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SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

TUESDAY, APRIL 25, 1950

THURSDAY, APRIL 27, 1950

WITNESS:

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

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

Chairman: L. Philippe Picard, Esq.,

Vice-Chairman: D. A. Croll, Esq.

Messrs.

Anderson
Ashbourne
Balcer
Beaudry
Benidickson
Blue
Boisvert
Boivin
Brisson
Browne *(St. John's West)*
Cauchon
Cavers
Cleaver
Cloutier
Cruickshank
Denis
Diefenbaker
Fleming
Fournier *(Maisonneuve-Rosemont)*
Fulford
Fraser
Gauthier *(Portneuf)*
Hansell
Helme
Homuth
Isnor
Johnston
Kirk *(Antigonish-Guysborough)*
Langlois *(Gaspé)*
Larson
Macdonnell
Major
Maybank
Murphy
Pinard
Prudham
Richard *(Gloucester)*
Richard *(Ottawa East)*
Riley
Robinson
Sinclair
Stewart *(Winnipeg North)*
Thatcher
Thomas
Warren
White *(Hastings-Peterborough)*
Winkler
Wright

Clerk: A. L. Burgess

ORDERS OF REFERENCE

TUESDAY, 28th February, 1950.

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

Messrs: Anderson, Ashbourne, Balcer, Beaudry, Benidickson, Blue, Boisvert, Boivin, Brisson, Browne (*St. John's West*), Cauchon, Cavers, Cleaver, Cloutier, Croll, Cruickshank, Denis, Diefenbaker, Fleming, Fournier (*Maisonneuve-Rosemont*), Fulford, Fulton, Fraser, Gauthier (*Portneuf*), Hansell, Helme, Homuth, Isnor, Johnston, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspe*), Larson, Major, Maybank, Murphy, Picard, Pinard, Prudham, Richard (*Gloucester*), Richard (*Ottawa East*), Riley, Robinson, Sinclair, Stewart (*Winnipeg North*), Thatcher, Thomas, Warren, White (*Hastings-Peterborough*), Winkler, Wright—50.

(Quorum—15)

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

TUESDAY, 14th March, 1950.

Ordered,—That the Public Accounts of Canada and the Report of the Auditor General for the fiscal year ended March 31, 1949, which were tabled in the House on October 31, 1949, be referred to the said Committee.

WEDNESDAY, 26th April, 1950.

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

Ordered,—That the said Committee be empowered to print from day to day such papers and evidence as may be ordered by the Committee.

Ordered,—That the name of Mr. Macdonnell (*Greenwood*) be substituted for that of Mr. Fulton on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

61153—1½

REPORT TO THE HOUSE

WEDNESDAY, April 26, 1950.

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

FIRST REPORT

Your Committee recommends:

1. That it be granted leave to sit while the House is sitting.

2. That it be empowered to print from day to day such papers and evidence as may be ordered by the Committee.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, April 25, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Balcer, Benidickson, Boisvert, Browne (*St. John's West*), Cauchon, Croll, Diefenbaker, Fleming, Fulford, Fraser, Gauthier (*Portneuf*), Hansell, Isnor, Major, Maybank, Murphy, Picard, Pinard, Prudham, Richard (*Gloucester*), Richard (*Ottawa East*), Riley, Stewart (*Winnipeg North*), Winkler, Wright.

On motion of Mr. Gauthier:

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

On motion of Mr. Maybank:

Resolved,—That the Committee ask leave to sit while the House is sitting.

On motion of Mr. Boisvert:

Resolved,—That the Committee recommend that it be empowered to print from day to day such papers and evidence as may be ordered by the Committee.

On motion of Mr. Croll:

Resolved,—That a sub-committee on procedure and agenda, to consist of the Chairman and members to be named by him, be appointed.

At 10.30 o'clock a.m. the Committee adjourned to the call of the Chair.

THURSDAY, April 27, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Ashbourne, Benidickson, Boisvert, Brisson, Browne (*St. John's West*), Cauchon, Cavers, Croll, Fleming, Fournier (*Maisonneuve-Rosemont*), Fulford, Fraser, Helme, Isnor, Johnston, Kirk (*Antigonish-Guysborough*), Langlois, Larson, Macdonnell, Major, Picard, Prudham, Richard (*Ottawa East*), Stewart (*Winnipeg North*), Thatcher, Warren, Winkler, Wright.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General.

The Chairman informed the Committee that the Chairman and Messrs. Benidickson, Croll, Fleming, Fraser, Isnor, Johnston, Langlois, Stewart and Winkler had been named as members of the sub-committee on agenda and procedure.

The Chairman stated that the sub-committee had decided to call Mr. Sellar as the first witness. It had been agreed that Mr. Sellar would read a brief, on which he would be questioned, and that when this had been disposed of, the Committee would proceed to consideration of the Auditor General's report for the fiscal year 1948-49.

On motion of Mr. Croll;—

Ordered,—That the Committee print from day to day such copies of its minutes of proceedings and evidence, in French and English, as may in the opinion of the Chairman, be required.

Mr. Sellar was called, read a brief regarding certain gifts of surplus war assets made by the Government of Canada, and was questioned thereon.

Mr. Sellar tabled a memorandum in amplification of his brief, copies of which were distributed to the members of the Committee, and which is printed as *Appendix A* to this day's minutes of proceedings and evidence.

Mr. Sellar also tabled a brief respecting the preparation of The Estimates, copies of which were distributed, and which is printed as *Appendix B* to this day's minutes of proceedings and evidence.

At 5.30 o'clock p.m. the Committee adjourned until Friday, April 28, at 10 o'clock, a.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

April 25, 1950

The Standing Committee on Public Accounts met this day at 10 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, may I call the committee to order.

First of all I wish to thank all of you for re-electing me; and I say re-electing because that has been the custom since 1945; and I wish to thank you very sincerely for the confidence which you have expressed in me.

I think the first item should be the election of a vice-chairman, not that I intend to be away too often but it is quite in order.

Mr. GAUTHIER: I move that Mr. Croll be Vice-Chairman of the Committee.

Motion agreed to.

Mr. FLEMING: I think that is a good idea, Mr. Chairman; Mr. Croll will see that this committee does not sit at the same time as the committee on old age security.

Mr. CROLL: You can make sure of that.

The CHAIRMAN: I suppose it will now be in order for me to read the order of reference from the House of Commons, Tuesday, February 28, 1950:

> Resolved that the following members do compose the Standing Committee on Public Accounts. . .

—as you all know who you are I can skip the names. On the same date, the Clerk of the House reports that it was ordered that the Standing Committee on Public Accounts be empowered to examine and enquire into all such matters and things as may be referred to it by the House and to report from time to time their observations and comments thereon, with power to send for persons, papers and records. Then, on the 14th of March, there was also a report from the Clerk of the House that it was ordered that the public accounts of Canada and the report of the Auditor General for the fiscal year ending March 31st, 1949 which were tabled at the last session on October 31st, 1949, be referred to the said committee.

I might point out that of the twelve standing committees of the House this Public Accounts committee is the second to hold its first meeting. The only one that came ahead of us was External Affairs which held its first meeting on the 20th, so I think it may very well be said that we have been quite expeditious in starting our work. This committee, so far as I understand, has sat only about six times in the last twenty years, and it has been traditional that the committee would sit upon a request made by any member to the elected chairman. There is no fixed date, no definite time at which we should sit. I wish to inform the committee that I have received a letter from the member for Winnipeg, Mr. Stewart, asking for the committee to be assembled. Unfortunately I had to be away on account of illness, but I answered Mr. Stewart and informed him that a meeting of the committee would be called in the week of April 25th. That is a principle which applies; the committee meets when a request is received from one of its members that a meeting should be held.

Mr. FLEMING: May I just point out for the record that a request was made in the House by the leader of the opposition that the committee should be called to sit.

The CHAIRMAN: That may be so but the practice has always been that the committee was called to sit at the request of a member addressed to the chairman of the committee. I know that on a number of occasions members in the House have asked that the committee sit, and in particular I recall one day when Mr. Homuth said in the House that a meeting of the committee should be called, and on that same day he made the request to me, as chairman, by letter, and a meeting of the committee was called. I can assure you, gentlemen, that if any request by a member had been made that the committee be called into session, not withstanding the fact that I was away through illness, I would have arranged for someone to take charge until I came back.

Now, there are a number of routine motions which I think should be dealt with. The first one is the usual motion asking leave to sit while the House is sitting.

Mr. MAYBANK: I move that the Committee ask leave to sit while the House is sitting.

Motion agreed to.

Now, the next motion is another usual one: that the committee recommend that it be empowered to print from day to day such number of copies of evidence as may be ordered by the committee.

Mr. BOISVERT: I move that the Committee recommend that it be empowered to print from day to day such papers and evidence as may be ordered by the Committee.

Motion agreed to.

It has also been customary to appoint a steering committee so as to avoid any conflict in the order of business and procedure in the work of the committee. It has been the custom to appoint a steering committee, and usually also the chairman and the vice-chairman would act on that committee. I think it might be in order if I were to suggest that there should be a representative of each of the major parties in the House on the steering committee, and to that end I would be glad if someone in the respective parties would let me know whom they would like to have represent them on the steering committee; and then, of course, we will supplement their nominees by an appropriate number of members representing the government party. I would therefore ask the respective parties to let me have the names of the member they may care to designate to act for them on the steering committee. As soon as these selections have been made I will be in a position to go ahead and name the steering committee and it will be in a position to go ahead and plan the work of the general committee.

Mr. FLEMING: May I suggest that we leave the actual appointment of the members of the committee to the chairman after all parties have been invited to make nominations and, that there be no decision made at the moment on the number. There may be some decision made later but I suggest that at present we do not do so.

The CHAIRMAN: We cannot have a steering committee that would be as large as the full committee—it would have no purpose. It may be limited experience, but my experience in the past tells me that a small committee always works better than a large one does.

Mr. FRASER: How many were on the steering committee before?

The CHAIRMAN: Last time one of the minority parties was not included, if I remember correctly. There was one liberal, one conservative, one from another group, Mr. Matthews, and the chairman and vice-chairman. My suggestion now is that the committee be composed of seven members—a member from each of the three minority groups and four others.

Mr. BOISVERT: Including the chairman and the vice-chairman?

The CHAIRMAN: I do not know whether it should include the chairman because the chairman has no voting power unless there is an equality of votes. I think the chairman should be outside of the four I have in mind.

Anyway, as Mr. Fleming has suggested, we will wait for nominations from the parties.

Mr. CROLL: The resolution is:

That a subcommittee on procedure and agenda, to consist of the chairman and other members to be named by him be appointed.

I will make that motion, Mr. Chairman and we can get on with the business.

Mr. DIEFENBAKER: I second that motion.

Mr. BROWNE: Do you give the number of members?

Mr. CROLL: No, no.

The CHAIRMAN: It is proposed that we should leave the number open.

Mr. ISNOR: There are quite a number of members sitting down here, Mr. Chairman, and we would like to know what is going on. Would you be good enough to address your remarks in this direction?

The CHAIRMAN: I beg your pardon?

Mr. ISNOR: There are quite a number of members sitting down here who would like to know what is happening. Would you be good enough to address us as well as one or two of your colleagues up there?

The CHAIRMAN: The same thing applies to you, Mr. Isnor. When you speak you do not seem to be addressing me. It is not my fault if the construction of this room is such that accoustics are bad.

Mr. ISNOR: My remarks are directed to the chair.

The CHAIRMAN: I will try to address that door over there, so that I will be speaking towards the centre. The matter was brought out last year of the difficulty of being heard and of hearing the various members. It is not our fault; the room is just bad.

If we went to room 497 we would find it smaller and more intimate. However, you will be more cramped—you will not each have a place at the table as you do here. If anyone wishes to have the meeting in a smaller room I am quite in agreement.

To revert to business: the motion has been adopted—that a subcommittee on procedure and agenda, to consist of the chairman and other members to be named by him be appointed.

I think we will leave it to the steering committee to decide the time and the place of the next meeting and the order of the agenda. Is that agreed?

Agreed.

The meeting adjourned to meet again at the call of the chair.

MINUTES OF EVIDENCE

House of Commons,
April 27, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. P. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we now have a quorum.

I wish first to report that following the directions that were given to me by the committee I have asked the following gentlemen to be members of the steering committee: Mr. Benidickson, Mr. Croll, Mr. Fleming, Mr. Isnor, Mr. Johnson, Mr. Langlois, Mr. Macdonnell, Mr. Stewart and Mr. Winkler, to assist the Chairman.

Now, the steering committee met yesterday at 2:15 and all the members were present. It was agreed that a meeting of the main committee be called for today. It was also agreed that the first business would be taking up for consideration the auditor general's report for the fiscal year 1948/49, and then Mr. Sellar be asked first to come before us and to present whatever brief he might feel advisable to submit; and in connection with that, it was agreed that we would not interrupt Mr. Sellar while he was reading his submission but afterwards we would limit our questions to the brief itself, and that then he would go ahead and submit the other material which he wants to place before the committee, and that when he had concluded his submissions the material would be open for discussion. Consideration of the report of the auditor general itself would be the next order of business. Following that Mr. Stewart suggested that at the conclusion of Mr. Sellar's examination the committee review the accounts of the Department of National Defence as set forth in the public accounts for the fiscal year 1948/49. Mr. Isnor suggested that the superintendent of insurance of the Department of Finance and the director of the annuities branch of the Department of Labour be examined by the committee as to the facilities of their branches. The subcommittee recommended that for the present we would limit ourselves to a study of the report of the auditor general and subsequently that a further meeting of the steering committee would be held to decide as to the matters that will be taken up. The subcommittee also recommended that we hold as many meetings as possible this week and the early part of next week so as to accommodate the auditor general who might be called to his duties at the United Nations where he is one of the auditors of their accounts.

Mr. MACDONNELL: Might I ask you a question, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. MACDONNELL: I notice from the brief which the auditor general has submitted to the committee that there are some specialized questions. I gathered from what you have just said that it was the intention of the committee to consider the report of the auditor general, and I was wondering if you were going to do that, or whether you were going to consider something along the lines of what is set out in this memorandum which has been placed before us. I just wanted to be sure whether he is going to deal with the matter at large and not just give consideration to certain details.

The CHAIRMAN: It was considered by the steering committee that the auditor general should have an opportunity of submitting the material which he

has prepared in brief form, and after those items have been disposed of that he would deal with his official report as it appears following the public accounts in the blue book.

Before calling Mr. Sellar I am reminded by the clerk of the committee that we have authority to print such minutes of evidence as may be required, leaving the quantity open to the discretion of the chair. What is your pleasure with regard to that?

Mr. CROLL: I would move that the committee print from day to day such number of copies of its minutes of proceedings and evidence as in the opinion of the chairman may be proper.

Mr. FRASER: I have much pleasure in seconding that motion.

The CHAIRMAN: It is moved by Mr. Croll, seconded by Mr. Fraser, that the matter of the number of copies to be printed be left with the chair. Is that agreeable?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Now, Mr. Sellar.

Mr. Watson Sellar, Auditor General, called:

The WITNESS: Mr. Chairman, we are now dealing with the accounts for the year 1949 which ended on the 31st of March of that year.

Mr. Macdonnell has made reference to the fact that the submission handed to you today is on a special topic. Therefore, before I read the memorandum may I explain a little about the audit of last year. A general audit was made of the vouchers and receipts and such things to test their accuracy and so on. It was a test audit because we cannot examine everything, it would cost far more than it would be worth to you; but we carried that out thoroughly and I was quite satisfied with the outcome. The accounts of Canada in my opinion are well kept. Then, in connection with the audit, each of these supervisors was sent instructions to watch in particular for the authority; that is to say the authority for the transaction by the department, and the observation of the law; because it is no mystery to any of us that during the war years the audit office as well as the departments were functioning under exceptional circumstances; we were operating under the War Appropriations Act which was very broad and the War Measures Act which was equally broad, and we knew that there was authority there without any searching for it. This past year we paid particular attention to the general authority relied on for all expenditures, and for all revenues. I might add that we are very pleased at the gradual and steady return back to the ordinary practice; everything is moving along in that way quite satisfactorily. We have not got back to the ideal yet but things are going that way. Now, this submission which I have handed to you, was founded on that point. It is not divulged in our report for this reason: all of its aspects were not appreciated by me until as an auditor of the United Nations Palestine Refugees Relief I observed certain contributions of fish which have been made by the government of Canada which were never consumed by the Arabs, or never issued to the Arabs.

Mr. BROWNE: What happened to that fish, Mr. Sellar?

The CHAIRMAN: Now, Mr. Browne, do you mind?

Mr. BROWNE: Pardon me, Mr. Chairman.

The WITNESS: And being an auditor of the United Nations International Children's Emergency Fund I also saw prices and the invoices for certain payments in connection with flour carriage and the transport of canned fish to the

Mediterranean. Linking those two together I found where fish issued by Canada had been exchanged by the refugee organization with the children's emergency organization for a low-grade flour, which is an issue item to the Arabs; so that it then struck me that perhaps our fisheries board when making such issues, with the approval of the government, was not aware that their donation might in effect come into competition with the wheat growers of Canada in a very remote manner but in theory it could be; and so there was the question of principle involved. Therefore, when I returned to Canada in the fall I studied such precedents as I could and noticed the changes that had taken place in the American practice as regards distribution or surplus commodities and decided that if I were given the honour and opportunity of appearing before this committee I should bring it to your notice. Now, that is the background why I now present to you this memorandum rather than having it put in as a part of my report. It is a question of principle. I am not at all concerned over the goodwill, but I thought I should draw attention to the question of principle involved.

Shall I read the memorandum, sir?

The CHAIRMAN: Certainly.

The WITNESS:

1. In 1921 the United Kingdom Public Accounts Committee reviewed the making of substantial gifts of war stores to Australia and Canada and of clothing and food to people in eastern Europe. There was, and still is, a statute dating from the reign of Queen Anne which prohibits any gift of public property without prior consent of parliament. A question was wether changed relationships between parliament and the Crown had made this statute obsolete. The committee decided that modern application might be that the Crown could make small gifts, but any having a value of £10,000 or more should be made only after parliamentary approval. However, the matter was again reviewed in 1922 and an extract from the report of the Public Accounts Committee is:

> On inquiry we find that the greatest constitutional authorities have laid it down that gifts of national property cannot be made without the approval of parliament. We are therefore doubtful whether, even in suggesting a limit of £10,000 last year, we did not go further than the constitution allows.

No general legislation resulted, but it was arranged that: (*a*) particulars of all gifts would be given annually to the House of Commons, (*b*) Treasury consent would be necessary before any substantial donation was made by a department, and (*c*) the Treasury would be the authority held answerable by the Public Accounts Committee. The reason the committee reviewed the situation is that stores and public property being the equivalent of money, parliament, in order to maintain control of the public purse, must be in a position to make certain that appropriations are not indirectly made without its knowledge and consent.

2. Since the war the government of Canada has made gifts of surplus war assets, the Surplus War Assets Act permitting the government to deal in them "either gratuitously or for a consideration". The reason attention is now drawn to the question of power to make gifts is because, in the financial year 1948-49, donations having a cost value in excess of $1,500,000 were made of agricultural and fisheries products which had been acquired through the operation of prices support boards.

3. The Agricultural and Fisheries Prices Support Boards are bodies corporate, but the statutes declare that all property acquired or held by them "shall be vested in His Majesty in right of Canada". Buying operation are

financed by means of advances from consolidated revenue fund. In the case of the Agricultural Board, the maximum of advances is $200 millions, while that of the Fisheries Board is $25 millions.

4. Each board enjoys a power "to sell or otherwise dispose" of any product purchased. One construction which may be given to the words is that the boards have a blank cheque authorization to dispose of as they see fit. On the other hand, it may be that the true intent is that, while such a board may decide that, to attain an administrative objective, inventories should be reduced by giving food products away, the selection of beneficiaries is regulated by such restrictions as the Crown may be subject to. It is for this reason that particulars of the donations are now given.

5. Due to warfare between Jews and Arabs, over 700,000 persons became refugees. The United Nations decided to create a special account and invited all nations to make voluntary contributions. The moneys thus collected are used to feed the refugees. In the annual report of the Agricultural Prices Support Board is to be found the following:

> In order to support the market and at the same time assist in filling a genuine food need it was decided to donate a quantity of beans to Palestine relief and $200,000 was allocated for this purpose. The purchase was made at a price which would return $3.75 to the growers, which was the initial price laid down in their marketing scheme under the Farm Products Control Act of Ontario.

6. To support the Canadian market, the Fisheries Support Board took delivery of 151,000 cases of canned herring, mackerel and cod. Its report states:

> The disposal of the canned fish presented a serious problem. Constant contact was maintained with international and domestic relief agencies throughout the purchase period in an effort to consummate sales at prescribed or reduced prices. Such outlets as cat and dog food and soup manufacturers were thoroughly canvassed and an offer was made to suppliers and exporters generally to resell the fish at prescribed prices for approved export shipment.

Only 3,036 cases were sold to commercial exporters, but a further 7,479 cases were sold at a 15 per cent loss to the International Children's Emergency Fund. Of the remainder, a gift of 95,657 cases was made for Palestine refugees' relief. Actually, none of the fish was distributed to refugees. The receiving authority exchanged it for flour because fish was not a ration item. The remaining 44,800 cases were donated to 114 public and charitable institutions in Canada.

7. The Agricultural Prices Support Board's report also chronicles:

> The end of the fiscal year 1947-48 found the board in possession of a considerable quantity of processed apples which had been acquired under the support program for the Nova Scotia apple crop of 1947. They could not be sold in Canada except at prices which would have spoiled the market for producers in other provinces, and foreign buyers could be found for only part of the supply. Distribution of a portion of the stocks was therefore made to the Department of Veterans Affairs and other government services and to institutions such as hospitals; the receiver paid the cost of distribution only. The remaining stock consisting of some 187,000 cases of apple sauce, was given the the British Ministry of Food, which paid the cost of inland and ocean transportation to the United Kingdom.

The actual distribution was: British Ministry of Food, 187,063 cases; 307 Canadian hospitals, 96,783 cases; and government departments, 26,247 cases.

8. It may be noted that:
   (*a*) no appropriation was made by parliament to provide for a contribution to the special account of United Nations for Palestine refugees' relief;
   (*b*) Parliament has fixed $1,250 millions as the maximum of financial assistance which the government of Canada may extend to the government of the United Kingdom;
   (*c*) the government of Canada is not the authority over public and private hospitals and charitable institutions;
   (*d*) the gift of 26,247 cases of apple products to government institutions was, in fact, a supplement to the votes for their operation;
   (*e*) none of the commodities involved were of perishable nature.

9. The statute enacted in 1702 during the reign of Anne was regarded in Attorney General of Canada v. Higbie et all 1945, S.C.R. 385 as applicable in principle to governments in Canada; but the legal position is not the consideration which prompts this submission. My view is that no one will willingly subscribe to a rule that, by reason of a technical quibble, food products should be allowed to go to waste. Attention is drawn to the matter because, until a formula is enunciated to regulate practices, parliamentary control over the public purse is impaired.

The CHAIRMAN: Do you care to make any further comments or are you open for questions?

The WITNESS: Well now, gentlemen, with regard to this particular one that I have here, I have given a lot of thought to it and I put down my thoughts here in a little memo which I will read if you wish. I do not know, strictly speaking, that I would say it is good law, but I think it is good common sense; I don't go beyond that. Generally speaking, my view is that, both of these boards have a responsibility to the producer, they are set up to maintain prices and to work out a fair trend from wartime to peacetime, a fair relationship between prices for agricultural and fisheries products and those of other industries. Therefore, essentially, their responsibility and duty is to the producer. Now, it occurs to me that so far as the distribution to Canadian hospitals is concerned—I might say that these goods were distributed to all hospitals—so far as fish products were concerned, and the agricultural commodities, chiefly apple juice and apple sauce, they were distributed in all the provinces other than British Columbia—at that time Newfoundland was not a province of Canada. What makes me worried about that is this: if these hospitals needed these products they should be buyers in the market and in that way create a better market in that field. On the other hand, if products were distributed to them to take care of indigent patients and so on it was a relief measure, and if this precedent were allowed to stand the government of Canada might find itself in the relief business from an agricultural sense through the prices support boards. That has been my main reason for calling the attention of the committee to it. I do not think it has been abused, but from the standpoint of a precedent I thought it was something that should be brought to your attention. So far as the export to the United Kingdom is concerned—and the lots of goods sent overseas for relief—it seems to me that a gift of this nature involves a matter of policy in which parliament is interested and that there should be an appropriation which could be used for that purpose. Generally speaking, it seems to me that parliament has an interest there. So far as donations to the Department of Veterans Affairs are concerned, or to the R.C.M.P. or the naval dockyards, the Indian Affairs Department and so on, each of these departments come to parliament and ask for money that they

consider they will require to finance themselves for a year. Having been granted that money I think that if they were to get fish or apple products they should pay cash to the Prices Support Board for them because it is an indirect way of supplementing their appropriations. What I have to say is summed up essentially in paragraph 7 on page 2 of the material I have submitted:

> There does not seem to be justification for a Prices Support account bearing the cost of a transfer of commodities to the use of a department of government. Section 9 vests in the boards a power to purchase as agent for departments, and parliament annually appropriates what is recommended by the Crown as the amount necessary to finance the cost of departmental services. The departments should pay for all commodities thus acquired by them.

The CHAIRMAN: Before we open questions on this part of your submission may I ask you, Mr. Sellar, if you have any suggestions to make concerning that last paragraph?

The WITNESS: My suggestions would be these, if I might be permitted to read from the memorandum, sir:

8. Practice might be:

(*a*) Whenever a provincial welfare need exists in Canada and a Prices Support Board holds commodities which may be applied to that need, and the products cannot currently be sold at prices within the intent of Prices Support legislation, the Governor in Council may make transfers to the Provinces on such terms and conditions as may be requisite;

(*b*) No substantial donation should be made of commodities to any other authority without the sanction of Parliament. But when an appropriation permits a monetary advance or contribution to be made, the Crown may substitute, in whole or in part, commodities held by a Prices Support Board and, to establish value, the cost price may be discounted up to 25 per cent;

(*c*) Particulars of all transfers to Provinces and of all gifts should be laid before the House of Commons from time to time;

(*d*) Disposals to departments of government should be for value.

That is my approach to that, briefly. Do you wish this memorandum I have just summarized for you?

The CHAIRMAN: Yes, I think it would be helpful if we had that circulated to members. Are there any questions?

Mr. FLEMING: Might I ask one question there in connection with this matter of the fish which was exchanged for what was described as low-grade wheat? I would like to know if you can tell us from what country that low-grade wheat came?

The WITNESS: That is debatable, sir, as to where that wheat came from; it may have been Australia, it may have been France or it may have been grown in the eastern part of the Mediterranean countries.

Mr. FLEMING: It certainly wasn't Canada?

The WITNESS: No. There was one shipment where there was a tremendous controversy over the quality of the flour which was being issued and to which the League and Red Cross societies took strong exception; in one instance it was analyzed by three different authorities one of whom said that the flour was of a quality which might have been ground from low-grade French wheat or low-grade Canadian wheat.

Mr. FLEMING: Do you know what became of the Canadian fish used for relief purposes eventually?

The WITNESS: My belief is that it was issued to the children and expectant mothers in the Balkan countries by the International Childrens Emergency Fund. The distribution is quite heavy in those areas and I believe they consumed that fish.

Mr. ISNOR: Mr. Chairman, when I read this report I realized of course that we had a very experienced witness before us in the person of Mr. Sellar and that his comments would be very helpful to the committee, and I wondered just what he had in mind in presenting to us a report of this kind. I can tell him quite frankly that I was rather amazed at this type of report coming from him instead of a general constructive report based on his duties as auditor of the public accounts, because he always gives us something on which to carry on our inquiry with respect to the different departments. I was interested to learn about the fish and the apples, because we in Nova Scotia are particularly interested in both of those commodities, and I recall the very favourable comment that was made by producers with respect to the action which had been taken in disposing of these fish and apple products. I noticed when I read paragraph 4 on page 3, in respect to apple products being given to governmental institutions, Mr. Sellar states that it was in effect a supplement to the votes for the operations of the department or branches concerned and I wondered just how he arrived at that. With regard to the disposition made of the apple products to hospitals and institutions, I would have thought that it would have been satisfactory for them to give the patients more of that type of fruit instead of the oranges which we have to import at a considerable cost.

Mr. MACDONNELL: That is not what he meant.

Mr. ISNOR: I think Mr. Sellar knows very well what he means. I was wondering whether there was to be a different practice set up. I would have considered it a practical saving in the operation of those institutions when they used apples from Nova Scotia in the place of oranges from California. Perhaps you would enlighten me on that particular angle as to whether there was a saving in respect to the institutions and whether you audited their accounts to determine whether such a saving was effected?

The CHAIRMAN: If I may be permitted to interrupt, I think Mr. Sellar expressed the thought, just before you rose, that it was not so much what happened that concerned him but the principle involved.

Mr. ISNOR: I quite understand it.

The WITNESS: I could clear the matter up with Mr. Isnor by saying that the problem of a supplementary appropriation is this: any deficiency, or any loss in a year in the case of either of those two boards is, by the Act, to be appropriated for by parliament; so you will be asked for a vote in connection with the Fisheries Support Board to the amount of $538,000 for this deficiency, and in the case of the Agricultural Prices Support Board in the amount of $3,474,000.

But if, let us say, the Veterans Affairs department had paid cash to the Agricultural Prices Support Board for that apple juice, then the amount you would have to appropriate to make good the deficiency would have been less. It is a matter of bookkeeping.

Mr. FRASER: But the balance in favour of the veterans affairs would have been higher?

By Mr. Isnor:

Q. It is reasonable to say that their expenditures for fruit and fish out of their appropriations would be lessened to the extent of those two commodities?—A. That would not support the principle. The principle was that this was not going to come in competition with their ordinary buying. This would be supplementary.

Q. But is it not reasonable?—A. Oh, I think it is reasonable. But suppose they were just running close to the margin of their vote.

Q. But any savings they would have would be returned to the Consolidated Fund?—A. Oh, yes.

Q. So unless you are in a position to say there was no saving, that is hardly justified—adding to their appropriation. That is my point.

Mr. JOHNSTON: Can you say that the Prices Support Board would be running close to their margin while the Veterans Affairs department would not be depleting theirs to the same extent, and therefore the Prices Support Board would be accused of something for which they were not to blame?

Mr. FLEMING: Before we get too far away from Mr. Isnor's question, I think that the memorandum we have before us is a very useful one and I am sure there will be a number of questions in regard to it. I agree with Mr. Isnor that it was not quite the way I understood, when the Steering Committee met yesterday, that Mr. Sellar would begin his instruction to the committee—because that is what it amounts to—I thought we would have something rather more general and basic, something of the nature of the memorandum which Mr. Sellar laid before the committee two years ago in relation to the whole basis of preparation of estimates and review of public accounts.

The CHAIRMAN: If I may be permitted to interrupt, I am the one who spoke to Mr. Sellar immediately after, and I left him entirely free. I told him the committee wanted to hear him, and if he had any preference as to the material with which he should start, then he was entirely free to choose whatever material he wanted.

When we met yesterday we agreed that Mr. Sellar should come to us and present his brief. We had no instructions to give him as to which of the different items he should bring up first. So I left him entirely free. He told me he would bring up three memoranda and I said I thought it would be agreeable to the committee.

Mr. FLEMING: I appreciate, Mr. Chairman, that it was on pretty short notice. But may I ask Mr. Sellar if he is in a position to bring to the committee at its next meeting, or at a later meeting, some of his views of a more basic nature with reference to public accounts and the preparation of estimates and so on. I mean the sort of thing he put before the committee in 1947 and recently before the Senate? I think that would provide a basis on which to build our hearings in this committee from this point forward at this session.

The CHAIRMAN: That would be the next order of business which Mr. Sellar agreed to take up.

Mr. MACDONNELL: I think you did explain that.

The CHAIRMAN: Yes, before you arrived. I explained that the next order of business chosen by Mr. Sellar would be his views on estimates. We have just received the document so it was just before you arrived.

Mr. FLEMING: I am sorry, but I was detained in the House.

By Mr. Fraser:

Q. With respect to this fish which was exchanged for flour, have you any idea how much was exchanged and what the value of it would be in dollars?—A. The particular transaction which I have before me in connection with the Arabs amounted to $315,000 and I understand there was a further shipment after that.

Q. You say it amounted to $315,000 and that it was sold at a loss of 15 per cent?—A. No. The 15 per cent does not enter into that at all.

Q. That was all exchanged for flour?—A. Yes.

Q. And you say there was a further amount after that?—A. There was a further shipment.

Q. And how much was it?—A. I do not know.

Mr. BROWNE: I have the particulars here, if you would like to read them, Mr. Sellar.

By Mr. Fraser:

I wondered how much flour we exchanged for our fish?—A. I do not know, sir, as to the quantity.

Q. At least it was to the amount of $315,000?—A. Those poor devils over there have a food budget of a value of about $2 a month. It is a pretty skimpy ration.

Q. Yes, it would be skimpy. I wondered just how much it was.

By Mr. Boisvert:

Q. May I ask Mr. Sellar if this country made similar gifts after the first world war? Does Mr. Sellar know if such gifts were made?—A. I do not know because I was not here.

Q. You do not know. I asked the question because I remember that some of the provinces made gifts following the first world war, gifts to the old country?—A. And at the outbreak of world war II.

Q. What would have been the practice.

By Mr. Macdonnell:

Q. It occurs to me to ask one question in connection with Mr. Sellar's suggestion in paragraph 8 of his memorandum which has just been circulated. He seems to indicate quite different treatment for what he described as a provincial welfare need on the one hand and for disposal to a department of government. In the first case he says: "Disposals to departments of government should be for value." But in paragraph (*a*), he says: "Whenever a provincial welfare need exists..."

The transfer should be made on such terms as may be requisite. Are you leaving it wide open there to make gifts if desired, and if so, why? Why the difference?—A. I may be influenced by my personal opinion, but I think that if we have got something which we cannot sell, I would rather see it consumed by Canadians than to see it sent abroad. I may be narrow-minded, but I approach the problem that way. My next thought is this: who is responsible for the relief of people who cannot buy? The provinces. Therefore I would say: turn it over to the provinces and let them administer it subject to their legislation.

Q. You say "turn it over"; do you mean to turn it over as a gift.—A. Yes, sir.

Q. But in the case of other government departments, you feel that it should be disposed of on a purely business basis, and that constitutes the difference?—A. Yes, sir. I think a government department should pay its way. They can, of course, ask these support boards to purchase for them.

Q. Well, it is not clear to me why a government department should pay its way and not a province?—A. The reason is this: when a department comes before you gentlemen in the House of Commons asking for supply, they ask for the amount that they require in a given year, and I feel they should be held to it. That is my sole reason. I would agree with Mr. Isnor that in practice his argument is absolutely sound, but I believe a department should be bound down.

By Mr. Croll:

Q. I have not attended this committee as often as I should, but would you make that representation with respect to the Post Office department?—A. I would like to see the Post Office department financed out of its revenue.

Q. Have you made that recommendation?—A. I have and to this committee, sir.

Mr. WRIGHT: In respect to this surplus production which comes under the control of the Prices Support board, Mr. Sellar suggests that it be given to the provinces for relief purposes. I think if we should do that we would get into difficulty because this is surplus production in Canada and because it is surplus production the Prices Support board has taken it over. And if the board should turn it back to the provinces, we would only be defeating the purpose of the board, which was to take that surplus out of consumption in order to hold a certain price level. There would be that difficulty in turning these products back.

Let us suppose that the board should take over 1 million boxes of apples from British Columbia, and let us suppose that they turned those apples back to the province of Saskatchewan because certain classes of people in Saskatchewan were not able to purchase apples. Immediately they did that those apples would go into competition with the ordinary sale of British Columbia apples in Saskatchewan. So I think we should first hear evidence from the Prices Support board before we come to any decision on the matter.

I would agree with Mr. Sellar in his other observation that if a government department be supplied by the Prices Support board it should pay for those supplies, otherwise you would be showing a loss in the operation of the Prices Support Act, and you would be giving credit to some other government department which itself can come to parliament to get an appropriation to cover its needs.

Mr. FRASER: I think it is much the same as the Public Works department paying for office buildings and for telephones and so on in such a way that each department does not properly show its own expenses. They do not even cover the maintenance of the buildings which they occupy, and that includes the Post Office department.

By Mr. Isnor:

Q. I think that Mr. Wright's point is well taken. And I think that Mr. Sellar is speaking from an auditor's or from a departmental standpoint undoubtedly when he says he would rather see those products used in Canada by the various departments than to see them shipped overseas.—A. That was a personal opinion rather than an official one.

Q. But I would differ with Mr. Sellar and agree with Mr. Wright that if we are going to take care of our surplus and our markets at the same time, we must carry out the intention of the boards which were set up to take care of surplus and not dispose of that surplus in our own markets. But the only other market so far as we know is that of the starving millions overseas.

Mr. JOHNSTON: I would like to say that I agree entirely with Mr. Sellar, but I think I can see the point of view of the other members. There are two angles from which to look at it.

There may be, as Mr. Wright suggested, a surplus of apples in British Columbia; and if those apples were taken over by the Prices Support board from British Columbia and given, let us say, to Saskatchewan, there might be a condition in Saskatchewan where British Columbia apples are on the open market, but the point would be that people in Saskatchewan might not be financially able to buy those apples and yet they would be in need of apples. Mr. Sellar has pointed out that there is a difference between a financial surplus and a surplus of production. I take it Mr. Sellar's point of view was, that while there is a condition in Canada—take the unemployed for example; there are about 400,000.

Mr. CROLL: No, 300,000, Charlie. Get it right.

Mr. JOHNSTON: I think the papers said last night there were over 400,000.

Mr. CROLL: As of March the 1st?

Mr. JOHNSTON: Well, we will get—

The CHAIRMAN: Order, order.

Mr. JOHNSTON: I am not arguing whether there is one over or one less, but the point is that while there is a need in Canada, my view is that that need should be met. I am not going to argue at this point how it should be met. And if it were a true surplus, then you could ship your surplus of apples or whatever it happened to be over to the other countries. And in conclusion I would concur entirely with what Mr. Sellar has said particularly from the standpoint of accountancy.

Mr. WRIGHT: I agree with what Mr. Johnston has said to the extent that we should meet our needs in Canada; but I do not think we would be doing it in a very business-like manner in doing it this way. We would be only making the problem worse and creating trouble rather than solving the problem.

The CHAIRMAN: I think the main point of the memorandum is to regularize the practice, and that it would be up to us to make a recommendation as to how this should be put in order, if we feel like it. Mr. Sellar, on page 2 of his memorandum, suggests that parliament should authorize a step of this kind and I think that is as far as he wants to go in the way of making a recommendation that might be adopted by this committee, namely, just to regularize a practice which has been going on in the past.

Mr. CROLL: What he says is that we have done the right thing but in the wrong way.

Mr. MACDONNELL: I think we should hear from the responsible authorities of the Prices Support board because as Mr. Sellar has pointed out, however our hearts may tell us, these things should be dealt with in a certain way, and we may be demoralizing our markets in doing it in the wrong way.

The CHAIRMAN: I agree with you; and if at a later date the committee wishes it we could call on these people. May we now pass on to the next order?

By Mr. Browne:

Q. I notice that paragraph 4 says: "Each board enjoys a power 'to sell or otherwise dispose'." I noticed in the papers this morning that cheese will be sold at a loss of 4 cents on the price at which the government requisitioned it.—A. That is covered by section 9 of the Act.

Mr. WRIGHT: I think that before this committee reaches any decision on this matter that the Agricultural Prices Support board should be provided with a copy of this memorandum and be given an opportunity to come here and comment.

The CHAIRMAN: We are just starting our meetings, and since Mr. Sellar has to go away on other business, we wanted to hear from him first. But this committee will be calling other witnesses before any conclusion is reached. We are just in the preliminary stage. And when I ask if we might go to the next order of business, I do not mean to suggest that we have approved any suggestion made up to now, but I am merely interested in expediting the proceedings. Now, Mr. Sellar, would you indicate which one of these you would like to take up first?

The WITNESS: Let us take up the big one.

By Mr. Isnor:

Q. Before you leave this, I would like again to ask Mr. Sellar whether he has any way of telling us if the government departments or the hospitals made a saving on their expenditures because of these gifts or donations of apples

and fish?—A. I cannot prove my statement one way or another but I can say that each of these departments concerned ended the year with a surplus in their votes, if that is the answer you want.

Mr. MACDONNELL: One might say that they got an extra ration.

Mr. FRASER: In dollars and cents how much would this amount to, do you know?

Mr. BROWNE: $1,188.671.

The WITNESS: In the case of apples, apple sauce and apple juice, there were 96,000 cases, but I have no dollar value for them. And in the case of fish, I am sorry but I have not got the dollar value for it.

By Mr. Browne:

Q. Does it not give the dollar value at the top?—A. It does not break it down by departments.

By Mr. Fraser:

Q. You say there were 96,000 cases. Was that all distributed here in Canada?—A. I beg your pardon. To the federal gonernment departments the figure was 26,000 cases.

Q. You say 26,000 cases?—A. Yes, sir.

Q. And the balance of the 96,000 cases?—A. The 96,000 went to hospitals and institutions, and 187,000 went to the British Ministry.

Q. I see.—A. Might I say to Mr. Wright that this morning as soon as I learned that this paper of mine had been distributed, I sent a copy of it to the Deputy Minister of Agriculture, a copy of it to the Deputy Minister of Fisheries, and a copy of it to the Deputy Minister of Finance so that they would have a chance to acquaint themselves with what it was.

By Mr. Larson:

Q. I was wondering how this problem would be related to that matter of the domestic wheat which went into the Canadian market to the amount of some 140 million bushels a couple of years ago, at a little over 77 cents, while at that time the initial payment to the farmer was $1.25 and the board's price to Britain was $1.55. I would like to have some information on that because wheat is talked about quite a bit out in western Canada and I was wondering if there still was not another 30 cents which should come from the Consolidated Revenue of Canada into the fund of the Wheat board.—A. I am not the auditor of the Wheat board, Mr. Larson. I am sorry, but I am not familiar with those accounts. Either the Department of Finance or the Department of Trade and Commerce should be the one to help you out.

Q. That does not come under the province of this committee at all?

The CHAIRMAN: The Public Accounts Committee is authorized to look into the reports of the Auditor-General and the public accounts, and if you have any question about the public accounts you may bring it to this committee. But it does not relate I think, directly, to the memorandum which has been given by Mr. Sellar.

Are there any questions on this first brief which has been presented by Mr. Sellar?

By Mr. Benidickson:

Q. Is there any reference at all in the public account books to the matter which Mr. Larson refers to?—A. Only by implication, sir.

Q. Then where would it appear by implication?—A. You would find that in connection with the balance sheet; the government of Canada is guaranteeing

loans by the banks to the Wheat board and you will find, if you want to get an item relating to the Wheat board, that paragraph 67 of my report deals with the payment of $11 million to the Wheat board for reimbursing those who purchased Canadian milled flour for human consumption. Those are the only two references I can give you.

Mr. WRIGHT: I think that would come directly under the vote in the past year. In 1949 from August 1 or July 31, the new crop year, there was a price charged to the domestic trade in Canada on wheat of $2. per bushel. But the price at which the wheat was sold by the Wheat board since August 1 has averaged, I believe, around $1.15 to $1.20 per bushel which would indicate that there was a subsidy from the wheat producers during this last year which would be approximately 15 to 20 cents a bushel on the domestic wheat consumption. The subsidy was much larger in the period referred to by the hon. member for Kindersley, when the price to the miller was $1.25 and the world price for class 2 ranged as high as $3.25 a bushel. I think there was an item on it in these matters which are before us today, from August 1 until the end of 1949, in which the Wheat board subsidy was paid.

The CHAIRMAN: If at a later date when we come to the auditor-general's report anybody wants to raise that question, that should be the time to do so.

Shall we proceed in the order recommended by the steering committee to the second memorandum brought by Mr. Sellar?

Mr. CROLL: Is this the same memorandum you presented to the Senate?

The WITNESS: No sir, not exactly. I would just like to explain it.

Mr. CROLL: Yes please.

The WITNESS: I am sorry that I have disappointed some of the members of the committee in my submissions today. I had short notice. I had one ready on my files so I had it sent up last evening. I am afraid my notes are not in very good shape. I usually put any observations by way of criticism which I may think it proper to make in my printed report. A few weeks ago the Senate decided that they wanted to enquire into estimates and they were reading up the various items from the book. The chairmen were not accustomed to seeing the estimate books, that is in the book form. They usually do not get that blue book. So I was asked if I would prepare a memorandum for them which might help them in steering their committees on to the points of interest to them, and do so in such a fashion that they might go directly to a single paragraph and use it as they saw fit along with the appendix to it. I did so. I was asked for a second one and I prepared it. Those were delivered to the chairmen and ultimately distributed to all members of the Senate. I was not called upon to do more than to lay it before the Senate committees. I was not examined on it. The result is that there were three memos which I made for the Senate and they are very untidy. They are verbose and they duplicate each other. In view of the fact that the speech from the throne this year has indicated that the Consolidated Revenue Audit Act may be revised at this present session I thought it might be of some use to some members if I were allowed to consolidate the various statements I have made to the Senate into a better reading document, and I have done that. I do not suggest for a moment, sir, that you bother reading it into the record because on previous occasions every point in the material has been read into the records of your committee. If you wish me to read it I will do so, but I do not think there is any new material; it has just been brought up to date. If you wish me to read it I will do so, otherwise I will leave it with you.

The CHAIRMAN: Might I ask you just one question. This brief represents how in your opinion the House should reform, shall I say, its present approach to a study of the estimates?

The WITNESS: Well, my approach is this, sir. We are in big business in the government of Canada today. You are being asked to appropriate $1,400,000,000; and my thought is that you will agree with me, gentlemen, when I suggest that you haven't got the time to go minutely into everything; and there is a lot of talk and discussion, which I may say I believe in myself, that there should be an estimates committee. In 1947 this committee considered recommending that there should also be an estimates committee and combined with this committee. I think sooner or later you are going to be faced with that problem. My thought is simply this, and it is my suggestion, that if you do set up such a committee you would have in the estimates the information you require; and, further, and I regard this as more important, if we civil servants are to be allowed to appear before committees can we start log rolling for our favourite hobbies and bypass our ministers and start bartering for votes for our pet projects. That is one of the things that I think you may be up against, and for that reason I would like to see the next part of the estimates rewritten in such a way that they will be clear and precise, so that when any item is up for discussion directly with civil servants there will be no way on the part of the civil servant to get around his minister; that the vote will set out the policy of the department and the control of expenditures set by parliament, so that, once approved there cannot be any departure from declared policy. These are the main reasons for my concern over the form of the estimates, and I do not think you can now get any information whatever out of the present printed details.

The CHAIRMAN: Then I think we will take your suggestion that it is not necessary for you to read the memorandum to the committee, but in order that it may be before us in complete form I would suggest that it be printed in today's report of our proceedings as an appendix; it will be appendix "B" to today's report. May I also suggest that it will be a good thing for members to read this material very carefully so that when we meet again tomorrow morning they will be in a position to ask you questions about it. Are there any particular sections in it to which you would like to direct special attention at this time?

The WITNESS: Well, sir, the essence of my submission will be found in paragraph 10 which you will find on page 6.

> Illustrations of ambiguous directions are: Vote 19 will grant $1,342,000 for the Live Stock and Poultry production service of the Department of Agriculture. Vote 28 grants $1,204,000 for the Department's marketing service associated with Live Stock and Live Stock Products. Where is the dividing line Parliament intends being drawn between production and marketing? Or take these Veterans Affairs votes:
>
> 531. Treatment services $34,389,177
> 532. Prosthetic services 983,450
>
> Is the intent that, if and when Vote 532 is spent, no further patients may be accepted, or may they become a charge to Vote 531? Actually, Vote 532 is to finance the manufacture of goods required by the hospital services, just as
>
> 217. Food and Drugs $704,450
>
> is not to purchase food and drugs, but to pay the salaries and expenses incurred in administering the Food and Drugs Act.

I have given you an indication there of why I think it is very difficult to understand what is involved as to policy after the vote is granted. That is what I mean. May I say at once that that is not the fault of parliament and I am not trying to blame anyone, and I know how the departments function; I will

say frankly that when I was in the department I did the same thing. You will see from the examples I have given you that the object is to keep the text down to the fewest possible words, and it is in that I think that the weakness lies.

Mr. CROLL: Take this item 217, food and drugs—$704,450; if you turn up the estimates you will find that the details are given there that that is for the salary of the director, his assistants and right on down through the staff, and also the various other items which are to be paid out of that vote. What is wrong with that?

The WITNESS: Well, sir, the point I am making is that as you read the item there as it appears in the Appropriations Act you would naturally think that amount of money, $704,000, was to be spent on food and drugs.

Mr. BROWNE: Yes, you would think it would be on health services.

The WITNESS: Yes, you would think it would be to buy food and drugs, but that is not what the item is for at all. If you go to the estimates in the blue book you find the purpose for which it is intended to be used set out in detail, as you have said, and you find that it is almost entirely for salaries and supplies.

Mr. BROWNE: Exactly, and if you turn to page 176 of the blue book on estimates you find detailed there every single item which that vote is intended to cover; you have detailed there sixty-one permanent positions and one hundred and sixteen temporary assistants positions, to a total of one hundred and seventy-seven positions, ranging from the director and his assistant down through to stenographers and clerks; and then, if you go to the next page you find that it also includes items for express, telephones, printing, travelling and so on down to and including acquisition of equipment. It gives you all the details.

The WITNESS: But those details are not printed in the Act, the Appropriations Act, which we administer. In that Act the item would just read: "Food and drugs, $704,450", and that is the difficulty in so far as control is concerned.

Mr. BROWNE: Would you not be guided in that by items 216 and 217, and on down, under health services?

The WITNESS: It would appear that way in your book. We know what it is and what it is for. My point is that the details do not appear in the Appropriations Act.

Mr. MACDONNELL: The real weakness there I take it, from what you have said, is the fact that the Appropriations Act does not carry in it the details which appear in the item in the estimates in the blue book; is not that what gives you concern?

The WITNESS: Yes, that is the weakness.

Mr. MACDONNELL: How much of the detail of that item do you think should be included in the Appropriations Act reference?

Mr. BROWNE: Well, you can get that from the estimates.

The CHAIRMAN: As Mr. Brown suggests, when we turn to the estimates we have all the details of this item. The same detail does not appear in the Appropriations Act, but we get that by referring to the blue book on the estimates, to the item concerned. When it comes to a matter of administration it is very easy to refer to the estimates themselves.

Mr. MACDONNELL: But that does not meet the point under discussion. The point is how much of that detail gets into the Appropriations Act or should go into it.

The CHAIRMAN: You mean that the shorter item in the Appropriations Act is in effect misleading because it is insufficient in detail.

The WITNESS: It presents no problems to us in our audit because we know the department and know what is intended, we know all about it; but what gives me concern is that I do not know whether you gentlemen know whether that is what you are appropriating or not, whether you are appropriating what was intended.

Mr. BROWNE: Sure.

The CHAIRMAN: Yes, because all we have to do is to refer to the related item in the estimates.

The WITNESS: Just on that point may I refer you to the item which starts at the bottom of page 7 and continues at the top of page 8. I will read it to you:

> The "Details" now printed at the back of the estimates book may be evaluated by a single test: value to Members of Parliament.
>
> In Durell's "Parliamentary Grants" is to be found:
>
> > If, as is the case, Parliament grants to the Crown a certain sum for a certain service in a given year, without any more definite appropriation in the terms of the grant, it is legally competent to the executive to expend that sum at discretion in the year upon that service. That is to say, since the parliamentary enactment deals with the vote only, the government is not legally bound to adhere to the details submitted to Parlaiament, provided the expenditure is restricted to 'the four corners of the vote'. Morally, however, the Government must adhere to those details as far as is consistent with the interests of the public service, since its good faith is pledged by the details given to Parliament, and the Comptroller and Auditor General would correctly bring divergencies to notice (p. 296).

Now, sir, that is what I mean, and, as I say, that permits a material departure from the details of the estimates, and that is why I thought I should bring it to your attention.

Mr. JOHNSTON: But notwithstanding that the vote No. 217 is specifically for food and drugs.

The WITNESS: Yes sir.

Mr. JOHNSTON: But the details in the estimates are made up to indicate that this is for salaries, supplies and services; but from the way it appears in the Appropriations Act one would think that it applied entirely to food and drugs; it could be taken for that.

The WITNESS: That is my understanding.

Mr. CROLL: No, no.

Mr. JOHNSTON: Well, that is what it says.

Mr. CROLL: Well, if you take that view of it, I think we are just asking for trouble; that you would just be getting off on the wrong foot.

Mr. JOHNSTON: Well, I did not say it can be taken for that; it could be.

Mr. BROWNE: Mr. Chairman, let us take that item No. 217, for convenience sake; that is food products. That is the heading of the vote. All you have to do is to turn to page 176 of the estimates and there you find the details of every item which goes to make up that vote, and there you see that the whole vote is for $704,000 odd. And if I understand this situation correctly the government does not have to confine itself precisely to the exact figure that is here so long as it keeps within the total of $704,000 odd; isn't that right?

The WITNESS: That is right, but my view on that is this, that it could be very simply stated in the Appropriation Act text that that vote was for the administration of the Food and Drugs Act.

Mr. CROLL: Yes, that would be the correct terminology.

The WITNESS: That is the proper designation for it, and that was the purpose of my calling attention to this, that we might clarify the language used.

Mr. LARSON: If that is put in there for the sake of brevity I do not see that there should be any particular objection to it.

Mr. STEWART: I wonder if Mr. Sellar could tell us of any recent experiences of deviations such as he fears, where they are going to spend the money in some other way than the purpose for which it was voted.

The WITNESS: I am trying to think back sir. I cannot recall anything in the year now before you. I am trying to think back over the years and I cannot pin a case in my mind. If there have been cases they have been isolated cases, if that is what you wanted.

Mr. STEWART: I take it that what you want is terminological exactitude.

The CHAIRMAN: Hear, hear.

The WITNESS: Plus this, sir, I think that the context might be a little more specific.

Mr. STEWART: That better English might be used.

The WITNESS: What I mean is this: where the vote is mainly salaries but also provides for other services it might be desirable to state in the context of your vote the maximum amount that you are going to allow for salaries. As it is now they could transfer from this subhead that you have been referring to and build up a big unit establishment beyond what might be desired.

Mr. CROLL: It is an increase in personnel that you have in mind, is it?

The WITNESS: Well, no. You see—I haven't got the number in my head but I think it is either section 10 or 12 of the Civil Service Act—anyway there is a section in the Civil Service Act under which the Civil Service Commission is empowered to make such adjustments in staff as it may decide to be necessary, subject to the approval of the governor-in-council; and the section I am referring to says that no effect shall be given unless the money to provide for the increased expenditure has been appropriated by parliament. Now then, you are asked by this vote, let us say to provide $100,000 for salaries and $10,000 for telephones and $10,000 for supplies and so on. The department has its establishment of $100,000 in salaries, and suppose the department decides that they should increase rates so that the cost for the year will be $110,000; the Civil Service Commission recommends and the governor-in-council approves an establishment of $110,000; then, that $10,000 would be provided by transferring $10,000 let us say from the printing account and they would still be within their total. Actually, the department would be submitting an estimate of salaries totalling $100,000 while they would really be able to get away with $110,000 under that heading, essentially without the necessary approval of parliament. Personally, I do not think it should be open to a department to increase their salary item to the extent of the example I have just given you.

Mr. CROLL: Mr. Sellar, let me put this situation to you. Suppose we have an outbreak of smallpox, a smallpox epidemic in this country, and that to deal with it adequately the department needs an addition of ten more people to its staff, would it be your idea to tie the commissioner's hands so completely that he would not be able to move, to appropriate another $10,000 that he needs immediately—and let us assume that parliament is not sitting at the time.

The WITNESS: Make provision in your salary details for these expected increases in cost. Do it in the open rather than in the dark.

Mr. CROLL: Well, you would still be doing it in the open because the following year when you report to parliament you could say that you had been required to spend $110,000 for salaries, and the minister could say that as a man in charge of administration he found it necessary to make that provision on the spot, and then he would vote him the additional $10,000 in your supplementary estimates.

The WITNESS: Actually, sir, in every salary vote of every kind there is a cushion.

Mr. CROLL: Of course there is.

The WITNESS: The cushion which is perfectly legitimate is this, that during the course of the year you have so many resignations and you have so many deaths, and for one reason or another you have many little savings so that you do not completely use your $100,000. Suppose you needed a 2 per cent increase in salaries; you would be absolutely safe in imposing that increase on your vote because it will be taken care of in that way.

Mr. CROLL: I know what you mean by the term "cushion" because I have used cushions on occasions, but I do not know how far they do it in this government. Would it amount to 10 per cent in this government?

The WITNESS: Yes.

Mr. BROWNE: Is there not provision in the Audit Act that you can make extraordinary expenditures without a special vote?

Mr. MACDONNELL: It seems to me that there must be some flexibility somewhere to meet a point of that kind.

Mr. WRIGHT: May I just give you an illustration in point. I want to ask you a question about this, Mr. Sellar; I want to ask you how you would deal with this: Take the Department of Agriculture and say that with respect to one branch they have a vote for $1,342,000, and that in another branch they have a vote for $1,204,000, and that in the second branch they have practically used up their appropriations but because it relates to the marketing of farm products they want to use additional staff and for that purpose they transfer from one branch, or they take on twenty-eight additional men in order to carry out that work, and that involves an additional expenditure of let us say $30,000. Now, let us assume that the purpose of the work these additional men are going to do is to bring about uniformity in agricultural products, and that applies as much to the production as to the marketing end. Now, let us assume that to carry on that special work they transferred the necessary funds from the first branch to the second branch, would you check that, would you catch that with respect to the salary item?

The WITNESS: I would not catch that, sir. The department concerned has the responsibility. The minister is the head of his department, and within the four corners of his vote he can charge what he considers appropriate to the vote. The illustration you use seems to me would be one which would be discretionary with the minister, would it not?

Mr. WRIGHT: That is the way I understand it. I really was not asking your opinion on it but rather was using it as an illustration that there should be more latitude than there appears to be at the moment, or than you suggest, permitting the switching of personnel from one branch to another within a department, if not between departments.

The WITNESS: My answer to that, sir, is that either the votes are described wrongly, or that they should be consolidated into one vote. That is my view.

Mr. LARSON: Might I ask you this: do you find many votes in which there is a large surplus at the end of the year?

The WITNESS: Well sir, in the accounts that you have before you a total of $186,000,000 lapsed. I think we have too many items and that there are too many little reserves in the items accumulated, whereas if you were to consolidate the number of votes you would be able to budget more closely.

Mr. CROLL: Is there any such thing as capitalizing your vote?

The WITNESS: No. Some of these are very large items. I do not want you to misunderstand me, but every year we have a large volume of lapses.

Mr. CROLL: Can you give us one?

The WITNESS: Well, there was a large lapse in connection with Veterans Land Act purchases of land, but there again I want it clearly understood that I am not trying to blame anyone. You have to bear in mind here that you are dealing with the year 1948 when construction materials were still tight and the government departments were not building more than they had to. They got the votes but they did not go ahead with as many public undertakings as they had intended and there were savings from that. But I do believe a fewer number of votes would accomplish the aim that has been suggested.

The CHAIRMAN: When the steering committee planned the work of this committee for today and tomorrow Mr. Fleming proposed that we should sit tomorrow at 10 o'clock. There are a number of us on this committee who would like to attend the sittings of the committee on External Affairs, so it was thought that if we were to sit at 10 o'clock in the morning we might go immediately to a consideration of this brief which has been circulated. Members can look it over carefully over night and make a note of any questions they want to ask Mr. Sellar. Perhaps those who have to go to the other committee might be given preference in the asking of questions, and those of us who remain can carry on after they have left. Personally I happen also to be a member of the External Affairs committee, but I can assure you that I will be here tomorrow in my capacity as chairman throughout the sitting. When we come to this brief tomorrow morning we will take it up clause by clause. I do not think it will be necessary to read it, you all have copies, and it is also being printed as an appendix to today's proceedings.

—The committee adjourned to meet again tomorrow, April 28, 1950, at 10 a.m.

APPENDIX "A"

1. The purposes of the Statutes are set out in section 9 (2) of each Act:
   . . . The Board shall endeavour to ensure adequate and stable returns for agriculture [fisheries] by promoting orderly adjustment from war to peace conditions and shall endeavour to secure a fair relationship between the return from agriculture [fisheries] and those from other occupations.

And to attain these objectives, the Boards are given power: (*a*) to fix prices and to purchase at those prices; (b) to compensate producers by paying the difference between fixed and commercial prices; and (c) to sell or otherwise dispose of products acquired.

2. A presumption is that it is contemplated that the Boards will operate in distressed markets arising out of (a) gluts in production; (b) poor consumer demand; or (c) low prices. It follows that Boards will periodically have inventories which cannot be converted into money. Excessive overhanging inventories can depress prices; moreover, the taking of a quick loss by reason of a gift to reduce inventory may, in fact, reduce or remove a long term risk.

3. If it be accepted that Parliament is the authority to regulate donations of public property, the words "to sell or otherwise dispose" in the Prices Support Acts sanction donations when the effect of the gift promotes the purpose of the statutes. Conversely, it may be that no authority exists to make a gift when a consequence will be to remove the recipient, as a buyer, from the market—the object of the legislation is to assist producers, not buyers.

4. Section 3 places each Board "under the direction" of a Minister. A Board has authority to operate in the commercial market subject to such directions as the Minister may give, because it is performing the statutory function for which it was created. But when the Board is of opinion that all, or a portion, of the holdings must be given away, it seems proper to regard its status as becoming advisory, namely, to indicate the outlets which may be employed without adversely affecting the commercial market, because giving effect to such a recommendation is in the nature of a policy decision to be made by a Minister or the Cabinet, because : (a) section 6 vests all property in the Crown; and (b) the resulting loss must be covered by an appropriation for which the Crown must take the responsibility before Parliament.

5. A distribution in Canada for charitable or welfare uses may create a troublesome precedent. Section 92 of the B.N.A. Act assigns to the Provinces:

> The establishment, maintenance and management of hospitals, asylums, charities, and eleemosynary institutions in and for the Province, other than marine hospitals.

Generally, welfare work is regarded as a provincial responsibility. The selected beneficiaries normally would be public and charitable institutions and public authorities. To attain the real purpose of a Prices Support Act, donations must be policed after transfer of possession, because the statutory objective is not to provide food to those who will use it but to maintain market prices. The Government of Canada may safeguard its position if it works through the Governments of the Provinces. The machinery might be to transfer title from His Majesty in right of Canada to His Majesty in right of a Province upon such terms and conditions as may be expedient. The real distribution would then be within the legislative control of the Provinces, with the purpose of Prices Support legislation safeguarded by the agreement with the Provinces.

6. When a gift is made to a national government or to an international organization, a decision of high policy is involved. It is desirable that any such donation be specifically authorized by Parliament, but a point to consider is the value to be placed on commodities which are authorized to be donated by an appropriation Act item stated in dollars. First cost may not be the real cost—there may be storage charges, etc., or offsetting profits from sales, etc. The essential is to bear in mind the real purpose: the reduction of inventories in order to maintain domestic prices. So regarded, much may be said in favour of the Crown enjoying the right, in suitable circumstances, to convert a monetary amount into quantities in a manner which serves a dual purpose.

7. There does not seem to be justification for Prices Support Account bearing the cost of a transfer of commodities to the use of a department of government. Section 9 vests in the Boards a power to purchase as agent for departments, and Parliament annually appropriates what is recommended by the Crown as the amount necessary to finance the cost of departmental services. The departments should pay for all commodities thus acquired by them.

8. Practice might be:

(a) Whenever a provincial welfare need exists in Canada and a Prices Support Board holds commodities which may be applied to that need, and the products cannot currently be sold at prices within the

intent of Prices Support legislation, the Governor in Council may make transfers to the Provinces on such terms and conditions as may be requisite;

(*b*) No substantial donation should be made of commodities to any other authority without the sanction of Parliament. But when an appropriation permits a monetary advance or contribution to be made, the Crown may substitute, in whole or in part, commodities held by a Prices Support Board and, to establish value, the cost price may be discounted up to 25 per cent;

(*c*) Particulars of all transfers to Provinces and of all gifts should be laid before the House of Commons from time to time;

(*d*) Disposals to departments of government should be for value.

APPENDIX "B"

THE ESTIMATES

1. *Constitutional Responsibility*: Section 54 of the B.N.A. Act requires that the Crown, acting with the advice of its responsible ministers, make known to the Commons the pecuniary necessities of the government; the Commons, in return, grants such supplies as are required to satisfy these demands. Thus the Crown demands money, the Commons grant it, and the Senate assents to the grant. The Senate enjoys the same power as the House to scrutinize the items of supply requested by the Crown, but the Supply Bill must originate in the House of Commons, its special place in matters of finance being recognized by that part of the speech from the throne which is specifically addressed to the Commons:

> Members of the House of Commons:
> You will be asked to make provision for all essential services for the next fiscal year.

The limited time available and the broad diversity of public services permit only a scratching of the surface of the Estimates by Committee of Supply. Constitutionally, the Executive is answerable for the "purposes" and the "regularity" of the resulting expenditures, but the "value for money" seems to be a subject where responsibility may be shared, and, to be effective, the point for action is when an Estimate Item is being incorporated into a Supply Bill. There are many items which pertain to Executive policy only to a limited degree. For example, Item 167 provides $22,000,000 for the administration of the Unemployment Insurance Act, 1940. The principle of unemployment insurance is not in issue—that was settled ten years ago. Contributions to the Fund come from three sources—employees, employers and the State. A Commission of three persons, who report "through" a Minister but are not "under" a Minister, is responsible for administration. In such circumstances, an observation made in 1928 by the Right Honourable W. L. Mackenzie King is to the point:

> My hon. friend the leader of the opposition (Mr. Bennett) will recall that at the beginning of the session I discussed with him the advisability of the different parties in the house adopting some more effective method of scrutinizing the supply requested by the government, some method which would enable members to hear what the officials of the departments had to say with respect to the several items included in the estimates. I entirely agree with my hon. friend that the system at present in force, under which a minister of the crown is necessarily dependent in the House of Commons on his deputy for much of the

needed information with the deputy also of necessity, often not wholly familiar with all the details of particular branches, is most unsatisfactory. Speaking for the government I would say that we would welcome a change in the present method, a change which would not only afford fuller opportunity for discussion but which would carry with it an obligation on the part of the heads of different branches of the public service to appear before a committee of the house and explain fully the reasons which have occasioned the recommendations which find their place in the estimates submitted to the house. (Debates, p. 4048.)

2. However, in 1944 a Committee of the House of Commons (set up to review Standing Orders) advised against the creation of Estimates committees:

> The suggestion that estimates should be referred to standing or select committees has been given earnest consideration and carefully reviewed. It strikes at the root of ministerial responsibility and it divests members of the privilege of criticizing from the floor of the house without advice, suggestion or influence of any kind, all departmental expenditures submitted by the government. No proposals subversive of this settled rule of action can be safely embodied in any scheme for securing closer parliamentary control. One of the objections to this propsal is that if all the estimates are referred to a standing or select committee the motion for the Speaker to leave the chair shall be abolished, which means fewer opportunities for private members to move amendments setting forth grievances or expressing want of confidence in the government. The procedure required to keep this privilege unimpaired would reduce the efficiency of the committee's functions and it would be so involved as to be misunderstood and hard to enforce. Certain estimates may be occasionally referred to a select committee in order to ascertain facts which the house desires to know, but this practice should be adopted guardedly and only in very special circumstances. Your committee does not think it would be advisable to change the present system and it believes that the elasticity of the present rules makes it possible to apply them in new situations from time to time. (Debates, p. 1239).

3. Having quoted from a speech of Mr. King in 1928, his reaction to this part of the Committee's report is now given:

> We might well assume, I think, that so far as the first half of the report is concerned, if I may so designate it, hon. members should not be committed too literally to all the statements which it sets forth, or to all its observations. They are general in nature, and in voting for or against the adoption of the report, if we are expected so to do, we might well, I think, be allowed to have certain mental reservations with regard to the adoption of all that appears there. I mention that because I see, for example:
>
> > The suggestion that estimates should be referred to standing or select committees has been given earnest consideration and carefully reviewed. It strikes at the root of ministerial responsibility . . .
>
> I cannot accept that as a correct statement. For years estimates have been referred to special committees at Westminster, and the parliament at Westminster is as careful in observing ministerial responsibility as any parliament in the world. Something may have been in the minds of the hon. members responsible for that statement which is not apparent on the face of it, but if I were to support the report as a whole, as I intend to do, I should not like it to be asserted at some future time that this House of Commons had virtually determined that the reference of estimates to select committees would be striking at the root of ministerial responsibility and

therefore should not be permitted. I had hoped very much that the committee might have found it possible to endorse the reference to a committee not of all estimates but at least of certain of them, while, of course, safeguarding the right of every hon. member to criticize the estimates in whole or in part when they came back to the house for discussion. (Debates, 1944, p. 1255).

No action was taken by the House on the Committee's report.

4. Thus there is, on the one hand, the fear of a House Committee that any change in procedure will curtail rights and privileges of the Commons; and on the other, the belief of an outstanding parliamentarian and administrator that the ramifications of the public service are now such that, to secure information on which decisions may be founded, it is in the interest of Parliament that there be direct oral examination of civil servants.

5. It has never been suggested that section 54 of the B.N.A. Act be varied and that Canada adopt United States' practice, where the appropriation Acts are written by Congressional committees. The worth of the section is recognized and its history is concisely and aptly set out in Minty's "Constitutional Laws of the British Empire".

> There had been in the early history of constitutional government in Canada notorious scandals arising out of the appropriation of public funds upon resolutions brought by private members. In many cases Ministers had evaded liability for corruptly awarding out of public funds pensions and bribes to their friends by getting private members to introduce the necessary resolutions. As a consequence the Union Act of 1840 made provision for the definite expression in the written Constitution of the usage that there shall be no appropriation of public funds save upon the resolution of a responsible minister after a request has been made by the Representative of the Crown upon the advice of the minister. This provision was afterwards incorporated as section 54 in the British North America Act. (p. 131).

6. The Committee of Supply now exists as a convenience in debate. It has no present-day constitutional or legal significance. Its origin was once traced in a Westminster report in these words:

> The Committee of the whole House on Supply has the name, but has none of the methods, of a Committee. It was established in the days of recurring conflict between Parliament and the Crown as a device to secure freedom of discussion on matters of finance. The debates in the House itself were recorded in the Journal, which was sometimes sent for and examined by the King; and they were conducted in the presence of the Speaker, who in those days was often the nominee and regarded as the representative of the Sovereign. By going into Committee under the chairmanship of a member freely selected, the House of Commons secured a greater degree of privacy and independence.

7. *Practice at Westminster:* The ineffectiveness of review (to establish real maxima) by a committee of the whole House is admitted. A change to smaller committees would, in fact, be no more than an extension of a practice introduced in Canada almost fifty years ago when Sir Charles Fitzpatrick, then minister of justice, brought his departmental accountant onto the floor to permit immediate replies being given to questions posed during debate of his estimates. What the 1944 Committee on Standing Orders apparently feared was curtailment of opportunities to air grievances and to make proposals. Therefore, the experience at Westminster is of interest, because the present

situation in Canada presented itself long ago in England. In 1902, Standing Order No. 14 was adopted. It allots 20 days (which may be increased to 23), being days before the 5th August, for the consideration of Estimates. On each of the 20 days, Estimates are the first order of the day. The items to be discussed are selected by Opposition Members—sometimes by lot—and according to May, the debate "concentrates upon the policy and activities" of the Ministers and officials whose salaries are provided by the Estimates. When August 5th comes, all votes are approved without further debate. Commenting on the results, May (14th ed., p. 288) states:

> By using a traditional form of proceeding in a novel way the practice of the House has secured that an appreciable portion of government time shall be used in reality for the purpose of criticizing the Government on subjects chosen by the Opposition, while in form it is used for determining the precise amount of every item of national expenditure.

8. It might be added that in England ancillary safeguards are:

(a) In order to focus attention, the number of Estimates' items is kept below 200—in Canada the number often approximates 600.

(b) A Public Accounts Committee annually reviews all receipts and expenditures and reports thereon. The Committee consists of 15 members. A member of the Opposition, as a rule a person who was a member of a former Ministry, is chairman. The Committee meets in private, but its reports and evidence taken are printed and tabled. Time is set aside for considering the reports by the House and the Treasury is required to make written replies to all observations of the Committee.

(c) In 1891, by the Public Accounts and Charges Act, it was provided that various classes of receipts (other than taxes) be applied directly to appropriations which financed the services producing the receipts. In other words, an appropriation is now for the deficiency between cost and income. Commenting on the practical utility of this scheme, Durell's "Parliamentary Grants" states:

> This system of appropriating receipts in one way tends to increase economy, for it is to the interests of the departments to see that they realize all their receipts, since any shortage will have to be made good by either reducing expenditure proportionately or by applying to Parliament to make good the deficiency. (p. 41)

(d) In 1912 a decision was taken to set up a standing committee on Estimates. The problem was to devise a reference which would give the committee a field of activity and yet not interfere with ministerial responsibility. The line of thought was that the Committee should report after the Estimates for the year were approved—and thus the value of the Committee's work would be, (i) to inform Parliamentarians, and (ii) to accomplish positive results in subsequent Estimates. The Committee has, throughout its history, been hampered by lack of technical assistance, although a Treasury officer is now assigned to the Committee. In 1946, the Select Committee, on Procedure (Third Report) recommended that a single Select Committee, to be called the Public Expenditure Committee, combine the functions of the Public Accounts and Estimates committees. Effect has not yet been given to this recommendation.

9. It is unlikely that this country will adopt English practice of placing the department equivalent to the British Treasury in extra-statutory status of superiority over all other departments—that is the source of the influence of

the English Public Accounts Committee. In Canada, ministerial association with the public is more direct and the man-in-the-street holds Parliamentarians more directly answerable for administration. English experience is that parliament can protect its constitutional rights and privileges and at the same time change practices respecting the grant of Supply, but the risk will be present that the public service bureaucracy may (if committees are used) be placed in position to by-pass the Ministers. The demands made on the time of Ministers and the dimensions of the public service are now such that few Ministers can have an all-embracing familiarity with the services under them. They must delegate responsibilities and thus become dependent on others for information. Ministers can and do control decisions of policy, but application is delegated and it is the dead-weight of administrative cost that is of concern when Estimates are under review. For example, in the present Estimates, provision for salaries and wages of public employees exceeds $300,000,000. It will be the salaried expert, not the Minister, who will be in direct contact with the committee, therefore the form or text of items should be such that the expert is not in position to barter.

10. *Texts of Items:* For such reasons, it is suggested that a first step is to require that texts of votes be more explicit than they now are, because:

> The supplies are granted to the Crown for the public service by the Legislature, but the expenditure is left to the discretion of the Executive, which decides on the propriety of every transaction requiring the payment of public moneys, and the only limitation imposed upon the Executive by the constitution is that the disposition of the moneys must be in accordance with the votes. The Executive is not bound to spend the moneys voted by the Legislative Assembly and granted by the Legislature, but every expenditure of such moneys must be made on its authority. The Legislative Assembly, which votes the supplies, has, it is true, a control over the expenditures, which is exercised through the committee on public accounts, but that control is restricted to enquiring if the moneys granted have been spent in accordance with the votes, and it does not enroach on the functions and authority of the Executive. (Wurtelle J., speaking for the Quebec Court of Appeal in R. v. Waterous Engine Works (1894)Q.R. 3 Q.B. 223.)

Illustrations of ambiguous directions are: Vote 19 will grant $1,342,000 for the Live Stock and Poultry production service of the Department of Agriculture. Vote 28 grants $1,204,000 for the Department's marketing service associated with Live Stock and Live Stock Products. Where is the dividing line Parliament intends being drawn between production and marketing? Or take these Veterans Affairs votes:

531.	Treatment services	$34,389,177
532.	Prosthetic services	983,450

Is the intent that, if and when Vote 532 is spent, no further patients may be accepted, or may they become a charge to Vote 531? Actually, Vote 532 is to finance the manufacture of goods required by the hospital services, just as

217.	Food and Drugs	$704,450

is not to purchase food and drugs, but to pay the salaries and expenses incurred in administering the Food and Drugs Act.

11. It is generally accepted that texts of Estimates' items should satisfy four tests:

(*a*) disclose clearly the principal objects and purposes to which the money will be applied;

(*b*) control and regulate the charges to the vote;
(*c*) result in an accounting of expenditures charged to the vote which clearly discloses to Parliament whether application has conformed to the text of the Estimate; and
(*d*) be so phrased as to permit efficient application.

Confusion and loss of control can result from having the same object of expenditure under different headings. For example, the following items provide for administration in the Department of Public Works:

288.	Departmental Administration	$ 350,605
289.	(Architectural) Branch Administration	437,290
313.	(Engineering) Branch Administration	352,885
315.	(Dredging) General Superintendence	16,635
		$1,157,415

They indicate, in a general way, the purpose, but they do not provide a control over charges because the word "administration" describes intent but does not prescribe boundaries. Parliament would exercise a continuing control and administrative application would be simplified were the four items made into a single item reading:

General administration of the Department of Public Works, provided charges not to exceed $987,980 for paylist charges, $80,000 for printing, stationery and photographic and office appliances and supplies, nor $32,000 for travel expenses $1,157,415

and thus bring about the following consequences:
(*a*) save time by consolidating 4 votes into one;
(*b*) focus attention on the real items of proposed costs;
(*c*) impose a ceiling on amounts which may be spent for such things as salaries;
(*d*) permit elasticity in departmental use; and
(*e*) reduce the risk of supplementaries being required.

12. *The Number of Items*: There is an ancillary reason for this proposal. Everyone has read from time to time in the press that the House of Commons voted Supply as quickly as the Chairman could call items. Those familiar with Parliament understand the situation, but the general public does not, and it may be that the prestige of Parliament suffers. The Main Estimates now before Parliament consist of 564 items—a much larger number than is the practice throughout the Commonwealth. They will appropriate $1,403,022,068. For such reasons, attention is drawn to the distribution:

	No.	Total Amount
Items up to $2,000	19	$ 15,081
" from $2,001 to $10,000	42	285,497
" " $10,001 to $50,000	74	2,118,574
" " $50,001 to $250,000	152	19,648,007
" " $250,001 to $1,000,000	135	72,251,419
" " $1,000,001 to $5,000,000	106	253,000,755
" over $5,000,000	36	1,055,702,735
	564	$1,403,022,068

From the foregoing it will be noted that approximately 50 per cent of the total number of votes represents less than 2 per cent of the total to be granted by the Appropriation Act. A consolidation would facilitate debate without lessening fiscal control.

13. *Printed "Details" of Estimates*: Details printed in the Estimates have no legal significance because the legal sub-dividing of votes is effected by applying section 26(2) of the Consolidated Revenue and Audit Act, 1931:

> The deputy head or other officer charged with the administration of a grant authorized by Parliament shall prepare and submit to the Comptroller in such form and at such time as the Treasury Board directs a classification of the expenditures provided for under such grant and such classification when so established shall not be varied or amended except with the approval of the Treasury Board.

The "Details" now printed at the back of the Estimates' book may be evaluated by a single test: value to Members of Parliament. In Durell's "Parliamentary Grants" is to be found:

> If, as is the case, Parliament grants to the Crown a certain sum for a certain service in a given year, without any more definite appropriation in the terms of the grant, it is legally competent to the executive to expend that sum at discretion in the year upon that service. That is to say, since the parliamentary enactment deals with the vote only, the government is not legally bound to adhere to the details submitted to Parliament, provided the expenditure is restricted to 'the four corners of the vote'. Morally, however, the Government must adhere to those details as far as is consistent with the interests of the public service, since its good faith is pledged by the details given to Parliament, and the Comptroller and Auditor General would correctly bring divergencies to notice. (p. 296):

My opinion is that the present "Details" are of little utility in achieving the purpose of the last sentence. Instead of an accounting classification of positions and certain categories of expenses, the Details should give, in narrative form, a bird's-eye view of the operations of the service to be financed out of the vote. To illustrate, the Audit Office vote will be used because of my familiarity with it. Instead of the statistical "Details" now printed on page 99, I would substitute a text along the following lines:

Salaries and Expenses of the Audit Office

Appropriation 1948-49	$ 533,293	Expenditures	$ 517,592
" 1949-50	550,081	Expenditures to Dec. 31, 1949	417,511
Estimate for 1950-51	578,762		

Activities: The statutory duties with respect to the accounts of Canada are set out in Part V of the Consolidated Revenue and Audit Act, 1931.

The audit of accounts of the Foreign Exchange Control Board and of the Custodian of Enemy Property will be performed as a cost to this vote.

The Auditor General is the auditor of: Atomic Energy Control Board, Canadian Arsenals Limited, Canadian Broadcasting Corporation, Canadian Commercial Corporation, Canadian Overseas Telecommunications Corporation, Canadian Patents and Development Limited, Canadian Sugar Stabilization Corporation Limited, Commodity Prices Stabilization Corporation Limited, Crown Assets Disposal Corporation, Eastern Rockies Forest Conservation Board, Eldorado Mining and Refining (1944) Limited, Export Credits Insurance Corporation, Federal District Commission, Fraser Valley Dyking Board, National Battlefields Commission, National Harbours Board, Northern Transportation Company (1947) Limited, Northwest Territories Power Commission, Park Steamship Company Limited, and Polymer Corporation Limited. It is not the practice to charge corporate bodies of the Crown for audit services, therefore expense incurred in performing these audits will be a cost to this vote.

The Audit Office performs, for the benefit of the auditors of the Bank of Canada, certain audit services in connection with the Public Debt Services. The cost incurred will be a charge to this vote, but the amount recovered from the Bank of Canada (estimated at $8,500) will be deposited to Revenue.

By resolution of the General Assembly of the United Nations, the Auditor General of Canada is a member of the United Nations Board of Auditors until June 30, 1953. Practice is that examinations of certain accounts are made by Audit Office staff, the United Nations reimbursing the full cost (including salaries). Out-of-pocket disbursements for travel, etc., will be refunded to the vote, but reimbursements for salaries will be credited to Revenue. No extra staff are or will be employed because of this special work.

The corporate accounts of the R.C.A.F. Benevolent Fund are annually certified by the Auditor General. This body is wholly independent of the Government and the R.C.A.F., but no charge is made for the audit service because of the purpose of the corporation.

No new undertaking of monetary significance is being provided for in the Estimate.

Salaries: All salaries, other than the $15,000 salary of the Auditor General (which is a statutory charge, sec. 39 of the Consolidated Revenue and Audit Act, 1931) will be charged to this vote. All appointments are made under the authority of the Civil Service Act. The senior appointment by the Civil Service Commission is that of Assistant Auditor General, who will receive $8,000. Provision is made for 176 positions; as of the date of submission, staff was composed of 128 permanents and 42 temporaries. For 1949-50, salary and wages costs may total $496,000; for 1950-51 the amount requested is $523,018. The added sum is to provide for normal statutory increases ($6,500) and $21,000 for additions to the staff establishment.

Travelling Expenses: It is estimated that $35,000 will be required. The Office has sub-offices in Montreal, Regina and Vancouver, but examinations are necessary at other places, particularly with respect to accounts of corporate instrumentalities, Post Office, National Defence, National Revenue, and Unemployment Insurance Commission.

Printing, Stationery and Office Equipment: It is estimated that these costs may total $18,194. Of that amount, $13,000 will be spent for film, etc., in connection with the work of maintaining a permanent record of categories of redeemed Receiver-General cheques. By section 28 of the Consolidated Revenue and Audit Act, 1931, the Deputy Minister of Finance transfers, from time to time, redeemed cheques to the Audit Office for safekeeping. The same section permits Treasury Board to make regulations for ultimate destruction. Over 20 million cheques may be received in the year and perhaps 15 per cent of these may be filmed in accordance with the provisions of section 29A, which was added to the Canada Evidence Act by c. 19, Statutes 1942-43.

14. The illustration just used is for an administrative vote. The text for an operating service would, of course, be different. For example, Item 468 (Department of Transport) reads:

468. Marine Service Steamers, including Icebreakers—Maintenance, operation and repairs, $3,603,070.

The details printed (pp. 290-1) distribute the cost for positions and then read:

Total salaries and wages	$ 1,422,951
Overtime	40,935
Allowances	277,150
Travelling expenses	3,910
Telephones, telegrams and postage	2,480
Printing, stationery and office equipment	1,045
Fuel	795,775
Materials and supplies	273,650
Repairs and upkeep of equipment	656,696
Express, freight and cartage	2,650
Aerial Ice Survey—contract	13,000
Rentals	65,000
Sundries	47,828
	$ 3,603,070

Based on past experience, over $50,000 each will be spent in operating 16 steamers of the fleet. In addition, there are several small boats. It is suggested that it would be more informative were the details to give the expected cost with respect to each of the steamers, distributed by navigation districts, etc. In other words, a distribution of costs such as is now given on page Z-22 of the Public Accounts.

15. *Works Provisions in Details:* The construction and maintenance of Public works are matters of concern to all members of Parliament, both from the monetary and local viewpoints. Section 9 of the Public Works Act vests in that department the over-all management, charge and direction of all public works (including the supplying of furniture and fittings). Then section 10 removes from the Department of Public Works which are by any Act of Parliament "placed under the control and management of any other minister or department". An Appropriation Act is presumably an "Act" within the intent of the section. A question therefore is the effect of providing for the construction of works which are to be financed by votes for departments other than Public Works. For example, there is the provision in Item 261 (National Revenue, Customs and Excise Divisions) for "buildings and rentals for temporary purposes". No amount is stated in the vote, but $532,000 is listed in the Details (p. 197). A further variation for example, is that employed in connection with Agriculture items 5 to 10, and 11, 12, 14, 15, 17 and 19, where no reference to construction is made in the text but Details' breakdowns collectively provide around $3,200,000 for the "acquisitions or construction of buildings and works". If note is taken of the details to Item 303 for Public Works, it will be observed that provision is also being made in that Item for $500,000 to be expended on "Experimental Farms and Science Laboratories—Replacements, repairs and improvements to buildings". Attention is also drawn to External Affairs' detail to Item 66 (p. 114) which list:

> To build or purchase premises for offices or residences for missions abroad and to furnish and equip premises and other capital expenditures, $165,000.

With this, Item 67 is associated. It reads:

> To authorize the use during the fiscal year 1950-51 in payment for the acquisition, improvement or furnishing of properties for Canadian Government offices and residences in foreign countries of inconvertible foreign currencies from deposits of such currencies which may be used only for governmental or other limited purposes in these countries and which have been received by the Government of Canada from other governments in settlement of claims arising out of military operations or war expenditures, $1.

As Details do not form part of the Appropriation Act, a question is whether listing in "Details" brings into effect section 10 of the Public Works Act. It also presents the query whether works projects solely for the benefit of a particular department or service should be listed under the department concerned in order to portray the true cost of the department.

16. A more general objection which may be taken to works votes is that the printed material does not disclose either the reasons which make them necessary or the probable ultimate cost. As a rule, the first vote for a large job will be for a small sum—enough to permit some plans to be prepared and, perhaps, to negotiate for the site, etc. Consequently, over several years Parliament may vote several millions of dollars. Cannot much be said in favour of information being given, at the outset, which will permit Parliament to judge whether a project costing x millions should be approved or if one costing less will adequately serve the public need?

17. *Votes Texts that Legislate:* A matter of particular constitution concern is the practice of legislating by means of items in the Appropriation Act. That is, by phrasing the text of an item, Parliament enacts in a manner to exempt from or override existing legislation, or, in effect, to add to statute law. An example is Item 67 (quoted in paragraph 15 above). The $1 is inserted in order that Committee of Supply has an amount on which to recommend adoption of a resolution but the real money to be employed consists of bank balances in various countries. Ordinarily, those moneys would be subject to appropriation as are all other balances in Consolidated Revenue Fund. The effect of this Item will be to vest in the Crown a right to use the balances, as He sees fit, in procuring and furnishing buildings and residences for diplomatic purposes.

18. More generally, the votes now of concern merely make exceptions from the Civil Service Act. Appropriations lapse on March 31st, but the Act itself does not expire. Consequently, a text may be so framed that a continuing enactment results. An example is Vote 352 of the main Appropriation Act for 1941. That vote authorizes an annual motor car allowance to be paid to Minister, the Speakers and the Leader of the Official Opposition in the House of Commons. Payments are made every year by relying on the text of the 1931 vote. Consequently, in the Estimates the amounts are listed as "s", which means authorized by statute. Legislating by means of an appropriation Act is a convenience when a need is transitory. Furthermore, it avoids cluttering the statute books with expired legislation. But from the constitutional viewpoint, it is open to the objection that it is, in fact, incomplete legislation because the mode employed circumscribes deliberations by the Senate. This was pointed out thirty years ago in a report of a Special Committee of the Senate on the rights of the Senate in matters of financial legislation. The chairman was Senator W. B. Ross, and in a memorandum prepared by him and attached by the Committee to its report is to be found:

> To reject a Supply Bill might in olden times have been feasible, but today, with the functions of government so vast and complicated, it is unthinkable . . . It would mean chaos. A Supply Bill should be passed as a matter of course by the Senate in almost any conceivable circumstances if it contains nothing but Supply. If other matters are inserted in the Bill or 'tacked to it' these should be struck out and be made into a separate Bill or Bills.

19. At one time the British view was that an appropriation Act could not override a statute. However, when the question came before the courts in an Australian case (Fisher v. The Queen [1903] A.C. 158) the Judicial Committee

of the Privy Council ruled otherwise. Consequently, in 1908 the British Public Accounts Committee abandoned its previous viewpoint, but declared that:

> it is desirable in the interests of financial regularity and constitutional consistency that such a procedure should be resorted to as rarely as possible, and only to meet a temporary emergency.

and:

> the fact that a proposed vote overrides an existing statute should be clearly stated on the face of the estimate, with the reasons for adopting that course, so that no doubt can exist of the deliberate intention of Parliament. The exceptional nature of the vote should also be indicated in the Appropriation Act.

20. Some such texts are repeated annually. For example, in the Supplementary Estimates there probably will be the usual item to provide for payment of the sessional indemnity to Senators and members who are absent more than the permitted number of days, by reason of absences on account of official business or sickness, or by reason of death during the session. In view of the fact that the practice has existed for over 60 years, it is submitted that it would be more appropriate to amend the Senate and House of Commons Act. As to transitory cases, it is suggested that they should be brought together in a special schedule to the estimates and be supported by adequate explanations. Of course, a vote text which deals with a matter which normally should be proceeded with by a bill should be handled as a bill.

21. *Revenue Producing Services*: Earlier in this memorandum reference was made to the British Public Accounts and Charges Act which was adopted in 1891. The causes which prompted its adoption, in my opinion, now exist in Canada. It requires only a cursory comparison of estimates of forty years ago with those of today to appreciate that the evolution into what might be described as the Public Service State has resulted in a tremendous expansion of governmental activities into categories which are commercial in nature. For that reason, it is suggested that the long-established rule that revenue may not be used until appropriated may merit review. Parliament might be in better position to evaluate the necessity of various estimate items were service income directly associated with expenditures resulting from performing the services. A ready illustration is the Post Office. Items 269-274 will appropriate $85,662,757. Practically all of that will be applied in providing services for which the public makes payment. The result is that Post Office is generally self-supporting. For this reason, the interest of Parliament is not so much in the millions handled, but in the anticipated profit or loss. If the profit may be substantial, the charges to the public may merit review; if a deficit is forecast, the efficiency of the department is at issue. Consideration might be given to evolving a new method of financing such activities. If a practicable solution is found, it should encourage officers to make servicing activities self-supporting in order that continuance, and perhaps expansion, of the work be assured. It might also bring to light some services which departments consider important but which, when tested by public willingness to pay for, might be found to be unnecessary. The proposal is not original; as stated in para. 8, a plan has been in operation in the United Kingdom since 1891. The English plan may not be the one Canada should adopt, but their experience provides a starting point.

April 26, 1950.

WATSON SELLAR.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

FRIDAY, APRIL 28, 1950.

WITNESS:

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

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

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ON

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MINUTES OF PROCEEDINGS

FRIDAY, April 28, 1950.

The Standing Committee on Public Accounts met at 10 o'clock a.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Ashbourne, Boisvert, Boivin, Brisson, Browne *(St. John's West)*, Diefenbaker, Fraser, Hansell, Helme, Isnor, Johnston, Kirk *(Antigonish-Guysborough)*, Langlois *(Gaspe)*, Larson, Macdonnell, Major, Picard, Prudham, Riley, Stewart *(Winnipeg North)*, Warren, Winkler, Wright.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General.

The Committee resumed consideration of Mr. Sellar's brief respecting the preparation of The Estimates.

Examination of Mr. Sellar was continued.

At 1 o'clock p.m., the Committee adjourned until Monday, May 1, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,
April 28, 1950.

The Standing Committee on Public Accounts met this day at 10 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, I think we now have a quorum and it would now be in order to proceed. Yesterday we had agreed that this morning we would study the brief presented by Mr. Sellar on the estimates. We are supposed to have read it, all of us, according to what was said last night. I am quite agreeable if the members insist, or if the members think it would be better to have it read by Mr. Sellar, but on the other hand, in order to expedite matters I think we should assume that it has been read and that we have agreed to take it up article by article.

