expenditures, it is desirable that these large amounts be further explained in detail.

(*c*) Realizing the desirability of having an Annual Report from the Department, your Committee recommends that in future every effort be made to publish such a report.

(*d*) This Committee suggests that the Department should more carefully assess the quantity and specifications of items requisitioned, in order to avoid over-stocking.

9. *Summary*

It will be noted that the Committee has not made a specific recommendation to reduce any Vote but has rather offered a number of general recommendations. Notwithstanding this, the Committee is of the opinion that if the suggestions contained herein are followed, actual savings and improvement in the efficiency and the operation of the Department will be effected.

The Committee is satisfied that the Department and the Treasury Board have made a thorough examination of these Estimates in an attempt to economize where possible. In this respect, it is perhaps important to point out that a number of reductions in certain categories of technical equipment are shown in the Estimates for the current year. While it is not the responsibility of this Committee to comment on future Estimates, it is perhaps significant to note from statements contained in the evidence that substantial new expenditures may be anticipated in the coming year. Examples of this are to be found in the decision to replace certain military equipment, improvements in the radar detection system, and for the possible extension of the CF-105 program.

II. DEPARTMENT OF DEFENCE PRODUCTION

With respect to the Estimates of the Department of Defence Production, your Committee makes the following observations and recommendations:

1. *Destroyer Escort Program*

(*a*) The Committee was disturbed at some of the features surrounding the destroyer escort program in relation to the methods of establishing cost and the accounting procedure adopted by the Department. Particular concern was expressed over the delay in obtaining final costs of ships of the destroyer escort class. It was apparent from the evidence that final invoices have not yet been received—in some cases three years after a ship's completion; consequently total expenditure for each unit was not available. It is therefore recommended that a complete study should be made of the naval vessel procurement policy to determine if a more accurate assessment can be obtained of unit costs. The review should include a study of the advantages of the target-plus-incentive system as compared with the cost-plus and/or other type of contractual agreements. This study should be performed by such a Committee as the House may deem advisable.

(*b*) It is further recommended that the shipbuilding industry be given an opportunity to discuss and make recommendations with regard to methods and means of reducing costs of any further naval construction.

2. *Performance Bonds*

It is recommended that the Minister of Defence Production consider the advisability of accepting performance bonds and/or pay-and-performance bonds to secure Department contracts, keeping in mind the lack of protection involving sub-contractors in jobs associated with Crown properties, as well as the need to widen participation in such contracts by smaller companies.

3. *General*

(a) The Committee is of the opinion that the liaison could be improved between the Departments of National Defence and Defence Production, and that the Government should consider redefining the responsibilities and duties of procurement and inspection officers of the two Departments.

(b) The Committee suggests that the Department of Defence Production keep before it the following general recommendations:

(i) That the Department encourage, assist, and coordinate the growth of technical skills and knowledge in Canadian industry as a program of industrial preparedness;

(ii) that the Department distribute purchases as broadly as possible in Canada;

(iii) that the Department use the maximum of Canadian equipment and parts where possible;

(iv) that technical assistance presently offered to larger corporations should also be made available to smaller Canadian companies;

(v) that Canadian plants should be provided every opportunity to tender on defence contracts;

(vi) that development contracts should be available for tooling and product development.

4. *Crown Corporations*

Crown Assets Disposal Corporation

Your Committee regrets that in their opinion Crown Assets Disposal Corporation does not have any clearly defined method or policy respecting the sale of land or properties to municipalities. The operations of the Corporation seem to be poorly organized with too much authority being vested in the President. As a result of the accounting methods in that Organization, your Committee experienced difficulty in securing certain desired information.

5. *General*

While there was no evidence to suggest any marked degree of inefficiency in the Department or Crown Corporations under review, the Committee, nevertheless, observed what it considers to be certain weaknesses in accounting and procedural methods. It is the opinion of the Committee, therefore, that the Government should consider the advisability of employing an independent business consultant to examine one or more of the Crown Companies. On completion of this review, the Government should then decide whether a further examination of the remaining Crown Companies is requried.