I have perused this brief and I think that the first four articles deal with about the same matters and that we should assume that the question period would deal with those first four articles at one and the same time. So, for the purposes of the record, I would ask that the first four articles be included in the record before we start questioning and then we might deal possibly with them all in one group, and the same with respect to articles 5 to 9 inclusive. Then, when we come to article No. 10, the recommendations or suggestions made by Mr. Sellar, we could refer to them one by one—some of them are quite extensive—so as to limit the discussion on the point in question. But the first articles, as I have indicated, might be very well grouped so as to give more chance to the members to treat them in one and the same way.

Mr. FLEMING: Is it our intention to print all the memorandum?

The CHAIRMAN: The memorandum was put in as an appendix last night. But, for the sake of the record, if someone should pick up today's proceedings, then to save him from having to go back to the day before to get the full text before he could deal with it, I think—although it might mean double printing—it would be better to have the memorandum included in today's proceedings. Has anyone any questions to ask with respect to these first four paragraphs of the memorandum?

THE ESTIMATES

1. *Constitutional Responsibility:* Section 54 of the B.N.A. Act requires that the Crown, acting with the advice of its responsible ministers, makes known to the Commons the pecuniary necessities of the government; the Commons, in return, grants such supplies as are required to satisfy these demands. Thus the Crown demands money, the Commons grant it, and the Senate assents to the grant. The Senate enjoys the same power as the House to scrutinize the items of supply requested by the Crown, but the Supply Bill must originate in the House of Commons, its special place in matters of finance being recognized by that part of the speech from the throne which is specifically addressed to the Commons:

> Members of the House of Commons:
>
> You will be asked to make provision for all essential services for the next fiscal year.

The limited time available and the broad diversity of public services permit only a scratching of the surface of the Estimates by Committee of Supply. Constitutionally, the Executive is answerable for the "purposes" and the "regularity" of the resulting expenditures, but the "value for money" seems to be a subject where responsibility may be shared, and, to be effective, the point for action is when an Estimate Item is being incorporated into a Supply Bill. There are many items which pertain to Executive policy only to a limited degree. For example, Item 167 provides $22,000,000 for the administration of the Unemployment Insurance Act, 1940. The principle of unemployment insurance is not in issue—that was settled ten years ago. Contributions to the Fund come from three sources—employees, employers and the State. A Commission of three persons, who report "through" a Minister but are not "under" a Minister, is responsible for administration. In such circumstances, an observation made in 1928 by the Right Honourable W. L. Mackenzie King is to the point:

> My hon. friend the leader of the opposition (Mr. Bennett) will recall that at the beginning of the session I discussed with him the advisability of the different parties in the house adopting some more effective method of scrutinizing the supply requested by the government, some method which would enable members to hear what the officials of the departments had to say with respect to the several items included in the estimates. I entirely agree with my hon. friend that the system at present in force, under which a minister of the crown is necessarily dependent in the House of Commons on his deputy for much of the needed information with the deputy also of necessity, often not wholly familiar with all the details of particular branches, is most unsatisfactory. Speaking for the government I would say we would welcome a change in the present method, a change which would not only afford fuller opportunity for discussion but which would carry with it an obligation on the part of the heads of different branches of the public service to appear before a committee of the house and explain fully the reasons which have occasioned the recommendations which find their place in the estimates submitted to the house. (Debates, p. 4048.)

2. However, in 1944 a Committee of the House of Commons (set up to review Standing Orders) advised against the creation of Estimates committees:

> The suggestion that estimates should be referred to standing or select committees has been given earnest consideration and carefully reviewed. It strikes at the root of ministerial responsibility and it divests members of the privilege of criticising from the floor of the house without advice, suggestion or influence of any kind, all departmental expenditures submitted by the government. No proposals subversive of this settled rule of action can be safely embodied in any scheme for securing closer parliamentary control. One of the objections to this proposal is that if all the estimates are referred to a standing or select committee the motion for the Speaker to leave the chair shall be abolished, which means fewer opportunities for private members to move amendments setting forth grievances or expressing want of confidence in the government. The procedure required to keep this privilege unimpaired would reduce the efficiency of the committee's functions and it would be so involved as to be misunderstood and hard to enforce. Certain estimates may be occasionally referred to a select committee in order to ascertain facts which the house desires to know, but this practice should be adopted guardedly and only in very special circumstances. Your committee does not think it would be advisable to change the present

system and it believes that the elasticity of the present rules makes it possible to apply them in new situations from time to time. (Debates, p. 1239.)

3. Having quoted from a speech of Mr. King in 1928, his reaction to this part of the Committee's report is now given:

> We might well assume, I think, that so far as the first half of the report is concerned, if I may so designate it, hon. members should not be committed too literally to all the statements which it sets forth, or to all its observations. They are general in nature, and in voting for or against the adoption of the report, if we are expected so to do, we might well, I think, be allowed to have certain mental reservations with regard to the adoption of all that appears there. I mention that because I see, for example:
>
> > The suggestion that estimates should be referred to standing or select committees has been given earnest consideration and carefully reviewed. It strikes at the root of ministerial responsibility...
>
> I cannot accept that as a correct statement. For years estimates have been referred to special committees at Westminster, and the parliament at Westminster is as careful in observing ministerial responsibility as any parliament in the world. Something may have been in the minds of the hon. members responsible for that statement which is not apparent on the face of it, but if I were to support the report as a whole, as I intend to do, I should not like it to be asserted at some future time that this House of Commons had virtually determined that the reference of estimates to select committees would be striking at the root of ministerial responsibility and therefore should not be permitted. I had hoped very much that the committee might have found it possible to endorse the reference to a committee not of all estimates but at least of certain of them, while, of course, safeguarding the right of every hon. member to criticize the estimates in whole or in part when they came back to the house for discussion. (Debates, 1944, p. 1255.)

No action was taken by the House on the Committee's report.

4. Thus there is, on the one hand, the fear of a House Committee that any change in procedure will curtail rights and privileges of the Commons; and on the other, the belief of an outstanding parliamentarian and administrator that the ramifications of the public service are now such that, to secure information on which decisions may be founded, it is in the interest of Parliament that there be direct oral examination of civil servants.

5. It has never been suggested that section 54 of the B.N.A. Act be varied and that Canada adopt United States' practice, where the appropriation Acts are written by Congressional committees. The worth of the section is recognized and its history is concisely and aptly set out in Minty's "Constitutional Laws of the British Empire":

> There had been in the early history of constitutional government in Canada notorious scandals arising out of the appropriation of public funds upon resolutions brought by private members. In many cases Ministers had evaded liability for corruptly awarding out of public funds pensions and bribes to their friends by getting private members to introduce the necessary resolutions. As a consequence the Union Act of 1840 made provision for the definite expression in the written Constitution of the usage that there shall be no appropriation of public

funds save upon the resolution of a responsible minister, after a request has been made by the Representative of the Crown upon the advice of the minister. This provision was afterwards incorporated as section 54 in the British North America Act. (p. 131.)

6. The Committee of Supply now exists as a convenience in debate. It has no present-day constitutional or legal significance. Its origin was once traced in a Westminster report in these words:

> The Committee of the whole House on Supply has the name, but has none of the methods, of a Committee. It was established in the days of recurring conflict between Parliament and the Crown as a device to secure freedom of discussion on matters of finance. The debates in the House itself were recorded in the Journal, which was sometimes sent for and examined by the King; and they were conducted in the presence of the Speaker, who in those days was often the nominee and regarded as the representative of the Sovereign. By going into Committee under the chairmanship of a member freely selected, the House of Commons secured a greater degree of privacy and independence.

7. *Practice at Westminster*: The ineffectiveness of review (to establish real maxima) by a committee of the whole House is admitted. A change to smaller committees would, in fact, be no more than an extension of a practice introduced in Canada almost fifty years ago when Sir Charles Fitzpatrick, then Minister of Justice, brought his departmental accountant onto the floor to permit immediate replies being given to questions posed during debate of his estimates. What the 1944 Committee on Standing Orders apparently feared was curtailment of opportunities to air grievances and to make proposals. Therefore, the experience at Westminster is of interest, because the present situation in Canada presented itself long ago in England. In 1902, Standing Order No. 14 was adopted. It allots 20 days (which may be increased to 23), being days before the 5th August, for the consideration of Estimates. On each of the 20 days, Estimates are the first order of the day. The items to be discussed are selected by Opposition Members—sometimes by lot—and according to May, the debate "concentrates upon the policy and activities" of the Ministers and officials whose salaries are provided by the Estimates. When August 5th comes, all votes are approved without further debate. Commenting on the results, May (14th ed., p. 288) states:

> By using a traditional form of proceeding in a novel way the practice of the House has secured that an appreciable portion of government time shall be used in reality for the purpose of criticizing the Government on subjects chosen by the Opposition, while in form it is used for determining the precise amount of every item of national expenditure.

8. It might be added that in England ancillary safeguards are:

(*a*) In order to focus attention, the number of Estimates' items is kept below 200—in Canada the number often approximates 600.

(*b*) A Public Accounts Committee annually reviews all receipts and expenditures and reports thereon. The Committee consists of 15 members. A member of the Opposition, as a rule a person who was a member of a former Ministry, is chairman. The Committee meets in private, but its reports and evidence taken are printed and tabled. Time is set aside for considering the reports by the House and the Treasury is required to make written replies to all observations of the Committee.

(*c*) In 1891, by the Public Accounts and Charges Act, it was provided that various classes of receipts (other than taxes) be applied directly to appropriations which financed the services producing the receipts. In

other words, an appropriation is now for the deficiency between cost and income. Commenting on the practical utility of this scheme, Durell's "Parliamentary Grants" states:

This system of appropriating receipts in one way tends to increase economy, for it is to the interests of the departments to see that they realise all their receipts, since any shortage will have to be made good by either reducing expenditure proportionately or by applying to Parliament to make good the deficiency. (p. 41).

(*d*) In 1912 a decision was taken to set up a standing committee on Estimates. The problem was to devise a reference which would give the committee a field of activity and yet not interfere with ministerial responsibility. The line of thought was that the Committee should report after the Estimates for the year were approved—and thus the value of the Committee's work would be, (i) to inform Parliamentarians, and (ii) to accomplish positive results in subsequent Estimates. The Committee has, throughout its history, been hampered by lack of technical assistance, although a Treasury officer is now assigned to the Committee. In 1946, the Select Committee on Procedure (Third Report) recommended that a single Select Committee, to be called the Public Expenditure Committee, combine the functions of the Public Accounts and Estimates committees. Effect has not yet been given to this recommendation.

9. It is unlikely that this country will adopt English practice of placing the department equivalent to the British Treasury in extra-statutory status of superiority over all other departments—that is the source of the influence of the English Public Accounts Committee. In Canada, ministerial association with the public is more direct and the man-in-the-street holds Parliamentarians more directly answerable for administration. English experience is that Parliament can protect its constitutional rights and privileges and at the same time change practices respecting the grant of Supply, but the risk will be present that the public service bureaucracy may (if committees are used) be placed in position to by-pass the Ministers. The demands made on the time of Ministers and the dimensions of the public service are now such that few Ministers can have an all-embracing familiarity with the services under them. They must delegate responsibilities and thus become dependent on others for information. Ministers can and do control decisions of policy, but application is delegated and it is the dead-weight of administrative cost that is of concern when Estimates are under review. For example, in the present Estimates, provision for salaries and wages of public employees exceeds $300,000,000. It will be the salaried expert, not the Minister, who will be in direct contact with the committee, therefore the form or text of items should be such that the expert is not in position to barter.

Mr. FLEMING: Mr. Chairman, I wonder if Mr. Sellar intends to make any comment as to the highlights?

The CHAIRMAN: We asked him to do so yesterday afternoon and he pointed out a few items. That was done yesterday afternoon.

Mr. MACDONNELL: Mr. Chairman, in the first place I take it we are all perfectly clear as to the difference between our system and the American system, and that none of us want to derogate from ministerial responsibility. We recognize the difference between our system and the American system and I take it further that what we are trying to find is some means to make more practical the scrutiny of the estimates that we now give.

I am going to try to discuss this in a perfectly—for the moment at any rate—non-partisan way and I am trying to make it from the point of view of 270 private members of parliament.

At the present time the responsibility is taken under our system by the Minister of Finance and by whoever else he calls in. We have these estimates coming in, and since I have been in parliament not one dollar has ever been knocked off them and I think we may be inclined to regard our procedure in the matter as somewhat in the nature of a solemn farce. I know that is strong language to use, but I realize the force of what has been said in paragraph 2 and while I disagree with the statement that it strikes at the root of ministerial responsibility, I notice in paragraph 3 that Mr. King has also criticized it.

On the other hand, I am inclined to share the feeling that if too much is delegated to a committee, then the committee of the whole becomes practically meaningless. I feel we are very close to that stage right now. Take for example the estimates of the Department of External Affairs. They are sent off to a committee and when they come back to the House, the members realize what has been done. They realize the estimates have been discussed outside the House and presumably the discussion has been carried on by competent people, and they think: what else is there for us to do? Presumably nothing is done. I think a lot of people feel the same way.

I now go on to the latter part of the memorandum and I wonder if we cannot, as Mr. King has indicated, find some means of adapting the techniques which they have in Britain; and I would like to add one thing. I notice that in Britain they allot a certain number of days. I think we should bear that point in mind, and also the fact that in Britain they are dealing with an enormous number of subjects, and that they have closure and all kinds of things there that we do not have here. So I do not see why we need to imitate them in any detailed manner. But it does seem to me that they in Britain have put into practical effect some principles which we might well adopt.

I notice in connection with one committee in Britain which inquired into something or other of a technical nature where expenditure upon machinery was involved, apparently they as a committee went down to the factory themselves. Now, in a big country like Britain, that seems to be going very far, and I take it that all we would require is to have access to the experts. I do not think that any of us—certainly not myself—doubts that in the last analysis there must be ministerial responsibility.

On the other hand, to put forward what I think is the weak side of our position, I will be going back to Greenwood and telling them that I voted for $10 million for technical equipment of which I knew nothing and when they ask me: what did you learn about it? I will have to say nothing, except that the minister told us it was quite all right. Surely there should be some way by which those in the House who are competent to deal with such technical matters could be informed.

I am told that ministers are afraid—and perhaps it is only natural fear—that some of their experts might hold views which they would like to present, but which are not the minister's views. I fear I have presented some very disjointed comments.

The CHAIRMAN: Is there any particular proposal which you yourself would like to put forward in connection with any particular method?

Mr. MACDONNELL: Not any particular proposal, Mr. Chairman; but I think we should try to see whether we might adopt some of the practices which they have adopted in Britain because I think we have the authority of Mr. King that they have worked out some very useful plans over there.

Mr. STEWART: I agree somewhat with what Mr. Macdonnell has said. The government of Canada today presents such a huge undertaking that a parliamentary committee cannot adequately consider each department.

As far as External Affairs are concerned, I think that we in the House ought to debate the principles underlying our foreign policy. I myself am not

a member of the External Affairs committee and I therefore depend on the External Affairs committee to investigate the administrative set-up and to see to it that no money is being wasted, and to see to it that we get full value for our dollars. But that would not preclude us as members from bringing up a matter when the estimates come back to the House.

Mr. MACDONNELL: Am I correct in my recollection that when the matter of the External Affairs committee came up in the House there was not in fact the general debate which you suggest, or, at any rate, not at any length, because the members felt that the matter was going to a committee and that they would wait until it came back from that committee.

Mr. STEWART: I would disagree with you there, Mr. Macdonnell. I think there have been two debates in the House this year: once while the speaker was in the chair, and once before the committee; so I think we have had an opportunity to express our views about the principles underlying foreign policy. But I depend on the smaller committee to do the essential spade work.

Mr. MACDONNELL: I think you are right.

Mr. STEWART: And as far as departments are concerned I find myself in the same position. I cannot see how parliament as a whole can investigate each department. I am certain savings can be made but I am wondering who, in future years during the course of parliament could possibly have every department of government investigated, take so many departments each year and send them to a committee and have that committee examine them thoroughly.

The CHAIRMAN: As to their estimates or as to their public accounts?

Mr. STEWART: I would like to have estimates but I would be content to accept public accounts. I cannot think that parliament can investigate a government department adequately. I think it has to be done in committee, and that we have to depend more and more on committees to do that. In the House we have time to deal only with the principles of bills.

The CHAIRMAN: In fact, the estimates of the Department of External Affairs are referred to the committee on External Affairs, and as Mr. Macdonnell said, I do not know of any one year when they went item by item into the estimates. The estimates were called as a group, in a lump, and members were allowed if they wanted, to ask questions. I remember on one occasion they asked the cost of new buildings for legations abroad but, as Mr. Macdonnell said, they never went item by item into the External Affairs estimates.

Mr. FLEMING: Mr. Chairman, you are quite wrong in that. Several of us here have been members of the committee of External Affairs and the practice there has been uniformly this: once the House starts referring estimates of the Department of External Affairs to the standing committee there has been a general debate on the first item in the committee of supply in the House, and then after there has been this general debate on policy only without reference to any item of expenditures at all, a motion is passed to take those particular estimates away from the committee of supply and refer them to the committee of External Affairs. In that committee there has been a systematic review both of previous expenditures and of the estimate of the expenditure for the current year item by item. That has been done in an efficient and systematic way. Then when the committee has reported to the House, the estimates are then referred back to the committee of supply. If we may take the last session as an example, the House needed to spend at that stage in committee of supply only three quarters of an hour on the estimates of that whole department, the work having been done so thoroughly in the committee of External Affairs. There is no question of the size of parliament, it is not a matter that we have so big a House but that it is impossible under present conditions to do anything like

a serious job of sifting estimates of expenditure. It is the time involved. In these smaller committees you can get to grips with the problems. Oftentimes it is just a matter of certain individuals wanting certain information that can easily be obtained in a smaller committee and that dispenses with the necessity of asking questions for information in the House and does not preclude a debate on policy in the House before or after referring the estimates to a smaller committee.

May I say a word on the larger question? I do not want to repeat what I said in the House yesterday because I was speaking hurriedly. I think we ought to start our whole approach to this question with the frank admission that the present system is utterly unsatisfactory. I do not think Mr. Macdonnell's description of it as a hollow farce is a bit too strong, if we accept the fact that parliament is supposed to be responsible for the voting of money of supply item by item. Is it not time then that we try something different, a little experimenting would not do any harm around here, and here are concrete proposals which Mr. Sellar has made, not only this year, but for some years past, after a long and broad experience, and Mr. Sellar is one official who has always laid the utmost stress on preservation of the responsibility of parliament, along with the principle of ministerial responsibility to parliament.

I think when we realize that everything that Mr. Sellar has presented by way of changes in the system springs from those principles to which he strictly adheres, I do not think we are risking anything by departure from the essentials of our parliamentary system by, at least of experimenting with the new method which he proposes and I am absolutely convinced that Mr. Sellar's recommendations both as to the method of review and in the second place as to the form of estimates should be adopted. I understand it is a two barreled approach. He wants a change in the method of review and he wants a complete reforming of the form of the estimates. On that second point, the form that Mr. Sellar proposes there is again twofold. I understand he wants some information given in the estimates—that is in the item itself, not at the back under details—because those details have no statutory effect whatever and he wants to give some essential information right with the items so that members will have some information as to the items to which that money is to be applied.

The CHAIRMAN: That would not prevent the printing of the details just the same, because if you accept the suggestions which Mr. Sellar made here it would give a much better description than is now called for under the Act. With the proposed system we will have less information than we have now, as members. It will be better for the Appropriation Act and I am all in favour of that; but if we do not print the details in the back as we do now we will have much less information than we have now. We will come to that item later on, No. 10 of his memorandum—we should take them one by one because they are all of them important. Now we should revert and deal with the preliminary angle and the approach to his recommendation. When it comes to these recommendations we will take them one by one and analyse them. If we could confine ourselves in the preliminary remarks, to the first 4 or 9 paragraphs which state the problem and have it explained and be given the different views, the approval of Mr. King of his views, or the refusal of Mr. King to accept what is suggested.

Mr. FLEMING: I will not say anything more about the form of estimates until later on. I will content myself with saying that I think that starting-off place for the present estimates is utterly outworn and unsatisfactory and the time has come to try the recommendation that has come from the very experienced and highly respected official of the Department of Finance.

The CHAIRMAN: Corroborated, you might say, by a very experienced statesman.

Mr. FLEMING: The Committee of 1934 was apparently concerned with subtracting something from the responsibilities of the members and depriving the members of the House of some right of discussion, but our own experience in the House already with the Department of External Affairs, completely disposes of that fear because there has been no limitation whatsoever on members to discuss items in the estimates of the Department of External Affairs, anybody who wanted to last session could do that. I remember a number of questions were asked by members of the House committee when those estimates were referred back to the House and referred by the House again to the committee of supply. There is nothing in this proposal that takes anything away from any member of the House. We can save a great deal of time, because a lot of information need not be on some particular points asked in the House, if the information is available in the proceedings of the committee. The debate in the House will then be on questions of principle and policy.

The CHAIRMAN: Do I understand that you suggest that what is being done for the Department of External Affairs at the moment should be done for all departments; that parliament should refer their estimates to a committee to go over these estimates item by item.

Mr. FLEMING: We have a number of standing committees in the House which correspond with departments of government. Many of those committees are not meeting; the committee on agriculture is one. I suppose most people would think that would be the most active committee, actually it is the most inactive. Would it not be a useful thing to refer the estimates of the Department of Agriculture to that committee for reviewing. I do not think you would subtract anything from the rights of members by doing so but on the other hand we will have a more thorough investigation. There could be corresponding committees set up for all our departments, and Mr. Sellar has recommended, as I understand it, a committee of estimates. Now, one committee, I think, would find it too great a task to undertake the review of the estimates in this bulky volume of estimates, that I think this job can be broken down. Where you have committees that correspond to departments of government such as the two we mentioned, and there are a number of others which have been formed, I think those committees could be used for that purpose and where there is a residue then you could have a committee of estimates appointed to review the estimates of those departments. I am not suggesting we are going to arrive all at once at the solution of this problem of a new procedure, but I think the present system is so unsatisfactory that it is time to experiment with something quite different, and I think as time goes on we will work out, in the light of experience, an infinitely better procedure.

The CHAIRMAN: In paragraph 8 it is stated that "in 1946 the select committee on procedure (third report) recommend that a single select committee to be called the public expenditure committee combine the functions of the public accounts and estimates committees. Effect has not yet been given to this recommendation".

Mr. LANGLOIS: In order to carry out Mr. Fleming's suggestion and provide ample time to these committees to scrutinize the estimates of various departments, would it not then be necessary to table the estimates at an early stage of the session as it was done this year?

Mr. FLEMING: I am glad that Mr. Langlois has raised that point, Mr. Chairman. It will be necessary to call the committees earlier. Yes, I think the two things should go hand in hand, the estimates should be tabled according to our constitutional procedure, after the adoption of the motion for an address in reply to the throne speech. Now, I have never been able to understand why it should not be possible to set the committees up then and there.

The CHAIRMAN: The committees are set up at that time because the moment the address motion is adopted there is a meeting of members to select the chair-

man of committees and prior to that while the address is being discussed, the whips get together and make up their lists and form the committees. After that, as you say, it might be made a rule that, let us say, within two weeks after the address motion is adopted the committee should start to sit. At the moment most committees sit only upon the request of members directed to the chairman of the committee. That is why agriculture has not been called lately. There is no bill that has been referred by parliament to the agricultural committee and no member has sent a request to the chairman to call that committee. This public accounts committee, as I stated on the first day, has assembled six times in twenty-one years. The practice has been that each time a member wants the committee to assemble he sends a letter to the chairman-elect and the chairman-elect is bound then to get the committee assembled. That is what I did when I received a letter from Mr. Stewart. Your suggestion is quite valuable that an agreement be reached or a system evolved whereby the committee would have to sit within a given time after the address has been adopted.

Mr. FLEMING: If that were done I do not think we would have the trouble which we have now, with far too many committees sitting. You would have to have a committee for each department, just as we have for the Department of External Affairs. Some departments would call for very little in the way of opening debate and it would then be a case of moving that the estimates before the committee of supply go to the various standing committees after there had been some debate.

The CHAIRMAN: Do you not think those debates would take quite a long time?

Mr. FLEMING: No, it is a question of arranging the work of the House. If you arranged the work of the House so that those debates could come up immediately after the throne speech is out of the way, then you could get your committees at work far earlier, and spread the work out over the year so that it is not heaped up on us as it is now in the late days of the session.

Mr. LANGLOIS: There would have to be an opening debate on each department?

Mr. FLEMING: There are departments that do not call for much opening debate. If members knew that the department was going to come up in committee and that there would be ample opportunity of going into details in that committee, then I think you would find, as in the case of external affairs, that the members would confine themselves in the opening discussion to general questions of policy and they would not be straying into questions on matters which really should be properly dealt with in committee rather than in the House.

The CHAIRMAN: Are there any more questions?

Mr. WRIGHT: Yes, but I do not know whether they come in the first three clauses here.

The CHAIRMAN: Let us say that we will lump the first nine together.

Mr. WRIGHT: One of the things included in the duties of the House is the consideration of Crown corporations and the business of Crown corporations. What do you or I know with regard to Polymer?

Mr. MACDONNELL: That is Mr. Howe's—you do not need to know that.

Mr. ISNOR: It is well run.

Mr. MACDONNELL: What?

Mr. ISNOR: It is well run.

Mr. WRIGHT: As far as members of parliament are concerned we know very little about the business being run by the government through Crown corporations.

The CHAIRMAN: I may say, with respect to Polymer, that the war expenditures committee in 1943 or 1944 had about fifteen meetings; and the members of the committee visited Polymer. Those meetings were more with respect to the financial set-up and operations of the first year, but, I agree with you, that since then we have not heard much about it.

Mr. WRIGHT: Yes. Although in 1943 we knew something about it since then we have had nothing. The same thing is true of the wheat board. The wheat board handles millions of dollars of the wheat growers' money. It was referred to the agricultural committee for a couple of years but we have not had that reference for three years. Perhaps that is the fault of individual members in not demanding that the matter be placed before that committee.

Nevertheless, it seems to me there should be some legal way of having these things referred to committees, without having an individual member calling for it. Immediately that an individual member calls a Crown corporation before a committee the implication is that he thinks there is something wrong. There need not necessarily be something wrong at all; but there should be some regular way in which these Crown corporations come before committees, and where their accounts are looked into each year—without any implication arising that there is something wrong.

Government today is in business; make no mistake about that—and it is going to stay in business.

The CHAIRMAN: You understand that these Crown corporations are reported in public accounts so that anyone who is a member of this committee can ask the committee, when it sits, to go into the Polymer Corporations' balance sheet.

Mr. WRIGHT: Yes, but there is no legal way in which it can come before some committee of the House. Your Canadian National Railways and Trans-Canada Air Lines come before the House and I think that other Crown corporations have got to be in the same position. They should automatically come before the House for consideration of their annual statement.

Mr. DIEFENBAKER: Mr. Chairman, I have said on previous occasions in the House that one of the great difficulties is the impossibility of getting detail. So loose is our system—I do not want to be repetitious—but so loose is the system with reference to passing estimates in the House that if a $5,000,000 item were placed in the estimates, although it might have no foundation in fact, I believe that it would pass through parliament today simply because of the fact that we lack technical assistance for the examination of the accounts.

As one reads through this brief and the evidence of Mr. Sellar, the great difficulty of the situation becomes apparent. How far must parliament go in the investigation of accounts?

I do not want to appear facetious but I did pick up the Auditor General's report of 1890—and I should say that this report was picked up not intentionally but simply by chance. I went down to the library to acquaint myself with the differences between the modern reports and the earlier ones.

There are some very interesting details indicating the degree to which particulars were then given. Can you imagine a government of today giving details such as this under government contingencies: lunches for cabinet, $149.85; refreshments for cabinet, $69.31; tumblers—3½ dozen; 1 corkscrew, 17 cents; and so on—and if one goes into the Senate accounts they become even more interesting. I see: one foot bath, $3.25; 26 perforated seats, and 18 thermometers.

Those were the details in 1890, but I doubt whether any modern government would want to have such revealing details given.

Speaking seriously, I wonder just whether Mr. Fleming's suggestion of a committee for each department would meet the situation? Parliament can never hope to go into all the details. One looks at these public accounts, but how many of the contracts—however unjustified they might be—can be investigated when only those over $10,000 are given; and there are no details given of the larger items.

I would like to see a separate committee—not necessarily one for each department because we would have committees sitting all over the House and no one would ever attend. But we could take one single department and go into it in detail, and endeavour to understand the general set-up, and organization of it, and we might receive some appreciation from evidence of Mr. Sellar and others as to the degree to which care is being maintained in the doing of the job of the department.

The CHAIRMAN: You think it might inspire the fear of God into some other departments for some time to come?

Mr. DIEFENBAKER: Certainly today the system invites departments to expend to the limit.

Mr. MACDONNELL: Would that be a spot check of departments? One department one year and one another year?

Mr. DIEFENBAKER: Yes, and I do not think I would give them any notice—just say that this year we will take such and such. We should, I think, start on the job at the beginning of each year. In saying that, Mr. Chairman, there is no criticism of you for not having the committee set up earlier.

The CHAIRMAN: We are the second standing committee to sit; only the External Affairs Committee is ahead of us.

Mr. DIEFENBAKER: Then with regard to the primacy of the work of the committee, if we are going to investigate one department, surely we can begin at the beginning of the session.

The CHAIRMAN: After the address?

Mr. DIEFENBAKER: After the address, if that be the constitutional requirement—and devote ourselves to that department and have given to this committee the necessary technical assistance. That is something which I have advocated on behalf of the opposition for several years. It is impossible for any member of the opposition having no technical assistance to be able to discharge his responsibility as a member. Parliament, as constituted today, is derelict in its duty because of its failure to provide assistance to the individual member so that he is able to place himself in a position where he is reasonably cognizant of where he is going. If we are to discharge our duty with respect to the estimates we must go through one department.

Mention was made of Crown corporations. I think the whole question of Crown corporations should come before the committee. I will give you an example of the need for that. Mr. White mentioned the wheat board. It is difficult for me to understand why officials of the wheat board are able to place themselves in a position where they defy orders and judgments of provincial superior courts. Within the last six weeks, in the province of Saskatchewan, judgment was given by the superior court directing the wheat board to do certain things. Judgment was filed, but the answer of the wheat board was that they were set up by parliament, they were an emanation of the Crown and we had no responsibility to answer judgments of any provincial court.

Now, it is a very serious matter when a Crown corporation is placed in a position where it only obeys the law, with respect to judgments of courts, that it is willing to obey voluntarily.

I do not want to say any more but those are the two suggestions I make; first, that we take one department and do a real job on it; and secondly, that

as far as Crown corporations are concerned they should be responsible to parliament and the law to a degree that they are not.

The CHAIRMAN: In theory you have a right to examine them because their reports are in the public accounts—but you would have to find a practical method of approach.

Mr. DIEFENBAKER: Well, in 1950 when any Crown corporation says to its chairman or board that it will not obey the law or the declaration of a court of law, then you are placing Crown corporations in a position in which they should not be. It is just a carry-over from the ancient days when the king could do no wrong. If the government is going into business, if Crown corporations are to be set up, they should have no greater rights under law than any other corporations.

Mr. STEWART: Mr. Chairman, I think the suggestion which has been advanced by Mr. Diefenbaker is a very good one, and there is one observation I would like to make with respect to it. I appreciate that even under that system parliament would be left with the last word as to what was to be done with estimates, but I would suggest that rather than take one department each year and going into it in precise detail, let us say a department like agriculture, or any other departments, I do not think there will be any difficulty in the members of this committee reviewing the affairs of four or five or six departments and having them referred to them in the one year. In that way during the life of one parliament every department could be very thoroughly examined.

The CHAIRMAN: That is a good suggestion.

Mr. STEWART: And my thought would be that every department of government should be completely examined at least once during the lifetime of a parliament. I think that reviewing one department a year is not good enough. I think parliament through this committee ought to be able to do a thorough job of investigating more than one department in a year, and I think that should be an objective. I know, for instance, that they go a great deal further than that at Westminster.

The CHAIRMAN: Do you think Mr. Stewart's suggestion is a good one? Do you think that should be done entirely by the main committee, or should that work be divided up and referred to special committees, sub-committees if you like, following the practice which was established in the War Expenditures Committee here a few years ago.

Mr. FLEMING: I think the committee on estimates would probably have to make the selection. I do not think we could lay down at this time an absolutely complete blueprint system to be followed. I think it would have to be worked out in the light of experience.

The CHAIRMAN: We might have to consider what was done in Great Britain when they decided to change their system over from the old system to the new one. They used to have an estimates committee and a public accounts committee, and, as I understand it, they have now been merged into one. I understand it has not been put into practice yet, but that is the procedure they followed, of combining those two committees. It might be interesting to have the record of the discussion on that matter for the benefit of this committee.

Mr. LANGLOIS: If we were to adopt the suggestion made by Mr. Diefenbaker and just take up one department it seems to me that the selection of that department would lie with the committee itself, and notwithstanding our examination of that department the estimates of that department would still have to be considered by parliament; but the selection of the department to be investigated, or studied if you prefer, would be entirely in the hands of the committee. Am I right in that, Mr. Chairman?

The CHAIRMAN: Yes, that would not affect the right of the House to go into estimates in detail before the committee of supply. But I do not think that is what Mr. Diefenbaker had in mind, I think what Mr. Diefenbaker had in mind was that we would select one department and go into that very thoroughly.

Mr. LANGLOIS: But with the approval of the House.

The CHAIRMAN: No, the House would have nothing to do with it, you see, because the public accounts of that department, which we would be investigating, are a subject of reference by the House to this committee.

Mr. DIEFENBAKER: My reason for using one was simply this, that if one department is done we would have done one department, and if we do that in a thorough fashion it will have a salutary effect upon the other departments. Now, with reference to what Mr. Langlois has said, I do not think that we would in any way be interfering with the work of the committee of supply in the House in their examination of estimates, and anything we did would always be subject to further investigation in the House.

Mr. LANGLOIS: The choice would not lay with the committee alone?

The CHAIRMAN: Yes.

Mr. ISNOR: Mr. Chairman, I find it a little difficult to follow the points raised by Mr. Diefenbaker and the others as to the authority or functions of these committees. I do not see very much wrong with our Public Accounts committee at the present time. We have referred to us from the House the public accounts and the report of the auditor general. Now, I do not see that it is our function, as we are at present constituted, in any way to deal with or examine estimates or approve of expenditures in connection with the various departments. All we can do is direct our examination to the material which appears in the report of the auditor general, that is in the public accounts themselves. Am I right in my understanding of the situation, Mr. Chairman?

The CHAIRMAN: Yes, but what we are considering now is the setting up of an estimates committee, or making this committee both a public accounts committee and an estimates committee.

Mr. ISNOR: Now, with regard to Mr. Sellar, I agree with all here that he is a very able official, and I agree with all that has been said about his ability, and he certainly knows what he is talking about in so far as accounts are concerned; but when he comes here and lays down a complete change in policy and function in regard to public accounts or the tabling of estimates I think we are in a position—and I say this in a most respectful manner—we are in a better position to decide the matter of setting up an estimates committee in a much more intelligent and comprehensive way than is Mr. Sellar, particularly as it involves matters of policy relating to the operations of departments of government. Then, on the other matter of Crown companies, I think we can call before this committee any representative of a Crown company we may want to call to clear up any point in the operation of those companies because they are included in the public accounts which is the main reference from the House to this committee. Is that right, Mr. Chairman?

The CHAIRMAN: Yes, as far as past operations are concerned. We can go into the operations of any Crown company whose operations are of record in these public accounts.

Mr. ISNOR: So that with regard to the matter Mr. Diefenbaker was referring to, I think we are in a position to have these Crown corporations and their officers called before this committee to answer any questions we may wish to ask in connection with their operations.

Mr. MACDONNELL: But I think you will agree that we can only examine their expenditures to the extent that they are covered in public accounts?

The CHAIRMAN: That is right.

Mr. ISNOR: As chairman of the War Expenditures committee I remember how we met some of the difficulties in the work of that committee through the appointment of subcommittees. That did not mean that the main committee did not retain its full responsibility as a committee. Much very effective work was done by the subcommittees who reported to the main committee with all the details of their investigation and in that way each matter of reference was gone into very thoroughly in the preparation of the report of the main committee. But, as Mr. Macdonnell says, in view of the fact that their expenditures are of record in the public accounts referred to us we would have the right to go into the operations of any Crown company as well as any department of government and to call any of their officers to explain the functions and operations of such companies, and then we could make a report to the House as to just what was disclosed by our investigations.

The CHAIRMAN: May I ask you a question?

Mr. ISNOR: I wonder if I could finish the point I was on first.

The CHAIRMAN: It is on this point you are just discussing, if you don't mind. In connection with the type of work it has been proposed that this committee might do would you consider it desirable setting up subcommittees to this Public Accounts committee and referring to these subcommittees the matter of detailed investigations of specific departments, rather than having the time of the main committee taken up with the detailed investigation into each department.

Mr. ISNOR: Before I reply to that, Mr. Chairman, may I say that I do not like to be coupled with the term used, I think it was by Mr. Fleming and possibly also by Mr. Macdonnell and maybe Mr. Diefenbaker too, in regard to all this being a farce.

Mr. FLEMING: I was the one who used that word, Mr. Isnor.

Mr. ISNOR: Well, whatever it was, I do not think he showed very good judgment in his use of a term, I do not agree with him. I would not like to think for a moment that I was a party to any proceeding which could be described as a farce, and I know that ever since I have been a member of this committee I have been very active in the carrying out of my duties in connection with the work of the committee.

Mr. MACDONNELL: Well, Mr. Chairman, I was speaking about proceedings in the House of Commons.

Mr. FLEMING: Yes, the reference was to the procedure of having estimates reviewed in this committee and then up again before the committee of supply in the House, and the suggestion was that that was an unnecessary duplication, in effect a farce.

Mr. ISNOR: Well, it does not make it any better if you apply the term to the proceedings in the House, because when I sit there in committee of supply I would still be a party to what you describe as a farce, and I do not appreciate that use of the term.

The CHAIRMAN: Well, I think we have that point cleared up now.

Mr. ISNOR: As to the question raised by the chairman, I have a note here. I believe we could place before various subcommittees its examination of expenditures appearing in the public accounts for departments such as agriculture, railways and canals, and so on; and if we were an estimate committee we could consider items of the estimates affecting those particular departments and I think we could do it more quickly and more effectively than

would be possible in the main committee or even in the House. Whether or not that would result in further discussion when those estimates were referred back to the House is an open matter. I think, Mr. Chairman, the reference which was made to the lack of opportunity for adequate consideration of certain estimates—I have in mind particularly those of the Department of External Affairs—was because the report of that committee did not come back to the House until the closing days of the session, and at that time we had a great deal to deal with. I think that is one of our weaknesses at the present time, that a very important part of the government business in the form of supply and so on comes down too late in the session with the result that we do not have a proper opportunity of examining and discussing the items involved. Then, with regard to the work of this committee itself, I agree with the suggestion which has been made that it would be an advantage to all concerned if it could be set up and start functioning earlier in the session than apparently has been possible heretofore. Now, I want to say a word about the work of the departments being reviewed before this committee.

The CHAIRMAN: Do you mean a committee on estimates or this committee on Public Accounts?

Mr. ISNOR: Yes, this committee. When we were discussing setting up this committee to deal with estimates the assumption was, as I appreciated it, that it would be set up for the purpose of dealing with estimates, but the main idea I gathered from Mr. Sellar's submission is not that it would be set up so much to deal with estimates as with the manner in which the items are drafted, to see that the terminology is more nearly exact. I think if I had a better appreciation of their practice I could go part way with Mr. Macdonnell in his reference to the way they handle this matter in England. I have not seen very much about it but I certainly have followed the newspaper reports of the manner in which the United States deal with their estimates and I certainly am not in accord with their principle of giving advance notice of what is likely to happen. When we had the committee on War Expenditures—there are one or two here who were members of that committee and they will recall how we carried on then, investigating into the operations of all departments, Crown companies and so one, as requested by different members of the committee; and I think we could do the same here. For instance, Mr. Stewart has shown a particular interest in the Department of National Defence. That might be the No. 1 department for us to investigate. And when we have done that we could go ahead and investigate such other departments as members might desire to have looked into. Perhaps we might be able to go through two or three departments in the one session with the hope and confidence that we might be able to make some constructive recommendations as a result of those investigations. Does that answer your question, Mr. Chairman?

The CHAIRMAN: Yes. So you would not divide the committee up into subcommittees; you would have the main committee deal with the whole matter?

Mr. ISNOR: I would prefer at the moment, as I see it, to have the department appear before the main committee.

Mr. JOHNSTON: Is it not true, Mr. Isnor, that on the War Expenditures committee we divided that committee up into a number of subcommittees? For instance, I recall that I served as a member of the subcommittee dealing with shipbuilding and aircraft, and I recall that we visited the plants, saw what they were doing, and went into great detail into their accounts right on the spot.

Mr. ISNOR: That is right, and those subcommittees reported back to the main committee where their reports were considered and incorporated into the report of the main committee.

The CHAIRMAN: I agree with what you say because, as you will recall, I was chairman of one of those subcommittees, and I know how effective the

arrangement was of splitting the main committee up into a number of sub-committees each having eight or nine members and each allocated specific references for investigation. They could go ahead and make very careful examination of the reference; they could visit plants and examine methods and accounts right on the spot; and then they could bring back their report to the main committee.

Mr. JOHNSTON: Yes, and there was practically no limit to the detail they could get by visiting the plants and examining the work being done and the books and records on the spot. I think there is much to commend itself in such an arrangement, and such a subcommittee of such a committee as we have under discussion would, in my opinion, be able to do very effective work.

Mr. ISNOR: And you will remember that those subcommittees reported back to the main committee and their reports were very thoroughly reviewed there.

The CHAIRMAN: That is to say that the main part of the work would be done by the subcommittee, and because of its size, comprising a relatively small number of members, it could do its work most effectively, and then it could report its findings back to the main committee for further discussion.

Mr. FLEMING: What has that to do with estimates? Nothing at all, as far as I know.

Mr. JOHNSTON: It has nothing to do with estimates but it has something to do with the thing we are discussing. I take it that the principle followed is almost the same as the one we are discussing now, the only difference being that instead of having the Public Accounts committee as a body do all the work it could be split up and dealt with by subcommittees, and such an arrangement would be similar to what we had in the War Expenditures committee.

Mr. FLEMING: Yes, and similar to the way it was done at Westminster.

Mr. BROWNE: Mr. Chairman, in the light of what has just been said, would it be desirable to accept that practice in peacetime?

The CHAIRMAN: Well, Mr. Browne, that is for the committee to decide when we are drafting our recommendations. I think, personally, that the work done by the subcommittees at that time was very valuable. I know that at the time when Mr. Isnor was chairman of the main committee he also served as chairman of one of these subcommittees, as I did, and I know that the work in the sub-committees was most effective. We would make our investigations, very often on the spot, we would go into very great detail and then we would bring a report back to the main committee and that would save a great deal of the time of the main committee as they would not have to go over the whole question again.

Mr. BROWNE: It seems to me that there are three things we might do. One is the suggestion here which the auditor general has put before us; to consider his observations of the way in which votes have been expended or to consider any irregularities which his audit may have disclosed, and then following that we could decide whether or not we wanted to investigate a particular department, and then we could go right through that department and examine it fully.

Mr. JOHNSTON: That would be similar to what was done in the War Expenditures committee. The subcommittees were given the right to go right into a plant and make any investigation they wanted to on the spot, and my recollection is that there were millions of dollars saved to the government which would not have been saved had the matter been left in the hands of the larger main committee who would get their material through the calling of witnesses here. I do not see why that principle cannot be applied.

Mr. BROWNE: Has the auditor general any suggestions to make?

The CHAIRMAN: I was just going to ask if there are any more questions the committee would like to ask on the sections 1 to 9 inclusive; those are the

preliminary sections which I suggested we might deal with at the one time, and that we would go on and deal with the rest one by one.

Mr. WRIGHT: Mr. Chairman, with respect to the Crown corporations, we have their financial statement here and the auditor general's report, or perhaps I should say the public accounts, and that puts us in a position where we can call these people. Do you not think that these Crown corporations are directly on a par with the Canadian National Railways? You will recall that the accounts of the Canadian National Railways were just recently before the Sessional Committee on Railways and Shipping, and that that committee goes through their operations each year. What I am getting at is this, that any member of this committee can call any Crown corporation before it, but I can see one objection to that procedure. I think that when a member asks that a certain Crown company or unit of government be called before a committee of this kind that that casts a reflection on the Crown company or department as the case may be, when as a matter of fact that inference is not justified. I think there should be some sort of an automatic procedure which would enable parliament to examine each year the financial statements of Crown companies and organizations of that kind.

Mr. ISNOR: With your permission, Mr. Chairman, I would like to answer Mr. Browne.

The CHAIRMAN: Certainly.

Mr. ISNOR: So far as I am personally concerned I believe that any Crown company or creature of the government, whether a Crown company or a department, whose expenditures are reported in the public accounts, can be called before this committee, and should be called before this committee if required; and that any officer of any such Crown company or department is available and can be called before this committee. Does that answer your question?

Mr. BROWNE: No, not quite; what I was interested in was who has the right to call them.

Mr. ISNOR: Well, Mr. Chairman, you have to start somewhere. Mr. Stewart has asked for the Department of National Defence to appear before this committee, and there is no reason why I, or you or any member of the committee shoul not ask to have the officials of a certain Crown company appear before this committee.

Mr. WRIGHT: The point I am getting at is this, that these Crown companies, or corporations, are handling large sums of public money, and as their operations appear in the public accounts they can be brought before this committee and examined on their financial statement and operations for the year under review; and my submission is that there should be some way by which they can appear without having to be called, without a member having to make a request for them to appear either in the House or directly before this committee.

Mr. FLEMING: You raise a very interesting point there. Members will recall, I think, about four years ago, when the question was raised about information with respect to a particular Crown corporation, that at that time the present Minister of Trade and Commerce said in the House that if anybody wanted to take the responsibility for making charges for such a review of the operations of that particular agency that he should assume responsibility for making charges, and he suggested that the practice to follow was to have the member stake his seat on his charges. Now, that is not what we want. We want to do this in a routine way; that is, without anyone appearing to point the finger of suspicion at any Crown corporation or company.

The CHAIRMAN: You do not have to ask the Minister of Trade and Commerce for permission to call any of these Crown companies before this committee; you do not have to take his words at their face value on that, and you do not

have to make any charge in order to ask for them to appear before this committee, as the Minister of Trade and Commerce said at that time. I do not say that with any disrespect toward him or anyone else. I mean that you have the right to call them before this committee, in view of the fact that the public accounts are before us and their accounts appear in that book. But the point made by some members is that they should not have to be called, that there should be some provision for them appearing automatically, and I think that is a sensible suggestion.

Mr. MACDONNELL: Is not this what you have in mind, that they should appear before this or an appropriate committee just in the same way as has been done for years and years in the case of the Canadian National Railways. It seems to me that one of the difficulties which has arisen—I want to be clear on this—is that when we come here we are limited to the four corners of the public accounts, which I take it means that we are dealing in ancient history as represented in those accounts, and it is now proposed that we also should deal with the estimates. We are here charged with the duty of recommending an additional system in regard to estimates.

The CHAIRMAN: That is not exactly correct, but that is what we have before us now in connection with our study of public accounts.

Mr. MACDONNELL: So we have two points there. If I understood Mr. Isnor correctly he was looking rather directly and more particularly to public accounts, looking at the old accounts. Am I right? Was that the point of your answer?

Mr. ISNOR: Well, in part.

Mr. MACDONNELL: It seems to me that we have had some very useful suggestions here this morning. I do not go as far as Mr. Fleming, but I do see the logic of the approach. At the same time I do feel that if we had a committee going into estimates of the several departments, I doubt if that would save very much time when those estimates went back to the House. However, Mr. Diefenbaker and Mr. Stewart between them, it seems to me, have suggested a very practical way of dealing with this matter; and I also have in mind the proposal which was before the committee, I think about two years ago, although we did not actually get down to the business of investigating estimates. It seems to me that we have material here for the steering committee; that they might consider this matter and bring a recommendation back to the main committee as to what they think should be done.

Mr. LANGLOIS: Mr. Chairman, I feel that the suggestions which have been made this morning are very useful, but I think there is a difference between the suggestion made by Mr. Wright and that made by Mr. Diefenbaker and Mr. Stewart. What Mr. Wright was talking about was that there should be some kind of an automatic procedure by which the operations of Crown companies would come before this committee rather than continue the practice as it is at present of having a private member make a request for such a company or corporation to appear before this committee. The suggestion by Mr. Stewart and Mr. Diefenbaker, as I understand, is that the committee should call respective departments before it, and that the estimates and operations of these departments should be examined in complete detail. I think some procedure of that kind would be desirable.

Mr. WRIGHT: I think you are right. What I had in mind more particularly was Crown corporations.

Mr. DIEFENBAKER: My suggestion related more particularly to the departments.

The CHAIRMAN: Well, gentlemen, it seems to me that that would be a matter to be ironed out by the steering committee. They are the ones who should consider whether one department will be called or another. Of course, the steering committee is always open to suggestions from all members of the committee as they are the ones to decide finally who is going to appear before the main committee. My thought there is that it might be open to any member of the committee to contact the steering committee and ask that such and such a department or that so and so be called before the main committee. I appreciate the point that has been made, that when a member requests that a certain Crown corporation or department be called before the committee that it suggests that there is something wrong, but where that is left with the steering committee I think any suggestion of reflection is avoided.

Mr. STEWART: On the other hand, there have been examinations of departments before this committee. I think the members would be agreeable to the suggestion you have made. If anyone wanted to have the affairs of a certain department investigated he could make that request through the steering committee. But, with regard to this suggestion of subcommittees, it would be my thought, Mr. Chairman, that we might have a subcommittee, let us say, dealing with agriculture, which would take up all matters pertaining to that department; the subcommittee on labour would deal with everything from the Department of Labour; the subcommittee on external affairs would deal with External Affairs. And I also think, Mr. Chairman, that this committee would have the right to discuss the affairs of Crown corporations.

The CHAIRMAN: There are a number of valuable suggestions here which will be referred to the steering committee when we get to that point. They may have to be dealt with separately because they relate to two different subjects.

Mr. MACDONNELL: May I ask you this, Mr. Chairman? What has been the practice with regard to the Canadian National Railways; is it not always the accounts for the current year that go before that committee?

The CHAIRMAN: Yes.

Mr. FLEMING: Their annual statement is submitted, it is laid on the table of the House and then referred to the Sessional Committee on Railways and Shipping; but that is for the calendar year whereas on most of these accounts we are working on the fiscal year, the old fiscal year, and that is why they do not get to us for months.

The CHAIRMAN: I think that we might now ask Mr. Sellar if he has any comments to make in his capacity as auditor general with respect to what we have been discussing before the committee now, which I take it covers the items from 1 to 9 in his submission.

Mr. ISNOR: Before you do that, Mr. Chairman, I would like to ask Mr. Sellar if he would be good enough to refer to page 5 of his submission where he makes this reference:

> In 1946, the Select Committee on Procedure (third report) recommended that a single select committee, to be called the Public Expenditure Committee, combine the functions of the Public Accounts and Estimates committees. Effect has not yet been given to this recommendation.

I wonder if he could tell us if that committee has ever been set up or approved?

The WITNESS: The answer to your question is no. I do not think it has been set up yet. But, Mr. Chairman, may I thank you for giving me the opportunity to say something because I do want to clear up that one point. In regard to this whole matter may I say this, that it is not my place to say to the House of Commons how it can do things, how it shall organize its business. Now, with regard to this memorandum, as I told you yesterday, it had its origin in a request

from the Senate that I supply them with certain information. Please do not think for a moment that I am trying to tell you that you should organize that committee. That is higher than my level. I am merely trying to indicate to you what the position is. What I am recommending in this memorandum is the form of estimate information to be supplied to a House of Commons committee, and ways in which I think the present practice could be improved upon. It is essentially an improvement feature. I hope you will not think for a moment that I am trying to tell you that you do not know how to do your business, or that you should have an estimates committee.

Now, with respect to Crown companies to which reference has been made, Mr. Macdonnell, or it may have been Mr. Fleming, referred to the fact that the balance sheet would not be available for submission to this committee at the time it would want to sit. Well, Mr. Chairman, that is not entirely true with respect to some of the Crown companies. For example, take the National Harbours Board which I assume you would rate as a Crown company; their fiscal year ends on December 31st and their accounts have all been audited and their reports have, I believe been laid on the table of the House—I am not sure whether or not the National Harbours Board printed accounts have been laid on the table in the House but I believe they have been in manuscript form—so that if you were looking at the National Harbours Board accounts you would have them up to December 31st of last year. The same thing would apply to other corporations whose fiscal year ends with the end of the calendar year, and there are many of them. With regard to any of them operating on the calendar year, whose fiscal year ends December 31st, they would be available for submission before this committee by March. And I may tell you this, further, that I have had close contact with the directors and managers of a good many of these Crown companies or corporations, and I know that they would like to have an opportunity once in a while of coming before a committee of this kind.

Mr. DIEFENBAKER: Do you audit the accounts of the Canadian Wheat Board?

The WITNESS: No sir, I do not audit the Canadian Wheat Board. These Crown companies feel that they have a good story to tell and that they would like to tell that story. Furthermore, they feel that there is some suspicion as to the way Crown corporations are operated and they would like to clear themselves of that, to tell their little problems and to tell of their successes, and usually they feel that it would be healthier to have their story told in public. Now, I do not want to name any particular one of them as having said that to me, but collectively you can take it that that is the view of those companies which I audit, and I audit about sixteen of them. So that I do not think you would have any trouble with any of them coming here.

Mr. MACDONNELL: What Crown companies do you audit, by the way?

The WITNESS: Well, Mr. Macdonnell, if you will refer to page 8, you will see a list of them there. They include: Atomic Energy Control Board, Canadian Arsenals Limited, Canadian Broadcasting Corporation, Canadian Commercial Corporation, Canadian Overseas Telecommunications Corporation, Canadian Patents and Development Limited, Canadian Sugar Stabilization Corporation Limited, Commodity Prices Stabilization Corporation Limited, Crown Assets Disposal Corporation, Eastern Rockies Forest Conservation Board, Eldorado Mining and Refining (1944) Limited, Export Credits Insurance Corporation, Federal District Commission, Fraser Valley Dyking Board, National Battlefields Commission, National Harbours Board, Northern Transportation Company (1947) Limited, Northwest Territories Power Commission, Park Steamship Company Limited, and Polymer Corporation Limited. Those are the ones I audit.

Mr. STEWART: You audit the Canadian National Railways?

The WITNESS: No, sir.

Mr. STEWART: Who handles that? Could your staff handle it?

The WITNESS: I have sufficient confidence in my staff to say that we can tackle anything that is going. To answer your question, Mr. Stewart, parliament appoints the auditors for the C.N.R. I have no information as to how the auditors operate, but I am quite satisfied that we could handle it if we were asked to.

Mr. STEWART: Do they depend entirely on the outside audit with respect to the C.N.R., or do they depend to some extent on your investigations?

The WITNESS: No, sir.

Mr. STEWART: Or do they have an internal audit staff on the C.N.R.?

The WITNESS: They may depend on the internal audit of the railway.

Mr. FLEMING: Could you give us a statement the other way; those government emanations, agency or corporations which you do not audit?

The WITNESS: My list may not be complete; from memory, there is the Farm Loan Board—

Mr. STEWART: You could also staff the auditing of these other various corporations?

The WITNESS: Yes—I would have to verify that list, I haven't got it in my head. There is the Central Mortgage and Housing Corporation, the Canadian National Railways, the T.C.A., the Wheat Board and the Bank of Canada.

Mr. BROWNE: What about National Research?

The WITNESS: We do the National Research; that is not a Crown corporation.

Mr. DIEFENBAKER: Could you give us an answer as to why you do not audit the Canadian Wheat Board?

The WITNESS: An act was passed in 1935 which directed that the audit should be done by a firm of chartered accountants to be named by order in council. That automatically took it off my hands and we have nothing to do with it.

Mr. STEWART: So far as these Crown companies are concerned I want to ask you this—you may not care to express an opinion on it and if not that does not make any difference—do you think your department could audit the books of these companies and corporations or organizations as economically as it could be done by outside auditors?

The WITNESS: First of all I would have to know what they charged, and I would also have to make some study of the work. I would imagine that our salary rates in the Civil Service are lower than the rates for senior salaries in the offices of chartered accountants.

Mr. STEWART: The reason I asked you that question was that it was said in the House of Commons that it was cheaper in the long run to have that work done by outside firms.

The WITNESS: Well, I have not finished my statement, sir; but it could be, if the accounts were scattered and a chartered accounting firm had a branch in a place where I did not have people, that it would be more expensive for me to do it than them to do it. That is what I had in mind when I said I would have to study the whole question before I would be in a position to say which would be the cheaper system. I think in some cases they could meet my price and I think I could meet theirs in other cases.

Mr. LANGLOIS: But if you took over that work you would need a larger staff?

The WITNESS: Yes, I would need more staff.

Mr. FLEMING: But I take it that your answer applies to all these other corporations that are being audited by outside firms, you are prepared to take it on?

The WITNESS: I do what parliament tells me to do. That is what I am here for, to carry out your orders. If you told me I was to do it by Act of Parliament,

that I was to audit certain companies, then it is merely a matter of organizing my office and taking on staff with which to do the work.

Mr. FLEMING: I take your answer to include the C.N.R., and that it would apply to all these other corporations as well?

The WITNESS: Yes, it would apply to all.

Mr. STEWART: Can you tell us what percentage of your staff are chartered accountants.

The WITNESS: At the present time I have, I think it is about fifteen chartered accountants on my staff, roughly 10 per cent of the staff. I now have a staff of about one hundred and seventy and twenty of those are routine clerks. I try to keep about 10 per cent chartered accountants on my staff but at the moment I am a little below that.

Mr. STEWART: What about salaries?

The WITNESS: My top salary, I refer to my assistant, is $8,000 a year. The next chartered accountant's salary is that of supervisor and his minimum salary is $5,700 a year.

Mr. DIEFENBAKER: What is his name?

The WITNESS: Hopkinson.

Mr. BROWNE: Is that the amount shown here?

The WITNESS: I thought that was coming. The amount I have down here for salary for the present year is $8,000, but when you go back to the details of the estimates there you will see that it was only $7,500. The reason is this, that the Civil Service Commission within the last ten days has revised his salary up to $8,000. I thought I would set out the right amount in the memorandum.

Now, coming back to the question asked by Mr. Isnor about the English system and the way in which they were combining the two committees. To begin with, the Public Accounts committee in England is a very efficient body, it has a long history, it has the Comptroller and Auditor General and it also has at its disposal the services of treasury officers. Now, as to the estimates committee; the Public Accounts Committee only dealt with past expenditures and they wanted to be able to go into the accounts for the current year so they created their Estimates Committee. That was the origin of it. The Estimates Committee over there has had a difficult career because it had no technical assistance, with the result that it floundered and got information as well as it could, and therefore as a committee it did not make any very great name. Some years ago they appointed a treasury officer to assist that committee and he is still attached to it. Now, in that new way, instead of limiting discussions in the Public Accounts committee to matters pertaining to the past they hope to be able through the new committee to discuss future activities as well as operations and expenditures; that is the reason why the suggestion was made that those two committees should be consolidated into one.

Mr. MACDONNELL: Can you give us a little explanation as to how the Estimates Committee works over there?

The WITNESS: No sir. I think the original plan was that they would take a certain number of departments each year and would use their estimates as a basis for their discussions and they would make a report on those estimates after the estimates had been considered in the House—not before, but after; and that was because of the fear that they would encroach on the responsibility of the ministry.. The provision was that their recommendations would be given effect to in the next year, and if they were not given effect to the department concerned had to file with that committee their explanation and reasons. They have gotten away from that and they now consider the current estimates and put their report in while the estimates are still before the House for consideration.

They have the power to report from time to time, that is to make interim reports to the House. You see, they have a different procedure over there: the House may have the same estimates before it and may deal with those estimates and approve them even while the committee is still studying them.

Mr. FLEMING: Does this committee have the services of technical assistants?

The WITNESS: Just the one from treasury.

Mr. FLEMING: The Estimates committee has the same assistance as the Public Accounts committee?

The WITNESS: No, just the one from the treasury office; and the reason for that is first of all that their duty used to deal with expenditures, not proposals of expenditures. I refer there to the Public Accounts committee. When you get to the other side of it, the work of the Estimates Committee, they are studying treasury items and they will have the assistance of one man from treasury.

Mr. DIEFENBAKER: Did I understand you to say that the Estimates committee kept on with its work after the estimates had been approved by the House, that that used to be the practice, and that now they deal with the estimates as they are being considered in the House and that they make reports from time to time and report to the House while the estimates are still before it? Is that the correct picture?

The WITNESS: No. The first intention was—it may have been set out in the resolution and if it wasn't set out it was understood—that the Estimates committee would not report until the estimates had been approved by the House. That was the first principle, that the report would not go in until after the estimates had been passed. Then they said: you can make your reports any time. Their reports actually take the form of observation from the estimates. Now then, the particular problem of the Estimates committee is this. In England the practice is to set aside certain days for the consideration of reports on public accounts, but no particular days were set aside for considering the reports of the Estimates committee, and I think the members perhaps felt that they were working hard and were not getting any results for their work, that the House ignored them. I think that is the essential human element in the situation. I think, Mr. Isnor, those are the reasons why they did it that way.

Mr. ISNOR: Thanks very much.

The CHAIRMAN: Would you have any comments to make on the suggestions which have been made by Mr. Diefenbaker, Mr. Stewart and Mr. Wright?

The WITNESS: Well, the trouble there, sir, is that I would be stepping out of my office. It has been a most interesting discussion to listen to, about this Estimates committee and so on; but the only thing I can say with respect to the suggestions about which we have heard is this, that if you wanted to look into the affairs of a department you would have to bear in mind that there are some big departments which might take a long time and some little departments that might take only a very short time; but I take it for granted that when Mr. Diefenbaker was speaking about departments he had in mind the larger departments rather than a little department like the one I direct. So far as the departments go, I think I can say for them that they would welcome any investigations this committee would like to undertake; but as I pointed out yesterday, sir, to my way of thinking, the big danger in an estimates committee is that you would get into a position where civil servants might feel that they could lobby with the committee.

Mr. LARSON: The estimates committee really would be the committee in charge of spending money, but if the money is spent then parliament has the right through this committee to go into the operations of a department or Crown

company and bring to light any irregularities; but I do not see how any committee like this can consider matters of governmental policy in the same way that that can be discussed when the estimates are up for consideration in the House.

The CHAIRMAN: Perhaps I might make this observation, gentlemen. The fact that estimates might be referred to us as an estimates committee would not in any way interfere with the full and careful consideration of those same estimates in the House. Notwithstanding the fact that they were referred to us for consideration they could still be considered in the House, they might even be considered in the House concurrently; and that would not detract in any way from the rights of members for a full and frank discussion of the items on the floor of the House.

Mr. LARSON: As a matter of fact, estimates do not matter anyway, they merely indicate what the government proposes to spend for the current or coming year, and they ask authority to make those expenditures.

The CHAIRMAN: Yes, we have the responsibility of approving of them.

Mr. FLEMING: Parliament itself votes the appropriation.

The CHAIRMAN: Yes, and if it is not voted by parliament the government cannot spend the money.

Mr. DIEFENBAKER: One point which interests me is this, that in the United Kingdom the Estimates committee does not report until the estimates have been passed by parliament, as I understand it.

The WITNESS: That was the practice originally, but as to what the practice is today I would not be in a position to say yes or no because I am not sure of my ground.

Mr. DIEFENBAKER: But you understand it has been changed?

The WITNESS: My understanding is that it has been changed, and that they now submit interim reports, but I cannot state that as a fact, sir.

Mr. LARSON: But, Mr. Sellar, due to the fact that in England the estimates are considered concurrently by the House and by the committee do you not think that there is a danger that there would be a lack of interest in one place or the other? Also, there is surely a duplication of work there, and that would create a lack of interest either in the House or in the committee. I am afraid of that. Don't you think so?

The WITNESS: Well, sir, you have to bear in mind there that the practice in England is quite different from what it is in this country; they have a different system from ours. The practice in England is to set aside twenty days for a consideration of a selected item from the estimates, and the debate centres around the particular item which is called. The usual form it takes is a motion that the salary of the minister be reduced to £1. That is the formal motion and the debate deals with the policy of the department. Then, at the conclusion of the debate, either the motion is withdrawn or it is voted down; and then as the end of the twenty-one days or twenty-two days, whatever it is, every item in the estimates is automatically passed without further discussion. So you will see that our system is different. I am not suggesting for a moment that their system is better than ours. I merely use that example to show you that their approach to the subject is quite decidedly different from ours.

Mr. LARSON: I am not suggesting for a moment that we should follow their practice, but I do think that we should get away from what is obviously a considerable amount of duplication over there because I think there would be the danger of lack of interest if we were to be asked to follow their procedure to the letter.

The WITNESS: One year the motion on the estimates related to a works vote, and it related to the matter of government policy with respect to the

use of certain buildings, and the whole debate centred around that one item. Now, the Estimates committee was the committee which had explored the whole thing, they had made a study of every item of works involved in that vote; but, as I recall it, the findings of that committee were not taken into consideration by the House. The House never delegates its responsibility on questions of a high policy.

Mr. STEWART: Does not that rather suggest that parliament should deal with questions of policy and that a committee such as is proposed should examine into details. I may say that, personally, I do not see any necessity for the House going into all matters of detail.

The CHAIRMAN: Mr. Sellar, have you any suggestions to make as to what has been said on this matter?

The WITNESS: No, sir.

The CHAIRMAN: Well then, I would suggest that we proceed to a consideration of paragraph 10, which is the first of the suggestions submitted by Mr. Sellar. It will be put into the record at this point.

Mr. STEWART: I think paragraph 10 and paragraph 11 work in pretty closely together, and it would be my suggestion that they both go into the record at the same time.

The CHAIRMAN: All right, we will consider them together.

10. *Texts of Items*: For such reasons, it is suggested that a first step is to require that texts of votes be more explicit than they now are, because:

> The supplies are granted to the Crown for the public service by the Legislature, but the expenditure is left to the discretion of the Executive, which decides on the propriety of every transaction requiring the payment of public moneys and the only limitation imposed upon the Executive by the constitution is that the disposition of the moneys must be in accordance with the votes. The Executive is not bound to spend the moneys voted by the Legislative Assembly and granted by the Legislature, but every expenditure of such moneys must be made on its authority. The Legislative Assembly, which votes the supplies, has, it is true, a control over the expenditures, which is exercised through the committee on public accounts, but that control is restricted to enquiring if the moneys granted have been spent in accordance with the votes, and it does not encroach on the functions and authority of the Executive. (Wurtelle J., speaking for the Quebec Court of Appeal in R. v. Waterous Engine Works (1894) Q.R. 3 Q.B. 223.)

Illustrations of ambiguous directions are: Vote 19 will grant $1,342,000 for the Live Stock and Poultry production services of the Department of Agriculture. Vote 28 grants $1,204,000 for the Department's marketing service associated with Live Stock and Live Stock Products. Where is the dividing line Parliament intends being drawn between production and marketing? Or take these Veterans Affairs votes:

531.	Treatment services	$34,389,177
532.	Prosthetic services	983,450

Is the intent that, if and when Vote 532 is spent, no further patients may be accepted, or may they become a charge to Vote 531? Actually, Vote 532 is to finance the manufacture of goods required by the hospital services, just as

217.	Food and Drugs	$ 704,450

is not to purchase food and drugs, but to pay the salaries and expenses incurred in administering the Food and Drugs Act.

11. It is generally accepted that texts of Estimates' items should satisfy four tests:

(*a*) disclose clearly the principal objects and purposes to which the money will be applied;
(*b*) control and regulate the charges to the vote;
(*c*) result in an accounting of expenditures charged to the vote which clearly discloses to Parliament whether application has conformed to the text of the Estimate; and
(*d*) be so phrased as to permit efficient application.

Confusion and loss of control can result from having the same object of expenditure under different headings. For example, the following items provide for administration in the Department of Public Works:

288.	Departmental Administration	$ 350,605
289.	(Architectural) Branch Administration	437,290
313.	(Engineering) Branch Administration	352,885
315.	(Dredging) General Superintendence	16,635
		$1,157,415

They indicate, in a general way, the purpose, but they do not provide a control over charges because the word "administration" describes intent but does not prescribe boundaries. Parliament would exercise a continuing control and administrative application would be simplified were the four items made into a single item reading:

General administration of the Department of Public Works, provided charges not to exceed $987,980 for paylist charges, $80,000 for printing, stationery and photographic and office appliances and supplies, nor $32,000 for travel expenses	$1,157,415

and thus bring about the following consequences:

(*a*) save time by consolidating 4 votes into one;
(*b*) focus attention on the real items of proposed costs;
(*c*) impose a ceiling on amounts which may be spent for such things as salaries;
(*d*) permit elasticity in departmental use; and
(*e*) reduce the risk of supplementaries being required.

Mr. FLEMING: Has Mr. Sellar any comment he would like to make under these headings?

The WITNESS: Well, sir, the important point there, I think, is that the estimates as they are now presented are a little confusing to you because they are broken down into too many items. The change to the present large number of items was made in 1938 and it was a material improvement over the previous practice, but since then the government business has grown until we have what you find in the book before you, the public accounts there. If you were to look at page A-21 (that is item A, Department of Agriculture) you will see that the vote I am now referring to, vote 19 (it had the same number that year)—and then if you turn to the top of page 22, that is the next page, you will see that this vote was provided for expenditures in connection with livestock and livestock products as it relates to the production of livestock and poultry, under the livestock Products Marketing Act; and then, if you will turn to page A-30 you will see under vote No. 28—vote 27 rather—livestock and livestock products. You will see underneath it says that these votes are in connection with the administration of the livestock and Livestock Products Act as they relate to the marketing of

livestock and so on and so forth. I think when you have two services, or two votes for one service, that you should include all in one vote; then, when you are studying that item, you would look in the Livestock and Livestock Products Act for your authority for the purpose of that vote. That is the reason I use these two items to illustrate, the point that I was making yesterday. As I said then, there are opportunities where you have two votes under one item as in this case, for transfers from one item to the other in a way which was not technically contemplated by parliament.

Mr. ISNOR: What would be your purpose there?

The WITNESS: To combine the two items.

Mr. LARSON: Well, Mr. Sellar, who is responsible for drafting the wording?

The WITNESS: In England, sir, the Public Accounts committee and the Estimates committee give direction as to the form of the estimates and the wording that is to be used in the subheadings. In Canada we have always regarded that as a matter to be decided by the executive, but I doubt if you will find any rule anywhere which sets out how it is to be done or who is to do it.

The CHAIRMAN: Is it not the usual practice for the department to decide that?

The WITNESS: No, the Treasury Board does that, sir.

The CHAIRMAN: The department indicates what they want when they draft their estimates and then the Treasury Board makes any changes?

The WITNESS: Yes, the Treasury Board are the ones who make any changes, but the requests originate in the departments.

Mr. WRIGHT: Do I understand that if we were to combine these two votes you would include the items for salaries in both items and also travelling expenses and the other things which appear listed there as expenditures covered by that particular vote?

The WITNESS: I would not go to extremes, of course. Now, Mr. Chairman, my reasoning is this, a big item of cost, both direct and indirect, is salaries. Parliament indicated in 1918 that no money was to be paid for salaries in excess of what parliament had appropriated for the purpose. Now, we have gotten away from that. I think a great deal is to be said in favour of parliamentary control of total amount, although I appreciate that you have to be reasonable in fixing a limit for salaries in vote.

Mr. ISNOR: Some reference was made in your statement yesterday, Mr. Sellar, to the lapsing of votes which amounted to $186,000,000 last year. I was wondering whether you could tell us what proportion of that represented salaries?

The WITNESS: I have no idea, but if you will refer to my report there you will see that with respect to the Department of Public Works it amounted to something like $33,000,000; with respect to the Department of National Health and Welfare to something like $23,000,000; and the Department of Veterans Affairs to something like $35,000,000—that was one of the big ones—but I cannot tell you with regard to those items what proportion is represented by salaries. Now, with regard to what I am saying, you have to bear in mind always that I am speaking in terms of control by parliament, and by putting a consolidation into effect a lot of estimates money can be saved. That is what I have been thinking about. I am advancing a certain argument to you today in support of my views. The Deputy Minister of Finance might come here and give you quite different views, and may I suggest to the committee that it might be desirable at some convenient time to have him appear before you. But I am thinking in terms of parliamentary control.

Mr. LANGLOIS: Well, Mr. Sellar, in connection with the high percentage of lapses, is not a lot of that due to climatic conditions? I know in my part of the

country it is very difficult for us to carry on building construction, for instance, in the wintertime; it has to be done when weather conditions are favourable. It does not matter that the money is voted or when it is voted; it is not voted until April or May, and sometimes not until June; and then you cannot go ahead and start your work until sometime later, let us say in September; and so far as I know, there is no way in which construction work outside can be done in the wintertime, unless it happens to be in a city, such as Montreal. Would that not account for a high percentage of the lapses in respect to public works?

The CHAIRMAN: May I ask you a question, Mr. Sellar? At the present time we have a system of these votes, as you say, and your observation is that they are not worded correctly. What suggestions have you to make to the committee as to how that situation could be improved?

The WITNESS: My reply to that will be found in paragraphs 13, 14, 15 and 16.

The CHAIRMAN: Well, gentlemen, I see I am ahead of myself. I had better wait until we have disposed of the discussion under paragraphs 10 and 11 which are now before us. Has anyone any further questions on sections 10 and 11?

Mr. LANGLOIS: Mr. Sellar, I notice that the largest lapse you show is in the Department of Veterans Affairs. Would not the remarks I made with respect to Public Works apply there also?

The WITNESS: Yesterday, as some of you will recall, I stated that this $186,000,000 was exceptional, that you had to bear in mind that I am referring mainly to transactions in the year 1948, a period when supplies were tight and it was generally the policy of the government to forego any construction work whatsoever that could be avoided, and there was a very large amount of lapsing for that reason.

Mr. WRIGHT: As far as prices are concerned in their relation to the work of the Department of Veterans Affairs, more particularly under the Veterans Land Act, I know of cases where the land available at the price was not suitable, and where the land could not be obtained at the price intended for it with the result that a great deal of that appropriation was not used. I think that accounts for a considerable amount of the lapsing shown in the Department of Veterans Affairs which, as you said, amounts to $35,000,000.

By Mr. MacDonnell:

I would like to ask for a little further information about the situation disclosed at the bottom of page 6, the four items there which total $1,157,415. Now, the auditor general, in his last paragraph there, makes some observations regarding that, but I would like to have a little further enlightenment on it. He says there that the administrative application would be simplified if the four items were made into a single item, and he indicates the phraseology he would use. What is the reason for that position?

The WITNESS: In 1938, sir, an effort was made to try to divide the principal branches of departments into votes so that when you would have the costs of those branches before you you would know what they were. Now, in these four votes, the staff concerned are all working in the Hunter Building; they are all on purely administrative work, and it seems to me that a general administration item would cover these four in one; that their salaries would all be charged to one vote although they might be seconded to the deputy minister's office or to the chief of the chief architect, or the chief engineer—they might be moved back and forth.

Q. Do they attempt to keep a cost system?—A. No, sir, there is no attempt at a cost system.

By Mr. Major:

Q. Do you think that having this separated instead of in one would cause confusion in the audit?—A. No. The department happens to be in sympathy with my suggestions relating to this. The trouble about it is this: let us say that the architectural branch needs to hire five architects to go ahead with the construction of a certain big building but they have not money left in their vote. As they have not made provision for those five architects, therefore, they have to go to parliament for a supplementary estimate, although at the same time the engineering branch may have idle funds in their vote by reason of a reduction of work. Nevertheless those funds cannot be used to pay the cost of these five architects. Therefore parliament is asked to appropriate the extra money to pay for these fellows, while the other money lapses.

By Mr. Macdonnell:

Q. Is that by reason of this division?—A. Yes sir. There is no virement permitted between votes.

Q. That would seem to be a very arbitrary and unreal thing?—A. In their view it should be consolidated and you would have the real picture.

Q. Is this due to the attempt made in 1938, as you say, to break the votes up into further detail?—A. Up to 1938 the practice was to vote the salaries at Ottawa by departmental units. In 1840 the Civil List was established, and all salaries for employees at the capital were voted under an item which was called Civil Government, and there was a civil government vote for each department. But the view of the government was that this probably did not disclose to the House of Commons what the departments were doing and therefore in 1938 they abolished the Civil Government name altogether and directed the money under salaries of the various departments, and then further divided it into branches.

I just happened to use Public Works, but if you will look at Agriculture you will find the same sort of votes where officers are on the same sort of administration work at headquarters.

Q. It must be very confusing to you as well as to us?—A. It does cause some confusion in handling the accounts.

By Mr. Langlois:

Q. I was looking at vote No. 15 for general dredging. In my riding there is a lot of dredging which has to be done. I would suppose there would be a specific fund in the department of Public Works to do that dredging in connection, let us say, with a fishing harbour, if that harbour became filled by sand caused by a storm. I wondered if the department would have enough in the fund to pay a few hundred dollars for dredging, or would it have to postpone the work and come to parliament and ask for a few hundred dollars to carry out that work?—A. No. This is purely for headquarters administration. There are dredging votes by provinces in the estimates. And if you had a dredging job to be done, the wages of the inspector would be charged to that particular job.

Q. You mean they are included?—A. Yes, they are included. That is just part of the construction cost.

By the Chairman:

Q. What you are saying is that administrative rates of most departments, such as Agriculture and this one for their head office staff here in Ottawa are split by branches. Have you any comments to make on these items of the estimates? —A. Agricultural administration has about 29 items, I think.

Q. For administration only.

By Mr. Browne:

Q. Is it shown in the estimates?—A. They are shown under production, marketing, and research.

Q. But they are actually administration, though?—A. Yes.

By Mr. Macdonnell:

Q. Rounding out what Mr. Langlois has said: one does not want to make money available too freely, certainly; but take the case he mentioned of some sudden emergency arising in the matter of dredging or any other public work. Is there any leeway of any kind? I got the impression yesterday that there would be a certain amount of leeway? I mean, if some sudden emergency should arise, or must it be left over until the next year?—A. No sir. And if you look at the public works votes you will find that for each province, and in some cases for combined provinces, there are specific sums set out in detail, for example, as harbour improvements and dredging throughout the provinces of Canada. And at the end there is shown a general item ranging from, I think, $150,000 up to several hundred thousands by provinces, depending upon the size of them for miscellaneous dredging to be done.

But if what Mr. Langlois spoke about happened in the month of November, and a violent storm destroyed a wharf, or brought about damage to a harbour. Parliament is not sitting and there is no money available in the vote, the vote is exhausted, but there is a procedure which would provide for the work through what is known as a Governor-General's warrant.

Mr. LANGLOIS: But it is very seldom used.

By Mr. Browne:

Q. I suppose the Fraser Valley case would be an example?—A. We have had occasion, for example, in the case of a storm in Nova Scotia, when a lot of harbours were put in such a bad condition that the fishermen could not use them that the work just had to be done.

By Mr. Wright:

Q. I take it that Mr. Sellar's difficulty is that the department is divided into three or four administrative heads. In the course of the year they would go ahead and do the work necessary to be done in the department. But when the matter comes to your department for auditing you find it very difficult to find the legal reason to get them over some of the money which they have spent for administration?—A. No, we have no trouble over that. We cannot identify and we do not try to identify whether a man has worked for 365 days, let us say, in the architect's branch or whether he has worked with the department generally. I simply look to see if that man was legally appointed by certificate or by the Civil Service Commission, and I look to see if there is money in the departmental vote to pay his salary.

The departments prepare their pay lists and those pay lists are passed upon by the Comptroller of the Treasury. If he is a temporary employee, his appointment has to be approved by the Treasury Board. There is adequate control over that. But the trouble is that we have four accounts when one account would do, and it would be much better if we just had the one account. That is my view.

There is reasonable control, but you are not sure you can say that a man has been working in the architect's office or whether he has been in the engineer's office or some other office.

Q. It is impossible for you to get that check and therefore you audit a statement when you are not sure whether that statement is actually correct or not.—A. We look to see if he is legally employed by the department of Public Works.

By the Chairman:

Q. If we are through on sections 10 and 11, can we go on now to Section 12 "The Number of Items"? Are there any questions on section 12, or does Mr. Sellar want to comment on sections 12 and 13?

12. *The Number of Items:* There is an ancillary reason for this proposal. Everyone has read from time to time in the press that the House of Commons voted Supply as quickly as the Chairman could call items. Those familiar with Parliament understand the situation, but the general public does not, and it may be that the prestige of Parliament suffers. The Main Estimates now before Parliament consist of 564 items—a much larger number than is the practice throughout the Commonwealth. They will appropriate $1,403,022,068. For such reasons, attention is drawn to the distribution:

	No.	Total Amount
Items up to $2,000	19	$ 15,081
" from $2,001 to $10,000	42	285,497
" from $10,001 to $50,000	74	2,118,574
" from $50,001 to $250,000	152	19,648,007
" from $250,001 to $1,000,000	135	72,251,419
" from $1,000,001 to $5,000,000	106	253,000,755
" over $5,000,000	36	1,055,702,735
	564	$ 1,403,022,068

From the foregoing it will be noted that approximately 50% of the total number of votes represents less than 2% of the total to be granted by the Appropriation Act. A consolidation would facilitate debate without lessening fiscal control.

13. *Printed "Details" of Estimates:* Details printed in the Estimates have no legal significance because the legal sub-dividing of votes is effected by applying section 26(2) of the Consolidated Revenue and Audit Act, 1931:

> The deputy head or other officer charged with the administration of a grant authorized by Parliament shall prepare and submit to the Comptroller in such form and at such time as the Treasury Board directs a classification of the expenditures provided for under such grant and such classification when so established shall not be varied or amended except with the approval of the Treasury Board.

The "Details" now printed at the back of the Estimates' book may be evaluated by a single test: value to Members of Parliament. In Durell's "Parliamentary Grants" is to be found:

> If, as is the case, Parliament grants to the Crown a certain sum for a certain service in a given year, without any more definite appropriation in the terms of the grant, it is legally competent to the executive to expend that sum at discretion in the year upon that service. That is to say, since the parliamentary enactment deals with the vote only, the government is not legally bound to adhere to the details submitted to Parliament, provided the expenditure is restricted to 'the four corners of the vote'. Morally, however, the Government must adhere to those details as far as is consistent with the interests of the public service, since its good faith is pledged by the details given to Parliament, and the Comptroller and Auditor General would correctly bring divergencies to notice. (p. 296)

My opinion is that the present "Details" are of little utility in achieving the purpose of the last sentence. Instead of an accounting classification of positions and certain categories of expenses, the Details should give, in narrative form, a bird's-eye view of the operations of the service to be financed out of

the vote. To illustrate, the Audit Office vote will be used because of my familiarity with it. Instead of the statistical "Details" now printed on page 99, I would substitute a text along the following lines:

Salaries and Expenses of the Audit Office

Appropriation 1948-49	$533,293	Expenditures	$517,592
Appropriation 1949-50	550,081	Expenditures to Dec. 31, 1949	417,511
Estimate for 1950-51	578,762		

Activities: The statutory duties with respect to the accounts of Canada are set out in Part V of the Consolidated Revenue and Audit Act, 1931.

The audit of accounts of the Foreign Exchange Control Board and of the Custodian of Enemy Property will be performed as a cost to this vote.

The Auditor General is the auditor of: Atomic Energy Control Board, Canadian Arsenals Limited, Canadian Broadcasting Corporation, Canadian Overseas Telecommunications Corporation, Canadian Patents and Development Limited, Canadian Sugar Stabilization Corporation Limited, Commodity Prices Stabilization Corporation Limited, Crown Assets Disposal Corporation, Eastern Rockies Forest Conservation Board, Eldorado Mining and Refining (1944) Limited, Export Credits Insurance Corporation, Federal District Commission, Fraser Valley Dyking Board, National Battlefields Commission, National Harbours Board, Northern Transportation Company (1947) Limited, Northwest Territories Power Commission, Park Steamship Company Limited, and Polymer Corporation Limited. It is not the practice to charge corporate bodies of the Crown for audit services, therefore expense incurred in performing these audits will be a cost to this vote.

The Audit Office performs, for the benefit of the auditors of the Bank of Canada, certain audit services in connection with the Public Debt Services. The cost incurred will be a charge to this vote, but the amount recovered from the Bank of Canada (estimated at $8,500) will be deposited to Revenue.

By resolution of the General Assembly of the United Nations, the Auditor General of Canada is a member of the United Nations Board of Auditors until June 30, 1953. Practice is that examinations of certain accounts are made by Audit Office staff, the United Nations reimbursing the full cost (including salaries). Out-of-pocket disbursements for travel, etc., will be refunded to the vote, but reimbursements for salaries will be credited to Revenue. No extra staff are or will be employed because of this special work.

The corporate accounts of the R.C.A.F. Benevolent Fund are annually certified by the Auditor General. This body is wholly independent of the Government and the R.C.A.F., but no charge is made for the audit service because of the purpose of the corporation.

No new undertaking of monetary significance is being provided for in the Estimate.

Salaries: All salaries, other than the $15,000 salary of the Auditor General (which is a statutory charge, sec. 39 of the Consolidated Revenue and Audit Act, 1931) will be charged to this vote. All appointments are made under the authority of the Civil Service Act. The senior appointment by the Civil Service Commission is that of Assistant Auditor General, who will receive $8,000. Provision is made for 176 positions; as

of the date of submission, staff was composed of 128 permanents and 42 temporaries. For 1949-50, salary and wages cost may total $496,000; for 1950-51 the amount requested is $523,018. The added sum is to provide for normal statutory increases ($6,500) and $21,000 for additions to the staff establishment.

Travelling Expenses: It is estimated that $35,000 will be required. The office has sub-offices in Montreal, Regina and Vancouver, but examinations are necessary at other places, particularly with respect to accounts of corporate instrumentalities, Post Office, National Defence, National Revenue, and Unemployment Insurance Commission.

Printing, Stationery and Office Equipment: It is estimated that these costs may total $18,194. Of that amount, $13,000 will be spent for film, etc., in connection with the work of maintaining a permanent record of categories of redeemed Receiver-General cheques. By section 28 of the Consolidated Revenue and Audit Act, 1931, the Deputy Minister of Finance transfers, from time to time, redeemed cheques to the Audit Office for safekeeping. The same section permits Treasury Board to make regulations for ultimate destruction. Over 20 million cheques may be received in the year and perhaps 15 per cent of these may be filmed in accordance with the provisions of section 29A, which was added to the Canada Evidence Act by c.19, Statutes 1942-43.

A. 12, sir, I think includes too many items, and when I say there are too many items, I mean from the standpoint of accounting. We know you can get your control with a fewer number of items. Therefore the question is purely a matter of taking up the time of the House of Commons by using all of these items.

One often reads items in the newspaper to the effect that when the House votes supply the chairman calls the items and no consideration is given to them, and why do we send members to parliament, to Ottawa, if that is the way the items are put through? But we in Ottawa and the members of parliament know that those items have been scrutinized and that they have been passed upon either in other discussions or in committee. Yet the public does not know that. So I think we should reduce the number of items. But that is purely a suggestion and you need not form any final opinion upon it because it would be up to whoever is responsible for forming the estimates as to how many items they think are necessary.

It is listed here that 50 per cent of your votes appropriate 2 per cent of your total.

Mr. BROWNE: Could Mr. Sellar give us an example by using agriculture to show how it could be done?

By Mr. Browne:

Q. Can you tell us how you would apply this principle in the case of agriculture?—A. This is going to be a snap opinion, Mr. Chairman, because I have not studied it in detail. But I do not see any reason why votes 1, 2 and 3 could not be combined into one. And I do not see why votes 5 to 12 could not.

Q. In that case what would you call 1, 2, and 3?—A. Administration.

Q. Just general administration?—A. Yes.

Q. Yes?—A. I do not see why votes 13, 14 and 15 could not be combined into 1, and my belief is that vote 16 could be included in the first vote up above, and shown in that way, I mean thrown in with my first group up above.

Q. You mean votes 1, 2, and 3?—A. Yes. And 17 and 18 I would make a vote by itself. It is the administration of the Health of Animals Act.

Q. Yes.—A. 19, 20 and 23, 24 and 25 I would make into one. And I would also include in that vote 28. I would leave "grants" separate items, such as

votes 21 and 22, and I would leave those items 30 to 34 separate. But I would have to study in greater detail those which are listed under "special". However, that is generally my idea of how I would do it. I would reduce them downwards.

Q. What would you call them between votes 5 and 12? Science Service? —A. I would put them all into one vote.

Q. Would you not put in Science Service Administration?—A. That vote 2 and 3, yes. But the rest of them I would put into one vote. And as I have said, this is just quick thinking and I would like to study them. If you would like me to, I could give it to you after I have studied the matter more carefully.

Q. It seems to me that it might be a good idea to work on this one because it is not a very large department so far as the number of items go, and we would thereby get an illustration.

By Mr. Isnor:

Q. Granted that the change was made as suggested by Mr. Brown, would you still carry out the details?—A. I would make the details more informative.

Q. But they would still be included?—A. They would be broken up according to these various research activities, I would imagine. They would be presented so as to show their costs and what they intended to spend on each.

By Mr. Johnston:

Q. I wonder if Mr. Sellar could take up the Department of Agriculture for example, and after having taken due time to consider it, then to present to us his suggestions in the matter so that we would have something concrete to go on and we would be able to compare it with the estimates which are before us? I think that would be greatly to our advantage?

The CHAIRMAN: That is a fair proposal, and I wonder if Mr. Sellar thinks it could possibly be done.

By Mr. Johnston:

Q. Would that be asking too much of you, Mr. Sellar?—A. Oh, I cannot refuse, because the Senate asked me to do that for public works and I did it. So I certainly cannot refuse it to my own committee.

By Mr. Isnor:

Q. You have already done it in connection with public works?—A. Yes, sir.

Q. Well, then why not let us have that as well?—A. I have included in this general memorandum the material information in public works.

By the Chairman:

Q. Then, could we get that from you.—A. Yes.

Q. It will be taken up at a further meeting of the committee.—A. It will be taken for granted that I may consult with the department?

By Mr. Johnston:

Q. You may consult with anybody you like.—A. Well, they have got their problems as well and I must see it from their angle.

By Mr. Larson:

Q. If you are going to consolidate the figures would you not have to include the details under the Act? I believe something was said in the House

about $17 million being asked for contingencies, but no details were given, and I think great exception was taken over that.—A. With respect to details I refer in my paragraph 13 to the general approach to details, and so that nobody could say that I was making a deliberate attack on a particular department I used my own vote and you will see there on page 8 the details that I put in. I start off with the appropriation for two years back showing the amount. And then opposite I show what I spent in that year. Then I take the appropriation for the current year, that is 1949-50 which was $550,081 and then I put in my expenditures to December 31 which were actually $417,511.

That would give you a bird's eye view of what it cost in the past and what it costs now in this particular year. And I would defend the items I am asking for this year by stating the activities I have got to carry out for that money, and I would give a list of the various things I have to do and generally try to give a picture of our situation.

Take next the salaries on page 9 and here I make a radical departure from what you have now. You have in your details of estimates the classifications of all permanent employees down to the messenger boys. But I have a feeling that that does not give you a great deal of help. So I have it in mind that I show you how the individuals are appointed, whether by the Civil Service Commission, or whether I have the right of appointment myself, and my top salaries. Perhaps you would want more than the top salaries. Perhaps you would want the heads of branches and so on. But my idea was not to go into details, because during the year those details do not stand up. A person will die and we may hire a new person, so those details are not carried throughout the year. This, as I say, would give you my actual staff as on the day that the estimates were submitted to the Treasury Board for approval, and I would give you what staff I expected to have in the next year and how much it would cost; and I would try to explain my travelling expenditures, my printing and stationery and so on.

Q. That would appear as a vote in the estimates?—A. No. That would appear in place of your present details.

By the Chairman:

Q. It would not appear in the Appropriation Act?—A. No, sir, it would not appear in the Appropriation Act but it would appear in the details.

Q. Would we not be getting less itemized details than we are getting now with this list not only of salaries but also for such things as repairs to equipment and so on?—A. But they would be set out too. They would be given as well.

By Mr. Browne:

Q. In regard to salaries, there are a certain number of classes, about seven classes, I think, and there are different stages in those classes. I do not think we are interested in whether a man gets $4,280 this year. All we want to know is the number of classes. That would cut down the details by about 50 per cent at least if not more.

By the Chairman:

Q. Yes. I have a feeling it would give us less details than we have now. But I thought they had to be included in the appropriations. So, under the Appropriation Act the only change would be that the wording would be different and the headings would be different from those in use at the present time?—A. I was just trying to give you a running story. You were referring to purchases and supplies, but they are covered in my next paragraph.

14. The illustration just used is for an administrative vote. The text for an operating service would, of course, be different. For example, Item 468 (Department of Transport) reads:

468. Marine Service Steamers, including Icebreakers—Maintenance, operation and repairs, $3,603,070.

The details printed (pp. 290-1) distribute the cost for positions and then read:

Total salaries and wages	$ 1,422,951
Overtime	40,935
Allowances	277,150
Travelling expenses	3,910
Telephones, telegrams and postage	2,480
Printing, stationery and office equipment	1,045
Fuel	795,775
Materials and supplies	273,650
Repairs and upkeep of equipment	656,696
Express, freight and cartage	2,650
Aerial Ice Survey—contract	13,000
Rentals	65,000
Sundries	47,828
	$3,603,070

Based on past experience, over $50,000 each will be spent in operating 16 steamers of the fleet. In addition, there are several small boats. It is suggested that it would be more informative were the details to give the expected cost with respect to each of the steamers, distributed by navigation districts, etc. In other words, a distribution of costs such as is now given on page Z-22 of the Public Accounts.

The WITNESS: After listing a certain number of salaries and the details, they give a summary total of $3,603,070.

Now then, if you will look at the public accounts which you have before you at Z-21 and Z-22, you will see there at the foot of the page that the Comptroller of the Treasury has made an accounting of all votes for the year and he sets down the amount in the estimates. I am using the different years' estimates, so the figures do not coincide. Then he gives the allotments made by the Treasury Board and then the actual expenditures. And then he follows that out and he gives information such as—and if you turn to the next page you will see that he also gives a statement showing the expenditure on steamers in the district, that is in the Prince Edward Island district, and that the *Brant* had an operating cost of $78,499.58; the *Ernest Lapointe* had an operating cost of $3,932.52; the *Saurel* had an operating cost of $234,978.19 and so on.

But it does seem to me that the Members of the House of Commons in considering the estimates are more interested in knowing, let us say, what it cost the *McLean* to break the ice in the channel up to Montreal in the spring, and what it cost to break the ice in the channel through the Hudson Straits for the opening of the Port of Churchill in the fall. And Nova Scotia members would be interested in what was spent to open up Sydney and other ports like that. So I think that if you changed the style of the details and explanations you would have a better picture, and you would be able to question the minister or whoever you are going to question in a better way. I believe that is all my approach to the subject.

Mr. MACDONNELL: I observe that the actual allotments are in some cases different from the estimates?

The CHAIRMAN: Are there any points in Mr. Sellar's talk we have covered up to now, including paragraphs 12, 13 and 14, as to which there will be further questions on the different items? We have just dealt with paragraphs 12, 13 and 14.

By Mr. Macdonnell:

Q. Mr. Chairman, might I advert in paragraph 11, to those four items? I have been thinking about it and I would like to emphasize—if I understood it correctly—what was said with respect to these four types dealt with on page 6. I think they are artificial and that they convey nothing except that a certain amount of time and money has been spent. So it seems to me one of the most foolish and wasteful expenditures of time and money that we could make.

I would like to ask one other question. I believe the auditor-general made a remark which I did not fully understand. I believe he said there was some fear in certain quarters that one of the dangers of an estimates committee might be that civil servants would seem to lobby. I would like to understand that a little better. I do realize that one of the things for us in the background that we bear in mind is that anything in the nature of an estimates committee would derogate from the principle of ministerial responsibility and I have no desire, I am sure, and no member here has any desire to derogate from that. It is one of the bases of our constitution. So I do not quite understand what the auditor-general has said. Perhaps he could make it a little clearer for me?—A. It is purely hypothetical?

Q. Yes.—A. Let us say that a very enthusiastic officer of the Minister of Agriculture wanted to make research in a certain line, or wanted to adopt a new policy and the Minister of Agriculture decided against him and did not make provision in the estimates for it. And let us suppose that it happened that that particular official for some reason or other was called to appear before an estimates committee and thereupon proceeded to argue that if he had had more money he could have done certain things for certain members which would have been very useful to them in their constituencies. That is what I meant.

By Mr. Johnston:

Q. You mean, to try to have the committee recommend it?—A. No, but to accumulate support which would bring pressure on the minister.

By Mr. Macdonnell:

Q. He certainly would not be accumulating any support from the minister?—A. That is what I meant. There may be only a remote possibility of that happening but that is what I had in mind.

The CHAIRMAN: Are there any further questions on items 12 to 14?

By Mr. Isnor:

Q. I would like to ask Mr. Sellar a question in regard to his own department. You have made an appropriation for 1948-49 of $533,293?—A. What page are we on?

Q. Page 8. There is an appropriation there of $533,293, with an expenditure of only $517,592 in so far as you are concerned. To use Mr. Macdonnell's term, that is ancient history.—A. Yes, sir.

Q. But in 1950-51 I see you estimate in the amount of $578,762, yet your expenditures up to December 31, 1949, are only $417,511. Then you say to the Treasury Board: "Nine months of the year's operations have expired, and I need so much money." Would you base that latter sum on the expenditures alone, the amount of the appropriation? Is that right?—A. You mean this $417,511 figure?

Q. Yes.—A. That is the actual charge to my vote up to December 31. That, I say, would be charged against the $550,081.

Q. No, the $578,762.—A. No, no. $578,762 is for the new year. I have now got to justify to you that I need $578,762 next year, when up to December 31 last I only spent $417,511.

Q. Yes.—A. I am putting in this figure, so I am on the spot. My first figure is put in there, I mean that $517,592 is put in there to show what the total expenditures were in the year, because that was my last fully completed year.

Q. Yes.—A. And then I take the next year as far as I can go, and I show it to December 31 and I show you that I have spent $417,511 in regard to that year.

Q. Yes.—A. Now I have got to show the House of Commons that I need $578,762 for the coming year.

Q. You are providing a cushion in the sum of $57,000, roughly, in your own department?—A. No.

Q. You are not?—A. We have ended the year now, we have practically ended the year, and I have a lapse of about $11,000 in my vote. You see, my last three months are very heavy months.

Q. That is what I wanted to find out. I was going to ask about the 25 per cent of your unexpended amount. —A. In those last three months I have to audit Crown corporations, and I have much heavier audit expenses in those last three months.

Q. You mean than in any other month?—A. Yes. I think I have $11,000 which will lapse this year.

Q. I tried to establish what you are bringing out in your former statement in regard to the amount of unnecessary money that is voted.—A. Let us put it this way: when I was Comptroller of the Treasury Board I had a staff of 1,100 people and we were all in one vote. My experience was that if parliament gave me my payroll, my actual payroll as of the first day of April, and took 2½ per cent off that and only appropriated me the net amount, and I carried that same staff, I would be able to pay all of those salaries, because due to deaths, retirements, and one thing and another, there was a certain amount of play. I am not excepting myself but too often we figure that if we go to parliament asking for exactly the same amount as we asked for in the last year you will pass it without any question. Yet that can lead to the worst possible financing, because we may thereby be encouraged to operate dead services when we might actually need more money or perhaps less money for a good active branch. But we have that belief; and when I say "we", I think I can speak for the Civil Service as a whole. We think we can come to you and ask for the same amount as the year before and no questions will be raised.

By Mr. Browne:

Q. Do you think a larger number of smaller items go through more easily than a smaller number of larger items?—A. The departments do not like it.

Q. Do not like which?—A. The larger number of smaller items. The departments try to avoid those things. The reason the departments do not like a multiplicity of small items is that there is no elbow room left to them to meet emergencies, if they have too many small items.

By Mr. Stewart:

Q. And may I ask you who audits the accounts of the Auditor-General?—A. That, sir, is one of the absurdities. In England the accounts of the auditor-general are audited by an officer appointed by the Treasury. Actually he is the House of Commons accounting officer. But here the accounts of the Auditor-General are kept by the Assistant Auditor-General and one of the supervisors makes an individual audit of his accounts. I believe that in a revision of the Consolidated Revenue Act there should be provision made for some one outside the audit office to audit our accounts.

If I maye say so, my work makes me a critic of the departments but I am in an unfair position because they cannot criticize me. Nevertheless in the last

week the comptroller and auditor-general of Australia and his chief assistant have been in Ottawa and have spent ten days going over my department and they agree that I will have the benefit of their criticism when it is all over. So I shall have an audit of my system which will cost Canada nothing.

The CHAIRMAN: Have we any further questions?

By Mr. Isnor:

Q. I have one further broad question. Let me put it this way: if we broaden the reference to the public accounts committee so as to include the tabled estimates in current years and the expenditures, we would accomplish the purpose as outlined in Great Britain, of combining the estimates and the public accounts committee. Would you be in favour of doing that?—A. When I used December 31, I had in mind the practical problem that it might mean that it would be really November 30 that you would get up to.

Q. But you would favour the December 31 calendar year?—A. It all depends on when the House meets. It may be possible to insert December 31 figures, or it may be that printing in the estimates will be November 30 statistics. That date would certainly be accomplished.

I am speaking personally here: nobody criticizes my estimates, and when I tender my estimates to the Minister of Finance and to the Treasury Board, they accept them, and perhaps they say: if we do not give them, then Sellar may argue that we have cut his estimates so he could not scutinize our activities. Therefore my items go through their offices and they come to the House and are passed the same afternoon. In fact, I have not made Hansard in ten years. On the other hand, if I had to put my material in in black and white, then I would have to justify my expenditures and I would have to be most careful about them.

The CHAIRMAN: Shall we go on now to item 15 "Works, Provisions in Details"?

15. *Works Provisions in Details:* The construction and maintenance of public works are matters of concern to all Members of Parliament, both from the monetary and local viewpoints. Section 9 of the Public Works Act vests in that department the over-all management, charge and direction of all public works (including the supplying of furniture and fittings.) Then section 10 removes from the Department the public works which are by any Act of Parliament "placed under the control and management of any other minister or department". An Appropriation Act is presumably an "Act" within the intent of the section. A question therefore is the effect of providing for the construction of works which are to be financed by votes for departments other than Public Works. For example, there is the provision in Item 261 (National Revenue, Customs and Excise Divisions) for "buildings and rentals for temporary purposes". No amount is stated in the vote, but $532,000 is listed in the Details (p. 197). A further variation, for example, is that employed in connection with Agriculture items 5 to 10, and 11, 12, 14, 15, 17 and 19, where no reference to construction is made in the text but Details' breakdowns collectively provide around $3,200,000 for the "acquisition or construction of buildings and works". If note is taken of the details to Item 303 for Public Works, it will be observed that provision is also being made in that Item for $500,000 to be expended on "Experimental Farms and Science Laboratories—Replacements, repairs and improvements to buildings". Attention is also drawn to External Affairs' details to Item 66 (p. 114) which list:

> To build or purchase premises for offices or residences for missions abroad and to furnish and equip premises and other capital expenditures ..... $165,000.

With this, Item 67 is associated. It reads:

> To authorize that use during the fiscal year 1950-51 in payment for the acquisition, improvement or furnishing of properties for Canadian Government offices and residences in foreign countries of incovertible foreign currencies from deposits of such currencies which may be used only for governmental or other limited purposes in these countries and which have been received by the Government of Canada from other governments in settlement of claims arising out of military operations or war expenditures.... $1.

As Details do not form part of the Appropriation Act, a question is whether listing in "Details" brings into effect section 10 of the Public Works Act. It also presents the query whether works projects solely for the benefit of a particular department or service should be listed under the department concerned in order to portray the true cost of the department.

The CHAIRMAN: Are there any comments you would like to make, Mr. Sellar, before we proceed to ask if the members have any questions?

The WITNESS: Well, as I see it, the problem is that no part of the details is made part of the Appropriation Act. Under public works you list down the harbours, the rivers, and the buildings to be constructed. I now direct you to the first item for which no notice of works is given in the vote, but the details provide for works. It is item 5 in this year's estimates under the heading of "Science Service Administration". The vote is for $1,229,750.

"Science Service Administration" is the name of the vote but if you look at the details on page 74, you will see there "Acquisition or Construction of Buildings and Works, $984,950." In other words, 80 per cent of the vote is going to be for the acquisition or construction of buildings and works. Yet you will go into the House without any knowledge of what those buildings or works are; whereas, if it were in the Department of Public Works, you would see the names of the various buildings contemplated. It is true that you will get that information by asking questions of the minister, but it does seem to me that the details should give the names of those important works if they are important works.

By Mr. Browne:

Q. Do you think they should be there?—A. That is a matter of policy, sir. As to these works, you would imagine they would not be constructed by the Department of Agriculture; you would think they were subject to the Department of Public Works?

Q. Yes—A. That is debatable because section 10 of the Public Works Act says that no work which is appropriated or assigned by an Act to some other department comes under the Department of Public Works.

By Mr. Macdonnell:

Q. That strikes me as odd. Presumably the Public Works Department is organized with an efficient staff to supervise the construction of buildings. They ought to have experts to do that rather than some other department; yet according to that section 10, such a matter would be taken out of the control of the Department of Public Works.—A. I cannot speak with any authority with regard to it. I took it because it was the first in the estimates. But let me take the item having to do wih Customs Outports of the Department of National Revenue. There is provision in their vote for temporary quarters and

so on; and for rents; by including in the estimates about $500,000 for construction work which will be carried out by the Department of National Revenue.

Q. You mean it would be constructed by them? Have they got any officials similar to those in the Department of Public Works to look after those things, or would they go out and get special people to do it?—A. I have called attention in my report to a Customs House constructed in Saskatchewan. It was a pre-fabricated construction. The contract was let by the Department of National Revenue without security being taken. The contractor failed and as a result the suppliers—some of the suppliers have not been paid yet. The Department of National Revenue is taking the responsibility.

And two years ago I brought to the notice of the House in my report the practice of the Department of National Revenue to award one contract for the digging of an excavation; another contract for the pre-fabricated building material; and another contract for the construction, so in that way a $18,000 job could be carried out without going to the Governor in Council at all, because each contract was for less than $5,000.

My view is this, but I may be all wrong—that when you make these appropriations—I shall just use this one for agriculture—I think that by the text it should be carried into the vote, that is, that there should be shown a transfer to the Department of Agriculture of the power to build the particular building. That is what I think should be the procedure.

Q. Coming back to what the Auditor-General has said, but nevertheless out of deferment to the senior members of Halifax, I think it sounds like an elaborate farce.—A. But in many cases it is very sound.

Q. Why should it be sound to have work done in that way when there is a department organized to do it?

The CHAIRMAN: I think it would tend to enlarge considerably the Department of Public Works if, for example, you had the Veterans Affairs buildings come under their authority.

Mr. MACDONNELL: But would it not have a tendency to enlarge the Veterans Affairs department as well in order to have a staff to do it?

The CHAIRMAN: I suppose so.

The WITNESS: Might I illustrate it in this way; the national parks have to maintain roads.

Mr. MACDONNELL: Is the Public Works Department not in favour of it?

The CHAIRMAN: How do I know? I am not speaking on behalf of the Department of Public Works. I am just asking questions for myself.

The WITNESS: As a matter of fact, this matter about the customs building forms a controversy between two departments. But to answer your question about efficiency; in connection with the National Parks, it sometimes happens that construction has to be undertaken but that the Department of Public Works have no engineering staff near the place, but the Department of Mines and Resources has men equipped to perform the class of work and they do the job. It makes for greater efficiency. It would not be so efficient to take a man from the Public Works office and send him out to Banff National Park simply to see that some construction is performed, when the Department has men already there who are experienced in the matter and can do that work. So you see it works both ways.

And then in connection with the External Affairs Department, they have on their staff an architect whose function is to travel around the world in order to settle on architectural designs or alterations of houses and buildings which come under External Affairs Department control. You might think that should come under Public Works.

Q. I can understand such a thing in an exceptional case. I think you have given a very good illustration of the problem.—A. Oh yes. It works both ways.

Mr. BROWNE: The Appropriation Act makes provision for that, it includes it.

Mr. MACDONNELL: Yes, but what I am coming at is whether that is a matter which in every case comes to the attention of parliament. I don't remember it. Can you give me an illustration? I suppose in this instance the Department of National Revenue is the case in point.

The WITNESS: My own view is that we need a redraft of the Public Works Act. I do not care who does construction work so long as we avoid duplication. I think we should have provision for the calling of tenders, the taking of security and so on. I think we should have the same procedure. I do not know what the procedure should be, but I think we should have the same procedure in all departments and units of government with regard to the awarding and carrying out of contracts. At the present time we haven't anywhere that I know of, but I do think there should be, some form of control, some standard, setting out the way in which contracts should be let, whether they be by tender, by cost plus, or on a ceiling basis, because it involves the selection of contractors. I have seen cases where there was at first a relatively small job to be done, and a contractor would be picked on the ground that he knew it and he was a local man, but after he got in on it, it grew bigger than it was thought the job would be at the start. When he took it on a cost plus basis it was thought that the job would probably not exceed, let us say, an amount of $5,000, but work turned out to be much larger than was anticipated, let us say it went up to as much as $100,000. Well, the result of that was that on a cost plus basis a contractor stands to benefit materially. But what is more important is there was no element of competition in the letting of the contract such as there would have been had it been let in the first instance on firm price basis. My thought there is that there are more opportunities for considerable saving when jobs are open to competition.

Mr. LANGLOIS: What you have in mind is that in so far as Crown companies are concerned they would be covered by a standard form of wording for cost plus contracts?

The WITNESS: I would not go so far as to say that all companies should be bound in that way, but I do think that all departments should have that standard system.

Mr. LANGLOIS: According to my information the Canadian Commercial Corporation has its own regulations with respect to the calling of tenders, the awarding of cost plus contracts, and that their regulations were not even approved by parliament.

The WITNESS: No. The Canadian Commercial Corporation is acting for the Department of National Defence and functions under the Munitions and Supply Act which was passed during wartime. Now, the Munitions and Supply Act requires that contracts for $15,000 or more be approved by the Governor in Council, and in the case of the Department of Public Works all contracts over $5,000 must be approved by the Governor in Council, under that amount that approval is not required. Incidentally, I do not think $5,000 is a reasonable amount, as things go today, I think it should be considerably higher than that. As you say, the Canadian Commercial Corporation has its own regulations respecting the matter of contracts, calling for tenders and so on. I think it would be of advantage if we had a standard, uniform practice, which would govern all matters pertaining to contracts such as advertising, the calling for tenders, the awarding of contracts, and the procedure to be followed when the contract is awarded to anyone other than the lowest tenderer; the taking of

security, the making of progress payments from time to time, and all that sort of thing. I think that can be covered by some uniform law or statutory provision so that the practice would be common throughout all departments of government.

Mr. LANGLOIS: I am sorry, but I do not think you have answered my question. I was referring to the C.C.C. having the power to make its own regulations about calling for tenders, cost plus contracts and so on; and they also have the power to decide whether any such contract will be awarded after the tenders have been called, or whether it should be proceeded with on a cost plus basis without reference to approval by the Governor in Council. Am I right in that?

The WITNESS: My understanding is that you are, sir; but, as I said, under the provisions of the Munitions and Supply Act, there is authority to award contracts below $15,000 on a firm price basis, but in the case of any contracts going over that amount approval of the Governor in Council must be secured.

Mr. MACDONNELL: While you are on that point, Mr. Sellar, could you tell us whether all Crown corporations are on the same basis, that is the basis that they are virtually independent in the conduct of their business much in the same way as is the case with a private corporation?

The WITNESS: No sir, there is the National Harbours Board, the Canadian Broadcasting Corporation—they are two who must go to the Governor in Council for approval whenever a contract involves more than a certain amount of money or is to run for a certain period of years.

Mr. MACDONNELL: What about Polymer?

The WITNESS: Polymer on the other hand operates on a straight company charter under the Companies Act and has all the powers of the 1934 Companies Act.

Mr. MAJOR: What about the Central Mortgage and Housing Corporation?

The WITNESS: The Central Mortgage and Housing Corporation? I would have to look at it, sir; I do not audit it so would have to look at it.

Mr. MAJOR: I would now like to ask Mr. Sellar about disputes between departments on the matter of jurisdiction, as to who has the final say. I have information of one case where there was a dispute between departments as to jurisdiction over a job and the result was that the suppliers and the contractors had to wait over a year to get their finances, their money, just on account of the dispute between the two departments as to jurisdiction. Is there any provision for the settling of jurisdiction?

The WITNESS: It is a matter of adjustment between the departments.

Mr. ISNOR: Do you think there would be any appreciable economy if all contracts were placed on a cost plus basis, do you think that is a good plan?

The WITNESS: I do not know sir. I am neither a contractor nor have I operating experience. But I do not like the cost plus basis myself because, in my opinion, it is uneconomical. A man who has a cost plus contract has no incentive, the more he puts into the job the more the job costs, the more he is going to get out of it. For my part, I prefer a firm price proposition, and in my mind that works out to the advantage of the person for whom the work is being done.

The CHAIRMAN: Do you think you are apt to get a better deal on a firm price contract?

The WITNESS: If I can leave Canada for a moment and take you to my experience as an auditor for the United Nations where I have had to deal with the contracts in connection with the permanent headquarters which are being erected in New York City at a cost of $65,000,000 they were successful in getting

a group of big contractors to incorporate as a special corporation in which four of them were the shareholders, and they took contracts for each building to go up. Now, on the first contract let we got a firm price, it had some extras but it is still all right. The most recent contract awarded is a ceiling price contract, and that was arranged by Mr. Harrison, the chief architect at Rockefeller Centre—he thought he could make some saving by having a ceiling price form of contract; and, in that regard, it is interesting to note that the contractors are working very close to that ceiling price. At one time it looked as though they might be out about $1,000,000, but now that the work is getting further along it looks as though they are going to come pretty close to achieving their objective.

The CHAIRMAN: Yes, that is all right, but you run into difficulties on a firm price, or on a ceiling price contract when some unforeseen conditions arise; for instance like a strike in the steel industry where you are not able to get material and that may increase your cost, let us say, by 20 per cent or more. Then, there is another factor in respect to government contracts. Let us say you go to the Public Works Department and you get a contract and you run up against unforeseen conditions which materially increase your costs and you go to the department and talk to them about it; well, you just simply can't get any adjustment, you could not get one even if you went to a court of law. The attitude of the department is that it is a contract and you are bound by it; and I have known of cases where contractors have been put out of business just because of situations of that kind. Their attitude is just this, that is the contract, you signed it, that is all there is to it. I wonder if you would care to say a word about that also?

The WITNESS: I have no direct interest in contracts, that comes more under the purview of the comptrolled of the treasury. He would be better qualified to speak on that than I am. You know who he is, Mr. McIntyre. My thought is that it might be interesting and useful to the committee if he were to appear before you at some convenient time.

The CHAIRMAN: Well, that may be possible later on in the work of the committee. I think we have accomplished a very useful morning's work and I would suggest that we adjourn now until 4 o'clock Monday afternoon.

The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

MONDAY, MAY 1, 1950

WITNESS:

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

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

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on

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Sinclair
Stewart (*Winnipeg North*)
Thatcher
Thomas
Warren
White (*Hastings-Peterborough*)
Winkler
Wright

A. L. BURGESS,
Clerk.

MINUTES OF PROCEEDINGS

MONDAY, May 1, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Boisvert, Browne (*St. John's West*), Cauchon, Cavers, Croll, Fulford, Gauthier (*Portneuf*), Hansell, Helme, Isnor, Johnston, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspe*), Larson, Macdonnell, Major, Maybank, Picard, Prudham, Richard (*Ottawa East*), Riley, Robinson, Sinclair, Thatcher, Wright.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General.

The Committee resumed consideration of Mr. Sellar's brief respecting the preparation of The Estimates.

Examination of Mr. Sellar was continued.

At 6 o'clock p.m. the Committee adjourned until Tuesday, May 2, at 9 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

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MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 1, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum. I think when we adjourned on Friday last we had reached item No. 17 on page 11 in the memorandum on the estimates submitted by the auditor general. If you agree I will follow the same procedure agreed upon and ask Mr. Sellar if he has any comments to make on that paragraph, or if he wants to go on to the next.

Mr. Watson Sellar, Auditor General, recalled:

The WITNESS: Paragraphs 17, 18, 19 and 20 all go together.

15. *Works Provisions in Details*: The construction and maintenance of public works are matters of concern to all Members of Parliament, both from the monetary and local viewpoints. Section 9 of the Public Works Act vests in that department the over-all management, charge and direction of all public works (including the supplying of furniture and fittings). Then section 10 removes from the Department the public works which are by any Act of Parliament "placed under the control and management of any other minister or department". An Appropriation Act is presumably an "Act" within the intent of the section. A question therefore is the effect of providing for the construction of works which are to be financed by votes for departments other than Public Works. For example, there is the provision in Item 261 (National Revenue, Customs and Excise Divisions) for "buildings and rentals for temporary purposes". No amount is stated in the vote, but $532,000 is listed in the Details (p. 197). A further variation, for example, is that employed in connection with Agriculture items 5 to 10, and 11, 12, 14, 15, 17 and 19, where no reference to construction is made in the text but Details' breakdowns collectively provide around $3,200,000 for the "acquisition or construction of buildings and works". If note is taken of the details to Item 303 for Public Works, it will be observed that provision is also being made in that Item for $500,000 to be expended on "Experimental Farms and Science Laboratories—Replacements, repairs and improvements to buildings". Attention is also drawn to External Affairs' details to Item 66 (p. 114) which lists: To build or purchase premises for offices or residences for missions abroad and to furnish and equip premises and other capital expenditures, $165,000.

With this, Item 67 is associated. It reads: To authorize the use during the fiscal year 1950-51 in payment for the acquisition, improvement or furnishing of properties for Canadian Government offices and residences in foreign countries of inconvertible foreign currencies from deposits of such currencies which may be used only for governmental or other limited purposes in these countries and which have been received by the Government of Canada from other governments in settlement of claims arising out of military operations or war expenditures, $1.

As Details do not form part of the Appropriation Act, a question is whether listing in "Details" brings into effect section 10 of the Public Works Act. It also

presents the query whether works projects solely for the benefit of a particular department or service should be listed under the department concerned in order to portray the true cost of the department.

16. A more general objection which may be taken to works votes is that the printed material does not disclose either the reasons which make them necessary or the probable ultimate cost. As a rule, the first vote for a large job will be for a small sum—enough to permit some plans to be prepared and, perhaps, to negotiate for the site, etc. Consequently, over several years Parliament may vote several millions of dollars. Cannot much be said in favour of information being given, at the outset, which will permit Parliament to judge whether a project costing x millions should be approved, or if one costing less will adequately serve the public need?

17. *Vote Texts That Legislate:* A matter of particular constitutional concern is the practice of legislating by means of items in the Appropriation Act. That is, by phrasing the text of an item, Parliament enacts in a manner to exempt from or override existing legislation, or, in eeffct, to add to statute law. An example is Item 67 (quoted in paragraph 15 above). The $1 is inserted in order that Committee of Supply has an amount on which to recommend adoption of a resolution, but the real money to be employed consists of bank balances in various countries. Ordinarily, those moneys would be subject to appropriation as are all other balances in Consolidated Revenue Fund. The effect of this Item will be to vest in the Crown a right to use the balances, as he sees fit, in procuring and furnishing buildings and residences for diplomatic purposes.

18. More generally, the votes now of concern merely make exceptions from the Civil Service Act. Appropriations lapse on March 31, but the Act itself does not expire. Consequently, a text may be so framed that a continuing enactment results. An example is Vote 352 of the main Appropriation Act for 1941. That vote authorizes an annual motor car allowance to be paid to Ministers, the Speakers and the Leader of the Official Opposition in the House of Commons. Payments are made every year by relying on the text of the 1931 vote. Consequently, in the Estimates the amounts are listed as "s", which means authorized by statute. Legislating by means of an appropriation Act is a convenience when a need is transitory. Furthermore, it avoids cluttering the statute books with expired legislation. But from the constitutional viewpoint, it is open to the objection that it is, in fact, incomplete legislation because the mode employed circumscribes deliberations by the Senate. This was pointed out thirty years ago in a report of a Special Committee of the Senate on the rights of the Senate in matters of financial legislation. The chairman was Senator W. B. Ross, and in a memorandum prepared by him and attached by the Committee to its report is to be found:

> To reject a Supply Bill might in olden times have been feasible, but today, with the functions of government so vast and complicated, it is unthinkable . . . . It would means chaos. A Supply Bill should be passed as a matter of course by the Senate in almost any conceivable circumstances if it contains nothing but Supply. If other matters are inserted in the Bill or 'tacked to it' these should be struck out and be made into a separate Bill or Bills.

19. At one time the British view was that an Appropriation Act could not override a statute. However, when the question came before the courts in an Australian case (*Fisher* v. *The Queen*, [1903] A.C. 158) the Judicial Committee

of the Privy Council ruled otherwise. Consequently, in 1908 the British Public Accounts Committee abandoned its previous viewpoint, but declared that:

> it is desirable in the interests of financial regularity and constitutional consistency that such a procedure should be resorted to as rarely as possible, and only to meet a temporary emergency.

and:

> the fact that a proposed vote overrides an existing statute should be clearly stated on the face of the estimate, with the reasons for adopting that course, so that no doubt can exist of the deliberate intention of Parliament. The exceptional nature of the vote should also be indicated in the Appropriation Act.

20. Some such texts are repeated annually. For example, in the Supplementary Estimates there probably will be the usual item to provide for payment of the sessional indemnity to Senators and Members who are absent more than the permitted number of days, by reason of absences on account of official business or sickness, or by reason of death during the session. In view of the fact that the practice has existed for over 60 years, it is submitted that it would be more appropriate to amend the Senate and House of Commons Act. As to transitory cases, it is suggested that they should be brought together in a special schedule to the Estimates and be supported by adequate explanations. Of course, a vote text which deals with a matter which normally should be proceeded with by a Bill should be handled as a Bill.

Mr. MACDONNELL: Mr. Chairman, might I ask a question on paragraph 16 first?

The CHAIRMAN: Yes.

By Mr. Macdonnell:

Q. I want to read one sentence: "As a rule, the first vote for a large job will be for a small sum—enough to permit some plans to be prepared and, perhaps, to negotiate for the site, etc. Consequently, over several years parliament may vote several millions of dollars." I would like to ask if we could have an illustration of that; that is, possibly an illustration from the public accounts which we have here before us carrying forward into the current year; in other words, an illustration similar to that to which he referred appearing in these accounts?—A. That, sir, was of course a case of a vote starting at a small amount and increasing. If you will refer to the public accounts for 1948-49, you will find at page V-32, that five items down, Ottawa—Building for Department of Veterans Affairs (Revote) $100,000, and the expenditure to date as $250; and there is a comment, plans and specifications not completed. That is a vote which I think this year is in for $1,000,000. It is in connection with the big Veterans Affairs building.

Q. In that connection were there any hospital votes of a similar nature? I mean, there were various hospitals under construction, were there not? I wondered whether they might have the same sort of thing?—A. My reason for being so slow in replying, sir, is that I am not sure. There was a big hospital—of course, there is Sunnybrook, but my thought is that it was started under the war appropriation. But I am not sure of that. If I had time to look up the number of the account I could locate it for you.

Mr. BROWNE: Where do you find veterans' building in the estimates of this year?

The WITNESS: You will find that under construction of works, Ontario.

Mr. MACDONNELL: You say the vote is now for $1,000,000 over?

The WITNESS: Yes, in the details you will find in the back.

The CHAIRMAN: I suggest that we now turn to the items 17 to 20 inclusive. Have you any remarks to make about them?

The WITNESS: No, sir. When I was instructed to bring in the memorandum on the estimates it was indicated that it was something along the line that I prepared for the Senate. The Senate has knowledge of this legislating by means of the Appropriation Act. I included these paragraphs. This committee has already considered the subject on many occasions, sir. I have nothing to add to what I have said in various years.

By Mr. Macdonnell:

Q. I would like to feel that I understand better what you refer to there in paragraph 15, so as better to get the exact significance of what paragraph 17 says:

> A matter of particular constitutional concern is the practice of legislating by means of items in the Appropriation Act. That is, by phrasing the text of an item, parliament enacts in a manner to exempt from or override existing legislation, or, in effect, to add to statute law.

We have plenty of examples of that. We have one in connection with the Commercial Corporation, then there is the illustration which is given above. I am not sure that I entirely grasp the significance of it. Could we have that a little further explained in connection with paragraph 17?—A. Mr. Chairman, if you will look at the top of the page you will see the authorization that has been sought:

> To authorize the use during the fiscal year 1950-51 in payment for the acquisition, improvement or furnishing of properties for Canadian government offices and residences in foreign countries of inconvertible foreign currencies from deposits of such currencies which may be used only for governmental or other limited purposes in these countries and which have been received by the government of Canada from other governments in settlement of claims arising out of military operations or war expenditures.

Ordinarily these moneys would be regarded as coming under the Consolidated Revenue and Audit Act; namely, that no moneys can be expended without an appropriation from parliament fixing the amount. In this case it is regulated by the amount which may be collected.

Q. For what purposes and in what ways, for example?—A. You mean?

Q. How would these moneys have originated?—A. In the main, sir, these are monies originating in this way; when the Canadian forces re-occupied, or freed occupied territory, the obligation on the armies was to feed the civilian population and to take care of them and in due course the government concerned is supposed to reimburse the countries which do that. The Canadian army in common with the United States army, the British army and other forces thereby acquired the right to the recovery of substantial sums of money from the governments of these countries. Naturally, at the outset, we were unable to negotiate—and, furthermore, there was necessarily disagreement as to the amounts involved; so that as these things are being sifted out and straightened away credits are being placed to the credit of Canada in various banks in those countries. Now, on account of the exchange problems in those countries a provision associated with that money is that it must be spent in those countries. Those are the funds which are involved.

Q. Can you give us any idea of the amounts? The amounts may be quite large? Can you tell us what the intention was with regard to the use of those funds?—A. You would have to ask the department as to the intent, sir.

Q. What I mean is this; these amounts might really run into very large sums. Are they covered merely by reference in this way in this item which gives you no figure; or, would they later on come in and be shown and the purpose for which they were spent shown? Or is this intended to be the full authority to take these moneys and spend them on the authority of the department or the officers in those countries?—A. I would not say the department, sir; the governor in council.

Q. Yes; well then, the first part of my question is this: where would these amounts appear? Is this the last we see in here of this?—A. These amounts were not currently, I mean for that year, in the balance sheet of Canada. If you look at my report, paragraph 111, which is a short paragraph, and I will read it:

> Canada's claims on account of military relief extended to northwest European and Mediterranean countries, totalling approximately $67,000,000, are not recorded in the balance sheet of Canada.

Now, don't misunderstand me. While we claim $67,000,000, the real amount can be substantially less. You would have to ask the Department of Finance for information as to the actual amount collected.

Q. It could be less than $67,000,000 and still be quite substantial?

Mr. BROWNE: How much have we collected already, do you know?

The WITNESS: No, sir.

By Mr. Macdonnell:

Q. Can I come back to my first question. You say at the top there that these moneys may be used for the acquisition, improvement or furnishing of properties for Canadian government offices and residences in foreign countries, and so on. Let us say you make a very substantial deduction from that amount of $67,000,000, it would still leave a lot of money; but what I understand you to say here is that that was not recorded in the balance sheet of Canada for the last year. Has there been any change since that time?—A. My belief is, yes; but I haven't seen the accounts for the end of this year, the year just ended.

Q. There are other questions with regard to the balance sheet which I have not learned to date, and this appears to be one of them. How soon can we get something from the Department of Finance on that, somebody here to answer that?

The CHAIRMAN: Probably at a later date if you desire the Deputy Minister of Finance or the comptroller might be called.

Mr. MACDONNELL: This might be a convenient place to ask another question. Are there any other items, other assets which are owned by the government which do not appear in the balance sheet? For instance, I have been looking for an item which I haven't discovered yet. You might be able to put me on to it. We were told in the House that the government owns an aircraft factory at Cartierville. Well, I have not had a chance to read all the report, but subject to correction, my recollection is that the statement was made at that time that that plant was owned by the government but was rented. Now, I wonder if you could tell us anything about it. I have not been able to find anywhere in the balance sheet anything about it. Can you tell us where to look for it? It is not in the balance sheet of Trans-Canada Air Lines. Where would it be?

The WITNESS: The practice sir, in a great many instances has been that when a public works is constructed by the government of Canada from an appropriation by parliament it is charged off to the expenditure for the year. It is not capitalized.

The CHAIRMAN: Which year did you mention, Mr. Macdonnell, what year would that relate to? Where would this commitment have been made?

By Mr. Macdonnell:

Q. I am referring to the year 1947 and I understand it is on the records of the House that this aircraft factory in Cartierville was a government asset and was in fact rented. Coming back to what you have said, do I understand you to say that these are paid out of current revenues. Where then do they appear?—A. The expenditure will appear annually in the public accounts.

Q. Where does this asset appear?—A. It doesn't appear any place, sir.

Mr. FRASER: Where would you find the annual rental commitment of $200,000 a year?

The WITNESS: I speak subject to correction, but my recollection is that probably it was turned over to the War Assets Corporation.

Mr. MACDONNELL: Coming back to this submission, Mr. Chairman, I admit that I do not know much about accounts, but it does seem to me it is an extraordinary way to carry a valuable asset. Here is an asset. There are two points about it really; first of all, this is a foreign asset of many millions of dollars, and presumably unless we are very bad traders we are going to get something out of that $67,000,000 and apparently plans have already been made to spend it. Are we not going to get any information about it?

The CHAIRMAN: These claims or assets of $67,000,000 represent expenses which have been accounted for in the public accounts during the war. We have no say on this committee today as to the amounts that were spent by the Canadian army during the war.

Mr. MACDONNELL: That is right.

The CHAIRMAN: We have had a report as to when and how it was spent, it has appeared in the public accounts of the year to which it relates, and possibly when we had the public accounts for the year to which it relates you did not happen to take a look at it.

Mr. MACDONNELL: It has been reported as being spent but we apparently have no check except that we are hopeful of the honesty of our public servants. There is no check whatever, nothing to prevent the money being taken and misused in the most flagrant manner. Is that not correct?

The CHAIRMAN: I cannot see that.

Mr. MACDONNELL: How does parliament know anything about it, I mean the ordinary member of parliament? How do we know anything about it?

The CHAIRMAN: If and when it is collected, if we can recover the amount, it would necessarily appear in the current report of that year in which it was collected. It would be shown in that report as an asset. I do not want to enter into a discussion on finance with you myself, but if you will let me say a few words, I will give you all the time you want. Many private companies have assets which are considered as being hard to recover; I mean bad debts and so on. In a later year these accounts are written off. If that money is eventually received by the company, if the company succeeds in collecting these accounts, these items will appear in the books of the company in the year in which they have been paid as a revenue of that year.

By Mr. Macdonnell:

Q. Quite so. But nothing resembling that happens in our public accounts.—A. I do not think sir, that is quite a correct statement. I hope I did not mislead you, because I think the intent is that the comptroller of the treasury will report it in the public accounts whenever any buildings are purchased out of this money.

Q. You are talking now about the foreign moneys?—A. Yes, but you are now talking about the assets of Canada not appearing in the report. You must

bear in mind that some of the assets, which are very valuable, have no ultimate value. Let me give you an example. Suppose that the government of Canada decided to move away from Ottawa. If that happened this parliament building which cost $20 million would not be worth a cent.

Q. Let us go back to our aircraft factory at Cartierville. That is not true about that case. That is an asset.—A. With regard to factories built during the war those are all set up as assets in the records of the Surplus Crown Assets Corporation. They are all recorded there and reported on to parliament. Those particular buildings you were talking about,—

Mr. ISNOR: Built during the war; that is the one at Cartierville?

Mr. BENIDICKSON: Can you identify it by the name of the present tenant if it is still owned by the crown?

The WITNESS: Canadair. Those buildings, as I say, were charged off in the war; that is when they were turned over as assets to be converted. Crown assets collects the rents and in due course will account for them, but generally you will not find in the assets of Canada any buildings whatsoever.

Mr. MACDONNELL: Well, where do we find that?

The WITNESS: You would find that in their annual report grouped under the various plants they have in hand for sale or under agreement of sale. They have quite a large number of buildings that have been sold and in which the sale price is payable by instalments. They administer those.

By Mr. Isnor:

Q. Mr. Chairman, I am not as bright or as well posted as the hon. member from Greenwood in regard to finance, but I am anxious about paragraph 111 which is a $67 million item. Am I to understand that there is no record in any of the reports of the government in regard to an item such as this?—A. May I ask you a question in turn so that I am sure of what you are asking? When you say, "no record in any of the reports of the government," do you mean published record?

Q. No records of the crown company or any other financial records.—A. I am satisfied that the Department of External Affairs has records of them. I am satisfied that the Department of National Defence has records of them. I am satisfied that in all probability the Department of Finance has controlling accounts with respect to them, and I know the comptroller of the treasury has control of the bank accounts because cheques are drawn by the comptroller of the treasury in those various countries. So, when you ask if there are no records, my answer is that there are records. Whether they are published in any of the annual reports of the department I do not know.

Q. If I wanted to make an inquiry of the government in the chamber, could they not supply for public use information covering this particular item?—A. I would imagine so, sir, because I have a breakdown of my own at home.

Q. How would this item be shown in one of the accounts you referred to? Assets in suspense? Liabilities in suspense?—A. In that year it was not in the balance sheet at all.

Q. You are sticking to the balance sheet. I am asking is there not an item of this character shown in some of the financial reports of the government?

Mr. BROWNE: In the public accounts itself.

Mr. ISNOR: I will ask my question myself, Mr. Browne. I am a bit stupid perhaps—

Mr. MACDONNELL: Oh no, you are not so stupid.

The WITNESS: Let me be clear about the question you are asking, because I do not want to be misled and I do not want to mislead you. What you are asking me is: Has anybody got a record of this account?

By Mr. Isnor:

Q. That is right.—A. In my opinion there are records. Now, then, what is the next question?

Q. As to the classification, or the term which would be used to show that item. I have sometimes heard of items in suspense. Would it be in a suspense account?—A. Well, I would imagine they would set it up as accounts receivable, but I do not know.

The CHAIRMAN: May I ask a question, Mr. Sellar?

Mr. ISNOR: Just a minute, Mr. Chairman, I am on a third question. If that is so, then what was the purpose in particularly bringing this to our attention, in paragraph 111 of your report?

The WITNESS: Because I am required to certify to you that the assets and liabilities of Canada are as stated in the balance sheet, and I regard that these assets may not have a value of $67 million but they have some value and I am bringing to your notice that they are not in the balance sheet.

By the Chairman:

Q. We have been dealing for the past few moments with two different items brought up by Mr. Macdonnell, one was this amount of $67 million due Canada by foreign countries. That is the subject of one of these items in the report submitted to us today. Then Mr. Macdonnell took up another point and that was about that aircraft factory in Cartierville. May I ask a question, Mr. Sellar, referring to the public accounts report? Under War Assets Corporation, you have an item for surplus crown assets of the Dominion of Canada, page Y-92. In the year when that sale is made by War Assets Corporation to Canadair or any other company, would not the proceeds appear; maybe not in detail but under that item surplus crown assets of the Dominion of Canada?—A. The proceeds of the sale, whatever money is collected would be paid over to the Dominion of Canada. War Assets Corporation is entitled to a commission for its services, that is how it pays its operating expenses, but the net proceeds are the property of the government of Canada.

Q. Yes, under this item of surplus crown assets of the dominion. Would that item in that year include the building mentioned by Mr. Macdonnell?—A. I am going from memory but that building was turned over to War Assets Corporation and, assuming I am right, that would be in the total.

By Mr. Macdonnell:

Q. Where would the list of these surplus war assets be found?—A. In their report.

By the Chairman:

Q. It comes to our committee through a report in the public accounts of the War Assets Corporation.—A. No, they table a separate report.

The CHAIRMAN: But we have their balance sheet in the public accounts?

Mr. MACDONNELL: You have their statement apparently on page Y-90.

The CHAIRMAN: Page Y-92 shows the "Statement of Government of Canada net equity in the Trust Assets". Those assets, we know, are being administered or are held for sale. On page Y-92 is shown an item for the surplus crown assets of the Dominion of Canada. So in the year the sale is made, normally it should appear under that item. War Assets issues a separate report which we are not

called upon to study in this committee but since we have the balance sheet before us, we can call the officials of that corporation before us. I came back purposely to that because I would not like it to be circulated that these amounts are not included in the government reports anywhere. Let us refer to the public accounts for the year you think the building has been sold and look it up.

Mr. MACDONNELL: But do you not think it would be reasonable in this huge volume, which is supposed to give us a picture of our position, that it would be convenient and sensible to list these assets? I am only raising now a question of convenience.

The CHAIRMAN: You are asking me? If you want just my own opinion, I think if we had the details of all these crown corporations, it would require a very large volume indeed, but I have no objection to call these crown corporations to discuss their figures which are in their reports.

Mr. MACDONNELL: I want to refer back to this item on the top of paragraph 111.

The CHAIRMAN: My own point in speaking on this was to dispel the idea that these figures could not be obtained anywhere. They are somewhere and we have a right to bring them before us.

Mr. MACDONNELL: You are making an assumption.

The CHAIRMAN: We have it in black and white, but in the report for the year it was sold.

Mr. MACDONNELL: When you say you have it in black and white I think you are assuming.

The CHAIRMAN: We have the total. These people are responsible; they do not subtract from the total. Their books are audited.

Mr. MACDONNELL: Going back to the item at the top of page 11, the auditor general thinks that there is a record of that and I have no doubt of it either. but it still remains a fact, as I see it, that after this is passed, the situation is just as he describes it, that after passing the item we have passed some legislation also because from that point on, we have no control of any kind over the disposition of that money. They can spend it in any way they like, and here we have a substantial sum of money involved.

The CHAIRMAN: Let us consider a deal that they are contemplating. I understand that at The Hague there was a building that was given over to the Canadian government by the Dutch government in part payment of some debt that the Dutch government owed to the Canadian government. I do not know whether it is in the record, but if that payment was accepted, that fact would appear in the report of that department.

Mr. MACDONNELL: What I cannot understand, Mr. Chairman, is that here in Canada we exercise a considerable amount of scrutiny over a building costing $100,000, but here we are spending millions and exercise no scrutiny whatever. Now, why should it be that way just because that money is being expended on the other side of the Atlantic? There is something I have not been able to understand.

The CHAIRMAN: These assets cannot be collected in total, that is an impossible thing, and whatever we can get for them, which ever way we can get it, is a good thing. The main point is that it would have to be reported on by the department.

Mr. WRIGHT: But the point is this: we have no control over the expenditure.

The CHAIRMAN: You are called to vote on that when you consider item 67 of the estimates.

Mr. WRIGHT: But if we were going to purchase an embassy in France, parliament should vote that amount for the embassy.

The CHAIRMAN: Under this we simply vote a $1 item and on the basis of that one dollar item we may use these blocked currency funds. There may be collected only $50 million of the total $67 million. If we collected only $20,000,000 it would be a success.

Mr. WRIGHT: But it is $20,000,000 over which we have no control. Whether we buy a $1,000,000 building in Paris or Yugoslavia or in any other country, it seems to me that parliament that a department has only the right to spend a certain amount in those countries. We should not say "Well, here, we are giving you a blank cheque to go there and buy anything you want—"that is going too far.

The CHAIRMAN: I cannot agree that it is a blank cheque.

Mr. WRIGHT: It is, if we are giving the people in external affairs the right to carry on negotiations to try and secure part of a debt that a certain government owes us, and which we have written off in our books.

Mr. BENIDICKSON: As I understand it we have not written them off. I think we have entered into formal agreements with them to forsake a certain part of those debts.

Mr. ROBINSON: Would there not be some question as to Canada's legal right to collect those amounts in view of the fact that, as I understand it, at the time some of these moneys were advanced there was no civil government in the country concerned? Would there not be a question as to whether Canada had a legal right to collect those amounts?

The CHAIRMAN: I think that most of the amounts were recognized by the governments concerned after negotiations.

Mr. ROBINSON: Subsequently.

The CHAIRMAN: Yes; there were agreements between the government of Canada and certain other governments about the amounts that would be recognized as owing.

Mr. ROBINSON: That would be subsequent recognition?

The CHAIRMAN: Well evidently, because although there might not have been civil governments when the moneys were paid out, agreements were entered into between the government of Canada and the governments of these countries concerning the amount that the government of Canada claimed.

Mr. ROBINSON: But we had nothing until that recognition took place.

Mr. LANGLOIS: The recognition only took place a few months ago.

Mr. MACDONNELL: There may be all kinds of difficulties in connection with collecting but the plain fact is that we did get the amounts.

The CHAIRMAN: Did we?

Mr. MACDONNELL: Yes, Mr. Sinclair was over getting money and I understand that he got quite a lot. What I am complaining about, or rather asking about, is that so far as I can se, when we got that money, we have by this appropriation—or whatever the proper word would be—put it out of our power to have any control over it. The money is now under the control of the Department of External Affairs, and, although they may be very wise people in making business deals that is not their business.

I say that I am completely unanswered on the point Mr. Wright makes—why we should not follow the same basic principle in Europe that we follow in Canada. They are the same kind of people over there; although it is not the same kind of money, it is, after all, money.

The CHAIRMAN: You say that a substantial amount of that $67,000,000 has been paid to Canada. Let us ask the Auditor General if he knows the actual share or amount of that $67,000,000 which has been paid to Canada or deposited to the account of Canada in foreign currency abroad?

The WITNESS: You have put me in an awkward position because you are asking me for my memory of the accounts of 1948-49. I do not recall the state of the accounts then but I know that we have got money since because the comptroller told me that he had trouble getting cheque forms from one country —they had been lost—but they have turned up and I assume we have received money. As to the particular amount I do not know, because I have not got the balance sheet.

The CHAIRMAN: The public accounts were before the committee last year but no such questions were asked.

Mr. BROWNE: The same amount was voted last year.

The CHAIRMAN: We sat last year.

Mr. MACDONNELL: We did not have much time last year, you will recall.

Mr. FULFORD: I understand that certain of these countries' debts to the United States were completely written off. However, I understood that settlement with us was to be made in local currency and the understanding was that the money should be used for the purchase of assets in those countries.

Mr. MACDONNELL: There is no dispute about that; that is what it says here.

Mr. WRIGHT: But why should we give a blank cheque in the case of a particular country, which will, in effect give somebody the right to buy so much—

The CHAIRMAN: If we are in the process of negotiation, in a particular country, it may be that we do not know how much a certain building is going to cost. To that extent there must be a blank cheque because it is not known whether the proposed building will cost $25,000 or $150,000.

Mr. WRIGHT: When we spend money on the purchase of an embassy in a foreign country we should put a limit on the amount for the particular embassy. If we do it this way we put no limit except perhaps the amount that stands to our credit in that country.

The CHAIRMAN: It cannot be done in any other way but with that currency.

Mr. WRIGHT: Parliament should at least limit the expenditure.

Mr. LANGLOIS: With the fluctuation of foreign currency I do not know whether you would be able to vote an exact amount because you do not know what the cost would turn out to be in the long run—as a result of the fluctuations of foreign currency.

Mr. ISNOR: I wonder if the witness could answer this question—with all due respect to yourself, Mr. Chairman. It might enlighten us if he gave the background of the conditions of the loans, when they were first made, and the conditions under which they are likely to be collected.

The CHAIRMAN: They were not loans?

By Mr. Isnor:

Q. Advances then.—A. The situation is that during the war there were several armies involved in the freeing of Europe. Canada, as one of the countries, was regarded as being responsible for a certain percentage of the amount—my recollection is it was something like 5 per cent —and we will say that was the figure. Therefore, when the total was established, we then became entitled to 5 per cent of what might be recovered.

Now, as was stated, I do believe that the United States has written off certain of the amounts owing to them. I do not know that for a fact but I have read it in the papers. Then, the various countries concerned negotiated agreements with the debtor countries. These things take some time to work out. I should say that there was no agreement at the time except that these things are covered by military law. When a country is freed, the people concerned are supposed to reimburse those who helped them recover their freedom. If you are thinking, Mr. Isnor, in terms of a bond or anything of that sort—

Q. No, I am not. I just wanted you to put on the record the purpose of those advances. My second question is as to the likelihood of repayment and whether negociations have recently been carried on for the purpose of procuring a refund of those amounts?—A. Well, speaking without specific knowledge, I am satisfied that external affairs and the Department of Finance are carrying on negotiation constantly to try and recover as much as they can—but you would have to ask the question of those departments.

By Mr. Wright:

Q. I thought some of those funds resulted from the sale of physical assets of the Canadian army at the close of the war?—A. I think we had some black market currency that we had accumulated at the end of the war. I covered that matter in my report a number of years ago.

Q. Are funds resulting from those assets included here?—A. No, sir. The answer to your question is that the Netherlands government for example, purchased certain trucks we had there. They paid for those out of their loan. You remember that you passed legislation a few years ago authorizing loans to the Netherlands and I think that was taken as cash under the authority of those loans—but I would have to check that.

The CHAIRMAN: Shall we revert to item 17—are you through with that?

Mr. MACDONNELL: I am content to revert to No. 17.

The CHAIRMAN: Are there any questions on items 17 to 20?

Mr. MACDONNELL: I want to know where we stand. We have been discussing this item and I will repeat, if you will allow me, it will only take a moment, what is reported under paragraph 17—

> A matter of particular constitutional concern is the practice of legislating by means of items in the Appropriation Act. That is, by phrasing the text of an item, parliament enacts in a manner to exempt from or override existing legislation, or, in effect, to add to statute law. An example is Item 67 (quoted in paragraph 15 above). The $1 is inserted in order that committee of supply has an amount on which to recommend adoption of a resolution, but the real money to be employed consist of bank balances in various countries. Ordinarily, those moneys would be subject to appropriations as are all other balance in Consolidated Revenue Fund. The effect of this item will be to vest in the Crown a right to use the balances, as he sees fit, in procuring and furnishing buildings and residences for diplomatic purposes.

My feeling is this committee should have something to say about it—I feel that it is all wrong. If I an incorrect, however, I am ready to be set right.

The CHAIRMAN: It will be proper when we are drawing our report for you to point the matter out to your colleagues and to win recognition of your point. Today we are asking the witness to give his views—now let us ask the witness.

Mr. MACDONNELL: The only reason I ventured to read that is that it seemed to me that we were not all in unison as to what is meant. If everyone had the correct grasp of Item 17 as it stands, then it makes a very strong submission on which I hope we will act.

The CHAIRMAN: Have you any more questions to ask?

By Mr. Fraser:

Q. There is nothing in the report to show that these buildings, or residences which external affairs might buy in foreign countries, are among the assets? There is nothing in the report at all?—A. No, sir, it is not the practice to take them in as assets.

Q. Even if they are in foreign countries?

Mr. BENIDICKSON: It is not the practice to put them in this volume but you said that there would be accounts receivable lodged either with the Department of Finance or with the Department of External Affairs until it was decided whether the amount was uncollectable or until it was settled?

The WITNESS: Yes.

Mr. FRASER: All right, then, if one of the properties is sold you say that the money is shown as revenue of the department?

The CHAIRMAN: If which building is sold?

Mr. FRASER: A building in any foreign country.

The CHAIRMAN: If we get it out of that government by way of these moneys?

By Mr. Fraser:

Q. Even if you do not get it out of these moneys; if a building was sold by external affairs because they thought they should have another what would happen to the money?—A. That would be deposited to revenue and spending of it would be only by appropriation—subject to authorization of parliament.

Q. But it would not show where the money came from?—A. Yes, it would be shown in the breakdown of the Department of External Affairs as proceeds of sale and, on a big item like that, they would explain what it was.

Mr. ISNOR: No portion of that $67,000,000 is mentioned in paragraph 11 in your report?

The WITNESS: No, that is a different thing.

By Mr. Langlois:

Q. Mr. Sellar, is it not a fact that at the time this vote mentioned in paragraph 15 was presented to parliament, Canada had not obtained recognition of the debt from the governments concerned? In order to be able to use this money to buy materials or to buy buildings in the foreign lands, it was necessary to obtain from parliament permission to use the money. Is not that the reason why the vote was worded that way?—A. Well, sir, you have to keep in mind this particular memorandum which you have before you, which deals with the practice of putting items in the Appropriation Act. That is what I am dealing with, namely, with items in the Appropriation Act. Now then, these particular transactions are abnormal. Do not let us confuse the situation. As I say, these particular transactions are abnormal and if you look at the appropriations of the government of the United States you will find a similar item in regard to their State Department. But the whole effect of your discussion shows what I was after when I referred to this thing. This sort of item can produce various angles apart from the financial. There are also standards items. Take paragraph 20, where I refer to you the annual practice of putting in a supplementary item to take care of those members who were absent by reason of illness or official business. Rather than do that I think it would be better to amend the House of Commons Act and make it standard procedure, then you would not need to override your Act. This procedure is very convenient in ninety-nine cases out of a hundred; but there may be that one hundredth case which presents a little problem to you.

Personally I would like to see the Appropriations Act cleaned up a little, because we have to keep going back looking for votes for our authority. Authorities can be so phrased that there is a continuing enactment. It is the amount not an Appropriation Act item which dies at the end of the year; it continue to live.

Q. Was it not necessary before all these transactions were consummated with these foreign countries to have such a vote in the estimates?—A. You would have to ask the Department of External Affairs as to that. From the financial point of view, I would say no. I cannot see where it would enter into the financial point of view, except that we might be put in a better bargaining position. But again, that would be policy as to which you would have to ask the Department of External Affairs.

By Mr. Croll:

Q. I do not think that is his point, Mr. Sellar. His point is an altogether different one. He points out that no department of government had any authority to consummate any deal with these other governments until it had got authority to do so from parliament. Is not that a fact?—A. I do not think so.

Mr. LANGLOIS: Yes, authority to use the money for that purpose.

By Mr. Croll:

Q. All right, that is it. What do you say as to that, Mr. Sellar?—A. I think he is right.

Q. Is it not a fact?—

Mr. ISNOR: And good business too.

By Mr. Croll:

Q. Is it not a fact that at the time we lifted this mythical figure of $67 millions, we had claims against us from these other governments which were, perhaps, in excess of the $67 millions, offset claims?—A. If so, I have never heard of it, sir. You might elaborate?

Q. Did not the Dutch government have an offsetting claim against us for a large sum due to the black market activities which you referred to.—A. No. They just refused to honour.

Q. Put it your way. The Dutch government merely said: You claim from us a certain number of dollars. We claim from you a certain number of guilders, and we are about even steven. And it was necessary for us to negotiate from that point?—A. My recollection is this: At that time there was a lot of trafficking in Dutch guilders, or whatever it was, and the Dutch government decided to clean up the situation and issued a new money unit, and allowed only a certain number of days for conversion in to this new unit. I think we said to them: You should accept more of that stuff for conversion.

By Mr. Isnor:

Q. There is another transaction which you mentioned, I think, a transaction dealing with trucks. As I recall it, that country questioned the merits of the transaction and claimed that they did not receive the trucks which were intended for them. There was a trade with another country which required a settlement, so because of this vote, they were able to carry on negotiations and finally to reach an agreement or settlement which was to the benefit of Canada. Do you recall that?—A. I do not know.

Mr. JOHNSTON: By what amount did it benefit Canada? I mean, what financial amount? I do not think it is shown in the public accounts?

Mr. ISNOR: I think it will be there, in time.

Mr. JOHNSTON: It may be that Mr. Sinclair could answer the question.

Mr. SINCLAIR: I am a member of the committee, and I have been trying to keep up on this matter. These were not formal loans to begin with. They were actually part of our war effort. It was always the obligations of a conquering army to feed, and to give succour to the people they conquered, with the expectation that at some future date, if these countries could make payments, that the three contracting countries—I should not say "contracting"—but the three supplying countries, the United States, the United Kingdom and Canada would assert their claims. My recollection is that the Americans abandoned most of their claims two years ago. The British got what settlement they could during the last twelve months; and then we tried to get settlement from these countries of what were not formal commitments but were part of our war effort. The instructions of the government were to get all we could in dollars, and to bring them back to this country. But if we could not get dollars, then we were instructed to do the best we could in local currency.

Mr. JOHNSTON: Would these dollars show in our public accounts?

M.r SINCLAIR: They will show, eventually.

Mr. JOHNSTON: But do they show with respect to any settlement which has already been made?

Mr. SINCLAIR: The only settlement, which was achieved some year or two ago, was a joint settlement with the Dutch in respect to the guilder question, and I think the marketing question was handled at the same time. Neither of them was in the class of formal agreements. Our troops had these forty million odd guilders which they had acquired in Holland, and the Dutch did not regard them as properly redeemable. So we effected a joint settlement with the Dutch to dispose of the claims, both, as a natural sequence of the war.

By Mr. Johnston:

Q. Will the amount that we do receive in that case show in the public accounts here? Does that show in the public accounts?—A. It will show, Mr. Johnston. If it does not show now, it will show.

Mr. SINCLAIR: It will be another year before the settlements are effected. The last two or three months will show that some countries have already concluded the settlements agreed on while others are in the process of conclusion. The aim of the government when they sent Mr. Reid and me abroad was to get all the dollars we could; but if we could not get dollars, then to settle for local currency.

The CHAIRMAN: As much as you could get.

Mr. BENIDICKSON: I do not think anyone quarrels with the procedure as to the settlement of the debt. But the important point in my mind is that there should be two steps in place of one. What Mr. Wright has in mind, I think, is once that statement is made, there should be a further item in the estimates showing what External Affairs—or whoever it is—proposes to spend the money for, that is, for what certain purpose. We might spend that money in a foreign country more easily if we knew that we had currency there and that we could not do anything else with that currency. But what I think has happened is that parliament is not being asked, specifically, to say they are prepared to spend this money in a certain way once it has been settled.

Mr. WRIGHT: I understood that a certain amount of this foreign currency was used for the purchase of embassies or buildings in certain of these countries. But we as parliament have never made any vote to the department of External Affairs for the purchase of property in other countries. So it seems to me that the business-like way to do the thing would be for parliament to make a vote.

External Affairs could come to parliament and ask for a vote, and once they have got their vote, they could use this money. But we have put $1 in there and we say to them: go ahead; you can spend any amount to our credit in these countries without any limitation except that of common sense which, I expect, the parliamentary assistant would use. But common sense is not business. There should be a right and a wrong way of doing this.

Mr. SINCLAIR: I had nothing whatever to do in any way at all with the purchase of any buildings, equipment or anything else. I was sent over there to get as much as possible in dollars preferably, and if not in dollars, then in local currency. But there are many of these countries which have no dollars except ECA dollars, and I do not think the Americans would permit them to be used for the adjustment of these rather doubtful claims. How can you best realize for the Canadian people these accounts in terms of lira or other currencies, when there are such fluctuations? The people themselves in those countries think that the best way to protect themselves against devaluation is to invest in real estate; and I think the Canadian government is not unwise, where they have blocked currency, to put it into something which will hold its value, no matter what happens.

Mr. FRASER: I do not think anybody has said it was unwise to invest in real estate, but rather that we should not do so without the knowledge of parliament.

The CHAIRMAN: It comes to the same point. The vote of $1 was made because we did not know the amount involved in blocked currencies and it was a way to signal the deal to Parliament.

Mr. CROLL: Mr. Fraser says "without the knowledge of parliament". Now I have the estimates for 1951 here, and I think that the questions asked could have been asked in the House of Commons with respect to item 67, and answers would then have been given, if answers were available. I think it is page 10 of the estimates.

The CHAIRMAN: That is it exactly.

Mr. CROLL: They begin on page 10 with item 67. All that is available to the members.

Mr. MACDONNELL: Did you ever hear of such a thing as a majority which votes things through?

The CHAIRMAN: Well, Mr. Macdonnell, you can stand up in the House and ask any question whereupon the minister will have to answer, otherwise he will look as if he did not know his business.

Mr. MACDONNELL: And that section giving wide open power would be passed. That is what we are questioning.

Mr. CROLL: But the majority is right.

Mr. MACDONNELL: I am not going to assume that the majority is always going to proceed to follow a bad system. The auditor-general has pointed out to us something in the Appropriations Act which he, in his opinion, and quite legitimately so, considers to be a bad thing. I am hoping that nothing which has been said gets away from the fact that the auditor-general has pointed out to us something in the legislation which he considers to be bad. Nobody questions that.

Mr. LANGLOIS: Do they not have something by way of a similar vote in the United States? How do they cover that, do they not have a similar vote?

The WITNESS: I have no idea.

Mr. SINCLAIR: That is just the same way as the Americans do it. Everywhere we went over there we found them occupying properties they had

acquired by purchase out of moneys of this kind. That was about the only way they could get anything of value out of those credits and it was out of those funds that these properties were acquired.

Mr. FRASER: Is this the same item, No. 67 there in the estimates for 1951? Does that give the expenditure?

The CHAIRMAN: That is the same item, exactly.

Mr. FRASER: Yes, and I think the whole thing about that, Mr. Chairman, is the fact that when a member sees an item like that with the entry $1, it is something to ask for a little information about. You see the entry there is just $1.

The CHAIRMAN: Assuming that you are always your alert self, I am quite sure that when you see an item of that kind in the estimates at $1, you would lose no time in asking the minister for a full explanation. You will see that; you will ask a question and I assume you will get an answer.

Mr. LANGLOIS: Obviously, you won't get a building for a dollar.

Mr. CROLL: In the future we may assume that Mr. Fraser will be very suspicious of dollar items.

Mr. FRASER: I am always suspicious of dollar items.

BROWNE: Can you give us any other illustrations? You have said that this was an exceptional case, the one you referred to in your paragraph 18. Can you give us any others?

The WITNESS: I think there is item 65, that is for representation abroad.

The CHAIRMAN: No, that would be item 66 on page 9.

The WITNESS: Yes, in 66—you will see the appropriation there.

The CHAIRMAN: Gentlemen; order, please.

The WITNESS: And down toward the end of the text you will see this, "Notwithstanding anything to the contrary in the Civil Service Act or any of its amendments". That has been in there for the last thirty years and I think it is a sensible thing to have in there.

Mr. BROWNE: You will see further information on that item on the next page, and I see that comes to $165,000; is that in Canadian funds?

Mr. FRASER: Yes, and there is an item there on page 114 which contains these general terms—

The CHAIRMAN: I am sorry, that is outside the scope of item 67? Does your question relate to the paragraphs now before us for consideration?

Mr. FRASER: I refer to item 65.

The CHAIRMAN: Item 65 is for passport office administration.

The WITNESS: As to that $165 000 to which you referred, that is in Canadian dollars.

Mr. BROWNE: Those are the only two illustrations of which you know?

The WITNESS: I could give you a lot of illustrations. You see, I have opened the book at page 9, vote 63. You will see there that you are authorizing $2,000 additional to the chairman and two members of the Civil Service Commission over and above what the Civil Service Act right now says. If you want me to go through the book I could point out a lot of cases of that kind to you.

Mr. MACDONNELL: That is the only illustration of salaries being increased in that way?

The WITNESS: That is an increase in salary of $2,000 a year.

Mr. BROWNE: That goes on every year?

The WITNESS: That is a matter for the government to decide when it brings down its estimates, sir.

The CHAIRMAN: Have you any other questions on items 17 to 20?

By Mr. Macdonnell:

Q. This raises I think the whole question of statutory appropriations which I think cover now about $1,100,000,000 and I wonder if Mr. Sellar has any general observations to make on that. I realize that there are statutory provisions—interest on the public debt and so on. I was wondering if there are other similar items and if you would like to let us have a list of them? For example, I believe that we still pay out sums—whether they are wise or not I do not know—for the International Waterways Commission which was authorized twenty or forty years ago by legislation. I mention that just as an example.—A. That is the only one. That was our first international body and parliament in its wisdom appropriated in some detail in that Act. For example, it fixed the maximum salaries to be paid to any of the commissioners, the total maximum amount that could be spent under this authority, and the maximum salary that could be paid to the secretary, all of that is set out in the Act. Well 1910 and 1950 are forty years apart, and so as to permit of appropriate adjustments it might be a convenience if that Act could in some way be revised and provision made for financing out of annual appropriations. There is a maximum of $75,000 that can be spent in the year under that. Some years ago when we had the famous Smelter's case a special vote was taken to cover the excess cost that year. I think in due course that Act will have to be opened up and some changes made in it, but that is the only one I can think of offhand.

Q. Do you not think if that were not statutory, it had to be voted every year, that that would open the whole matter up for discussion, the whole matter of waterways; and that that might be of interest, that it might be worthwhile having that discussed? I raised that question once.—A. My reply to that, sir, is that it can be raised on the vote for External Affairs, because that is what it comes under.

Mr. CROLL: Is that the only vote you can remember that took legislative form over forty years ago?

The WITNESS: No, there are some others; there are two others. We in the Civil Service never want to give up our rights to spend money, sir.

Mr. FRASER: Are there other votes which are governed by legislation which were passed by parliament?

The CHAIRMAN: Mr. Fraser, does that come under the items 17 to 20 which we are now discussing? If not, we agreed to deal with those items now and I think we are bound to follow out the procedure which the committee decided upon. We are now on the items from 17 to 20 inclusive. If your question does not deal with those items we will come to it at the end of this brief when the whole matter will be open for general discussion of any matters of interest which may arise. I do not think at this point any matter should be brought in which does not relate directly to the paragraphs under consideration.

Mr. FRASER: This deals with legislation, and I just wondered what Mr. Sellar had to say about it.

The CHAIRMAN: As I said, if it does not come under the items 17 to 20 inclusive, it is not in order at the moment. I think we have finished with items 17 to 20 now. Shall we go on to item 21? Are there any general observations you would like to make on item 21, Mr. Sellar, before the general discussion opens?

The WITNESS: No, Sir.

The CHAIRMAN: Have you any questions, gentlemen, on item 21?

Mr. FRASER: Wait now, Mr. Chairman, I think my question comes under item 17.

The CHAIRMAN: Under item 17; let me take a look at that, please.

Mr. FRASER: It comes under that item.

The CHAIRMAN: You mean that you want to deal with one of these votes by legislation; you mean that appropriation of money in that way by-passes government responsibility?

Mr. FRASER: Well, not in this case, it does not even come to parliament.

The CHAIRMAN: Well, this paragraph 21 is the last item in Mr. Sellar's submission. I suggest that we go on and deal with this paragraph 21 and then after that has been disposed of we will be open for general discussion.

Mr. FRASER: All right.

The CHAIRMAN: Have you any questions, gentlemen, on this item?

Mr. MACDONNELL: Yes.

21. *Revenue Producing Services:* Earlier in this memorandum reference was made to the British Public Accounts and Charges Act which was adopted in 1891. The causes which prompted its adoption, in my opinion, now exist in Canada. It requires only a cursory comparison of Estimates of forty years ago with those of today to appreciate that the evolution into what might be described as the Public Service State has resulted in a tremendous expansion of governemental activities into categories which are commercial in nature. For that reason, it is suggested that the long-established rule that Revenue may not be used until appropriated may merit review. Parliament might be in better position to evaluate the necessity of various Estimate items were service income directly associated with expenditures resulting from performing the services. A ready illustration is the Post Office. Items 269-274 will appropriate $85,662,757. Practically all of that will be applied in providing services for which the public makes payment. The result is that Post Office is generally self-supporting. For this reason, the interest of Parliament is not so much in the millions handled, but in the anticipated profit or loss. If the profit may be substantial, the charges to the public may merit review; if a deficit is forecast, the efficiency of the Department is at issue. Consideration might be given to evolving a new method of financing such activities. If a practicable solution is found, it should encourage officers to make servicing activities self-supporting in order that continuance, and perhaps expansion, of the work be assured. It might also bring to light some services which departments consider important but which, when tested by public willingness to pay for, might be found to be unnecessary. The proposal is not original; as stated in para. 8, a plan has been in operation in the United Kingdom since 1891. The English plan may not be the one Canada should adopt, but their experience provides a starting point.

Mr. MACDONNELL: I would like Mr. Sellar to make one or two general observations about that. I presume that this includes Crown corporations, and I presume it would include also the Post Office department. What are the other revenue producing services?

The WITNESS: Well, there are a lot of them, sir. I scribbled down on the edge here some of them because I knew somebody would ask that question. Some of them are big and some are small. There is the weights and measure service; trademarks, patents and copyrights; the Board of Grain Commissioners; such activities as community pastures, P.F.R.A.; there are the various inspection services of the Department of Agriculture; there is the passport office; the mint;

there is the sale of fur seals, which the Department of Fisheries gets; there are the law reports of the Supreme Court and the Exchequer Court; there is administration of towns such as Banff and Jasper where we provide all the municipal services; there is the money collected in connection with sick mariners, and the payments that we make for sick mariners; there is the *Canada Gazette;* there are the drydocks which the Department of Public Works operate; there are the various agreements where the R.C.M.P. provide police service for the provinces in return for payment; there are the grain elevators operated by the government; there is the cost of the gas inspection service of the Department of Trade and Commerce; there are the airports, such as Malton and Dorval; there is the inspection of steamships carried out by the Department of Transport in return for fees; there is the government telegraph service—that is the group that I wrote down, I did not try to make an exhaustive list.

Mr. LANGLOIS: What about the National Harbour Board?

The WITNESS: That is a separate body entirely.

By Mr. Fraser:

Q. Take the Post Office Department, Mr. Sellar; is it your opinion that the Post Office would be a paying proposition if it had to pay for the buildings it occupies?—A. I do not know, sir, because nobody has ever calculated what the value of that is.

Q. Don't you think some record should be made of that so that they would have a better idea of what the service costs them?

The CHAIRMAN: The Public Works would have a record of that.

Mr. FRASER: I know, it is done by the Public Works, but we never have an opportunity of finding out what that costs the department or the country. Of course, Public Works builds the buildings.

The CHAIRMAN: When that was up for discussion the other day the arguments brought forward were that no department should be given permission to erect any buildings except the Public Works Department and that they should be the ones to keep them up. Now you want the Post Office Department to be accountable for them, to pay for the space they use, the buildings they use, and to show that cost in their balance sheet.

Mr. FRASER: I know the Public Works Department erect them and take care of them, but I think there should be a charge against each department for that kind of service, particularly in the case of the Post Office Department, so that we could have something more like a true position of the cost of the postal service.

The CHAIRMAN: What is your question to Mr. Sellar on this point?

By Mr. Fraser:

Q. I asked him if he thought that the Post Office Department should be charged a rental for the space they use and show that in their balance sheet right across Canada so that we would have a better picture of what our postal service is costing us in that respect.—A. The answer might be this, sir. The Post Office Department probably would object to paying rental for buildings they are required to use, buildings which are not constructed for the purpose but rather for the beautification of the local community; they might say that the postal service could be carried on in a much cheaper building. On the other hand the Post Office Department has a claim against the other departments amounting to some $4,000,000 a year for mail that is franked, and that would cover that. As I say, I have no idea how it would work out, but I think some scheme could be devised which would be encouraging to the Post Office Department.

Q. Would it not be helpful to the Post Office Department to have some kind of an account where they would know directly the cost so that they would know their overhead? One reason I say that is that I note from the public accounts here an item relating to the National Film Board. They have cut their overhead from 10 per cent to 5 per cent and that is indicated as a 5 per cent saving. How do they know that it is 5 per cent or 10 per cent or 20 per cent or 30 per cent if they do not know the cost of the building and what was paid for it?—A. I will speak about my own department, so nobody can complain. I have got free occupancy of space owned by public works, and it does not worry me at all. If I had to pay for it, I would be more careful about my space.

By Mr. Johnston:

Q. Let us take the case of the post office in Calgary. There are offices in this building that are rented out. Does that revenue from the renting of these offices go to post office or to public works?—A. It comes back to the receiver general.

Q. It does not show up as a revenue for either the post office or public works.—A. It will be reflected in the revenue of public works.

By Mr. Sinclair:

Q. Let me put a simple question to you, Mr. Sellar. If an accounting were given of the public works space provided to the post office and the post office showed a deficit, how would the post office make up that deficit in future years? What would they do?—A. You are speaking now of inter-departmental relationship?

Q. No, Mr. Fraser was suggesting that the post office be put on a business-like basis and pay for their space. I say, if they did pay for their space, it would be shown they were running at a loss so the post office, not wanting to run at a loss, what would they do?—A. They would come to parliament for an appropriation.

Q. Would it not be that they would charge more postage for our letters?—A. I think that is quite obvious.

Q. Which would mean that the people of Canada would be paying for the space. So it gets down to an academic problem as far as a public service department like the post office is concerned, as to whether the people of Canada pay directly through increased postage or indirectly through appropriations.

Mr. CROLL: A lot of poor people would pay for it.

Mr. BROWNE: I want to ask a question in relation to post offices. Do not a lot of post offices belong to private people and the government has to pay rent for them?

The WITNESS: There are categories of post offices where the postmaster is paid out of the fees of his office and he is required to supply his own accommodation.

By Mr. Croll:

Q. Those are sub-post offices?—A. The small ones.

Q. Are they city post offices?—A. Not only in the city but more in the country.

The CHAIRMAN: The rural districts are all operated that way.

Mr. SINCLAIR: There has been a great change in the last year or so. Almost but not all country postmasters are paid a salary and their accommodation is rented by the government.

Mr. BROWNE: But a portion of his remuneration is specified as being rent?

The CHAIRMAN: And his rate of salary is based on the revenue of that post office.

By Mr. Isnor:

Q. Mr. Sellar, would you enlarge on your item regarding public services, say the R.C.M.P.? They receive a certain revenue. How is that shown?—A. That revenue now is deposited as revenue. What I am thinking of is this. This whole idea pivots on the idea that why should we appropriate more money and show our expenditures higher than they actually need be when we could offset. Let us take the province of Nova Scotia. There is an agreement with the province of Nova Scotia by which the R.C.M.P. provide so many constables at such a rate a year. My idea would be that you would not appropriate the pay and allowances for these R.C.M.P. constables in the R.C.M.P. vote. Instead, the money that the province of Nova Scotia pays would be credited to that vote.

Q. Would you not get a clearer picture by charging up the full amount and crediting the amounts received from the various provinces?—A. That is the way it is done now.

Q. Does not that give you a clearer picture?—A. It sort of inflates your revenues and your expenditures. That is the only reason.

Q. At first glance it might.—A. The R.C.M.P. is not the best example that I could use by any means. I am talking of a commercial thing rather than this.

Q. Would you take another one? You mentioned the R.C.M.P., and that is why I picked it out.—A. Take weights and measures, gas inspection service. They are self-supporting services. They do not cost the tax payer a cent. Nevertheless you have to appropriate $300,000 a year, and the $300,000 comes in on that revenue. $300,000. plus some other money comes back to the government and we show an operating surplus in that particular department.

Mr. SINCLAIR: The net effect of that, spread over all government departments, would actually be to lower the real picture so far as both revenue and expenditures were concerned.—A. I think it would, sir. Remember I am here discussing how to improve your estimates so as to bring to light the services which are not self-supporting but which might become self-supporting.

By Mr. Anderson:

Q. In what way would the grain commissioners show a surplus? I do not know much about them, but I am interested to know how they would show a surplus?—A. They have a revenue from their grain inspections and so on. I think in their average year their revenues run close to $1½ million dollars.

Q. Who pays that?—A. The people who ship carloads of wheat.

Q. Yes, the farmer who ships the grain pays $2 per carload. Would you answer the same question with regard to community pastures?—A. Under the P.F.R.A. there have been a large number of pastures opened in the prairie provinces which are operated by the Department of Agriculture. My understanding is that each man pays so much per head for the use of that pasturage and they derive a revenue of approximately $175,000 a year from that source now.

Q. Would that revenue be over and above all expenses?—A. The expenditures are separate; they are not matched against each other now.

Q. I see. So you could not really say then that that much profit was made out of community pastures?—A. No. My argument is that if these two were matched together you would see if community pastures were paying well or not paying well.

Q. As a matter of comment, Mr. Chairman, I think it would help if we could have some system whereby we could compare profits against losses? The picture might be a happier one in some cases if we could do so.

The CHAIRMAN: I am told that the committee two years ago, under my chairmanship, recommended that to the government.

Mr. JOHNSTON: Maybe we had better recommend it again.

Mr. MACDONNELL: And they did not accept your recommendation?

The CHAIRMAN: Many recommendations are still under consideration. Have you any other questions on this item?

By Mr. Macdonnell:

Q. I have one question to ask, it is sheer curiosity. How is it that Banff and Jasper come under government supervision? As I say, that question is asked out of sheer curiosity.—A. The Banff and Jasper parks, in particular, are part of the national park system in which all land is owned by the government of Canada; nobody owns the site on which their building stands. They pay a ground rent. We supply the water, lights and garbage collection and various other services. We collect the business licences. To operate in these places there is a small council appointed but generally speaking the control is under the Department of Resources and Development. That is why I said it might be of interest to know how we are coming out when we are running communities like that.

Q. It is a case of the government retaining ownership of all lands.

Mr. ISNOR: If the change were made in connection with public works as regards renting space to the various departments, would it not add very greatly to the office machinery to control affairs?

The WITNESS: That, sir, is just a matter of opinion that I can express. My opinion is, it would add to your cost, of course, but on the other hand I think it would cause departments not to be so demanding in space, there might be a saving in rent and things like that in some other direction. But, again, that is just opinion.

The CHAIRMAN: Any other questions, gentlemen.

Mr. FRASER: Before we leave that part, I see we have the parliamentary assistant to the Minister of Finance here and I wonder if he could tell us what the full amount of blocked currency is in Europe?

Mr. SINCLAIR: I cannot answer that. It would take the department some time to prepare that information.

Mr. FRASER: Could you tell us the total amount of the dollar settlements effected?

Mr. SINCLAIR: On our war debts.

Mr. FRASER: On the military releases.

Mr. SINCLAIR: I do not know which of these agreements have been finalized and which have not, because there would have to be an exchange of notes in that connection. At the proper time, when these things are completed I will be very glad to make a statement but it is not possible at the moment.

The CHAIRMAN: I imagine a report will be made to parliament and the parliamentary assistant can be asked then.

Mr. MACDONNELL: I would like to ask a question. We are not here conducting a class in accounting but it does seem to me that this is an important question. Here we have some twenty enterprises which are carrying on, earning a lot of money, like the post office, drydocks, and others, all earning a great deal of money. Now, I would refer to what Mr. Howe said about the way in

which we keep our accounts, when he said: "We just take what comes in and call it revenue and what goes out we call expense." Of course, no person would dream of doing anything like that because a firm doing that might find itself bankrupt. I think it is worthwhile considering what is the proper thing to do.

The CHAIRMAN: Your question is directed to Mr. Sellar for his opinion, I suppose, because the proper time to express our own views is when the committee discusses the advisability of that item in the report. At the moment this is an academic discussion. We have a witness now. Ask your questions to the witness.

Mr. MACDONNELL: Would it be true to say that in all these cases, we have—I do not use this in an offensive sense—not called on the department to pay their true costs. We have the case of the post office, we have other cases here. Is it, generally speaking, the case that there is no department where really there is an attempt to carry the thing on along ordinary business principles? I think in some cases it would be money well spent. The post office has often come up as a case in point, and there are some others. All these would be large enough to consider carefully and I would like to have the auditor general's opinion as to what is wise. I noticed Mr. Sellar saying in particular in regard to his own department that if he was called upon to pay rent, he would not require so much office space.

Mr. SINCLAIR: Did you say that, Mr. Sellar?

The WITNESS: Well, I hope not exactly that way.

Mr. SINCLAIR: You did not say that. I was listening to you. You said you would be more careful in your requirements of office space. I think that is what you said—you said you would be more careful.

The WITNESS: As I remember it, those are the words I used.

In reply to Mr. Macdonnell's question, the counterpart of this committee in 1947 discussed this question at considerable length and had me file two or three memos on the subject. You then recommended in your report to the House of Commons that the appropriate authority should take into consideration the general situation of providing service between departments without charge, and also this matter of handling revenue from self-supporting services or services which might become self-supporting. The situation is this: in the speech from the throne it is indicated that the intention is to bring down legislation revising the Consolidated Revenue and Audit Act. I do not know what is going to be in the revision but I would suggest, with all due deference, that it might be prudent to suspend judgment on this until the government brings down the revision.

Mr. MACDONNELL: I was hoping you would say that it would be prudent for the government to suspend its action until we got through.

By Mr. Sinclair:

Q. On this matter of charging for space, Mr. Sellar has intimated that some civil servants may be what the army calls "empire builders" and they want to have as much space as they can. He says if they were charged in their accounts and had to show those charges they might be more careful in their requirements for accommodation. Just imagine what would happen if the head of the patent office was billed for his accommodation at Bank street rates. He would probably say, "If I have got to pay that kind of rent, you have got to give me better space." In that office they are certainly working under conditions which an ordinary business firm would not tolerate. If a business firm had to rent that space they just would not occupy it. In that way it might cost the taxpayers more money.—A. There is one angle which you have to keep in mind. It is that the passport office is under the Minister of External

Affairs and the public works department is under the Minister of Public Works. Both ministers are members of the cabinet and it is the government as a whole that is operating the business of the country—not one particular department. The government tells these people to occupy certain space and there is nothing that they can do but just go where they are told.

Q. Whether it is suitable or not?—A. The rent would be based on the value of the accommodation.

Q. That is the only point I hoped to make.—A. That is why I ask whether it would not be prudent to see what the government is proposing by way of revision of the Consolidated Revenue and Audit Act. Public works, for instance, is required to supply our filing cabinets and that means we escape a little expenditure or that makes us careless in what we ask for. I will say that I do not make certain that every drawer in our filing cabinets is being used before I requisition public works for another one.

Q. Yes, but even so far as filing cabinets are concerned, the position is very different from that of an ordinary business. No department can clear its files for thirty years back because some honourable member of this House is likely to ask for information in those very files. That is another reason why you cannot compare government business with ordinary business. What actually might be good business ordinarily is not good practice in the government service.—A. I agree with that and that is why I hope a revision of the Consolidated Revenue and Audit Act will be taken into consideration.

By Mr. Langlois:

Q. Would not this system of each department paying for its own premises involve a terrific amount of work? Department of Public Works would have ta keep accounts of what they were making from these buildings; and the Post Office, for instance, would have to keep accounts of how much they are paying for rent. Is not that rather like the case of a man rendering accounts to himself? It would be just like me setting up accounts for what I spend in the kitchen at home and for whatever my little boy spends at school. I would be rendering accounts to myself for no purpose at all.—A. In this memorandum I am saying that the revenues and appropriated expenditure should be matched—whether you go beyond that is a matter on which I would like to see the government's mind before I form an opinion of my own.

Q. Well, the Department of Public Works would have to know whether they were charging enough rent for these buildings and they would have to keep accounts and, if you were going to do that on a proper basis, I am afraid you would need additional staff. We would have accountants running from one end of the land to the other checking on the rentals, and it would involve additional charges to the civil service.

Mr. BROWNE: I do not think that Mr. Sellar goes that far?

The CHAIRMAN: That was a suggestion made by Mr. Fraser—not by Mr. Sellar.

Mr. MACDONNELL: We have not dealt with Crown corporations and I asked for some information on that but I do not think Mr. Sellar answered.

The WITNESS: Crown corporations already use their own revenue for their own expenditures.

The CHAIRMAN: Gentlemen, we have finished with the memorandum of twenty-one items. Before we leave it are there any questions to be asked of the witness, not on things on which further discussion will take place in the committee as it considers his report, but are there questions to be asked of the witness on points which anyone may have overlooked.

Mr. FRASER: I asked Mr. Sellar what he meant when he was speaking to the Senate committee and he said that legislation is an item in effect enabling a department to by-pass parliament. You made a statement to that effect?

The WITNESS: Parliament consists of three bodies: the House of Commons, the Senate, and the Crown or the governor general. The supply bill we do know reaches the Senate on the last day of the session. They have the total of it before them and they do it that way. It is reasonable to assume, regardless of what rights they may have, that the Appropriation Act must be accepted as it is by the Senate at that time.

The CHAIRMAN: Have you any other questions?

Mr. ISNOR: Yes, I would like to ask a further question on this $67,000,000. Mr. Sellar, in your public accounts you audit and set up the balance sheet for the government showing the assets and liabilities and the net debt and so on. You know of this $67,000,000 item. Why can you not, and I am only seeking information, show that in your balance sheet in some form or other—as I suggested perhaps in suspense?—A. I do not prepare the balance sheet, sir, I certify it.

Q. You certify it?—A. The Deputy Minister of Finance prepares the balance sheet. He submits one to me for certification and I certify it subject to such qualifications as I make in my report. So I set out in the report that the $67,000,000 was not shown.

Q. And would you not suggest to him that the $67,000,000 should be shown? —A. Anything in regard to that is within his discretion. I think he would be foolish to show it as $67,000,000 because it is not really $67,000,000.

Q. Except, as I suggest.

The CHAIRMAN: As he says it is not $67,000,000 and it might lead a lot of people to believe that it really represented that amount.

Are there any further questions?

By Mr. Macdonnell:

Q. Perhaps Mr. Seller could help me. You remember that I referred to the Canadair factory and I have since found Mr. Howe's speech on the point. He says that Canadair will pay a fixed annual rental of $200,000. At that time we thought we were going to find a statement called surplus crown assets. I have sent down for that but they tell me in the library that they only have the War Assets Corporation statement and I have not been able to find just what is in that statement. There is no help there and I will have to look further.—A. They do not list the companies by names—War Assets groups them under a total.

Q. Where do we get the breakdown?—A. You would have to get that from War Assets.

Mr. CROLL: Or by way of a question in the House—by asking on the order paper exactly how the figures were made up. They always answer, you know.

Mr. MACDONELL: In time.

The CHAIRMAN: You are interested in one building but you can imagine how many buildings War Assets have disposed of or still remain in their hands.

Mr. MACDONNELL: I would not think there would be so many.

The CHAIRMAN: There is an enormous number of them.

Mr. MACDONNELL: Well, I will inquire.

Mr. BENIDICKSON: I am not worried about the record not being available but I am concerned about the system used here to by-pass parliament and to

which attention has been drawn by Mr. Sellar. I think if we are going to buy something in Europe that we should be given an opportunity to consider it.

Mr. CROLL: Does not Mr. Sellar say that was a most abnormal bit of business?

Mr. MACDONNELL: No, he did not.

Mr. CROLL: He did—that is his term, not mine. Did you not say that, Mr. Sellar?

The WITNESS: Yes, I said that it was an abnormal situation.

Mr. MACDONNELL: You did not say the practice was abnormal.

Mr. CROLL: He said it was an abnormal situation.

The CHAIRMAN: Do you infer that Mr. Sellar said the paying of the $1 authorizing the government to spend $1,000,000 is a usual thing?

Mr. MACDONNELL: No, that is no doubt the extreme case but I refer again to paragraph 17 in which he says that a matter of concern is a practice of legislating by means of items in the Expropriation Act.

The CHAIRMAN: Would Mr. Sellar comment on the last point raised by Mr. Macdonnell?

The WITNESS: If you are referring to the items with $1 opposite them—

Mr. MACDONNELL: I am referring to what you say here—legislating by means of items in the Expropriation Act.

The WITNESS: There are quite a number of those. I gave you another illustration—the providing for sessional indemnities for members who are sick, or absent on official business.

Mr. HANSELL: I have just one question before we leave and it is of a general nature. It is considered in democracies that parliament has a right to scrutinize every possible expenditure. That is an argument in favour of democracy as against the dictatorship countries. I would like to ask whether it is always advisable, however?

Is it not true that during the war a good deal of money was spent on atomic energy, or shall I say on atomic research in respect of the atom bomb and that even we, who sat here in parliament through the entire war, knew nothing about it. Now how do you account for that? It has always been a mystery to me. We had a right to question the minister on every angle of expenditure but the money was spent for atomic research and particularly the atom bomb but we never found that out. I think it is a good thing and I am happy that nobody knew about it, but it has always been a mystery to me how it escaped our notice.

Mr. BENIDICKSON: I think there are a lot of things that escape us.

The WITNESS: All those expenditures are reported in the public accounts. In the main, the item you are thinking of would be in connection with the Chalk River project, would it not? If my memory serves me correctly Defence Industries Limited was the contractor. Those payments would be shown as being made to Defence Industries and, so far as the acquisition of the Eldorado was concerned, the expenditures were shown for acquisition of shares of the Eldorado mine. There is no expenditure made that is not shown in the public accounts. Every expenditure is in there but the accounts are so voluminous that I can understand you would not catch it. The expenditures made at the time of construction of the plant would be shown as being paid to Defence Industries, or whoever was the contractor.

Mr. BENIDICKSON: I would be the last one to do away with this practice but let us face the thing squarely. Is it always advisable to reveal what is

being spent on matters which are secret? I do not know whether Mr. Sellar would care to answer a question of that kind.

Mr. CROLL: That is a matter of policy, Mr. Chairman. I do not think it would be for Mr. Sellar to answer it.

The WITNESS: Accounts are presented by the government. That is, the Comptroller of the Treasury, and the Deputy Minister of Finance, compile those accounts. My job is to audit them and if I see anything—or rather I should say that I am appointed for the more complete examination of the accounts and for the reporting thereon to the House of Commons; and if I see anything in them which I think merits your consideration whatsoever, then I believe it to be my duty to draw it to your attention. Otherwise, if the accounts are perfectly in order, whether they be secret or otherwise, and I do not see anything objectionable about them—that is if the accounts are in balance, with a reasonable sentence or paragraph as to what they are about, that is all I have to do. Otherwise I feel I am under a duty to report it to you. But in this case the expenditures, so far as I am concerned, were constructional. I knew the purpose because the department informed me of the purpose, and asked me to assign special men to make the audit and to have those men put under a proper oath for the protection of the country, that I picked safe Canadians to do the work, and all that sort of thing. But we knew all about it.

By Mr. Wright:

Q. Can you tell me if England or the United States keep special accounts to deal with secret work? I mean special accounts which are not submitted in the regular estimates to parliament?—A. The President of the United States submits a budget. Then Congress writes a budget. But in England, they have fewer items than we have here. They run theirs with less than 200, and they can bulk a lot into them. In England they have certain accounts—and they have always had them—that one would call secret service votes. Those accounts are audited in the usual way but they are not disclosed in the usual way. However, the Leader of the Opposition and a previous Foreign Minister are shown those accounts from time to time. That is the constitutional usage they have in England.

Q. It might be that we in Canada are approaching a point, with the research work that we are doing, where we should set up something of that kind.

The CHAIRMAN: I think that is a very good suggestion, Mr. Wright.

The WITNESS: There is no secrecy about the actual expenditure.

Mr. FRASER: Mr. Chairman may we ask at this time questions with regard to the auditor-general's report at the end of the book?