III. SUMMARY

It will be observed from this Report that the Committee has not attempted to summarize the area or detail covered by the examination of the two Deparments, but rather has limited the report to a number of observations and recommendations. The Committee, however, would commend to the House the evidence attached hereto, believing that an intelligent appraisal of this Report can only be made in conjunction with a study of the evidence.

In addition to the recommendations, which it believes will effect economies and efficiency of a material nature, the Committee is of the opinion that its consideration of these Estimates has also produced certain intangible values which may at first glance not be easily recognized. As an example of this,

there is evidence to support the belief that in its examination of the witnesses from the Departments, the Officials, in preparing their submissions, have stimulated interest within the Departments.

A second value of the Committee's work was the very broad press coverage given to the Committee's proceedings which, in its opinion, brought clearly into focus many aspects not generally appreciated in Canada's National Defence program. The Committee would like to express its appreciation to the members of the press for their very accurate report and interpretation of the evidence presented.

The Committee is indebted to the Ministers of National Defence, Defence Production, National Health and Welfare, their respective officials, and the representatives of the Crown Corporations, for the co-operative manner in which they gave their evidence and provided a considerable number of documents.

A copy of the Committee's Minutes of Proceedings and Evidence respecting the abovementioned Estimates, together with a copy of those papers and documents received but not printed, is appended.

Respectfully submitted,

ARTHUR R. SMITH,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, July 29, 1958.
(23)

The Standing Committee on Estimates met, *in camera*, at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Allard, Anderson, Benidickson, Bissonnette, Bourget, Carter, Cathers, Chambers, Danforth, Doucett, Dumas, Fairfield, Fisher, Grafftey, Hales, Hicks, Howe, Lambert, MacEwan, Macnaughton, McDonald (*Hamilton South*), McGregor, McIlraith, McIntosh, McQuillan, Payne, Peters, Ricard, Richard (*Kamouraska*), Smallwood, Smith (*Calgary South*), Stefanson, Tassé, Vivian.

The Chairman outlined various methods by which a "Report to the House" may be prepared for approval. He sought opinions and recommendations from Committee Members.

Agreed,—That following general agreement by the Committee on opinions to be expressed on particular matters, the Chairman shall draft suitable recommendations, in consultation with the Steering Committee and other Members with a special interest in those subjects, and the final draft of the Report is to be submitted to the Committee for approval.

Agreed,—That where an economy may be effected, a recommendation may be made even if there is some reference to Government policy.

Many suggestions and recommendations were received and discussed, with reference to the evidence taken earlier.

The Committee expressed its appreciation for the services rendered to it by the Clerk of the Committee.

Consideration of the Draft Report continuing, at 1.00 p.m. the Committee adjourned until 9.30 a.m. Wednesday, July 30, 1958.

WEDNESDAY, July 30, 1958.
(24)

The Standing Committee on Estimates met *in camera* at 9.40 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Benidickson, Bissonnette, Bruchési, Cardin, Carter, Cathers, Chambers, Chown, Danforth, Doucett, Fairfield, Fisher, Grafftey, Hales, Hicks, Lambert, Lennard, MacEwan, McCleave, McDonald (*Hamilton South*), McIlraith, McIntosh, McQuillan, Nielsen, Payne, Peters, Ricard, Richard (*Kamouraska*), Smith (*Calgary South*), Tassé, Thompson, and Vivian.—(33).

The Committee resumed the preparation of its "Fifth Report to the House". The Chairman again outlined the method being followed in the drafting of the Report.

Various suggestions and recommendations were submitted by Members of the Committee. These were discussed and in many cases modified prior to their inclusion in the draft of the Committee's recommendations.

On motion of Mr. Cathers, seconded by Mr. Chambers,

Ordered,—That the account for $796.35 submitted by the Department of National Defence, for the transportation of this Committee to Malton, Ontario, and return, in connection with its studies of that Department's estimates, be paid.

At 11.05 the Committee adjourned to the call of the Chair.

MONDAY, August 4, 1958.
(25)

The Standing Committee on Estimates met *in camera* at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Benidickson, Bissonnette, Bourget, Carter, Chambers, Chown, Danforth, Doucett, Fairfield, Hales, Hicks, Lambert, MacEwan, McCleave, McGregor, McIlraith, McIntosh, McMillan, McQuillan, Payne, Peters, Ricard, Skoreyko, Small, Smith (*Calgary South*), Stewart, Tassé, and Winch.