The CHAIRMAN: It is now five mintues to six, and if we are through with questions on the particular memorandum before us I would like to inform the committee that Mr. Sellar, in answer to a request by a member—I rather think it was Mr. Browne—has prepared a further memorandum. Mr. Sellar was requested to give us an idea of how the estimates of the Department of Agriculture should be presented in the future so as to meet his views which are expressed in this memorandum. He has prepared a further memorandum for the committee and it will be circulated to the members.

I had hoped that the committee could meet tomorrow morning but I find that part of the day is taken up by the Old Age Security Committee, and that ten or twelve of the members of this committee belong to the Old Age Security Committee so I have been asked to have our meeting tomorrow night.

We could not have it tonight because tonight is taken up with External Affairs and I think twelve members of our committee also belong to the committee on External Affairs. So, in order to expedite the work of this committee,

and in view of the fact that we have much to do yet, and we want to do it thoroughly, I would suggest that tomorrow night we take up this new memorandum, which has been submitted by Mr. Sellar; and following that, as has been suggested by the Steering Committee and agreed to by the main committee, we start on the Auditor-General's Report, taking it up item by item, in that order; I mean, starting at the first and going through to the end with all questions permitted and no holds barred.

Mr. JOHNSTON: May I ask if Mr. Sellar is going to be here to go over the report he has submitted in regard to the Department of Agriculture?

The WITNESS: Yes.

Mr. JOHNSTON: I do not see why this committee should sit only at the convenience of the other committees?

The CHAIRMAN: Yes; but the Old Age Security Committee is a most important one, and so is the committee on External Affairs. So is this committee as well. As I said twelve of our members are sitting on the Old Age Security Committee, and the committee on External Affairs so that I think I will be forced to ask the members to come tomorrow night at 9 o'clock, since we are pressed for time.

I would like this committee to sit every day this week for one sitting of two hours—not three, but just two. So, if it is agreeable, we shall adjourn now until tomorrow night when we shall consider first this new memorandum with respect to the Department of Agriculture and then the Auditor-General's report.

The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

TUESDAY, MAY 2, 1950

WITNESS:

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

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

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on

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61408—1½

MINUTES OF PROCEEDINGS

TUESDAY, May 2, 1950.

The Standing Committee on Public Accounts met at 9 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Balcer, Beaudry, Benidickson, Blue, Boisvert, Browne (*St. John's West*), Cauchon, Cleaver, Croll, Denis, Fleming, Fulford, Helme, Homuth, Johnston, Kirk (*Antigonish-Guysborough*), Langlois, (*Gaspé*), Larson, Macdonnell, Major, Picard, Richard (*Ottawa East*), Riley, Robinson, Thatcher, Warren, Winkler.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General.

The Clerk tabled a memorandum addressed to him by Mr. Sellar containing a draft of a possible revision in the form of the Estimates for the Department of Agriculture.

Mr. Sellar was examined on the proposals set forth in his memorandum.

The Committee proceeded to consideration of the Auditor General's Report for the fiscal year 1948-49.

Examination of Mr. Sellar was concluded on items 1 to 34, inclusive, of the said report.

At 11 o'clock p.m. the Committee adjourned until Wednesday, May 3, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 2, 1950.

The Standing Committee on Public Accounts met this day at 9 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, before we start our work I would like to ask any members intending to speak, to speak loudly so that the reporters will have no difficulty in hearing what is said.

Now, when we adjourned last evening it was agreed that we would first deal at this meeting with the further memorandum submitted by Mr. Sellar at the request of the committee. Mr. Sellar has prepared a brief in connection with the estimates of the Department of Agriculture describing how he would like the estimates of the Department of Agriculture to be worded in the future. This memorandum was distributed to all the member sometime ago and I suppose it is quite in order to call for questions now.

Do you have anything to say about this arrangement, Mr. Sellar?

Mr. SELLAR: No, Mr. Chairman.

Mr. Watson Sellar, Auditor General, recalled:

Mr. LANGLOIS: Mr. Chairman, are we going to follow the same procedure we followed on the other report submitted by Mr. Sellar· that is, examine it paragraph by paragraph?

The CHAIRMAN: Yes, we can examine it paragraph by paragraph. First of all if there are any comments on the letter sent in by Mr. Sellar appearing on page 1, we would like to hear them, and afterwards we will take up the items one by one numbered from one to eighteen.

The Secretary,
Public Accounts Committee.

Near the close of the meeting of the Committee on Friday morning, April 28th, I was verbally instructed to file with you a draft of a possible revision in the form of the estimates, using those for the Department of Agriculture. The object is to give the committee an illustration of what might result were a number of the votes consolidated and new texts substituted to define purposes more specifically. The figures stated are those to be found in the estimates book. The draft contemplates that the sub-headings now appearing in the listing of the votes will be dropped, the intent of the new texts being to pivot on the statutes rather than the nature of activities. Notice is also being taken of two sections in the Civil Service Act:

12. The Commission shall, from time to time, as may be necessary, recommend rates of compensation for any new classes that may be established hereunder, and may propose changes in the rates of compensation for existing classes.

(3) Such proposed rates of compensation shall become operative only upon their approval by the Governor in Council, and when any increased expenditure will result therefrom, when parliament has provided the money required for such increased expenditure.

42. Temporary employees shall be paid only out of moneys specially voted by parliament for the purpose.

Whether these enactments are now of importance need not now be reviewed. The fact is that existing practice makes them inoperative. Until repealed, it is assumed votes should set out a maximum which may be spent on paylist charges. For that reason only, the intent is that each text will include a maximum for paylist charges. On the other hand, by consolidating votes, the department should have more "elbow room" to cope with a situation should a necessity arise, after estimates are tabled, for an increase in paylist charges. The over-all effect of the present submission is that around 20 votes would take the place of 45.

The proposals now follow.

WATSON SELLAR.

By Mr. Browne:

Q. Mr. Sellar says in his letter:

"The fact is that existing practice makes them inoperative."

Section 42 of the Civil Service Act set out in his letter, says that "temporary employees shall be paid only out of monies especially voted by parliament for the purpose."

Is that not carried out?

A. No, sir, it will be charged to any allotment that is provided for salaries.

Q. And not for the temporary assistance voted?—A. Not necessarily, no. As a rule the effort will be made to charge it to temporary assistance, of course, but you have to bear in mind that that temporary assistance is in the details, not in the main vote.

Q. Yes, I understand that.

The CHAIRMAN: Shall we pass on the item 1 of the memorandum if there are no further questions on this letter.

1. A number of votes pertain to the supervision and direction of the varied activities of the department. They stem, in the main, from the Department of Agriculture Act, c. 4, R.S., which provides for a Minister and Deputy Minister, and then enacts:

3. (2) Such other officers, clerks and servants, as are required for the proper conduct of the business of the department shall be appointed or employed in the manner authorized by law, all of whom shall hold office during pleasure.

But there are at least two other statutes associated with administration: The Agricultural Products Co-operative Marketing Act, 1939, and the Wheat Co-operative Marketing Act, 1939. Furthermore, because the B.N.A. Act provides for sharing the field of agriculture between the government of Canada and the governments of the provinces, there are certain expenses, allied with consultation, provided for by vote 3. The votes are :

1. Departmental Administration	$ 293,670
2. Information Service	316,495
3. Advisory Committee on Agriculture	5,000
5. Science Service Administration	1,229,750
16. Production Service Administration	56,015
23. Marketing Service Administration	162,006

24. Agricultural Economics	438,225
29. Marketing of Agricultural Products	100,000
32. Dairy Products Board	22,000
34. Special Products Board	11,575
45. Agricultural Prices Support Act	60,000

In this submission, Vote 5 is grouped under the heading general administration. Alternatively, it might be grouped in the next consolidation to be suggested. However, regardless of where it is placed, it is suggested that the $984,950 set out in the Details of Services (p. 74) for "Acquisition or construction of buildings" should be transferred to a works' vote (referred to later), and that like treatment be given to provision for works wherever provision is made in the details. Apart from the sum just noted, the votes are mainly for salaries, travel expenses, publicity, printing and miscellaneous administrative expenses. For reasons given, they might be consolidated into one reading:

To provide for the general administration of the Department of Agriculture and for advisory committees; but charges shall not exceed $ for pay-list charges ..... $

The details would give comparisons of costs in previous years, the salaries of the principal officers, the main objects of expenditures with justifying explanations, and such other information as is necessary to portray the purposes of the vote.

Mr. MACDONNELL: This whole memorandum, I take it, is an attempt to group together things which are all of the same kind. The outstanding illustration he gives, I think, is where we find in a vote for administration an amount of $984,950 for acquisition or construction of buildings. That is on page 2, the first paragraph right below the list.

The CHAIRMAN: This is just what we have under consideration now. Any questions are in order.

By Mr. Browne:

Q. The general idea in this statement here would be then to have estimates which would show the purpose for which the money was wanted, but the details will be given as now?—A. No, sir, I would say the details should be much more informative rather than just statistics. They should give what is involved and what is the work to be performed so that you have what I would call a picture of what the vote is going to be used for.

By Mr. Macdonnell:

Q. But should there not be somewhere also a very short note outlining the organization of the department? Would that be part of your idea?—A. Yes, sir, that would be part of it.

Q. For instance, in national revenue you do have two or three divisions, do you not—excise is one—and would there be something like that in agriculture too?—A. Well, of course, you have to bear this in mind, sir, when I was asked to prepare this I looked at it from the viewpoint of an auditor. I want to get something that can be controlled, that we have no doubt as to what is a proper charge to. And therefore, I proceeded on that basis.

Now then, on the first vote, general administration, I would expect that you would find in that vote a general description of how the department is divided up and everything else so that you would have an introduction to the whole vote. One of the honourable members mentioned the other day that he noticed that parliament was leaning towards having a general discussion on the policy

of the department on an opening vote. I would think that if such a plan were adopted the practice would be to give a general picture in your opening vote.

Q. One other question: do I infer from something I see here that your estimates to some extent might stem from certain pieces of legislation under which they can carry out certain plans, or am I wrong about that?—A. Practically every one except the two first votes would stem from the legislation.

By the Chairman:

Q. You mean except the ones contained in item 1 and item 2?—A. The general administration of the department. You might say it would also stem from the departmental Act but in the laboratory service, as far as I know, there is no general legislation for laboratory and research work.

Q. Do I understand that these items, which number eleven, would be grouped under these words "to provide for the general administration of the Department of Agriculture and for advisory committees; but charges shall not exceed so much for pay list charges". Is that the way it would appear in the future, according to your plan?—A. That would be my idea.

Q. Instead of dividing or listing them separately, you would group them under these words, but the House would not know, if I may suggest, how much goes to advisory committees on agriculture, how much goes for salaries, and how much goes for agricultural economics. Do you not think that it might take away from the members a lot of information they get now as to how that total vote is spent for administration?—A. I will not argue against you there because I am not a member and I do not know what a member looks for. I am looking at it, as I said, from the viewpoint of an auditor, and control. If I were asked to counter your argument I would say that that information would be given in the details printed at the back of the book.

Q. Oh, we still would get the details?—A. Yes.

Q. We would still get the details?—A. Oh, yes.

Q. From your answer I was led to believe we would not get more than that.

By Mr. Langlois:

Q. It comes then to a question of wording. In the future you will give less detail in one spot and give more in the other. That is all there is to it, is it not?—A. I am trying for three things, sir. I am trying, first, to reduce the number of votes as I think that would facilitate consideration and be more useful in administration if there were fewer votes. My second aim is to seek to get a text which defines what they call the four corners of the vote and thirdly, I would hope that the details would be more illuminating to the members of parliament.

By Mr. Browne:

Q. Has this sort of system been the practice in England or in any of the provinces, do you know?—A. I cannot say, sir.

By Mr. Johnston:

Q. What principle would you follow in grouping them? For example, in the Department of Agriculture, there are several places where administration occurs. Would you group, on a matter of principle, all the administrative items under one vote and then all the building items under another vote. Is that the principle that you would use in regrouping them?—A. The answer, sir, could be yes or no. You will have to bear with me for a moment while I explain the general administration of the department. Specialized services,—I will use the experimental farm. Administration of the farms: that would come under the experimental farm vote.

Q. Under administration of that?—A. Yes, under administration for that. I am putting all the experimental farms in the country in this vote.

By Mr. Macdonnell:

Q. Including the administration of the farms, of the experimental farms too?

By Mr. Johnston:

Q. Just at that point, under administration of experimental farms, would you take all the experimental farms throughout Canada and group them together?—A. Yes, including the stations.

The CHAIRMAN: I see no objection to that.

The WITNESS: And the third point relates to construction items. I would separate the construction items and make them a separate vote, a works vote.

Mr. JOHNSTON: For all those projects throughout Canada?

By Mr. Langlois:

Q. At the end of paragraph 1, after having given an example of the proposed consolidation you make the following comment:

> The details would give comparisons of costs in previous years, the salaries of the principal officers, the main objects of expenditures with justifying explanations, and such other information as is necessary to portray the purposes of the vote.

Could you elaborate further on this last part of the sentence where you say: "and such other information as it is necessary to portray the purposes of the vote."?—A. One of the items up above there is the agricultural economics which is quite a substantial item, and staff is a large item in that amount. I would think that the field of economics being such a major activity would require a special paragraph in the explanation as to what they are doing in that line. Is that what you mean, sir?

Q. Yes, would it not mean that your details will be very lengthy then?—A. They certainly would be longer than they are now.

The CHAIRMAN: I see no objection to that personally.

Now the second item deals with votes for laboratory services at Ottawa and across Canada. Any questions on this item?

2. The following votes are for laboratory services at Ottawa and across Canada:

6. Animal and Poultry Pathology	$ 388,640
7. Bacteriology and Dairy Research	177,305
8. Botany and Plant Pathology	1,343,687
9. Agricultural Chemistry	495,320
10. Agricultural Entomology	1,546,510
11. Forest Entomology	1,222,839

These total $5,174,301, of which $326,035 is for "Acquisition and construction of buildings" and $73,215 for building repairs, which would be transferred to the works' vote. These services are not, strictly speaking, made necessary by any special statutes and could be consolidated into a vote reading:

> To provide for research and laboratory services of the department; but charges shall not exceed $ for paylist charges ..... $

The details would give comparable information to that for the previous vote, and, in addition, give some particulars as to locations of laboratories, work to be performed, charges for services, etc.

Mr. MAJOR: You are just carrying on from the first item you have given there?

The CHAIRMAN: I think we ought to deal separately with the items, but if members have any suggestions—

Mr. LANGLOIS: The individual votes will then be substantially larger than they are now and when we pass one item or many items quickly we will be actually voting more quickly larger sums of money, is that not the situation?

The CHAIRMAN: It depends on the speed.

The WITNESS: That would be so. That would be so but the idea is that the checks on your vote would give you longer term control. After you do pass the item you would have it right through until it is spent.

By Mr. Langlois:

Q. I have in mind those charges which have been made on many an occasion in the past to the effect that especially during the dying days of the session we vote large sums of money and members do not pay enough attention to the amounts involved. Now, if we adopt your new system, we will be voting larger sums of money in the same short time and there will be more grounds for these charges which have been made in the past.

The CHAIRMAN: On the other hand, there will be fewer items so maybe they will be called earlier and maybe there will be discussion on many of them. We will not lose time on small items when they are called.

Mr. LANGLOIS: There will be no small items.

The CHAIRMAN: That is what I say, there will be no small items to take up our time in discussion.

Mr. MACDONNELL: Do you not think, Mr. Chairman, that if we have a large item which includes things which are related to each other and of which we get full detail, that we might meet Mr. Langlois' criticism by saying that we will not have so many items and we ought to be able to deal more intelligently with those which we have, I say ought to—

Mr. LANGLOIS: There is another danger. A larger item has greater possibilities for not finding all the implications. There will be so many details connected with the items that you will not go to the bottom of them. That is what I have in mind as the real danger.

Mr. MACDONNELL: You must have a higher opinion of us than that.

The CHAIRMAN: My only question was whether we would get the details we are getting now, or more details? I suggest that it is a matter worthy of consideration.

Mr. JOHNSTON: May we ask Mr. Sellar on number 2 what further type of details he would give in respect of that item. I see that it is mostly for research—entomology, chemistry, pathology—what other details would be given on that to enlarge what is already given?

The CHAIRMAN: Well you have about four pages of it?

The WITNESS: I am just a product of the little red school house and animal and poultry pathology, bacteriology and dairy research, botany and plant pathology do not mean a thing to me.

Mr. JOHNSTON: They do not mean much to anybody else.

The WITNESS: When I turned to the details I would want to be able to tell the number of persons employed, what they are planning to spend on travelling expenses, how many automobiles they are planning to buy, and I certainly would want to know the salaries of the important people. More than all of that, I would like to have some idea as to where those laboratories are.

I understand that there are around a hundred. Some of them are here in Ottawa; some of them are elsewhere; some of them do very important work. Now I would like to know where the important ones are, the particular line of research being carried on at the moment; the degree of success; and the expectation of using the results for the improvement of agriculture in this country. Those are the kind of things that I would like to have in the detail.

Mr. JOHNSTON: At present that is not included?

The WITNESS: No, at present you have to turn up the minister's annual report which is for the year previous.

Mr. LANGLOIS: Perhaps it is difficult but have you calculated what the average vote would be if grouped or consolidated in that manner?

The WITNESS: No, sir; I have made no calculation in that way. Frankly, a few hundreds of thousands of dollars one way or another are not of as much concern to me as to get adequate control—that means something to me.

Mr. BROWNE: Would you give the details you are giving now in addition to other details?

The WITNESS: You have to look at the details this way. Details are a matter for the government to decide because they are asking for the vote. The government has to justify to the House the amount which it is asking and therefore, in this memorandum, I make no effort to say what I think should be in the estimates details—I only say what I think should be in the votes.

The CHAIRMAN: If we press that to its logical conclusion we can say that the wording of the estimates is a matter of departmental policy.

The WITNESS: Yes.

The CHAIRMAN: But we just want to grasp the suggestion contained in your memorandum. Mr. Langlois was asking how much would be grouped under item No. 2 for laboratory service. It would be $4,370,000, but I do not see much objection to the amount if we could get the details elsewhere.

By Mr. Langlois:

Q. For example, can you anticipate how many votes you would have in the Department of Agriculture to cover all expenses?—A. Roughly 20 votes in the Department of Agriculture.

Q. That would involve an expenditure of how much in total?—A. $59,000,000 this year—if round figures will suit you.

Q. So each item would average about $3,000,000?

Mr. JOHNSTON: What difference would that make if we got full information?

By Mr. Langlois:

Q. You would give more information?—A. Yes.

Q. Well, if I was the minister I would rather have passed only one item instead of twelve items because it is much easier to hide within the four corners of one vote; and I could give details for perhaps half an hour and not explain all of that one vote but members would be satisfied because I had given such a lengthy answer.

Mr. MACDONNELL: You have not got so much room to hide in.

Mr. LANGLOIS: Yes, but the places to hide are bigger.

Mr. JOHNSTON: I take it that the purpose is not to hide anything, but to give information.

Mr. LANGLOIS: I am afraid we might be hiding things.

The CHAIRMAN: Are there any further questions on laboratory services?

Mr. MACDONNELL: I do not know that I understand the significance of the sentence which Mr. Sellar uses here in each case—"but charges shall not exceed blank dollars for pay list charges"?

The CHAIRMAN: To what do you refer?

By Mr. Macdonnell:

Q. In each one of these items it says: "But charges shall not exceed blank dollars for pay list charges." Now I understand that you are trying to control something?—A. On the first page of my memorandum, I have quoted sections 12 and 42 of the Civil Service Act. You will notice that the last part of subsection 3 of section 12 reads:

> "and, when any increased expenditure will result therefrom, when parliament has provided the money required for such increased expenditure". And: "temporary employees shall be paid only out of moneys specially voted by parliament for the purpose."

Now, at the moment, if those sections are of any importance, the intent of the Civil Service Act was that once parliament has made an appropriation for the year for the department, the Civil Service Commission has full power to make such adjustments in the organization as it sees fit subject to the approval of the governor in council; but it can not make any changes increasing the rates, classifications and so on, which exceed the amount provided until parliament has provided the money.

Q. Exceed the total amount?—A. Yes, the total amount provided for salaries. I do not know whether that section is now necessary; that would be a matter of policy.

By Mr. Johnston:

Q. What is the practice now? Is the practice to follow that?—A. I would say not.

Q. Where do they deviate from it?—A. We have our total vote. As long as we have money in our vote—

Mr. MACDONNELL: Do you mean that if half the civil service died you could pay the other half twice as much, as long as you stayed within the total?

Mr. JOHNSTON: They would not even have to die.

The WITNESS: Let us be specific because Mr. Browne is just waiting to call me.

In the Auditor General's office, in the details before you, you see the salary of the assistant auditor general is $7,500. You will see in the memo that I filed the other day giving the details of my office that I quoted the salary of the assistant auditor general at $8,000. Now, recently, the Civil Service Commission reclassified the salary rate for his position and the necessary action was taken. He is now receiving $8,000 a year—and that is perfectly legal. Does that answer the question you have asked, Mr. Macdonnell?

Mr. MACDONNELL: I think I will say yes, but I mean no.

The CHAIRMAN: The third item is vote number 12, plant protection.

3. Vote 12, "Plant Protection $731,705", is in a somewhat different category. The Public Accounts (page A-14) state it is required for "the enforcement of the Destructive Insect and Pest Act". It is suggested that the text be changed to read:

> To provide for the administration of the Destructive Insect and Pest Act, c. 47, R.S., and amendments thereto; but charges shall not exceed $ for paylist charges ..... $

Are there any questions?

Vote number 4.

4. The votes reading:

13. Experimental Farms Service Administration	$ 129,780
14. Central Experimental Farm	1,868,118
15. Branch farms and stations and illustration stations	5,977,447

stem from the Experimental Farm Stations Act, c. 61, R.S., as amended. The three votes collectively provide for such things as:

Salaries and wages	$ 4,263,034
Acquisition or construction of buildings and works	1,807,349
Acquisition of equipment	493,369
Supplies and materials	432,706
Printing and stationery, etc.	237,925
Travel expenses	237,720
Feed, freight, cartage, etc.	236,180

The printed details require to be supplemented by taking notice of a sub-head in the printed details to Vote 303 (Public Works):

Experimental Farms and Science Laboratories—replacement, repairs and improvements to buildings, $500,000.

In the main, this sub-head is administered by Agriculture.

Mr. JOHNSTON: I would just like to ask the object of number 3 as it stands—other than to point out that plant protection does not give a true interpretation. I take it that it is more intended for the destruction of insects rather than for plant protection.

The WITNESS: The reason that paragraph 3 makes a separate vote for plant protection is that it is now listed under the science service as part of their laboratories. It is not a laboratory service—it is shown as a separate vote.

The CHAIRMAN: Are there any questions on number 4, the pooling of the estimates on experimental farms. Does anyone need any more information than is contained in the brief?

Very well, we shall go on to number 5.

5. It is suggested that the provision for construction be transferred to a works' vote and the votes then consolidated to read:

To provide for administration and operation of farms for the purpose of Experimental Farms Station Act, c. 61, R.S., as amended but charges shall not exceed $ for paylist charges ..... $

The details would be made more illuminating by developing material identifying the farms and giving financial information respecting their operations.

By Mr. Homuth:

Q. Are you not going too fast, Mr. Chairman? I notice construction here. Does not that question come in under the Department of Public Works? Does construction on experimental farms come under Agriculture?—A. Well, the Department of Agriculture employs a certain number of carpenters continuously to do such things as shingling roofs, and so on. That money is appropriated to the Department of Public Works but the Department of Public Works has the Department of Agriculture act as its agent in doing the work.

Q. Any large construction would particularly come under the Department of Public Works?—A. I think as a rule that the answer is yes, sir, but I would have to check that to be 100 per cent right.

Q. When you talk about the construction of buildings, as opposed to just general repairs and so on, agriculture would not do any large construction?

Mr. HELME: He is referring to the item for $1,807,000.

The WITNESS: My trouble is that the department does do some construction work but where the dividing line is I am not sure.

Mr. HOMUTH: $1,807,000 seems to be a very large sum just for repairs.

Mr. MAJOR: That would be for numerous works throughout the country would it not?

By Mr. Homuth:

Q. That is what I want to know. It is a large sum of money if it is for ordinary repairs, but, if it is for new construction, then I think it should come under the Department of Public Works.—A. Well, you see you have got me at rather a disadvantage, sir, because we are now discussing estimates about which I know nothing. I deal with expenditures but these are estimates that will become the Appropriation Act and which I will have to audit twelve months from now. As to the composition of that $1,807,000 item you would have to ask the treasury board people because I could not give it to you.

Q. We realize it is a departmental vote and so on but it is a large sum of money—nearly $2,000,000. Now, then, you cannot tell me, and no one can tell me that is ordinary repairs to farm buildings—whether it is on experimental farms or whatever it may be. It would look to me as though it is new construction. If that is the case, then it ought to come in under the Department of Public Works. I realize that you cannot deal with votes and that you only deal with expenditures but I think we should have someone here to say whether this is new construction or whether it is just repairs. If it is just repairs it is a tremendous sum.

Mr. FULFORD: Would that not be practically ironed out with your suggestion of a further breakdown. We would have more detail.

The WITNESS: Yes, my idea, sir, would be to have all of this sort of provision in votes taken and put in a works vote and detailed in the same style as public works are set out.

Mr. LANGLOIS: It would remain under agriculture.

The WITNESS: That, sir, is something on which I have no opinion whatsoever.

The CHAIRMAN: Paragraph No. 6 deals with votes 17 and 18 "Health of Animals".

6. Votes 17 and 18 are:

Health of Animals

17. Administration of Animal, Contagious Diseases Act and Meat and Canned Foods Act	$3,661,965
18. Compensation for animals slaughtered	1,091,292

These could be consolidated into one vote:

To provide for the administration of the Animal Contagious Diseases Act, c. 6, R.S., as amended, and the Meat and Canned Foods Act, c.77, R.S., as amended, but charges shall not exceed $ for paylist charges ..... $

Mr. ASHBOURNE: Before you go on, Mr. Chairman, should not paragraph 5 be grouped with paragraph 4?

The CHAIRMAN: Yes. That is why I skipped it. I thought it had been called at the same time as paragraph 4. I am sorry.

Mr. ASHBOURNE: The main saving would be in the number of votes which have to be called by the chairman, and I think it would be a very good system. I do not think it would eliminate debate on the vote because anybody who was interested in the vote, surely when the vote was called, and he wanted to speak to the vote, would have an opportunity to do so. I was wondering how long this practice has been going on. Has it continued from the original time when the estimates were brought into the House, or have there been various changes made in tabling the estimates from year to year? I am a new member here and that is why I would like to have that information.

Mr. HOMUTH: Ever since the Liberals have been in power.

Mr. BENIDICKSON: It was not any different when the Conservatives were in power.

The WITNESS: The number of votes and the terms of the votes have varied from time to time. I think the present style of estimates which you have before you now was developed in 1938 when the Minister of Finance informed the House when he tabled the estimates that year that he was making material changes in the hope that he would bring more closely to the attention of parliament the costs of the various objects of expenditures, and for that reason he was materially adding to the number of votes. That practice has been followed ever since then, sir.

Mr. HOMUTH: That is why I said "ever since the Liberals came into power".

Mr. ASHBOURNE: I take it to be the job of the Minister of Finance to table the estimates, and I understand that the various ministers of the departments have their estimates ready to submit to the Minister of Finance. Cannot these ministers re-group the various items under their departments without making reference to the Minister of Finance or without restrictions or suggestions from this committee?

The CHAIRMAN: Of course. Any department is quite free to act as it desires. This memorandum which is now before us was prepared at the request of a member in order to bring to the committee the suggestions of the auditor-general as to how he thought these items could be grouped for one particular department, namely, agriculture. That is all we are reviewing now.

Mr. ASHBOURNE: I appreciate that, and I think that anything which could be done by the committee to facilitate the accurate auditing—I do not mean that the auditing is not accurate now—but which would facilitate the committee and which would possibly mean a saving to the taxpayers of Canada should be done.

By Mr. Langlois:

Q. Following the previous remarks I would like to point out that I think Mr. Sellar said the other day that the responsibility for the wording of these estimates was not vested in anybody in particular. So it would seem hard to say who is authorized to make such wording.

By Mr. Johnston:

Q. May I ask the witness to give us his version on that? Do the different departments change the method of wording their votes, or is that the established practice which they always follow? I would like to hear the comments of the witness on that question?—A. Well, sir, the answer is something which I cannot give you because my experience in dealing with the estimates goes back almost 22 years. I have been out of the Department of Finance, that side of it, and you would have to call the deputy minister in order to find the answer to your question.

Q. It was my understanding that when you are auditing accounts, you must go back to find the authority for those expenditures; and in doing that you would certainly have to scrutinize the estimates from each department. The question was: can these different departments when submitting their estimates to the minister change the wording, or is there established practice which they must follow?—A. You speak of my checking for authority. I check to the Appropriation Act. I can give you an example. A great many years ago there was a department of Indian Affairs. That department wanted to change the style or the language of their vote. I was then in the Department of Finance and they approached me on the subject and we discussed the pros and cons. And in due course our respective ministers made the decision. Whether that decision would be regarded as a decision of the department or of the government I do not know.

Q. But you say there was a decision made?—A. Yes. But the decision was made at the ministerial level.

The CHAIRMAN: Are there any other questions on paragraph 6?

Now paragraph 7 deals with two votes on "Production Service", and "Marketing Service".

7. There are two votes which involve general administration and also the administration of the Live Stock and Live Stock Products Act and the Live Stock Pedigree Act. They are:

Production Service

19. Live Stock and Poultry $1,342,738

Marketing Service

28. Live Stock and Live Stock Products 1,204,012

They are now separate votes, perhaps because a different director is responsible for the administration of each. However, the grant is not to a director, but to the Crown, and a division of the money can be controlled by section 26 of the Consolidated Revenue and Audit Act 1931. Four-fifths of the total is for salaries and travel expenses. Departmental convenience is here of concern; but from the accounting viewpoint, application would be simplified were they consolidated to read:

To provide for the administration of the Live Stock and Live Stock Products Act, 1939, and of the Live Stock Pedigree Act, c. 49, 1932 and for other services relating to live stock, but charges shall not exceed $ for paylist charges ..... $

Now, paragraph 8 "Plant Products" and so on.

8. The text of Vote 20 is:

"Plant Products"

Seeds, Feeds, Fertilizers, Insecticides and Fungicides Control, including grant of $40,000 to Canadian Seed Growers' Association $1,261,533

It is suggested that the $40,000 grant be transferred to the vote next suggested and the text changed to read:

To provide for the administration of the Seeds Act, c. 40, 1937, as amended, Feeding Stuffs Act, c. 30, 1937, as amended, Fertilizers Act, c. 67, R.S., as amended, Pest Control Products Act, c. 21, 1939, Inspection and Sale Act, c. 32, 1938, as amended,

and the Hay and Straw Inspection Act, c. 26, 1932-33, and for other allied services; but charges shall not exceed $ for paylist charges .... $

Now, paragraph 9 which deals with three votes on "Grants, Contributions and Donations".

9. There are three votes for donations and contributions:

4. Contributions to Commonwealth Bureaux $56,821

21. Grants to Fairs and Exhibitions under such terms and conditions as may be approved by the Governor in Council and subject to allocation by the Treasury Board. $536,400

22. Grants to Agricultural Organizations, as detailed in the Estimates $44,500

In addition, there are the grants such as set out in Votes 20 and 27, as well as those listed in the details (see pages 85 and 86, for example). These could be brought together with the three votes and presented in a consolidated vote:

To provide authority to make grants to Commonwealth Bureaux, Agricultural Organizations, Canadian exhibitions and fairs, etc., as listed in the details of the Estimates; such grants to be subject to such terms and conditions as may be approved by the Governor in Council ..... $

The details would necessarily be set out in a way to meet the requirements of the vote's text.

Mr. HOMUTH: Just a minute, Mr. Chairman, I think you are going too fast.

The CHAIRMAN: I am willing. This brief, of course, was distributed to the members a couple of days ago.

Mr. HOMUTH: But I still think you are going too fast.

The CHAIRMAN: I am in the hands of the committee and I do not want to rush anybody. I thought I waited quite a long time between each item.

Mr. HOMUTH: Well, I do not think you waited long enough. I would like to say that I wonder sometimes if we are careful enough in our departments—and what I have to say is not said in any spirit of partisanship, or with any idea in mind as to whether a paper or magazine is with us or against us—but I sometimes think we spend a lot of money on advertising, on fairs, and on periodicals which have practically no distribution, or very little.

I do not want the members of the committee to feel that I am saying this in any critical way, but we all see advertisements appearing in magazines which we all get free; I am thinking now of the Montrealer. I do not think there are 1,000 copies of the Montrealer going out to the country, and I suppose that a page advertisement would cost many hundreds of dollars. So I often wonder about some of our contributions under paragraph 9, although it does not particularly mention advertising.

The CHAIRMAN: No. This paragraph has to do with grants, donations and contributions.

Mr. HOMUTH: But should we not be more careful about the amount of money we spend on matters like that? Someone may come in to our office and just happen to sell a page of advertising; and I wonder if a better check could not be made on those things. I wonder if Mr. Sellar could tell us if a better check could not be made on that sort of expenditure?.

The CHAIRMAN: I have tried for the last 30 minutes to be as lenient as possible in the discussion which took place but I would point out that this does not refer to the item we are considering now. Later on in the public accounts under agriculture we will be coming to a point where it might be better to make these remarks. But just now we are questioning the witness on the brief which he has presented.

Mr. HOMUTH: You do not think it comes under the heading of "questions", Mr. Chairman?

The CHAIRMAN: No, I do not think it does. I want to give as much leeway as possible.

Mr. HOMUTH: I think it is a matter for serious consideration.

Mr. WARREN: I wonder if we have ever listened to the radio advertising concerning oleo margarine, and I wonder how much money we have spent on the advertising of good butter?

The CHAIRMAN: Let us not get too far away from the item. Let us come back to it. We were very serious up to now. Let us return to item 9. I would like the members to remember this: that if they have any further questions to ask of the auditor general on the wording of the estimates, with respect to his plan or proposal as to how the estimates should be worded, they should ask them. We cannot go on forever. So, have any members some questions to ask of Mr. Sellar on any point in this memorandum we now have before us?

By Mr. Browne:

Q. I would like to ask the auditor general how he audits the grants to these agricultural organizations? How would he examine the vouchers which would be sent to Ottawa from all over the country?—A. It all depends on the nature of the grant. If the grant is to assist in the construction of a building to which the government of Canada agrees to contribute, let us say, one-third of the cost, then the Comptroller of the Treasury will make an examination of all the accounts to satisfy himself that not more than one-third is being claimed from the government of Canada. We will examine the records of the Comptroller of the Treasury, but if we find it is a straight outright grant of, let us say, $10,000 to a fair, a contribution to a fair, then they make no accounting to us; there is no obligation on them to make an accounting to us; and all we look at is the order in council authorizing the Minister of Agriculture to make that grant to the fair; we see the cheque issued but we make no further audit.

Mr. LANGLOIS: Are we still on paragraph 9, Mr. Chairman?

The CHAIRMAN: Oh, we are on anything you like so far as I can see.

Paragraph 10, vote 25, "Dairy Products".

10. Vote 25, "Dairy Products $654,876", is a salary vote made necessary by the Dairy Industry Act. The text might read:

To provide for the administration of the Dairy Industry Act, c. 45, R.S., as amended, but charges shall not exceed $..... for paylist charges..... $.....

The details would be similar to those of other votes which are administrative in nature.

Paragraph 11 "Two votes which have much in common are Subsidies for Cold Storage" and so on.

11. Two votes which have much in common are:

26.	Subsidies for cold storage warehouses under the Cold Storage Act, and grants, in the amounts detailed in the Estimates	$ 644,159
35.	To provide for assistance to encourage the improvement of cheese and cheese factories ...	1,400,000

Vote 35 is regulated by the Cheese and Cheese Factory Improvement Act. Sometimes payments under Vote 26 do not qualify under the text of the Cold Storage Act, therefore they are not paid as statutory subsidies, but as grants. These could be consolidated into one:

To provide for the payment of subsidies, premiums and grants made under the authority of the Cold Storage Act, c. 25, R.S., and the Cheese and Cheese Factory Improvement Act, c. 13, 1939, as amended, and to make grants for the purposes of the Cold Storage Act in the amounts detailed in the Estimates ..... $

The details should, of course, state the reasons why exceptions are being made.

I thought we had agreed to ask further questions if we needed to in order to understand the brief submitted by the auditor-general. And I think when the time comes for us to discuss what should be included in our report, that might be the time for the members to ask which of these suggestions would be good ones to be included. So, in order to form our opinion, I think tonight is the time for us to ask further questions.

Mr. LANGLOIS: We are on paragraph 11 now?

The CHAIRMAN: Yes.

Mr. LANGLOIS: In paragraph 11 I note that Mr. Sellar says:

> Sometimes payments under vote 26 do not qualify under the text of the Cold Storage Act, therefore they are not paid as statutory subsidies, but as grants.

And right after vote 26 you give vote 35 which is:

> To provide for assistance to encourage the improvement of cheese and cheese factories.

Could you give us an example of an item which is not included under the Cold Storage Act and is not included under vote 35? Vote 35 would appear to be rather general?—A. Let us assume, sir, that a man decides to construct a cold storage warehouse and he starts his construction. Then he goes to the government of Canada and asks for a subsidy under the Cold Storage Warehouse Act; and thereupon the government says to him: "We are very sorry, but we cannot give you any assistance because the regulations and our contract form provide that we must approve all the plans before you start. nevertheless you are building along certain lines you are using materials which are not satisfactory to us, therefore, we cannot give you the subsidy which you request. But we do realize the value of your cold storage facilities to the community so we will consider giving you a grant." And they might allow him a smaller amount and ask parliament for a vote, setting out the details in the estimates. Those are cases where they ask for a grant instead of a subsidy.

The CHAIRMAN: Paragraph 12 is another grouping of votes on "Fruit, Vegetables and Maple Products", and so on. Are there any questions?

12. Another group of votes with a common purpose is:

27.	Fruit, Vegetables and Maple Products, and Honey, including grant of $5,000 to Canadian Horticultural Council	$ 989,000
36.	To provide assistance for the replacement of maple production equipment	500,000
38.	For assistance in construction of potato warehouses under regulations to be approved by the Governor in Council	100,000

These could be consolidated into one, but presumably limitations as to amounts should be kept, so the text might read:

To provide for the administration of the Fruit, Vegetable and Honey Act, c. 62, 1935, and of the Maple Sugar Industry Act, c. 30, 1930, and for other allied services, and to provide assistance for replacing maple production equipment and in constructing potato warehouses, such assistance to be subject to such regulations as the Governor in Council may approve; but charges shall not exceed:

$	
500,000	for replacing maple production equipment, nor
100,000	for constructing potato warehouses ..... $

Details, in addition to the usual information re staff, travel expenses, etc., should set out the proposed scale of assistance for the equipment and warehouses.

Paragraph 13 concerns three items on which there are no changes suggested.

13. No change is suggested in the following votes because they are not regarded as being long-term policies:

30. Freight Assistance on western feed grains	$5,000,000
31. Agricultural Lime assistance	435,000
33. Meat Board, including quality premiums on A and B1 grade hog carcasses	5,854,633

Details should explain the purposes, policies, etc., of each.

Paragraph 14 concerns "Agricultural Products Act".

14. No material change is suggested in Vote 37, "Agricultural Products Act", but explanatory details should be provided.

Now, paragraph 15 deals with the "Prairie Farm Rehabilitation Act".

15. Votes 39 and 40 both come within the ambit of the Prairie Farm Rehabilitation Act. They read:

39. Prairie Farm Rehabilitation Act and Water Storage	$3,750,000
40. Major Irrigation and water conservation projects in the Prairie Provinces	7,719,500

Some activities are producing substantial revenues (for example, in 1948-49 community pastures produced $175,917). These could be consolidated under a text reading:

To provide for the administration of the Prairie Farm Rehabilitation Act, c. 23, 1935, as amended, and operation of projects and for works projects as set out in the details of the estimates ..... $

The details should be descriptive of existing projects, as well as of new undertakings.

By Mr. Thatcher:

Q. I wonder why Mr. Sellar would want to group those two together? Is not one for the small dams throughout the provinces and is not the other for the two or three major irrigation works that there are?—A. You are quite right, sir. The reason I put that in here is that the Act provides for the Prairie Farm Rehabilitation Act supervising the carrying on and construction of all this.

That is why I put them together because in the following item I make general works a separate item. But it is the same organization, even though it has its headquarters in Regina rather than at Ottawa, and it is subject to the control of the minister here and the deputy.

Mr. MACDONNELL: And it is the same water, too.

By Mr. Thatcher:

Q. No, it is not the same water. I think it is a mistake to put these two together because this vote 40 is likely to grow considerably over the next few years. One item might continue in the same way, but the other one would grow. I come from the prairies and I think they are entirely different.—A. In vote No. 39 you have administration costs in connection with smaller undertaking; and then under your next vote you have the bigger undertakings. But remember, sir, I am only offering suggestions. I am not trying to sell you something. I was asked to give you something which I thought was the means of accomplishing two ends.

By Mr. Langlois:

Q. Some activities are producing specific revenues and you gave an example, I think, of community pastures; and that example takes into account these producing activities. Would they be mentioned in the details?—A. It would be my idea, that in all of these cases you would have your revenues, showing whether they are self-supporting or not.

Q. But the general vote would not give any explanation as to that? It would not be any different from what it was before?—A. On that general question, I think we discussed last time whether or not we should have votes which would use their own revenue. That is a question of policy. I would like to see what is going to come out of the revision of the Consolidated Revenue Act.

Q. Are both votes 39 and 40 producing revenue?

A. Both will. But I do not think 40 is producing much revenue yet.

Q. For the time being then, since only one is producing revenue, I think we ought better to keep them separate, so that we may know which one is making money and which is not.

By Mr. Major:

Q. Would they not be in the same class as paragraph 13? These would be two different things?—A. I am not changing them at all, sir.

The CHAIRMAN: There is no change in paragraph 13.

The WITNESS: I am not suggesting any consolidation of them.

The CHAIRMAN: Paragraph 16?

16. Vote 41 now reads:

41. Prairie Farm Assistance Act Administration $500,000

The only change suggested is to insert a maximum for salaries.

By Mr. Thatcher:

Q. I wonder if Mr. Sellar could tell us how much of that item 40 was for survey work and how much was for construction?—A. These are just figures to me. I have no personal knowledge.

By. Mr. Langlois:

Q. These two items are under separate authorities?—A. They are under the Prairie Farm Rehabilitation Act of 1935.

Q. And "major irrigation" comes under it the same as the other.

The CHAIRMAN: Paragraph 16 provides for no change except to insert a maximum for salaries.

By Mr. Johnson:

Q. Is it the practice now to go above the material amount set for salaries, or could they come within a definite amount set there and allow for deaths and resignations and so on by way of a cushion? Could you set an amount for salary as a definite amount, and would there be sufficient there in the fay of a cushion as a result of deaths and resignations?—A. You could depend on the amount the department put in.

Q. What would be the amount suggested there for a reasonable cushion? Under the the Prairie Farm Rehabilitation Act you would have to have a cushion for an emergency, a sizable cushion. So what would be a reasonble amount as a cushion there, taking into consideration the deaths and resignations? As it looks, the way you have it worded now, you are going to fix an amount of salary as a permanent thing, I mean that which is actually being expended?—A. You would have a little cushion because that is an exceptional vote; it is inactive when you have a good year, and therefore it is an exceptional vote; I would not like to venture a figure.

Q. But it would have to be a fairly substantial cushion?

By Mr. Homuth:

Q. There is no idea of establishing a standard salary at all, is there? I mean that this is a total thing for salary purposes?—A. You would have a maximum amount that they could spend under salaries for that particular service.

Q. I think generally the members will agree with me when I say that we are beginning to realize that if we want to get the best people for the civil service, then we have got to compete with industry and to pay adequate salaries. But we are not doing it. In a particular time, with a thing like this, I believe we have got to make up our minds whether we are going to pay people what they are worth.

The CHAIRMAN: I think we would all agree with you, but I hardly think that this comes under the present heading. I want to be as agreeable as possible, but I think you are going much beyond the work of the committee.

By Mr. Homuth:

Q. Well, Mr. Sellar has said this is an amount of salary which should be allotted; and if that is going to be the amount of salary to be allotted, you must be applying those salaries among people who are coming into that department and I do not think it is good business because I would not do it in my own business and I do not think anyone else would do it in his business.—A. The answer to your question is that it is a figure which the government considers it should recommend to the House, a figure which would take into consideration what it would have to pay to get people that it wanted, and that would be the figure which would go in.

By Mr. Langlois:

Q. And the Civil Service Commission would be concerned as well?—A. Oh, yes, the Civil Service Commission would be concerned, naturally.

By Mr. Anderson:

Q. And it could be changed each year?—A. Oh, yes.

By Mr. Browne:

Q. May I ask this question? In comparing the estimates, the number of votes which are there would be exactly the same? There would not be a switching over of the votes?—A. There would be bound to be some changes. You are looking at the Department of Agriculture, which is A; but by the time you got down to Veterans Affairs, you would certainly have some new votes some place which would throw the sequence out.

Q. They would not be put at the end?—A. You would want them all for the same department?

Q. Yes. But I am looking here for No. 41 and I find it is "Construction of Potato Warehouses", although No. 50 and No. 51 are Prairie Farm Assistance Act.—A. The votes follow the subject matter for which they ask appropriations, and they vary from year to year.

Q. Would it not be convenient to the members to have that vote changed from year to year?—A. This is the first time it has ever been brought to my attention.

Q. Well, what do you think about it?—A. I would like to think it over.

The CHAIRMAN: As the number of votes necessarily expands how would you be able to get these votes in the proper order in any book of reference?

Mr. BROWNE: There would be a change?

The CHAIRMAN: As from year to year.

By Mr. Langlois:

Q. In paragraph 16 I think you stated that Works and Projects might be concentrated under votes, using whatever style is employed for work votes, by public works. Do you mean that you would be showing by provinces how much was to be spent in each province and would be giving the name of the place where the expenditure was to be made and the type of work to be carried out?—A. If the decision were that that was the way the Public Work vote was to be set up, yes. If the decision was that Public Works should only list their expenditures by amounts in a given year, then I would follow that.

My idea is that members of Parliament should be able to look at the estimates book and find listed all work votes in like manner. I think they should be able to apply the same tests and look for the same sort of information, no matter what department they were dealing with.

Q. You are looking for something like that?—A. I am looking for a way to simplify it for the members of Parliament.

The CHAIRMAN: Paragraph 17.

17. Votes 42 and 43 are works' votes. One is administered by P.F.R.A. staff, but as it is not strictly for the purposes of that Act it may be listed separately. The votes read:

42. Land protection, reclamation and development in British Columbia under such terms and conditions as may be approved by the Governor in Council..... $900,000

43. Land protection and reclamation, clearing and settlement of new lands under such terms and conditions as may be approved by the Governor in Council $200,000

Reference has already been made to provision in various details of votes for "acquisition and construction of buildings and works", and to the $500,000 for experimental farms and laboratories in Vote 303, Public Works. All of these works projects might be consolidated into a vote, or votes, using whatever style is employed for works' votes of Public Works.

Paragraph 18. Vote No. 44. No change is suggested.

18. Vote 44 reads:

44. Maritime Marshland Rehabilitation Act $991,120

It is essentially for works undertakings, but the text of the Act makes the works distinguishable from those discussed in the previous paragraph. No change is suggested.

The CHAIRMAN: I suppose our next order of business as agreed the other day is to start with a review of the Auditor-General's Report. I suggested the other day that we might take it up item by item. But some of the members have pointed out to me that there are 159 items, and some of them may not attract the attention of any member. I mean by that they may not be of sufficient interest at the moment to be called before the committee. So I wondered if it might not be well for us to try to work on the first 50 items, and then any member who wants to call an item may do so; and if any member is interested in a particular item, he will have the opportunity to bring it to the attention of the committee.

That is merely a suggestion. The other day we said we would go item by item, but many votes are not at all contentious and are easy to understand. It took us four sittings to go through two of the briefs. I wonder if we shall not be working here for many months if we go extensively into each of these one hundred and fifty-nine items. If it is agreeable, I will leave it open to any member of the committee to call an item.

Mr. WINKLER: Before we go into that, do you not think it would be advisable inasmuch as Mr. Sellar referred to the estimates in 1938, that we should get somebody here from the department to tell us why a change was made in the estimates in 1938, and the underlying reasons, so we could form an opinion.

The CHAIRMAN: My idea on that, Mr. Winkler, was to complete all our work with the auditor general and after we finish with the auditor general and before we start considering or drafting a report—having by then the printed copies of the evidence given at today's session as well as the evidence given at all the other sessions—we might call officials of the Department of Finance since they are responsible for the drafting of estimates to a large degree, or revising them in any way. I think that would be a better procedure because then we will have had time to go over the evidence of these last few days and our questioning of the witnesses from Finance may be more orderly when we have made up our mind as to what point we are going to ask questions on. I think it would be a more practical approach to our work. We have the auditor general before us. We should go ahead with the review of his report as suggested by the steering committee. If the majority of the committee would like to bring people from the Finance Department right away I have no objection to trying to get them, but I think that most members would like to have a general idea of what has been said up to now and make up their minds on which points they would be interested in securing information from the Department of Finance.

Mr. CAUCHON: That would give us time to study the evidence.

The CHAIRMAN: Yes. Now, since we agreed to continue with the auditor general's report, members must have looked it over. Does anyone want to call any items?

Mr. LANGLOIS: Do you want an item called at random?

The CHAIRMAN: I made the suggestion because I fear if I call the items one by one we would spend a long time on many of these and many of them are non-contentious.

Mr. LANGLOIS: Why not call them by groups, say one to fifty?

The CHAIRMAN: That is what I have just suggested. Let us tonight try and limit our review, let us say, to the first forty-six items, because that is the end of a section. If anybody has any views on any item in these sections we will hear them. If not, let us proceed on the second fifty.

By Mr. Langlois:

Q. Mr. Sellar, in item 3, you say there that the statement does not take notice of assets held by the custodian of enemy property nor does it reflect all cash and security holdings and so on. Would you further elaborate on that, sir? —A. The custodian of enemy property holds today approximately $52 million in assets of one sort and another. They are not the property of Canada but they are held by him. Those assets are audited by me, as a matter of fact, I signed off today the audit for last year. Those accounts have never been part of the accounts of Canada. That goes back right through to the first war. They have never been part of the accounts of Canada and therefore are not reflected in the assets and liabilities of the Department of Finance.

Q. Is not the reason for that, Mr. Sellar, that these securities are kept in trust by Canada subject to be given back or retained by Canada when a peace treaty is signed between a particular country and Canada. Is that not a fact? —A. That is quite right, sir.

Q. Then there is an explanation for it.—A. If you look at the Consolidated Revenue and Audit Act it says—I am now quoting from section 38:

> (1) An annual statement, called the Public Accounts, shall be prepared by the Deputy Minister as soon as possible after the termination of each fiscal year and shall be submitted by him to the Minister.
>
> (2) The Public Accounts shall show:—
>
> (a) the state of the public debt;
>
> (b) the state of the Consolidated Revenue Fund and the various trusts and special funds under the management of the government of Canada;
>
> (c) such other accounts and matters as are required to show what the liabilities and assets of Canada are at the date of such statement.

Now, you see, these monies are held by the government of Canada and therefore you could say they should be reflected in the public accounts of Canada. For that reason, in my paragraph 3 I draw it to your notice. I am not taking exception to it as being anything seriously wrong because it has been established by long practice, but I do think it is my duty to note it to you.

Q. I see, sir. I know nothing about accounting and I think you must have noticed that by now, but just the same if we listed these assets in the current assets of the country would we then be listing assets which do not belong to us, assets that we are holding in trust only?—A. We would have to show a liability item on the other side, that is all.

Q. You would show a liability item on the other side to balance it? —A. There is, of course, a margin of profit in the operations of the custodian of enemy property. We do not owe $52 million; we hold $52 million.

Mr. CAUCHON: That is it. There is a difference.

The WITNESS: There is a little difference there. I am not critical in the paragraph of the Department of Finance in any way, but I am drawing this to your attention because quite frankly we have been hoping for some time there would be a revision of the Consolidated Revenue and Audit Act and we hope when they do it it will seek to improve our treatment of assets and liabilities and therefore a little needling by a paragraph like this may not do any harm.

By Mr. Ashbourne:

Q. When was the last revision made?—A. 1931.

By Mr. Boisvert:

Q. Is there any possibility that some of these assets will be confiscated by this country?—A. They were after the first war. I think about 1931 or 1932 there was something like $12 or $15 million surrendered by the custodian of enemy property, who was the Secretary of State, to the Receiver General of Canada and they went into the general revenues of the country.

By Mr. Browne:

Q. That $52 million which we got control of during the second world war belongs to people from Germany, Austria, Italy?—A. There are $2 million from the first war, and roughly $50 million from the last war. Those people were enemy nationals or people favourable to the enemy, and they have been living in many countries and not necessarily be Germans at all. Also, there are the assets of persons who were in occupied countries.

Q. Is that in cash or invested in government bonds?—A. Originally, sir, it was in everything. We even had a circus.

By Mr. Johnston:

Q. Who was in it?——A. And one of the big problems that arose, the elephant died.

Q. Was it a white elephant?

By Mr. Browne:

Q. What is it in now?—A. Well, that man who owned the little circus was a German—

Q. No, I mean, what is the money in now?—A. The money as a rule will not be converted into other securities if they were good securities but if you realize on these things—the custodian has power to sell the assets—if it was a factory, he has the power to sell the factory. If it is rights to a manufacturing process and the custodian sold those rights to somebody else he gets in the revenues from those. It is not only what he gets in the first instance, but the income is also added on.

Q. Is there anything going to be done about that?—A. Gradually it is being reduced. If you had asked me what the total was a year ago, I would have given the figure of $100 million. It is coming down towards normal dimensions every year.

By Mr. Langlois:

Q. Does not the custodian of enemy property table a report to the House every year?—A. I am not sure what is done.

Q. I think so, a report is tabled in the House.

The CHAIRMAN: Keep that in mind and we will ask the question when we have the people here who can answer that.

By Mr. Browne:

Q. Why do we not show the Canadian Broadcasting Corporation and the Harbours Board? Why do we not show their accounts?—A. The National Harbours Board has never been well handled in regard to Public Accounts. Let me go back a little. Originally, each harbour was operated by a commission that had power to borrow in its own name but only one institution would

lend to it and that was the government of Canada, as a rule, so the government of Canada held all the bonds. For many years only two harbours were able to pay their interest out of their operations and those were the ports of Montreal and Vancouver. However, in the Public Accounts of Canada today, now that the harbours have all been taken over by the National Harbours Board, you will actually see set up as assets only the original loans made to the ports of Montreal and Vancouver. The ports of Halifax and Saint John, Chicoutimi, Quebec and Trois Rivieres are not shown at all. The Act provides that out of the income of each harbour the board may set aside a certain sum each year to provide for replacement of its physical assets. Each year the board takes a certain sum out of the revenue of each harbour—out of the cash—and when they carry out construction works they pay for them from this replacement account. There is one account for each harbour and, as I say, they have approximately $25,000,000 across Canada for replacement harbour work. That money is held in government bonds.

The CHAIRMAN: Are we through with item 3?

I suppose that we might as well deal with items number 1, 2, and 3, together.

Changes in Form of Financial Statements.

Mr. BOISVERT: Under item 1 you say: "The present balance sheet may not be regarded as presenting complete disclosure of the situation."

The WITNESS: Perhaps I might summarize it this way. The accounts of Canada are run on a cash basis. We do not accrue income. We do not carry into the accounts, generally speaking, accounts receivable; nor do we carry into the accounts our consumable stores; we have a few inventories such as those for the Department of Transport and one or two others but, generally speaking, we do not carry stores in.

All of those things I would like to see brought into the assets and liabilities, to the end that a control is exercised by the Minister of Finance over everything that is the equivalent of money.

Yesterday, Mr. Macdonnell asked me about buildings. Buildings represent a problem but I would rather see us first get control of things such as stores and accounts receivable and we then could come to buildings later on.

The CHAIRMAN: Are there any further questions on changes in the form of financial statements?

Carried.

Then shall we deal with further headings?

Mr. BENIDICKSON: I do not like the inconsistency of practice which is reflected in number 4.

The CHAIRMAN: Then let us call paragraph number 4,—Classification of Like Expenditures.

Mr. BENIDICKSON: I think the item explains itself but I would just like an outline from the chairman on what rights the committee has to make a report on the item—without a lengthy cross-examination now. I think the item speaks for itself.

The CHAIRMAN: Have you any remarks to make on item number 4, classification of like expenditures?

Mr. BENIDICKSON: I do not see any reason why the Department of External Affairs should not show the cost of its building in London, the same as it does in Washington or the same as the Veterans Affairs Department has to do. It just does not seem to be consistent. I think the committee in its report should urge consistency.

Mr. BROWNE: Is there no uniform practice about rentals? Is the matter under the Department of Public Works in most cases—except for the exceptions?

The WITNESS: In a great many cases it is under public works, but there are exceptions. You cannot give reasons for them; these things have just grown like Topsy—for a particular reason at a particular time—but that reason possibly is not in existence now. I think that something should be done but, before you come to any decision, I also think that you should have someone from the department to pick me to pieces—so that you will have both sides of the story.

The CHAIRMAN: Does any member wish to refer to another heading?

Mr. JOHNSTON: Yes, to contractors' securities on page 4.

The CHAIRMAN: It is item 14 on page 4. "Contractors' Securities."

Mr. JOHNSTON: Yes. I notice the paragraph starts "departmental Acts regulating the Department of Public Works and Transport specifically direct that the head of the department shall take all reasonable care that good and sufficient security is given"—what type of security is demanded, and for what purpose?

The WITNESS: The security demanded, sir, is either cash of bonds of or guaranteed by the government of Canada.

By Mr. Johnston:

Q. Are there any cases where those contractors are bonded by a bonding company?—A. You are referring to public works and transport—departments like that?

Q. Yes, or any similar department.—A. My recollection is—you would have to verify it—that it is permissive in connection with contracts with the Department of Fisheries. The Minister of Fisheries has the power by his Act to take a bond of an indemnity company.

Q. That is under the Fisheries Act?—A. The Department of Fisheries Act.

Mr. LANGLOIS: In the case of public works there is the additional security that when the department makes progress payments to the contractors it retains 10 per cent I think as a drawback, which is paid only after the contract is duly completed?

Mr. JOHNSTON: To what department are you referring?

Mr. LANGLOIS: Public Works.

The WITNESS: This is the rule in all departments. There is a hold-back in all departments.

By Mr. Johnston:

Q. In all the departments then on any project where a failure occurs is the department liable for wages and for subcontractors' bills which are not paid?—A. In the case of the Department of Public Works which is the big one on dominion works there is a federal Act which permits a claim to be made on any moneys held by the government. A claim can be made by any subcontractor or workman on the work, and I think it is good for wages up to a certain number of weeks and for supplies supplied within a certain period of time and the Minister of Public Works makes decision as to the distribution.

Q. Let me ask you another question on that. How many times has it come to your notice that there have been failures in contracts where security was not properly taken?—A. Well, that is about the only case there.

Q. Is that the only one?—A. That is the only one in here.

Q. Have there been many cases over the years where that has happened?—A. Not a great many, no, this one was a small one.

Q. I don't get just the point there. Are you referring to that one you enumerated on page 5 here?—A. Under 16, yes. This one here was out in

Saskatchewan about two buildings; one of them was at Estevan and one was at Poplar River; and the government has undertaken to pay a small amount, about $210, to some of the suppliers in order that justice should be done to them.

Q. That would be over and above the contract price?—A. No, this is for supplies furnished the contractor. The department is to try to get that out of the contractors.

Q. And the men who had this contract have gone bankrupt?—A. Yes.

Q. Do you have any of the audit of the Department of Reconstruction and Supply, like with the old Department of Resources and Development?—A. What do you mean, sir; in the way of audit? Do you mean the works?

Q. Yes, wartime housing, national housing, central mortgage housing. —A. No, I have no responsibility for Central Mortgage and Housing Corporation, the Act provides for the auditors.

Q. They are outside auditors?—A. Yes.

Q. So you would not know whether or not sufficient security had been taken from the contractors.—A. No sir, because I have no audit responsibility and I have not read the Act for years.

Mr. FLEMING: But that Act does not say anything about that.

Mr. JOHNSTON: It does say that they did not follow it.

Mr. FLEMING: There is nothing in the Act about the responsibility of the contractors.

Mr. JOHNSTON: I thought they might have some information on that if it came under their jurisdiction in so far as the audit is concerned, and from the reports we could find out where some of the money has gone.

By Mr. Langlois:

Q. In reply to a question a few minutes ago you said that in the case of claims for either wages or supplies furnished by subcontractors the minister would in some cases arrange for the reimbursement of the subcontractor through his department. Is it not the practice in the case of auditors, with respect to claims for wages, to refer those for decision to the Department of Labour, and to refer claims from subcontractors to the Department of Justice?—A. This is more a case of where the contractor fails to pay a subcontractor or fails to pay his workmen.

Q. I mean, according to wage scale?—A. This has nothing to do with wage scales at all, it is just if he fails to pay because he has run out of money and then they have claims. That is the type of thing I am talking about. You are referring to labour rates, the fixing of wages by the Department of Labour.

The CHAIRMAN: Now, are there any further questions under the heading of contractors securities?

Mr. JOHNSTON: Would the fixing of rates with the department take into consideration the minimum wages paid in the provinces?

The WITNESS: I assume so sir, but I do not know.

Mr. LANGLOIS: Yes, the wording of the contract with the Public Works Department provides that the local legislation will take precedence over any wage scale of the employer in a contract for wages.

Mr. BROWNE: What is the actual amount of this item 16? Did you say $200?

The WITNESS: That is about it.

Mr. BOISVERT: Do you anticipate that they will be larger?

The WITNESS: There are some claims, but they are not large.

The CHAIRMAN: Have you any more questions under this heading? If not, we will go on to the next one.

Mr. BENIDICKSON: I had a question I wanted to ask under the heading of hospitalization costs.

The CHAIRMAN: Those are item 17 to 22. "Hospitalization costs."

Mr. BENIDICKSON: I see reference there to appropriation of money spent to the extent of $75,000 on Indian health, and I think the Indian should know about it, it should not have been down there in a general item.

The CHAIRMAN: Are there any questions?

Mr. BENIDICKSON: That is under hospitalization contracts.

The CHAIRMAN: Have you a question?

Mr. BENIDICKSON: No, but I think the department should probably explain the reason for that.

The CHAIRMAN: Just now we have the auditor general here.

Mr. BENIDICKSON: I am just giving notice as we are perusing the report that I think the item should receive further consideration.

The CHAIRMAN: I mean, as far as the present witness is concerned.

The WITNESS: I think they are paying it now, sir.

The WITNESS: It wasn't an expenditure. It was a failure to charge a vote so that the Department of National Health and Welfare could recover that amount from the Indian vote. That is why it is in there. You see, the hospital is run by the Department of Health and Welfare and the minister has accepted certain responsibility with respect to Indians, and certain Indians were hospitalized in that hospital. The amount should have been paid for that hospitalization in the year. It was not. If you look at the appropriate vote in the public accounts you will see that the Comptroller of the Treasury also draws attention to the fact that that $75,000 should have been paid in the year concerned. So I am just drawing attention to the fact that there is a transaction there, the same with the Department of National Defence not having passed over an amount.

Mr. BENIDICKSON: If it is not paid this year do you know if any arrangement has been made to pay it?

Mr. FLEMING: Following your report?

The WITNESS: I did not say following my report. The department wants its money and I understand provision is being made for it this year.

Mr. FLEMING: On item 21 there is a matter there which I did not see in the estimates. It is in connection with the treatment of sick mariners. The estimates of course do not give us the revenue, and when that question was asked in the House we were told that the revenues for this service are not nearly sufficient to meet the costs; and if I remember correctly there was some discussion last year about the possibility of increasing the charge per patient to meet the deficit.

The CHAIRMAN: Excuse me, that is dealt with in sections 23 and 24. "Treatment of Sick Mariners."

Mr. FLEMING: I beg your pardon. It overlaps?

The CHAIRMAN: Yes.

Mr. FLEMING: I had better reserve that then.

Mr. LANGLOIS: The recommendation is there in the section, is it?

Mr. FLEMING: Yes, but I will wait until we come to that.

The CHAIRMAN: I think we should deal with this first and then go on to that one. We are now on hospitalization costs, paragraphs 17 to 22. Are there any further remarks on that?

By Mr. Fleming:

Q. While we are on that, how is it proposed to handle, from the accounting point of view, charges which are made now under the D.V.A. hospital? I am thinking of Sunnybrook, Toronto, and the arrangements for the treatment of patients who are not hospitalized through the Department of Veterans Affairs?—A. You mean, the audit?

Q. You see, recently, they have inaugurated that service.—A. We haven't made an audit in Sunnybrook for the last two months. I have some men going in there shortly. If you want that information you will have to ask treasury for it, sir.

The CHAIRMAN: Treatment of sick mariners—23 and 24:

By Mr. Browne:

Q. In paragraph 22 you have a general recommendation there where you say: "A more appropriate procedure would be to follow that of the Department of Veterans Affairs, namely, to take into calculation, when preparing a vote estimate, the anticipated recoveries to the vote from other sources." Do you strongly recommend that?—A. I do not strongly recommend it, sir; the department is quite interested in it.

Q. They want that?—A. Yes. They were considering that last fall. What they have done I am not sure; again, I am sorry to say but you will have to ask the department what action was taken.

The CHAIRMAN: Shall we go on with the treatment of sick mariners?

By Mr. Fleming:

Q. As a matter of fact, when this was up in the fall I read these two sections of the report. Do you know if any action has been taken since with a view to increasing the charge for these services?—A. The change that you have in mind was to change the old rate, which was 2 cents a ton with a maximum of $2 for the little fishing boats, and it was proposed to amend the legislation to increase the rate; and if I recall correctly, sir, when the discussion was on in the House the Minister of National Health and Welfare replied to you to the effect that the first problem was the fair treatment of the poor fishermen who might not be able to stand a major increase and that his officers were continuously studying it. But you would have notice of any change, because legislation would be necessary.

Q. We have been told that there were to be amendments to the Canadian Shipping Act, that it will be a place where this could be done?—A. Yes.

By Mr. Langlois:

Q. Your recommendation is to change it, leave the small boats where they are and increase it for the larger boats?—A. No, sir, my thought is this, that you might consider some time whether you should provide in your statute not a fixed rate but that the Governor in Council should try to establish each year a rate that would produce an income sufficient to carry the cost. In some years we have had a surplus. The idea would be that you would have a self-supporting service with neither a profit nor a loss. Whether that is possible or not, I do not know. The big problem is that doctors' fees and the cost of hospitalization have gone up, naturally, in recent years. Let me give you some figures on that. In 1940 we collected $278,000 and we spent $209,000. You see, there was a profit there of $69,000 in that year. Now, that provided for the treatment of 13,681 persons. In 1949 the collections were $226,000 and the expenditures were $474,000 and we treated 20,500 persons. Now, that is what I mean, I think that you have to be prepared to consider whether or not this is going to be regarded as something that the owners of ships must support or whether it is a welfare service that the government of Canada should provide. That I think is a question of policy which sooner or later you will have to decide.

Q. I am particularly interested in this because I represent a riding where there is considerable commercial fishing and I am told that the reason why you have experienced difficulty with the small fishing boats is that the operators of these boats in a good many cases are in outlying districts where there are no medical facilities and where the regulations provide that the man shall be treated by a duly qualified doctor, and sometimes you have to send for a doctor who lives fifty miles away while at the same time there is a nurse on the spot who could treat this man for a minimum charge of a dollar while it costs from $30 to $40 to get a qualified doctor. I think fair regulations would change the amount, especially in so far as these small fishing boats are concerned, and you could cut your expenditures down considerably without asking these fishermen to pay any higher rates than they now pay. They cannot afford to pay more than they are now paying.

Mr. BROWNE: Is there an account of that in the public accounts?

The WITNESS: Oh yes, sir.

The CHAIRMAN: Now, is there any other heading or item that you would like to have called?

Mr. FLEMING: Application of moneys received, Mr. Chairman.

The CHAIRMAN: Oh, yes, "Application of Moneys Received"; section 27:

By Mr. Fleming:

Q. I was looking at case 1, in item 28, in that connection you say:

> But the material consideration, from the viewpoint of control over consolidated revenue fund by parliament, is that legislation enacted for an emergency is now being applied in such a way that the department has recourse to $10,500,000 which may be spent in excess of annual votes for defence services. Information given is to the effect that the matter is under administrative review.

Would you enlarge on that please, Mr. Sellar, indicating as to whether there has been any change in administrative practice as a result of the review; and, second, if there are any other similar cases, or is this sum mentioned the only sum that has been used in that way?—A. Am I right that the National Defence Bill is before the House and that it has received first reading?

Q. There is a National Defence Act amendment.—A. That is what I mean.

Q. Yes.—A. You will find a paragraph in there which provides that any moneys received in this way will remain available under a procedure by which the money will be held by the Minister of Finance in a special account to replace the particular stores. The matter will then be controlled through legislation along the lines of the bill now before you.

Q. I see. The money provided by the sale of stores becomes a sort of revolving fund?—A. Yes sir. The idea is, and it would be very good business, you have let us say some revolvers, which are on the edge of becoming obsolete for your purposes but some country wants them badly, you can sell them to that country, get your cash and get new revolvers. That is what that is for.

Q. Oh, I see. Your point here is that the revolving fund will have a statutory authority.—A. My point was that there was no statutory authority for what was being done. Justice disagreed with me, but in the long run legislative provision is being made, and that is something I agree with in that regard.

Mr. BENIDICKSON: What is the situation with respect to Laurentian Terrace? Is that still operated by the government?

The WITNESS: I am not sure, sir, whether the order in council has been passed transferring that to Central Mortgage and Housing to operate or not.

The trouble was the Central Mortgage and Housing said that they would have to put in a new furnace and paint the building and they wanted some money for that purpose, that is what held up the deal. I would say it will be taken over by them but there may have to be some operating charge made with respect to it.

By Mr. Browne:

Q. How do you find that in the public accounts, is there a vote for it?—A. Yes sir.

Q. What item is it under?—A. Do you mean Laurentian Terrace?

Q. Yes.—A. That is under Secretary of State.

Q. As a matter of general convenience would the auditor general in making up his reports put in at the side of the item the vote to which it relates? Would that be a help?—A. The trouble is, sir, that I have not the public accounts then.

Q. You have not got them?—A. No, my report is printed before the accounts are printed—I use the working records of the department.

Mr. FLEMING: Case number III, I suppose, is under the Department of External Affairs?

The WITNESS: That was just a little out of the ordinary—the whole amount was $1,279—and it will not happen again.

Mr. BROWNE: Can we go to the next page?

The CHAIRMAN: Yes, No. 29, "Charges to Grants Not Within Period of Account".

By Mr. Browne:

Q. Attention is drawn to irregular and unauthorized charges totalling $590,000 made to vote number 243, because the sale of the property had not been completed—would you like to elaborate on that?—A. The sole point is that the government purchased these buildings but the owners were not in a position in the time permissible—before the end of the fiscal year—to give clear title. As a matter of fact in July an order in council was passed in connection with the title of one of them.

Q. Did they occupy?—A. I cannot answer that question. There is a rule that you should not pay for land until you have clear title.

Q. Unless you occupy?—A. The rule is—

Q. Until you are in possession?—A. That is an interesting point—I would have to consider that angle.

The CHAIRMAN: Are there any further questions on Charges to Grants Not Within Period of Account?

Carried.

Shall we go on?

Mr. BENIDICKSON: I would speak to refunds and remissions.

The CHAIRMAN: Refunds and Remissions—items number 30, 31, 32, 33, and 34.

By Mr. Benidickson:

Q. I was noting that there is a remission of tax to the Canadian National Railways on imports in connection with diesel locomotives in item 31. I suppose that similar consideration if given to the C.P.R. would show in paragraph 30 would it not?—A. Yes, sir.

Q. Is it a general practice to not charge a Crown operator on customs duties?—A. You are talking particularly of the railways?

Q. Yes?—A. The railways periodically get in equipment for example for testing rails. They bring in special cars and equipment for that purpose and section 33 of the Consolidated Revenue and Audit Act is a very convenient

way of avoiding the problem of duty matters. They pay a rate of duty based on the days—a fraction of the duty based on the number of days that they have the equipment.

Q. That was diesel electric locomotives?—A. I do not know the reason, but it is a general delegation by parliament to exercise judgment whenever it is conducive to the public good.

Mr. FLEMING: In connection with these Refunds and Remissions, under paragraphs 31, 32, 33, and 34, I take it that you are simply reporting them, Mr. Sellar? You do not make any investigations into the basis of the refund or remission in each case?

The WITNESS: No, sir, I make no investigation because there is a straight parliamentary delegation to the governor in council to exercise this right under section 33 of the Act. But section 50 requires that we report them. Every case of remission therefore, is laboriously listed by my staff.

By Mr. Browne:

Q. Even small ones?—A. We have taken the liberty of saying that we do not bring those under $1,000 before you.

Q. But you have to list them?—A. We have to list them, sir.

By Mr. Benidickson:

Q. In connection with number 31, and the Polymer Corporation Limited, there is a percentage of rebate or remission shown?—A. Yes, sir.

Q. Is there any other practice of showing the percentage basis? Is that on everything they import?—A. No, that was just certain machinery for a certain process.

Q. Why is not the amount shown there?—A. In their case it is a specific item.

Q. The others are referred to in dollars but this one is referred to on a percentage basis?—A. You are wanting the dollars involved?

Q. I was wondering about them?—A. I would have to bring that figure—I have not got it with me.

The CHAIRMAN: In order to clear up this chapter, are there any questions about Pension Schemes of Corporate Bodies—paragraphs 12, and 13.

By Mr. Browne:

Q. Have you any complaint to make in regard to these various schemes?—A. I am not making any complaints, sir, I am just bringing it to your notice, and also to the notice of the various corporations so that they will know what others are doing. The idea is that they will move toward uniform practice.

Q. Some of them are paying higher for the same benefits?—A. Well, the practical benefits differ a little—the retirement age differs a little.

Q. It is not very important, I presume?—A. No, sir.

Mr. FLEMING: There has not been any attempt to equate these various schemes—have these organizations proceeded in all respects independently?

The WITNESS: They have, but we hope they will gradually turn to the Department of Finance for guidance before they finalize their deals.

Mr. FLEMING: I move that we adjourn.

The CHAIRMAN: Mr. Fleming moves that we adjourn and the next meeting I would suggest, will be tomorrow afternoon at four o'clock.

The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

WEDNESDAY, MAY 3, 1950

WITNESS:

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

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

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on

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61495—1½

MINUTES OF PROCEEDINGS

WEDNESDAY, May 3, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Balcer, Benidickson, Blue, Boisvert, Browne (*St. John's West*), Cauchon, Cavers, Cleaver, Croll, Helme, Johnston, Major, Macdonnell, Picard, Prudham, Richard (*Ottawa East*), Robinson, Stewart (*Winnipeg North*), Thatcher, Warren, Wright.—21.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General.

The Committee resumed consideration of the Auditor General's Report for the fiscal year 1948-49.

Mr. Sellar was examined on items 36 to 57 inclusive, 61, 62, 65 to 67 inclusive, 74 to 78 inclusive, and 81 of the said Report.

At 6 o'clock p.m. the Committee adjourned until Thursday, May 4, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MAY 3, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum. When we adjourned last night we had reached item 35 in the report of the auditor general. Now, instead of proceeding item by item, I would repeat my suggestion of yesterday that if any member is particularly interested in a certain item he ask that, that item be called and then we will take up the several items under the same heading as the item called. After we have done that if there are any items in the report which have not been covered we can go back and go over them.

Mr. WRIGHT: I would like some explanation and comment on this question of drawbacks which are allowed, in some cases as much as 100 per cent.

The CHAIRMAN: Which item is that?

Mr. WRIGHT: That is item No. 39. I have in mind particularly item 4792, on page 12, October 2, 1948, providing for a drawback of 99 per cent of the customs duties on imported steel plates used for stampings for automobiles. What was the amount of money involved in these drawbacks, and have you any further particulars you can give us with regard to item No. 40 on the top of page 12.

The CHAIRMAN: I should say that is Department of National Revenue, under the heading of tariff items and customs drawbacks, item No. 39 and item 40. Would you care to comment on that?

Department of National Revenue

Watson Sellar, Auditor General, recalled:

The WITNESS: I would have to get that information for you, sir; I haven't got it. I could not give you the amount of money that was involved in each individual item. That is what you wanted?

Mr. WRIGHT: Yes.

The WITNESS: I would have to get that for you, I haven't the figure with me.

By Mr. Wright:

Q. There is a comment here which questions the authority under which this order in council was passed I take it?—A. Yes.

Q. And your point is that that was exceeded in making these drawbacks instead of it being in the regular tariff schedules?—A. Yes sir. I am not going any further than to observe that perhaps as members of the House of Commons you are jealous of your rights and privileges, and it seems to me the establishment of a drawback which extends past the period when the House meets is a subject that might be within your field, and that is why I questioned whether the section of the Customs Act relied on goes so far as to permit the long range establishing of the drawback item. I may be wrong.

Q. Are there any other instances of this, or were these the only two? —A. These are the only two, sir, in that year.

Q. Is that a custom which has been carried on from year to year or is this the only instance where it has occurred?—A. During the war years, by replying on the War Measures Act when it was necessary to get in certain materials for manufacturing purposes there were some, but it was under the authority of the War Measures Act that that was done.

The CHAIRMAN: While we are on the Department of National Revenue could we clear these items from 38 to 40 inclusive.

Mr. BROWNE: We have not finished with the National Film Board?

The CHAIRMAN: No, we are still on the one which has been called.

Mr. BROWNE: I see.

The CHAIRMAN: But according to the practice agreed upon by the committee a member is free to call any item in which he is interested and while we are on that item or group of items we explore it fully, and after that we can come back to such other item as any member may care to call.

Are there any further questions on items 38, 39 and 40? If not, we will go ahead and take up this item on the Film Board, that is in paragraph 36 and 37.

National Film Board

By Mr. Browne:

Q. The national Film Board. Is that the organization which was investigated by an outside organization just a short time ago?—A. Yes, it was not auditing, it was a matter of what they call—

Mr. STEWART: Efficiency management.

The WITNESS: Yes, efficiency management.

By Mr. Browne:

Q. Does that come within your scope—the efficiency of that Board? —A. Only if I think it is doing something that you did not intend, sir, in a financial sense.

Q. Is there anything in any of these items here you referred to that you wanted to criticize?—A. Just the handling of this matter, sir. Take paragraph 37 there. I can explain that very easily. It has already been discussed in the House. During the year the Film Board made films for various government departments and in doing so billed the departments for the cost and charged them 10 per cent for general overhead. At the end of the year the Film Board in closing accounts decided they had charged too much, the volume had been larger than it had expected, and that 5 per cent was a fair charge. The department principally involved was the Department of National Health and Welfare. When the Board decided that 5 per cent was enough they should have returned $11,000 to the departments because it was their money, not Film Board money. Instead of doing that the National Film Board left that in there for its production costs; whatever amount was left in that item lapsed at the end of the year. My thought there is that it would have been good practice for the National Film Board to have returned that money to the departments concerned.

Q. Is there any legislation or anything of that kind governing the taking of film by the Board?—A. Just the Act.

Q. I think I saw an item on that, where is it now?

The CHAIRMAN: We could deal with that on public accounts by calling the people from the Film Board if you care to do it. We are now only interested in the matter of auditing.

The WITNESS: The Act was passed either in 1938 or 1939.

By Mr. Stewart:

Q. On this statement, Mr. Sellar, what happens to the revenue which the Film Board receives, does it go into the department account, or where would it be placed?—A. It goes into the consolidated revenue fund.

Q. They would enter what they charged, I mean what they collected on their balance sheet, would they not, before turning it over to consolidated revenue?—A. These are the transactions within the year. They could still adjust that within the year's account.

Q. In effect, they should have made a rebate to the other department?—A. It should have been a rebate. That is the Department of National Health and Welfare was entitled to recover $6,500. That $6,500 should have been paid back to the Department of National Health and Welfare in the year to which it applied.

Q. So that we would know the actual operating detail of the Film Board and have details as to what the actual receipts and amounts paid such as this were, would it not be advisable that all the revenue received by the Film Board should be credited to the Film Board as such, so that we would know the actual amounts or revenue it took in and set that off against the cost of carrying the Film Board on, and have that included in this return? It might perhaps show to be a better operation from the standpoint of revenue than many of us think.—A. All I can say, sir, is that at the present time they are trying to devise a scheme which will meet what you have in mind.

Q. As Auditor General do you think it will be advisable that what I have in mind should be the practice; namely, for revenues to be shown in the Film Board account?—A. I have already recommended to this committee within the last two sittings that where we have producing services they should finance their operations out of their revenues so we could see whether or not they were self-supporting.

Q. I am glad to hear that.

By Mr. Thatcher:

Q. What was the situation last year? Did they lose money, and if so how much?—A. When you say last year, I am thinking in terms of two years ago; is that what you mean?

Q. Yes.—A. Well, their expenditures are always far greater than their income.

Q. But there is no balance sheet at the moment where you could show the Film Board at so much?—A. They produce a statement of their own, but in view of the fact that items in that statement are produced by the use of moneys, working capital made available to them during the war years, you cannot say what they earn, whether their operation is above or below the line; that is, whether they are in the red or the black.

Q. I agree with the statement you made that especially in these corporations we should have accounts and they should have to come here and explain their operations.

The CHAIRMAN: We deal in the same way with government departments. We have nothing there to show the relationship between their revenues and

their expenditures. For instance, take the Post Office Department. It has been suggested by some of the members that it should be operated in that way; the result might be that if there is a deficit one year the department would have to charge more postage the next year.

Mr. THATCHER: I know that in Saskatchewan crown corporations, each year you know how they stand, whether they have had a profit or a loss, and if the loss is large you can provide for it.

The CHAIRMAN: That would apply to all departmental administration?

Mr. THATCHER: No, to all Crown corporations, and it seems to me that it would be better to have all government organizations do the same sort of thing.

The WITNESS: The Film Board is not a corporation; it is just a department.

Mr. MACDONNELL: Within a department.

Mr. THATCHER: That is technical, but it is still being operated for certain reasons and I think the taxpayer should know how much it is costing.

Mr. MACDONNELL: Does it have its own bank account?

The WITNESS: No. For every Crown corporation there is a balance sheet which is presented and you will find it in the accounts. The Film Board prepares a balance sheet for its own information but that is not official because they are not a corporation.

Mr. STEWART: That is not the Film Board itself.

The WITNESS: No, no; if you are criticizing the Film Board because it has not a balance sheet I am just trying to give you reasons why it has none.

Mr. THATCHER: What is your recommendation? Would you suggest that with Crown corporations it might give a better picture?

The WITNESS: I would like to think that over, because making films is a peculiar business; and its activities are mainly governmental not outside. You think in terms of a corporation doing business with the public. The main customers of the National Film Board are the other departments. I should like to think over that a little before I answer.

By Mr. Johnston:

Q. When they make a film for another department do they charge that other department?—A. Yes sir.

Q. There must be some revenue then.—A. They are supposed to do it at cost when they make it for any of the other departments.

Mr. MACDONNELL: Do they know what the cost is?

The WITNESS: There are disputes to what the cost is, and there have been disputes as to whether certain films were ever ordered.

The CHAIRMAN: We can carry that idea indefinitely. The Post Office Department is in much the same position; they do not charge the other departments postage and it has been suggested in some quarters that a charge should be made for postal services to departments particularly because of the cost of that mail being handled by the railways and other carriers. That department is also dealing with the public as is the Film Board so that it might be included in the proposal made by the member.

Mr. THATCHER: I do not think the Film Board are being treated fairly. They are very enthusiastic in the work they are doing and I do not think the present method treats them fairly, particularly when they have to do the work at cost.

The WITNESS: I think that is where a corporation would show a better picture.

Mr. BROWNE: There is a balance sheet on page VA-17. Perhaps if Mr. Thatcher would look at that it might give him some information as to what they are trying to do anyway. Does Mr. Sellar know anything about this balance sheet?

The WITNESS: No sir, I know nothing about this balance sheet.

The CHAIRMAN: We will be taking that up under public accounts and public accounts are not the direct concern of the Auditor General.

Mr. BROWNE: He examines them.

The WITNESS: But not this, sir; the chairman is right, it is the Treasury and Film Board staff who deal with this, they put it in.

Mr. BROWNE: But you certify it?

The WITNESS: We do not certify it at all.

Mr. MACDONNELL: Why not?

The WITNESS: Because it is not required by law, sir.

Mr. BROWNE: What do you certify in the Film Board?

The WITNESS: Revenues and expenditures, we have nothing to do with their operations.

Mr. BROWNE: You mean, within the Appropriations Act?

The WITNESS: Yes.

Mr. MACDONNELL: I do not want to see us get off the beaten path here, but I must say that what Mr. Thatcher has been saying does strike me as being good sound common sense. I wonder if we could pursue this a little bit further. I can see the sense of what Mr. Sellar is saying, that they are not doing business in the open market, but they do some ordinary commercial work, do they not?

The WITNESS: Roughly, about $150,000 worth a year—maybe more or maybe less one way or another.

The CHAIRMAN: May I call your attention, gentlemen, to the fact that we are now dealing with the report of the Auditor General. When we have finished with that we will be at liberty to call the officials from the Film Board and get all the information you desire.

Mr. MACDONNELL: You will recall that what we have before us at the moment is an analysis of the suggestions Mr. Sellar is making.

The CHAIRMAN: Yes, we are dealing with his suggestions.

Mr. MACDONNELL: Would it not be fair to get his opinion on that?

The CHAIRMAN: No, if it deals with his report I have no objection, but if it deals with public accounts, we should leave that until the departmental officials are before us.

Mr. THATCHER: Following up with the item there on VA-18, on looking over the statement of operations—maybe I can't read a balance sheet or a profit and loss statement—but I cannot just figure out what is the net result from that.

The CHAIRMAN: Are you asking the Auditor General a question on that?

Mr. THATCHER: Yes. I wonder if the Auditor General can explain that for us. Can you tell us by that statement there on page VA-18, whether there is a profit or loss on the operations for the year, or what the next figure was?

The WITNESS: There is a net loss there of $78,000.

Mr. THATCHER: Does that suggest that the Film Board showed a net profit for the year?

The WITNESS: That is why I say you would have to call the departmental officials on that, sir. I am sorry I am stupid. I do not know this balance sheet. I have no interest in it and I do not know what goes into it.

Mr. THATCHER: Then it is not a true picture of the operation at all.

The WITNESS: I would not like to say yes or no to that.

The CHAIRMAN: May I again say to the members that later on we will have the officials of the departments here, whichever departments the steering committee decides to have called, and then members will have an opportunity of studying any information they want in relation to public accounts. At the moment the Auditor General is here and my submission is that you should ask questions only with respect to items which arise out of his report. There are two items, 36 and 37, which relate to the Film Board recommendations he has made. If we are going to proceed in an orderly way we will have to dispose of those first, now that we are on them, and I think we should limit ourselves to the points raised in the report of the Auditor General, and then after that we can call the departmental officials and go back over the subject with them on public accounts.

Are there any more questions on items 36 and 37? If not has any member a section he would like to call?

Mr. STEWART: Item No. 65, External Affairs.

The CHAIRMAN: All right.

External Affairs

By Mr. Stewart:

Q. I note you say there;

> An embezzlement occurred in the Canadian embassy in Paris, Ascertained losses of $4,420.24 were charged to this vote. The employee was not bonded under the Government Officers Guarantee Fund.

Is it customary to have employees bonded?—A. In this particular case bear in mind that we are dealing with transactions going back into 1947, shortly after France had been liberated and we were just getting re-established in our embassies and so on. It happened at that time that this particular individual was not bonded; but the practice now is to bond all officials.

Q. Do you bond all officials, or simply those handling money?—A. All officials handling moneys in embassies.

Q. Does that apply to other departments of government also?—A. I think as a rule it does, sir, but I would not like to make a hundred per cent statement. Well, in fact if I were to do so I think I would be wrong, because while we handle very little cash in our office I do not think I have bonded anyone, so I would have to say that the practice is not universal.

Q. Yes?—A. But where there is any large amount of money or where the personnel is in the special position of handling money, they are bonded under the government scheme; and I might say also that defalcations have been very few, so few in fact that we are no longer required to pay a premium for the bonds.

Q. I understand that the amount involved in connection with one particular employee was $4,400.—A. It was much larger than that.

Q. It was more than that, was it?—A. Yes, but it is pretty well fixed now. You have to bear in mind that at that time we had to run what was in effect a store in connection with our embassies to supply the staff with food items, clothing and so on; we had to import the gasoline used in cars; and the Embassy also had a working arrangement with the British embassy; so there were embassy accounts in the proper sense and there were unofficial accounts—that is, not government accounts. As to this particular clerk who manipulated the accounts; he was in a position where he had a little more latitude than he should have had, and he manipulated the accounts and issued cheques, or had cheques issued, and then endorsed them over to himself and cashed them. It arose through that. The individual was in due course arrested, tried in the French courts and found guilty. He was given two years and his assets were

seized by the court to satisfy the claims of the government of Canada. His assets are believed to have a value of about $3,000, although we haven't got the money yet.

The CHAIRMAN: Was he a French national or a Canadian citizen?

The WITNESS: He was born in Canada and I think was residing in France at the time of his employment.

The CHAIRMAN: And I believe that occurred immediately after the war, in months following occupation.

The WITNESS: Well, I know this, sir; it was not through any efforts of mine that this was uncovered, it was due to the activities of External Affairs and Treasury. The first I know about this matter was in 1948, and obviously it would go back some period before that. I think it originated somewhere around 1946.

Mr. STEWART: Would it not be possible for you to check embassy accounts abroad?

The WITNESS: No sir. I am not trying to claim any credit for uncovering this.

The CHAIRMAN: I would like to mention that I happen to know personally that in 1945 the embassies in most European capitals had to look out for themselves in respect to food and supplies for their employees and it might have been that that trouble arose then.

Are there any more questions on the item External Affairs?

Mr. BROWNE: There are certain matters in which I am interested. Are we open to ask questions on the public accounts now?

The CHAIRMAN: Not at this time if we want to carry on in an orderly way. There are a number of items which I know the committee will want to explore, but the steering committee recommended that we deal first with the report of the Auditor General and his recommendations, then later on we could have the officials of the Department of Finance or other departments before us. It was felt that we should deal first with the suggestions made by Mr. Sellar and then call department officials.

Mr. BROWNE: It is not a case of terminating the discussion about this department of External Affairs?

The CHAIRMAN: Well, you see, if we start a discussion on individual items of departments we will never be through with the Auditor General. The understanding was that we would deal with his report first and that we would then go on with departmental items contained in the public accounts.

Mr. WRIGHT: I wanted to ask some questions in respect to items 61 and 62 on page 18, relating to the Department of Agriculture.

The CHAIRMAN: Before you go on with that, may I ask if we have cleared items 65 and 66, in so far as this report is concerned?

Mr. MACDONNELL: I understood from you that at this point we could ask any questions following item 41, that is where we left off yesterday?

The CHAIRMAN: That is correct. But now that we are on these items 65 and 66 let us clear them up and then go back to any other item in which you are interested. Well, then, if there are no further questions on those items we will turn to the ones to which Mr. Wright has just referred, items 61 and 62.

Department of Agriculture

By Mr. Wright:

Q. This relates to the Agricultural Products Co-operative Marketing Act. I understand that a great many people applied for benefits under this section who

are not really co-operatives, and it seems that there were payments made to them on account of fur and things of that kind. I understand it included the railway companies and the Hudson Bay Company and large corporations of that kind. I do not know whether that is the company referred to there in this item 61 on page 18, but the question I wanted to ask the Auditor General is whether it actually did apply to such an agency as the Hudson Bay Company in respect to its fur sales or should the Act only apply to true co-operatives?—A. Well, sir, as I read the Act—I haven't looked at the particular section recently—I formed the opinion that the agreement was legal. This transaction refers to the Hudson Bay Company; there is no doubt about it. This agreement was made with them, I think, in 1940 or 1941,—anyway in the early days of the war,—and whatever was lacking in the Agricultural Products Co-operative Marketing Act was made up under the general powers of the Governor in Council under the War Measures Act at that time.

Q. I see.—A. We drew attention to this particular contract simply because it seemed a little unusual because the Hudson Bay Company might have borrowed the necessary funds from the bank; or, on the other hand, it may have taken the money out of its own general balances; but under its practice it charges interest to the department that uses the money. We just wondered whether that was the cost incurred within the intent of that Act—it is an isolated instance—that is why we drew it to your attention. I do not think it is a matter of any material concern. I know, the question has been studied since, and I think the intention is to vary it.

The CHAIRMAN: Are there any further questions on these items of the Department of Agriculture, Nos. 61 and 62?

By Mr. Macdonnell:

Q. I would like to ask the Auditor General a question about this Prairie Farm Assistance Act 1939, item 62. He makes the following comment:

> Ten years' operation of the Prairie Farm Emergency Fund has resulted in a deficit of $65,878,764.

Q. Would you mind telling us in more detail about the emergency fund?—A. The Prairie Farm Assistance Act of 1939 was predicated on the assumption that the premiums on grain delivered to the elevator would produce enough money to provide for the relief provided by the Act. However, the Act took into consideration the possibility that in some years it would not be sufficient and therefore it provides for advances from the Consolidated Revenue Fund, these advances to be repaid whenever there was a surplus in succeeding years. Well, there has never been a surplus in succeeding years that could reduce the amount to any appreciable degree. The result is you have an amount normally of $65 million which I honestly believe is of no significance now, because I do not think it can ever be recovered so we might prudently charge whatever money has been advanced up to expenditures in the year and forget it. That actually has been done in the books but normally we rate this money as recoverable.

Q. Does that appear as one of our assets?—A. No, sir.

Q. Is there any magic in this one per cent? Was it intended that this should be self sustaining?

Mr. WRIGHT: I do not think it was ever intended that the one per cent of the amounts of the payments had to be made out of that fund. It was recognized in this that certain lands in western provinces were put into cultivation during the first war to produce wheat to help win the war and that this land should never have been put under cultivation. They were then under the control of the dominion government. Later, after the war, they were turned over to the provinces, and the provinces felt the dominion was more than responsible for bringing large areas, more particularly in Saskatchewan, under cultivation to meet the

emergency and even have some responsibility for solving the difficulties that arose out of that. I do not think the one per cent was ever expected to meet the total cost of the P.F.A.A. There have been—I do not know how many years—two or three years in the last ten or twelve years in which the collections have been greater than the disbursements but over a period of years the Act is almost certain to pay out more than will be collected until such times as under P.F.R.A. a lot of these lands which are presently under cultivation will be taken out of cultivation and turned into community pastures or the like.

Mr. MACDONNELL: We have all had the feeling that this was a very practical measure, and in fact I was going to ask the same question that you asked, in regard to keeping land under cultivation which should not be under cultivation. Is there a point there and are we in the end doing an injury?

Mr. WRIGHT: That is a debatable point. I can only express my personal opinion on it but it will only be my personal opinion. I think the government under P.F.R.A. before the war were taking considerable of these acreages out of cultivation and during the war that process more or less stopped because of war emergencies. Now, I think it is the intention of the government to continue to take some of this land out of cultivation.

Mr. MACDONNELL: Would it be reasonable, Mr. Chairman, to have this matter discussed before the steering committee?

The CHAIRMAN: What is it exactly?

Mr. MACDONNELL: It is item 62, on the question which Mr. Wright raises.

The CHAIRMAN: That point will be brought before the steering committee after we finish this present order of business. Are there any other items or headings that members want to call?

Mr. BALCER: Item No. 67, Department of Finance.

The CHAIRMAN: Item 67, Department of Finance, page 19.

Department of Finance

Mr. BALCER: An advance of $11 million was made to the Wheat Board and no claim was ever made by the Wheat Board to get this $11 million. I do not quite understand this part.

The WITNESS: The situation is this, Mr. Balcer, under the Wheat Board Act is provided that the government fix selling prices and in that particular year the government fixed a price for No. 1 Northern on a certain basis at $2 per bushel, that was the selling price, and it was provided in the order in council that on sales to millers and others manufacturing wheat into food for human consumption in Canada, they would be entitled to a refund of 46½ cents a bushel. The order in council proceeded by directing the Wheat Board to make these refunds out of its money, and in due course an appropriation would be obtained from Parliament to recoup the Wheat Board for its expenditures. In this particular year, the appropriation was secured. The Wheat Board had not made a formal demand for the full amount, that is to say, they had not put through their vouchers and claims but an advance of $11 million was made to them before the vote lapsed. At the time of the audit, which was completed in the late summer, a settlement had not been received but after the report was in the hands of the printers the Wheat Board did make a formal demand supported by the necessary claims and by the end of last year the accounts were practically all settled, that is the vouchers were there against the claims.

The CHAIRMAN: Are there any further questions on item 67?

By Mr. Browne:

Q. You went beyond April 30th then, in making this audit of item 67. It was completed in July, you say?—A. The audit of the accounts was completed in July.

Q. July of 1949?—A. You see, my audit cannot be completed until the accounts are closed and I finish my audit work in July as a rule, some of it goes through into August. But at the time we finished looking at the accounts of the Departement of Finance in July an accounting had not then been made, but we do know that an accounting was made to the department in the month of September, but that was after the report was in the hands of the printer.

By Mr. Macdonnell:

Q. Why would there be all that delay?—A. You will have to ask the Wheat Board.

Q. Perhaps I am unreasonable in saying that delay. It seems to me a long delay.—A. You will have to ask the Department of Finance, sir.

The CHAIRMAN: Any other headings?

Department of National Defence

By Mr. Thatcher:

Q. Item No. 74, the Canadian Commercial Corporation. The auditor says they are not taking the cash discounts. Have they changed that practice by now?—A. Yes.

Q. They have changed that practice?—A. Yes, sir, and I have here a note, it is dated the 4th of January of ths year, from Mr. Low, the managing director, speaking of the changes. He said the efforts to induce companies to quote discounts of less than thirty days have met with considerable success and that it was being expanded, that they now have amended their tender form, and generally speaking they are very satisfied with the co-operation they are receiving from suppliers. The problem essentially is making certain that we claim the discount within the proper time, that is to say, the goods have to be delivered into some division of the Department of National Defence, checked, and the vouchers sent on for payment within the alloted period of time. If delivery is made, say, in Regina, and the payment is being made from Ottawa or if it is a split shipment with some shipments going to Toronto, some to Plouffe Park, and another one to some other place, you have to bring these three together before you can claim your discount.

Q. Would you know offhand what the net profit or loss of the Canadian Commercial Corporation was last year? Did they make money or did they lose it?—A. They made a little money.

Q. They would have made $12,000 more if they had been on their toes?—A. This $12,000 will be reflected in the national defence revenues, not in theirs.

Q. Then it is the Department of National Defence which was lethargic in this?—A. Yes.

Mr. MACDONNELL: Are they still breaking the law in the Canadian Commercial Corporation—

Mr. CROLL: Who said they are breaking the law? Did Mr. Sellar say that?

Mr. MACDONNELL: You remember a year ago they were breaking the law.

Mr. CROLL: I remember you telling that to the public of Canada, but they did not believe you. I think your question is badly worded, Mr. Macdonnell.

By Mr. Wright:

Q. Just under what Acts is the Canadian Commercial Corporation operating and what control is there with regard to the letting of contracts? What conditions are imposed? I refer to the old Defence Purchasing Board, which operated under the Defence Purchasing Act, and as of 1938 or 1939, the Defence Purchasing Board lapsed when the Department of Munitions and Supply was formed during the war. Instead of going back after the war to the old Defence Purchasing Board and the Defence Purchasing Act, which had a lot of safeguards with regard to the letting of contracts and the conditions under which supplies should be secured in Canada, we started to purchase our military supplies in Canada under the Canadian Commercial Corporation and through them. Originally the Canadian Commercial Corporation was set up for the sole purpose of purchasing short supplies, that is supplies which we did not have in Canada or setting up reserves, and their power was extended to cover the purchasing of defence material and war materials for the Defence Department. As far as I can find out, there is very little control over the methods that they are using at the present time. Later, I hope the officials will be brought before this committee.

Mr. MACDONNELL: I will show you an $800,000 item in a minute,—

By Mr. Wright:

Q. I am asking you now just what safeguards there are, to your knowledge, to protect the public with respect to purchases being made through the Canadian Commercial Corporation?—A. The Canadian Commercial Corporation makes its purchases for national defence by applying the Munitions and Supply Act. That Act has never been repealed and is still operating. The Canadian Commercial Corporation in purchasing for national defence is exercising powers delegated to it as his agent by the Minister of Trade and Commerce, who is the minister who administers the Munitions and Supply Act. Therefore, the first checks on the operations of the Canadian Commercial Corporation are those of the Munitions and Supply Act, of course, this Act provides that whenever any proposed contract exceeds $15,000 the Governor in Council shall approve the contract.

By Mr. Macdonnell:

Q. Which minister?—A. The Minister of Trade and Commerce. Those are your statutory safeguards, sir.

By Mr. Wright:

Q. They are the only safeguards?—A. Whatever is in the Munitions and Supply Act. I assume the regulations of the Canadian Commercial Corporation are designed or have met with the approval of the Minister of Trade and Commerce because various civil servants are the directors of the Canadian Commercial Corporation.

By Mr. Thatcher:

Q. Have you any idea of any other department in the government which is not taking advantage of cash discounts? The reason I ask is this: I have heard of many experiences where governmental departments would purchase something and the wholesaler or the manufacturer would wait for months and months to get paid. The account would go from one department to another, apparently, and be approved by some other department, and by the time it got back it might be months later, and it occurred to me that if this happened in very many departments, the taxpayers might be losing very substantial amounts as far as cash discounts are concerned.—A. I would like to have a specific instance of what you are telling us about so that I can trace it down. I can give you an

instance I know of. A weekly newspaper was requested to carry an advertisement for the Department of Public Works calling for tenders. It carried the advertisement and in due course sent its account to the Public Works Department for payment, but the Public Works Department cannot pay forthwith, the Public Printing and Stationery Act calls for it being approved by the King's Printer first, so this account went to the King's Printer and was approved by him. Then it came back to the Public Works Department. There was a delay. Finally, the editor wrote a letter to me and said our system was very poor and blamed me for it, so I personally had to trace it through. But generally speaking your main complaint must be in connection with National Defence orders where they are spread out over the country and where it takes time to get in the paper.

Q. The point I am making is that the Dominion Government must be purchasing millions of dollars worth of goods in a year from various sources, and what I would like to know is whether you know, as auditor, if the government in every case possible is taking their cash discounts?—A. When you say in every instance possible, I may say I do not examine every account, but a standing instruction to my supervision is to watch to see if advantage is being taken of trade discounts and if departments, when they are contracting, are seeking to get a trade discounts provision included. In the audit last year, the only department that came forward as are not getting all trade discounts it was entitled to was National Defence, so now a direct answer, I cannot give you cases, and therefore, I think the system is in very good order.

Q. Would you say the average account of the Dominion of Canada is paid within thirty days?—A. No.

Q. If it were not paid within thirty days, would they not get the cash discount?—A. Many accounts have no provision for cash discounts.

Q. Most accounts would give you a cash discount for prompt payment.—A. As I say, we watch to see if the departments are taking advantage of the provision for cash discounts. I have seen cases where we have taken cash discounts when more than thirty days have passed in the hope a supplier would not come back to claim this money. I have seen that done.

Q. I would think in view of the amount of purchasing the federal government must do, we should look into that later on.

The CHAIRMAN: I have given a lot of latitude to this discussion, but I really think that a full review of this question of discounts should be left till later on.

Mr. RICHARD (*Ottawa East*): Is it not impracticable from this point of view, that the government requires an inspection to be made of the goods that they receive, of the merchandise that is sold to them, and in order to make this full inspection they would rather wait thirty days before making the payment.

The WITNESS: In connection with National Defence that is particularly true because you will have shipments going to several ordnance depots where inspections and counts are made, and the paper has to flow through to the central point for the cheques to issue and when you have to have the various approvals in the department thirty days can pass very quickly.

By Mr. Thatcher:

Q. That is one of the points right there.—A. That is administration. I cannot help you, sir.

By Mr. Browne:

Q. Just one question, Mr. Chairman. Is there any central department of supply to do the purchasing for the government, or does each department do its own purchasing?—A. With the exception of National Defence.

Q. There is a department of supply for all the other departments?—A. No, no, every department buys for themselves, except the Department of National

Defence. As was stated, in 1939 there was legislation taking away from the Department of National Defence the power to buy and it was placed under a board. Now it is under the Canadian Commercial Corporation.

The CHAIRMAN: Gentlemen, we are now on the Department of National Defence. Can we not stay on this subject and revert to item 78? We are at the moment considering the Department of National Defence.

By Mr. Browne:

Q. Item No. 78 refers to vote 244. That is a very large vote of millions of dollars out of which there have been appropriations made for scholarships. How is that controlled, Mr. Sellar? The vote itself runs into $19 million, and there are no details given in the estimates?—A. May I read to you from their Act, section 8, sub-paragraph 3:

> Subject to the approval of the Governor in Council, the Defence Research Board may (*a*) enter into contracts in the name of His Majesty and establish scholarships in connection with and make grants-in-aid for research and investigation for national defence.

The control is partly with the Governor in Council.

Q. Who allots the money out of that vote? You see, the vote is for $19 million, and this only deals with a $200,000 amount. How is it segregated?—A. The Consolidated Revenue Act, section 26, requires at the beginning of each fiscal year, the deputy minister or other officer concerned to submit to the Treasury Board a proposed allotment of the vote for the year. Once Treasury Board has approved those allotments they may not be varied without the consent of the Treasury Board. What happened in this case was that the Defence Board applied for an allotment for research and scholarships and set up that amount out of your big vote.

Q. Are there any rules about those scholarships or are they just given by the Governor in Council or by the board?—A. They are made by the board.

Q. Without approval from the Governor in Council?—A. Specifically I do not think there is approval by the Governor in Council. I would have to verify all that. What happens is this. This is in connection with research and scholarships, and you never can tell when a research project is going to finish. The scientist may find an answer in a week, or he may take ten years and then never find it.

Their practice is to allot within their items a certain amount for research and a certain amount for scholarships, and then they will make some advances to start off with and if it does not get anywhere they may drop it altogether. On the other hand, it may be a matter of a scholarship. Let us say they have a promising individual, a man who is qualified for everything except one particular line, they may give him a scholarship to go off and take a special course, maybe for one or two or three years, whatever time it may take. That is how they handle it.

The CHAIRMAN: Are there any further questions on items 74 to 78?

Mr. MACDONNELL: A point has come up as to which I wanted to ask this question; why was it that the Canadian Commercial Corporation was allowed to do their purchasing? I suppose that was because they were set up to take care of the contracts, there being so many of them.

The CHAIRMAN: I think that would be a question of policy which the Auditor General could hardly answer.

Mr. MACDONNELL: But my thought was that he might guide us.

The CHAIRMAN: Yes, but I do not see that it is any use for us to go into that. That is a matter of government policy. Now then, is there any particular item you would like to have called?

Post Office Department

Mr. MACDONNELL: Yes, item No. 42. Now, I recall that when we were discussing that point the other day the fact was brought out that in the case of the Post Office Department they were not charging for everything. I am dealing with the last item in 42. One thing to which I wanted to attract particular attention is this—and it seems to me very undesirable—that the Post Office Department does not charge for the carrying of mail on those steamship services that are subsidized by the government. Now, that it seems to me is a matter we ought to look into because I think it is very unsound. Here you have a subsidy given by the government, it is simply based on what the steamship company earns, and yet the Post Office Department does not pay for the service. That seems to me a little unusual.

The CHAIRMAN: What is the question you want to ask?

Mr. MACDONNELL: My question is based on this item.

The CHAIRMAN: Was that on the item I called?

Mr. MACDONNELL: Yes, and I am asking you to have the witness answer it.

The CHAIRMAN: That is one of the things for the steering committee to consider—I mean the advisability of calling the Post Office officials, or the Department of Finance.

Mr. MACDONNELL: Whichever is useful.

The WITNESS: Or the Marine Commission.

The CHAIRMAN: Now we are studying these items of the Post Office Department, item Nos. 42 to 44 inclusive.

Mr. BROWNE: May I ask a question on that?

The CHAIRMAN: Yes.

By Mr. Browne:

Q. What you have reference to there relates to the carrying of mails? —A. Oh, yes.

Q. And they are carried by these steamships?—A. Yes. What I mean is this, you are dealing with subsidized services. Subsidized services for a great many years were handled by the Department of Trade and Commerce but in more recent years they have been placed under the Maritime Commission.

Mr. MACDONNELL: Does that apply to the east coast?

The WITNESS: To both, the east coast and the west coast and deep water. The purpose of these subsidies is not the carrying of mail but rather to give services to communities who do not have rail facilities or road facilities; it is to carry their goods and provide them with a service. The person who gets a subsidy has to agree to have his accounts audited to establish what his profits are and to determine whether or not the subsidy is justified. Now then, the government decided many years ago—I do not know which government did it but some government did it—that if a service was going to be subsidized it should be required to carry mails without making any charge. As a matter of fact, in any case where a subsidy contract is made they have to carry all government mail and certain categories of government officials without charge.

Mr. BROWNE: Could we have some of the steamers you are referring to; does that include the West Indies service?

The WITNESS: No, not the West Indies service, it is mainly local services. They are listed in the estimates, sir.

Mr. MACDONNELL: On what are the subsidies based?

The WITNESS: The subsidies are based on the opinion of the Marine Commission as to what is necessary to meet local requirements. If you have an estimate book there, sir, if you will look at 310, you will find details there is an example.

Mr. BROWNE: Oh yes, those are local.

The WITNESS: In the main, they are local services. I am just drawing your attention to that. It is not the trans-Atlantic mails.

The CHAIRMAN: Are there any further questions on Post Office revenue, items 42 to 44?

Mr. MACDONNELL: Yes, item 43, the last sentence there expresses the opinion of the Auditor General:

> Either the profit or loss on each service should be disclosed, or the financial transactions of Post Office be managed as commercial rather than departmental accounts.

We know what that means, but how are you going to introduce commercial practice, having everything done on a common commercial basis in this department? Is that not going to be rather difficult? You see what I mean?

The WITNESS: Yes sir. What I mean is this: Parliament fixes the rate for first-class mail and also for newspapers, while parcel post and rates of all the other mail services are fixed by the Postmaster General. It could happen—I do not say it does, but it can happen—that the rate parliament fixes may be more than necessary to carry the Post Office by reason of the substantial profit being made on these other services and vice versa. My thought is this, that the Post Office Department is very well run department and has a very excellent cost accounting service; but either the Post Office Department's annual report should set out what are the revenues from parcel post, what are the coasts of carrying parcel post; or, alternatively, why not say to the Post Office Department: here you have a certain sum of money, run your own business—that is what I was meaning, sir.

Mr. CAVER: May I ask a question there? The Post Office Department has many ancillary services which it performs for other departments, such as the selling of radio licences and other different domestic matters. Do they receive any revenue from other departments for the work which they do for them?

The WITNESS: Yes, sir, with the exception, as I pointed out in the paragraph, that they do not receive anything for the redemption of war savings stamps for the Department of Finance. Also, they have always regarded the Post Office Savings Bank as really being a function of the Department of Finance rather than their own, but they carry on the business.

By Mr. Johnston:

Q. You make one reference there to the franking privilege, that in your opinion the Post Office Department should charge for that. Can you tell us what the practice is in the states in regard to that particular thing?—A. No sir, I am sorry I do not know.

Q. What I have in mind there is this: does the Post Office Department in the Unitd States charge members for their own mail or do they have a frank? —A. I don't know. Remember I am not speaking about the frank you are referring to, the franking privilege enjoyed by members of parliament and senators. What I am talking about is the government departments. Your constituents live out all over the country. If you happen to be the member for Ottawa, let us say, anyone in Ottawa can come, write to you or see you, but any person living outside of Ottawa is under the difficulty of having to write to you,

and I think it is right that he should have the privilege of addressing you without putting a stamp on his letter, so that he is on the same basis as a person living here on the spot. What I am talking about is a different thing, I am talking about the departments.

Q. I see.

By Mr. Thatcher:

Q. Do you mean that the other departments would pay the Post Office Department, is that your point?—A. What I mean is this, that when I put mail out from my department that mail should go through the meters at the post office and at the end of the month the post office should charge me postage just as though I had put stamps on it.

Q. Would that not be just a bookkeeping entry in so far as the taxpayer is concerned? What does it matter to the public whether the Post Office Department does or does not charge you for carrying your departmental mail? It does not make any real difference, does it?—A. Well, I go even further than that. I think everyone who sends letters out ought to be required to put stamps on them. I also think that if we were to do that, if we had to pay for postage, a lot of people would be more careful as to what they mailed and so there would be indirect savings.

Mr. JOHNSTON: Do you think that would be a material saving?

The WITNESS: You would have to have experience to prove that.

Mr. BROWNE: Do any of the departments buy stamps?

The WITNESS: We pay postage on everything we mail away from Ottawa. If I have an office outside of Ottawa and mail out a letter from there it carries a stamp. Here in Ottawa, of course, it is not stamped, it goes through on the frank.

Mr. BENIDICKSON: That is the department referred to by the Minister of Finance in his budget speech this year.

Mr. JOHNSTON: Did you say you put stamps on your letters here in Ottawa?

The WITNESS: No, I said that when I mail a letter to any point outside of Ottawa it is stamped, I use postage.

Mr. PRUDHAM: Is there any way of finding out the value of stamps used on cheques?

The WITNESS: No sir. I think one of the departments has made an attempt to estimate that. Originally the Act provided that you must use excise stamps on cheques, but that kind of tax was so unpopular that the minister, to whom I was secretary at the time, said that he had too many complaints that he was going to make it as easy as possible for the taxpayer, and much against the will of the Postmaster General he provided that you could put any sort of a stamp you liked on a cheque, and that was done back in the 1920s, sir.

The CHAIRMAN: I think while we are on these items relating to the Post Office Department we had better clear them up. Are there any further questions on these items?

Mr. PRUDHAM: If we are still on the Post Office items I would like to ask Mr. Sellar if he could make an estimate of what that amount used on cheques would be; is there any way of determining that?

The WITNESS: The Post Office have made a calculation and they gave me the figure, and that is why I was pausing, to see if I could recollect the figure but I cannot; but if you were to ask the Deputy Postmaster General he could probably give you that figure, or Mr. Sim. I haven't got it.

The CHAIRMAN: Department of Public Works, items 45 and 46.

Department of Public Works

By Mr. Johnston:

Q. On section 45, I see there is a reference there, about the middle of the paragraph, to the commissions paid in the Hull-Ottawa area; that in some cases it is 5 per cent while in other cases 10 per cent is paid. I assume from your observation that the payment of 10 per cent is contrary to the Act; is that so?—A. No sir, no, there is no provision. The reason I draw your attention to this is that there is no provision in the Act for the Department of Public Works collecting its revenues by other than its own staff. That particular 10 per cent item there, sir, is capable of a very simple explanation. Those are rents that are collected from properties expropriated by the government, and actually the fellow who gets the 10 per cent doesn't get as much out of it as the fellow who only gets 5 per cent. They are real estate firms.

Q. Why should that be? I don't want to dispute your word at all but it does seem to me strange that rents should be harder to collect in the Hull-Ottawa area than in certain other areas like say Toronto.—A. There are three in Ottawa, sir, and I am talking about the one who gets this 10 per cent.

Q. Who would they be?—A. They are Theo. Lambert, F. X. Laderoute and the Industrial Collection Agency.

Q. And the Public Works Department owns the properties involved? —A. They are properties which have been expropriated on the waterfront of Hull, on the other side of the river, and there are several properties which have been expropriated along Wellington Street. They are not residential properties in the true sense of the word, nor are they commercial properties, but rather a mixture of the two. Under this arrangement it costs less than it would to have the civil servants do it. But I thought I should bring it to your notice, that it was not contemplated that we should collect rents by other than public officials.

Mr. BENIDICKSON: I think 5 per cent is reasonable but 10 per cent is rather unusual.

Mr. RICHARD: I could say something on that.

Mr. JOHNSTON: Is 5 per cent the normal rate charged for collecting rentals?

The WITNESS: But remember in this particular case the total amount of rental involved for the year was only $400.

Mr. RICHARD: I can say something about that, Mr. Chairman. These properties were all, a very poor class of building; and, as a matter of fact, many of the tenants of these properties have been in my office on many occasions when they would be three or four months behind in their rent—the rents run about $16 a month—and they would be out of work and the collector would be after them and so on. They are not properties which it was ever intended should be used as homes, but when people are up against it they have to have some place to live.

Mr. JOHNSTON: It may be that the properties are not worth any more than that.

Mr. RICHARD: That is the point; but these are the class of people who couldn't find accommodation anywhere else and you had to have some place to give them shelter.

Mr. JOHNSTON: It does seem to me that it is rather a poor precedent to set, because it is rather debatable whether a fee of 5 per cent should have been allowed in one case and 10 per cent in another.

Mr. RICHARD: But the 5 per cent properties were easier to collect from than those for which a fee of 10 per cent was charged.

By Mr. Johnston:

Q. There is another item there in the next paragraph, 46, about which I should like to have some information. I see that you refer to the fact that there are ten tenants; are those the tenants to whom you referred in discussing section 45?—A. No sir.

Q. What property is it that you referred to there?—A. That property is the one that runs parallel with the Printing Bureau.

Q. Is that the ladies' residence?—A. No, it is further up this way, just where the light is, opposite there, nearly facing the church.

Q. And those tenants were all private families?—A. Yes they were all private families.

Mr. BLUE: While we are on that item 45, can you tell us whether the government carries insurance on all government buildings?

The WITNESS: No, sir. There is an old order in council, going back sixty years, saying that the government will carry its own risk.

Mr. JOHNSTON: Before you leave item 45, Mr. Chairman, there is one question I would like to ask which relates to this 5 per cent and 10 per cent fee. Is there any other insurance where there is a fee of 10 per cent paid?—A. No, sir. There are these cases in Vancouver, Winnipeg and Montreal and Ottawa where the fee of 5 per cent is paid, and there is this small one in Ottawa where 10 per cent is paid.

Mr. BROWNE: Can we go on to the next page now, to items 47 and 48?

The CHAIRMAN: Are there any more questions on these items we now have before us? All right then, we will take up 47 and 48, Appropriations and Application of Votes 47 to 57 inclusive.

Appropriations and Applications of Votes

By Mr. Browne:

Q. These items would also include supplementary estimates, I suppose; and I assume that there would also be lapsations in those as well as in the main estimates?—A. These include the supplementaries sir.

Q. Would the amount of lapsations be as great with respect to the supplementaries as with the others or would the lapsations be larger for the supplementaries?—A. If you will look at paragraph 54 I refer there to a supplementary item where there was a larger lapse. There I give you the main estimates and the supplementaries and show the amounts which have lapsed.

Q. There were some of them included there?—A. But understand, sir, that a great deal stems from the fact that too many small votes are made.

By Mr. Macdonnell:

Q. I want to ask a question about National Health and Welfare where I see the amount is $23,000,000, and Mines and Resources where the amount is over $5,000,000, and I would like to ask the witness to comment on that. I would also like to know if departments make a habit of doing it that way. I may say that it looks to me to be very sloppy, so to speak. I suppose that is not a fair statement. But I see, further, that the lapses in the case of the Department of Public Works amounted to $33,000,000. I was just wondering whether all concerned are really trying to be as economical as they sometimes profess to be.—A. With respect to both of these cases there is a very simple explanation. If you will look at paragraph 49, sir, you will see that the National Health and Welfare lapses are in connection with the health grants to the provinces; you will see that they were for hospital construction and in connection with that item the lapses amounted to $10,776,000, and for the prevention of

mental illness it amounted to $3,500,000. The reason was, you remember, that that is the year when a start was made on these welfare projects and they were still organizing and they had not made the progress they had expected.

Q. Well then, let us take a smaller item, External Affairs, where the lapses amounted to $1,367,000, and Transport where it was $15,433,000. By the way, I see that National Defence is comparatively small. We understood that they had a big one.—A. National Defence is under another heading.

Q. We will come to that then. Well, then, let us take one or two of these, let us say a small one like Finance or a large one like Public Works.

The CHAIRMAN: What is your question?

Mr. MACDONNELL: My question is this. I asked the witness if he could give us any indication as to how these huge amounts arose.

The WITNESS: Which one would you like, sir?

Mr. MACDONNELL: I would like to take a small one; let us take Fisheries, $1,167,000.

The CHAIRMAN: Let us deal with that then.

The WITNESS: You want that Fisheries item?

Mr. MACDONNELL: Yes.

The WITNESS: Yes, it was $1,167,000—that was on fish inspection, including fisheries officers in connection with Fisheries control and protection services—there is half a million dollars there; there was a lapse of approximately $150,000 in the vote to provide for the construction of or to assist in the construction of vessels of the draeger or long liner type; and there are other various small votes—there was a lapse of $105,000 in connection with transportation, dressing and dyeing and other expenses incidental to receiving and disposing of the fur seal skins.

Mr. MACDONNELL: Is it not awfully hard to square these big amounts with the idea that estimates are closely scrutinized?

Mr. THATCHER: Would Mr. Sellar be the one to deal with that, Mr. Chairman?

Mr. MACDONNELL: I was asking a general question. Is it not awfully difficult for him to square these big lapsings with the estimates to which they relate, and with the statements that have been made? I am sure they are sincerely trying to do it, that Treasury Board are cracking down, cutting here and there to the very lowest terms. It seems to me it is rather difficult to do that.

The WITNESS: You have to bear in mind, sir—another department you were referring to was Transport, and also Veterans Affairs.

Mr. THATCHER: And Public Works.

The WITNESS: And Public Works. Well, the explanation is this; bear in mind that you are thinking in terms of the year 1948, that was the big construction year when everything in the supply position was tight and a general order went out that all departments were not to buy any materials unless it was absolutely necessary and the result was that a department such as Public Works and Transport did not proceed with a good many projects for which they had had money voted.

Mr. BENIDICKSON: I know that in my constituency there were several items of the estimates which later on because of the general situation were not proceeded with.

Mr. MACDONNELL: I can understand the situation with regard to a large department such as Public Works or Veterans Affairs, there were supply

difficulties there. May I take one of the departments where the amount is not so large; for instance, External Affairs, where it was $1,367,000. What is the explanation there?

The WITNESS: The department apparently was able to carry on with $125,000 less than they expected. Representation abroad was $1,100,000 less than required. That is where the two big items come from.

Mr. MACDONNELL: It seems to me to be important, Mr. Chairman.

The CHAIRMAN: I think you should get that information from the officials.

Mr. THATCHER: May I put my finger on one item. I notice under vote 797, cancer control, parliament passed an item of $3,500,000 and of that amount $2,633,000 was allowed to lapse. I wonder how on earth that could happen when we are trying to do something about cancer. Why would they let the biggest part of that lapse? Have you any information about that?

The WITNESS: My recollection is that that was subject to an agreement with the provinces, where the provinces undertook to develop certain plant.

Mr. BENIDICKSON: And the provinces did not come forward with the additional money.

The WITNESS: The provinces were not ready to carry out their plans and so it was not until the next year that they actually needed the money.

Mr. THATCHER: That would be true also in connection with some of these other votes.

The WITNESS: What I am getting at there is, that the money could not be used because the other people were not ready to go ahead with their part of the general scheme.

Mr. THATCHER: Could I ask a special question about the provinces there?

The CHAIRMAN: Yes.

By Mr. Thatcher:

Q. I do not want you to go to a lot of trouble, but can you tell me whether the Saskatchewan grant was used or is it still available there? I do not want you to go to a lot of trouble in getting the answer.—A. You mean in that particular year?

Q. Yes.—A. Under the scheme, in my opinion, the province of Saskatchewan was paid a little more than it should have been.

Q. Then they used it all?—A. Through the fact that Saskatchewan was given an advance for the work in the month of February whereas actually the work was not carried through until later in the year, and I challenged the payment for February and March as belonging to a previous fiscal year. In anticipation that I would be asked a question about that I asked my man to verify it and he said that the province of Saskatchewan carried out its project during the year.

The CHAIRMAN: Are there any further questions on items Nos. 47 to 57?

By Mr. Macdonnell:

Q. What about item No. 50, loans and investments totalling $41,467,677? I would like to ask about this loan of $1,250,000 to the Canadian Broadcasting Corporation. Would Mr. Sellar be able to tell us—my impression is that that is only a part of what they get. I do not know which year it was in but I saw an amount of $4 million somewhere.—A. That is later, sir. I think you will find that the $4 million item is the one that they are now operating on, as it were. This is up to March, 1949.

Q. Is this vote a loan or an investment?—A. They are required to pay interest on it. I do not know if we will ever get it back.

Q. Sometimes that doesn't mean very much; I mean paying interest.

Mr. JOHNSTON: How much interest? What rate?

The WITNESS: Three per cent.

By Mr. Macdonnell:

Q. They pay interest on this also apart from getting a government grant?—A. You are treating this $1,250,000 as being a grant?

Q. No, I was not really, but is there not a grant?—A. No, they get the proceeds from the sale of licences and their income from commercial advertising. They get the $2.50 licence fee.

Q. In one sense that is a grant and in another it is not.

By Mr. Johnston:

Q. Do they have to pay for the collection of those fees out of that $2.50? —A. No, sir. Parliament two or three years ago amended the legislation so that they get the gross. The Department of Transport now has to pay the cost of collection.

By Mr. Benidickson:

Q. You were referring a minute ago to a matter of health and welfare in response to a question by Mr. Thatcher when he was referring you to paragraph No. 49, vote No. 797, and in reply you made an explanation of that overpayment to Saskatchewan. I find that this is also covered in paragraph 81. Is that correct?—A. $15,584.

Q. Yes, that is right. That deals specifically with an overpayment in connection with combating tuberculosis?—A. Yes.

Q. And then you drew the general observation that one could assume that probably they had used up pretty well all the money they were entitled to under the health grants because they had overdrawn on this particular vote?—A. No, they had not overdrawn. They spent the money before this scheme came into effect, but their argument was they spent it after it had come into effect and as the department was pleased with the way they were doing things they did not want to quibble over it.

Q. This vote 797 represents ten different forms of health assistance given to provinces and it is quite possible that Saskatchewan or any other province may have used all the money that it was entitled to under one item but not necessarily used all the moneys granted to them that year.—A. That is right, sir.

The CHAIRMAN: Has anyone further questions on item 81? That then disposes of item 81. Are we through with items 47 to 57?

By Mr. Thatcher:

Q. Item No. 51. Take that Labour figure of $2,787,148.94, does that include employees of the Wartime Prices and Trade Board?—A. No, sir. Wartime Prices and Trade Board is under finance. You are referring to this $2,787,000 figure for Labour. If you will look at the next item, 52, you will see this is in connection with vote 143, vocational training for discharged members of Canada's armed forces. The lapse was $2,228,268.

Q. I wanted to ask a question about the Wartime Prices and Trade Board. Where would it be proper to do it?—A. It is under the Department of Finance.

Q. Right now, then; would this be the time?

The CHAIRMAN: Yes, if it deals with lapsings.

By Mr. Thatcher:

Q. You know, this department is being gradually closed down. Are the employees being dismissed or are they being put in other departments or what is being done?—A. Well, I think a little of everything has happened. They are drifting away. Naturally, a person does not want to stay with a dying activity. There is no future. Therefore, they are drifting away. They had, for example, a clerk from my office during the war, and they released her back to me some time ago. She is sixty-five years of age and she is taking her retirement now. I know of an officer in the Department of Finance, who was with the Wartime Prices and Trade Board, and I think that their comptroller has recently gone to the Canadian National Railways. All that sort of thing is going on. The people there now are mainly employed in connection with rentals.

Q. Have any of the employees of the Wartime Prices and Trade Board been deliberately dismissed? I would put it that way.—A. I would have no knowledge of that, sir.

Q. Who would we have to get to answer that, the minister?

The CHAIRMAN: You can get the officials of the Department of Finance.

The WITNESS: The Chairman of the Wartime Prices and Trade Board.

By Mr. Thatcher:

Q. Are you of the opinion that the five hundred employees who are still there are genuinely needed at the present time?—A. I have no idea, sir. They are spread all over the country and they are mainly employed in connection with rental control.

Q. It does not seem to me that the figure of employees in that department is going down as rapidly as it should in view of the things they are looking after.—A. One of the Assistant Deputy Ministers of Finance is also Chairman of the Wartime Prices and Trade Board. He could answer the question better than I could.

By Mr. Browne:

Q. In regard to vote 583 on page 16 item 52, is it a coincidence that the difference between the lapsed amount and the main vote is exactly $11 million, for which the cheque was drawn in item 67? Do you notice that the difference between the amount lapsed is $11 million exactly, and on the 30th of April you say a cheque was drawn for $11 million?—A. No, the amount that lapsed was $6,200,000, and if you subtract that from $17,200,000, you get $11,000,000, and that is the amount on the cheque that was issued.

Q. That is the amount of the cheque that was drawn that day?—A. The whole thing would have lapsed only for that cheque.

Q. I see. There was nothing spent from that?—A. No, sir.

Q. You do not know why?—A. You would have to ask the Department of Finance.

By Mr. Macdonnell:

Q. Coming back to item 51, demobilization and reconversion appropriations; what is that?—A. That was the title that was used that year in dividing up the votes.

Q. Does that mean that that is a special agricultural item?—A. Yes, sir.

Q. And it has nothing to do with agriculture on the preceding page?—A. No, sir.

Q. Demobilization and reconversion appropriations. How does agriculture come into that?—A. You see, sir, in paragraph 52, the Meat Board had a lapse of $1,568,336.

Q. What has that got to do with demobilization and reconversion appropriations?—A. That is the way they were listed in the estimates, sir, under those titles.

Q. Did it ever have anything to do with demobilization and reconversion?—A. The effort that year was to try to get the estimates back towards the pre-war standard of having all normal services of government under the ordinary estimates, but this item that we are speaking of, they thought would disappear in due course, and put it under demobilization and reconversion.

Q. Is there any sign of this disappearing?—A. If you look at the Department of Agriculture estimates for this year you will see they have a new title; "Terminable Services". It is still an effort to identify service as something that is not going to be perpetuated forever, now, they hope, is just a transitory service.

Q. Now, this is the lapsing of $50 million. Where is the amount appropriated? Where do we find that?—A. As I say, I have not the full figures here. These two items, the Meat Board, $6,153,702, and the other for the purchase of creamery butter $1 million, these two items amount to $7,153,000, and as I said, there was a $2,568,000 lapse. I have not information on the other items.

Q. If you add these two together—for example, if you take agriculture and these two different items, one on page 13 and the other on page 16—you get $15 million altogether there, and labour gives you about $3 million altogether—but I do not want to pursue this unnecessarily. The word "terminable" is more intelligible than this.

The CHAIRMAN: Have you any further questions under these headings, gentlemen? If not—

By Mr. Blue:

Q. On item No. 50, vote 664, purchase and placing in storage of strategic reserves. What materials are covered by this amount of $2,809,000?—A. That was the tin that was acquired from China under the quota that Canada was entitled to get so much and this was, in the main, tin. There was some antimony there. They are all minerals.

By Mr. Thatcher:

Q. Item No. 52, Mr. Chairman. Could you tell me whether the National Film Board does air photography? I notice there is an outside firm doing it for the Department of Mines and Resources?—A. I am sorry I cannot inform you on that.

The CHAIRMAN: We are just on the lapsings. I do not think the witness is the one to answer questions of that nature.

By Mr. Macdonnell:

Q. Coming back to item 50, Canadian Arsenals Limited, there is a vote there of $2,500,000. They are a sort of separate institution apart from the Department of National Defence?—A. Canadian Arsenals Limited is a corporation set up to operate the arsenals, to operate the small arms plant at Long Branch, what is left of Research Enterprises, and various other activities. This $2,500,000, which lapsed was an authorization to increase their working capital by that amount that year and they did not need it.

Q. Is their statement here?

By Mr. Thatcher:

Q. It is in the public accounts. They are a crown corporation?—A. Yes, sir, they are incorporated. On certain of their activities they naturally make some money but on others they have a loss because there are some standby plants for war needs if they ever arise.

By Mr. Browne:

Q. I want to refer to item 53. What is the authority for that amount voted for Steep Rock Mines, vote 525, construction, $197,397? Is that under loans and investment?—A. Loans and investment—the provision is, if I recall my facts correctly, that the Canadian National Railways, in connection with that mining proposition, constructed a spur line and certain wharf facilities, with money advanced by the Dominion Government. In turn the Canadian National Railways is to recover this outlay by a special charge for all ore that goes over the dock.

Mr. Browne:

Q. Is there any other vote besides that one? That seems a small amount, $197,000?

The CHAIRMAN: That is just the lapsing.

The WITNESS: It is not a big operation, sir, in dollars.

Mr. BROWNE: Mr. Chairman, I do not think that is not a lapsing; I think that is an investment.

The WITNESS: Wait a minute. You are referring to Snare River?

By Mr. Browne:

Q. No, Steep Rock Mines, vote 525. That is actual construction, a short spur.—A. A spur and a dock.

Q. Has any other money been advanced by the Dominion of Canada to Steep Rock Mines?—A. My recollection is that not a cent has been advanced.

Q. Or by the Canadian National Railways?—A. No, those are the only two things, a spur and a dock.

By Mr. Macdonnell:

Q. Wartime housing: we have an item there for $61 million. Is there any lapsing there or is that presumably all used?—A. Wartime housing was handled by the Central Mortgage and Housing Corporation. Is that the one you are referring to?

Q. Do we get the annual statement of Central Mortgage and Housing Corporation?—A. One is tabled, I imagine, in the House of Commons.

Mr. JOHNSTON: Why would you have it in here unless it was lapsed, and apparently nothing has lapsed?

The WITNESS: These are loans and advances. These are not lapses. These are loans.

By Mr. Macdonnell:

Q. Wartime housing, is that item under demobilization and reconversion?—A. They have dropped that title now, but that year, yes.

The CHAIRMAN: Are you satisfied, gentlemen, about these items?

By Mr. Macdonnell:

Q. Item 54. Look at the supplementaries there in the year-end lapsing. It seems to be poor estimating. Let us see here,—in what part of the year do we make supplementaries? I do not suppose we can go on with that. Year-end lapsings are bigger than the supplementaries. What is the passage of time?—A. In those cases, some of these lapsings were due to the fact that they expected to undertake work and they got supplementaries in general for that purpose.

Q. Would that be true in forests entomology?—A. No, it would be canals, as an example.

Q. Take subsidies for cold storage warehouses: the supplementaries amounted to $620,000 and the year-end lapsings amounted to $758,000. It is awfully hard to understand that.—A. The reason for that would be this: that no subsidy can be paid until the claimant can satisfy that he has carried out so much work. He has to complete his job before he is entitled to any mony. If he were held up for supplies or anything else, he could not get it.

By Mr. Browne:

Q. In item 51, let us take finance, $10,873,000. Supplementaries amounted to $5 million, yet the amount that lapsed was $4,883,000. What is the explanation of that?—A. That was a general vote made to the Minister of Finance to provide for adjustment of salaries throughout the public service. You remember there were certain adjustments being made, revisions upward, and the Department of Finance said each department must finance these increases in their own votes to the full extent that they could. They did and therefore these lapsings took place.

By Mr. Wright:

Q. Would the auditor-general give us some explanation about the Snare River Drainage Basin costs in the Northwest Territories?—A. Snare River Drainage Basin is the power project in the Northwest Territories. Originally that was started with a vote under the Department of Mines and Resources as an expenditure proposition. Two years ago parliament indicated that there should be a Northwest Power Commission which should do that, and in the Act it is provided that loans be made to this Power Commission and simultaneously directed that the expenditures already written off should be capitalized by the Power Commission giving debentures for them. That was the origin of the Snare River project. They did not spend as much money as they expected right there and when they came along that was the estimated amount of the value of the project down to date.

Q. Does that project supply electric power to Eldorado?—A. No, sir, they supply power to Yellowknife.

The CHAIRMAN: Are we through with these items, gentlemen?

By Mr. Macdonnell:

Q. Item 56, loans, advances and investments of $684 million. I notice among those items that mention is made of the Export Credits Insurance Act; that an expenditure of $86 million was made under the authority of this Act. Now, we got that amount; of course, that is not an offsetting item?—A. Export Credits Insurance Act: bear in mind what that was. That was the one that provided for loans to foreign countries. It was not for the Export Credits Insurance Corporation. It was for loans to the various countries throughout the world. I think $750 million, was the total maximum that you allowed.

By Mr. Johnston:

Q. You record the Central Mortgage and Housing Act, 1945? Was that $7 million a loan or advance or investment? That is item 56, Mr. Chairman. —A. That was an advance made under the National Housing Act. It was an advance.

Q. What did they do with that, do you know?—A. They used that to carry on their undertaking.

Q. That is overhead expense?—A. No, no. This is for construction. Of course, their overhead would come somewhere out of their capital or their earnings.

Q. When you say they use that for construction, was not the greater part of the money used there? was that not put up by the insurance companies, and

the only expense, as far as construction is concerned, in Central Mortgage and Housing, would be to guaranteee against any losses that took place. I understand the losses were very small, so, what would they use that money for in construction? Did you check that?—A. No, sir, they have an authority to make these advances under these particular Acts. The Minister of Finance takes the responsiiblity for recommending a sum, the Governor in Council approves that, and the Central Mortgage and Housing Corporation have the responsibility to use it. To get the facts, really, you would have to ask the department.

Mr. PRUDHAM: The Central Mortgage and Housing Corporation do put up a part of that money.

Mr. JOHNSTON: They guarantee.

Mr. PRUDHAM: They actually put up part. They advance part of the loan, a certain portion of it. I do not know the exact proportion at the moment.

Mr. JOHNSTON: I understood they guarantee a portion of the loan, but that actually the insurance company supplies the money.

Mr. PRUDHAM: The Central Mortgage and Housing Corporation put up part of the money also.

Mr. STEWART: Have you any idea of the percentage they put up?

Mr. PRUDHAM: I would have to check that. I have an idea, but I would rather check it first.

By Mr. Macdonnell:

Q. The witness said a moment ago that figure of $86 million under the Export Credits Insurance Act was related back to the large loan we all know we made some years ago. Surely, that was not under the Insurance Act. If you look to page Y-79, you will find the figure is only a flea bite compared to that. I wonder if that is not a misprint?—A. No. To create an insurance scheme, the first year Parliament enacted the Export Credits Insurance Act, then the following year, Parliament added on to it a section, I think, which authorized loans up to $750 million and thereupon loans were made to such countries as France, Belgium, the Netherlands, et cetera.

Q. You are sure that loans were made under the Export Credits Insurance Act?—A. That is the Act it was voted under. The Export Credits Insurance Corporation had nothing to say about it. The Act was the authority. It was done in that way.

By Mr. Browne:

Q. Has this amount here anything to do with this?—A. No, it has nothing to do with the $86 million.

The CHAIRMAN: Can we say we are through with items 47 to 57? Have we finished with that chapter? Mr. Macdonnell moves the adjournment.

Now gentlemen, the steering committee will meet tomorrow. I wonder if it would be in order for this committee to sit tomorrow morning to carry on with the auditor-general. We did not cover as much ground today as we had expected. We have to go over quite a number of items. Tomorrow afternoon we can hear the officials of the Department of Finance, as has been requested by many members of this committee, who want to get their views or question them about the brief submitted by Mr. Sellar.

Mr. MACDONNELL: Now, Mr. Chairman, I have to be away tomorrow, but I am not asking that to be considered at all. What is there so pressing that there should be two meetings tomorrow?

The CHAIRMAN: Well—

Mr. MACDONNELL: There are other committees sitting, and some members of this committee are serving on those other committees.

The CHAIRMAN: Yes, but I have looked over the attendance here today and we have only two members of another committee—the Committee on Old Age Security—sitting here this afternoon. As Mr. Johnston expressed it the other day, we should carry on our own work regardless of what other committees are sitting. We have plenty of work to do.

Mr. MACDONNELL: After all, two meetings a day are surely too much.

The CHAIRMAN: If you do not want two meetings I am in the hands of the committee, but I thought that since we have much ground to cover, and there being many representations made here, that we should deal extensively with the brief presented by the auditor-general, and then have the officials of the Department of Finance before us as early as possible. We will have to draft a preliminary report on one item. We cannot wait until the committee has been sitting for one month and then try and pool our views. We should prepare a preliminary report on the first part of our work, which would be a report on the brief of the auditor-general, before that we might have the officials of the Department of Finance, and then after we cleared that, carry on with the balance of our work. But, in all this I am in the hands of the committee.

Mr. STEWART: I have no objections to two committee meetings a day. It is a bit difficult but I can handle it.

Mr. MACDONNELL: I can only ask you not to have two meetings tomorrow. Of course, I represent a minority.

The CHAIRMAN: May I point out to you that you are one of the members who has insisted that this committee do its work expediously. This is why in view of the amount of work to be performed I thought we could sit twice tomorrow.

Mr. MACDONNELL: I say I have to be away tomorrow but I am not asking that that be considered. Several of us are interested in this work but we have other committees to attend and I would have thought we were getting along pretty well. Besides, we believe we are several weeks from the end of the session.

The CHAIRMAN: If you are satisfied that we have progressed well up to now, all right. We will adjourn then until 4.00 o'clock tomorrow afternoon, May 4.

The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

THURSDAY, MAY 4, 1950

WITNESS:

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

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

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on

PUBLIC ACCOUNTS

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Vice-Chairman: D. A. Croll, Esq.

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Winkler
Wright

Clerk: A. L. Burgess

61619—1½

MINUTES OF PROCEEDINGS

THURSDAY, May 4, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. . Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Balcer, Blue, Boisvert, Boivin, Brisson, Browne (*St. John's West*), Cavers, Croll, Denis, Drew, Diefenbaker, Fulford, Helme, Johnston, Langlois (*Gaspe*), Major, Picard, Richard (*Ottawa East*), Robinson, Stewart (*Winnipeg North*), Warren, Winkler, Wright. —25.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

Mr. Bryce was called and questioned respecting the preparation of the estimates and the form in which they are presented to the House.

At 6 o'clock p.m. the Committee adjourned until Friday, May 5, at 11 o'clock a.m.

A. L. BURGESS
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 4, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, it was agreed yesterday afternoon pursuant to the request of some members who considered it advisable that we were this afternoon to have with us officials of the Department of Finance. The assistant Deputy Minister of Finance particularly concerned with Estimates was called in order that we may ask any questions that the members feel advisable on the different memoranda submitted to the committee by Mr. Sellar. The committee has quite a large order of business, and we thought if we waited until the committee finishes sitting to prepare a report of all its activities it might be a much harder task than if, as soon as we have finished one order of business, we call a meeting of the steering committee and prepare our report on that part of our work.

This afternoon we have with us, Mr. Bryce, Assistant Deputy Minister of the Department of Finance. I would call Mr. Bryce to the table.

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

The CHAIRMAN: Gentlemen, have you any questions?

By Mr. Croll:

Q. Mr. Chairman, I do not know whether Mr. Bryce can answer this question or not. Have you the estimate book in front of you, Mr. Bryce?—A. Yes.

Q. Suppose you turn to any page, say page 51, and take an item, any item there, say vote 413. I just took that item at random. Can you tell me or can you tell the committee what procedure is followed in preparing the estimates with reference to any one of the items? In other words, follow an estimate to the point where it reaches us in this blue book.—A. Well, I think I could tell you that procedure in a general way. I cannot be sure that the description I would give you of the procedure, let us say, within the Secretary of State's Department, is precise.

Q. Then give an example of the procedure followed for the preparation of an estimate in your own department or any other department you like. Take one that you know.—A. The process would commence, in the late summer or early fall, because the department would be aware that they will need to submit estimates to the Treasury Board in the late fall or early winter, so they will be making their preparations, in let us say, the patent division of the patent and copyright office, preparations for determining the amount which they wish to ask for, and naturally the program that underlies it. To do that they will have to take into account their plans for any changes in their operations in the next year as compared with the year that is in progress. They will, no doubt, have made some analyses by the time we ask them formally for their

estimates. The formal request will reach the Secretary of State's department from the Treasury Board, normally in mid October or thereabouts. It will reach them in the form of a letter from the Minister of Finance asking them to submit their estimated requirements for the main estimates of the following year. In that letter he will give a general indication of the policy that the government proposes to follow in regard to estimates in the subsequent year. That will be followed immediately by a letter from the director of estimates on the technical aspects of the form in which they shall be submitted, the way in which this item or that item should be supported. For example, if you look at page 266, you will find what we call the primaries for this patent division and that will show you the amount required for salaries, for printing, for stationery and office equipment and for sundries. In this type of office the requirements are mainly salaries, stationery and office equipment, printing. We require the salaries to be justified in terms of the positions then established with the approval of the Treasury Board, and the statutory increases that may normally be expected. The printing and stationery and office equipment items they know they will have to substantiate by telling us what their plans are, why they need that much, and why it is more or less than in the current year.

Q. Is it a secret as to who is on the Treasury Board?—A. No.

Q. Who is on the Treasury Board?

The board is composed of seven ministers of which the Minister of Finance is chairman. The board is set up by statute. I have forgotten the date of it but it goes back nearly to confederation, and by statute the Minister of Finance is chairman. The other ministers are nominated by the Governor in Council from time to time.

By Mr. Drew:

Q. And who are those ministers now?—A. I am not sure I can tell you by office just which they are. That is a matter I could easily supply to the chairman for the record if you would like to have it.

The CHAIRMAN: We will include it at this point in the record: Right Hon. J. G. Gardiner, Hon. D. C. Abbott, Hon. J. A. MacKinnon, Hon. A. Fournier, Hon. M. F. Gregg, Hon. J. J. McCann.

Alternates: Hon. W. E. Harris, Hon. Brooke Claxton, Hon. Lionel Chevrier, Hon. R. W. Mayhew, Hon. S. S. Garson.

Secretary—R. B. Bryce, Assistant Deputy Minister of Finance.

The WITNESS: There is a provision for alternatives to act in the event of any particular minister being unable to be there.

By the Chairman:

Q. The Treasury Board has a staff?—A. Yes, the Department of Finance and Treasury Board Act specifies that the Deputy Minister of Finance shall be secretary; in fact, one of his assistant deputy ministers (in this case, myself) acts for him in that capacity.

Mr. CROLL: I am sorry I asked that question now. Let us get back to where we were.

The WITNESS: Well, the minister, as I said, writes on behalf of the Board to each department normally in October, asking them to submit estimates and that is supplemented by a letter from the director of estimates regarding the manner in which they should be presented. Well, at that time the process of preparation in the departments in terms both of programs and actual figures will be accelerated. At this time there will be consultation between them and the staff of the Board in regard to how the program will be presented. The departments will then begin submitting the estimates to us in November,

continuing in December, and even into early January in a normal year. They reach us in quite considerable detail, in the case of large departments, detail running to some hundreds of pages. Not invariably, but usually I would say, the cabinet will discuss the general policy to be followed in regard to estimates before all the major programs are submitted to the Board so that the individual ministers will have in mind the policy of the government in making up the figures that they are submitting to the Treasury Board. The recommendations, of course, to the Treasury Board are made by the ministers of the departments after they have consulted with their various officers in regard to them. After the Board's office receives these proposals for the estimates they are then summarized in considerable detail on a uniform basis, for the consideration of the Board itself. The Board will then go over them at quite considerable length.

By the Chairman:

Q. May I ask a question here? Before it reaches this Board of ministers, have officials of the Treasury Board an opportunity to look into it or is it submitted directly to the Board of Ministers?—A. The officials of the Board will look at the estimates as well as prepare the summaries before the Board itself sees them. In looking into them naturally they will see many points on which they can be sure that the Board will wish to raise questions, and require to have more information, and they will secure that additional information or explanation from the departments before the figures are put before the Board itself.

Q. As Secretary of the Board do you have a large staff?—A. Well, I should point out in addition to the work on the estimates of course we have week to week operations,—there are many questions that have to come before the Treasury Board, and to cover both of these functions we have a substantial staff. The number changes somewhat from time to time but it is of the order of seventy to eighty in all, including the clerical staff.

Q. Looking into all these estimates that come from the different departments to the Board?—A. Yes, the staff actually engaged in the preparation of the material of the estimates has been increasing in recent years, I would say about ten or maybe a dozen, and myself.

The material and such explanations and supporting details that we have secured is put before the board of ministers who go over it with the minister for the department concerned, if there are any questions to be raised in regard to it, and with such officials as that minister cares to bring with him to support him in detailed explanations on the various votes. The details to be put in the estimates book will be discussed by the board. The ministers will then at such meetings come to the conclusion as to how much should be included for these various votes within the general policies that the government has decided to follow.

Q. May I ask a question at this point? Do you, as secretary, or do some of your officials attend at these discussions?—A. Yes, normally on the discussions on the estimates there will be two or three officers of the Department of Finance present, one in the role of recording secretary and one to present views on behalf of the Department of Finance, criticizing the material put before them.

Mr. BROWNE: Sort of a devil's advocate?

The WITNESS: Yes.

By Mr. Richard (Ottawa East):

Q. Does the Treasury Board pass on normal salary increases suggested by the department, or can they refuse normal increases?—A. Yes, that is part of our business. Throughout the year proposals for changes in salary rates come, in the majority of cases, from the Civil Service Commission, who are responsible

under the Civil Service Act for making such recommendations, and they are considered by the board on behalf of the Governor in Council.

Q. Does not the department suggest the increases?—A. It is the Civil Service Commission under the Civil Service Act which is required to make the recommendation to the government for changes in salary rates.

Q. Even for the normal yearly increases?—A. Not those increases which are called statutory increases, are made by the departments themselves.

By Mr. Johnston:

Q. Mr. Chairman, referring to the vote that has been chosen here, the patent and copyright office. In looking through that you will find first the administrative division and then as you go down you will find, if you refer to the details on pages 266 and 267, that quite a good deal of that is just administration. If you look at vote 422, on page 51, under the heading of general, you will find that, too, is administration. It seems to me that administration costs are somewhat scattered throughout that whole heading there and bearing in mind what Mr. Sellar told us the other day about changing the wording of a vote to make it more informative, what have you to suggest in regard to Mr. Sellar's suggestion as it applies to this particular item you have chosen?—A. Well, in that particular department it is true that most of the work is of an office nature and is administrative in a sense, but by administrative division here is essentially meant the reason for segregating departmental administration in 412 and 417. That is a sort of headquarters administration the cost of which cannot be readily and directly allocated to the companies branch, the bureau of translations or the patent record division or anything of that sort . The basic principle on which th estimates are laid out is a functional one, it is intended to reflect the cost of carrying out a certain type of operation and for that reason we set out the patent division, which looks after the granting of patents, the copyright and industrial designs division which looks after the granting of copyrights and the recording of them, whereas above that in the estimates you have the companies branch, the trademarks branch, and the bureau for translations, which carry out separate functions. Generally speaking, the purpose of the division of the votes here and elsewhere is first, to inform parliament and the public for what purpose the money is requested and secondly, to give parliament a measure of control over the purpose of the operations and expenditures. Now, Mr. Sellar's suggestions for lumping more of the votes together—

Mr. JOHNSTON: Maybe this is a poor item we have chosen.

The WITNESS: Maybe we had better revert to the agricultural item.

The CHAIRMAN: Since Mr. Bryce was answering a question by Mr. Croll, maybe he should finish answering that question. He was describing the path followed by an estimate from the moment it is born in the brain of some official in the department up to the moment it reaches us. So, if we would let Mr. Bryce finish that answer, then maybe we could go on to other matters.

Mr. JOHNSTON: I thought he had finished.

The CHAIRMAN: Were you finished, Mr. Bryce?

The WITNESS: Not quite, sir.

Mr. JOHNSTON: I am sorry, sir, I thought he had finished it.

The CHAIRMAN: That is because some other question was asked in the interval.

The WITNESS: I think I had carried it to the point where these estimates were discussed at the board with the minister responsible. It may be that the minister will wish to go back and think over in more detail the problems that arise in discussing the estimates, and there will be a second meeting or something of that sort, but the decisions will normally be taken, in the great majority of cases, at the meetings of the Treasury Board. At this point the material is in the

form of printer's proof, so that there will be the least possible delay in getting it to the House of Commons after the decision. These proofs will have to be taken to the cabinet, the Governor in Council, for final approval, for, of course, the cabinet as a whole accepts the responsibility for the sum total and division of the estimates. Then when that decision is taken the proofs are all ready, the print is already set up, and any changes which it is necessary to make at the last moment are incorporated in it and the book is printed and is ready for presentation within a few days to the House of Commons.

Mr. ROBINSON: How long has that general procedure you have just outlined been followed, Mr. Bryce?

The WITNESS: The general procedure has been followed ten years or more but just how far before the war I could not tell you, sir.

The CHAIRMAN: I thought that some members wanted to take up right away the question of agriculture estimates.

Mr. JOHNSON: I was not particularly concerned about that. I just picked that because the witness picked it out as an illustration.

The CHAIRMAN: But on the question of agriculture, seing it was the subject of a lengthy memorandum I thought we should deal first with the broad question involved in that memorandum regarding the estimates, the memorandum that was submitted by Mr. Sellar, and then we would take the memorandum on agriculture estimates after, as a special unit, since we have already dealt in our committee with agriculure in a separate memorandum.

Mr. JOHNSON: That is all right with me.

The CHAIRMAN: It will be more orderly if we take that long memorandum and tear it apart, and get all the information you want, or opinions on it you wish. Are there any questions on Mr. Sellar's memorandum on estimates? Is that what you wanted Mr. Wright?

By Mr. Wright:

Q. We were discussing salaries and Mr. Bryce suggested the Civil Service Commission approves the salaries. Does the Civil Service Commission set the salary of temporary employees in various departments, or are they set by the departments themselves?—A. I would point out that under our law positions are classified and salaries are set by classes of positions, not by the individual. Responsibility for recommending the rates in the first instance falls on the Civil Service Commission and they are then sent to the government for approval, and the Treasury Board acts on behalf of the government in considering them in detail. Obviously, of course, there will be a measure of a consultation between th Civil Service Commission and the Minister of Finance or his officers in regard to this and if it is a class that affects primarily several departments there will be a consultation with those departments and the decisions will be worked out jointly before formal action is taken. I should perhaps point out there are a few classes of exempt employees, in the penitentiary service, for example, and things of that sort, where the salary rates are set directly by the Treasury Board although frequently after consultation with the Civil Service Commission to keep a measure of comparability. There are also, of course, quite a good many thousands of what we call prevailing rate employees whose wages are based on the rates prevailing in the locality for that kind of work.

By Mr. Richard (Ottawa East):

Q. Then there is consultation with the Department of Labour for prevailing wage employees?—A. Just to determine the prevailing rate; the Labour Department is asked to investigate that.

Mr. WRIGHT: That is the method you use when employing temporary employees in emergency situations under the P.F.A.A. and the P.F.R.A. in western Canada?

The WITNESS: Yes, most of those are positions exempt from the Civil Service Act, but we will on occasion make use of the Civil Service Commission in setting the proper rates.

By Mr. Johnston:

Q. How much of a cushion do you allow there?—A. I am not sure I understand what you mean by cushion.

Q. Mr. Wright referred to the P.F.A.A. and P.F.R.A. where cases of emergency exist, where the department may have to take on a number of temporary employees. Have you a cushion to take care of that?—A. In the field?

Q. Yes?—A. Yes, they will make provision for casual staff to take care of unforseen summer operations.

Q. I do not think there is a provision for provisional staff which would act as a cushion.

Mr. CROLL: Do you remember that Mr. Sellar told us all deputy ministers give themselves a ten per cent cushion and what he objected to was a twenty per cent cushion.

By Mr. Wright:

Q. What I am interested in is, for instance, that under P.F.A.A. nobody knows until July as to whether they are going to need a great number of inspectors where there is a large drought. How do they provide for that?—A. That very service you mention is one of the most difficult to anticipate because, as you point out—

Q. It cannot be anticipated?—A. What we have here in the details on page 97, you will notice that there is provision for salaries of sixty-two temporary employees on the regular staff but there is a larger amount provided for what is called casuals and others. This would be a provision for seasonal staff. Whether in a particular year that will be more than enough or not enough is a question of judgment that has to be exercised as best we can.

Mr. STEWART: By whom are these passed upon; by the minister or by the officials of the department?

The WITNESS: I am afraid I am not expert enough on that matter to give you an answer.

Mr. WINKLER: Respecting the memorandum of Mr. Sellar in regard to his suggested method of regrouping, if that were adopted would it interfere drastically with the present method of arriving at the estimates?

The WITNESS: I do not think that regrouping of votes would alter in any measure the process for determining the estimates; it does have some effect on the content and the degree of parliamentary control.

Mr. CROLL: You say, "degree of parliamentary control". One of the observations made by Mr. Sellar was that we had too many votes; that is part of it, that we had too many votes; what do you say to that?

Mr. JOHNSTON: That is the question I asked him and I was told to wait until we got on to agriculture.

The CHAIRMAN: Yes.

Mr. CROLL: Why do you have so many votes in here? Can't the departments cut it down?

The WITNESSS The general structure of our votes, on the estimates, was established, as I recall from memory, away back somewhere in 1938. There

was a major revision at that time and the purpose of that revision was to divide our total appropriations on what I have described as a functional basis in answer to an earlier question; the amount of money required to carry out a particular function; and a question of how many votes you want to have really boils down to how detailed an analysis of functions or organization you wish to present to parliament. Take Agriculture for instance. If you group the whole science service together—I believe Mr. Sellar recommended you have one vote for it—it is true that you don't have so much detail for the House to go through in committee, but on the other hand it does mean that you will leave with the government more of an opportunity to shift manpower and money from one purpose to another purpose; and, secondly, parliament is not itself taking into consideration, in the way of decisions, as to whether for example money will be devoted to forest entomology rather than to bacteriology and dairy research. Now, the question for parliament is as to the degree of control. I do not think a civil servant can properly say anything about the degree of control that parliament should exercise; but to me it seems a material point as to whether this money is being devoted to one general line of scientific work or to another.

By Mr. Drew:

Q. Let us just take one example. Perhaps that would serve without confining ourselves to agriculture. All the way through the votes we find allocations of money for advertising and related matters. Now, are you in a position from any records that you have to say accurately how much in 1949 was spent on advertising by the government?—A. Was spent, or was projected in the estimates?

Q. No no, I am talking about the actual public accounts, or for that matter the textbook on the estimates. Is there any way in which anyone can quickly determine from these estimates how much money is to be required for the coming year for advertising?—A. I could not tell you, sir, for advertising as such. I did make up recently some details for advertising and publications and radio and things of that sort.

Q. I will explain what I have in mind before asking my question. The point you are making unquestionably is of very real importance in determining whether the members of parliament think that too much is being spent by a particular department for a particular purpose; and as I understand the answer you gave earlier your thought was that if you merged these payments too much in a particular field of government activity then members of parliament could not determine whether in their opinion there is too much allocated for a particular department because it would be a merged amount. Accepting that as having very real importance, then coming into the wider field, how can the members of parliament determine from either the public accounts which deal with money that has been spent or in the estimates which deal with requirements for the future how much in the one case has been spent or how much in the other case is going to be required for advertising alone in the various government activities?—A. That is what you might call objectives of expenditure as distinct from functional?

Q. Yes.—A. It would be necessary to make a cross-classification of all the details. One could pick out, perhaps, not alone from the details that are in the estimates book how much is provided in the estimates throughout for advertising. Now, it may be difficult to tell in advance whether one primary will be used very largely for advertising or to some degree for issuing booklets and that sort of thing. Take the Travel Bureau, they may reach the judgment during the year that it would be more effective to devote some of their funds to increasing the distribution of booklets rather than to advertising. That is a matter that is at the present time within the discretion of the administration. It is all subject to changes of that sort. One could ascerain what is set out in

the vote and by adding the totals—and, of course, the public accounts ultimately do show—if one analyses them you get the amount expended.

Q. We are dealing in the one case with money that has already been voted and has become a fixed amount. We are dealing in the other case with estimated amounts, and in the case of estimated amounts we are still in the position that some allocations under the estimates of public funds may conceivably be spent for a different purpose entirely within the statutory authority of the department handling that money.

The CHAIRMAN: There is a point there: Could the department take the money from one vote and put it into another?

By Mr. Drew:

Q. I do not mean a transfer from one vote to the other, and I pointed out to Mr. Bryce as a convenient example the case of the transfer in connection with publicity of the allocation of funds from, shall we say, one branch of publicity to another within the department in the course of the year as in the judgment of the department they may feel will get the best results. For example, instead of using the money all for advertising they may find that through the use of booklets which are provided within a single vote that the advertising they would get would show better results, and as I understand it they have the discretionary authority to do that. That is what I understood you to say. —A. Yes sir, it requires a transfer, however, between two of the categories in the details of the estimates. They would have to go to the Treasury Board and get authority to transfer between these, what we call primary allotments.

Q. Yes.—A. But subject to that there is an element of discretion there as to how you may use the funds in achieving the purpose for which the vote is granted.

Q. Yes. Now, so that I may ask my question based upon the thought that I had in mind, let me explain exactly to what I am directing the question. There was, for instance, a question asked in the House in regard to the number of men engaged in publicity and information services. An answer was given to that question and an answer was also given which showed the amount of salaries that were received by the 340 odd persons engaged in these services. Now, to carry that a stage further. If the members of parliament want to know what the total cost of the operation is which comes under the supervision of these men how can they ascertain from the estimates exactly what it is going to cost for these men to carry on their work in the form of advertising, in the form of paper for circulation, in the form of booklets and things of that kind? —A. In those departments and operations where there is a large operation you can get some idea from our details supporting these votes; details, for instance, in the Travel Bureau. Now, you will see those details on page 259. You will see listed there also the amount for advertising and the amount for publication, which would give you in most instances a guide to the amount going for that particular purpose. However, there will also be in the details the salaries of persons who place that advertising, the salaries of persons who would write the material having to do with the publications and the advertising; so that you could not take out from the votes, from the details that are supplied here, exactly all the effort that is directed to promoting the Travel Bureau's activities. There are all sorts of complications there, sir, and it becomes ultimately a question of judgment as to what individuals are following the type of activity about which you speak.

Q. Let me put it this way. It is noticeable in this statement and in the statement that he made, that Mr. Watson Sellar was suggesting that in all these departments which could be brought under a similar procedure, the method that would apply to ordinary business should apply to the government operation as well. If I were responsible for the operation of an industrial undertaking I would

expect to be able to know how much I was paying for power, how much I was paying for raw material, how much I was paying for capital charges, how much I was paying for rentals, how much I was paying for labour, how much I was paying for salaries; and I would expect to be able to see and to know at any time my business position and exactly how much I paid for advertising and publicity in connection with that business. Now, it seems to me that in some way it should be possible for us to determine exactly what the total over-all cost of advertising and publicity by circulars and publicity by pamphlets and publicity of any kind is actually costing the general business of government. Is there any practical reason why that information cannot be supplied?

Mr. LANGLOIS: Before the witness answers that question I would like to ask Mr. Drew this question; would your company have as large a range of activities as the government does?

Mr. DREW: Would it what?

Mr. LANGLOIS: Would it have as wide a range of activities as is the case with the government?

Mr. DREW: I grant you that, but I think the larger the business the more simplified the method of supervision of accounts should be. I do not think the scale of the business should change the principle in any way, I mean the range of activities.

Mr. LANGLOIS: I meant the range of activities.

Mr. DREW: The range of activities I think covers a wider field, but I should think it would be a comparatively simple thing to take out the figures the same way as you would in business. Would it not be possible, Mr. Bryce, to have such a thing as publicity and advertising shown in that way?

Mr. WARREN: I know what Mr. Drew is getting at.

The CHAIRMAN: Is it a point of order you are raising, Mr. Warren?

Mr. DREW: I am quite willing to let the gentleman proceed.

Mr. WARREN: Well, Mr. Chairman, I am a member of this committee.

The CHAIRMAN: If you have any questions to ask I think you should defer them and let Mr. Drew proceed.

Mr. DREW: I am very happy, Mr. Chairman, to discontinue my questioning upon that point if there is some other question the committee wants to take up at the moment; if not, I would like to follow this through.

The CHAIRMAN: Go ahead.

By Mr. Drew:

Q. Is there any practical reason why it would not be possible to show the details in the department and at the same time in such a thing as that to have a consolidation of those figures into a simple statement which would show the advertising, publicity and other costs, so that members of parliament would know exactly what the total figure is that would be allotted for instance to work of this kind, how much is being spent on publicity and public relations and activities of that sort.—A. I think, sir, it would be possible; but one must realize the difficulties that arise in carrying it out. It has to be borne in mind that there are a great many classifications that apply in the various phases of the public accounts and the activities of departments; I know we have tried to prepare such figures in the past and we got into all sorts of arguments as to which category you would place a particular item in . In this particular case of advertising and publicity, that is one thing the Department of Finance normally notes in looking at the estimates, but we have had difficulty in determining just what the boundary line is. It is exceedingly difficult to know where those boundary lines come. For instance, there is the *Canada Year Book;* is that pub-

licity or advertising? It is a working tool to a great many people, and it is open to argument as to how you would classify that; and it gets more difficult when you start to determine what people you will class as doing that sort of work. There are scientists, let us say, in the Department of Agriculture who write about their work in a form to be used through the Agricultural Extension Service as a bulletin for farmers. Are they engaged in the sort of work you describe? That is the type of very difficult practical problem which comes up when you try to make such a classification, and I would say it would take a little while to work out a general scheme as to what the most useful classification might be and as to how it should be applied.

Q. But my question is, could it be done?—A. It can be done and it can be put in if parliament wants it.

Mr. CROLL: Would you let me follow that up? Just the other night Mr. Pearson gave us an example when he was discussing this problem of public relations, publicity and so on, as it affected his department. He gave us an example of a man stationed in London who is classified under the heading of a publicity man, or in the information department, and he derates 10 per cent of his time to routine publicity work in the district and the balance of his time to answering questions from all over England about such things as the population of British Columbia, or in getting a set of public school books for somebody in Alberta. How do you divide his time? Perhaps that would assist you in answering Mr. Drew's question.

The WITNESS: I have got to know more precisely what one wants in the question. What do you regard as publicity work? Is answering inquiries about population, getting books and that sort of thing, is that publicity work, or is that a question of routine service?

Mr. DREW: That to my mind is a very important point. As I interpret Mr. Watson Sellar's recommendations there he directed our attention to one thing, and that is to the simplification or redrafting of accounts in estimates in a way that will make it possible for members of parliament and the general public to understand a little more clearly exactly what it is that the money is being expended for. Let me give you an illustration, which will be well known to Mr. Croll, of the way in which allocations of cost in this way can be made. Take a company like Ford of Canada with their very large operation.

They have men and women who devote a part of their time to taking people around and showing them through the plant, but a large part of their time will be taken up in doing other things; but the Ford company allocate the cost of services of that kind under their cost accounting method. Can you see any reason at all why the same type of cost accounting allocation of costs that would be applied by a company like Ford could not be applied to a government operation?—A. I think, sir, we could apply it at some cost. You cannot undertake a detailed cost accounting and allocation of overhead without having accountants doing that.

Q. All human activities cost money, but what has been found in the case of business is that it usually saves money, because you know how your money is being spent.—A. If you are engaged in an operation where you have to assess your prices in terms of cost it is obvious that savings will result and will be worthwhile carrying out. However, in case where that is irrelevant, how far should it be carried?

The CHAIRMAN: In order to keep the record clear may I ask Mr. Drew one question?

Mr. DREW: Yes.

The CHAIRMAN: When you group all these publicity and advertising activities of all the departments and bring them all under one vote in the House how are members going to have an opportunity of discussing those appropriations department by department? Is that what you had in mind, or did you understand that Mr. Sellar's suggestion was that that would be submitted in accordance with established company practice? Would you take it as a single vote or would you deal with it department by department? If you pool all expenditures of the same nature, how are members going to have an opportunity of discussing in the House each individual item as it relates to a particular department?

Mr. DREW: I was really going to ask a question but I will answer that.

The CHAIRMAN: If you would.

Mr. DREW: I will give you a very clear answer. What I would put forward as a suggestion, and what I base my question on, is this, whether it would be practical or not. As it is now the estimates are preceded by a summary and that summary is not in itself something that the House votes on; it is merely for information. You will see it there on pages 2 and 3—and it sets out the amounts to be voted for each department and gives a comparison with the amount spent for the same purposes in the preceding year. It seems to me that following the suggestions made by Mr. Watson Sellar it is desirable that there be, shall I say, a similar consolidated statement that will give us a lot of useful information; that, first of all, having defined the type of services more clearly than they—now have them somewhat better defined than is the case at present —it would be possible to have a still longer summary which in addition to giving the detail of all the departments would also give us an indication of the total amount that is to be voted for a particular purpose for the whole of the public service. There might also be summaries under different headings showing the costs of certain public services that obviously fall within a similar category. Now that involves, first of all, a definition; we would have to adopt a uniform definition that everybody can understand, and then have an allocation of that amount in each department. In that way we would be able to know how many millions of dollars were being spent on advertising, how many millions of dollars were being spent on pamphlet publication and things of that kind, how many millions of dollars were being spent on press releases, on mimeograph releases of a similar nature; we would also know how much money would be spent for paper—I imagine that would be very substantial.

The CHAIRMAN: Do the large companies do that in their reports?

Mr. DREW: They would certainly have that information at directors meetings, and I would not think that I was doing my job as a director if I did not know how much money was being spent for paper in the organization, particularly having in mind the present price of paper. And it seems to me that those are the things that are essential as a matter of information to form any opinion as to whether the methods being used are methods that are performing the public service at any rate in the most economical way.

The CHAIRMAN: That information would come in the same form as the present summary of the detailed estimates; it would not change the form of the estimates.

Mr. DREW: I am not suggesting for a moment that you could deal with estimates in any other way than by departments. I do not want that statement to leave the impression that I am suggesting that he present form of estimates for departments is unsatisfactory, but I do agree that both from the statutory point of view and from the practical point of view you must have votes in respect to departments as they now are, but I would hope in a more simplified and more interesting form.

Mr. STEWART: So that I may be clear in my mind as to the suggestion advanced by Mr. Drew, do I understand you to mean that the estimates would be much the same as we now have them but that at the end of each department there would be an indication of the expenditures in that department with respect to publicity, what amount is spent on advertising, what amount is spent on publications, what amount is spent on paper and that sort of thing; that you would have that information in there along with the appropriation, or the amount to be voted? Is that what you have in mind?

Mr. DREW: Yes, and then a consolidation of those items for each department in the form of a statement similar to that which now appears in the first part of this book on estimates; a statement which would cover every department and show us at a glance the amount of money involved under each main classification.

Mr. STEWART: I do not think that the cost accounting relative to that would be exceptionally heavy.

Mr. LANGLOIS: But Mr. Drew referred to the operations of a company, and I was asking him if it would have the same range of activities; would it be anything comparable in size to the business carried on by all the departments of government?

Mr. DREW: I was merely using that as an illustration.

Mr. DIEFENBAKER: As a matter of fact, Mr. Bryce, isn't that what was suggested in the United States by the Hoover Commission? That in order to place properly the efficiency of administrative machinery and so that the functions of government could be fully understood it was necessary to visualize that in such a way that it would be apparent to anyone reading the records what the expenditures were. Now, I can give you an example in this country. A few weeks ago I asked a question as to what certain travelling expenses were and that was passed as an order for a return. I do not know when I will get it, but whenever I get in touch with anyone in the department and ask how it is coming along the usual answer I get is that it is very difficult to get out a statement on travelling expenses. Now, surely, that is one case where there would be no question as to what travelling expense was. There should be no trouble in getting out an answer to that question.

The WITNESS: By that do you mean that you would include travelling expenses, or the actual amount that is expended on the business of government in respect to travel. Would you include removal expenses?

Mr. DREW: What do you mean by removal expenses?

The WITNESS: Where an officer or an employee is moved let us say from Regina to Vancouver.

Mr. DREW: That obviously would be personal travelling expense.

The WITNESS: That is right.

Mr. DREW: But those will be in separate categories now?

The WITNESS: Well, it is often difficult to lay down exactly what they are. We are never quite sure for example when Mr. Diefenbaker asks for that information, if he wants to get removal as well as travelling expenses or not.

By Mr. Diefenbaker:

Q. That is very helpful, but right here I would like to ask a question: how would I ask that question, not only to cover travelling expenses, but also removal expenses? Are there any other categories that—?—A. Those would be the main ones.

Q. So if I want to get the answer for travelling and removal expenses they should be readily available in the matter of a few days.

Mr. LANGLOIS: How many employees would that cover?

The WITNESS: It might involve quite a problem. In External Affairs, for example, we would have the problem: do you assemble the accounts from overseas or in other cases from the thousands of local offices throughout Canada?

Mr. CROLL: Why do you not ask easy questions, Mr. Diefenbaker?

By Mr. Diefenbaker:

Q. That indicates one thing to me, Mr. Bryce. Am I right in this, that you really have no records available here of those expenditures? There is no record from month to month similar to that in any business concern that will allow the information to be readily furnished without sending telegrams and cables back and forth to all parts of the world.—A. The more we have that information centralized the more expensive our accounting is. We have to look at the thing in terms of what is worthwhile.

By Mr. Drew:

Q. Mr. Bryce, on that point, has not this been the experience in business accounting, that once you establish a clear practice of delivering information at regular periods to a central office that you greatly reduce the expense below what you have under another system where you are constantly called on to write this person and to that person to get information at different times and then have to bring it together for some particular purpose, is that not so?—A. Well, my business experience is not extensive enough, that I would want to generalize—but I believe there is a limit on the degree to which it pays to centralize, and the problem here—take the Department of Transport as an example—do we want to centralize the control of travel expenses all in Ottawa, or spread it out in local offices? The same applies to the Unemployment Insurance Commission. At what level and in what area do you want your managerial control?

Q. There is a distinction between managerial control and records. Under managerial control some one in Paris or Melbourne or in Victoria or in Halifax does something which involves public expenditure. Then there is a record made and that is approved under an established system of managerial control. If you have a system under which at the end of each month the record of expenditures in certain categories must be forwarded to Ottawa, then while it may be true you cannot give an up-to-the-minute record, as there may be a time lag of weeks to get this information to Ottawa, it seems any given time up to say a date six weeks before would automatically have brought forward the total of these items in the whole system. Would not that be simple?—A. I think it is true that you could. When you get into this detail it is the Comptroller of the Treasury, Mr. McIntyre, who can tell you what the time lag is in assembling the information.

By Mr. Croll:

Q. I want to ask two questions arising out of what Mr. Drew says. We were talking about the general form of the estimates. These two questions appear to suggest themselves to me. I do not know how long you have been there, Mr. Bryce, so perhaps you do not know the answers. Did we always, to your knowledge, present estimates in this fashion, as we have them now? I think Mr. Sellar said it was since 1935 or 1936. But did we always present them in this fashion?—A. No, there was a major revision made in 1938. It was announced in the House. I thought it might be useful to the committee if I brought along a copy of the statement made at that time. It gives a brief explanation of the general basis.

EXCERPT FROM THE DEBATES OF THE HOUSE OF COMMONS, FEBRUARY 3, 1938, CONTAINING A STATEMENT BY THE MINISTER OF FINANCE ON THE REVISION IN THE FORM OF THE ESTIMATES

"In the budget speech of last year I made an attempt to show the percentage distribution of our revenues and expenditures, but found it necessary to point out that the form of our estimates and appropriations made it impossible to achieve accuracy in such calculations. I then stated that before another year had passed I hoped to be able to introduce such changes in our procedure regarding estimates and accounts as would make it possible to determine more accurately the real costs of the various services of government.

I am glad to be able to announce to the house that the main estimates for 1938-39, which are now being tabled, are being presented in a new form, with what I believe is a greatly improved classification and with much greater detail. The purpose of the revision is to facilitate a greater control over expenditures and to present a clearer and truer picture of the operations of government.

The need for revision has been recognized for years, in that items in the estimates did not reflect the cost of services. In this respect they were actually misleading, because, with few exceptions, they were supplemented from civil government or other appropriation of a general character. Other defects included provision for numbers of distinct activities under one general item, and assembly of items under obsolete captions without relationship to existing departmental responsibility. The principal object of the revision is to give to parliament, by removal of these defects, a reasonably accurate estimate of the costs of functions, assembled under the departments responsible for administration.

Application of this principle involved rearrangement of vote and disappearance of the civil government and miscellaneous sections. It also involved selection of the distinct services or projects on which the taxpayer's money is spent and insertion of an item for each. As all expenses cannot be allocated on this basis, the remainder for the department or branch has been included under an item for administration of the department. As comparison with estimates of the previous year are always of first rate importance to parliament, these have been shown in each instance. The amount entered for 1937-38 is the sum voted for that particular function, although it may have been authorized under several general or specific votes for that year. Any member interested may obtain details of these allocations of former votes in committee of supply.

The new form is composed of two main sections. The first, to page 53, is made up of items to be included in the supply bill, together with statutory appropriations, each of which is marked with the letter S. The second section, from page 54 to the end, is for the information of parliament and will not be in the supply bill. In the first section, division by items has been with the object of showing clearly the cost of the various services carried on by the government. The second section, which is entirely new, is designed to furnish parliament with detailed information as to how the various proposed votes are to be spent. For convenience the page number of the details is printed opposite each item.

In effect, items in the first section will become votes which must be administered strictly in accordance with their terms and amounts. On the other hand, the details by objects of expenditure contained in the second section may be varied to meet administrative requirements. In general, they will be the basis of classifications compiled by each department at the beginning of the fiscal year under the terms of section 26 of The Consolidated Revenue and Audit Act. These classifications are submitted to the Department of Finance at the beginning of the fiscal year, and may not be amended except with approval of the Treasury Board.

The ruling principle of this revision has been the endeavour to furnish the cost of functions. At the same time, it has been necessary to give due consideration to the requirements of administration, accounting and audit, since all are necessary to a full measure of parliamentary control. While the new form is an attempt to meet all essentials, it is not regarded as final. Rather, it is believed that experience in operation and consideration here will suggest further improvements for future years.

I need not say that the changes which have been made have resulted in a great deal of work during the past year for all the departments and for the Treasury Board. It will be clear, also, that the larger number of votes will probably increase the work of my colleagues and their departmental officials in getting their estimates through the house. We have, however, received the co-operation of all departments in making the revision possible, and I trust that the changes which have been introduced will, after study, commend themselves to the house."

Q. In the light of your present experience, Mr. Bryce, with estimates, have you continued to improve this system and in what fashion? These are two things I wonder if you could answer?—A. I would say there has been a gradual improvement, but a period of war and all the immediate changes following upon war is not a period where you can hope to settle down into the best peacetime methods.

Q. In what respect have you improved? Can you point to anything? —A. For instance, I would say, we have, to a larger extent than formerly, segregated votes for operating from votes for capital that is, for construction and improvements. I feel that is an important distinction which is worth making. For example, where in meteorological work we provide for construction of new stations and additions and betterments to equipment or where we are providing the actual operating cost, I would feel that segregating these costs gives a better idea of what is happening by comparison with previous years and different scales of operation, and gives a better measure of control. I would say offhand that is one of the main features of development that has taken place.

By Mr. Browne:

Q. Could you give us an illustration of that in the agriculture estimates? —A. I am sorry, sir, I would have to trace it through a number of years to show that but I may be able to get an analysis made of that sort of point and supply it to the chairman for the record.

Q. I was under the impression from the remarks of the auditor general that there is no distinction or very little distinction between capital and ordinary expenditure.—A. It is not general yet, but it is widening out. I think you will find it quite frequently in the Department of Transport votes now. My recollection is that in the Atomic Energy Control Board votes there is a distinction between capital and operating expenses that was not in then previously. Frankly, we have only a very limited number who can work on this and our interest has been primarily devoted to the figures following the vote rather than the form of the vote. That is one of the main trends. We have also been trying to get to a uniform system of analyzing, and breaking down the votes into primaries.

By Mr. Croll:

Q. Can you point at any of these votes and show what you call uniformity? —A. We are now showing under most votes, not only salaries, but salaries broken down into permanents, temporary assistance, casuals and others. We usually under most votes divide office materials into printing stationery and office equipment. Travelling expenses are a separate requirement and it would include removal expenses.

By Mr. Stewart:

Q. This question of advertising rather intrigues me. At the moment, I do not see any difficulty in providing the information as has been suggested but in the Department of Finance. For instance Department of Finance, looking very casually at only one amount for public information program, $30,000. I am looking at page 122 of the estimates, 1950-51. Do I understand from that, assuming the money is spent that that is all that will be spent by the Department of Finance on publicity?—A. You will notice that is under the Foreign Exchange Control Board and those are the expenditures directed to the particular purposes of that Act and of course that is the reason that we try to segregate that into a different vote.

Q. Is that point the only place where money is spent on public information program such as is mentioned there? Is there money being spent in other departments of finance for public information?—A. Just look at the item immediately above, under Farm Improvement Loans Act. They get out an annual report, various press releases, announcements and things like that, which is done by their regular staff. There may be one girl on the staff of a dozen, say, who specializes more or less in that sort of work. I am not quite sure whether Mr. Drew would think we should classify that as public relations work. That is the problem we are up against when we try to segregate a particular type of expense in this way. The Department of Finance does not have an information division. You will find, however, under the votes in the Department of Finance a vote for the cost of issuing new loans. That is not technically a vote, it is a forecast of the expenditures that may be made under the continuing authority in the Consolidated Revenue and Audit Act. Some of that would be for the advertising necessary in issuing a loan. If we were going to make up the sort of analysis Mr. Drew has suggested we would have to try to make some rough guess as to what the advertising for the issuing of the loans might cost.

Mr. DREW: Well, I would find it difficult in the exchange of question and answer in this way to suggest the exact form that any one of them would take but there must be some form under some practical definition that can be adopted? Let us take an example, the Department of Transport, page 52, of the estimates. There is an item there, note No. 426, publicity and advertising in Canada and abroad, and the estimate for the coming year is $201,000 as compared with $267,000 last year. Items of this kind appear all the way through the accounts.

Mr. JOHNSTON: Would that be a true statement according to Mr. Bryce's definition? How would you allocate it exactly?

Mr. DREW: That is what I do not know. I find that different terms are used in different departments. In one case it may be described as public relations and in another, as we have just read, publicity and advertising in Canada and abroad. I notice, for instance, in the public accounts of 1949, that there is a much larger expenditure under the title of advertising by the Department of Trade and Commerce. What I am pointing out is this: if we are to approach this as we would approach the problem in business, I think we would be able to say how much is spent in advertising and how it is divided as between the printing, radio, films and for paper bought by the government. I think the way we have it we have no way of expressing an opinion as to whether the thing is being done economically or not.

Mr. CROLL: Mr. Drew, would you refer to page 270?

The CHAIRMAN: Where would you put these suggestions in the estimates?

Mr. CROLL: Mr. Chairman, if you look at page 270, you have the answer to Mr. Drew's question. That same vote is carried into page 270. Look at it. You have booklets, films, clipping service and subscriptions, printing "Foreign Trade" and "Commerce Exterieur".

Mr. DREW: In this particular department the information is given in substantial detail but you will find in other cases it is not.

Mr. CROLL: I just happened to glance at this.

Mr. DREW: Oh yes, that is carried out in substantial detail.

By Mr. Croll:

Q. Can you then say, Mr. Bryce, whether it is practical under all circumstances to provide this sort of detail?—A. Well, it is difficult but if you wanted to have issued an appendix to the estimates giving this sort of cross-classification I say it could be done. There would be arguments as to whether items should be included here or there.

Mr. RICHARD (*Ottawa East*): You would need a definition of the title?

The WITNESS: Yes.

Mr. BALCER: If it is possible for the Department of Trade and Commerce why should it not be possible for other departments to give this detail?

The WITNESS: I think it is possible but the classification given here in the Department of Trade and Commerce differs somewhat from the travel bureau. Their problems are a little different. We have tried here to pick out and set out these things which are of interest and importance in respect to each individual vote. If we are going to get completely uniform cross-classification, it may mean that things which are important in one vote may not show up in another because you lose them in the larger grouping.

Mr. DIEFENBAKER: Mr. Bryce, in the question I asked you in regard to travelling expenses, you said that you did not know what came under that category. Well, there must be some definition of travelling expenses for referring to the Department of Trade and Commerce, we see an item for travelling expenses, $11,900? Then under the Department of Transport at page 286, travelling expenses, $40,000; then again at page 290, Department of Transport, travelling expenses, nautical service, $5,000. Apparently, you must have some definition?

The CHAIRMAN: May I interrupt, Mr. Diefenbaker? These are the estimates. Your question deals with the public accounts, moneys already spent.

By Mr. Diefenbaker:

Q. All right. Then if it be an estimate of travelling expenses, it is supposed to be spent for travelling expense. You cannot spend it for something else. That item as expended next year must certainly be shown as an expenditure on travelling expenses.—A. Yes. As I understand it, you mean there is a conventional meaning. I think that is right.

Q. The reason I mention it is this: when a person asks these questions in the House and they are passed as orders for return, they have a habit of showing a time lag in the returns, that is, well, I do not want to use the word suspicious, but at least worthy of attention, and I simply ask why it is that having categorized certain things as travelling expenses in the estimates you have a different category of so-called travelling expenses when they find their way into public accounts?

Mr. CROLL: Would that be a proper statement?

The WITNESS: I am not sure they would be a different category in the public accounts but when we are answering parliamentary questions we usually have to be very careful that we have got the meaning clear and we do not answer something other than what was intended to be answered by the question.

Mr. DREW: But just to follow that up to show you the difference between the different departments—Mr. Croll gave the Department of Trade and Commerce—if you will look at page 171, under the Department of National

Defence, instead of a separate allocation there—this is in the part that is supposed to show the detail—under general sundries is shown printing and stationery, communication services, special training equipment and films, fees for special courses, education of dependent children, maintenance grants, recruiting expenses, miscellaneous service and other items not included in the above $3,567,526.

That, of course, is only for the air service. There are similarly like items in regard to the army and navy. Now, if it is possible to separate these things like films and publicity and so on, is there any reason why it should not be done that way in the case of National Defence?

Mr. LANGLOIS: Suppose we ask a similar question to Mr. Diefenbaker's on this item. Would you like to have the total comprising the travelling expenses of men travelling on duty and men travelling on leave? Would you be satisfied with a lump sum comprising the two categories or would you have to have it segregated?

Mr. DREW: Under the policy directed by government it should be the duty of the accounting services of government to provide a method whereby the different travelling expenses allocated to holidays, and separated from the service, could be very simply put under different items, and printed under one collective total.

The CHAIRMAN: We have here one of those long items which Mr. Drew called our attention to: sundries and so on, $3½ million. That is quite a tall order for sundries, I will admit that.

When we come to the idea of groupings, will we not have bigger totals under the same headings of sundries and details and get less information than we are getting now?