The Chairman, on behalf of the Steering Subcommittee, presented a draft "Report to the House" to the Committee.

The Committee considered the said "Draft Report", made several alterations therein; and approved it as amended, subject to the re-wording of certain sections by the chairman.

The Chairman was instructed to present the "Report" to the House.

On motion of Mr. Winch, seconded by Mr. McIlraith,

Resolved,—That a vote of thanks be extended to the Chairman, Mr. A. R. Smith, for the manner in which he has conducted the proceedings of this Committee.—*Carried unanimously.*

The Chairman thanked the Committee, and expressed his appreciation for the assistance and cooperation of the Committee members.

At 12.50 the Committee adjourned to the call of the Chair.

E. W. Innes,
Clerk of the Committee.

LIST OF PAPERS AND DOCUMENTS TABLED BEFORE THE STANDING COMMITTEE ON ESTIMATES

(with an indication of their location in the printed Proceedings)

1. Chart Re NATO set-up. (*Not printed*)
2. Exhibit No. 1 , Appendix "A"—Page 213-233, Prepared Statement by Deputy Minister—Departmental set-up and administration.
3. Exhibit No. 2 , Appendix "A"—Page 234, 235—Selection of Candidates for Service Colleges.
4. Exhibit No. 3 , Appendix "A"—Page 236—Details of Estimates, Construction and Works, Can. Army Regular.
5. Exhibits No. 4 & 8, Appendix "A"—Page 237-248—Estimates 1958-59 and Expenditures 1957-58—Department of National Defence.
6. Exhibit No. 5, Appendix "A"—Page 249-252—Control of Civil and Military establishments.
7. Exhibit No. 6, Appendix "A"—Page 253, 254—R.C.A.F. Construction Program 1958-59.
8. Exhibit No. 7, Appendix "A"—Page 255—Civilian Strength at NDHQ by Service for selected dates.
9. Appendix "B", Page 256, Officer Candidates in Training at Universities March 31, 1958.
10. Appendix "B", Page 256, Enrolments and wastage—Regular Forces for past year.
11. Appendix "B", Page 257, Works and Building Programs 1958-59, Army.
12. Appendix "C", Page 311-313, Directive to Militia *re* Training and Civil Defence importance.
13. Appendix "C", Page 314, Service strengths at NDHQ at selected dates.
14. Appendix "C", Page 315, Qualifications for Commission in Canadian Army.
15. Appendix "C", Page 316, Construction and Works Program, Army, Estimates 1958-59, and Expenditures 1957-58.
16. Appendix "C", Page 317, Information *re* Northwest Highway System.
17. Appendix "D", Page 355, 356, Information and map *re* Northwest Highway System.
18. Appendix "D", Page 356-359, Statement *re* University Training Program.
19. Exhibit No. 9, Appendix "E", Page 386, 387, Extracts from National Defence Act *re* Defence Research Board.
20. Chart showing organization of Defence Research Board. (*Not printed*)
21. Map of Canada showing location of Defence Research Board establishments. (*Not printed*)
22. Appendix "F", Page 398, 399, Positions of Punch-card operators, R.C.A.F.
23. Exhibit No. 10, Appendix "F", Page 428-430, Purchasing Policy, Department of Defence Production.
24. Pictures Circulated by Polymer Corp. to Committee (retained by witness). (*Not printed*)
25. Appendix "G", Page 541, List of projects awarded, and consulting architects during 1957-58—By Defence Construction.
26. Appendix "G", Page 542, Polymer Corp., 10 year summary.
27. Appendix "G", Page 543, Crown Assets—Analysis of sales of land and buildings to municipalities, by provinces year 1957-58.
28. Appendix "G", Page 543, Crown Assets—Analysis of sales made, by provinces, for year 1957-58.
29. Appendix "H", Page 567-572, Construction Specifications and approval. Procedures and related papers.
30. Appendix "H", Page 572-573, Reclassification of Civilian Positions, Department of National Defence.
31. Appendix "H", Page 573-583, Information sought by Mr. Fisher, *re* Royal Military College, Kingston.

NOTE: In addition, many brief answers were included in the record.