Mr. DREW: What I understand Mr. Watson Sellar wants to do is to simplify the groupings, reduce the number of different groupings, but not to reduce the details. As I understand it, it was a simplification of groupings, an extension of details. We have been talking of similarities. Let me illustrate to you a dissimilarity. Take, for instance, in the case of the Department of Public Works there is an item there for every building to be constructed and a figure provided for them. In the case of the Department of National Defence you have no separate figures. Under the navy, you have: acquisition, construction, purchase and maintenance, repairs, rentals and operating expenses of properties $9,920,000. For the army you have: acquisition, construction, purchase, maintenance, repairs, rentals and operating expenses of properties $22,492,-208. And under air services you have: acquisition, construction, purchase, maintenance, repairs, rentals and operating expenses of properties $23,508,516 or a total of more than $54 million for which we have not the detail of a single building.

Do you know of any reason why the Department of Public Works is able to set out the different buildings with the amount given under the item, and, on the other hand, the Department of National Defence does it in a different way?

The WITNESS: Those are the two extremes and we have variations between them. Take the construction program of the Department of Transport. You have that allocated by the various services within that department. But the details given here for the Department of National Defence, as I recall, are on the general plan that was adopted shortly after the end of the war, and there were security considerations involved. How far that dictated this division is a matter it would be necessary to find out from Defence, I should think. So that there are in the case of the Department of National Defence considerations of that nature which are not present in most of the other cases.

By Mr. Croll:

Q. While you are dealing with that, Mr. Bryce, if you do not mind, can you turn to a similar item in the American estimates, if you have them here, or if you can get them, and tell us what information they give? Is it possible? Do you know anything of the American form of estimates?—A. The American budget is a huge document. I suppose, for individual votes, they would give more cross-classifications than we do and they give in their budget more textual explanations than we do.

Q. You mean in actually following an item they will explain that item?—A. There will be a rather formal description of the purposes. Of course, that, I think, reflects to some degree the difference in their form of government. They have one man essentially responsible for presenting the whole budget to the congress. In our parliamentary system each minister is responsible for the estimates under his department, and, our understanding has been that the minister furnishes the House with whatever explanation and detail other than the form of the detail provided here, the House requires, whether it is in writing or whether it is orally. Mr. Sellar has suggested, I notice, in his memorandum, the furnishing of written detail in the estimates. He took the audit office as an example but in a great many of the services, however, it is exceedingly difficult to divorce explanation from justification or policy and I would think for that reason the government has been following the broad policy that the minister responsible, or his parliamentary assistant, makes such explanations and furnishes such detail in regard to the estimates as is required.

By Mr. Browne:

Q. On page 8 of Mr. Sellar's brief he sets out his own department and deals with salaries, travelling expenses, stationery and things of that kind as an example of what should be followed in regard to all the other departments.

Now, as regards the statement made by the witness that the minister takes responsibility for his estimates and give explanations, I know of no instance in the last session where one vote was changed in the discussion in the House, not one that I could hear. So that the explanation given in the text in this fashion would do just the same would it not?—A. Yes, or it could be given in a separate written form by the minister at such time as would be appropriate.

Q. If it was put in one volume that volume would not be any more voluminous than the public accounts?—A. Well, I must say the public accounts to most people appears to be a very formidable volume.

Mr. CROLL: In answer to Mr. Drew's question you suggested that there may have been some reason of security for giving no more information than is given in the estimates of the Department of National Defence. Referring to the American national defence estimates, what sort of information, if you know, do they give with respect to that subject?

The WITNESS: I could not tell you.

By Mr. Diefenbaker:

Q. In the preparation of your estimates so far as defence items are concerned are you directed to withhold certain information or particulars? Were you directed by the minister in connection with defence estimates as regards the failure to give greater detail?—A. In the volume of estimates?

Q. Yes.—A. Well, the form in which the detail would be provided in the case of defence was settled by the government some years ago. I could not say offhand whether there have been any minor changes.

Q. Was that during the war?—A. No, I think it was immediately subsequent, shortly after the war.

Mr. WRIGHT: Mr. Chairman, my question was along similar lines to the last one. Who determines the detail to be given by each department—the minister himself? It seems to me there is a variation in the detail between different depatrments. Does the government as a whole, or does the Treasury Board state to each department: now you shall give certain details in your estimates; or does each minister settle that question himself?

The WITNESS: Well, the detail that goes in the book is approved by the Treasury Board. Now, I think it would be unrealistic for the ministers to devote a good deal of time to deciding minor divisions in the votes. In the major divisions where it is important to decide whether the description or expenditures will be in one form or another, the board will consider that at some length.

Mr. LANGLOIS: When you gave your review of the procedure followed in the preparation and wording of the estimates, if I understood you correctly, you said that each of the departments made its own suggestion to the Treasury Board and the Treasury Board actually decided the various categories of expenses and estimates. The Treasury Board has, I will not say the final word, but has quite a decision to make about the actual wording of the estimates and it is to be approved by the entire cabinet after. But I do not think it is right to say that the Treasury Board is actually responsible for the wording of the estimates.

Mr. BROWNE: Mr. Chairman, there is very little change from one year to the other. You have it all in here and you can go through the estimates and get the information.

The CHAIRMAN: Yes, the detail in there is very clear.

Mr. BROWNE: And there is very little change from year to year, if there are any changes they are not very great.

Mr. LANGLOIS: I think it is a good thing there are not very many changes, otherwise it would be more difficult.

Mr. STEWART: I think it would be better if there were more changes.

Mr. LANGLOIS: Might I ask a question? Is it in order, Mr. Chairman, to refer to this statement which has been furnished by Mr. Bryce, the statement that was made in the House? Could he tell us what that statement is?

The WITNESS: That is an explanation as to why the changes were made in 1938.

Mr. LANGLOIS: But it refers to the considerations on which the change was made?

The CHAIRMAN: That is right.

By Mr. Johnston:

Q. This is the statement which was made in the House by the Minister of Finance in 1938 in which he stated that they had received the co-operation of all the various officials. I would like to know if all the departments were asked for suggestions and if this statement represents the views of all departments concerned. Was the Auditor General, for instance, consulted?—A. You mean, at that time?

Q. Yes.—A. Oh yes, I know that the Auditor General at that time saw it. I looked over the file last night and I know that he did go over it in quite some detail and made notes on it before it was done. Similarly the Comptroller of the Treasury of the time and the departments all went over it. I will not say there was complete unanimity of view; there rarely is about a matter of this kind, but at least there was a reconciliation of views and a decision was made.

Q. The second question I wanted to ask is this, was this revision considered, generally speaking, by all the departments concerned as an improvement over what was done before?—A. I would be unable to speak from direct knowledge on that.

Mr. STEWART: Mr. Chairman, I wonder if we could take a little time to examine this statement which was made in 1938. I haven't had an opportunity of reading it, but apparently it was something which had to do with a change in the estimates, and the form in which the estimates now appear before us was the result of the action taken at that time, and as a result of the ideas discussed at that time the estimates took the form in which we now have them. It represents the considered opinion of the principal officials of departments concerned, and apparently it has not been improved upon since.

Mr. DREW: I think the point Mr. Stewart has just made is very apt, because, actually, this was limited to the government—the allocation of all the cost; and it was not so much a revision of the general method of the presentation of the estimates as a re-allocation of costs to the services performed.

The WITNESS: Yes, but it represented a major regrouping of expenditures in the votes.

Mr. DREW: That is true, but I see here:

> The need for revision has been recognized for years, in that items in the estimates did not reflect the cost of services;

and then it goes on to say:

> Other defects included provision for numbers of distinct activities under one general item and assembly of items under one general item, and assembly of items under obsolete captions without relationship to existing departmental responsibility;

and it continues,

> The principal object of the revision is to give to parliament, by removal of these defects, a reasonably accurate estimate of the costs of functions, assembled under the departments responsible for administration.

And, reading on down there, I find it is mainly a question of re-allocation of costs rather than a re-arrangement of detail and simplification in presentation of acounts. I do not suggest that this was not a very positive step in itself, but it does not seem to me that it dealt with the whole question of simplification in the presentation of accounts.

The WITNESS: I would not suggest that this is the last word, by any means. A good many years have passed since this was done, and, as I have pointed out, the activities of government have grown enormously.

Mr. JOHNSTON: That was the last general revision?

The WITNESS: That was the last general revision, yes.

By Mr. Langlois:

Q. You mentioned the Department of Finance. Did they concur in this change, were they in agreement with the proposed revision which was carried out?—A. Yes sir.

Q. Was Mr. Sellar the Auditor General at that time?—A. No sir.

Mr. CROLL: No sir.

Mr. LANGLOIS: Who was it?

The WITNESS: Mr. Gonthier.

Mr. BALCER: Mr. Sellar was talking about changes in procedure and he used as an example this page 4 here, the estimates relating to the Department of Agriculture, and one of his suggestions was that a lot of the items there could be consolidated into one vote. You will see that in the four sections dealt with on that page—perhaps I should say branches of the department—similar items appear with respect to each branch, and the suggestion was these might be

consolidated into one item. For instance, the department, we were told, takes money for travelling expenses and uses it for let us say printing and stationery; is that so?

The WITNESS: Only if they come to Treasury Board and ask for the re-allotment of votes in different amounts. That is what we call transfers between allotments, and they will have to give us satisfactory reasons for doing that. That is one manner in which the cabinet or the Treasury Board keeps a general survey over the programs of the departments so that you get the element of general control over the programs as well as administrative or ministerial control.

Mr. BROWNE: It is a very detailed job too.

The WITNESS: It is a detailed job.

Mr. BALCER: How would that apply in the case of National Defence? I see there have been considerable transfers there.

The CHAIRMAN: Would you speak a little louder, please, Mr. Balcer?

Mr. BALCER: Take the item there with respect to buildings, monies voted for building purposes in National Defence could they take that and use it for travelling expenses and things like that?

The WITNESS: We would require National Defence to observe very much more detailed control over their allotments than is published here, there would be much more detailed control exercised; so they would have to come to Treasury Board—I suppose there are transfers in National Defence every week between the various branches of the department, the various allotments. Of course, it is such an active organization that you are bound to have changes in program from month to month.

Mr. LANGLOIS: A while ago in answer to my question you said that Mr. Sellar was not at that time Auditor General. I understand he was at that time Comptroller of the Treasury. Had he any comment to make on that?

The WITNESS: I tried to find out last night but was not able to do so.

Mr. CROLL: But the Comptroller of the Treasury was consulted?

The WITNESS: Yes.

By Mr. Johnston:

Q. There is one thing I would like to know. I understand Mr. Bryce to say that there is absolutely no changing of money from one vote to another without going to the Treasury Board; now, I did not understand Mr. Sellar to say that, and I wondered if you would agree with what Mr. Sellar said in regard to that?—A. I am sorry I did not make myself clear on my point. We do not have any authority to make transfers between votes except in certain specific votes that are for that purpose. You will see certain votes of Public Works that are there to supplement other votes as it becomes necessary. For instance, take an estimate dealing with a particular item and the cost of it turns out to be larger than anticipated, there is a small vote there from which we can transfer funds for this purpose by statutory authority.

Q. But is it done? Is money transferred from one vote to another?—A. Oh, no sir; the transfers I speak of are within the votes but between the various categories into which the vote is divided.

Q. And they need to get the approval of Treasury Board before doing that?—A. That is it, sir.

Q. Then, as to the transferring of moneys within the vote from one part to another they have to go to the Treasury Board for authority?—A. Yes.

Q. Then there could be no transfer whatever of any moneys without getting permission from the Treasury Board; is that right?—A. That is right, sir, within

the major categories that are established. Now, normally, those are the categories shown here in the details of these services for which the vote was made, but on some occasions in some of the votes we will adopt a different set of categories for managerial purposes. I speak from memory, but if you will look at the Experimental Farm—Agriculture—you will find that the details given in the votes here are explanatory details such as are found in the details in the other votes.

The CHAIRMAN: What page is that?

The WITNESS: That is on page 81—I think that would be the best illustration —on page 82, for the branch farms. Now, speaking here only from memory and subject to correction, I believe that this is normally managed throughout the year, on the basis of the various branch farms. That is to say Treasury Board will allot that total vote to amounts for each farm and they will operate on that during the year; and the vote will be controlled, as we say, in terms of the amount required for the various farms; then, at the end of the year when the public accounts are prepared they will determine how much has been spent in these categories so it can be shown in the public accounts for the information of parliament.

By Mr. Johnston:

Q. Even under that there is absolutely no transfer without authority from the Treasury Board?—A. Yes sir.

Q. Then I am clear on this, that there is absolutely no transfer on any vote or within any vote without the approval of Treasury Board?—A. Yes.

Q. For any purpose?—A. But between the categories that are set forth, of course.

Q. And that between the categories set forth there on page 81?—A. Or 82. Take there for instance there the item on, acquisition or construction of buildings and works; you will notice there the large item in the Experimental Farm's vote of $456,000 for the acquisition and construction of buildings and works; now, they will have a considerable element of discretion as to whether they would proceed, let us say, with a small building on one farm or an alternative building on that farm.

Q. Let me ask you this: do you think that Mr. Sellar was in error when he was speaking about that the other day?—A. Well, he said, as I recall, that the divisions have no real significance; I think what he meant by that is that they have no statutory significance.

Q. And could be changed?—A. but—as far the the law governing the department is concerned, they have a significance.

Mr. BROWNE: You will find that on page 6 of his report.

Mr. JOHNSTON: We could quite easily get the evidence from the printer.

Mr. BROWNE: The vote there was exceeded by $400,000; how would that happen?

Mr. JOHNSTON: What is the page?

Mr. BROWNE: That is on page 6 of the report of the Auditor General.

The CHAIRMAN: Has that any relation to the question which is now before the committee?

The WITNESS: No, that is a separate item. For instance, the department of Transport Stores Act years ago established a limit on inventories which could be held by the department and that limit has become obsolete and I believe there is legislation before the House at the present time altering it.

Mr. BROWNE: How would they be able to build that up?

The WITNESS: I presume one of the other appropriations could be used for the payment for stores which they required to purchase, but they were not supposed to hold at the end of the year beyond this stated amount of inventory.

By Mr. Johnston:

Q. Then they would change from one item in that vote to another.—A. I do not know enough about the accounting, process to say that, sir; on the mechanics of that the Comptroller of the Treasury could tell you.

Q. I am trying to reconcile your statement with the one made by Mr. Sellar because I am a little confused there.—A. I am not surprised, sir, because the operation of these various stores accounts are a complication that is a little unusual in our law. There are only two or three of them in the whole government service; and the relationship between the accounts for these and the accounts for the votes is a quite complex accounting problem and one on which the Comptroller of the Treasury rather than myself should speak.

Q. I do not think there is any misunderstanding in what you have said, that there is absolutely no transfer whatever without the approval of Treasury Board. —A. That is right.

Mr. CROLL: Within the available votes.

The WITNESS: Yes, within the votes.

Mr. JOHNSTON: I meant within the limits of the individual vote.

Mr. BROWNE: They cannot change from one vote to another.

Mr. JOHNSTON: I do not know whether that is so or not that is what I am trying to get clear. You say they cannot?

Mr. LANGLOIS: I do not think so.

By Mr. Drew:

Q. Just to come back to this question of detail and returning again to the estimates: Where for instance in the estimates do we find the estimate of the deficit of the Canadian National Railways and Trans-Canada Air Lines? —A. Those are not provided for in the main estimates because the main estimates would be brought down each year in February or March—for instance, this year, 1950—and it is exceedingly difficult to anticipate at that time of the year what the deficit of the T.C.A. or the C.N.R. would be. The practice has been to vote those amounts in the further supplementary estimates following the end of the calendar year to which they relate.

Q. You see the result that produces, Mr. Bryce. The deficit on the Canadian National Railways which was voted as a supplementary estimate for this past year was how much?—A. $40 million odd.

Q. $40 some odd million; and the deficit on Trans-Canada Air Lines was in the neighbourhood of $4½ million. Perhaps if you have them there, we could use the exact figures, because for the purpose of my point I think that is of some importance.—A. The amount for the C.N.R. was $42,043,028.

Q. Is that the estimate for this coming year?—A. That was the amount in the further supplementary estimates for the last fiscal year.

Q. For the last fiscal year?—A. Yes, and it covers the deficit for the calendar year, 1949.

Q. Yes, and Trans-Canada Air Lines?—A. Trans-Canada—the total was $4,317,594.

Q. And the total amount approximately?—A. $46,400,000

Q. Now assuming for the sake of argument that the deficit of the Canadian National Railways and Trans-Canada Air Lines for the coming year is something of the same order, or something of approximately the same figure, we know that this will be covered by supplementary estimates, and for that very reason we know that the estimate of $30 million surplus in the estimates is not an accurate amount at all because we know that these estimates actually are estimate budgeting for a deficit; isn't that so?—A. Well, sir, in the budget we go beyond

the estimates and we endeavour to forecast what the total expenditures, including those required to be provided by supplementary and further supplementary estimates, will be.

Q. Well then, in the estimates do you provide for a loss in excess of $40 million?—A. If you will look in the Minister of Finance's budget speech you will see there a paragraph or two going from the estimates to the total. Now, he does not reveal just exactly how much he includes for this, that and the other item; because, of course, it is more difficult to forecast any particular one item than it is to forecast the total as a whole; it is a little difficult to budget as to just how much additional expense you are going to have over and above what has been provided for in the main estimates.

By the Chairman:

Q. Do you mean that when he forecasts a surplus it includes whatever calculation he has made respecting any deficit which might have to be provided for in the supplementaries or the further supplementary estimates?—A. Yes sir.

Q. So the forecast he made in his speech was about as accurate as it possibly could be?—A. Yes.

Q. Even including the estimates to be brought down in the supplementaries? —A. Yes. I believe it is a custom of many years standing that the Minister of Finance endeavours in each year, so far as it is possible, to indicate what the total expenditure will be, and in doing that he will not only try to allow for things such as deficits but the amount of money which will be required to meet that. He will try to allow as best he can for the short fall on estimates, the amount that actual expenditures will be below the amount provided by the votes in the estimates. The votes in the estimates set an upper limit for expenditures.

Q. Do you also take into consideration that revenue receipts may be less than was anticipated?—A. Yes.

By Mr. Croll:

Q. In the years past his estimating has been most accurate; and, am I right in this, that his estimate for last year was very close indeed?—A. I hesitate to speak from memory on that. It is a matter where you have so much variation one way or the other that you would have difficulty in forecasting the net outturn.

Q. Do you remember last year?—A. I was at many of the discussions and I know it is very difficult.

Mr. CROLL: I remember him telling us about that and I just thought if we could get that it would be interesting.

By Mr. Drew:

Q. Then, in this case, there is a covering statement with details in regard to matters of that kind. Well now, let me take another subject. Let me ask you where we will look for information in the public accounts which we have before us with respect to certain other matters. As you know, there has been a good deal of property owned by the government other than ordinary government property. Now, where in the public accounts, for instance, does one find this property set out?

The CHAIRMAN: Do you mind elaborating as to what kind of property you have in mind?

Mr. DREW: Yes.

By Mr. Drew:

Q. Let me ask you a question for instance with regard to government expenditure in connection with certain mines. There is one case I have in mind where they acquired a mining property, the Eldorado Mining Company, by the acquisition of stock and they did that by order in council. That is set out because it is a continuing company. But the government also acquired other mines where there would be no separate corporation set up for that purpose. Where do we look for the details on that?—A. Well, sir, the classification of assets that we report on the balance sheet, there are a number of classifications I might say—

Q. Yes.—A. —and I could not give you that, sir, without some study for the purpose as to the boundary line between these is whether they are classed as active assets and the other assets which we show in our assets and those assets which the government continue to hold as charged to expenditure in the past. There are a great many assets I am afraid that just do not appear in the public accounts as such because they were really expenditures made in previous years and the physical asset remains now—an untold amount of equipment, for instance; that, I am sure, is not reflected in the accounts. I could not answer you further on that without, as I say, examining the question.

Q. Well then, Mr. Bryce, let us recognize that there is a very real difference between properties such as the building which we are now in and the grounds surrounding it and properties that for one reason or another have been taken over for operation by the government. I am not saying that I think it is right that all the assets should be shown in some way, but assuming that there are reasons for not showing such buildings as this parliament building—this and other properties of that kind which under no possible circumstances could ever be disposed of or would be disposed of—but, nevertheless, there are other properties which are used for other purposes which can be and which are disposed of from time to time. Is there any place in these public accounts that any member of parliament can find a statement of what these properties are?—A. Those that are disposable properties?

Q. Yes.—A. I don't believe there is entered any complete list of those; of course, all sorts of properties may be disposable to a degree. We may own buildings such as a post office in a particular town which is presently disposable—I think in many cases it would be—but if we were going to cover all such assets it would be necessary to include a great many that are perhaps of doubtfully disposable value; and I am not sure that the records would exist now unless we went through and made an accurate appraisal of them.

The CHAIRMAN: I think Mr. Drew has something else in mind; if he would elaborate on that we would know what it is.

Mr. DREW: Yes. I have given you an example. You doubtless are aware of the fact that the government did acquire certain mines.

The WITNESS: Yes, I cannot say exactly which ones.

Mr. DREW: I think you will recall that the government acquired a coal mine in British Columbia, I do not know whether they own that now or not; I think they acquired mines in other parts of the country. Now, in cases where they acquired a mine which was already an operating corporate enterprise, let us say such as the Eldorado Company, they continued that as an operating entity through their complete ownership of the shares. There are other cases where Crown corporations continue to be shown—such as the Polymer corporation and enterprises of that nature. Now, the fact that a company of that kind happens to be a Crown corporation—but happens to have started as a private corporate entity through the taking over or acquisition of all the stock—does not place it in any different position, it seems to me, from the point of view of

recording the assets of the government—to property of a similar nature which does not happen to be held in a similar way?

The CHAIRMAN: You are referring to the mines.

Mr. DREW: Well, take the property at Cartierville. That has been disposed of and sold to the Electric Boat Company. Where is that property shown in the public accounts?

The WITNESS: I am afraid, sir, that I would not be able to put my hand on it.

Mr. CROLL: Mr. Sellar answered by saying it would be shown in the War Assets statement.

Mr. DREW: It is not included in the War Assets statement. The War Assets statement obviously does not include it because that property cost about $24,000,000 and the War Assets statement amounts only to a very small figure.

Mr. BLUE: What is the name of that property?

Mr. DREW: It was property built originally under the direction of the Vickers company and then separated, under some arrangement, from the Vickers company and operated as a government plant?

The WITNESS: I would look first in the records of the old Department of Munitions and Supply and I was going to look and see whether it was under a reconstruction and supply heading—but I think it would be best sir, if I endeavoured to inquire into it and furnish the chairman with the information I can get as to where that is recorded.

Mr. DREW: The reason I ask is that I know the question had been previously raised and the answer was given that it would be included in War Assets but, on examining the total assets of War Assets, it is quite obvious that this building I am speaking of cannot be included.

Mr. CROLL: It may be in there for the usual dollar amount.

Mr. DREW: This has been at all times an operating company.

The CHAIRMAN: We have the War Assets balance sheet at page Y90 of the public accounts.

Mr. BLUE: I move that we adjourn, Mr. Chairman?

The CHAIRMAN: Well, perhaps we can just have one second.

Mr. DREW: You say it is at Y90?

The CHAIRMAN: Yes.

Mr. DREW: But, Mr. Chairman, you see the total assets of the War Assets Corporation are shown on the balance sheet as $7,203,600, of which $5,777,000 is cash on hand. It is perfectly obvious that the figure does not include the property at Cartierville.

The CHAIRMAN: On page Y92 you have sales of surplus Crown assets, although I do not see that the item is included.

Mr. DREW: It is not included under sales on Y92 and it cannot be one of the assets shown on page Y90.

The CHAIRMAN: Did you not say that it had been sold?

Mr. DREW: Yes.

The CHAIRMAN: It would not be shown in these public accounts. We will find it in the statement next year.

Mr. DREW: But I want to know where it is shown now? I am only asking in regard to this one property as an illustration. I still want to know about those mines.

The CHAIRMAN: For the year ending March 31, 1949, there is shown sales to the extent of $30,000,000. If the sale you refer to has been made since March 31, 1949, it will appear in the public accounts next year.

Mr. DREW: Well, before we adjourn, Mr. Chairman, so that it may help in continuing this matter, may I ask Mr. Bryce—

The CHAIRMAN: We might sit at nine o'clock tonight—

Mr. JOHNSTON: I thought we were to have just one meeting a day.

The CHAIRMAN: Well, since we are right in the middle of this I thought we could sit tonight. As there is objection to that we will sit then at eleven o'clock tomorrow morning?

Mr. CROLL: Was it a recent sale, or some years ago?

Mr. DREW: The sale was made last October.

The CHAIRMAN: It would not be in here then.

Mr. DREW: It is not so much the sale, I want to know where the property is.

The CHAIRMAN: The record will be in the public accounts.

Mr. DREW: Would you, Mr. Bryce, for the purposes of continuing this matter when we resume, make the appropriate examination and prepare a list of those government properties which can be regarded as operating properties as distinct from ordinary government buildings.

The WITNESS: I will try to get what I can on that.

The CHAIRMAN: The committee stands adjourned until tomorrow morning at eleven o'clock.

The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

FRIDAY, MAY 5, 1950

WITNESS:

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

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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1950

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Kirk (*Antigonish-Guysborough*)
Kirk (*Digby-Yarmouth*)
Langlois (*Gaspé*)
Larson
Macdonnell
Major
Maybank
Pinard
Prudham
Richard (*Gloucester*)
Richard (*Ottawa East*)
Riley
Robinson
Sinclair
Stewart (*Winnipeg North*)
Thatcher
Thomas
Warren
White (*Hastings-Peterborough*)
Winkler
Wright

Clerk: A. L. Burgess.

ORDERS OF REFERENCE

THURSDAY, 4th May, 1950.

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

FRIDAY, 5th May, 1950.

Ordered,—That the name of Mr. Kirk (*Digby-Yarmouth*) be substituted for that of Mr. Isnor on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

61731—1½

MINUTES OF PROCEEDINGS

FRIDAY, May 5, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Balcer, Benidickson, Boisvert, Boivin, Brisson, Browne (*St. John's West*), Cavers, Drew, Diefenbaker, Fraser, Hansell, Helme, Johnston, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspe*), Major, Picard, Prudham, Richard (*Ottawa East*), Riley, Robinson, Sinclair, Stewart (*Winnipeg North*), Winkler, Wright.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed consideration of the form in which estimates are presented to the House.

Mr. Bryce tabled a summary of the estimates for the fiscal years ending in 1951, 1950 and 1939 by main objects of expenditure and special categories; also explanatory notes covering the items detailed in the said summary, which are printed as *Appendices A* and *B* to this day's minutes of proceedings and evidence.

Mr. Thatcher moved that the explanatory notes tabled by the witness be examined in detail.

After discussion, and the question having been put on the said motion, it was agreed to.

Examination of Mr. Bryce was continued.

At 1 o'clock p.m. the Committee adjourned until Monday, May 8, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 5, 1950.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, for the benefit of those who were sitting on other committees and were not here yesterday I might say that we have called before us Mr. Bryce, Assistant Deputy Minister of Finance, who is specially in charge of estimates. Mr. Bryce is here to answer any questions that the members may want to ask him on the memorandum on estimates presented to the committee by Mr. Sellar. We have agreed to confine our questions to the memorandum on estimates and to finish with that before we take up the memorandum on the Department of Agriculture estimates. We are at this moment on the memorandum on estimates submitted by Mr. Sellar.

Before I open the discussion I would like first to mention that yesterday there were one or two points brought up which Mr. Bryce left unanswered. I think it is my duty as chairman of the committee to make certain that we have the record complete, so I would ask that these items be covered first before we open the discussion. At one point Mr. Drew asked about the consolidation of items for each department in the form of a statement similar to that which now appears in the first part of the book of estimates, a statement which would cover every department, showing at a glance the money involved under each main classification. I would like to ask Mr. Bryce if he has any comments or if he would care to give us his views on that point raised yesterday, which, I think, is of very great importance.

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

The WITNESS: Well, sir, you spoke to me about this before the meeting and I said that I should, perhaps, bring to the committee, and you agreed, a summary of expenditures that I had prepared in answer to a request from Senator Crerar for the Senate Finance Committee about six weeks ago—before the easter recess. The Senate Finance Committee asked if we could prepare such a table as was spoken of yesterday and I thought that in view of the discussion yesterday you might wish to have it, so I have brought along this morning a summary tabulation, such as we discussed yesterday. I would like to make clear one or two points about it in advance if I might. We have made this selection in accordance with the discussion that I had with Senator Crerar when he asked for this summary. There is no accepted uniform classification of items that can be used as a standard and which would be understood by all departments There are some categories which are important in certain votes and therefore shown separately but which are not important in others and therefore not segregated. We have had to use our own judgment in classifying items and selecting categories in which to classify them, and in many cases we did not have and could not get within a short time sufficient information to make a complete division along the lines set forth, particularly in those instances where relatively small amounts

were provided in a vote for one of the purposes listed in our table but under another heading. As a consequence, it would be difficult for the various departments to classify their expenditures under all these various headings, and it would not be possible for anyone lacking all the details available in the Treasury Board offices to subdivide the total we have by departments. We have assembled these totals from the information obtained in regard to the items from each of the various departments and agencies concerned but we have not attempted to prepare the detailed table that will be necessary to give that by departments.

I should perhaps point out that there is some room for argument as to where you classify certain items, and I do not want to say this is the last word or the only word that can be said on that. We have had to use some element of discretion in making such a classification. The table gives amounts included in the main estimates for this year, in the main and supplementary estimates for last year, and in the main and supplementary estimates for the last pre-war year. Since it was available at the moment I thought it would be wise to bring it along to the committee after you had spoken to me about it, Mr. Chairman. We have copies available if you would like to have them distributed to the members.

The CHAIRMAN: I think it would be quite advisable to have the copies circulated. I think, in the meantime, Mr. Bryce could you give us an idea as to exactly how the type of classifications have been arrived at by the Treasury officials, since this summary was prepared long before we asked for it in this committee. I think it is important we should get it on the record.

The WITNESS: I should say there is a second memorandum describing in some detail what we have tried to include under the various headings. I thought that it was desirable to have the explanatory notes available so that it would be quite clear what we have been trying to do. Would you like me to read off the categories?

Mr. STEWART: I wonder if you would wait until we have the documents in hand. It would make it a little more easy for us to follow.

The CHAIRMAN: Now, Mr. Bryce, would you please proceed?

The WITNESS: It will be seen that the categories we have picked out are the following:

1. Civil Salaries and Wages
2. Allowances—Civilian
3. Pay and Allowance—Defence Forces and R.C.M.P.
4. Professional and Special Services
5. Travelling and Transportation Expenses
6. Materials and Supplies
7. Publications, Films, Broadcasting and Advertising
8. Freight, Express and Cartage
9. Telephones, Telegrams and Postage
10. Printing, Stationery and Office Equipment—
    - (*a*) Printing and Stationery
    - (*b*) Office Equipment
11. Buildings, Works and Structures—
    - (*a*) Acquisition or Construction, including Purchase of Land
    - (*b*) Maintenance and Repairs
12. Equipment—
    - (*a*) Acquisition or Construction
    - (*b*) Maintenance and Repairs
13. Rentals of Property

14. Interest on Public Debt and Other Debt Charges
15. Subsidies and Special Payments to the Provinces
16. Other Subsidies, Grants, Contributions, etc.
17. Family Allowances Payments
18. Old Age Pensions, including Pensions to the Blind
19. Veterans Disability Pensions and Other Payments under the Pensions Act
20. Other Payments to Veterans and Dependents
21. Militia Pensions Act Payments
22. Other Pensions and Superannuation
23. Governments Contribution to Unemployment Insurance Fund
24. General Health Grants
25. Trans-Canada Highway Contributions
26. Movement of Mail by Land, Air and Water
27. Maritime Freight Rates Act
28. Direct Relief and Relief Projects
29. Deficits—Government Owned Enterprises
30. All other Expenditures.

And then the totals are given; and item

31. Less Estimated Savings and Recoverable Items

And then the net total is arrived at.

Perhaps I might say in explanation of item 31 that in special cases in particular votes there are gross amounts provided for a number of purposes and then a deduction made in arriving at the actual amount. No. 31 includes those reductions. It was necessary to do it that way in order that we could break down all the votes in the thirty categories that we selected.

Mr. STEWART: Mr. Bryce, this is a very interesting summary. I wonder if you can tell the committee just how long it took you to compile it.

The WITNESS: I would say it took two or three weeks, but not full time. It took a good portion of the time of our officers over two or three weeks.

By Mr. Johnston:

Q. How many men would be employed on that, would you say? When you say "our officers", I wonder how many?—A. I would think two or three for a good deal of their time over that period, and perhaps two or three others from time to time. I am sorry I did not anticipate that question so I cannot tell you exactly.

Q. I just wanted a rough estimate.—A. I should add that it also involves making use of a good deal of information that had been tabulated in preparing the estimates themselves and without such advance work it would have taken much longer.

The CHAIRMAN: These two memoranda will be printed as appendices in connection with today's proceedings.

Appendix A: Estimates.—Summary by Main Objects of Expenditure and Special Categories.

Appendix B: Explanatory Notes Covering the Main Objects of Expenditures and Special Categories.

By Mr. Drew:

Q. In the preparation of this summary of the estimates, who chose the breakdown of designations that we have here?—A. Well, sir, it was made up by

Mr. Smellie, Director of Estimates and myself, on the basis of what Senator Crerar told me would be of interest to the Senate Finance Committee.

Q. What I am really directing the question to is this: is this a breakdown of estimates which seems to you to be a rational separation of matters, or is that one that was proposed to you in this form?—A. It was very largely proposed in this form subject to the limitation of the material we had available. In other words, it was not possible to prepare, at short notice, figures in radically different categories, let us say, in the first fifteen items.

The CHAIRMAN: Now, Mr. Bryce, would you care to answer Mr. Drew's second question as to whether you consider it a good division.

The WITNESS: I think it is a good division. Of course, it includes, for example, under civil salaries, salaries paid for a large diversity of government functions. It would include, as is noted here, items from the salary of the Governor General, on one extreme, to the casual employees in construction work in various outlying parts of Canada, on the other.

By Mr. Stewart:

Q. It would not necessarily take up so much of your time in the future if the departments at the same time as they are preparing their estimates would compile their sections of this summary?—A. We could compile it more quickly, yes.

Q. It could be done simultaneously.—A. I should point out, however, one point in that regard. If we are going to do cross-classifications of this kind it means a longer interval between the time when the dicisions are taken and the time when the estimates can be tabled in the House. Every decision to change an item involves changing all the cross-classifications and details throughout. You will see there is a mechanical problem there in time lag that is involved.

Q. I remember we had some experiences of this nature before when I was sitting on the war expenditures committee. When a member asked a legitimate question we would be told it would cost the taxpayers of Canada several thousand dollars to get the answer to that question.

Mr. BENIDICKSON: What were the questions? We could refer to them.

Mr. STEWART: This was in 1946. There were objections taken at the time. A legitimate question would be asked and we would be told it would cost a certain amount of money to answer it. As a result of that the news got abroad, unfortunately, that members were asking for information that incurred additional expenditure for the taxpayer. We do not want to do that, because we are taxpayers ourselves. I hope this question of expense to be incurred in answering legitimate questions does not come up in this matter.

The CHAIRMAN: Will you let Mr. Bryce answer that question?

Mr. STEWART: I was not asking a question. I do not expect an answer. I was just stating that every question we asked must cost money to answer.

By Mr. Fraser:

Q. In compiling this little summary here did your department keep each item separate or each setup separate so that if a member asked a question they would be able to go to your department and get that information instead of having to hunt through the files?—A. Well, sir, I should point out these are the amounts provided in the estimates. These are not expenditure figures. Perhaps, I should make that quite clear. Even for the early years these are the estimate figures. We do not yet have the expenditure total for last year.

Q. What I am getting at is this: here we have category No. 7, publications, films, broadcasting and advertising. Now, I know I asked a question on advertising, publicity. Would you have the figures separate for advertising as a result of having prepared this?

The CHAIRMAN: We are on estimates, Mr. Fraser. Your question might be proper when we are on public accounts. These are the estimate figures we are considering.

Mr. FRASER: I know.

The CHAIRMAN: If you want to know how much has been spent your question can come up when we take up public accounts. We are studying Mr. Bryce's proposals for splitting the votes into functional classifications.

Mr. FRASER: I know but it would cover part of my question, would it not?

The CHAIRMAN: I do not think so. We are dealing now with suggestions about classification of the estimates.

Mr. DREW: Of course, the proposition I put before Mr. Bryce is one that applies with equal force to public accounts or to estimates.

The CHAIRMAN: Afterwards, yes.

Mr. DREW: Public accounts are only accounts that have been estimates; estimates that have been put into effect. In regard to this question of the cost of answering questions, raised by Mr. Stewart, I would like to ask Mr. Bryce a question in regard to that. You made a comment that rather struck me in your preliminary remarks before presenting these two memoranda. You said it would not be possible for anyone not possessing information that you had in your department to break down these figures and determine what they really mean. I can well understand that but, as I appreciate the questioning, it was directed yesterday afternoon and this morning towards the idea of some simplification of procedure that would not only make it possible for the estimates and the accounts to be prepared in a form that could be more readily understood but also would effect savings in dealing with various items of public business. Mr. Diefenbaker raised the question yesterday afternoon and in the answer it was pointed out that there was difficulty in answering some of these questions because of the uncertainty as to whether one could get the up-to-date information in regard to various details. Having reviewed the situation I would like to ask the question: Suppose that, even at some greater expense, a system of accounting were established under appropriate definitions of the various items that brought these regularly up-to-date at periodic intervals from every part of the government service, would it not save a great deal of time in getting information when these questions are asked in the House?

The WITNESS: Yes, it might well do so if we could agree on what we call expenditure classifications that could be used generally. Then I think it would be possible. I speak here subject to correction by the comptroller of the treasury, who is the expert in this matter, that accounts could be kept monthly in these terms and would require relatively short notice in getting expenditures up to the end of the previous month.

By Mr. Langlois:

Q. That would be so if the question asked by the member was in conformity with the meanings of the headings that the expenditures are grouped under, is that not right?—A. Yes.

Q. If a member asks a question in accordance with the summary it will be easy to answer his question, but if he wants details other than those mentioned under the various headings, well, you would have to start your work all over again, is that a fact?—A. Well, the more particular the question the more detailed the investigation of the account must be to answer it. If we adopted standard headings of this kind, questions in terms of these standard headings should be easily answered.

Q. Members will have to ask standard questions then?—A. Yes.

By Mr. Drew:

Q. Mr. Bryce, is it not a fact that at the present time it would be absolutely impossible for any member to ask a standard question relating to each item of the department even if he were dealing with the same subject in many cases?—A. If he asked for salaries paid, for example, that, I think, is a sufficiently common classification now that he could get an answer to it.

Q. I know there are certain cases where it would be the same, but is it not so that in your answers yesterday you indicated that there were different terms used for the same subject matter in different departments today?—A. Well, in effect, yes; the accounts are kept in slightly different classes. The same type of expenditures on individual items in the accounts might well be described in the same way but the groupings would be different.

Q. Well then, would it not save the expense that is now involved in detailing certain employees in a department to find the information for a particular question if there were a general classification that in ordinary cases would make it possible to ask the same type of question in regard to each department, knowing you were dealing with the same subject matter in each case?—A. I think it well might, but I do not know enough of the mechanics of the accounting problem to know the order of the magnitude of the expenses that would be involved.

Q. I know, I would not expect you to give it to me exactly, but I am putting it as a proposition.

The CHAIRMAN: The Comptroller of the Treasury could be called later and asked that question.

By Mr. Langlois:

Q. Referring to your last answer to Mr. Drew's question, Mr. Bryce, you do not mean to say in connection with travelling expenses, for example, that that description does not mean the same thing when discussing public works and discussing national defence estimates or expenditures? You do not mean to say that?—A. No, but travelling expenses, like salaries, are one of the fairly common categories, subject to the qualification that in certain departments you may have included with it things like compensation to officers whose effects were lost during the war; somewhat similar items may be covered in the same primaries; but broadly speaking salaries and travelling expenses are classes that are common to nearly all the votes and questions about expenditures on them would be fairly readily answered because we have made considerable progress already in standardizing some of those divisions of the votes. We have not completed that progress, and if this committee and the House and the government were to come to an agreement on a desirable way of classifying expenditures for purposes of this kind then we can adjust our accounting to meet it and accomplish it.

Q. When you say that the clear meaning is not apparent in all departments as to the various items, is it a logical fact that expenses in the various departments are not always comparable expenses?—A. I think perhaps you misunderstood a little what I was saying. The divisions in the estimates that we use for different votes are not always the same and for that reason the accounts which are determined by those divisions are not always the same for each of the votes. It is not that the wording has different meanings, it is only the grouping of particular transactions which is different.

Q. The reason I asked that was because your answer tends to give the impression that you were using a different thing in one department than you were in another.—A. I am sorry, it is a different grouping for accounting purposes and it follows out of the different divisions or primary allotments used here for estimate purposes.

Mr. THATCHER: Mr. Chairman, I was wondering if we could go down these points which Mr. Bryce has made in detail and then we could decide whether or not it is a good thing to consider it the way it appears there.

Mr. MACDONNELL: Mr. Chairman, could I ask one preliminary question before you do that?

The CHAIRMAN: Yes.

By Mr. Macdonnell:

Q. I understand the witness to state that this category division—I suppose you may call it that, into functional operations was not prepared in his department but came from the Senate; am I correct in that?—A. No, sir, it was prepared by us in the Department of Finance at the request of Senator Crerar on behalf of the Senate Finance Committee.

Q. Was there any division comparable to this in existence before?—A. We normally make a separation, a cross-classification, when considering the estimates, but not essentially in the same categories as you have here. In the Department of Finance in analyzing the estimates we are interested too, in this sort of thing in seeing the nature of the expenditures contemplated in the estimates.

Q. Then are you perfectly free to suggest changes in the method of set-up of the departmental figures or do you more or less accept them as sent out and make your own divisions for it?—A. Oh, the Department of Finance has made suggestions in the past as to classifications.

The CHAIRMAN: Is it then the desire of the committee that we should look over in detail the material which Mr. Bryce has supplied the committee?

Mr. DREW: Just to keep it in some sequence I would like to go back to this question I asked because I do not think the answer given by Mr. Bryce was in any way inconsistent with the situation. For instance, we were discussing yesterday the possibility of determining just how much is spent on advertising and publicity and different things of that kind and at that time I pointed out to him that different terms are used and that there is a different division in different departments in connection with this. Just as an example, let us take the Department of Trade and Commerce, item 246 on page 52, where you have publicity and advertising in Canada and abroad, $201,315; then in the case of Transport at page 64 you have—

The CHAIRMAN: I do not see that as a preliminary question to a detailed study such as has been proposed by Mr. Thatcher. If we were to go on into that we would lose ourselves. With all due respect, Mr. Drew, I think we should proceed in an orderly fashion and if we are going to study this report we should consider it item by item and when we come to the item relating to advertising you could bring that matter up then.

Mr. DREW: That occurred to me as being a good example and I just wanted to cover it at this point.

The CHAIRMAN: I think it would be better if you waited until we reached that.

Mr. DREW: Very well, Mr. Chairman.

Mr. THATCHER: I move that we go into this in detail now.

The CHAIRMAN: It is moved by Mr. Thatcher that we go into a detailed study of this memorandum calling the items in order as they have been presented to us.

Mr. BENIDICKSON: Mr. Chairman, before we go into any detailed discussion of these items is it fair and proper to ask in a general way which of these items is statutory and which are subject to discretion or perhaps I should say vote?

The CHAIRMAN: That would be an entirely different subject and I think we should first deal with the memorandum which is before us. You see, I cannot treat one member any differently than another and I asked Mr. Drew to withdraw his question until the item to which it relates is before us.

Mr. FRASER: I would like to deal with that in a general way first.

The CHAIRMAN: All right, let's have your question.

By Mr. Fraser:

Q. Is it fair to assume that this summary covers every item in the estimates, that they are included under these headings?—A. In one place or another, sir, they are all there.

Q. They are all here?—A. Yes.

Q. Then we have advertising here, that covers all the advertising that was done during one year?—A. Well, sir, as I indicated at the time I introduced this table, there may be some small amounts of items in various categories here that are not appropriately placed. For instance, if you take materials and supplies in some of the small votes they may be under headings for materials and supplies and they may be in sundries or small amounts voted in that way.

Mr. THATCHER: On a point of order, Mr .Chairman, I had a motion which I think should be dealt with.

The CHAIRMAN: Yes, I think that was quite fair. The matter to which Mr. Fraser is now referring should be dealt with when we reach the item on advertising.

Mr. FRASER: I just wanted to get it straight that this was all covered in the estimates.

The CHAIRMAN: That has been answered.

Mr. FRASER: Yes, it has been answered.

The WITNESS: It will come out in the individual items, I think, as we go through them.

The CHAIRMAN: And the details are the details of the amounts for the year mentioned.

The WITNESS: All the items are accounted for somewhere in these categories.

The CHAIRMAN: If Mr. Thatcher's motion carries let us go through this memorandum by items.

Mr. BENIDICKSON: Before we come to that is it not proper that we should know which of these items are statutory items and which are not.

The CHAIRMAN: Your suggestion is to differentiate between the statutory and non-statutory items?

Mr. BENIDICKSON: Yes.

The CHAIRMAN: Let us deal with that question because it has a direct bearing and I think it might be answered now.

The WITNESS: Well, sir, in regard to that I should say that we have picked out most payments of that kind and indicated them separately; for instance, there is the statutory payments with respect to family allowances, those are all given under one heading.

The CHAIRMAN: I think, if I may say so, that Mr. Benidickson's question was more general than that, can you give us the details as to which of these items are statutory items and which are non-statutory items?

The WITNESS: No, some of these are statutory and some are votes.

The CHAIRMAN: If that motion is carried?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Let us go into a study of this submission in detail.

Mr. LANGLOIS: You mean to take it paragraph by paragraph?

The CHAIRMAN: Yes. No. 1: *Civil Salaries and Wages.*

By Mr. Drew:

Q. In connection with that first item, that would comprise all the salaries of every one of the departments for administrative purposes; in the case of the Department of National Defence where a great deal of the administrative work is done by men in uniform, where would that be allocated?—A. That would be in No. 3, sir; Pay and Allowances—Defence Forces and R.C.M. Police.

Q. So that we would not have all the administrative cost in this item No. 1 with respect to the Department of National Defence, part of that administrative cost would be shown in the heading in section 3 which covers the pay and allowances for defence forces?—A. Yes, sir.

The CHAIRMAN: Do I understand, Mr. Bryce, that you still have in the estimates the details department by department of the figure which comes under this general heading.

The WITNESS: Yes.

Mr. SINCLAIR: Alternatively, all the civilian employees of the Department of National Defence would be shown there in that item 1, Civil salaries and wages?

The WITNESS: In 1, sir; and you will see from the explanatory note there, in the last few lines, that there are certain items of salaries that we have not been able to put there, that we have not been able to dig out. There are some small votes that may provide for salaries under other heads where salaries are relatively unimportant; and the Film Board production and distribution staff salaries are listed under the cost of film production in item 7; and the salaries of those employees of the Canadian Broadcasting Corporation paid out of the moneys voted for international broadcasting are included in the item No. 7.

Mr. RILEY: Do you make provision there to show the deficits of the operations of such things as Crown companies?

The WITNESS: Where funds are provided in the estimates to cover the deficits or other requirements of Crown companies they would be reflected in these figures because, as I say, all the sums provided in the estimates are covered under one heading or another here.

Mr. RILEY: And where they would be appropriated they would be found in item 30 or item 31?

The WITNESS: Some of them are. You will notice there is a table on page 9 of the memorandum there and an explanatory note giving some of the larger items that are included in item 30.

Mr. RILEY: Oh yes.

The WITNESS: Take for instance there the administrative portion of the Canadian Arsenals item, there would be certain salary costs involved in that.

Mr. BLUE: What about surveys, survey parties sent out by the Geological Branch of the Department of Mines and Resources, for instance. Would we find that in item 9?

The WITNESS: No. The reason for that is that in the votes—if you will look at those under mines and technical surveys—you will see that the cost of certain of the employees on survey parties is covered in the general item for survey parties, but we do not know in advance just exactly what that is going to be.

Mr. BROWNE: This Mines and Resources item for technical surveys includes the cost of the survey parties?

The WITNESS: Perhaps not quite, for instance the item of expense. The estimates are made in advance. They cover plans as to the surveys that are to

be undertaken and what it is proposed to do. You cannot tell precisely whom you are going to employ on your survey party or what its precise cost is going to be. You anticipate, in the light of experience, that it is going to cost you let us say $5,000 or $7,000, but you cannot tell, let us say, in September the year before just what that cost will be, how much of that $5,000 or $7,000 is going to be paid for wages and how much will go for materials, supplies and so forth; but from our experience with survey parties over a number of years in a certain area you can arrive at an approximation of what it is likely to cost. That is an illustration of a case where it is not possible for us to go into too great detail in submitting the estimate.

Mr. BROWNE: You do not insist on being supplied with that?

The WITNESS: We do in the major cases but when you get down to a certain degree it is not worth carrying it any further; and it is not like analyzing the public accounts after the transactions are over; then you know exactly what they are.

Mr. RICHARD: They are small votes.

The WITNESS: Small items within votes.

Mr. SINCLAIR: Is it not also true that in the case of the geological surveys the head of each party is usually a permanent official, and the distribution of his wages would be a different matter from the distribution of the wages paid to university students who would be assisting him, and so on, but all the salaries would be lumped into the cost of the survey?

The WITNESS: Yes sir, that is my understanding.

Mr. BROWNE: Is it true that the head of the survey usually is a permanent employee?

The WITNESS: In most cases, but not necessarily.

Mr. SINCLAIR: You usually have an experienced geologist take the party out and make surveys of that kind.

The CHAIRMAN: Any further questions on item No. 1?

Item 2: *Allowances—civilian.*

By Mr. Drew:

Q. What exactly is that term, Mr. Bryce?—A. Well, sir, it is described in this material here. There are various types of allowances paid for various purposes. In northern Canada, as an example, we pay certain employees allowances because of the difficulties and extra costs of living and working in the north. Many employees get certain allowances for the extra cost of living abroad. Then, the railway mail clerks get a certain mileage allowance in addition to their salary to cover the costs to which they are put because of the nature of their work and because they will be away from home a proportion of the time.

Mr. FRASER: Does this also cover exchange on salaries paid to employees in the states?

The WITNESS: No sir, that would be under No. 1; but that item would include exchange on the allowances paid in foreign countries.

Mr. RILEY: What about this special stenographic allowance?

The WITNESS: That is an allowance that was paid to stenographers over a number of years as an inducement to girls to take training for stenography. For a time they got an allowance over and above their salaries, recommended by the Civil Service Commission for that particular purpose.

Mr. JOHNSTON: Is that being carried on now?

The WITNESS: I think that it was discontinued some months ago.

The CHAIRMAN: Item 3: *Pay and Allowances—Defence forces and R.C.M. Police.*

Mr. FRASER: On this item, does that apply only to persons in uniform? What about the civilian employees of the department, does it apply to them?

The WITNESS: That applies only to those in uniform, members of the forces as distinct from civilians.

Mr. LANGLOIS: You said that civilians were included in No. 1?

The WITNESS: Yes, sir.

Mr. RILEY: What about the R.C.M.P.?

The WITNESS: We had to reduce this to a reasonable number of items and we just grouped them because their pay and allowances are in many respects similar in nature to those in the armed services. I should point out, that, of course, this grouping here by objects of expenditure was not intended to reflect the purpose for which the expenditure is concerned but only the type of expenditure itself concerned.

Mr. LANGLOIS: What about these other fellows we see around in uniform who are apparently working in government buildings, they do not belong to the R.C.M.P. and they do not belong to the army, they are, what do you call them—

The WITNESS: You refer to the Corps of Commissionaires?

Mr. LANGLOIS: Yes.

The WITNESS: They are included in item No. 4.

Mr. RICHARD: They are not members of the forces and they are not public servants either, are they?

The WITNESS: No.

Mr. FRASER: Do you make an adjustment in that for payments you receive from the provinces for services supplied by the R.C.M. Police?

The WITNESS: That is not shown there but it is credited to revenue.

Mr. JOHNSTON: As I understand the arrangement the dominion pays the entire expense of the R.C.M. Police and the provinces reimburse the federal government?

The WITNESS: Yes, sir.

By Mr. Robinson:

Q. What about travelling allowances for army personnel? Would that appear in item 3 or item 5?—A. I think, sir, if it is a per diem allowance for travel particularly it would appear in item No. 5.

Q. What about warrants issued to members of the forces for travelling?—A. I think that would appear in item 5 also, sir.

Q. It is covered by 5?—A. It should be, sir.

Q. But you are not sure about that?—A. I am pretty sure that is where it is. I cannot think of anywhere else it would be.

Mr. THATCHER: Where would you look for let us say nurses employed in the veterans hospitals, would that not come under some item like No. 19 or No. 20?

The WITNESS: We are trying here to select the types of payment and we have tried to group in this item all those who are paid in the form of professional fees.

Mr. RILEY: What about Crown Company deficits and so on, would that be in this item?

The WITNESS: They would probably be on their own, sir; they are in theory self-financing I believe.

By Mr. Thatcher:

Q. Can you tell me how much of that is for legal services?—A. I am sorry I cannot tell you that without making further investigation.

Q. There is an item there for accounting, what kind of service would that be?—A. That would be where a department might retain an accountant to examine the accounts of a company, perhaps, which was fulfilling a contract or something where certain information might be required and the Comptroller of the Treasury would retain an outside accountant on a fee basis. That is what would appear here.

Mr. MACDONNELL: Would that include the people who came in to examine the Film Board?

The WITNESS: If that had been specifically provided for in the estimates that is where it would appear, sir; but I do not believe that it was anticipated at the time last year's estimates were made up so I would not like to say that it was in there.

By Mr. Thatcher:

Q. That item 4, Mr. Bryce, is largely a grouping of technical services items and I see it includes a considerable amount for legal fees; would there not be the possibility of making a considerable saving by using lawyers in the Department of Justice more extensively and using outside services to a lesser extent; I mean, is that possible or it it not?—A. That is a fairly detailed question, sir, and I hesitate to express an opinion on it. Naturally the Treasury wants to see use made of our own staff rather than incur extra expense in the hiring of outside staff.

Q. It would look as though there were quite a substantial amount, over a million dollars paid for legal services; isn't there a possibility that we might be able to use some of our own lawyers for that work?—A. I hesitate to express an opinion offhand on that.

Mr. RICHARD: The Department of Justice deal principally with government work but there are a lot of cases in which the government has to retain outside counsel to conduct special cases for them; and at the salaries they pay they can hardly expect their staff men to take on work of the kind involved.

Mr. THATCHER: It occurred to me that that might be a chance where some economy could be made.

The WITNESS: These are by no means all legal fees. There are large fees for example on various kinds of engineering work.

Mr. LANGLOIS: I see here you have a division under the heading of accounting, that would cover accountants whose services were required, for example in connection with the work of the Prices Committee?

The WITNESS: If there was a special provision made for it in the estimates; but, again, that amount may not have been known when the estimate was prepared. As I pointed out earlier, this has not been made up, these figures have not been based on the records of expenditures but rather from the plans for the estimates.

The CHAIRMAN: Item No. 5. *Travelling and Transportation Expenses.*

By Mr. Fraser:

Q. In this item, Mr. Bryce, would this cover let us say the trip of the Minister of External Affairs to Ceylon?—A. Yes sir, it should cover that.

Q. Well then, how do you show the $16,000 cost—that works out at about $1 per mile—and I see that External Affairs only paid one-half of that $16,000; what do you do with the other $8,000 balance?—A. I assume, sir—I do not have knowledge of the details of that transaction—I assume that the total cost of operating the plane was borne in the first instance by the R.C.A.F. and that the Department of External Affairs reimbursed them for the agreed portion of it.

Q. Do the other departments do the same thing in connection with accounts of this kind?—A. We have in a few places provided in the estimates for the reimbursement by one department to another in the case of an operation of that general nature but we do not have any special categories in our votes for that.

Q. What I am getting at is this: take the Prime Minister's travelling expenses and his private car, would you have a special account for that?

The CHAIRMAN: You mean is there any provision made in the estimates for that? We are on the estimates, not on the public accounts. We will have the experts here to tell us about that later on.

Mr. FRASER: I am asking this question on the estimates, I want to know if there is an item for that in here.

Mr. LANGLOIS: But you are dealing with public accounts.

Mr. FRASER: No, with estimates.

The CHAIRMAN: Let us see if there is an item covering that.

Mr. FRASER: That is what I am interested in and I do not seem to be able to find it.

The WITNESS: In vote No. 487 under Transport you will find specific provision for expenditures in connection with the operation of special railway cars which come under the jurisdiction of the department.

Mr. FRASER: Did you say in vote 487?

The WITNESS: Yes, and the breakdown of that in detail is on page 297.

By Mr. Thatcher:

Q. I wonder if Mr. Bryce could say how the various travelling allowances are determined; I mean, are there fixed rates for army officials or fixed rates for civil servants; are they given so much per day?—A. It varies, sir, as between the different services. Are you speaking of civil servants or army personnel? The ordinary civil servant is reimbursed for his expenditures.

Q. For his actual expenses?—A. For actual expenses if they appear reasonable; and in the case of the armed services, they usually have per diem rates for most of their personnel.

Q. Mr. Bryce, just looking at this figure, would you not think that very substantial? The reason I ask that is this, I have noticed since I have come here, which is not so very long ago, that when some of our officials come here to Ottawa they go to the Chateau and sometimes they have one room or they may have a whole suite. There may be some reason for that. If they want to live in luxury of that kind that is their privilege but I wonder if the taxpayer should be paying for it.

Mr. RICHARD: I understand that would be contrary to regulations and instructions.

Mr. MACDONNELL: Dou you know of any cases of that kind?

Mr. THATCHER: I am not going to name any special instances because it is their privilege. I notice from time to time when they have occasion to go across the country they all have the best drawing rooms. That may be necessary, but you have got hundreds of thousands of people who are travelling and they all do that and it seems to me quite a bit of money could be saved in that respect. And another thing, if a civil servant or some high army official wants a dinner

I think it should be paid for, but I think if he wants to order a dinner in his suite of rooms at $10 or something of that order, then I do not think the taxpayer should be charged for that and there should be some check on that; and I was just wondering from what I have seen around Ottawa whether you do have a check on that.

The WITNESS: I should perhaps point out first that for the civil servants there are quite elaborate travel regulations under which their payments are subject to very careful scrutiny; the regulations are passed by order in council and cover many types of cases; and certainly they do not contemplate a civil servant having a suite of rooms at hotels or using drawing rooms and such on trains.

Mr. THATCHER: Are there any suites down here in the Chateau which are permanently reserved for civil servants?

The WITNESS: Not to my knowledge.

Mr. RICHARD: My understanding is that these civil servants are limited to a certain amount of money every day.

Mr. THATCHER: Then am I to take it that if they occupied a suite they would have to pay the bill themselves?

Mr. RICHARD: I understand they are subject to regulation.

The WITNESS: The regulations do not contain the specific limitations as to the amounts, but any department may impose its own limitations on their own people with respect to travelling expenses.

The CHAIRMAN: May I interject just one word? In my experience in the Department of Justice as private secretary, I was limited in my expenses to paying $5 a day for a room. This limitation was not put on by a government regulation, it was a rule of the Department of Justice. Breakfast was not to cost more than a dollar at that time—that was over twelve years ago—and luncheon was not to cost more than $1.25 and dinner not more than $1.50. I was not allowed anything for tips or for a porter or redcap to carry my bags. If I did pay these items I had to pay them out of my own pocket. If I took a suite anywhere I would pay the balance myself.

Mr. DREW: Is there any such limitation as that at the present time?

The WITNESS: I could not say what the limitations are in individual departments.

Mr. RILEY: Is it not true that an expense account is submitted to close scrutiny by the Treasury Board?

The WITNESS: The expense accounts must first be examined and recommended by a responsible officer of the department concerned, where they may impose whatever limitations they see fit to impose. They are then passed to Treasury officers who see to it that the accounts are in accordance with travel regulations or such other general policies as are laid down. So, you see, they have to conform with both the departmental direction and the travel regulations.

By Mr. Johnston:

Q. Is there any schedule of travelling expenses?—A. We have not done that with civilians, although we gave it considerable study, because once you set a schedule you may later have to take into account unusual circumstances in certain cases that do not fit within that schedule. It is quite different from the ordinary problem if you have one of the directors of the Department of Trade and Commerce going to Washington for a day or two. He may have to live at an expensive hotel there and incur taxi fares and such getting to and from meetings.

Q. The reason I asked that is that the chairman indicated when he was with the Department of Justice a certain schedule was allotted.—A. That is according to the directions of the department.

Q. Does a department have a schedule?—A. Some departments may have even elaborate schedules that apply to the types of trip or types of problem involved.

Mr. THATCHER: Is that not one item where we might get down to something tangible and set up standard travelling expense allowances? I am convinced that some of these travelling expenses are running wild.

The CHAIRMAN: Would you supply us with your categories of people whose travelling allowances could be standardized?

Mr. THATCHER: I do not presume to tell you how that could be done, but some kind of standards could be set up, and I think that is a reasonable request that could lead to some economy.

Mr. SINCLAIR: I would like to add a few words about that. I do not know of any civil servant who has travelled in recent years who has not lost money in doing so. I was over to Europe recently and I was accompanied by a staff officer of the Department of Finance. For every single item of expenditure he made he had to have a receipt.

Mr. THATCHER: That is as it should be.

Mr. SINCLAIR: Yes. But in more than one country that we were in we could stay only in the allotted hotel in that country. Meals cost from $8 to $12 a piece, and the only way this civil servant could protect himself was to actually take home menus to show that in this hotel he had to pay that amount for meals. In that same country unless you had a ration card, you could not buy food in the stores.

Mr. THATCHER: That is an exceptional case.

Mr. SINCLAIR: More than that, I have also come in contact again and again with civil servants who have gone on trips—and that is the second point, there is an attitude prevailing that civil servants like to go on these trips. I would compare that to members of parliament who might like to do a lot of travelling on their passes but this only lasts for about three or four months and from then on they actually do a minimum of travelling. I think the same is true about civil servants. They are not overpaid and when one submits his expense account there are many times when the accounts are turned back and money is lost on them. Certainly, the reaction in our department—it may be that being the Finance Department, we have to be more rigid than in other Departments—but there is a real dislike of going on these trips because of that. The system used in our department is the system detailed by Mr. Bryce that a civil servant returning home will submit a list of every item, what each meal costs and the cost of the hotel room. This is submitted to his own department and from there it goes to the Treasury for scrutiny. I think it is a most unfortunate thing for the member from Moose Jaw to suggest—I know he is living in the Chateau Laurier himself—that civil servants are living in the Chateau Laurier at government expense.

Mr. THATCHER: I am not there at the government's expense.

Mr. SINCLAIR: The government gives you an expense allowance of $2,000 a year, tax free to cover that.

Mr. THATCHER: I cannot afford to buy a house in Ottawa as the parliamentary assistant has done.

Mr. SINCLAIR: I think it is most unfortunate that the member for Moose Jaw should try to give the impression today that our civil servants are living

in great suites at the Chateau Laurier and wining and dining at $10 a meal. I think he should name these civil servants if he knows of any.

Mr. DREW: Let us stop this nonsense right away. We are meeting here for suggestions on how to improve the estimates and I do not think any questions that are asked should be considered to have a sinister motive behind them. If that is to be the attitude here this committee might just as well stop meeting right now. The remark made by the parliamentary assistant is improper. We have a right to ask questions without any motive being imputed to them.

The CHAIRMAN: We have never denied anybody the right to ask questions. The parliamentary assistant expressed the thought that casting aspersions was not the thing to do.

Mr. THATCHER: At the outset I said I was not naming any civil servants. Mr. Chairman, I am here to try to get information. Maybe what the parliamentary assistant says is correct in 99 per cent of the cases of civil servants, but I say that the taxpayers of Canada should be protected and that there should be standard travelling forms for the one per cent who may be taking advantage of things.

The CHAIRMAN: We all agree with that.

Mr. LANGLOIS: In this example you gave, Mr. Thatcher, without mentioning any names, of civil servants staying at the Chateau Laurier, are you sure that their expenses are being pay by the government of Canada? We have newspaper men here reporting these proceedings and there will be newspaper reports on them, and I think for that reason this should be made clear immediately.

Mr. DREW: Mr. Chairman—

Mr. LANGLOIS: I would like Mr. Thatcher to answer that question.

Mr. THATCHER: I would like to make an investigation.

Mr. LANGLOIS: So you are not sure.

Mr. THATCHER: I am not sure but I have reason to believe that they are paid by the taxpayers.

Mr. DREW: Let us look at the situation. There are surely no aspersions cast on the members of the civil service if a question is asked with regard to a particular thing. We must remember by what has already been stated here that there are a great many people being employed who are not members of the civil service and there was nothing in the impression right or wrong that might relate in a single case to a member of the civil service. To combat this, the memorandum shows there are people here covered in the item for professional and special services which amounts to $17,258,000. Those people stay somewhere and if there are any provisions at all it may well be there are some provisions for those people who are employed under special circumstances of that kind. I am not holding a brief for one member or the other, but I do think if a question is asked in regard to it, it should relate to a particular thing, and the question should relate back to item No. 4, professional and special services and I ask Mr. Bryce if those who are employed in that way, such as lawyers, accountants and others would come under the same provisions as civil servants if they were staying at the Chateau Laurier or any other hotel?

The WITNESS: I may say that members of royal commissions and such get on occasion their travelling and living expenses. The circumstances will differ from case to case, however. Sometimes they get a per diem allowance to cover their expenses and, if they get that, where they stay is up to them. They will bear whatever cost is involved. In other cases, they may submit their expenses in accordance with the normal regulations.

The CHAIRMAN: Could you tell us what those per diem allowances amount to, generally?

The WITNESS: They vary considerably with the nature of the commission but it is quite true there are a great many of these people who may be reimbursed their expenses or given a per diem allowance.

Mr. JOHNSTON: What is the variation in these per diem allowances? Do they vary from $5 to $75 per day?

The WITNESS: I would hesitate to say what they are, but for judges serving as chairmen of conciliation boards they may run up to $40 or $50 a day.

Mr. THATCHER: Living expenses?

The WITNESS: Covering all their living. I should point that when a man is paid so much per day, that is fully taxable under the income tax law.

Mr. STEWART: He has the right to show his expenses against that amount?

The WITNESS: It depends, sometimes.

Mr. LANGLOIS: Let the expert answer.

The WITNESS: The expenses are sometimes accountable up to a set amount and in other cases they are not accountable. Where it is not accountable, and it is a per diem rate then it is taxable.

By Mr. Stewart:

Q. Let me understand this a moment: suppose I were acting on a royal commission and got $25 a day allowance, I would be taxable subject to a deduction of the expenses?—A. No, sir, if you are allowed your actual expenses not to exceed $25 it is not taxable. But if you get $25 a day and there is no limitation of the amount to the costs actually incurred and accounted for then that $25 a day is taxable under the Income Tax Act.

Mr. FRASER: It is just a case of the wording is it not?

The WITNESS: That is right, it is the wording and substance of the arrangement.

By Mr. Thatcher:

Q. What would the rate be for judges?—A. It is not uniform. There is a rate for judges under the Judges Act, specified by statute, and I think where it is covered by statute it is not taxable.

Q. I do not know whether I should put a motion or not but can we get from the pertinent officer information as to the travelling regulations existing in the various departments today and then we can determine if it is feasible or not to standardize them.

Should I make a motion to that effect?

The CHAIRMAN: We will bring before the committee whichever official you want.

Mr. THATCHER: I do not know which one is the pertinent one.

The CHAIRMAN: What information do you want to get?

Mr. THATCHER: Someone to give us the regulations in each department as to travelling expenses.

The CHAIRMAN: We will pursue that and bring the proper official before us.

Mr. LANGLOIS: All these travelling expenses are subject to the treasury's approval.

Mr. MACDONNELL: In these cases of special allowances, are a man and wife regarded as one from the point of view of travelling expenses?

The WITNESS: It only covers the man.

The CHAIRMAN: Any further questions on travelling and transportation expenses?

By Mr. Fraser:

Q. On these travelling expenses, I cannot find any place a breakdown of what cabinet ministers or anyone else spends on travel?—A. That is in the public accounts. It is the usual thing in the public accounts to show travelling expenses.

Q. But it just gives a lump sum for the whole department?—A. No. For instance, if you look in the public accounts for this past year at page M-66, you will see the travelling expenses for the various employees of the Lands and Development Service Branches. You will see there a list of travelling expenses paid or reimbursed to each individual.

Q. Yes, but that does not cover ministers?—A. Well, if you would find the item that is appropriate to the minister—

The CHAIRMAN: Again, we are drifting to the public accounts. You must remember we are dealing with estimates.

By Mr. Fraser:

Q. All right then, where is it in the estimates?—A. In the estimates, normally in the departmental administration items there would be provisions for travelling expenses of employees covered by that vote and the minister.

Q. That is all lumped?—A. It would be lumped.

Q. That is what I was trying to find out. How can we "unlump" it?

The CHAIRMAN: We find out after it is spent.

The WITNESS: They cannot say in advance what travelling expenses are going to be in detail. They make a reasonable forecast.

Mr. STEWART: On page M-10 in public accounts, we see an item there, Hon. J. A. Glen, travelling expenses $500 and Hon. J. A. MacKinnon, travelling expenses $2,075.

Mr. CAVERS: The same thing appears in J-4.

The CHAIRMAN: Any further questions on the item travelling and transportation expenses?

Mr. DREW: Just to round that out. The question seemed to be directed in an attempt to find out some way in which there could actually be an effective supervision of travelling and transportation expenses and to give some knowledge to the members of parliament as to whether it is being exercised. With that in mind would it not seem to be a good business arrangement to have a uniform standard of supervision of travelling and transportation expenses which would apply to every department?

The WITNESS: Well, sir, we have these uniform regulations but when you are judging what is reasonable it is necessary to exercise a discretion which we decentralize to the department. It is not exercised centrally because it is an enormous operation. There are thousands of civil servants travelling each week.

Mr. THATCHER: That is the point.

The WITNESS: It is necessary for some one in each case to decide what is reasonable in the circumstances there.

By Mr. Macdonnell:

Q. With regard to special cases.—A. That is right. But it may be that for the large numbers of agriculture inspectors, fisheries inspectors and guardians and people of that sort you can have uniform regulations, and I think the departments normally set uniform standards. But if we set a standard high

enough to make it possible for travel in certain circumstances we might set a figure that might be a target to which one might work up. We have to be careful of that sort of thing in order to avoid setting a standard that permits more certain circumstances than is justified.

By Mr. Drew:

Q. During the last fiscal year, by way of illustration, can you recall any particular case where travelling expenses presented to the Department of Finance by any department have been reduced?—A. The comptroller of the treasury would have presented to his treasury officers working with the various departments thousands and thousands of accounts and I have no doubt quite a considerable portion of them might be reduced in one or more particulars.

Q. Can you speak of any now?—A. Well sir, I am not responsible for the normal scrutiny of these, that is the duty of Mr. McIntyre, the comptroller of the treasury, whose officers audit these accounts before payment. Now, there come to the Treasury Board occasionally some special problems or special cases that do not fall under the regulations and it is necessary for the ministers to consider if the circumstances justify authorizing certain exceptional expenses.

The CHAIRMAN: I think the comptroller of the treasury should be the person to answer that.

Mr. FRASER: I was told to look on page M-10.

The CHAIRMAN: We are still on estimates.

Mr. FRASER: We are still on estimates. Referring to External Affairs it does not show any travelling expenses in the public accounts.

The CHAIRMAN: We are not dealing with that. We are dealing with the proposition to submit to parliament a functional classification of estimates as suggested by Mr. Drew. When we get to puplic accounts, you can ask any question you want.

Mr. THATCHER: It seems to me Mr. Bryce made a very significant statement when he said thousands of civil servants are travelling, and it seems to me that for that very reason it becomes necessary to have standard travelling forms set up. I would like to ask Mr. Bryce whether the Canadian National Railways or the Canadian Pacific Railway make any concessions to civil servants who are travelling. Do they get a rate or do they pay the full fare?

The WITNESS: I do not know of any concessions but there may be some in some instances that I would not know of.

The CHAIRMAN: Is it in order to proceed to item No. 6?

Mr. BROWNE: Are passes issued to civil servants charged up to government?

The WITNESS: There are few civil servants who get passes.

The CHAIRMAN: Passes to members, Mr. Browne, are issued under the Railway Act as of right and they are not charged to any department of the government.

Mr. BLUE: Does that apply to members' wives?

The CHAIRMAN: These are courtesy passes issued free of charge by the railways.

Mr. FRASER: Suppose that a man in my town would get a warrant of the department to the railway company for his ticket. The department does not buy the ticket?

The WITNESS: I believe the normal practice for civil servants is that they purchase the tickets and are reimbursed, or they get a cash advance and have to account for the advance. I think warrants were used by the service personnel, not for civil servants.

Q. I thought that in the different departments there was just a slip issued that had to be presented to get transportation?—A. There may be in some cases. I would not know about the mechanics of that.

The CHAIRMAN: Are the members satisfied on this item for the moment, pending Mr. Thatcher's request to question the comptroller of the treasury?

Mr. FRASER: I would not say satisfied.

Mr. LANGLOIS: We do not expect that.

The CHAIRMAN: Item No. 6: "Materials and Supplies."

By Mr. Drew:

Q. Under materials and supplies which reached an estimated total in the coming year of $76,500,000, has any consideration been given to the advisability or otherwise of having one central purchasing agency for all supplies of this kind?—A. I know the matter has been considered at one time or another but I would not be able to say what is in the government's mind.

Q. I understand you cannot discuss matters of policy, but the matter has been given consideration, has it?—A. It has at various times but I could not tell you when it was last under consideration by the government because I might not know.

Q. At any rate at the present time there is no central purchasing agency to deal with supplies of this kind?—A. The King's Printer acts as a central purchasing agency for the type of supplies specified in the appropriate statute. The Canadian Commercial Corporation, of course, is the purchasing agent for the Defence Department.

Mr. MACDONNELL: And was that done mainly because of the huge amount of war expenditures? Wasn't that the reason?

The CHAIRMAN: That is also a question of policy.

Mr. MACDONNELL: I assume it did, as a matter of fact.

Mr. LANGLOIS: I was referring to the C.C.C.

The WITNESS: That emerged out of Munitions and Supply, then Reconstruction and Supply purchasing function.

Mr. LANGLOIS: What Mr. Drew was referring to, as I understand it, was a central purchasing agency similar in nature to the Canadian Commercial Corporation.

Mr. DREW: No. In the case of large corporations, whether public or private you usually have a purchasing department. The Canadian National Railways for instance, has a purchasing department and so does the Canadian Pacific Railway, and each has a vice president in charge. I do not know of any industrial or other enterprise which has not a separate purchasing department with an official in charge of it. I was wondering if that might not be a sound procedure for the business of government.

The WITNESS: That is the case, of course, in our larger departments where they have such purchasing departments.

Mr. LANGLOIS: That is the case in Public Works, but I do not know where you have these purchasing departments.

The CHAIRMAN: It means the pooling of all your purchasing under one agency.

Mr. DREW: Let me elaborate my point. For instance, you have the Department of Public Works. You have a purchasing agency or branch within that department. In the case of National Defence, buildings, for instance, of a very similar nature are built there but whatever purchasing was done would be done in that department, so in that case the materials purchased would be

precisely the same materials; or it might be the Department of National Health and Welfare who would be building a hospital or a building of that kind; or it might be the case of the Department of Agriculture if they were building various buildings; my point, Mr. Bryce, is, as I understand it at the present time, that while there may be purchasing done through the purchasing unit within the department, supplies of precisely the same kind would be bought by separate departments without any attempt to centralize that purchasing as would be the case in large business organizations.

The WITNESS: With the exception of the Printing Bureau there is no case of supplies being bought by a central purchasing agency to my knowledge.

Mr. LANGLOIS: In the case of the Department of National Defence, to develop this a little further, all purchases for them are made by the Canadian Commercial Corporation; isn't that the fact?

The WITNESS: Again, subject to those items dealt with by the King's Printer.

Mr. LANGLOIS: Yes, but that is the only exception.

Mr. THATCHER: I would like to subscribe to the theory which Mr. Drew has put forward. In the province of Saskatchewan they have done exactly that, they have one central purchasing board, and they have found that they have saved thousands of dollars through that method of purchasing and using central stores. And, I have in mind what Mr. Sellar said when he was before us the other day, when he showed where $12,000 had been missed in cash discounts. I think a central purchasing agency for the whole of the Dominion of Canada might result in saving the taxpayer a good deal of money and I would certainly approve of that.

The CHAIRMAN: But bear in mind the fact that Mr. Sellar also pointed out that the reason why that amount of cash discounts was missed was because of the length of time it took to check the materials and deliveries, that that took so much time that by the time the reports got in the discount date had passed. I do not know myself that a central purchasing agency could do it in any less time than it is now being done by the departments.

Mr. THATCHER: Mr. Chairman, I think if the government of Canada were to do that—were to put in a central purchasing agency—they would be able to buy in volume through wholesalers, and they would be able to take advantage of special discounts and get materials generally at a lower cost than is possible under the present arrangement. I feel that the suggestion is a good one.

Mr. LANGLOIS: The C.C.C. seems to be doing a pretty good job for the Department of National Defence and I think a central purchasing agency for all departments would have a good deal of merit.

The CHAIRMAN: That would involve the necessity of long term planning—

Mr. LANGLOIS: But they could take advantage of buying in volume.

The CHAIRMAN: —and the materials would have to be distributed from that central agency; there would be necessarily the need for inspection and that would take some time. If you allowed for the time taken up by inspection and the sending of reports to Ottawa to the central purchasing agency you would find that it would take quite a little bit of time to check up. Mr. Sellar made particular reference to that point, and in that respect the present method was not entirely satisfactory, and that was the principal reason why these discounts were not taken advantage of. It is not exactly the same thing for a commercial company.

Mr. BROWNE: We have had a central department of supply set up in Newfoundland. I don't know just how it is doing now, but I do know that they

have a centralized purchasing service. But one thing which does occur to me, if we instituted a central purchasing agency, is that there are many times when you want to buy supplies immediately at the point where the work is being done—let us say a pound of nails or something like that—and that would have to go through your central purchasing agency. One result of that would be to create a lot of ill-will among your local merchants who would find themselves at a decided disadvantage. There are times when you have to leave things of that kind to decision on the spot and to good judgment of the parties concerned.

The CHAIRMAN: Are there any further questions on materials and supplies?

Mr. DREW: Just on that particular point I would point out that whether it is paid by the department concerned or paid by the central purchasing agency does not change the effect of the value of the central purchasing service in any way. There could still be provision for local purposes to meet local needs. Would not that be so, Mr. Bryce?

The WITNESS: I think so, sir.

Mr. LANGLOIS: But through this central purchasing agency the value of your service would depend on purchase in volume and your volume would be such that you could go direct to the manufacturers. Would not that have this effect, that it would take away a lot of trade from local stores and you would have a lot of complaints from them?

Mr. THATCHER: No, not necessarily. All the way from St. John's to Vancouver you have your wholesalers, and as long as your central agency is doing the buying all they have to do is to send the order on to the point at which delivery is required.

Mr. LANGLOIS: That may be true, that you have wholesalers who can supply you from any point in Canada, but you still have the complaint which you now get, which is that all this buying is done in Ontario.

Mr. THATCHER: Not necessarily.

Mr. LANGLOIS: That was Mr. Browne's objection as I understood it.

Mr. BROWNE: Yes, the difficulty would be that you would not be able to purchase your supplies locally and that would prejudice the local tradesmen.

Mr. SINCLAIR: What it amounts to is this. Take the case of my constituency where we have a large number of public works including wharves and bridges. Suppose you need an immediate repair to a wharf or a bridge, what are you going to do? Are you going to wait until you get authority from Ottawa to buy the supplies then go ahead and make the repairs, or are you going to make your purchases locally and proceed with the repairs immediately? If you had a central purchasing agency you would have to clear your requisitions through the central agency here at Ottawa and you would have to wait until you got your authority and do whatever they directed—you might have to wait for them to have the supplies delivered to you, or they might in some cases direct you to make the purchases locally. I think the net result would be that you would be building up another bureaucracy here, as Mr. Browne points out, which would provide jobs for a lot of people but not expedite the doing of the work.

Mr. THATCHER: It might be a good thing to establish a number of divisional agencies working under the control of the central office.

Mr. SINCLAIR: Well, they would have to clear that through the central authority, the local engineer would not have the power to tell you to go ahead. As it is now we have to go to the local engineer at New Westminster, he is the representative of the Public Works Department, and he functions as purchasing agent. It seems to me the net result would be an excessive centralization through which it would be very difficult to get effective action.

Mr. THATCHER: I would say that I agree with Mr. Drew's suggestion in principle, and as I understand it this central purchasing agency would function efficiently and I think it would be able to effect considerable economies. I think we are just befogging the issue with the suggestion with respect to the purchase of a pound of nails or something of that kind in Vancouver and having to wait for authority to make the purchase. I think you would have a saving in such an arrangement as Mr. Drew suggests. Take lumber, for instance.

Mr. PRUDHAM: Are you going to stockpile lumber, for instance, in Ottawa for distribution across Canada?

Mr. THATCHER: I didn't say that at all, but I do suggest that if you had a central purchasing agency you might be able to buy your lumber effectively by being able to buy it in volume.

The CHAIRMAN: I think lumber was a poorly chosen subject.

Mr. LANGLOIS: It is a good example.

The CHAIRMAN: But it is one which is difficult to deal with.

Mr. DREW: After all, we are asking the witness for information. I do not suppose we can reach a decision right off. I think it would be unfortunate if we got confused in our minds as to what would be implied in this; because, after all, the existence of a purchasing department in the Canadian National Railways under a single purchasing official does not mean that if they bought lumber in one place they would stockpile it, let us say in Montreal at the head office; the point is that in buying their local requirements or otherwise they deal with that with an experienced department, and whether they are buying lumber or anything else, in the ordinary course of events they will make the particular purchase at whatever point in the country they regard as being suitable; but they have the advantage of becoming experts in that one particular job; and that would not, of course, mean that they would do a lot of stockpiling at one central point.

Mr. LANGLOIS: I believe this whole discussion is out of order, Mr. Chairman. I think the C.N.R. is a very poor example because they can purchase their supplies anywhere they want to and they have their own transportation facilities for delivery, they would carry their own goods. For that reason I do not think the comparison should be made. When you are discussing the transactions of various departments of government you have to bear in mind the fact that many of them operate in outlying districts where there are no communications whatever while the C.N.R., for instance, can buy lumber in Montreal and can deliver it on their own cars to any point let us say in New Brunswick or out west, where it is wanted; they have their own means of transportation.

Mr. JOHNSTON: If they do it by provinces why can't they do it for the federal government? They do it by provinces, and by doing it they make savings. Alberta has its marketing board and Saskatchewan has one, and they must be working out satisfactorily because they are still in operation. I do not see any great difficulty; if it can be done by the provinces it seems to me that we ought to apply the same principle here that has worked out so beneficially for the provinces.

Mr. LANGLOIS: I do not know how that works out but I do know what the reaction is to the operations of the Canadian Commercial Corporation. There are many people, the smaller producers in the various parts of the country, who complain that everything that is bought comes from Ontario. That is causing a lot of concern and they resent it.

Mr. PRUDHAM: I would just like to ask if the proposed central buying agency has any advantage over the common practice of calling for tenders

when certain services are required? Does it not ensure the lowest price and the greatest efficiency the system of calling for tenders? I would say that perhaps there are twenty departments engaged in buying goods and services. Someone has suggested that the provinces use organizations for their purchases. They are local agencies. The system of calling for tenders in my opinion is just as efficient and economical as any cumbersome buying agency which of necessity would require the employment of a large number of civil servants to operate it.

The CHAIRMAN: Now, gentlemen, I suggest that this whole discussion is entirely out of order.

Mr. FRASER: A great deal is being done without the calling of tenders by government departments.

The CHAIRMAN: I am sorry, we will have to call a halt to this, we have been out of order for some little time now.

Mr. THATCHER: Mr. Chairman, on a point of order—

The CHAIRMAN: We are out of order.

Mr. THATCHER: On a point of order, Mr. Chairman: The government has been asking for suggestions as to how to save money. Every time we suggest something the government members seem to take exception.

The CHAIRMAN: No, that is not the point at all.

Mr. THATCHER: Some of us have ideas and we want to give them to see if they are any good.

The CHAIRMAN: When we are on public accounts is the place to do that. At the moment we are considering the advisability of adopting a suggestion made by Mr. Drew of having in the estimates a provision for a summary of functional votes, an arrangement of votes according to a functional classification. We have just received a brief from an officer of the government giving us the classification that had already been considered in the Department of Finance. We should continue our study on that point to see whether it is advisable or not, and whether or not we should make such a recommendation to parliament; but if we are going to open the discussion wide to a consideration of other items we are not going to be able to complete our study of this submission. It seems to me now that we are getting more on to items in the public accounts and going into questions of policy. In doing that I maintain that we have been out of order, and that we should limit our activities at this moment to a consideration of the material now before us, otherwise we will be here for a very long time.

Mr. LANGLOIS: Speaking to the point of order, Mr. Chairman, I am very much amazed to hear Mr. Thatcher making the objection he did because he was the one who referred to a study of the explanatory notes. His motion was that we confine ourselves to a study of this brief.

Mr. THATCHER: All right then, Mr. Chairman, that is what we are doing.

The CHAIRMAN: Certainly not.

Mr. THATCHER: As I understand the work of this committee, if we had some ideas which we think were of some value they should be presented while we are discussing this material.

The CHAIRMAN: We have before us the matter of deciding whether we would concentrate our attention on the report of the Auditor General or proceed with the study of the public accounts and we decided that we would deal first with the report of the Auditor General so that we would be in a position to make a recommendation to the minister.

Mr. THATCHER: Mr. Chairman, every time an opposition member suggests some way of saving money some Liberal member takes exception.

The CHAIRMAN: No, no.

Mr. LANGLOIS: On a point of order, Mr. Chairman; the statement just made by Mr. Thatcher is one I think which imputes motives to the Liberal members of this committee, and I suggest that it should be withdrawn. I do not for a moment accept the suggestion that we are restricting discussion of these things.

Mr. THATCHER: That is right.

The CHAIRMAN: I had to stop Mr. Fraser from going into a discussion of items in the public accounts and I hope I will not have to do the same with other members, because I cannot differentiate between members on a matter of that kind.

Now, gentlemen, shall we proceed with the next item:

"Publicity, Films, Broadcasting and Advertising."

By Mr. Drew:

Q. Well now, I would like to understand just what this covers. I think that is important so that we can have an intelligent appreciation of what is involved. We have this item 7 dealing with publicity and advertising and so on, and then in item 10 (*a*) we have printing and stationery, and I would like to know just where the division line is to be drawn. For instance, I have in mind such a thing as the paper on which this statement is mimeographed; does that come out of materials and supplies, printing and stationery, or out of publicity, films, broadcasting and advertising?—A. That would be under printing and stationery. The paper would be stationery. Stationery is a special type of supply. It has not been segregated any further than that.

Q. Yes, I just wanted to be clear on it.—A. You will appreciate there is a problem in the segregation of the items between 7 and 10 (*a*) on printing.

By Mr. Riley:

Q. With respect to these items, informational and educational bulletins, pamphlets and other publications, is there not some recovery from these, from the sale of them, the recovery of funds?—A. Yes, sir, and those funds go into revenue.

Mr. FRASER: But, Mr. Chairman, that revenue is extremely small, is it not?

The WITNESS: It depends; in some cases it may be substantial; take, for example, the sales of the Canada Year Book.

By Mr. Fraser:

Q. All recoveries are included in that?—A. Yes.

Q. Including agricultural booklets and pamphlets?—A. Yes.

Q. Those for which they charge 25 cents and 50 cents?—A. Yes, I think so.

Q. But that would not amount to very much, that would not be a very substantial item?—A. It may be substantial in relation to the cost of printing the publication in some particular instances, such as the Canada Year Book.

Q. The Canada Year Book?—A. Yes, but I would not like to generalize without studying the matter.

Q. Could you give us the figures on the Canada Year Book?—A. No, I am sorry I cannot from memory.

Q. And what about films, that item covers what films?—A. That would cover the cost of the films that are provided for in the estimates of the various departments who will have films produced for them. It will also cover the cost of the films produced by the National Film Board itself for distribution in their regular channels.

Q. Then, it covers all of the National Film Board films?—A. I believe it does, sir; we have tried to put them all in.

Mr. FRASER: Does it cover the departmental annual reports?

The WITNESS: We had to try to decide, sir, what we should include in printing and what we should include under this heading. We found that it was hard to classify parliamentary papers under this heading, and the question which arose in our mind was this, whether an annual report that is required by statute to be submitted to parliament should be considered as a parliamentary paper or whether it should be put in here. That is an indication of the types of problem that cause difficulties.

Mr. MACDONNELL: Yes.

By Mr. Fraser:

Q. And then, Mr. Chairman, the broadcasting—the whole of the CBC set-up is included in this?—A. This refers to the international broadcasting services of the C.B.C.

Q. The international, that is the short wave?—A. The short wave stations; their cost of operation and maintenance is in that; but that would not include the cost of constructing the new C.B.C. building in Montreal—which would be provided for in the building and works item below.

Q. Why do you divide the international from the— —A. Domestic?

Q. Yes.—A. The domestic C.B.C. is not financed by votes from parliament, so the only problem that arose there was I believe in regard to last year when there was a provision in the supplementary estimates to reimburse the C.B.C. for certain costs incurred in Newfoundland in taking over the services there.

Q. Can you tell us how much that involved?—A. I am sorry, I can't give you that figure ofhand.

Q. It would not show in this report?—A. It would show under one heading or another but I could not tell you that without further investigation.

Q. Would you find out where that appears?—A. Yes, I will do that. It is in category 15.

Mr. LANGLOIS: The international short wave building in Montreal, or in Amherst is administered by the C.B.C.; does the C.B.C. pay the international corporation for the expense incurred?

The WITNESS: Well, that is a question of detail, sir; my understanding is in general that the C.B.C. domestic service makes use of the building, and provision is made out of their funds for their share of the building and service—we take account of that, as you will note, in the estimates and you will see the international revenue of the short wave; you will see the amount of revenue included there. I believe we took that into account in determining the net vote to be asked, so that the rental value of that building in so far as it is used by the Domestic Service is taken into account.

Mr. BROWNE: Have you any records as to the amount in Newfoundland?

The WITNESS: I just can say on that, that when the C.C.C. took over the broadcasting activities in Newfoundland there was the problem of taking over certain services and equipment, and there were some items in the supplementary estimates to take care of that. I am afraid that is not here, that would be elsewhere. It is not large enough to be shown here as a separate item.

Mr. FRASER: I do not see that we can get a breakdown on this without referring to the public accounts.

The CHAIRMAN: Again, Mr. Fraser, I suggest that we should complete our study of the material we now have before us. I think so far as we have gone we are doing good work.

Mr. FRASER: I know.

The CHAIRMAN: You know. That is good. Are there any further questions on item No. 7?

By Mr. Drew:

Q. I have a question there so I will know just how far this goes. It is a case of advertising, to take one example. Do I understand, Mr. Bryce, that that would include all the advertising that was covered by the estimates for the current year?—A. As far as we would find any provision in the estimates for that, sir.

Q. That is exactly the qualification which has concerned me. Take, for instance, the Department of National Defence, where in the estimate would you find the entry for the Department of National Defence which would be covered by 7?—A. It would be divided into the various primaries that are shown in the defence details on pages 169, 170 and 171. In some of these categories are included items—here is one, for instance, under sundries, they provide for printing and stationery, films and that sort of thing, and I should think it is probably in that item; but we have secured the details from our files and classified them under these various headings.

Q. That is exactly what I want to have made clear. Some of these give in some detail the headings, I think, such as equipment and communication services, films made for special courses in relation to defence education, but they do not refer to advertising which in the other departments is clearly stated. You in your department have figures in supporting detail so that you know exactly what is involved.—A. Yes sir, when we examine the estimates we go into such details.

Q. And you would be able to say what was covered in the army as the main item?—A. Yes.

Q. The one covered by the term sundries?—A. As far as I can tell on short notice that is where it would occur; but we have taken these defence figures and put them in here because by grouping them in this way we do not reveal all the details, for security reasons.

The CHAIRMAN: May I ask you just one question there? The item here in the sundries regarding advertising expense; would that include publicity campaigns and advertising used for getting recruits?

The WITNESS: I should think it would. That is the only substantial advertising done there that I know of.

By Mr. Macdonnell:

Q. Would you include in this item the number of people engaged in publicity indicated in reply to a recent return in the House which I asked for? As I recall it there were forty people in the Department of Defence who were really doing publicity work although they were not specifically characterized as such. Would that item attract your attention?—A. That would be in salaries, sir, but it would not include pay and allowances for service personnel.

Q. But where it is allocated under salaries and wages it would not appear elsewhere, and that would include all the personnel engaged on publicity work?—A. It might be that there were some engaged in the preparation of publicity material. You will notice here that we have publicity, films, broadcasting and advertising as the type of expenditure; it is not the whole expenditure on publicity, it is the type of expenditure described.

Mr. DREW: Just so we will understand it, does that item cover all government advertising.

The WITNESS: As far as we have been able to fund the items it includes all the advertising provided for in the estimates.

Mr. MACDONNELL: What is paid out to other organizations? As I understand it that does not include work done by government servants, but how far does it go, because I see you have a very large amount in category 1?

The WITNESS: Oh, yes sir, certainly.

Mr. FRASER: There is also advertising on the rentals of property.

The WITNESS: Yes, some of it may be attributable to that.

Mr. FRASER: And equipment would also come under that.

The CHAIRMAN: Gentlemen, it is 1 o'clock. We will adjourn until Monday afternoon at 4 o'clock.

The committee adjourned.

APPENDIX "A"

ESTIMATES

Summary by Main Objects of Expenditure and Special Categories

	1950-51 $	1949-50 $	1938-39 $
1. Civil Salaries and Wages	313,203,874	315,158,026	77,101,774
2. Allowances — Civilian	5,237,133	5,101,205	1,181,090
3. Pay and Allowance — Defence Forces and R.C.M.P.	131,689,714	121,086,698	15,355,455
4. Professional and Special Services	17,258,201	17,408,997	2,599,223
5. Travelling and Transportation Expenses.	22,744,354	23,052,346	4,742,206
6. Materials and Supplies	76,510,901	58,891,570	6,586,105
7. Publications, Films, Broadcasting and Advertising	6,826,301	6,828,957	624,420
8. Freight, Express and Cartage	6,746,457	8,800,686	639,825
9. Telephones, Telegrams and Postage	8,595,943	8,972,069	960,248
10. Printing, Stationery and Office Equipment			
(*a*) Printing and Stationery	13,090,442	12,693,896	2,582,901
(*b*) Office Equipment	1,635,130	1,589,126	....
11. Building, Works and Structures			
(*a*) Acquisition or Construction, including Purchase of Land	168,575,705	197,784,348	35,830,565
(*b*) Maintenance and Repairs	33,551,248	28,708,688	3,664,294
12. Equipment			
(*a*) Acquisition or Construction	147,676,028	141,943,207	14,797,962
(*b*) Maintenance and Repairs	26,637,289	30,375,131	1,796,803
13. Rentals of Property	8,805,260	7,663,144	1,719,639
14. Interest on Public Debt and Other Debt Charges	433,045,843	451,441,239	132,580,312
15. Subsidies and Special Payments to the Provinces	106,335,000	127,364,682	21,210,196
16. Other Subsidies, Grants, Contributions, etc.	52,016,784	88,520,225	9,698,280
17. Family Allowances Payments	307,000,000	284,880,000	....
18. Old Age Pensions, including Pensions to the Blind	103,626,000	74,242,000	30,540,800
19. Veterans Disability Pensions and Other Payments under the Pensions Act	99,739,000	101,589,000	40,920,000
20. Other Payments to Veterans and Dependents	57,094,500	83,364,000	9,445,000
21. Militia Pensions Act Payments	15,799,600	14,046,347	1,500,000
22. Other Pensions and Superannuation	9,128,006	7,369,247	3,690,430
23. Government's Contribution to Unemployment Insurance Fund	23,000,000	21,500,000	....
24. General Health Grants	25,000,000	33,200,477	....
25. Trans-Canada Highway Contributions	20,000,000	....	....
26. Movement of Mail by Land, Air and Water	32,910,747	34,103,821	15,574,515
27. Maritime Freight Rates Act	7,319,000	7,093,771	3,138,000
28. Direct Relief and Relief Projects	1,500,000	3,700,000	35,908,000
29. Deficits—Government Owned Enterprises	2,713,134	49,056,888	57,184,788
30. All other Expenditures	82,468,884	103,349,815	17,646,217
	2,367,480,478	2,470,879,606	549,219,048
31. Less Estimated Savings and Recoverable Items	58,648,878	70,830,623	304,300
Net Amount included in Estimates of Expenditure	2,308,831,600	2,400,048,983	548,914,748

APPENDIX "B"

Explanatory Notes Covering the Main Objects of Expenditure and Special Categories detailed in the Attached Summary

1. *Civil Salaries and Wages*

Includes salaries and wages of all civilian full time, part time and seasonal personnel generally considered as "Government Employees"—but does not include employees of Crown Companies and such Agencies —whether paid at hourly, daily, weekly, monthly or annual rates of pay and includes overtime or any other special pay. It also includes Judges salaries, those of the Governor General and Lieutenant Governors and the indemnities to Members of both Houses of Parliament but does not include Film Board Production and Distribution Staffs and certain seasonal employees on survey parties and possibly others not identifiable in Estimates supporting details.

2. *Allowances—Civilian*

Includes Living Allowances, Special Stenographic Allowances, Living and Representation Allowances Abroad, Special Service Allowances, Mileage Allowances to Railway Mail Service Staffs, Isolation Allowances, Board and Subsistence Allowances and other such allowances payable to civilian Government Employees. Also includes Ministers' Motor Car Allowances and the Expense Allowances to Senators and Members of the House of Commons.

3. *Pay and Allowances—Defence Forces and R.C.M. Police*

Includes Pay and all types of allowances payable to members of the Defence Forces and the Royal Canadian Mounted Police, including Subsistence Allowances and other perquisites common to such Services.

4. *Professional and Special Services*

Includes Outside Medical and Legal Services, Corps of Commissionnaires Services, Accountants, Outside Reporting Services, Outside Doctors and Nurses for Veterans Treatment and Examination of Pension Applicants and Other Outside Technical, Professional and Other Expert Assistance, Outside Hospital Treatment and Care, Annuities and Other Agents paid on a fee or commission basis.

5. *Travelling and Transportation Expenses*

Includes Travelling, Transportation and Removal Expenses of Government Employees, Members of the Defence Forces and the Royal Canadian Mounted Police. It includes living and other expenses of such persons on travel status, Judges travelling expenses and travelling expenses and allowances payable to Senators and Members of the House of Commons. Minor amounts for smaller services which would not materially affect this total may be included under other general headings.

6. *Materials and Supplies*

Includes fuel for ships, planes, transport, heating, etc.; feed for livestock; food and other supplies for ships and other establishments; seed for farming operations; food, clothing and other supplies for sick

and indigent Indians; coining and refining supplies for the Mint; laboratory and scientific supplies; supplies for surveys, investigations, etc.; chemicals; Hospital, Surgical and Medical Supplies; building materials and supplies; mail bags for transportation of the mails; char service supplies, lumber and other materials required in the ordinary minor repair, maintenance and upkeep of Public Buildings and Works (as distinct from more or less capital improvement and repair projects specifically provided for); coal, wood and electrical supplies, etc.

7. *Publicity, Films, Broadcasting and Advertising*

Includes informational, and educational bulletins, pamphlets and other publications respecting matters of a National interest, Marketing information, Publicity and information abroad, Tourist publicity, Advertising and publicity respecting changes in services and legislation affecting the public, publications on scientific and technical matters, information respecting natural resources, statistics and other such material, Production and Distribution of Films and Other Visual Materials by the Film Board and the International Broadcasting Service of the Canadian Broadcasting Corporation. It does not include the printing of Departmental Annual Reports or the printing of Parliamentary Papers.

8. *Freight, Express and Cartage*

Includes cost of transporting all types of supplies, materials and equipment, etc., from the movement of mails from city Post Offices to the various Government Departments to the movement of heavy equipment between camps and other establishments of the Defence Services. Minor amounts for smaller services which would not materially affect this total may be included under other general headings. Movements of material and supplies for works projects would normally be included in the cost of the project.

9. *Telephones, Telegrams and Postage*

Includes all costs of normal communication services by telephone, telegram, cables, teletype and postage, other than franked mail originating in Ottawa. Larger items—$875,000 in 1950-51 for postage on Family Allowance cheques, an amount of $415,000 shown under Finance for the Cost of Telephone Service at Ottawa for all Government Departments, and the sum of $625,000 for Teletype Service for the Meteorological Services of the Department of Transport.

10. (*a*) *Printing and Stationery*

Includes cost of printing Departmental Annual Reports and other Parliamentary Papers, Cheques, Accounting and Other Forms, purchase of stationery, envelopes and other office supplies such as pens, pencils, erasers and many other items of the above nature. Minor amounts for the smaller services which would not materially affect this total may be included under other general headings.

10. (*b*) *Office Equipment*

Includes acquisition of office machines and other equipment such as typewriters, bookkeeping and statistical machines, adding and calculating machines and that type of office equipment, including inspections, repairs and upkeep of such equipment, also includes small pieces such as pencil sharpeners, bostitch machines, etc.

11. (*a*) *Acquisition or Construction of Buildings, Works and Structures*

Includes provision for all expenditures on new construction of buildings, roads, irrigation works, canals, airports, wharfs, bridges or

other type of fixed asset. It includes major improvements and renovations involving changes of a structural nature and also the installed cost of fixed equipment which is essentially a part of the structure such as elevators, heating and ventilating equipment, etc.

11. (*b*) *Maintenance and Repairs of Buildings, Works and Structures*

Includes materials and other costs entering directly into the cost of major or extraordinary repair and upkeep of the type of durable physical assets indicated under 11 (*a*) on previous page (as distinct from ordinary minor repair and upkeep works undertaken by a Department with its own staff in the normal course of its functions).

12. (*a*) *Acquisition or Construction of Equipment*

Includes all new items of machinery and equipment, other than office equipment, and includes motor vehicles, tractors, road equipment, laboratory and other scientific equipment, vessels, icebreakers, and other aids to navigation and all other types of light and heavy equipment and includes various types of such equipment for National Defence.

12. (*b*) *Maintenance and Repairs of Equipment*

Includes all materials, repair parts and other costs entering directly into the cost of repair and upkeep of the equipment indicated in 12 (*a*) above.

13. *Rentals of Properties*

Includes provision for rentals of properties required for special purposes by the various Departments, such as the Experimental Farms; External Affairs, Immigration and the Trade Commissioner Service Abroad; National Defence Services, Unemployment Insurance Commission, The Royal Canadian Mounted Police and for accommodation of Government Offices and Services by the Department of Public Works. The larger provisions are shown under the following Departments:—

	1950-51	1949-50	1938-39
	$	$	$
Agriculture	149,733	122,272	49,229
Citizenship and Immigration	113,820	126,700	13,250
External Affairs	290,650	335,400	....
Labour—Unemployment Insurance Commission	1,383,000	1,160,000	....
National Defence	975,260	840,602	....
Public Works	5,243,000	4,400,000	1,484,860
Royal Canadian Mounted Police	305,250	247,400	....
Trade and Commerce	197,000	192,768	147,000
Other	147,547	238,002	25,300
	8,805,260	7,663,144	1,719,639

14. *Interest on Public Debt and Other Debt Charges—*

Includes interest on the Funded Debt of Canada (including Treasury Bills) and on other liabilities such as Trust and Other Special Funds. It also includes costs of issuing new loans, Annual Amortization of Bond Discount, Premiums and Commissions, and other costs of servicing the Public Debt.

15. *Subsidies and Special Payments to the Provinces*

Includes Provincial Subsidies payable under the British North America Act and subsequent arrangements; Special Compensation to the Provinces in lieu of certain taxes as provided in the Dominion-Provincial Tax-Rental Agreements. It also includes, for 1950-51 and 1949-50, certain payments to Newfoundland under the Terms of Union and in respect of certain matters supplementary to those Terms.

16. *Other Subsidies, Grants, Contributions, etc.*

The larger items included under this category are:—

	1950-51 $	1949-50 $	1938-39 $
Assistance to encourage the improvement of cheese and Cheese Factories	1,400,000	1,700,000	....
Deficits under the Agricultural Products Act	4,350,000	450,000	....
Freight Assistance on Western Feed Grains	5,000,000	17,000,000	....
Quality Premiums on A and B1 Grade Hog Carcasses	5,854,633	5,877,133	....
Grants to Agricultural Fairs and Exhibitions	536,400	475,900	384,350
Subsidies for Cold Storage Warehouses.	644,159	1,439,237	232,015
Participation in International or Commonwealth Organizations (External Affairs)	4,352,453	9,739,652	....
Commodity Prices Stabilization Corporation	500,000	5,000,000	....
Advances to the Canadian Wheat Board in respect to Flour or Food containing Wheat	....	6,000,000	....
Payments to Municipalities in lieu of Taxes	1,655,000	850,000	100,000
Emergency Gold Mining Act	8,000,000	13,000,000	....
Grants to Indian Residential Schools..	2,426,730	2,527,877	1,295,988
Movements of Coal and Other Coal Subsidies	4,850,000	4,900,000	2,505,000
Subsidies on Iron and Steel	2,000,000	7,750,000	....
Mail Subsidies and Steamship Subsidies	3,317,000	2,401,800	2,055,417
Assistance to Canadian Flag Ocean Shipping Industry	3,000,000	....	....
Agricultural Prices Support Account—To recoup losses	....	3,473,295	....
Other	4,130,409	5,935,331	3,125,510
	52,016,784	88,520,225	9,698,280

17. *Family Allowances*

Payments of monthly allowances authorized by the Family Allowances Act of 1944.

18. *Old Age Pensions and Pensions to the Blind—*

Payments of the Dominion's 75% share of pensions payable under authority of the Old Age Pension Act.

19. *Veterans Disability Pensions*

Includes pensions and other payments authorized under the Pension Act, the Civilian War Pensions and Allowances Act and the Civilian Government Employees (War) Compensation Order. This covers both Wars 1 and 2 and includes a small amount in respect of the Northwest Rebellion of 1885. Details on page 320, Main Estimates of 1950-51.

20. *Other Payments to Veterans and Dependents*

Includes:—

	1950-51 $	1949-50 $	1938-39 $
War Veterans Allowances, including Assistance Fund	22,465,000	20,620,000	5,900,000
Hospital and Other Allowances	3,720,000	4,400,000	1,075,000
Unemployment Assistance	50,000	75,000	2,350,000
Post Discharge Rehabilitation Benefits.	14,045,500	29,000,000	....
War Service Gratuities	250,000	1,000,000	....
Re-establishment Credits	16,500,000	26,000,000	....
Sundry Items	64,000	243,000	120,000
Campaign Stars and Medals	....	2,026,000	....
	57,094,500	83,364,000	9,445,000

21. *Militia Pensions Act Payments*

Includes:—

	1950-51 $	1949-50 $	1938-39 $
Pensions under Parts 1-4 of the Act to retired members of the Forces.	5,000,000	5,000,000	1,500,000
Government's Contribution to the Permanent Forces Pension Fund.....	10,799,600	9,046,347	....
	15,799,600	14,046,347	1,500,000

22. *Other Pensions and Superannuation*

Includes:—

	1950-51 $	1949-50 $	1938-39 $
Government's Contribution to the Superannuation Fund	7,100,000	5,463,000	2,230,000
Pensions in respect of Judges.....	468,317	408,318	289,133
Payments under earlier Superannuation Acts	165,000	178,000	718,000
Royal Canadian Mounted Police Pensions	1,188,411	1,106,169	286,486
Gratuities to families of deceased employees	100,000	100,000	60,000
Sundry Pensions in respect of Government Employees	106,278	113,760	106,811
	9,128,006	7,369,247	3,690,430

23. *Government's Contribution to the Unemployment Insurance Fund*

Provides the Government's Contribution to the Unemployment Insurance Fund and represents one-fifth of the net amount contributed by employers and employees combined.

24. *General Health Grants*

Provides for general health grants to the Provinces under terms and conditions approved by the Governor in Council to assist in Health Surveys, Hospital Construction, strengthening general public health services, eradication of Tuberculosis, prevention of mental illness, control of Venereal Diseases, prevention and correction of crippling conditions in children, training of public health and hospital personnel, Public Health Research, programs for cancer control. Details for 1950-51 are set out on page 187 of the Main Estimates for that year.

25. *Trans-Canada Highway—*

Provides initial contributions to the Provinces under the terms of the Trans-Canada Highway Act.

26. *Movement of Mail by Land, Air and Water—*

Includes provision for the following services by the Post Office Department:

	1950-51	1949-50	1938-39
Mail Service by Railway	9,005,000	8,805,000	7,150,000
Mail Service by Steamboat	2,270,000	2,750,000	213,000
Mail Service by Air	8,335,747	8,228,821	1,731,435
Mail Service by Ordinary Land Conveyance, including Rural Mail Delivery	13,300,000	14,320,000	6,381,080
	32,910,747	34,103,821	15,574,515

27. *Maritime Freight Rates Act—*

Provides for payments resulting from the application of the special rates provided under the Maritime Freight Rates Act to:

Canadian National Railways	5,869,000	5,693,771	2,278,000
Other Railways	1,450,000	1,400,000	861,000
	7,319,000	7,093,771	3,138,000

28. *Direct Relief and Relief Projects—*

The amounts included in this category for 1950-51 and 1949-50 are the amounts provided under Labour-Unemployment Insurance for the payment of unemployment assistance to certain residents of Newfoundland to give effect to the Terms of Union of Newfoundland with Canada.

The amount shown for 1938-39 includes:

Direct Relief, Material Aid and for the purchase and distribution of food stuffs and of feed and fodder for live stock in the drought areas of Western Canada and assistance in the removal of stock and resettlement	9,030,000
Special works in connection with Federal contributions to Provincial and Municipal relief projects	2,075,000
Contributions to Farm Employment and Supplementary Plans	1,870,000
Development and Training Projects for Unemployed Young People	1,750,000
Co-operation with the Provinces for rehabilitation of unemployed persons.	500,000
Grants-in-Aid to the Provinces	17,500,000
Provision of transportation facilities into Mining areas	1,310,000
Contribution to cost of railway projects	850,000
Other items and contingencies	1,023,000
	35,908,000

29. *Deficits—Government Owned Enterprises—*

Includes Deficits in respect of the operations of the following:

	1950-51	1949-50	1938-39
Hudson Bay Railway	400,000	500,000	370,000
Northwest Communication System	231,034	343,016	....
Prince Edward Island Car Ferry and Terminals	1,159,000	1,221,230	387,644
Canadian National (West Indies) Steamships, Limited	720,000	460,498	....
Churchill Harbour	203,100	111,435	126,747
Jacques Cartier Bridge	....	60,087	386,967
Canadian National Railway Company	....	42,043,028	55,000,000
Trans-Canada Air Lines	....	4,317,594	830,000
National Harbours Board	....	....	83,430
	2,713,134	49,056,888	57,184,788

30. *All Other Expenditures—*

The larger items under this head are:

	1950-51	1949-50	1938-39
	$	$	$
Compensation for Animals Slaughtered..	1,091,292	2,267,500	410,000
Representation Abroad — Undistributed Items	1,277,263	1,713,458	107,348
Government's Contribution as an Employer to the Unemployment Insurance Fund	1,050,000	1,050,000	....
Miscellaneous and Unforeseen — Subject to Allocation by the Treasury Board..	1,000,000	1,080,000	80,000
Penitentiaries — Undistributed Items including Maintenance, Discharge and Other Expenses in respect of Convicts.	2,558,330	2,477,275	841,575
Vocational Training Payments—Labour.	5,633,000	7,321,100	50,000
Costs of Survey Field Parties	2,050,707	1,933,285	221,411
Air Photography — Mines and Technical Surveys	1,340,000	1,340,000	....
National Defence — Undistributed Items	23,060,529	27,033,147	1,303,769
Federal District Commission including the National Capital Fund	3,104,500	3,104,500	488,072
Public Works—Light, Power and Water Rates	1,649,000	1,764,000	708,000
Fraser Valley Dyking Board	....	4,125,000	....
Research and Development — Civil Jet Planes	1,600,000	1,500,000	....
Canadian Arsenals — Administration, Operation and Replacement of Plant..	2,900,000	4,200,000	....
Atomic Energy Control Board—Operation and Maintenance	6,263,530	5,013,670	....
Reimbursement of the Canadian Wheat Board — Administration and deficits in respect to Rapeseed and Flax Accounts	....	4,570,076	....
Grants to Veterans settling on Provincial Lands	2,200,000	3,600,000	....
Balance made up of smaller items detailed throughout the Estimates in amounts varying from a few thousands to not more than the smallest items detailed above	25,690,733	29,256,804	13,436,042
Total of "All Other Expenditures"	82,468,884	103,349,815	17,646,217

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

MONDAY, MAY 8, 1950

WITNESS:

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

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

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Vice-Chairman: D. A. Croll, Esq.

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Cloutier
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Drew
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Thatcher
Thomas
Warren
White (*Hastings-Peterborough*)
Winkler
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Clerk: A. L. Burgess

MINUTES OF PROCEEDINGS

MONDAY, May 8, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Vice-Chairman, Mr. D. A. Croll, presiding.

Members present: Messrs. Anderson, Blue, Browne (*St. John's West*), Cavers, Croll, Drew, Diefenbaker, Fulford, Fraser, Hansell, Helme, Johnston, Langlois (*Gaspé*), Macdonnell, Major, Prudham, Richard (*Ottawa East*), Riley, Stewart (*Winnipeg North*), Thatcher, Warren, Winkler, Wright.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed consideration of the summary of the estimates for the fiscal years ending in 1951, 1950 and 1939, and the explanatory notes covering the items detailed therein, tabled by Mr. Bryce on Friday, May 5, and printed as *Appendices A* and *B* to that day's minutes of proceedings and evidence.

Examination of Mr. Bryce was continued.

At 6 o'clock p.m. the Committee adjourned until Wednesday, May 10, at 11 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.

61917—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Monday, May 8, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Vice-Chairman, Mr. D. A. Croll, presided.

The VICE-CHAIRMAN: Gentlemen, we have a quorum. Mr. Picard is away for the day and he asked me to preside for the meeting this afternoon. I gather that we were at item No. 8 on the memorandum presented to us by Mr. Bryce.

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

Mr. DREW: Mr. Chairman, we have disposed of section 7?

The VICE-CHAIRMAN: Yes. Is there anything that the members want to ask concerning paragraph 8 on the memorandum? *Freight, Express and Cartage.*

Mr. THATCHER: There is some general information I would like to have on this item. I notice that it is quite substantially reduced from what it was last year, a little over $2,000,000. I was wondering how that happened? Would that be just in freight?

The WITNESS: Not necessarily just in freight. There would be quite a variety of items covered by No. 8. I am sorry I cannot tell you offhand the reason it is down.

Mr. DIEFENBAKER: Mr. Chairman, I do not want to go back over something that has been concluded but it is very difficult these days with the House sitting and one having responsibilities there to be present when each of the items is taken up and to consider each adequately. There is just one question arising out of this and I would like to base my question on it. This is an item which came up the other day; namely, travelling and transportation expenses. I would appreciate it very much if I might have the privilege for a moment of going back to that.

The VICE-CHAIRMAN: All right, Mr. Diefenbaker.

Mr. DIEFENBAKER: I have gone over the public accounts in connection with travelling and transportation expenses, and in order to understand this item and how some of these very large expense accounts are made up in the estimates, based no doubt on the expenses of the year before, I thought it might be worthwhile to have the committee have placed before it a summary of a few of the accounts of the various departments to ascertain how it is that such very large travelling expenses and allowances in certain cases have been paid. After all, estimates for the next year are based, are they not, on the expenditures of the year before that. And with that in view I would ask this very short question, Mr. Chairman.

The VICE-CHAIRMAN: Yes.

Mr. DIEFENBAKER: That a number of accounts be laid on the table of this committee so that the committee may understand something which has always been somewhat difficult for me to understand, how certain travelling and living

allowance expenses are made up. I am going to refer to these short examples and then I'm through. And in picking out certain accounts there is no suggestion at the moment there is anything of an improper nature. I make that clear. I ask merely for the purpose of getting information because of the size of the accounts. I have marked them in the public accounts and I will refer to the pages. I take first the item under the Department of External Affairs on page E-18 and as I go down the list I come to the High Commissioner for India, allowance, $18,792, and for expenses $2,680. I would like to know how the allowances are made up. Or I turn to page 19 and I find allowances for the ambassador to the Argentine, to Brazil and to Chile, run between $15,000 and $16,692; for Mexico, the allowance is $12,000 (that is on the same page) and travelling expenses are $5,868.34. How are these made up? How are these allowances fixed? And, what is the common basis for determination? Then, on pages 21—

The VICE-CHAIRMAN: Just one minute, Mr. Diefenbaker.

The WITNESS: I wonder if you would make it clear. Do you wish to know how the allowances are determined as well as the travelling expenses?

Mr. DIEFENBAKER: Yes; how the allowances are determined and, next, representative travelling expense accounts such as any one of those to which I have just referred there; and if there are examples of allowances in connection with the delegation to the United Nations—I see General McNaughton's allowance was $14,392.

The VICE-CHAIRMAN: What page?

Mr. DIEFENBAKER: Page E-21. Then passing on to representation in the consular general's office, take an example such as the United States, Boston—

The VICE-CHAIRMAN: What page?

Mr. DIEFENBAKER: E-21, the fourth item down.

The VICE-CHAIRMAN: Yes.

Mr. DIEFENBAKER: Allowances of $4,848, and then in Detroit, an allowance of $7,752 for the consul; and in San Francisco $12,936, and as well in San Francisco $1,903 for travelling expenses and removal expenses additional. Then, under another representative department, take the Department of Public Works, page V-75 near the foot of the page—and I am not giving the names of individuals—I gather that is travelling expenses.

The VICE-CHAIRMAN: Just a minute till we find that.

Mr. DIEFENBAKER: Page V-74, the fourth item from the bottom, expenses of $4,164.64.

The VICE-CHAIRMAN: Yes. Wait a minute, Mr. Bryce is making notes here.

Mr. DIEFENBAKER: I am sorry. Now, I go over to another department. the Department of Trade and Commerce, and note many substantial items.

The VICE-CHAIRMAN: Page?

Mr. DIEFENBAKER: Page Y-30. I see there about the twelfth item down, Mr. Ashbaugh's, expenses $3,537. Again, under Trade and Commerce on page Y-47, there is Mr. Frigon, travelling expenses and allowances of $5,478.

The VICE-CHAIRMAN: I haven't got his name?

The WITNESS: Frigon.

Mr. DIEFENBAKER: At page Y-47, Mr. Chairman.

The VICE-CHAIRMAN: Yes.

Mr. DIEFENBAKER: And again at page Y-48 there are two: one is Mr. Malloch, at the end of Y-48, for travelling expenses and living allowances, annual rate, total amount of $7,271.67. How are those allowances made up and is there any common basis on which they are accepted.

The VICE-CHAIRMAN: Just a minute, please.

The WITNESS: Might I ask in that connection—we have detailed regulations covering these allowances—do you wish the regulations and the formula?

Mr. DIEFENBAKER: Yes, if they are based upon regulations, what are the regulations?

The WITNESS: Yes.

Mr. DIEFENBAKER: Where it shows there that the travelling expenses alone are of very considerable amounts, could we have representative accounts showing how travelling expenses of the amount in question can be made up?

The WITNESS: Yes sir.

Mr. DIEFENBAKER: There is one other item here to which I should like to refer in that same connection and that is on page Y-47; travelling expenses and allowances—it is the second item on the page there—$4,870. Then, finally, on page Y-36, is the entry near the end of the page of salaried employees receiving $3,000 and over; living allowance rates and travelling expenses; allowance rates there running as high as $7,548; and again, on page Y-37.

The VICE-CHAIRMAN: These are trade commissioners aren't they?

Mr. DIEFENBAKER: That is right.

The VICE-CHAIRMAN: Yes, trade commissioners.

Mr. DIEFENBAKER: Well, they are under the Department of Trade and Commerce and these are allowance rates.

The VICE-CHAIRMAN: Yes.

Mr. DIEFENBAKER: How was the allowance rate made up? For instance, take page Y-37, it ranges up to $7,872 on one item and $8,088 on another. How are these allowances made up? Now then there are two items there of travelling expenses and removal expenses—

The VICE-CHAIRMAN: What you are asking for is a formula?

Mr. DIEFENBAKER: Yes, a formula for allowances and expenses; and then, as far as travelling expenses are concerned, some representative accounts showing how the travelling expenses have been made up.

The VICE-CHAIRMAN: You are asking that he bring specimen accounts?

Mr. DIEFENBAKER: That is it.

The VICE-CHAIRMAN: All right.

Mr. LANGLOIS: Wasn't that agreed to on Friday?

The VICE-CHAIRMAN: Yes.

Mr. LANGLOIS: That the Comptroller of the Treasury would have someone here to answer those questions.

The VICE-CHAIRMAN: We went back again to item No. 7 for the convenience of Mr. Diefenbaker who was not here. He had certain questions he wanted to put on the record and we will see that he is supplied with the answers. We are now on item No. 8.

Mr. DREW: Now, Mr. Bryce, No. 8, which is freight, express and cartage, shown as having actually required $8,800,000 last year and an estimated requirement of $6,746,000 in the coming year, and that compares with $639,000 in the last postwar year 1938/39, which means that this sum is ten times as much for the requirement for freight, express and cartage as for 1938/39, the last year before the war. The question that arises in my mind is this. While in some cases there would seem to be very obvious reasons why there is a great change in some of these figures because of the new services being given and the new arrangements being made of different kinds for the public service, in this case it seems to be a type of service that has been going on for years; and I am wondering what examination to your knowledge was made of these comparative

figures with the idea of determining just why we should now be paying more than ten times as much for freight, cartage and express as we were in the last year before the war.

The VICE-CHAIRMAN: Pardon me, Mr. Drew, is not that rather a matter of public accounts?

Mr. LANGLOIS: Well now, Mr. Chairman, on a point of order, we are not studying public accounts here at the moment, we are on the estimates with the Assistant Deputy Minister of Finance who deals with the format of the estimates, and I submit that questions such as the one just asked by Mr. Drew should be asked when we have the Comptroller of the Treasurer here and he will be able to give us the information required. We are not studying the public accounts at the moment, we are just studying the suggestions made by Mr. Sellar for improvement of the form of the estimates. I submit, Mr. Chairman, that the question just asked by Mr. Drew is not at this time in order.

Mr. THATCHER: Well, Mr. Chairman, I would say that that is information we ought to have.

Mr. FRASER: Yes, that is what I would like to know.

The VICE-CHAIRMAN: Gentlemen, of course, that will be quite in order when we reach the public accounts, just as the questions asked by Mr. Diefenbaker deal directly with public accounts, and at that time we can have the proper officials before us and get an explanation. The memorandum which is before us at the present time deals with a method of improving the form of the estimates. Mr. Bryce is not in a position to answer the question and we will have the proper officials concerned before us when we are studying the public accounts. At the moment we are dealing with the submission which is as to how the estimates might be improved, and I suggest that we should complete that so that we may then be able to go into the public accounts.

Mr. LANGLOIS: In reply to Mr. Thatcher's remarks, I would remind him that he was the one on Friday who moved that we confine our attention to the memorandum before us, and as you will all recall, he had a great deal of difficulty in getting this committee to agree to confine our discussion to this.

Mr. THATCHER: It was not that—

Mr. LANGLOIS: I know it is not that, it is far from it, because you are now entering into a discussion of the public accounts, and that is something quite different. Let us get through with this material first and then we can go on to something else. And, in calling this to your attention, I am merely following the suggestion which you made yourself on Friday last.

Mr. DREW: May I make this just as an observation? I asked the question. The figures in the memorandum before us which accompany this submission give us a comparative examination of the past expenditures and the estimates in the form of a blueprint which have not yet been accepted, a comparison between the estimates and past performance; and, as I understand it the purpose of this was to try to show us what can or cannot be done along the lines of the suggestion made, and putting it in on this different basis would make it possible for us actually to compare the figures so that we would be able to study and examine these public accounts and possibly get information regarding all these things. It has been suggested that we wait until the public accounts are before us before we ask for that information, but I would point out that we cannot do that with the public accounts before us because those public accounts end March 31st, 1949, and to that extent the public accounts before us do not deal with the first or second columns of these figures; and it seems to me if we are to be able to reach some accurate judgment as to the suitability of this method—a comparative setting forth of past expenditures and present estimates—we must know what is included in them so that we know whether we are in fact talking about the

same terms. My question is directed to the fact that just as in the case of publications, films, broadcasting and advertising so in the case of this item of expenditure for 1950/51 it shows an estimated amount which is ten times what it was in the prewar year. I would like to know if we are talking about precisely the same thing, and if so why the question should not be directed to Mr. Bryce, the officer who deals with estimates, with a view to ascertaining what the reasons are behind this tremendous increase in expenditure under this item.

The VICE-CHAIRMAN: Gentlemen, we are not now dealing with expenditures. If you will take a look at the figures before you you will see that these are the estimates. They indicate what the estimates were for the three separate years, 1938/39, 1949/50 and 1950/51. This has nothing to do with expenditures at all. We have not reached the public accounts yet and until we get through with this memorandum now before us we cannot take up public accounts, because as I understand it we were to stick to this memorandum, we have to dispose of it before we go on to a consideration of the public accounts.

Mr. DREW: Mr. Chairman, I do not want to labour the point, but when you mention public accounts may I call your attention to the difficulty of obtaining from the public accounts anything like a comparable breakdown to the figures in the material which we now have before us.

The VICE-CHAIRMAN: That is quite true.

Mr. DREW: And there is no way in which any member of this committee can detach from the printed copy of the public accounts details for examination such as are available to us under the headings in this material now before us; and Mr. Bryce himself said on Friday that he is the only official of that department who has these figures before him, who could possibly prepare a statement of this kind. And if we are going to deal with the public accounts and try to reach our conclusions in regard to this manner of setting up the items, then we certainly will require another set of figures under these main headings covering the public accounts up to March 31, 1949, and perhaps for that reason, and so we will know where we are at, I will ask Mr. Bryce if he has those figures under the same headings covering the year 1948-49.

Mr. LANGLOIS: Mr. Chairman, we are not comparing the same thing at all. Mr. Drew is trying to compare the figures given here in 1950-51 with those given for the years 1938-39. Unless I am seriously mistaken the figures under this column headed 1938-39, are actually expenditures and the other ones are only estimates. Now you cannot compare estimates with expenditures and that is why the comparison is not valid. As far as the other point raised by Mr. Drew is concerned, he says we will not be able to look into that. There is nothing to prevent any member of this committee when the time comes, that is, when we are studying the public accounts proper, asking what are the comparable figures for the same item for the years 1938-39, or 1948-49, or any other years and then establish a comparison of expenditures with expenditures and not expenditures with estimates.

The VICE-CHAIRMAN: Mr. Langlois, I think you are quite right. I think we can satisfy Mr. Drew at the same time—which is perhaps a trick in itself—I think we can satisfy both of you that Mr. Bryce has no other figures with him and whatever figures Mr. Drew wants will be made available to him by whomever will be called at that time. Mr. Bryce was not asked to prepare any other figures.

Mr. DREW: I would not want that official to come forward and say he was not aware of what was asked of Mr. Bryce, and so I would ask Mr. Bryce to communicate with the proper officials so that the breakdown of the 1948-49 items covered by the public accounts now before us are prepared under the same headings as those contained in this sheet.

Mr. THATCHER: Just on a point of information. Just what questions are in order now? If we cannot question on details now—I am not being facetious—I would like to know what we can ask.

The VICE-CHAIRMAN: We are on No. 8 or No. 9. You have before you for the first time in a manner you can examine and compare, the estimates of various years. In the past you had to look through the books and find those comparisons for yourself. Now you have that before you and that is roughly what it entails—a comparison. When we get through with this and you know what it contains we will get to public accounts.

Mr. THATCHER: In other words we cannot question on the details?

The VICE-CHAIRMAN: You can, but the suggestion that Mr. Drew made I think was an unfair observation.

Mr. DREW: What was unfair?

The VICE-CHAIRMAN: The suggestion that there was a figure under 1950-51 ten times as great as the figure under 1938-39. I would point out however, that he is quite right in his multiplication.

Mr. DREW: Mr. Chairman, we will get on much better if you do not become an advocate for a particular cause. I suggested a question which accurately reflects the figures, but I also suggest we will carry on this committee much better if you act as chairman and not as a special pleader for those who are trying to cover up accounts.

The VICE-CHAIRMAN: I am the judge as to how I will act as chairman, and I do not want any lecture from you. If you read No. 8 of the explanatory notes you will notice that the figure includes the movement of heavy equipment between camps and other establishments of the defence services and other aspects of the services which was much greater in 1950-51 than it was in 1938-1939.

Mr. DREW: Which does?

The VICE-CHAIRMAN: No. 8.

Mr. JOHNSTON: Where are we going to get that information?

Mr. THATCHER: Are we not wasting time? I had better withdraw that motion. I thought we could ask about the details of it, but if we cannot ask for details there is no point on our sticking on it.

The VICE-CHAIRMAN: I read your motion, Mr. Thatcher.

By Mr. Browne:

Q. That column 1938-39 Mr. Langlois referred to, is it just a statement of expenditures or is that also estimates?—A. That, also, is the provision made in the estimates.

Q. I am wrong on that point. It is estimates, too?

Mr. LANGLOIS: The question that was asked by Mr. Drew was: How is it that we spent so little in 1938-39 on this item and are spending so much in 1949-50. We do not know how much was spent in 1949-50 because these are estimates. Maybe I did not make myself clear. Those are not expenditures there. Mr. Bryce is not even supposed to know if these amounts have been spent either in 1938-39, 1949-50, 1950-51.

Mr. DREW: I am a little inclined to think Mr. Bryce knows best what Mr. Bryce knows.

The VICE-CHAIRMAN: Just a minute—

Mr. LANGLOIS: I said he is not even supposed to know.

The VICE-CHAIRMAN: Mr. Browne has the floor.

Mr. BROWNE: I was going to ask whether Mr. Bryce could give us any explanation why the 1949-50 estimates are so much higher than the estimates for 1938-39?

By Mr. Drew:

Q. Let us get one thing clear. Are the 1949-50 figures estimates or expenditures?—A. Estimates.

Q. Up to March 31 of this year they are still only estimates?—A. What we have tried to compare here is like with like, the estimates in each year for the same category.

Q. Let us get this quite clearly. Are the figures for 1938-39 estimates and not actual expenditures?—A. Estimates, sir.

Q. Then, it is quite evident nobody knew what they were.—A. I am sorry. I touched on some of these points rather hastily where I submitted the Tables. The 1949-50 expenditure figures are not yet complete because the books are not closed, so we could not put in the official expenditure figures for that reason. Moreover, in the estimate books we always put in the estimates for the previous year, rather than the expenditures, for purposes of comparison because it has been our understanding that that is what the members wish to see.

This table is made up in just the same way, comparing the estimates with the estimates. We could quite readily furnish, with a certain amount of time, the actual expenditures given in any year previous to 1949-50 broken down in these categories.

By the Vice-Chairman:

Q. And the 1938-39 figures are what?—A. The 1938-1939 figures are the amounts voted by parliament for the purposes.

Q. Also an estimate?—A. They are the amounts in the estimates voted by parliament for this purpose.

By Mr. Drew:

Q. So we are dealing with exactly the same set of figures for those three years.—A. Yes.

Q. So I think it is a proper comparison to make.

Mr. RICHARD (*Ottawa East*): In any event, Mr. Bryce you would have details of those estimates for those three years, would you not? You would be able to show the reasons why the figures some years are larger than others, I suppose?

Mr. JOHNSTON: He has all the information, so why not give it to us.

Mr. HANSELL: As a matter of fact, if they are only estimates you would not find them in the public accounts.

Mr. JOHNSTON: The vice-chairman was wrong in that case.

The VICE-CHAIRMAN: Not a bit of it.

Gentlemen, we are considering the memorandum that we have before us, dealing with the question as to the groupings. Are we satisfied as to the groupings?—that was the general idea of the memorandum.

Mr. WRIGHT: Then the only question we can ask is with respect to the totals?

The VICE-CHAIRMAN: There is no reason why you cannot compare and comment on these figures, but the details for those figures are not involved at this time.

Mr. WRIGHT: Still, Mr. Drew would be justified in saying that the estimates for 1950-51 were ten times more than the estimates were in 1938-39.

The VICE-CHAIRMAN: I said Mr. Drew's multiplication was perfect, but he did not take into consideration what it contained in 1938-39 and 1950-51. If you read appendix B, paragraph No. 8, you will see what I mean.

Mr. WRIGHT: We had troops then, we had an army but then we did not have as many.

The VICE-CHAIRMAN: Yes, I presume we had an army then. You are right, Mr. Wright.

We are considering No. 8.

By Mr. Drew:

Q. I must confess I am still in some doubt just as to what we should ask and how, but I would like a detailed statement in exact words as to what is meant by freight, express and cartage. The memorandum, of course, is only a very general and brief memorandum.—A. I would have to pick out the main items that we have taken from individual votes and put in here to reveal where the increases arise. I could have a table of that sort prepared for the committee, if you wish, showing just where the increase in this item came in. The whole wide variety of government activities are larger in these days than they were pre-war, and, of course, the rates payable for freight, express and cartage are higher than they were pre-war, so the two elements, price and volume, are both increased.

Q. I would ask then that we have a statement on that showing the details that go into the making up of these figures.

The VICE-CHAIRMAN: Of No. 8?

Mr. DREW: Yes.

The WITNESS: Do you wish all the details or a few dozen of the larger votes?

Mr. DREW: I think, Mr. Bryce, it is a case of a reasonable breakdown so that we can know the kind of items that are included in here without necessarily the smaller variations, but I think the committee should know just where the increases come in.

Mr. FRASER: And the total of each department, and what departments are not included?

Mr. LANGLOIS: Would it be possible to answer those questions, Mr. Chairman.

The VICE-CHAIRMAN: Yes.

Mr. LANGLOIS: Is it possible at the same time to get the average increase or percentage of increase in the personnel of each department concerned, especially in National Defence, comparing one period with the other?

The VICE-CHAIRMAN: This would not cover personnel, would it, Mr. Langlois?

Mr. LANGLOIS: I think the more personnel in the army, the more would be the increase in the estimates.

The VICE-CHAIRMAN: I think Mr. Bryce understands what is asked of him and he will provide that information. If there is nothing else on No. 8 we will go ahead.

Mr. FRASER: This covers teletype machines, does it?

The WITNESS: That is No. 9.

By Mr. Thatcher:

Q. Mr. Chairman, I wonder if Mr. Bryce could say whether there is some overall rule as to how the various departments of government determine whether freight and passenger traffic goes by C.N.R. or C.P.R.? I mean do they allocate

it on any fixed basis? Do they try and split it fifty-fifty?—A. I do not believe there is any regulation laying that down. To find out what the practice is in the various departments in that respect, I am afraid you will have to ask the departments themselves.

Q. But there is no overall rule for all departments?—A. Not to my knowledge.

Mr. FULFORD: Is there a general principle that goods are to be sent by rail rather than by truck?

The WITNESS: I could not tell you, sir, whether there is or is not.

Mr. BROWNE: Mr. Chairman, I would like to draw the witness's attention to the items on page 168 of the estimates dealing with travel, transportation, freight and express, where the two items seem to be mixed together. They are very large amounts, in fact, they are in the millions of dollars. It must have been necessary to break these up to get these figures that we have been supplied with. Do you see the items there: travel, transportation, freight and express $2,304,900?

Mr. LANGLOIS: What is the heading please?

Mr. BROWNE: Navy.

The WITNESS: We have endeavoured to ascertain from the departmental figures how that is divided as between these two items.

Mr. BROWNE: And if you will look at the next page, under Army, you will see: travel, transportation, freight and express $3,859,845. And then, under Air, you will see the item, travel, transportation, freight and express, $4,768,466, in all amounting to about $10 million combined travel, transportation, freight and express.

Mr. DREW: Those do not cover the same things.

Mr. BROWNE: No, but he mentions here heavy equipment.

Mr. DREW: Travel of military personnel would not be included in item No. 8, would it?

The WITNESS: No, sir, it would be in item No. 5.

The VICE-CHAIRMAN: Now, we are down to item No. 9.

Telephones, Telegrams and Postage

Mr. HANSELL: I think No. 9 is a more glaring example of the increase than is No. 8 for the reason that telephones, telegrams and postage surely have increased so much, in fact over ten times. Even granting our Defence Department is larger than it was in pre-war years, we have demobilized to some extent and it is certainly not as large as it was in the war years. Now, I do not want to follow Mr. Drew's questioning all the way through on these items and have breakdowns of every telephone conversation and so forth, but it does seem to me that the business of government could not possibly be increased so much. There is almost ten times the amount spent now on telephones, telegrams and postage compared with 1938-39. Now, could we ask Mr. Bryce to give us the larger amounts in connection with No. 9? In the explanatory paragraph we find that family allowances have taken up $875,000. Well, that it is legitimate expense. We all know that that has come into operation since 1938-1939. The other two items that are mentioned here are $415,000 and $625,000. That is around about 1 million. There seems to be a tremendous increase.

Mr. LANGLOIS: Mr. Chairman, I think Mr. Hansell has his answer right here in this table which was prepared by Mr. Bryce. He claims and rightly so, that there is an increase of practically ten times in telephones, telegrams and postage between 1938-39 and 1950-51. For example, if you look at item No. 3, you will see that in 1938-1939, we were providing $15 million for pay and allow-

ances in the defence forces and the R.C.M.P., whilst in 1950 and 1951 we are providing $131,689,714. We are providing almost ten times more.

Mr. THATCHER: On a point of order, Mr. Chairman, I think we would like to question the witness.

The VICE-CHAIRMAN: Well, Mr. Langlois was making an observation.

Mr. LANGLOIS: We have the information right there which members of the committee should read.

The VICE-CHAIRMAN: After all, Mr. Bryce has not got this information, but whatever information a member wants he can obtain for him. Can you obtain the information for Mr. Hansell, Mr. Bryce?

The WITNESS: Yes sir, we could give some of the larger amounts that would give the committee information as to why it is that the government asks for it on a scale so much larger than pre-war.

By Mr. Drew:

Q. Does that include an estimated figure for franked mail?—A. No, sir, franked mail is not included here.

Q. Does that include any part of the amount that is paid to the railway companies or the Trans-Canada Airlines under a bulk sum for the carriage of mail?—A. No, sir, that is in item 26.

Mr. BROWNE: May I ask if there is any restriction on the use of long distance telephone calls? Who decides when there shall be a long distance telephone call and not an air mail letter?

The WITNESS: We have looked into that question, sir, in an endeavour to cut down our long distance bills. It is exceedingly difficult to lay down any regulations as to when to use a long distance telephone because by the very nature of things you have to use it in exceptional circumstances. I may say we have materially reduced our long distance charges by putting in leased lines between here and Montreal and here and Toronto in the last year or two. That is one means of controlling long distance charges. We of the Finance department submit a vote, and you will find in the estimates the amount, for telephone services provided at Ottawa. Each department however, is responsible for their own long distance charges and they will have the responsibility for exercising control themselves in each case over the bills for the use of long distance phones. The bills are normally rendered the department monthly and they are reviewed not only by the officer who makes those calls but the departmental officer responsible for seeing whether or not long distance calls being made are necessary.

Mr. BROWNE: Do you know how much is spent on long distance calls?

The WITNESS: We will get that eventually in the public accounts, but in making up the estimates we would normally review the probable requirements by departments for telephone, telegraph, postage and such things, in the light of past experience. In such a matter as long distance telephones it is exceedingly difficult to lay down any definite rules.

By Mr. Fraser:

Q. Would this item cover these lines?—A. Yes, sir.

Q. And you would pay for these leased lines?—A. Yes, in the case of leased lines, they would be paid for by the Department of Finance and the cost would be divided and allocated in appropriate amounts to the department using them.

Q. And that is all charged?—A. It is charged to the various departments.

Q. You have only one leased line now?—A. I believe we have two leased lines to Montreal and one to Toronto.

Q. And one to Toronto?—A. Yes.

The VICE-CHAIRMAN: We are now on paragraph 10 (a). *Printing and stationery.*

Mr. THATCHER: I wonder if the witness could tell us how contracts are let for printing?

The WITNESS: All printing is handled by the King's Printer.

Mr. THATCHER: And this figure is the amount of printing handled by the King's Printer? Would that include contracts for printing?

The WITNESS: No sir, those would be amounts that are charged to the vote of the King's Printer and to other votes. This item includes public printing which is done under the control of the King's Printer as well as contracts for outside printing. The King's Printer would be the appropriate officer to give you detailed information about the awarding of printing contracts and general practice in that regard. I would not know sufficient about it to be able to give you a proper answer.

By Mr. Fraser:

Q. Is there any advertising included in this, Mr. Chairman? Would any of the advertising referred to in item 7 above, there, be included under this heading?—A. I believe No. 7 would cover all the advertising as such. As I pointed out on Friday, there is a dividing line there between the printing of reports and booklets, and there is an element of difficulty as to which side of the line such material would fall.

Q. What about this matter of office equipment with respect to which I see you have no entry for 1938-39?—A. I am sorry, I should have perhaps made that clear. As a matter of fact, in respect to item No. 10 (*a*) in the column, we did not divide our records in the pre-war years so as to distinguish between the two.

Q. Well then, we have made some improvement in bookkeeping.—A. Yes.

The VICE-CHAIRMAN: All right, shall we take 10 (*b*). *Office Equipment.*

By Mr. Thatcher:

Q. I wonder if the witness could tell us whether or not all of the office equipment which War Assets had has been back into circulation in the various departments?—A. Not all of it, sir; we are still filling a large number of requisitions for typewriters from War Assets stock.

Q. Some check has been taken to make sure that they are not being bought elsewher?—A. That is particularly the case with respect to typewriters. Much of the other office equipment I believe has already been absorbed, but typewriters of course were a thing of which we had large supplies as a consequence of the war and these are being utilized when possible to meet requisitions from departments for typewriters.

Q. But these departments have to check with War Assets on that?—A. They secure their typewriters from the King's Printer and he fills their requisitions normally from War Assets stock unless they have requests for typewriters for special purposes of a nature that would not be suited by the typewriters he has in stock.

Q. What about the other equipment like office tables and various things of that kind that War Assets handled, is there any general check on that? —A. I believe, sir, that that has been very largely done. I do not believe that any large supplies of equipment, other than typewriters, were held out. I think that most of those were cleared out in the years immediately following the war. The government was aware in the case of typewriters that they had supplies that would be available and continuing demands for some years and they especially wanted to get them used up.

By Mr. Browne:

Q. Are there any rules with regard to the calling of tenders for supplies of this kind?—A. You mean on office equipment?

Q. And printing?—A. As regards printing, I do not know that the regulations require the letting of tenders, but the King's Printer would be the proper authority to tell you what the practice is with respect to printing.

Q. That comes under his department; and office equipment?—A. Yes; but with respect to the control over office equipment, that is a fairly close control. Normally any special requisitions for office machinery come before Treasury Board for review before the purchase is made.

Mr. CAVERS: Would that include international business machines and equipment of that type?

The WITNESS: Yes, and I believe that that reaches quite a substantial figure.

By Mr. Drew:

Q. Before we pass on from that I have one question on printing and stationery. Is there any bulk buying of paper in the form of uncut sheets which have to be cut?—A. I believe there would be, sir. That again is a question of the practice followed by the King's Printer in filling departmental requisitions.

Q. And the King's Printer would be the one to tell us?—A. Yes.

Mr. WRIGHT: Does the department make any check on the disposal of used materials by the various departments? I believe in the construction of certain buildings and works there are lots of materials which are later disposed of. Are they disposed of by tender? Is there any check made on the disposal of used materials and surplus materials?

The WITNESS: I can only answer that from memory, sir. I might perhaps say just this, that I know of a number of cases where used material could not be disposed of at cost or better and in those cases reference was made to the Treasury Board to get authority to sell it locally, and in those cases I know the Board wanted to be satisfied that the best possible price was obtained and they have been sold by tender to the highest bidder. Now in other cases materials could not be sold at cost, and in a good many cases the normal procedure would be to turn it over to War Assets—which is now known as Surplus Crown Assets—and you would have to ascertain from them what their practice is with regard to disposing of such materials.

Mr. LANGLOIS: Is it not the general practice now that all salvage material or surplus material goes to the Crown Disposal Corporation?

The WITNESS: Yes.

Mr. LANGLOIS: I had an example in my own riding of the disposal of a tool shed. Tenders were called and I believe it sold for $65 through the Crown Disposal Corporation. I believe it has now become the general practice to dispose of all surplus materials through the Crown Disposal Corporation.

The VICE-CHAIRMAN: Are there any questions on 11 (*a*)?

Buildings, Works and Structures—Acquisition or Construction, including Purchase of Sand.

By Mr. Drew:

Q. With regard to 11 (*a*), which is the acquisition and construction of buildings, works and structures, including the purchase of land, does this include the construction of all public buildings in every department?—A. We have endeavoured to include them all, sir. I believe going through the details, I noticed one item in No. 30 that might be this in indirect form. I noticed that it includes the amount provided for the Fraser Valley Flood Control Board. That was used for construction in 1949-50. That is one of the borderline problems we are up against because this was really a dominion contribution to an expenditure

by that board which was a joint dominion-provincial undertaking; it is subject to that sort of consideration, but it is intended to include all building and construction.

Q. Well now, are there any uniform requirements in regard to the way arrangements will be made for construction; are there any uniform requirements in regard to the calling of tenders?—A. Well, the Public Works Act requires the calling of tenders for works contracts. I think there is some provision—I do not have the provision right here but I think it is section 36 or thereabouts—which states that tenders must be called; and there is another provision in one of the other statutes—I think it was the Reconstructoin and Supply Act, something of that sort—which permitted contracts to be made by the Minister of Reconstruction and Supply, as it was then, notwithstanding this clause; but the Public Works Act does not require that contracts be made on the basis of the lowest tender; it requires that tenders be called and that contracts be let if not on the lowest tender on such terms as the Governor in Council may determine. Of course, all major contracts are considered by the Governor in Council or the Treasury Board before being let. The practice in some other cases is that contracts of more than a certain amount should be approved by the Governor in Council before being entered into.

Q. I am interested in the mechanics of this, Mr. Bryce. I understood you to say there is provision in the Public Works Act for tenders being called in connection with the construction of any public works and also that under the Reconstruction and Supply Act there was a special provision that certain contracts could be proceeded with by approval of the Governor in Council without tenders being first called. There are other cases where in other departments which do not come under that exempting provision contracts have been made without tenders being called; and without in any way touching upon the question of policy or otherwise, would the Treasury Board be called upon to examine the circumstances under which such contracts had been made?—A. In many cases, yes sir.

Q. Well, let us take for example the sort of hospitals that have been constructed by the Department of Health without tenders. Now, what would be the procedure by which that would be done, would that be dealt with by the Treasury Board before progress payments were made?—A. Normally, where contracts involve special circumstances they will, not in all cases but frequently, be referred either to Treasury Board or the Department of Finance for comment before the Governor in Council approves of them; and in those cases the contracts will go normally to the Privy Council office to be placed before the Governor in Council for approval and they will be in many cases referred either to the Treasury Board or Finance for consideration before the Governor in Council deals with them, for any observations the Department of Finance care to make upon the proposed contracts or provisions of them. That would be the normal procedure by which construction contracts of the type you speak of would be handled.

Q. Are you in a position to speak, of your own knowledge, of the way in which any of these particular accounts have been dealt with, or would that be some other official—A. I see a good many of the major items of this sort, sir, but I do not recall any particular hospital case offhand.

Q. Just merely as an example let me give you the new building at Moose Factory; do you recall that place?—A. I am sorry, I do not. That was some years ago.

Q. No, no.—A. The contract I believe was let some years ago.

Q. No, their contract is going on now.

The VICE-CHAIRMAN: Could we not deal with that when we come to the appropriate item in the public accounts?

Mr. DREW: There are others, but I gave that one as an example.

The VICE-CHAIRMAN: He says he does not recall that.

Mr. THATCHER: Do I understand that major buildings can be constructed without tenders; is that it? Is that the policy which is followed there?

The WITNESS: I think it is not a practice which is followed as a general policy but in recent years it has often been exceedingly difficult to get contractors to do jobs; much more difficult than when conditions are normal.

Mr. THATCHER: Why were they not called in this case? That seems pretty startling to me, if that is correct, on a major hospital.

The WITNESS: I cannot tell you from memory whether hospitals have been constructed, whether contracts for hospitals had been let, without tenders being called.

Mr. LANGLOIS: Is it not a fact that one of the reasons for tenders not being called, or for contracts not being let by tender in 1945 to 1948, was the difficulty in getting contractors to tender on a competitive basis due to the fluctuations in the cost of materials?

Mr. THATCHER: But they could call for them.

Mr. LANGLOIS: Yes, they could call for them but they would receive no answer.

Mr. DREW: But not in the case I mentioned.

Mr. LANGLOIS: I know of a few cases where tenders were invited and no replies received. I have personal knowledge of that.

The WITNESS: Of which?

Mr. LANGLOIS: Of jobs being advertised and no tenders being received.

The WITNESS: I have known of cases where that has occurred and it became necessary to let the contract by negotiation.

Mr. THATCHER: On this question, do you know, Mr. Bryce, of any number of contracts let during the last year where the lowest tender was not accepted?

The VICE-CHAIRMAN: Now, wait a minute. I think every contract, every advertisement of a contract contains the provision that the lowest or any tender is not necessarily accepted.

Mr. THATCHER: That is not the question, Mr. Chairman.

The VICE-CHAIRMAN: But it relates to the question.

Mr. THATCHER: But I want to get the information for the committee.

The VICE-CHAIRMAN: And I want to help you get that information, but you would not want to trick this witness into a wrong answer.

Mr. THATCHER: No, no.

The VICE-CHAIRMAN: I think it is a fairly common provision with respect to all advertisements that the lowest tender need not necessarily be accepted. Would you agree with that as a general provision of advertisements, Mr. Thatcher?

Mr. THATCHER: Yes, but I was wondering; I don't just understand the reason for that.

The VICE-CHAIRMAN: Ask him the reason for that?

Mr. THATCHER: What would be the reason for that?

The WITNESS: There are a variety of reasons why the lowest contract might not be accepted. One fact that is taken into account in many cases is the difference between, let us say, the type of equipment which one tenderer can supply which is not indicated as being available to another; then, too, there is the question of technical judgment as to whether even though tenderer "X" may be slightly higher then tenderer "Y", who would bid a lower price, but he is better

equipped technically to do the job; again there is the problem whether with certain contractors you would be certain of getting the work done satisfactorily, and so on.

Mr. JOHNSTON: It is not always a question of policy.

The WITNESS: That is the important consideration; it depends upon judgment as to whether the lowest tenderer in fact has a sufficiently good record as a contractor to justify the acceptance of a tender.

Mr. DREW: A sufficiently good record, on what basis?

The WITNESS: Let us say a sufficiently good engineering record.

The VICE-CHAIRMAN: Yes, or performance record.

The WITNESS: Yes.

Mr. DREW: Those were not the reasons I had in mind.

Mr. THATCHER: I would still like to get an answer to my question. I would like to know whether there have been major contracts where the lowest tender has not been accepted. Now, Mr. Chairman, if that is not a fair question I will withdraw it.

The VICE-CHAIRMAN: If he knows.

The WITNESS: In regard to the estimates, sir, of course we do provide in advance for contracts. Now, you would have to go to the public accounts to get the details as to whether there were major contracts—it all depends on what you have in mind.

Mr. THATCHER: Are you saying that you don't know, or do you mean that you do not think it would be proper for you to answer?

The WITNESS: I think that would really be a matter of the particular minister concerned.

Mr. LANGLOIS: Is not that one of the difficulties you have where tenders are called; where you have a new contractor, someone who is bidding for the first time, you have to make a thorough investigation as to his financial as well as his engineering standing, you have to ascertain his capacity to carry out the contract if it is awarded to him? I know of cases in my own riding where contracting firms went bankrupt.

Mr. JOHNSTON: Yes, I have a couple of them in my riding too.

Mr. LANGLOIS: And is it not also important to examine the details of each bid? For instance, you may have a contractor who puts in a price which on the face of it is ridiculously low, and you know that he cannot possibly meet the terms of his bid. Let us assume for the sake of argument that the lowest tenderer may have obviously made a mistake in calculating his price and it is obvious that he cannot do the contract successfully. Is that not the sort of thing you are talking about?

The WITNESS: It is a fact, sir, that the financial as well as the engineering capacity of the contractor has to be taken into account.

Mr. RICHARD: In any event, the proper one to answer the question would be the Public Works Department—the deputy minister or the minister?

The VICE-CHAIRMAN: Yes.

Mr. THATCHER: I understood that Mr. Bryce was the official of the Treasury Board who would have to do with these contracts. Would it not be much simpler for him to give us the information than to have to bring the ministers and officials of the departments here to give us the details? I think there is a question of policy involved here. If money can be saved by calling for tenders on these various buildings, if any saving can be made for the taxpayers of Canada through the adoption of a general practice of tendering, I think we should examine into it carefully with a view to making a recommendation. That is

why I wanted to know from Mr. Bryce specifically whether he knows of any cases of any major works where the lowest tender has not been accepted.

The WITNESS: When you say any major building I do not know just what you mean, but there undoubtedly have been buildings built or special construction projects undertaken in recent years where it has not been done on the basis of awarding the contract to the lowest tenderer.

Mr. THATCHER: Can you tell us of any specific instance?

The WITNESS: No, I cannot do that from memory.

The VICE-CHAIRMAN: He would not be the one to give you that information. We can bring the Deputy Minister of Public Works here to give you that, he would be the man.

Mr. THATCHER: What about this hospital which was mentioned by Mr. Drew; wouldn't that be built by Public Works?

Mr. LANGLOIS: No, Indian Affairs.

The VICE-CHAIRMAN: No, it wasn't Indian Affairs, it was the Department of National Health and Welfare, I believe, who undertook it.

The WITNESS: They do not do it invariably, but they do it in many instances.

Mr. DREW: They definitely did not in this particular one and there are many others. There is also the hospital at Sioux Lookout.

The VICE-CHAIRMAN: Yes.

Mr. DREW: Which has been built without tenders, and that is not handled by the Department of Public Works.

Mr. LANGLOIS: Is that not under Mines and Resources?

Mr. DREW: No, under National Health and Welfare.

Mr. THATCHER: Would Mr. Bryce be able to answer this question? Would Mr. Bryce think the people of Canada could save money if the government always built these things by tender.

The VICE-CHAIRMAN: That is not a question for Mr. Bryce.

Mr. THATCHER: Isn't he a Treasury Board official? I am just asking him his opinion.

The VICE-CHAIRMAN: That is not what he gives opinion on and he should not be asked that, he may not be qualified to answer.

Mr. THATCHER: There may be a chance there where we could save millions of dollars for the taxpayers, and, if so, let us find it out.

The VICE-CHAIRMAN: I am as anxious as you are to get that information, but let us have the proper officials here who can bring it to us.

Mr. THATCHER: Well then, who is the proper official?

The VICE-CHAIRMAN: The man who is in charge of buildings. This man is in charge of figures.

Mr. THATCHER: Well then, would that be the Department of Health and Welfare?

The VICE-CHAIRMAN: The Minister of Health and Welfare has already made a statement on the floor of the House as to why tenders were not called in connection with the construction of that particular hospital. You will recall that Mr. Diefenbaker asked a question and Mr. Martin made a statement which appears in *Hansard* as to why that course was pursued with respect to the hospital at Moose Factory.

Mr. WRIGHT: Mr. Chairman, do all the departments have to go before the Treasury Board for approval, in the first instance, of these projects?

The WITNESS: No, not necessarily, sir. It is the Governor in Council, the cabinet, which gives formal consideration to these recommendations, who would have to approve contracts under the terms of statutes. Occasionally they will come to Treasury Board for consideration before they go to the Governor in Council so that they may be looked at and we would have our officers go into the financial details and secure more material from the department if there were special problems involved in regard to them.

Mr. WRIGHT: And who decides whether they are to go before the Treasury Board or the Governor in Council?

The WITNESS: That would depend on circumstances, sir. In a good many instances the Clerk of the Privy Council would, in some cases, refer it to us or to the Department of Finance, or it may be that a particular minister would want to have it sent to Treasury Board for consideration before it goes to Council.

By Mr. Langlois:

Q. In answer to a previous question you said, if I understood you correctly, that it was general policy to call for tenders and to accept the lowest tender but that at times there were exceptions and the lowest tender was not always taken, and also that on occasion no tenders were received. Now, my question is this, Mr. Bryce; can you tell us the practice followed by the Department of Public Works when they have a building to construct here in Ottawa? Let us say they decide to call for tenders and they call for tenders and tenders are received. I understand they make a recommendation to Council. Now, is such a contract sent to the Treasury Board for approval before the granting of the contract?—A. In many cases that is so, sir; but not in routine cases.

Q. That is the general procedure?—A. I would not say it is general but it is a frequent procedure, particularly in cases where there are unusual problems. For instance, there may be a substantial financial problem in connection with it.

Q. Let us suppose that tenders have been called and on review of the tenders Public Works recommend that the second lowest tender be taken instead of the lowest. In such a case would the general practice be to refer such a selection to the Treasury Board for approval?—A. I could not tell you how general that is, but it does frequently occur.

Q. Would you mind checking that up?

The VICE-CHAIRMAN: He says it frequently occurs. How much better could he say that?

Mr. LANGLOIS: He says that happens frequently, but I asked him if that was the general practice.

Mr. THATCHER: Mr. Bryce says that frequently happens.

Mr. LANGLOIS: Is that practice frequent enough to call it general?

The WITNESS: I am sorry, the word "general" often implies the invariable practice.

Mr. THATCHER: It either is the general practice or the exception.

Mr. LANGLOIS: Yes, I wanted to know which is the rule and which is the exception.

The WITNESS: I see the ones that come to the board, sir; I do not see those that do not and for that reason I cannot tell you what the proportion would be.

Mr. THATCHER: The better term is "occasionally".

The VICE-CHAIRMAN: Everybody has a term but the witness. Just one minute. Mr. Blue has the floor.

Mr. BLUE: In cases where the lowest tender was not accepted I suppose they take into consideration that he has not the necessary equipment to do the job.

The VICE-CHAIRMAN: That was the point he made, he said that.

The WITNESS: When it comes to the Department of Finance, if the lowest tender has not been accepted we send for the reasons why the contract was not given to the lowest tenderer.

Mr. THATCHER: If what Mr. Bryce said to Mr. Langlois is correct, then I still would like him as a treasury official to tell me whether he thinks that money could have been saved if the lowest tender had been taken in all cases in the last year. I am not casting aspersions on anyone. He must have seen some of these contracts. For instance, were there some buildings constructed for a contract price of $500,000 when they could have been built for the lowest tender, say, $480,000?

The VICE-CHAIRMAN: Will somebody let the witness answer a question?

The WITNESS: That concerns the substance of matters that come before the board and I am not sure that it is proper for me to testify as to that.

By Mr. Johnston:

Q. When Mr. Bryce was speaking of contracts, he spoke about the security of the contractor in regard to building, and he said that security is required of a contractor. On major contracts is a contractor required to put up some form of security or is he bonded, or is there just no record of that?—A. A security is required to be given by contractors under various statutes but not all statutes that authorize the government to enter into contracts for this work.

Q. Could you say what type of a contract it is where no security is required, just to differentiate from what you have said there?—A. I could not say from memory just in what cases they are not required. I know, for example, that for a lot of small contracts in recent years involving small amounts of money, it has not been possible to get small contractors who could and were willing to furnish security, because it involved their putting up capital. In some of these cases the various departments or ministers have accepted a security bond from a bonding company.

Q. I would recommend that.—A. It is not general, it has not been regarded as satisfactory as having cash or securities, government securities, for example, deposited.

Q. When I asked my question I said major contracts. You are now referring to smaller contracts. It may be necessary when you consider a small contract, I can appreciate that, but when you come to contracts of say around $100,000—A. There are many small contracts in tens of thousands of dollars.

Q. I can quite understand one costing $5,000 or $10,000 but when you get up to $50,000, or $100,000, is it invariably the rule before these contracts are proceeded with that the contractor gives some type of security, as you have suggested?—A. I do not think it is invariably the rule because of difficulties in recent years of getting contractors to undertake work.

Q. Do you mean to say in recent years because of the difficulties of getting contractors to perform this work that even on all the major jobs of around $100,000 or $80,000 there has been no protection taken regarding the depositing of security?—A. I would not say there has not been any precaution taken but it is not always possible to find a contractor who would take a contract and furnish security.

Q. Even a $100,000 contract?—A. It is difficult to speak from memory but I think that would be the case.

By Mr. Langlois:

Q. In the case of public works is it not the general rule to require a ten per cent deposit in bonds of the Dominion of Canada, or bonds of the Canadian National Railways guaranteed by the Dominion of Canada, from any contractor,

to be filed with his tender? Is that not the requirement in Public Works tenders? And is it not also the general practice with all contractors when they purchase materials, and the materials are sent on the spit where the construction work is being done that only fifty per cent is paid in advance and the remaining fifty per cent is paid only when that portion of the work has been completed to the satisfaction of the department, and that even on top of this, before this final fifty per cent is paid, ten per cent is retained as a holdback on the whole contract? In other words the contractor is paid in full only after the whole building or wharf has been completed or approved by the engineer of the department, is that not so?—A. It is usually the case that there are holdbacks. It is difficult for one seeing hundreds of these things a year to say such and such is invariably the case. It certainly is the policy to have a holdback.

The VICE-CHAIRMAN: Mr. Browne.

Mr. BROWNE: Mr. Chairman, I wonder if the witness could breakdown those figures. That is the fourth largest item in the estimates, $168 million. It would be interesting to know how much of that money is outside of Public Works. The auditor general drew our attention to several votes in the Department of Agriculture estimates and I direct your attention to one item on page 74, where there are only ten people employed in the department. It is listed under science service on page 74. The amount of the item is $984,950, being for acquistion or construction of buildings and works. Now, there are several other votes in the estimates like that. Do these come before you on the Treasury Board—I mean the applications to construct these buildings—or do they go ahead themselves and build them?

The WITNESS: The proposals for the estimates come before the board.

By Mr. Browne:

Q. I know that, but I am speaking of the work, the letting of the contract? —A. In some cases but not in all cases they may go direct to the Governor in Council.

Q. Could we have a breakdown of that figure, Mr. Bryce?—A. A breakdown of $984,000?

Q. No, of the $168 million, by departments?—A. Yes, I should think so, sir.

The VICE-CHAIRMAN: By departments? Did you say by departments, Mr. Browne?

Mr. BROWNE: Yes, by departments. I should imagine he has that information in his files now.

Mr. JOHNSTON: In your answer to Mr. Langlois a moment ago, Mr. Bryce, I understood you to say that it was the practice that fifty per cent of the cost of materials was held back by the government until the work was completed and then a further ten per cent was held back.

The VICE-CHAIRMAN: He did not say that—

Mr. JOHNSTON: Let him tell us what he did say. What did he say to Mr. Langlois?

The WITNESS: What I recall I said was that it was the usual practice to have a holdback on contracts until the work was completed and inspected and it was evident the contract had been satisfactorily carried out.

The VICE-CHAIRMAN: What was your remark in regard to the cost of material that was sent out?

The WITNESS: I could not tell you the exact formula for determining the holdback.

By Mr. Johnston:

Q. Is it not a fact that that may be done in some cases but it is not done in all cases of major contracts? Is it actually a fact that it is not done in all cases of major contracts?

Mr. LANGLOIS: I do not know of any case.

Mr. JOHNSTON: I can tell you some.

The VICE-CHAIRMAN: Just a minute, it is the witness who either knows or does not know. Do you know, Mr. Bryce?

The WITNESS: I would not know whether it is done invariably in all cases of contracts.

The VICE-CHAIRMAN: The witness says he does not know.

Mr. LANGLOIS: Mr. Johnston says he knows of some cases. I would like to know what cases he knows about.

The VICE-CHAIRMAN: The witness cannot answer that question.

By Mr. Fraser:

Q. What control have you on the repairs to the east block where they have spent over a million dollars already? Is that cost plus or do you not check on that?—A. Well, we have seen the items come up in the estimates from year to year.

Q. It is only in the past year that this repair work has been going on.—A. I think there have been estimates for at least two years or more to provide for this work, but my understanding is that it is often exceedingly difficult to get tenders for the repairs of old buildings because until the work is under way it is frequently quite impossible for the contractor to know what the costs are likely to be. He may discover some old beams that are unsound and have to be replaced, and things of that kind.

Q. Is it that they do not have the plans and specifications ready?—A. That is sometimes the case.

Q. It is not likely in an old building like that that a beam may be rotted. In a building like that very few of the beams will be rotten, especially there where they have heat on all the time. It is on the cost plus basis. That is the way some of the building contracts have been let, am I right?—A. There have been contracts on that basis.

Q. Is it cost plus five per cent or ten per cent?—A. It is more often cost plus a fixed fee.

Q. Does your department check on the cost in a case like that?—A. I believe it would be the comptroller of the Treasury, cost division, that would do that.

Q. They have experts in there who know the costs of materials at the present moment?—A. Yes, they have regular cost auditors.

Q. That know construction work?—Yes.

By Mr. Langlois:

Q. To follow Mr. Fraser's questions: in the case of a cost plus contract is it not a fact also that the Treasury Department have their own accountants on the spot where the contract is being carried out to check on this cost?—A. Yes, they have accountants in various parts of the country who are able to go in and make an on-the-spot check.

Q. Is it not also a fact in those cases of costs plus contracts the contractor is supplied by the Treasury Department with a schedule showing the charges he should pay for the rental of a truck, for example, at so much per hour, the rental of a steam shovel should be so much an hour, and that he is closely checked on all these expenditures and has to follow that schedule pretty rigidly,

which is prepared by the Treasury Department?—A. I could not say if there are general schedules to be followed in all cases. I know there have been schedules as to permitted rates in equipment rentals and things of that sort.

Q. That is what I have in mind.

The VICE-CHAIRMAN: Gentlemen, item No. 11 (*b*). Maintenance and Repairs. I think we have perhaps covered that.

12 (*a*). *"Acquisition or Construction of Equipment."*

Mr. THATCHER: Mr. Chairman, one question on that. I was wondering if Mr. Bryce could tell the committee what regulations there are in regard to the operation of motor vehicles? I see in 12 (*a*) that is included here.

The VICE-CHAIRMAN: Operation or acquisition?

Mr. THATCHER: This is just acquisition? Who can get a motor car in the various departments?

The VICE-CHAIRMAN: I believe you send in a requisition.

The WITNESS: We have, sir, a committee of senior officers that reports to the Treasury Board authorizing either the acquisition of a new car or the replacement of an old car. They review the requests of the department in some detail in terms of the need for the car, and they go over the tenders the various departments receive for the purchase of cars, and authorize the purchase in accordance with the tender.

Mr. THATCHER: Are you on that committee?

The WITNESS: No sir, there are three or four senior officers on it.

The VICE-CHAIRMAN: Do you buy all makes of cars?

The WITNESS: The general practice is to buy the coach models, they being normally the cheapest model, of whatever make is available at the lowest price in the vicinity.

By Mr. Thatcher:

Q. Do they buy those from the various dealers across the country or do they buy them locally?—A. I believe it is true to say of the Department of National Defence, that they buy theirs direct from the manufacturer. They are buying wholesale, so to speak. Some departments buy from local dealers.

Mr. LANGLOIS: They get what is called a fleet rate on those cars?

The VICE-CHAIRMAN: Following the question, ordinarily the cars are bought locally.

The WITNESS: That is right.

The VICE-CHAIRMAN: Except in the case of National Defence who buy them—

The WITNESS: They buy in large contracts.

Mr. LANGLOIS: That is what I had in mind. Even if they buy them locally the local dealer has to give them a fleet rate.

The VICE-CHAIRMAN: For National Defence?

Mr. LANGLOIS: No, for all departments.

The VICE-CHAIRMAN: Anything further?

By Mr. Thatcher:

Q. I was just wondering on the subject of cars, is there a big quantity of cars purchased in a year?—A. There would be quite a considerable number bought in a year. Various departments have quite considerable numbers in all.

Q. I was just wondering, if the Department of National Defence can buy directly at a wholesale price, why the other departments could not do the same?

The VICE-CHAIRMAN: It is to keep people like you in business. I do not think the manufacturer will sell that way. I do not think a firm will sell under those circumstances. Their dealers must stay in business. If the government starts buying on that basis what about the local people?

Mr. LANGLOIS: It is a matter of service.

The VICE-CHAIRMAN: National Defence buys in very large quantities, perhaps, even, a special vehicle.

By Mr. Drew:

Q. What actually is the regulation in regard to the buying of motor cars by different departments?—A. We have regulations, but I could not give them to you from memory. I could provide them to the committee to have them incorporated in the record, though.

Q. I am directing my question to the fact that it has been stated that the Department of National Defence is buying on one basis and other departments on another. This relates back to a question I raised before of the possibility of having a purchasing branch covering all departments. Is there any regulation that you know of that differentiates between one department and another in regard to the manner in which motor cars are acquired?—A. Yes, the regulations require a particular procedure to be observed for purchasing. There is a broad policy to be observed for purchasing cars in general, but this does not apply to the Department of National Defence, which buys through the Canadian Commercial Corporation directly from the manufacturers. Whether there are other exceptions of a lesser nature to that regulation I could not tell you offhand. I know there are occasions when an officer abroad may want a car and it may be possible to buy it more cheaply on the site than to have it shipped out, but at the present time I cannot recollect any exceptions offhand. The reason for making a particular exception is that it is basically a question of policy; the policy of the government has been to purchase its cars locally.

Mr. LANGLOIS: There is also the question of trade-ins. If the department concerned has a car to turn in and it is worth, say, $600, and that car is located in Halifax, it is better to do business with the Halifax dealer than it is to ship that car to Oshawa or Windsor in trade for a new car.

Mr. FULFORD: It is also a matter of getting service on it. The armed services service their own cars whereas the other departments are dependent on the local dealers and the local service station to service them.

Mr. DREW: If they got that other repair done locally they would be paid for it. Anybody who does it for them would be paid for it. The fact that the army does its own repair work and the others have to get it done for them should make no difference.

The VICE-CHAIRMAN: Is it fair to say that the Department of National Defence would be buying a different sort of vehicle than other government departments ordinarily would buy?

The WITNESS: Not necessarily, sometimes they buy the same type.

By Mr. Richard (Ottawa East):

Q. There is a committee, in any event, in the government that supervises the purchase of cars?—A. Yes.

Q. I have heard of regulations made by that committee to the effect that a car must have gone 100,000 miles before a new car can be bought. Now, we have had the Royal Canadian Mounted Police trying to chase up-to-date cars with a 1939 Plymouth, say, with 50,000 miles on it, and naturally they can get no speed out of that kind of car at all. That is why I have an objection to that committee and their regulations. There should be no such rule to say that there

must be 100,000 miles on a car before it can be traded in.—A. I should say the requirement that a car must have some 100,000 miles before being replaced was a regulation that was put into force when there was a great shortage of cars and a great demand for them, and the government felt it should not replace those old cars as long as it was able to have satisfactory service out of them. Some exceptions were made in the case of the Royal Canadian Mounted Police, for example, where it was pointed out their cars had to be fast.

Q. But the rule still stands?—A. The rule still stands but a number of exceptions have been made.

The VICE-CHAIRMAN: It looks as though the exceptions stand.

By Mr. Macdonnell:

Q. I have an important question to ask. I do not know whether the witness can answer it. I wonder if there is any better means in peace time as compared with war time for regulating the number of cars that staff officers could have? In war time it was a source of indignation to the rest of us to see the way they used motor cars. In Ottawa, the number of cars belonging to the Department of National Defence that I see floating about is quite numerous. Have they any means of rationing that?—A. They do have their own regulations and arrangements, and they would have to testify to that.

The VICE-CHAIRMAN: Staff officers make those regulations, Mr. Macdonnell.

By Mr. Fraser:

Q. Would Mr. Bryce break this down for us? You could break this down for us, Mr. Bryce?—A. 12 (*a*)?

Q. Yes?—A. By what means would you like it, by departments or major votes where these appear? There are little types of equipment in hundreds of votes.

Q. Departments would be all right. Show what they have got.

The VICE-CHAIRMAN: All right 12 (*b*). *Maintenance and Repairs of Equipment.*

I think we dealt with that a few minutes ago. No. 13.

The WITNESS: Before we leave 12 (*a*). A question was asked about it, and I should say that I shall have to ascertain from the Department of National Defence whether there is any objection on security grounds to breaking down the figures.

Mr. FRASER: I would not think they would have any objection to that.

Mr. THATCHER: Before you leave this. There might be a saving that could be made here. We should explore further the Department of National Defence purchasing of cars to find out what it is saving by buying direct from the manufacturer and also why the other departments are not doing that. There might be something worthwhile found by looking into it and I suggest at a later date we go into this in greater detail.

The VICE-CHAIRMAN: The matter will come up in the discussion of the Public Accounts. We will have someone here from the department and you can ask him. 770. 13.

Rentals of Property.

By Mr. Drew:

Q. On this question of rental of property my question on this relates back to the question I asked earlier: Where in the accounts, either in the estimates or in the public accounts, can I find the rental of some of these producing properties to which I referred the other day?—A. Paid by the government?

Q. No, paid to the government.—A. That would come under revenue and I think where we rent a portion of a building that is owned and used by the government you would find it under the department responsible for that building. Normally, Public Works have a building as a whole. The surplus presumably will be held by the War Assets or the Surplus Crown Assets and rented on behalf of the government, and the revenue would come in as part of revenue from the Surplus Crown Assets Corporation.

Q. Does that in any way show a cross entry in relation to the amounts paid out for rentals by the government, or is that separate?—A. Those are the rentals paid by the government for property owned by others and rented for government purposes. We have not set off against that any revenue from rentals. There may be some, because often we may have space available in a government building that cannot be used.

Q. Perhaps this would be the proper point to ask this. Under which of these items will be included the properties to which I referred the other day, such as the mines that the government took over, El Dorado, the aircraft plant and other property of that kind?—A. In assets held by the government. It would be listed as assets, and there would be an estimate to cover them.

Q. Where are they entered?—A. In the accounts.

Q. Yes, but where does one find them?—A. The assets of the government, other than active assets are generally not included in the balance sheet of the dominion, with these exceptions: that loans and investments other than those treated as active are included in the balance sheet, down in the last portion of the assets side of the balance sheet, and the assets created by those expenditures in the estimates that are labelled capital are shown as asset. But there is not a very clear line between other items of expenditures or estimates that create assets.

Q. As I understand it, property owned by the government on behalf of the people, such as the parliament buildings and large public buildings such as the dominion public buildings in cities like Montreal and Toronto are not listed separately in any item in the accounts, are they?—A. The parliament buildings here, sir, are.

Q. Are they?—A. Rather exceptionally.

Q. But this is an exception, is it not?—A. Yes, generally speaking, our public buildings are not valued and listed as assets. The amounts are shown,—I think it is $30 millions, but I am not certain of that.

Q. I do not want to labour the question now, but of course, if you are looking for it. . .—A. It is in schedule K on page 17. It is a long schedule. I will have to find it within that.

The VICE-CHAIRMAN: We will leave that as an unanswered one.

Gentlemen, I have a motion to adjourn.

The WITNESS: It is in the middle of that last group on page 18, government buildings, Ottawa.

The VICE-CHAIRMAN: Gentlemen, I have a motion to adjourn.

We will adjourn to meet again on Wednesday, May 10, 1950, at 11 o'clock.

The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

WEDNESDAY, MAY 10, 1950

WITNESS:

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

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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1950

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on

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MINUTES OF PROCEEDINGS

WEDNESDAY, May 10, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Vice-Chairman, Mr. D. A. Croll, presiding.

Members present: Messrs. Anderson, Benidickson, Blue, Boisvert, Brisson, Browne (*St. John's West*), Cauchon, Croll, Drew, Fleming, Fournier (*Maisonneuve-Rosemont*), Fulford, Fraser, Gauthier (*Portneuf*), Hansell, Helme, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspé*) Macdonnell, Picard, Prudham, Riley, Sinclair, Thatcher, Thomas, Winkler, Wright.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed consideration of the summary of the estimates for the fiscal years ending in 1951, 1950 and 1939, and the explanatory notes covering the items detailed therein, tabled by Mr. Bryce on Friday, May 5, and printed as *Appendices A* and *B* to that day's minutes of proceedings and evidence.

Examination of Mr. Bryce was continued.

Mr. Bryce tabled a statement showing a breakdown of certain items in the summary of the estimates, which is printed as *Appendix A* to this day's minutes of proceedings and evidence.

At 1 o'clock p.m. the Committee adjourned until Thursday, May 11, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

CORRIGENDUM

Minutes of Proceedings, April 25: The name of Mr. Fleming to be included in *Members Present.*

62019—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
May 10, 1950.

The Standing Committee on Public Accounts met this day at 11 a.m. The Vice-Chairman, Mr. D. A. Croll, presided.

The VICE-CHAIRMAN: Gentlemen, we have a quorum. At the last meeting some questions were asked and Mr. Bryce said he would prepare some answers to them. He has some answers available now for some of the questions, not all, and if you would like—

Mr. BENIDICKSON: Before we proceed any further with hearing evidence from the present witness I rise on a question of order and privilege. I was not present at the last meeting of this committee because of fact it was meeting at the same time as the Old Age Pension Committee. However, following my reading the newspapers, I obtained a copy of the stenographic transcript of that meeting. I was astonished to read in the newspaper that in the evidence before this committee it was stated that a hospital in my constituency was constructed by the federal government without calling for tenders. It would appear that this information came from the witness who is before the committee. However, I have checked the transcribed evidence very carefully and I find that the only justification for spreading word of this throughout the country comes from an irresponsible statement by Mr. Drew in about three words, and that is the only justification whatsoever for the newspaper account.

I am a member of the steering committee, Mr. Chairman, and it was my idea that this committee would be calling witnesses from the various departments at certain stages who were able to give us some information about these various things, but I take very strong objection to members of the committee making statements that are not responsible, and I think that they should not be made until we have before us witnesses who can tell us something about these subjects.

Mr. DREW: I take equally strong exception to the statement that has been made. We have been trying to get information, with great difficulty, from these records and from the department, and the way to avoid the necessity of complaining about the answers that may be given to questions is to set out all the facts and let us have them; and I certainly do not intend to have my questions here described as irresponsible especially by a member of the committee who was not here.

Mr. BENIDICKSON: I have read the evidence and I think if newspaper accounts had been clear that the evidence came from Mr. Drew and not from the witness—

Mr. DREW: I was not giving evidence.

Mr. BENIDICKSON: I will read it. The witness had already established he was not in a position to give evidence on this subject and then the evidence was given by the leader of the opposition. I will read him the evidence. There is a question by Mr. Thatcher asking Mr. Bryce whether he knows of any case where the lowest tender has not been accepted and this is the witness's reply:

> When you say any major building I do not know just what you mean, but there undoubtedly have been buildings built or special construction projects undertaken in recent years where it has not been done on the basis of awarding it to the lowest tenderer.

Mr. THATCHER: Can you tell us of any specific instance?

The WITNESS: No, I cannot do that from memory.

And then, the only justification for the newspaper account is, as I say, evidence given, not by the witness, but by Mr. Drew. He refers to something at Moosonee and then he says:

. . . and tenders were not called for a hospital at Sioux Lookout.

I just want to submit, Mr. Chairman, that if the public had known it came from that source and not from the witness they probably would not have given it any more attention than they did during the last election.

Mr. DREW: Mr. Chairman, we will not get any further if we are going to have these contemptible political comments.

The VICE-CHAIRMAN: Gentlemen, let us both stop using strong words. Every one will admit that we got off the rail a little at the last meeting, we got into departments much before we should have, and we did not have the proper officials; there is no question about that. The one thing, Mr. Drew, I think we must get cleared up for the members of the committee, is that any facts that any member of the committee requires will be made available to him, and every official, as far as I know, is available to come here at the request of the committee and answer for his department. Mr. Bryce came here for the purpose of doing a special bit of work for us, that he was required to do, and I think he is doing it to the satisfaction of the committee. Now, let us get on and complete this memorandum and then we will get into public accounts as agreed in the steering committee. Now, Mr. Bryce has some further information in response to some questions that were asked.

What have you to say, Mr. Bryce?

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

The WITNESS: At the last meeting I was asked if I could give the departmental totals, the departmental figures making up the totals of:

Category No. 8: Freight, Express and Cartage;

Category No. 9: Telephones, Telegrams and Postage;

Category No. 11: (*a*) Acquisition or Construction, of Buildings, Works and Structures.

and

Category No. 12: (*a*) Acquisition or Construction of Equipment.

We have prepared tables giving the details by the major departments for all of these and I have them here now in mimeographed form to be distributed of the committee wishes to have them.

Mr. FRASER: They will go on the record too, Mr. Chairman?

The VICE-CHAIRMAN: Yes, these figures will go on the record.

(See Appendix A.)

By Mr. Fraser:

Q. Do they properly reflect the figures that appeared on Appendix A?—A. Yes, sir. I should point out one detail—

The VICE-CHAIRMAN: If there is a detail, wait until we get into it.

The WITNESS: There is one condition to note; in making up this detailed total we found an item we had wronkly classified in the original table and I wish to draw it to the attention of the committee. It is in the table relating to telegrams, telephones and postage and is in respect of the Royal Canadian Mounted

Police. We had classed an item there under all other expenditures and it should have been classed under Telephones, Telegrams and Postage. The correction is noted on this table.

The VICE-CHAIRMAN: Gentlemen, we will now get on. Members of the committee will have an opportunity to look at these figures when they are considering the other matters.

Now we are on No. 13:

Rentals of Property

Mr. RILEY: Mr. Chairman, may I interrupt? I had to attend another meeting at the time the last meeting of this committee was being held and so did not get a chance to ask Mr. Bryce a question regarding 11 (*a*). I wonder if I may have your permission to revert to that item to ask one question?

The VICE-CHAIRMAN: You see, our difficulty is this, Mr. Riley: we have got thirty items here. After we get through them we have to call Mr. Sellar back and deal with the public accounts, and from there we have to go on to the public accounts themselves.

Mr. RILEY: I do not think it would take any more than a few minutes.

The VICE-CHAIRMAN: Well, go ahead.

By Mr. Riley:

Q. This particular matter has to do with marine construction projects and I am wondering, Mr. Bryce, whether the question has ever been taken into consideration of providing funds earlier in the year to commence marine construction projects that should be started at the opening of the navigation season?—A. Do I understand from that you refer to docks and wharves and things of that nature?

Q. Yes.—A. We endeavour to do that, sir, but there is a difficult problem as to getting the authority from parliament to go ahead.

Mr. LANGLOIS: You mean in getting the authority in time?

The WITNESS: Yes, in time. It is a very real problem when the estimates are only normally passed in June or July. The extent to which departments can proceed on the basis of interim supply is involved. Some projects can go ahead on the basis of interim supply. I know that is a problem which is of some real importance, sir.

By Mr. Fleming:

Q. Is the problem not in the date chosen for the conclusion of the fiscal year? With a fiscal year ending March 31, is it a problem of going ahead with projects of that kind?—A. I am not sure it is that. Unless we radically alter the fiscal year, unless it commences in the fall and have the estimates voted in a session that closes before the fiscal year began. With the parliamentary schedule timed as it is now, the first three months of the good construction season are normally gone by the time the estimates are finally dealt with by parliament.

Q. Assuming the fiscal year continues to end at March 31, could we improve this problem in parliament, with parliament being called to meet normally at the end of January? Can you offer a suggestion as to how we might improve this particular problem?—A. It is hard to say, parliament meeting the time it does. I suppose one conceivable way of dealing with the problem would be to vote the construction votes in a separate vote earlier in the session.

Mr. BROWNE: Last year we had a session in the fall—

The VICE-CHAIRMAN: Let them finish.

The WITNESS: If that were done that would enable those projects covered by such a special appropriation Act to go ahead earlier in the season.

By Mr. Fleming:

Q. You would have to set your estimates up in a different way?—A. You would have to segregate those items relating to construction projects. Not only that, you would have to break down a number of separate items into separate votes.

Mr. PRUDHAM: The same problem exists in relation to work in the far north just as it does in marine construction.

By Mr. Langlois:

Q. Mr. Bryce, you said the other day, if I remember well, that generally speaking your estimates start to be prepared towards the end of the summer, the beginning of the fall. So, if we had a session in the fall at which those estimates could be tabled, that would be the only remedy to the situation dealt with by Mr. Riley and Mr. Fleming, would it not?—A. Well, that would be another remedy, of course. There are several alternatives. One would be possibly taking out those construction items and have them dealt with earlier in the session or having the whole session earlier.

Q. What I have in mind is, is the present situation blamable on the fact that sessions start only in January or February. As far as your department is concerned, the estimates are prepared and ready to be tabled in the fall? —A. We would have to advance our work on them.

In my description of the procedure the other day, I mentioned the start in the departments would be made in the early fall but normally the Treasury Board does not receive the estimates in the case of a few major departments until nearly Christmas time and then it requires some time to go over them itself.

By Mr. Prudham:

Q. Would it be possible to budget for a five-year program or a three-year program in the north?—A. That would be quite a decided change in the general parliamentary practice on which parliament has operated for many years.

By Mr. Langlois:

Q. Following the same line of questioning, the fact that the moneys are voted only in April or May is probably responsible for so many of the lapses that we have in the votes; do you think that is right?—A. Yes, sir, that has been one reason for it.

By Mr. Sinclair:

Q. I do not think it is fair that the impression go out that all construction work is held up, because it is a fact that work such as dredging and maintenance, is covered by interim supply, by votes of one-sixth or one-twelfth, money sufficient for operations in April or May. It is only for work which is let by new contracts that is delayed because the estimates are not approved?—A. Yes, sir, and it varies from project to project and from department to department. It depends on whether it can get started on the basis of interim supply rather than on the basis of full supply.

The VICE-CHAIRMAN: Let us get back to our memorandum.

Rentals of Property

Mr. FRASER: Mr. Chairman, the sheet that was distributed here this morning does not say anything on External Affairs.

The VICE-CHAIRMAN: Would you mind just leaving this morning's sheet out, Mr. Fraser, and let us stick to the memoranda. We will get on to that later on.

By Mr. Fraser:

Q. I was just wondering why External Affairs was not included in the rentals of property in this table we have before us.—A. I am sorry. In which table was that?

Q. In the one that was distributed this morning, the estimates. Is External Affairs included in that?—A. Yes, it would be, sir, in Rentals of Property. Yes, it should be included, External Affairs rentals.

The VICE-CHAIRMAN: It says External Affairs.

Mr. FRASER: That does not cover the whole thing though, does it?

Mr. MACDONNELL: Are we still on No. 13, Rentals of Property?

The VICE-CHAIRMAN: Yes, if you have a question to ask.

By Mr. Macdonnell:

Q. I would draw attention to the huge increase from 1938-39, and I would like to ask first of all: are these all conducted by public works, arranged by public works? We know that in the case of the national revenue, they do some building themselves.—A. If you look on page 4 of the explanatory notes—

The VICE-CHAIRMAN: Appendix D, explanatory notes.

The WITNESS: That shows that the amount provided in estimates of the major departments for rental of buildings. The list on page 4 shows, for instance, Agriculture, $149,733; Citizenship and Immigration, $113,820; External Affairs, $290,650, et cetera.

Now Public Works, of course is the main one. It normally rents office buildings of the government but it does not handle all the rentals paid for the immigration offices or the External Affairs offices abroad.

By Mr. Macdonnell:

Q. What happens in the case of the Wartime Prices and Trade Board, for example, whose operations have greatly shrunk in the last two or three years? You must have had buildings rented for them? What happens to that space?—A. I assume, sir, it would be given up or sublet.

Q. I should not ask the witness that perhaps—it should be referred to later on—but I think that is a pertinent question which I will go into later.

The VICE-CHAIRMAN: I think so, too. I think Mr. Murphy of the department, who will appear before us, will have the answer to that.

By Mr. Fleming:

Q. Perhaps the same answer will be given to this question: could Mr. Bryce, the witness, tell us how much of this rented property is in Ottawa and how much is elsewhere, or shall we leave that for Mr. Murphy?—A. I cannot answer that, and I am not sure that Mr. Murphy could in respect to all the departments, but the estimates themselves indicate it for the buildings of Public Works. If you look in the Public Works estimates you will see the rental items for buildings in Ottawa and the rental items for buildings outside of Ottawa.

The VICE-CHAIRMAN: Anything more on No. 13?

Interest on Public Debt and Other Debt Charges

By Mr. Fraser:

Q. Does this include Canadian National Railways debt?—A. No, sir, this would be the dominion's own debt on which we pay interest charges directly.

Q. Does it include government controlled industry?—A. No, sir, this is just our own. That interest and debt charges item is what we pay directly.

Q. Is there any place in this estimate that would show the others?—A. Well, in so far as it it is necessary to provide funds to the other companies, that would show up in the appropriate item in the table relating to this, for example, in No. 29.

Mr. MACDONNELL: Interest on Public Debt, and *Other Charges*—what is that?

The WITNESS: The cost of issuing the loans, amortization of bond discount, cost of servicing the public debt through our agencies, and so forth.

The VICE-CHAIRMAN: Nothing further on that, gentlemen?

No. 15:

Subsidies and Special Payments to the Provinces

By Mr. Langlois:

Q. No. 15, Mr. Bryce. Does that include what are known as the statutory subsidies and special arrangements on taxation and special arrangements with Newfoundland? Does that include also the subsidies given to the provinces under national welfare and hospitals?—A. No, these are just the items covered in the Department of Finance votes for general payments to the provinces. I think that is made clear in the explanatory notes—no, I am sorry they do not indicate what is excluded, but elsewhere in the tables we have the payment to the provinces for specific purposes such as the health grants or the vocational grants and things of that sort.

Q. hey are under special legislation?—A. They are under special headings.

By Mr. Thatcher:

Q. Is there any amount included in this total for Ontario and Quebec? —A. No, sir, those are the amounts provided for in the agreements now in effect.

Q. So there is nothing in that figure for any of those provinces?—A. No, it is only payments made in accordance with agreements already entered into.

By Mr. Langlois:

Q. Is there anything in these covering the statutory subsidies to Ontario and Quebec?—A. This, of course, does include the statutory subsidies to Ontario and Quebec but not any tax rental provisions.

Q. Statutory subsidies under the British North America Act?—A. Yes.

By Mr. Fleming:

Q. May I ask what these payments would be for, say, for last year and the present year, if a similar agreement had been entered into between Ontario and Quebec as obtained between the Dominion and the other provinces?—A. I am sorry, sir, I could not tell you that offhand. It would depend on what alternatives they chose.

The VICE-CHAIRMAN: Any further questions on No. 15? We will take up No. 16.

Other Subsidies, Grants, Contributions, etc.

Mr. WRIGHT: Does this list include all subsidies paid by the government? I ask that because I understood there was a subsidy paid on the movement of iron ore from Steep Rock Mines and I wanted to know if that was included in here?

The VICE-CHAIRMAN: Yes, it is in here.

By Mr. Wright:

Q. Subsidies on iron and steel. I am asking Mr. Bryce if that is included. —A. The Steep Rock item will be in one of these categories, sir, it should be in

this one, I should think, but it is not large enough now to be one of the prominent items that were taken out here and shown separately. It is covered in the Trade and Commerce estimates.

Q. I also notice under Agricultural Prices Support Account—to recoup losses—in 1949-50, the estimate was $3,473,295, and in 1950-51 there is apparently no estimate for this. Does that indicate that the Agricultural Prices Support Account is not going to operate this year or does it mean it will operate under a special Act?—A. Last year's figure includes supplementary estimates but this year's figure does not, so I think that may be the clue to the reason.

By Mr. Langlois:

Q. I have a similar question regarding the deficits under the Fisheries Prices Support Act. I see nothing under your various headings regarding this special legislation?—A. Fisheries Prices Support Act; I am not sure that there has been any payment this year to recoup losses there. That could be verified easily, though, by reference to the estimates of last year and this year.

Mr. FLEMING: I do not suppose—

The VICE-CHAIRMAN: Just one minute, Mr. Fleming, wait until he finishes.

The WITNESS: No, I do not see anything in this year for recouping losses there; I would have to look into last year's estimates to see whether it is in there.

Mr. MACDONNELL: Do you—

The VICE-CHAIRMAN: Let him finish, please.

The WITNESS: Yes, if you would look at vote 789 in last year's supplementary estimates on page 4, the further supplementary estimates No. 1, vote 789 in last year's estimates.

The VICE-CHAIRMAN: You would not have that.

The WITNESS: —In last year's further supplementary estimates No. 1, vote 789, there is an item there being the amount required to recoup the Fisheries Prices Support Account, to cover the net operating loss of the Fisheries Prices Support Board during the fiscal year 1948-49, the amount being $538,989.

The VICE-CHAIRMAN: Mr. Macdonnell.

By Mr. Macdonnell:

Q. There is a big reduction under the heading Participation in International or Commonwealth Organizations (External Affairs), as between 1949-50 and 1950-51. Does that result from a general shrinking in the work that is being done or from a withdrawal on our part from some of the things we have been carrying on?—A. To answer that involves a great deal of detail, but, broadly speaking, it reflects in part an overlapping last year of contributions for certain agencies for more than one year and contributions last year to working capital funds. Also, the funds provided for the international refugee organization whose work is tapering off, are down very materially this year, as you will note in the External Affairs estimates of the current year compared with last year.

Q. You do not know of any cases where there is a substantial withdrawal on our part?—A. No.

Mr. DREW: When you say contributions to capital fund, what do you mean by that?

The WITNESS: Certain international organizations have working capital funds which were set up early in their operations to cover their requirements during the period in which the countries make their contributions. Most of the member countries make their contributions to these organizations during the fiscal year to which they relate.

Mr. DREW: Such as?

The WITNESS: The United Nations itself has a working capital fund, and UNESCO has a working capital fund—I am speaking from memory now—and I think ICIO has a capital fund. We naturally made our contributions to these in the early years of the organizations and it is in that way that they set up their working capital fund.

The VICE-CHAIRMAN: Item 17:

Family Allowances Payments

By Mr. Wright:

Q. I would like to ask Mr. Bryce a question with respect to the freight assistance on western feed grain. I notice the 1949-50 vote was $17 million and the 1950-51 estimate is only $5 million of an expenditure. That seems to be a very large reduction on the amount of assistance given on feed grains to eastern and western Canada this year. Was the $17 million estimate last year all spent or why is this big reduction made this year?—A. Well, sir, if you will look at last year's main estimates, the amount provided there is $4,750,000 as against $5 million for the corresponding item in this year's main estimates. This $5 million is only the amount provided for in the *main* estimates this year.

Q. How much was spent last year?—A. I am sorry, I cannot tell you that offhand. It would be actually more than $4 million, the balance being provided in the supplementary estimates for that year.

Q. Why would it not be better to place a larger amount in the main estimates rather than leave so much for the supplementary estimates, the way it is done here?—A. The practice has been, I believe, to provide funds in the main estimates up to the end of the crop year.

Q. Oh, I see.—A. And supplementary amounts for the balance.

By Mr. Fleming:

Q. This amount in the main estimates does not indicate any change in policy. We may expect supplementary estimates later on to bring it up to approximately the same figure as last year, $17 million?—A. That is a question of policy which I would not be able to answer.

Q. You are aware of no change at all. You have pointed out that a part of this $17 million, approximately $5 million, was in the main estimates a year ago and the balance was supplementary estimates?—A. Yes, sir.

Q. Assuming there is no change of policy, we have $5 million in the main estimates now and we can look for supplementaries of $12 million or so later on?—A. If the same policy were continued in operation as applied last year there would be the supplementaries.

The VICE-CHAIRMAN: Item 17: Family Allowances payments.

Mr. HANSELL: Before we leave this item 16, participation in international or commonwealth organizations (External Affairs), I see there is an amount of $4 million odd for 1950-51 while in the estimates as they appear in the blue book for this item the amount is slightly over $2 million only; would Mr. Bryce explain the assistance given there?

The WITNESS: Are you taking into account, sir, the item for the International Refugee Organization which is in External Affairs estimates at the end, I believe, under the heading Terminable Services. I think possibly that makes the difference you have in mind.

Mr. BROWNE: In connection with the subsidies on steamship services, where would that be found?

The WITNESS: The steamship subsidies would be under Transport or Maritime Commission in the regular estimates.

Mr. FRASER: This includes the actual payment, not the additional amount shown there; that would be under No. 5.

The WITNESS: Yes sir, this is just the actual payment authorized by the Act on the best forecast that can be made of actual payments.

Mr. RILEY: On what did you estimate the reduction in the increase in payments under the Family Allowance Act?

The WITNESS: That is a very complicated question in vital statistics; one has to forecast the birth rate in the year in question in relation to the birth rate in past years.

The VICE-CHAIRMAN: Do you think you are qualified to answer that?

The WITNESS: No sir.

The VICE-CHAIRMAN: He says he is not qualified to answer that.

The WITNESS: Our office naturally has to check the forecast that is made by the Department of National Health and Welfare when we are considering the estimates and we go into the statistics with them at that time.

The VICE-CHAIRMAN: But you do not prepare the statistics.

The WITNESS: We put our statisticians on it to check those submitted by Health and Welfare.

Mr. WRIGHT: Referring to a return tabled in the House recently I notice that there were five provinces in which the investigations were carried under the Family Allowance Act by the Social Welfare Department in those provinces on a fixed fee basis I believe of $5, and in the other five provinces apparently the family allowance people carry out those investigations themselves. Has your department made any calculation as to which one of those methods is the cheapest as far as the cost of carrying out these investigations is concerned?

The WITNESS: No sir. We are aware of the difference but I do not believe the difference arises mainly because of the question of relative costs. I could not tell you which is the cheapest over-all, I am sorry to say; you would have to ask the Minister of National Health and Welfare.

The VICE-CHAIRMAN: Item 18:

Old Age Pensions, including Pensions to the Blind

Mr. FRASER: I take it that that item on old age pensions also includes pensions for the blind? Is that why you put that there?

The WITNESS: We just wanted to make it clear that that included pensions for the blind.

Mr. RILEY: What percentage of that relates to pensions for the blind?

The WITNESS: I am not sure that I can answer that. It may be somewhere in the book here; if it is not, I could not tell you offhand. However, it is quite a small percentage.

The VICE-CHAIRMAN: Item 19:

Veterans Disability Pensions and other Payments under the Pensions Act

That is fairly obvious. I do not think we need spend very much time on that.

Item 20:

Other Payments to Veterans and Dependents

Mr. BROWNE: What is the reason for the substantial drop there in the amount of the payments? I see there is a decrease in the current estimates of $7 million odd in the 1950-51 provision with regard to rehabilitation, for instance.

The WITNESS: You will appreciate, sir, that there is a steady reduction in the amount of that vote for rehabilitation as the rehabilitation program comes to a close; and, similarly with re-establishment credits, those payments are

of a type which might be called once-for-all payments to veterans which they use in accordance with the provisions of the Act and regulations.

Mr. LANGLOIS: There is also a reduction in war service gratuities from $1 million last year to $250,000 for the current estimates.

The WITNESS: Yes.

The VICE-CHAIRMAN: Item 21:

Militia Pensions Act Payments

Mr. BROWNE: Is that a contributory fund?

The WITNESS: Yes, that is a new postwar fund. I am sorry that I cannot tell you very much about it offhand. I think it is a 6 per cent contribution on pay and allowances. I think they put in up to 6 per cent of their pay and allowances, but I cannot tell you just at the moment what the government's contribution is.

By Mr. Macdonnell:

Q. I notice that with regard to the estimates last year and those for 1950-51 you show exactly the same amount with regard to contribution by the government. Is that based in accordance with actual conditions of retirement? —A. I think the requirements of this older part of the Act are relatively well stabilized. I would have to check on the actual details of the estimates but my belief is that that estimate is just for the relatively stable requirements in respect of these pension payments.

Q. Why do you say that? Are all these Militia Pensions Act payments cases of ancient history?—A. Well, the current one to which servicemen are now contributing is part V of the Act. These payments in question come under parts I to IV which are the older portions of the Act and certain servicemen can elect to remain under the old payment schedules and derive their pensions from that. That is a statutory item with the payment authorized by statute and the amount shown is $5 million a year which, of course, is a forecast in round figures of the amount expected to be required.

The VICE-CHAIRMAN: Item 22:

Other Pensions and Superannuation

By Mr. Langlois:

Q. With regard to the item there relating to gratuities to families of deceased employees; I take it that these gratuities are paid to the family of the deceased by the government. What class of employee would that cover and under what conditions would such payments be made?—A. That gratuity, I believe, is two months' salary of a civil servant which the Civil Service Act provides shall be paid to families of deceased employees on the death of the civil servant. It is a section of the Civil Service Act. I cannot tell you which number from memory.

Q. That is a statutory item?—A. Yes.

By Mr. Johnston:

Q. I see that in the Royal Canadian Mounted Police pension appropriation there is an increase; would that be the result of their having more employees? —A. Yes, there has been a considerable increase in the numbers of the R.C.M.P., and the number of pensioners would of course increase correspondingly. Of course, as the force grows the number of pensioners will increase in due course.

Q. Yes, and I see it is a fairly substantial item, around $80,000.

The VICE-CHAIRMAN: Item No. 23:

Government's Contribution to Unemployment Insurance Fund

By Mr. Langlois:

Q. I see you have a contribution into the fund by the government; does that cover the administration which is provided by the government as well? —A. No, this is the statutory contribution to the government as such.

Q. And the government also pays the cost of administration?—A. Yes, the government pays the cost of administration and that is shown under the appropriate headings here; and it also pays a contribution as an employer for those of its own employees who are insured; and that contributions that it makes as an employer is shown under item 30, the third item there; it is the contribution of the government in its role of employer.

The VICE-CHAIRMAN: Item 24:

General Health Grants

Item 25:

Trans-Canada Highway Contribution

By Mr. Johnston:

Q. There is an amount there in connection with the Trans-Canada Highway as an initial contribution; would you explain that?—A. Well, it is hard to forecast. It necessarily has to be a rough forecast as to the amounts we anticipated would be needed under the Trans-Canada Highway Act during the current fiscal year.

Q. Where do you find that?—A. That would be in the Department of Resources and Development, the fifth item down on page 48. It is a statutory item, of course, the statute authorizes the payments.

By Mr. Macdonnell:

Q. What do you anticipate will be the eventual cost?—A. There is a limit set in the statute and there was a discussion in the House at the time.

Q. Is it a fixed amount?—A. I think that is a fixed amount and there are fluctuating rates, dependent on provincial payments.

Q. Would not the federal contribution indicated on page 294, item 48, be higher than that, that seems to be a very small amount for that.—A. My recollection is that the Act authorized $150 million or something like that over a number of years and the problem was to estimate how much is likely to be spent in this initial year, all subject to various limitations in the Act; and that makes it difficult to assess the amount likely to be required.

Q. But you don't expect that it will be over $10 million this year?—A. At the time we made up the estimates in February last that was the best forecast we could make at that time. The agreements had not then been signed.

Q. Of course, there might be very substantial amounts now that the agreements have been signed and you have a better appreciation of what the contributions are likely to be.—A. Yes, but there is also the consideration of how much work can be done.

Q. But anything else would be in the supplementary estimates?—A. It would mean that this forecast was inaccurate and you would have a revision. It is not a vote, it is provision made by statute.

The VICE-CHAIRMAN: Item 26:

Movement of Mail by Land, Air and Water

Mr. LANGLOIS: Under item 26 I see you provide for the movement of mail by land, air and water, and under item 16 you provided for mail subsidies to steamships and subventions; what is the difference between these subsidies?

The WITNESS: The item in paragraph 26, the movement of mail by land, air and water, is the actual payments made by the Post Office to the carriers while the other item to which you refer is under the Maritime Commission vote and is not mail subsidies but steamship subventions. As a matter of fact, I believe that the present policy has changed somewhat. You see, under the steamship subventions of some years ago the operators receiving the subsidy were usually required to carry mail free of cost in order to get the subvention. I believe that the present practice is that the steamship subsidies are paid separately. The Post Office pays the shipping company under a contract for the carrying of mail and that is taken into account in arriving at the amount of the subsidy. Also, I believe the present practice is that the amount of the subvention is fixed by the Maritime Commission.

Mr. FULFORD: In determining the amount of the subvention the Maritime Commission would consider the fact that that ship will be carrying some mail; in that case is the payment specifically allotted for the carriage of mail charged to the Post Office?

The WITNESS: No longer. I believe that the subsidies now paid for carrying the mail are taken into account as revenue whereas formerly ships were required as a condition of obtaining the subsidy to carry the mail free.

Mr. RILEY: Mr. Bryce, do you mean to infer that the mail subsidies would not be taken into account in arriving at the amount of subvention?

The WITNESS: No. Formerly mail and other items were carried free by the steamship services receiving a subsidy and at that time the Post Office accounts would not reflect the value to the Post Office of the free carriage of mail by the subsidized steamers. The policy and practice have been changed in recent years. I understand the Post Office Department now makes its own contracts with the steamship companies for the carriage of mail and the subsidies authorized by the Maritime Commission are calculated to take that into account. It is a more accurate accounting arrangement.

Mr. FULFORD: Would the subsidies be reduced by the contracts to carry mail?

The WITNESS: That is a question I cannot answer.

Mr. LANGLOIS: Is it not fair to assume, Mr. Bryce, that when the Maritime Commission fixes the amount of the subsidy it takes into account all the revenues derived from all sources by the operating steamship company?

Mr. FULFORD: No, sir.

Mr. LANGLOIS: And they take into account in their calculations the revenues derived from the mail contracts; is that not the fact, Mr. Bryce?

The WITNESS: I believe it is the case but I would not like to make a categorical statement on it.

By Mr. Drew:

Q. In this item we are now discussing on page 7, under item 26, I notice there is a reduction of $1 million in the mail service by ordinary land conveyance, including rural mail delivery, the 1949/50 item is $14,320,000 and for 1950/51 it is $13,300,000, a reduction of $1,020,000; would you explain how you were able to estimate a decrease in the cost of ordinary mail delivery of that kind.—A. I believe that was based on the record of actual expenditures as ascertained from the payments in the previous year; but I speak only from memory of the discussion we had at the time this question of the Post Office was before us. I do not know that that is a complete answer, but I think that is the clue.

Q. Then you are not in a position to give us any detail on that?—A. I am not in a position to go beyond my immediate recollection which was that the previous figure of actual expenditures was short of the estimated amount required in the estimates for 1949/50.

Mr. LANGLOIS: You may not be in a position to answer this question, but is it not true that the tenders received over the last twelve months have shown a tendency to be lower than they were before and that since March last there has been a substantial decrease in the amount of tender; would that not account in large part for the reduction which appears in the estimates for the current year?

The WITNESS: I would not be able to say that; I am sorry.

By Mr. Drew:

Q. I was going to ask you in regard to this, Mr. Bryce: this, of course, includes the ordinary working arrangements for the carriage of mail by land, by rail and ship; it covers all the ordinary mail handled by the Post Office; is that it?—A. Yes, sir.

Q. Just as a matter of information does this include such things as the carriage of newspapers by contract where arrangements, or facilities, for other than ordinary postal services are included?—A. If that involves payments by the Post Office Department it should be in there but if it was carried by express—let us say that newspapers were carried by express—it would not be involved.

Q. So I take it then that these figures cover the total cost of carrying the mail which is handled by the Post Office under ordinary stamp arrangements?—A. It would also include surcharged material that is handled by the Post Office and it would include air mail stamp material, but not such things as newspapers carried by express.

Q. You mean by that letters which carry the air mail stamp?—A. Yes.

Q. And you can now pay that by the use of any other kind of stamp as well?—A. Yes.

Q. Then may I ask in the case of mail service by air—I see that during the last year the figure was $8,228,000 and the estimate is for $8,335,000, an increase comparatively small of $107,000. In the examination of that item in the estimates was consideration given to the fact that Trans-Canada Air Lines are seeking a larger contract with regard to the carriage of mail during the current year?—A. This, I believe, is based on the current contract.

Q. On the current contract?—A. Yes.

Q. I just wanted to be sure of that because I know they are negotiating an increase at the present time.—A. Well, sir, this includes not only the Trans-Canada contract but contracts with all the other air carriers. Included in this term are a great many other contracts for the carriage of mail by air.

Q. But the bulk of that would relate to the contract with Trans-Canada Air Lines which I think is in the nature of $6,500,000.—A. Well, sir, I was just speaking from memory. I saw the figures many months ago among hundreds of pages of figures.

Q. Without giving me the exact figure I think you will agree that that is so?—A. That is certainly the biggest item.

Q. And that the contract with Trans-Canada Air Lines is now a matter of negotiation?

The VICE-CHAIRMAN: Item 27: *"Maritime Freight Rates Act."*

By Mr. Johnston:

Q. May I ask Mr. Bryce about this item 27? This refers to the special rates provided under the Maritime Freight Rates Act. Would that be a situation comparable to the Crows Nest Pass Agreement, one refers to the west and the other to the east; would that be similar?—A. These are subsidies that we actually pay the railroads for the carriage of freight at the rate provided for in the Maritime Freight Rates Act.

Q. Can you tell me if there is any application being made by the railways now to have the amount increased—A. I do not know, sir.

Mr. BROWNE: What department does that come under?

The WITNESS: The Department of Transport.

Mr. JOHNSTON: That is what I wanted to know, and if Mr. Bryce cannot tell us we can get that information from somewhere else.

The VICE-CHAIRMAN: What is the question?

Mr. JOHNSTON: If the railways are making an application before the royal commission to have it increased and I was wondering if this figure included an estimate of the increase.

By Mr. Langlois:

Q. Could you give us a breakdown under the heading for railways?—A. No, I cannot, I am sorry. You will find that item set forth in detail in the estimates of the Department of Transport, page 60, about item 494. It gives the companies that get it but it does not give the amount payable to each of those companies.

Q. Would the C.P.R. be the one to get the largest amount there?—A. I don't know, I did not go into that in much detail.

The VICE-CHAIRMAN: Do you want to be supplied with that?

Mr. LANGLOIS: Yes.

The VICE-CHAIRMAN: We will see if they can supply that: a breakdown of item 494.

Item 28: *"Direct Relief and Relief Projects."*

By Mr. Fraser:

Q. On this, Mr. Bryce, the second to the last item on page 7 of the explanatory notes,—Contribution to cost of railway projects—what does that amount of $850,000 consist of?—A. That is a prewar project, sir, and I am not familiar enough with it to tell you any more than is suggested by the vote. It is under the unemployment relief projects for that year. I presume it was unemployment projects in connection with railway roadbeds or something of that sort.

Q. I am anxious to know why it should be listed under relief? Why would the railway not cover that, the C.N.R. or whatever railway it would come under? Why would it be in here?—A. Well, I am sorry sir, that was done before I was there. It was classed in that way in the estimates of 1938-39. It was classed as a relief project in those estimates and that is why we have included it here.

Q. And that is included even at this time, is it—A. These are the figures for 1938-39.

Q. What about the 1948-49?—A. They are the pre-war figures.

Q. I see that. Well, now at the bottom of that sheet also, there is an item titled Other items and contingencies, $1,023,000.

The VICE-CHAIRMAN: Mr. Fraser, those are 1938-39 figures. Suppose you indicate what figure you are interested in. Mr. Bryce, after all was not there, and he says he can get the answer for that, if you like. It does not seem pertinent at the moment.

Mr. JOHNSTON: In No. 28, towards the bottom there are grants-in-aid to the provinces, $17,500,000. Could you break that down to the aid for each province?

Mr. SINCLAIR: This was given twelve years ago. That is not in effect now.

The WITNESS: Those are pre-war figures.

Mr. JOHNSTON: Those are all for 1938-39?

Mr. THATCHER: Do these figures signify that the federal government has gone pretty well out of the relief field completely?

The VICE-CHAIRMAN: I should say they speak for themselves.

By Mr. Thatcher:

Q. Is there any way that provinces needing relief can come to the federal government, or for things of that kind?—A. Well, the only payments of this kind being made at the present time, as is indicated in here, is the special arrangement made with Newfoundland to effect a transition on to Unemployment Insurance of the people engaged in insurable occupations there.

Q. In other words, today this is not federal government policy?

The VICE-CHAIRMAN: Mr. Thatcher, please do not ask him about policy. Just ask him what you want to know about the figure?

By Mr. Thatcher:

Q. These figures signify, for instance that in the past winter when we had a good many unemployed, the federal government was not doing any federal work of the nature they did in 1949 and 1950.—A. In what relief work, sir?

Q. Those things that you have listed.—A. No.

Mr. SINCLAIR: In 1938-39, you mean?

Mr. THATCHER: I know they were doing it then, but I want to know are they doing it today, and is it government policy?

The VICE-CHAIRMAN: Just a minute, gentlemen. There is no use throwing the word policy into the question. It is not fair to the witness and you are not going to get an answer to a policy question from him.

Ask the question, please.

By Mr. Thatcher:

Q. In this $1,500,000 of 1950-51 are there any of the items in that contained in 1938-39?—A. No, sir.

By Mr. Langlois:

Q. Could you clarify this question? Is it not a fact that in all these items here under relief, the authority for them was provided by special legislation which has now lapsed?—A. I do not know enough about the law authorizing these projects to say that. I would have to find that out.

Mr. THATCHER: Suppose there is a municipality which has very heavy unemployment and it cannot finance relief. Is there any place they can come to the federal government, or is there any provision made for that under that particular item?

The VICE-CHAIRMAN: Mr. Thatcher, you are now asking something that the witness should not answer. After all Mr. Bryce knows that the municipality has first to go to the province and make its approach to that body. The Prime Minister has made that clear on many occasions in the House, both in the House and out of the House, and that is the usual practice.

By Mr. Browne:

Q. Mr. Chairman, is not this the position? That $3 million was voted in the estimates for 1949-50 to cover assistance for Newfoundland and that $2 million was voted in the supplementary supply for the same purpose.—A. Yes, sir.

Q. What were the actual expenditures on that vote in Newfoundland up to the 31st of March?—A. I have not got that. I will get that figure for you.

By Mr. Thatcher:

Q. Where would relief figures be contained for flood relief and fires? Would they be included in these estimates for the coming year?—A. Well, we can not by the very nature of things vote funds in advance for that sort of thing.

Q. The Fraser Valley flood relief of last year, is that included?—A. In 1948 the Fraser Valley relief item was voted a few weeks after the flood emergency. $5 millian was voted in the further supplementary estimates introduced into the House two or three days before the end of the session.

Mr. DREW: As a matter of fact, that is covered in item 30.

By Mr. Langlois:

Q. I do not think the flood was foreseen in the preparation of the estimates last fall. Mr. Chairman, in the detail of item 28, under direct relief, I see that in 1938-39 there was an item of $17,500,000 covering grants-in-aid to the provinces. What is exactly meant by that?—A. Those were relief grants-in-aid to the provinces before the war as part of the arrangement with the provinces for direct relief of one kind and another.

Q. That would cover then the works done during that period on a fifty-fifty basis, between the provincial and the federal governments. Mr. Bryce would not say why they are not doing that today? Have we a new witness here, Mr. Chairman? I asked a question and I got an answer, but not from the witness.

Mr. SINCLAIR: And a very stupid reply it was, too.

Mr. MACDONNELL: There are a lot of witnesses here today.

The VICE-CHAIRMAN: I think you are quite right.

By Mr. Langlois:

Q. Would these grants-in-aid to the provinces, the item of $17,500,000, cover those works which were undertaken concurrently by the federal, provincial and municipal governments on a one-third division of the cost to each?—A. I think it would sir, yes.

The VICE-CHAIRMAN: No. 29, gentlemen.

Deficits—Government Owned Enterprises

By Mr. Drew:

Q. Under Deficits, Government Owned Enterprises, there is a very significant difference there. In 1938-39 the amount voted was $57 million; for 1949-50 it was $49 million, and for 1950-51 the amount is $2,713,134. This, of course, covers the Canadian National Railways and Trans-Canada Air Lines. I think you will agree, Mr. Bryce, will you not, that it does not include the actual estimated deficit for the government owned enterprise for 1950-51?—A. Oh, no, sir.

Q. Well, then what happened to this figure under its present form?—A. This figure represents the amounts that are in the Estimates that have been presented to the House.

Q. We actually have the estimates for the deficits of the Canadian National Railway and the Trans-Canada Air Lines, and as I understand them, this readjustment of headings which you have made according to the statement which you gave us earlier, does embrace a total of all the figures in the estimates under other forms which go to make up the estimates now before the House; is that correct?—A. Yes, sir.

Q. I want there to be no doubt about my question and the answer. As I understand it, under different grouping these figures embrace all the items that are now before the House to be dealt with by parliament, is that right?—A. Yes, sir.

Q. Although under different headings?—A. Yes, sir.

Q. Then that being so, may we take it that the estimates now before the House do not include the figures to cover the deficit for the Canadian National Railways and the Trans-Canada Air Lines?—A. No, sir, those are normally provided in the further supplementary estimates at the end of the year.

Mr. SINCLAIR: They are provided for by statute.

By Mr. Drew:

Q. But you will recall when this subject was mentioned on an earlier occasion, you said this was covered by the statement of the Minister of Finance. I know you have nothing to do with policy, but I just want to make absolutely sure that the estimates we are dealing with in the House do not include the figures in any way that show the deficit of the Canadian National Railways and the Trans-Canada Air Lines?—A. No, sir, they have not been put into the estimates presently before the House as yet. Reference was made to that in the budget speech by the Minister of Finance and account is taken of those in anticipating the surplus or deficit account.

Q. The reason I am interested in this is that these figures were prepared and presented to us only a few days ago, and actually we have had the estimates of the deficit for the Canadian National Railways and Trans-Canada Air Lines for over a month. In the case of the Canadian National Railways I have the estimate before me. They estimate a deficit of $44,000,000 and in the case of Trans-Canada Air Lines, they estimate a deficit in 1950 of $1,243,000. Those two figures would amount to a total of $45 million. Have estimates already been presented to us over and above the deficit figures shown in this case?—A. Yes, sir, but you are using the word "estimates" in two different senses. We use it here in the formal parliamentary sense of estimates presented by the Governor General to the House, whereas in speaking of the estimates of the deficits presented in the other committee I take it that is a forecast, an "estimate" used in the sense of a forecast.

Q. But that, after all, I assume, is what any estimate is?—A. Yes, except when they become formalized in the book of estimates they are then a request to parliament for supply as well as a forecast of requirements.

Q. I recognize you cannot make any statement in regard to matters of policy, but I am putting it on the ground simply of accounting. Can you see any practical difficulty in the inclusion in the estimates of the estimate of the deficit of the Canadian National Railways and the Trans-Canada Air Lines when their fiscal year, as a matter of fact, ends three months ahead of that of the other departments who are presenting their estimates?—A. From purely an accounting point of view there is only one major difficulty, but it is of very great importance. Their deficit —the Canadian National Railways' deficit, for example—is the difference between two very large figures, their total revenue and their total costs. Forecasting the difference between two very large figures is exceedingly hazardous. Any figure that would be put into the book of estimates in February would be open, I think, to a very much larger element of uncertainty than most of the estimates for departmental operations, which are not the difference between such large figures as the deficit figures of the Canadian National Railways and the Trans-Canada Air Lines.

Q. But I would point out, Mr. Bryce, that whereas in the case of the government departments the business year ends on March 31st, and therefore does not make it necessary to project the figures for the coming year without having the total figure for the year before in many cases; in fact, I should think in practically all cases. In the case of the Canadian National Railways and the Trans-Canada Air Lines, their fiscal year ends on the 31st of December, so that by the 1st of February they have already had a month in which they have the final figures for the whole year, and from the point of view of accounting I think it would be much simpler for them to present their estimates of anticipated financial position for the coming year than it would be for the government departments.—A. That consideration offsets the other I mentioned. The present arrangement for handling the estimates is one that has been traditionally in

effect for a great many years. If we wish to try the other system it would be in the nature of trying to make a forecast sufficiently well in advance to present to parliament a formal estimate that could be supported.

By Mr. Sinclair:

Q. Is there not one significant difference in presentation of the Canadian National Railways and Trans-Canada Air Lines budgets and the others? The Canadian National Railways and Trans-Canada Air Lines capital budgets each year must be formally voted by parliament in a special Act of parliament which does not obtain with the departmental deficits.—A. The Canadian National Railways Capital Financing Act is voted each year.

Q. And the deficit too?—A. The deficit is voted as a vote in the estimates at the end of the year. Those figures are the figures voted in the further supplementary estimates.

By Mr. Langlois:

Q. Following Mr. Drew's question—I may be wrong on this—but is it not a fact that though the Canadian National Railways fiscal year ends on the 31st of December their books are audited much later because we have to seek the authority of parliament under the Railway Act to appoint the auditors, and I think in the case of this year, this authority was given by the House only some ten or fifteen days ago, and I do not think the audit of their books has taken place yet. Is there anything in that?—A. I imagine the appointment of the auditor is in respect of the future year rather than of the past year.

Q. Are you sure of that?

The VICE-CHAIRMAN: He is never sure. I am sure that is right except they are never sure of their jobs until Mr. Sinclair sits down and starts passing the appointments.

By Mr. Thatcher:

Q. I wonder if Mr. Bryce in considering this Canadian National Railways' deficit could say whether the Treasury Board has lately considered Mr. Donald Gordon's proposal on the capital structure at all?—A. I could not say that, sir. It would not be correct.

Mr. JOHNSTON: That proposal has already been withdrawn, has it not?

Mr. THATCHER: I wonder if you can tell me this. In connection with the Hudson's Bay Railway, they forecast a deficit of $400,000, and Churchill Harbour forecast a deficit of $203,000. Some people in the west think if those facilities were used a little more frequently they could stop that deficit. Has the Treasury Board ever made any recommendations along this line?

The VICE-CHAIRMAN: Mr. Thatcher—

Mr. THATCHER: Mr. Chairman, for goodness sake—

The VICE-CHAIRMAN: Go ahead.

Mr. THATCHER: You wanted us to see where money might be saved. I think that if the Hudson's Bay Railway was used a little more we could save some money there. Is that an unreasonable suggestion?

The VICE-CHAIRMAN: You asked him a question as to whether recommendations have been made for further use of the harbour. How does he know about these things? He is a man who deals with figures and he is here to explain them.

Mr. THATCHER: I think the Treasury Board would be interested in having suggestions on any item on which money could be saved, and I think they would be interested in this suggestion.

The VICE-CHAIRMAN: Your suggestion will be noted. I suppose the Hudson's Bay Railway as well as Churchill Harbour is under the Department of Transport. That will be a very appropriate question to the minister or to the deputy minister who will be here.

By Mr. Langlois:

Q. This summary of expenditures of special categories bears no date. I understand it was prepared at the request of a member of the Senate Finance Committee. Could Mr. Bryce tell us the date the work was started in that connection?—A. It was started about Easter, just before Easter, and carried on until the two days before it was presented to the committee.

Q. Would that work have been started before the deficit figures of the Canadian National Railways became known, or the deficit figures of the Trans-Canada Air Lines were made known to members of parliament?

The VICE-CHAIRMAN: I do not know whether he knows what members of parliament know, Mr. Langlois.

By Mr. Langlois:

Q. I think, Mr. Chairman, it is a very appropriate question because the votes on these deficits were not mentioned in the summary and that was questioned and criticized, and I would like to know if that work was only started before parliament knew about those deficits?—A. It was started about the same time, but I cannot remember what day it was.

Q. We should be able to trace that date somewhere, when it was made known to the House or to the Transport Committee, and then you will have a very good reason why it was not mentioned there.—A. The main reason is that this is an analysis of the estimates that are in the estimate books and the estimate book was introduced into the House long before the Canadian National Railways budget was made known.

The VICE-CHAIRMAN: Gentlemen, we are now on item No. 30, All Other Expenditures.

By Mr. Fraser:

Q. Just a minute, Mr. Chairman. When the estimates were compiled they would know at that time, though, what interest was going to be due on their debts and that should or could have been put in that $22 million; that could have been included, could it not? There would be no change in it. The fixed debt or fixed charge on the debt could have been and should have been in there. —A. Unless, of course, things change so radically that the railway was itself able to cover that out of earnings.

Q. Cover the $22 million?

Mr. SINCLAIR: As it did in the war.

Mr. LANGLOIS: The estimates are prepared in the fall or early in June and the fiscal year of the Canadian National Railways ends the 31st of December, so we do not know when they are prepared; the Treasury Board does not know what the Canadian National Railways' report will contain.

The VICE-CHAIRMAN: Gentlemen, we are getting off the track again.

Mr. DREW: Let us not leave any confusion on that point. The Canadian National Railways and Trans-Canada Air Lines are three months before the departments of government in the preparation of their estimates. It is not a case of arguing with the witness, but since we are discussing this I would point out that they have only the finished figure of the year before them to present their estimates. Simply as an observation in relation to this discussion I would say they are in a very much better position to make their estimates for the coming year than other departments.

Mr. LANGLOIS: It would be up to them to send their estimates to the Treasury Board. That would be my suggestion.

Mr. FRASER: In item 29, would such government owned plants as Polymer have their figures in here?

The VICE-CHAIRMAN: Are we on No. 29?

By Mr. Fraser:

Q. Government Owned Enterprises.—A. No, sir, that relates to that category of government owned enterprises that have been traditionally labelled as such in the estimates. I think it is fair to say that there are government owned enterprises now that are listed under different departments. To that extent this title is misleading.

Q. Those plants do not come in under this item?—A. If you would look, for instance, on the next page under category 30—.

The VICE-CHAIRMAN: We will come to that.

Mr. SINCLAIR: Item 29 is a list of deficits. Polymer at the moment has no deficit.

Mr. FRASER: But it might be some other companies that the government owns that would show that deficit.

The VICE-CHAIRMAN: That could not be, Mr. Fraser.

Mr. FRASER: That is quite a substantial one there.

The VICE-CHAIRMAN: Let us get on to No. 30:

All other Expenditures

By Mr. Drew:

Q. Under No. 30, we have here the embracing statement of all other expenditures and that is explained on page 9 of the supplementary memorandum. We now reach this point, and it would seem appropriate for the purpose of understanding the overall breakdown that we have, if I asked the question now, it would clarify just where certain items appear. Where in those items do the expenditures on weapons and aircraft and things of that kind for the Department of National Defence come in ?—A. That would be under equipment.

Q. Equipment for National Defence. Would that be under the broad title of equipment?—A. Yes, 12 (*a*), equipment, and you will notice in the sheet I distributed that National Defence is by far the largest item in that.

The VICE-CHAIRMAN: We will come to that, gentlemen, after we finish item No. 30. Then we will deal with these sheets.

Anything further?

By Mr. Drew:

Q. On item No. 30. One of the items making up the total of $82 million is National Defence, undistributed items. What is the explanation of that figure $23 million for that item?—A. These are a lot of items in National Defence that do not just seem to fit into other categories.

Q. When you use the term "undistributed items" do you mean by that items you have not allocated under these other headings?—A. That is right.

Q. In other words, it does not mean that the allowences made have not been distributed in the form of payments, it means they have not been allocated under any other heading?—A. That is right.

Q. This would include such items as what?—A. I should be able to answer that but I cannot.

Q. I am not in any way critical, but this is a large figure.—A. I will get an explanation of that. It may include some items which the Treasury Board have said that it would not allot to specific projects before they were re-examined. The National Defence items are large and contain all sorts of expenditures on specific projects which the board may wish to review in more detail than they can during the consideration of the estimates and we sometimes have in them what we call allotments subject to allocation by the Treasury Board itself.

The VICE-CHAIRMAN: Suppose we leave that until the time comes when the officials are here.

Mr. THATCHER: What accounts for the increase:

The WITNESS: There are two things, the increase in the convict population and the increase in the cost of food and other supplies.

Mr. THATCHER: Is any consideration being given to exploring the possibility of these convicts being engaged in occupations which might help to reduce this item of cost?

The WITNESS: Yes sir, we examined into that, and we take into account the extent to which the penitentiaries can be made self-supporting.

The VICE-CHAIRMAN: Are we through with item 30?

Mr. DREW: No.

By Mr. Drew:

Q. Under paragraph 30 I see an item of $3,104,500 for the Federal District Commission, including the national capital fund; does that include the purchase of properties by the Federal District Commission; I mean, the purchase of real estate?—A. It does indirectly, sir. The estimate comes under the Privy Council office and I think it will be found at page 38, vote 280, "to authorize payments of the third instalment to a special account of the consolidated revenue fund, known as the national capital fund, established under vote No. 809, Appropriation Act, No. 4, 1947-48, $2,500,000." These moneys are paid annually into that fund and accumulate from one year to another and may be paid out in payments for real estate such as you have mentioned.

Mr. PICARD: Is there any reason it would not be under 11 (*a*), the acquisition or purchase of property?

The WITNESS: For this reason I think, sir, that this does not represent the actual payment for property or the purchase of land in a particular year. This is a payment made into a fund from which the payments out are not dependent on the estimates for a particular year. We considered whether we should classify it under the other item or this one. Difficulty arises from the fact that it is an indirect payment into this fund and then out again.

Mr. MACDONNELL: Where do you find the expenditures made?

The WITNESS: They would be in the public accounts, sir, for the year in question. It would show the status of the fund, in payments and out payments.

Mr. DREW: Well then may we take it that any land that has been purchased for the Federal District Commission would have been purchased or will be purchased during the current year from the accumulated capital fund of the Federal District Commission and not under general item 11 (*a*) which provides for the purchase of land?

The WITNESSS Yes, sir.

The VICE-CHAIRMAN: Have we finished with paragraph 30?

Mr. DREW: No, Mr. Chairman, I have some more questions I would like to ask about that.

The VICE-CHAIRMAN: All right.

By Mr. Drew:

Q. Also under this item I see that there is an estimate of $1,600,000 for research and development—civil jet planes. Now, I am not asking a question as to what that covers but I am asking this question: whether that refers to other items which suggest that there are also payments for the development of military jet engines. Do you know exactly what is covered by this $1,600,000 for research development in connection with civil aircraft?—A. That is an item in the estimates of the Department of Trade and Commerce.

Q. On what page?—A. Page 54, vote No. 446. It is to provide for research and development on jet engines and aircraft.

Q. You see what struck me was that this refers to aircraft engines and my simple suggestion is based on a question of fact which we all know and have had an opportunity to see, the C.F.-100, which I understand is also a contribution for development and I wondered if these are separate items.—A. Yes sir, the military item is included in Defence estimates so I put the word "civil" in here to distinguish.

Q. That is exactly what I thought. This $1,600,000 which relates to the development of jet engines and aircraft at Malton covers only the civilian development and whatever allocation there is for miltary development will be in the Defence department and not under Trade and Commerce?—A. Yes sir.

By Mr. Langlois:

Q. Is any portion of this item being spent through the National Research Board or any similar agency?—A. I believe not, sir; I believe this covers the contract with the particular company doing this work.

Mr. DREW: Just to follow that through, would it be possible—possibly, the official of the department might be in a better position to tell us this than you would be—do you know what the corresponding item is for military development?

The WITNESS: No, I haven't got that. Whether it is a figure that they would not reveal on grounds of security or not, I do not know; in any event, I do not know it. You see, to reveal that item might disclose the extent of their activities in that field.

Mr. MACDONNELL: There is an item there of $1,277,000 for representation abroad; I wonder if you could tell us something about that. Where do we find that by the way?

The WITNESS: If you will look under External Affairs votes, page 114 and over the page, you will note at the bottom of that whole group of items there are a series of very substantial items, capital items—new office buildings or the purchase of premises—and certain items for equipment which are undistributed in the sense that we could not readily allocate them to any other categories in this table. That is what it is intended to mean.

By Mr. Drew:

Q. Well now, exactly what is that; is that the smaller items?—A. They are the items at the foot of that table for the totals of representation abroad?

Q. Representation abroad?—A. Yes sir, relating to the vote for representation abroad. If one looks at the primaries given there, there are a number that do not fit into any of our categories, and these items total up I believe to this amount, although I did not select them myself and put them in here, still I take it that is the principle they were working on.

Q. Also in item 30 there is Canadian Arsenals with a figure of $2,900,000. Would that be the replacement of plant or is that the construction of a new plant?—A. Yes. That, I think, relates to last year. You will notice that the figure for 1949/50 is a substantial one, substantially over this year. You will recall that they had a serious fire loss there.

Q. That is correct.—A. That was in Quebec, at Valcartier, and parliament voted funds to meet the cost of replacing that. We voted the funds there to our subsidiary company and they extended them.

Q. What is the subsidiary company?—A. Canadian Arsenals Limited. Again, it is a question of whether we should show it as a portion of this item or under the one relating to the construction of buildings and works, but in this case it was a payment to a company.

By Mr. Macdonnell:

Q. Is Canadian Arsenals on the same basis as Polymer?—A. Yes, sir.

Q. And if you voted any moneys to Polymer they would come in here? —A. Yes.

Br. Mr. Drew:

Q. And I see another item here, an explanatory note, "balance made up of smaller items detailed throughout the estimates in amounts varying from a few thousands to not more than the smallest itehs detailed above", and I notice the total of this is $25,690,000, which would indicate that the types of items covered might be substantial in amount.—A. I am sorry that I did not bring along examples of that. We can pick out examples and give them to you. You will notice that the items above are items of $1 million or more. Where we had little items that did not fit into those categories we just grouped them all down here, and these are all items of $1 million or less.

The VICE-CHAIRMAN: Would you like to have a breakdown of that?

Mr. DREW: Yes, I would like to have examples.

The WITNESS: You mean of what would be included in this item?

The VICE-CHAIRMAN: Yes.

Mr. DREW: As to the type of items. We have before us so far as I know for the first time a breakdown under this type of headings and I think we should be able to see whether we think this could be still further improved or otherwise, and it will help us to do that if we have an indication of the type of item involved under this heading.

Mr. PICARD: Perhaps I might point out that this is the first time material of this kind has been put before us in such complete detail and I think that we should give special consideration to the matter of whether or not an improvement can be made with respect to the grouping of items.

The VICE-CHAIRMAN: I think all the members sitting around the table who have followed this are very much impressed with the material and the information given by this very competent witness.

Now, this morning, Mr. Bryce brought items that related to paragraphs 8, 9, 11(a) and 12 showing a breakdown of those sections. Do you think we should take them up now or would you prefer that we adjourn and have an opportunity of studying the material?

Mr. DREW: I think there are some of these figures which could be examined now. I am entirely agreeable to whichever course you follow. There are some items on which I would like to ask questions, but on the other hand the members may prefer to adjourn now.

The VICE-CHAIRMAN: Shall we go on for a few minutes?

Mr. DREW: Then shall I ask questions on this?

The VICE-CHAIRMAN: All right.

By Mr. Drew:

Q. Dealing now with paragraph 8 and the material supplied to us this morning by Mr. Bryce and taking the item relating to the Department of Finance, we find that freight, express and cartage rose from a figure of $33,900 in 1938/39 to $114,000 for 1950/51; what is the explanation of an increase of that kind in the Department of Finance expenditures under that head?—A. I think I have a fair idea of it, sir, but I just wanted to check here and see.

Q. Yes.—A. The big item there is the express on coin silver and bullion shipments which for the current year is $75,000. It was $100,000 last year.

Now, you will note that that explains a large part of that item; and, of course, it will be very much less before the war because the amount of silver and bullion shipments was much less.

Q. Does that include the express on that?—A. The express on coin and bullion shipments.

Mr. LANGLOIS: Was there an increase in the freight rate on these items?

The WITNESS: These would be express rates. There has been some increase but I do not know how much it is. That would be really a question to discuss on departmental estimates of this department.

Mr. MACDONNELL: I see there is a very considerable jump in the item for freight, express and cartage for the Department of Transport?

The WITNESS: Of course, the activities of that department have increased tremendously.

By Mr. Drew:

Q. What kind of activities would that involve? While the activities of the department have increased very considerably, would that increase in activity involve such an increase of freight, express and cartage expense?—A. They had relatively little in the way of airfields and so forth in prewar years where now they have not only a large number of airfields but services extending into the far north for which they are responsible—weather stations and things of that kind.

Q. Is the actual operation of the facilities of the airports included in this item of Transport Department under freight, express and cartage?—A. Those that are appropriate to that heading would be there, yes. The Transport vote includes the operation of the airports, including, for the last two years, Gander in Newfoundland.

By Mr. Macdonnell:

Q. But would freight, express, and cartage be included in the servicing of the airport?—A. When we have to ship supplies and equipment up to the northern airports, for example, or to any of the airports from outside, it should come under this heading.

By Mr. Langlois:

Q. Would that also include freight service to the North Pole, to those Department of Transport stations up there? You remember that three years ago the Nascopie which used to do that type of transport was lost. That ship has not yet been replaced, although I understand another one is being built. So I think the Department of Transport had to resort to other means of transportation which cost the department more.

The VICE-CHAIRMAN: There is a reduction from 1950-51 in the amount of $177,000. But the question which Mr. Macdonnell had in mind was a comparison with the figure of ten years ago.

Mr. LANGLOIS: I understand the loss occurred about three years ago.

By Mr. Drew:

Q. Take any figure there. That gives rise also to a question as to the break-down of it. In 1938-39 the freight, express and cartage estimate as a requirement for the Department of National Defence was $166,000, whereas this year it is $4,900,000.

The VICE-CHAIRMAN: But there is a reduction.

Mr. DREW: Or a reduction from last year.

The VICE-CHAIRMAN: Of a couple of million.

Mr. DREW: Approximately $1,800,000 from last year.

The VICE-CHAIRMAN: Yes.

By Mr. Drew:

Q. But it is, on the other hand, about thirty times as much as in 1938-39; and I am interested to know what would suggest such a tremendous increase from 1938-39 to 1950-51, to say nothing of the increase from last year.—A. The more we get into the details, the more I must defer to departmental authorities who would be able to give a proper explanation.

Q. You would prefer to leave it for others?

Mr. LANGLOIS: There is an explanation of this, I think, if you will look at item 3 of the "Summary of Estimates". There you will see the pay and allowance figure of the Defence Forces and R.C.M.P. in 1938-39 as being $15,355,455, while in 1950-51 it went up to $131,689,714.

Mr. DREW: But that does not quite explain it because while there are differences in the permanent establishment, the differences in the non-permanent establishment are not so great. In fact, I think that the non-permanent establishment was larger at that time.

The VICE-CHAIRMAN: He means that we have got a mobile army here.

Mr. DREW: The witness has frankly said that one of the departmental officials can give the information.

The VICE-CHAIRMAN: It is getting close to 1 o'clock. We shall now adjourn until 4 p.m. tomorrow and try to finish with Mr. Bryce.

The committee adjourned.

APPENDIX "A"

8. Freight, express and cartage

Service	1950-51	1949-50	1938-39
	$	$	$
Agriculture	119,615	108,320	69,178
Citizenship and Immigration	73,495	—	—
External Affairs	27,350	28,950	—
Finance	114,000	150,275	33,900
Fisheries	22,084	16,412	—
Labour	72,000	62,800	—
Mines and Resources	—	229,773	47,723
National Defence	4,908,540	6,774,730	166,700
National Health and Welfare	145,150	111,650	—
National Revenue	260,000	265,000	199,000
Pensions and National Health	—	—	37,250
Resources and Development	114,155	—	—
Royal Canadian Mounted Police	118,900	111,800	56,000
Trade and Commerce	186,820	184,620	17,840
Transport	488,348	635,806	10,450
Veterans Affairs	90,500	116,100	—
Other Items	5,500	4,450	1,784
	6,746,457	8,800,686	639,825

9. Telephones, telegrams and postage

Service	1950-51	1949-50	1938-39
	$	$	$
Agriculture	191,918	171,893	85,677
Citizenship and Immigration	131,625	—	—
Civil Service Commission	10,000	10,000	—
External Affairs	433,200	492,050	—
Finance	1,639,900	1,124,250	33,000
Fisheries	77,376	81,532	—
Labour	684,875	621,550	13,650
Legislation	3,500	2,700	2,500
Mines and Resources	—	162,450	43,165
Mines and Technical Surveys	3,800	—	—
National Defence	1,968,944	2,181,641	62,932
National Health and Welfare	149,210	147,860	—
National Revenue	990,150	923,850	143,850
Pensions and National Health	—	—	62,424
Post Office	65,550	60,550	39,000
Public Works	—	—	104,285
Reconstruction and Supply	—	9,500	—
Resources and Development	49,180	—	—
Royal Canadian Mounted Police	*(334,080)	367,080	—
Secretary of State	3,500	3,500	3,885
Trade and Commerce	188,225	210,432	40,800
Transport	1,595,140	1,958,061	323,330
Veterans Affairs	408,250	441,500	—
Other Items	1,600	1,670	1,750
	8,595,943	8,972,069	960,248
	(8,930,023)		

*This amount of $334,080 for 1950-51 described as "Communication Services" in the Estimates was inadvertently omitted from item 9, "Telephones, Telegrams and Postage" in the general Summary and was included instead in item 30, "All Other Expenditure".

11(a) ACQUISITION OR CONSTRUCTION OF BUILDINGS, WORKS AND STRUCTURES

Service	1950-51	1949-50	1938-39
	$	$	$
Agriculture	14,985,774	13,146,270	3,695,657
Citizenship and Immigration	4,565,855	—	—
Finance—National Battlefields Commission	—	—	100,000
Fisheries	783,330	523,950	53,600
Justice—Penitentiaries	887,480	957,075	192,395
Mines and Resources	—	18,493,184	3,904,446
Mines and Technical Surveys	16,500	—	—
National Defence	36,265,257	50,405,732	4,261,050
National Health and Welfare	2,311,250	2,863,300	—
National Revenue—			
Department	427,000	147,500	—
International Short Wave Broadcasting Station	—	1,612,681	—
Pensions and National Health	—	—	59,500
Public Works	61,431,500	68,118,900	14,560,749
Reconstruction and Supply	—	2,000,000	—
Resources and Development	13,482,390	—	—
Royal Canadian Mounted Police	1,459,885	299,400	8,000
Trade and Commerce	3,989,668	3,446,609	160,279
Transport	20,410,816	24,264,729	7,324,389
Veterans Affairs	4,535,000	5,560,018	—
Government Owned Enterprises—			
National Harbours Board	3,024,000	5,945,000	1,510,500
	168,575,705	197,784,348	35,830,565

12(a) ACQUISITION OR CONSTRUCTION OF EQUIPMENT

Service	1950-51	1949-50	1938-39
	$	$	$
Agriculture	1,239,744	1,365,353	248,487
Citizenship and Immigration	817,578	—	—
External Affairs	165,000	225,000	—
Finance, including Royal Canadian Mint	60,000	128,815	35,248
Fisheries	334,328	629,663	150,000
Justice—Penitentiaries	310,720	376,760	82,100
Mines and Resources	—	4,586,698	176,759
Mines and Technical Surveys	889,680	—	—
National Defence	129,412,691	116,215,375	12,265,086
National Health and Welfare	663,500	876,225	—
National Revenue	41,100	41,100	3,000
Pensions and National Health	—	—	88,550
Post Office	2,231,300	2,439,300	636,650
Public Printing and Stationery	28,200	355,700	27,000
Public Works	3,251,600	3,935,600	348,390
Resources and Development	790,244	—	—
Royal Canadian Mounted Police	371,090	327,790	254,500
Trade and Commerce	1,260,615	1,052,033	63,567
Transport	5,133,638	8,395,445	418,625
Veterans Affairs	675,000	990,000	—
Other Items	—	2,350	—
	147,676,028	141,943,207	14,797,962

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

THURSDAY, MAY 11, 1950

WITNESS:

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

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

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on

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MINUTES OF PROCEEDINGS

THURSDAY, May 11, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Balcer, Boisvert, Boivin, Browne (*St. John's West*), Cauchon, Cavers, Drew, Croll, Kirk (*Digby-Yarmouth*), Major, Macdonnell, Picard, Richard (*Gloucester*), Richard (*Ottawa East*), Riley, Robinson, Thatcher, Warren, Wright.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed consideration of the summary of the estimates for the fiscal years ending in 1951, 1950 and 1939, and the explanatory notes covering the items detailed therein, tabled by Mr. Bryce on Friday, May 5, and printed as *Appendices A* and *B* to that day's minutes of proceedings and evidence.

Examination of Mr. Bryce was continued.

At 6 o'clock p.m. the Committee adjourned until Friday, May 12, at 11 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.

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MINUTES OF EVIDENCE

HOUSE OF COMMONS,

THURSDAY, May 11, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, our quorum is complete.

Mr. DREW: Do you include me?

The CHAIRMAN: We were waiting for you.

Gentlemen, may I remind the committee again, to make sure that there is no mistake, that we are not yet on the public accounts. I have read the evidence of the last two days and I see that many questions were asked on the public accounts and that members have been dissatisfied when the chair called them to order. I am in the hands of the committee, but it has been decided that we first would hear the Auditor General on his report and material which he placed before us relating to important topics. He submitted a report on the estimates and there was also a report dealing with Agriculture, and other matters; and then we decided that we would call a gentleman from the Treasury Board, it happened to be Mr. Bryce, the Assistant Deputy Minister of Finance and Secretary of Treasury Board, to give his comments on Mr. Sellar's brief. During the course of questioning at the first meeting when Mr. Bryce was on the stand he agreed to supply certain supplementary material; then, during the last two or three meetings the committee was dealing with a proposal made by Mr. Drew of having the estimates include a summary by functional classifications. It just happened that in the department he represents the witness had had work of that kind prepared and he was able to place a memorandum before the committee in the form requested. Now, in connection with that memorandum, may I point out that we are not here to deal with each item there as relating to the public accounts, the idea was to study the advisability of having such a summary as was suggested by Mr. Drew and brought in by Mr. Bryce included in a section preliminary to the details of the main estimates. I would not like the impression to get out that any question which may be asked will be ruled out of order, but I would again call your attention to the fact that it was agreed that we deal with this memorandum in its relation to the preparation of the estimates. I think it was Mr. Thatcher himself who moved that we study the suggestion put before us and that we deal with it item by item. Now, it happened that during the course of our study of that brief presented by Mr. Bryce other questions were asked by members of the committee—from a review of the evidence I observed that Mr. Thatcher asked for a more detailed breakdown with regard to item 8, dealing with freight, express and cartage. That is now before us. There was also a request for more detailed information with respect to item 9 relating to telephones, telegrams and postage, and we have that before us. Then there was the further request for a more detailed breakdown of the items which go to make up the paragraph 11(*a*) and also the paragraph 12(*a*), and that has been supplied and is now before us. We have now reached the point where we are on the details supplied at the last meeting by Mr. Bryce on freight, express and cartage. Only one or two questions have been asked on that, but I believe Mr. Thatcher at adjournment said that he had a few more questions he wanted to ask about that item.

Now, gentlemen, I think we should carry on until we have finished exploring this material, this idea of having a special summary prefacing the detailed main estimates; and once we are through with that we can revert to an examination of Mr. Bryce in respect to the brief submitted by Mr. Sellar with regard to the estimates; and, if we carry out the plan put before us by the steering committee, we cannot deal with anything else until that has been disposed of. As I see it, that is the sequence of the work of the committee, so I do not think there is anything extraordinary in the chairman or the vice-chairman taking the stand that certain questions are out of order until we reach the time when we are studying the public accounts. At the moment we are studying the suggestion made as to having a special summary put in the estimates. When we have completed that, as I just said, we will go on and get Mr. Bryce's views as to the desirability of accepting the views presented by Mr. Sellar in his memorandum on the estimates.

At the moment we are on the item 8, freight, express and cartage, as supplied by Mr. Bryce.

Mr. THATCHER: May I say this, Mr. Chairman, that I think it is important with respect to some of these items that we should get some of the detail while we are discussing this matter. For instance, on this question of Public Works, I doubt if we would ever get to that in the pubic accounts if we stayed here through all July, August and September. The only way we can get any information on it is to ask questions now when this material is before us. If we wait until we reach these things in the public accounts we shall never get to them.

The CHAIRMAN: If we were to ask all the questions that occur to us now we would never get through with our consideration of this memorandum. We have to observe an orderly sequence in our work. It was suggested first that we would call the Auditor General and get him to deal with his report and submit such other material as he thought should be brought to our attention, and then it was considered that we should have some official from the Treasury Board to give his views as to the suggestions made by the Auditor General. Then we had the suggestion by Mr. Drew that a summary of main items of expenditure might be useful in connection with a consideration of the main estimates. Because of the fact that the Treasury Board officials had something of that type prepared for the use of their own department Mr. Bryce was able to bring such a summary before us for consideration. Now, as I said, we are not studying each of the details in these items as items in the public accounts, but rather as to the value of such a summary in connection with the estimates. The witness before us is not the one who would answer questions of that kind, we would have to call officials from each of the departments concerned. This witness is here as an expert on the preparation of the estimates, and with him we are studying the submissions or suggestions made in Mr. Sellar's brief. Then, Mr. Sellar also brought in the matter of regrouping the items of estimates for Agriculture, and when we come to a consideration of his views on that item we should have before us officials from the Department of Agriculture.

There is another proposal before us, to have the Comptroller of the Treasury here to comment on the suggestions made by Mr. Sellar in his submission. I think all we can do, having established an order of business, is to follow it. And my suggestion today is that we carry on the work we have before us in some orderly fashion and that we give Mr. Thatcher, or whoever may be interested, an opportunity of putting their questions on the material we have before us under this item 8—freight, express and cartage. Are there any questions on that?

Mr. FRASER: Yes, I have a question.

By Mr. Fraser:

Q. I notice that with respect to Mines and Resources there is nothing indicated for 1950-51 under this heading; it occurs to me that they certainly

would have some expense in connection with cartage in there, would they not? —A. Yes sir, but in the time available to us we could not consolidate those items in connection with those for Citizenship and Immigration and Resources and Development.

Q. Then, in connection with Health and Welfare, I see there is an increase of $34,000, I would have thought that would have been lower.—A. Those departments have now disappeared. It is just a question of tracing the votes.

Q. Oh, I see; what formerly was Mines and Resources is now shown under Resources and Development, is that right?—A. Yes, in making up their estimates they have taken into account what they could learn about the cost of these various services in the old department.

Q. But that would only be an estimate?—A. Yes.

The CHAIRMAN: You see the point there is that what used to be the former Department of Mines and Resources now comes under the new Department of Resources and Development.

Mr. FRASER: Yes, that is what I meant.

Mr. MACDONNELL: Did I understand you a moment ago to say that Mr. Bryce was bringing in a further breakdown of this item?

The CHAIRMAN: No, I said that in answer to the request of certain members Mr. Bryce had brought in a breakdown of the lump sum on these items.

Mr. MACDONNELL: I think we were interested the other day in getting some more information on this item of about $5 million under National Defence for freight, express and cartage. My recollection is that we were just discussing that item in its broad approach, and it is such a huge item where you would ordinarily think it would be a relatively minor item of expenditure, that we thought we might have an indication as to just what was involved in that; and, as I recollect it, the explanation was given with respect to the item on Transport, for instance, that the reason for the big increase there as compared to 1938-39, was that it had to do with airports. Could we not be given some information as to the reason for the size of this item in connection with National Defence?

The CHAIRMAN: Is that item in the estimates?

The WITNESS: I do not believe it is detailed in the estimates volume, sir, but with regard to the one that Mr. Macdonnell wants some information about I would say that that is due to the growth in the Defence establishment which is very many times what it was before the war; they are very much more spread out, very much more mobile, very much more heavily equipped.

By Mr. Macdonnell:

Q. I suppose a thing like Sweet Briar would cost a lot?—A. Yes.

Q. I quite realize that.—A. It is not only the increase in the size of the Defence organization but in its activities as well which gives rise to that. Beyond that I am afraid it would be necessary to get the details from the department.

Q. Would there be any surveillance given to it outside of the department, would there be any outside check on it?

The CHAIRMAN: Would that be under the Comptroller of the Treasury?

The WITNESS: No, the responsibility of the Comptroller of the Treasury in that respect would be merely to see that the authority existed for making that expenditure and that the proper votes were available.

The CHAIRMAN: But the Auditor General would be the one to audit the expenditures?

The WITNESS: He audits them, yes sir. He is not responsible for controlling them.

By Mr. Thatcher:

Q. I was wondering whether Mr. Bryce could give us any information for this very great increase in this item for Transport in this year's estimates as compared to 1938-39?—A. That was mentioned the other day I believe. It is a very large increase I must confess, but what rather surprised me was that the amount in 1938-39 should be so small for what was a large department even at that time. If you consider that the total expenditures of the Department of Transport are of the order of $80 million in the estimates for this year I do not think this figure looks large in relation to that total.

Q. What would that consist of, what materials would be covered by that item?—A. The Department of Transport—it should be recalled that they operate canals, they operate airfields, they operate various services in connection with aids to navigation and things of that sort, all of which are very widely spread out; they operate weather stations across the country and into the far north and there would not only be a great deal of freight on stores to be shipped but express and cartage charges on shipments in getting the materials from where they are delivered to where they were required.

Q. Do you feel that there should be fifty times the amount of freight involved?—A. With regard to that I am rather surprised that it is such a low figure for the prewar year; it makes me feel that possibly there must have been something of a comparable nature prewar in some other items that we have not been able to ferret out.

The CHAIRMAN: Shall we go on to item 9—telephone, telegrams and postage?

By Mr. Fraser:

Q. I wonder if Mr. Bryce could tell us just how this works out. The Minister of Finance stated in the House that telephones came under his department now instead of under Public Works. Am I right in that?—A. Telephones in Ottawa, sir.

Q. Just the telephones in Ottawa?—A. Yes.

Q. Well then, the telephones out of Ottawa would be under Public Works, would they not?—A. No sir, they are under the departments actually using the equipment.

Q. But Public Works when they looked after all telephones would look after only the servicing end of it?—A. They did that previously.

Q. All right then, these items that we have here, the telephone items in this statement, would cover long distance calls and telegrams and postage in these departments; that would be their long distance calls that this would cover? —A. Also their telephone equipment rentals and so on outside of Ottawa.

Q. And rentals outside of Ottawa?—A. Yes.

Q. In the different offices?—A. Yes, which might be quite substantial amounts in the case of the larger departments. For instance, in larger offices such as Income Tax and Customs and Excise where they have quite a number of phones.

Q. And that would be the service charges?—A. Yes.

Q. And that would be entered up against National Revenue?—A. Yes.

Q. And I see that with respect to the current year there is no entry of an estimate in connection with Public Works while in 1938-39 the amount was $104,000 and some odd; why is Public Works mentioned here at all?—A. Well, sir, I would refer you to the general point that I made in submitting these figures at the beginning. These tables show what we have been able to locate in the estimates as previously provided for these things. There will be a relatively small amount in Public Works under the sundries item that we were not able to pick out. If you go back to the old Public Works figures, prewar, that would cover all the rentals in Ottawa whereas, for the current year it would only

cover the department's own telephone costs, as I said, now the general costs come under the Department of Finance; and you will notice that that item is now very much larger, $1,639,000.

Q. Yes, but they do not show anything for this year or last year.—A. They would only have their own departmental items.

Q. Where would it show in your estimates?—A. I am afraid it would not show anywhere at all except in the sundries item for Public Works. That would be in the residual item given on the last table at the end, the item which includes the other items we could not divide easily.

Q. It appears to me that there must be something wrong with the accounting there. I feel the Public Works the same as any other department should definitely show what they pay out for telephones. That is not a sundry, that is telephone service, and that would include long distance calls as well as local service. It seems to me it would not be hard to show that and it must come to quite a substantial sum.—A. If the members of the committee feel that that sort of thing should be segregated in each vote where it applies we could make an endeavour to do it. In some cases it would be only a relatively small amount in a particular vote.

Q. I appreciate that, but Public Works have a great number of offices here and they have offices in other parts of the country. For instance they have offices at Toronto, at Montreal, at Winnipeg, at Vancouver—right across the country.—A. Yes.

Q. And I think the Public Works as well as other departments should show what they spend on telephones, telegrams and postage. I think it is only fair to the country to know what sundries are.—A. Yes. Well, it is just a question of how much detail the members wish to have listed in the details in the estimates book, and under what vote; and if this sort of category appeals to you as one that should be shown in all the votes we can secure it when the estimates are being made up.

By Mr. Macdonnell:

Q. Have you a breakdown showing each of these items, telephones, telegrams and postage?—A. It is difficult to be sure. These are the figures that are made up in advance, not the bills that have been paid, and the department may not know in respect to a particular estimate what amount was for telephones and what for telegrams.

Q. For instance, the $2 million for National Defence under the headings of telephones, telegrams and postage, some of that would be covered by the frank—one question that I would like to have further information on is long distance telephone calls, because when you get right down to business, we all realize how easy it is to abuse the long distance telephone privilege, and I was wondering what experience shows; for instance whether any thought is given to the fact that an air mail letter would arrive the next day and might save the cost of a long distance telephone call. Without labouring the point, what I would like to find out is what provision there is for taking on things of that kind?

The CHAIRMAN: Are you suggesting that we should recommend that in future it would be advisable in the summary giving the functional classification of estimates that we should ask for all departments to list items such as telephone calls and telegrams as separate items in their estimates?

Mr. MACDONNELL: I would not go quite that far, but I think that information should be available on questioning.

The CHAIRMAN: Would we not be able to get that from the public accounts? Items such as that would be reported in detail there and we could call officers

from the department to deal with a point such as that. We are now considering the advisability of including a summary such as the one before us in the estimates.

Mr. FRASER: Yes, Mr. Chairman; but in practically all the other departments telephones are listed.

The CHAIRMAN: That is right.

Mr. FRASER: They are listed in a majority of the departments and I do not see why they should not be listed in the case of this particular department.

By Mr. Macdonnell:

Q. We have had an increase in ten years from $960,000 to $8,930,000, and I think that we should have a full understanding as to how that happened.—A. Perhaps I might be permitted to point out that this includes teletype services as well, which in some cases is quite expensive. For instance, for the Meteorological Service which would be under Transport, which has a whole system of teletype service throughout the country, I think the teletype item alone there runs to $600,000 a year.

Q. And rentals?

Mr. FRASER: That is rentals?

The WITNESS: Yes, sir, that is rental for teletype lines from commercial companies. Of course, national defence operates a very large teletype system as well; how much of their expense is on teletypes and leased lines I do not know, but they have an elaborate system.

By Mr. Macdonnell:

Q. Now, to be relevant, that is for the sake of instantaneous communication, is it not?—A. Yes, sir.

Q. How urgent is it that these messages must go in a matter of minutes instead of a matter of hours.

The CHAIRMAN: That is not a question for this witness.

By Mr. Thatcher:

Q. I was wondering if Mr. Bryce could tell this committee if he knows of any savings that could be made on this matter of telegrams, telephones and postage?—A. Well, sir, it is very difficult for me to be put in a position of criticizing other departments.

Q. I do not mean to be facetious, but it would seem to me that if you had some idea that the committee might do something about, you might be helping the committee and helping the taxpayers generally. However, if that is not a fair question I will withdraw it.

The CHAIRMAN: I think Mr. Bryce might be asked this: What do you consider we should have in the estimates regarding these items so that we could form an opinion whether this expense was justified or not? Could you tell us as to how these should be put in the estimates in such a way that we could know in advance whether we are justified in voting such a big estimate? As to economies, I doubt if this Treasury Board official would be the one to ask.

Mr. THATCHER: If he has no ideas along those lines he can say so.

The CHAIRMAN: He is here as a witness on estimates, to tell us how we should have the estimates presented to us so that we can judge whether they are, as you say, exaggerated, or not. But when it comes to whether savings can be made, I think the Auditor General or the Comptroller of the Treasury would be the ones to advise us on that because they audit these expenses. The witness does not know. He just prepares the estimates from the figures given to him by the departments. Remember, we are studying estimates and not expenses at this moment.

By Mr. Robinson:

Q. A few days ago, Mr. Bryce, you detailed to the committee the procedure of getting out these estimates. You told us about asking the departments in October or thereabouts for their estimates for the year and they eventually came to the Treasury Board and were examined in some detail. Now, taking the Department of National Defence again, in 1949-50, the estimates were something over $2 million; in 1950-51, they are a little less than $2 million. Now, in what form would the estimates reach you so that you would be able to form a judgment on the validity or otherwise of those figures?—A. Well, they reach us eventually in quite detailed form and the officers of our department go through them in detail with officers of the Department of National Defence and of the various services, and, of course, there are so many very large questions arising on defence that the control of the total of the defence vote is hardly the major way in which expenditures, let us say, on telephones, are controlled. The questions that determine the total size of the vote are much larger questions, but the amount to be provided for items of this kind is controlled in general by the Treasury Board, and the detailed control over the use and the justification given to the board for that amount required under that heading is made by the Department of National Defence.

Q. Let us be a little more specific. Would National Defence say: here we want so much for Camp Borden for this fiscal year covering those items, so much for Ortona barracks, so much for each different establishment, or would it go by districts? How would that reach you?—A. It would reach us in terms of several dozen items of the kind that are listed in our main tables of categories and not by every camp as such, but by army services as a whole and certain groups of that, air service, navy, would be examined. But I would not like to suggest that the Department of Finance is staffed to go into all these details in the Department of National Defence. You would have to have a score of men or more employed on a huge variety of detail, and frankly, I have not the staff to follow that through in great detail.

Q. As I understand that, do you mean there would be a blanket item for a particular service, such as the army service corps, or would the detail come by military districts?—A. I know the departmental officers themselves make up their total estimates from a summary of the detail under these various heads received from their various districts and commands and such, but I would like to make clear is that the Department of Finance acting on behalf of the Treasury Board is not in a position where it could say that it has examined every bit of that detail and would be in a position to criticize it in all that detail. We do not have the staff and we do not consider it worthwhile or practical to get the staff to examine all that detail. We rely on the Department of National Defence to do that.

Mr. MACDONNELL: I once undertook to say to the minister there was only one way to get economy and that is to tell the departments they would get so much money and that they would have to do the best they could with it. I do not know whether that would make your work much easier.

By Mr. Wright:

Q. Has National Defence any leased lines?—A. Yes, they do, they have a very large teletype system of their own and there are some which they operate, some as leased lines, some of it is radio links; it is all built up, some are facilities for our defence in war to a considerable degree.

By Mr. Macdonnell:

Q. Would they argue that that is necessary purely from the point of view of the possibility of war?—A. Not purely, it is of value for peacetime purposes, but to what degree it is justified that way and by war I am not in a position to say.

Q. But I mean would they argue that the program of preparedness was sufficient to justify it?—A. That is certainly one of the arguments they would put up to us but I think you should address that question to National Defence.

By Mr. Fraser:

Q. I would like to ask Mr. Bryce about the finance figure here for 1950-51, it is $1,639,900. Now, that is up $515,600 from 1949-50 estimates, and that increase would not be due entirely to the Finance Department taking over the telephones?—A. Not the increase in the past year, no, sir.

Q. And, of course, postage for family allowance cheques is $875,000 for the year. That, of course, was on last year. Now, I would like to know why that has increased over half a million. I would like also to know if the Department of National Health and Welfare should not have been charged with the postage of $875,000 on family allowance cheques, and also the Department of National Revenue, $260,000 on the postage of the refund cheques on income tax. This does not give a member or anyone else a fair picture of the setup when items like that are charged to the Finance Department and not to the regular department. —A. Well, sir, might I endeavour to answer several of those at once, at least at one time. As to why there is that very large increase between last year and this year, I would have to enquire about it and bring you a detailed answer. I do not have sufficient of the details at my fingertips. As you point out, there is here over $1,100,000 odd in postage.

Q. That would have been nearly that amount last year too?—A. Yes, it was $100,000 short of last year's or thereabouts. Now, your question as to why we do not show the postage on family allowance cheques under National Health and Welfare goes to the heart of a serious problem in dealing with the arrangement of estimates which the committee is considering, because we have here two bodies that are concerned with the family allowance cheques and I will mention a third. The Department of National Health and Welfare, of course, shows under its votes the cost of the family allowances and the cost of their administration offices. Now, the Comptroller of the Treasury throughout the country has large offices handling these family allowance payments and he shows not only these costs of postage on the cheques but the cost of obtaniing the cheques, the cost of the staff to verify the proper amounts to put on the cheques, and the cost of handling them. The Department of Finance proper in its administration vote covers the large cost of our cheque adjustment branch here in Ottawa that brings these cheques all together, collates them, adjusts them with the banks, and we have there a large unit in the Department of Finance, over two hundred people, perhaps at a cost of half a million dollars a year or more, a large part of which is concerned entirely with those family allowance cheques and similar cheques. So there are many costs of issuing the family allowance payments that are not shown under National Health and Welfare, and our problem of how far we should go and should show the cost for a particular function of that sort and attribute it to what seems to be the obvious heading in the estimates. The Comptroller of the Treasury serves nearly all departments and nearly all units, so some of his costs should in essence be allocated against family allowances, National Film Board, External Affairs, in some degree; so with the services of the Civil Service Commission, so with the service of Public Works Department, the King's Printer. Now, it may be that we should make an effort in the estimates to try and allot these to some department under the main votes that cover that service. If the committee felt that was important we could explore the possibility of doing it that way. I believe the United Kingdom does that—

Q. Yes, I was going to say they do it that way.—A. —to some degree in their estimates but it would take a good deal of working out.

Q. It would take a lot of working out at the start but after the system was installed it might be easier for you. At least, I do not know but I imagine it

would be. You mention that you have got these treasury officers that are paid by the Finance Department. I think you have twenty-one of them in the National Film Board alone, and I think that charge should be charged to that department in order that they would know what the overhead was in that department. They have not now a true picture of it.

The CHAIRMAN: You want to have the item for the Comptroller of the Treasury disappear from Finance entirely and split it up into departments that it serves? If you follow that too far it will amount to the same. Do you want to allot the cost of printing and stationery and so on to each department, rather than to have it shown on the King's Printer? It is the same for all departments.

Mr. FRASER: Stationery is done that way to a large extent. The Public Works looks after the King's Printer but I believe when they have a job to do that is charged to the separate department. I think the way we have the setup now was all right when our estimates were down below the half billion dollar mark, but now we are over the two billion dollar mark.

The CHAIRMAN: What would be the advantage, exactly, of having it separated? Instead of knowing the cost of operating the Comptroller of the Treasury's department to control all these expenditures, you would have that cost spread all over the departments. For instance, we have the Auditor General's costs shown in one lump sum. We know exactly what it costs to audit the books of government. We know what it costs in one lump sum for the expenses of the Comptroller of the Treasury. Now, you would have us break up those items and allot them to separate departments. At the present time you know actually what it costs to control the expenditures, and you know what it costs to audit them.

Mr. FRASER: But you do not know how much it costs to run them.

Mr. THATCHER: Mr. Chairman, would it not be better to get on, to try and get somewhere where we can ask hard cash questions on how this money was spent?

The CHAIRMAN: We will have a few meetings before that because we have to finish the report of Mr. Sellar and before we finish that we have got to have this witness give his version of Mr. Sellar's report. We cannot get to public accounts until we finish the first order of business.

Mr. THATCHER: When are we coming to the point where we can ask questions?

The CHAIRMAN: You can ask questions when we are on public accounts. Now, we are on the classification of estimates that the committee asked for. We cannot reach a conclusion on the advisability of recommending to parliament to adopt Mr. Sellar's views unless we have studied his brief. It is the way of presenting estimates that we are studying. That is another matter entirely. I hope we will have time enough to reach every department but at the moment it has been the wish of the committee to study the report by Mr. Sellar and I think we ought to finish that before we go into other questions.

By Mr. Richard (Ottawa East):

Q. Mr. Bryce, with regard to telephones, I understand in the old days the Bell Telephone Company brought the telephone trunk lines to the government buildings, and the Public Works Department did all the wiring and installation with the instruments furnished by the Bell Telephone Company, and that amounted to $104,000 in 1938-39. Now, is that charged to the Department of Finance this year?—A. Yes, sir, the cost of our contract in Ottawa with the Bell Telephone Company is now charged to the Department of Finance.

Q. That is just the question I asked last year: has the Bell Telephone Company got a contract with the government now to do that installation in the various buildings?—A. I am sorry, I was thinking of our general rental contracts.

The installation within certain of the buildings is now being done by the Bell Telephone Company. For instance, I think it is being done by them in the East Block.

Q. And who does the rest?—A. The wiring in most of the buildings has been installed in the past by the Department of Public Works, and that equipment and wiring remains the property of the crown and changes in it are made by the Department of Public Works.

Q. Do you know if we have a contract with the Bell Telephone Company to install telephones today?—A. Yes, in certain of the buildings which are entirely new, wiring is being put in by that company.

Q. Have we an estimate of that broken up?—A. I have not that offhand, no.

By Mr. Thatcher:

Q. Is the reason for that because you thought you could do it more economically?—A. They have their own crews who are experts in telephone wiring, and we came to the conclusion in the case I mentioned that they could do it more economically. If I could answer the other question at this point, I do not like to leave it, and say we have no ideas as to how we can economize in these things; we have put in ideas in the past and we are endeavouring in the Department of Finance to do that all the time. In the field of telephones in particular we have a staff that examines the requests of departments for telephone equipment, and helps work out with them the most economical types of equipment, and that is their function. The installations that any department requests must come to that office to be examined and then is approved. It is approved in fact by Treasury Board minutes. Our control of telephone equipment is very detailed indeed. We endeavour to make it as constructive a control as possible because we try to furnish the departments and the officers of the departments with assistance and advice in locating and using telephone equipment as economically as possible.

Mr. RICHARD (*Ottawa East*): I have always feared the exorbitant cost of anything that is done with reference to rentals by outside companies. However, we are not there yet so I will leave it.

Mr. CAVERS: Would not the increase in Finance estimates for telephones and telegraphs be due to the cost of servicing the new province of Newfoundland?

The WITNESS: I do not think there is very much there. That is telephone and I do not want to comment on that large increase without ascertaining the reason behind it.

Mr. THATCHER: Mr. Chairman, Mr. Bryce made a significant statement a moment ago when he said the department has ideas as to where economies can be effected here. I do not wish to labour the point, but would it not be sensible then if you would have the witness pass that information on to this committee so that if he cannot do anything about it maybe we can.

The WITNESS: I am supposed to put them into effect and we are doing so from month to month. As I mentioned the other day we have installed leased lines between Ottawa and Montreal and between Ottawa and Toronto for the purpose of reducing long distance charges, and we have succeeded in that pretty well.

By Mr. Thatcher:

Q. There are no specific savings here that you would recommend to this committee?—A. No, sir, not offhand, and I think that my recommendations should be made to the government and then it is up to them to say what we should do about them.

Mr. ANDERSON: You have not the Department of Justice in this list?

The WITNESS: They would be relatively minor in this category.

Mr. FRASER: On National Revenue, there is an increase there of nearly $70,000 in the year. Would you get a check on that, Mr. Bryce?

The WITNESS: Yes, sir.

The CHAIRMAN: Are we through with item 9?

Now, we have item 11(*a*) which is in reply to a request made by a member for a breakdown of 11(a). [Acquisition or Construction of Buildings, Works and Structures.]

By Mr. Macdonnell:

Q. Is there anything you would like to say about Agriculture? I see an amount there for buildings, $14,900,000. I have not gone through the estimates carefully to see where it comes in.—A. They would be fairly widely distributed. The experimental farm service has, of course, a considerable building program in their votes. They have a very large number of buildings throughout the country and are building some new buildings as well as modifying and expanding old ones. The science service has some buildings in their administration votes. They group, I believe, all their building programs in the vote for science service administration and that is one reason why it is as large as it is. They plan their building programs under that heading. You find I believe, under production service, health of animals for example, building items in there. Then also, of course in the Prairie Farm Rehabilitation Program, and the large major works, water conservation projects, there are enormous items that belong in this category.

Q. Let us leave Public Works aside for the moment, and look at two of the larger items, National Defence and Transport. What about those two?—A. Yes sir, for the Department of Transport you have a very large airport program in there which is a major item, I would say from memory, as well as several smaller ones throughout—well, the Canso Bridge would be under the Transport vote.

Q. Not in Public Works?—A. No sir. I think that is under the Department of Transport under railway services and transport—yes, $2 million under vote 491. That would be the sort of thing in Transport. The other one you spoke about was the amount in National Defence?

Q. Yes.—A. Of course, there are various Defence works ranging from airports, R.C.A.F. airports on the one hand, to things like buildings related to housekeeping functions of the Department on the other, even buildings for married couples.

Mr. FRASER: But we have a jump there from 1938-39 to last year—that would be accommodation in the various training centres for the men?

The WITNESS: Yes. I should perhaps explain in that connection that this item would not include the married quarters program which at the present time is being financed through the Central Mortgage and Housing Corporation under loans to veterans and so on. It is well to bear that in mind in connection with this item.

Mr. FRASER: Yes.

The CHAIRMAN: Any further questions on 11(a)?

By Mr. Fraser:

Q. With regard to married quarters which you say comes under Central Mortgage, will we have an opportunity of going into that in public accounts? Is that in any public accounts item?—A. That is the item under the heading Loans and Investments in vote 562. We have not shown it because these are expenditure figures; but I did want to make it clear that there was that item, just as a matter of information.

Q. And how much is it?—A. $75 million, vote 562 on page 70.

Q. But that is entirely a Defence proposition, that is on Defence property.—A. It is on Defence property; but, of course, it assists in meeting the general housing requirements of the nation, because if a family are able to move into married quarters it leaves other housing accommodation clear for civilians.

Q. I agree with that, but I was just wondering why even if Central Mortgage did do the job it still should not be charged to Defence because it is entirely a Defence proposition.—A. Well, of course, Defence will provide the funds for servicing the investment, so to speak.

Q. Well then, this $75 million is not charged to Defence?—A. It is charged initially as a loan to Central Mortgage and Housing Corporation but will be charged eventually in one manner or another to National Defence.

Q. In what way?—A. I am not certain at the moment as to just how it is to be shown, but that is one of the problems which arose. This program only commenced a year ago. No houses have been completed as yet so there is nothing to charge.

Q. But some of them have been built.—A. Maybe a few, but no complete project.

The CHAIRMAN: Shall we go on now to 12(a), Acquisition or Construction of Equipment?

Mr. DREW: I take it that Mr. Bryce is simply presenting these figures and that he does not have any of the component factors, and for that reason I think it would be better to ask someone from the different departments such questions as I have in mind in connection with National Defence where the comparative figures were $12 million for 1938/39 and $129,412,000 for 1950/51 for the acquisition or construction of equipment. Now, I assume, Mr. Bryce, that would be a question to be answered by someone from the Department of National Defence?

The WITNESS: Yes sir.

The CHAIRMAN: At the moment we are dealing with the suggestion of having a summary by functional categories.

Mr. THATCHER: But I believe we should have such information as Mr. Bryce is able to give. Have we finished with Mr. Bryce now?

The CHAIRMAN: We haven't finished with Mr. Bryce, we have finished with this suggestion of a summary by functional categories. If there are no further questions on this material we will proceed to the next order.

Mr. FRASER: I did not understand that we have finished with this witness yet.

The CHAIRMAN: No. We have finished with him with respect to Mr. Drew's request. We did not ask him to appear here especially for that. We asked him to come here to give us his views as the senior officer of the Treasury Board on the suggestions by Mr. Sellar with regard to changes in the preparation of the estimates.

Mr. DREW: If we are finished with this phase of it, perhaps he would like now to deal with my request for information with respect to properties.

The CHAIRMAN: Yes, but I think Mr. Bryce has brought with him a breakdown which was asked for by Mr. Fraser, and some of the other members of the committee, with respect to certain items in this summary. He might like to give that to us now.

The WITNESS: At the last meeting of the committee I was asked if I could give some indication as to the type of item included in "all other items", the residual which appears at the end of the memorandum, amounting to a total of about $26 million. I have arranged to have a dozen or so items taken out as examples which if it is of interest I can have distributed to the committee. They

illustrate the nature of the items. I must regretfully say that I found one item there which runs slightly over $1 million, a grant in aid on research made to the National Research Council.

The CHAIRMAN: That will go in the record at this point and copies will be distributed to members of the committee.

C-6

30. All Other Items—Balance Made Up of smaller items detailed throughout the Estimates

This item includes provision for services that do not lend themselves to distribution under the specific headings detailed in the Main Summary.

A few examples are:

Agriculture—	
Land Protection and Reclamation; clearing and Settlement of new Lands—Vote 43	$ 200,000
Citizenship and Immigration—	
Indian Annuities	320,568
Special Assistance to Aged Indians	412,800
External Affairs—	
Canadian Representation at International Conferences	225,000
International Joint Commission	125,000
Fisheries—	
Transporting, dressing and dyeing Fur Seal Skins	500,000
Labour—	
Organization and Use of Manpower in Agriculture and Related Industries	285,000
Government Employees Compensation Payments	840,000
National Revenue—	
Expenses, law costs, refunds and awards arising out of seizures—Vote 262	200,000
Privy Council Office—	
Royal Commission on National Development in the Arts, Letters and Sciences—Vote 277	175,000
Public Works—	
Surveys and Inspections	254,000
Resources and Development—	
Columbia River Watershed—Studies and Surveys	380,000
Northwest Territories and Yukon—Hospitalization	247,900
Trade and Commerce—	
Certain expenses in connection with the Canadian International Trade Fair	412,350
Expenses in connection with preparation for the 1951 Decennial Census	987,075
To reimburse the Canadian Commercial Corporation for purchases of supplies and Equipment for National Defence—Vote 447	900,000
National Research Council—	
Grants in Aid	1,127,095
Scholarships	274,000
Light, Power and Water	91,225
Transport—	
Airways and Airports—Operation and Maintenance Light, Power and Water	426,575
Radio Division—Payment to C.B.C. of the amount of Commissions allowed issuers of Radio Licenses	375,000

The WITNESS: I have also a table under item 30 of representative items under National Defence. These tables give first a general division of that and then a subdivision of the largest group of operating expenses and properties. That is just for information in explanation of the items that were raised previously.

C-8

30. ALL OTHER ITEMS—NATIONAL DEFENCE

Operating Expenses of Properties, including Fuel for heating, Gas, Electricity, Water and Sanitary Services, etc. (Details Attached) ...	$13,720,307
Recruiting Expenses	500,000
Education of Dependent Children	711,457
Laundry and Dry Cleaning	451,900
Miscellaneous Services—Navy—Including Customs Dues; Mooring and Berthing ships; Utility Services for Ships; etc.	500,000
Sundries, including Imperial War Graves Commission; Book of Remembrance; Legal Fees; Pilotage and Canal Tolls; Damage Claims; Decorations; Honours and Awards; Funeral Expenses; Government Officers Guarantee Fund, etc.	2,108,691
Maintenance Grants	878,984
Defence Research Undistributed for reasons of Security	4,189,190
	$23,060,529

C-8(*a*)

DETAILS OF OPERATING EXPENSES OF PROPERTIES

Departmental Administration		
Fuel, light and Water		$ 10,000
Navy—General		
Services	$ 814,700	
Fuel	1,391,300	2,206,000
Army—General		
Heating, lighting, Cooking, Water and gas Sanitary Services		5,610,208
Northwest Highway System		
Coal	97,414	
Oil	792,291	
Electricity and Gas	13,600	
Water	7,420	
Sanitary Services	9,275	920,000
Northwest Territories and Yukon Radio System		
Electricity	43,596	
Gas	3,344	
Water	2,200	
Sanitary Services	1,970	
Oil—Heating	97,616	
Oil—Power Plants	52,468	201,194
Air—General		
Oil	718,300	
Coal	1,692,350	
Gas	93,950	
Wood	2,000	
Freight	30,000	
Light and Power	684,500	
Water	90,750	
Sanitary Services	33,250	
Carryover	36,735	3,381,835
Search and Rescue		
Coal	137,730	
Oil	1,192,840	
Wood	60,500	
		1,391,070
		$13,720,307

The WITNESS: If the committee would wish us to we could give a more detailed statement in respect to these small items, but we picked out some of the larger ones that we thought would give the committee an indication of the type of item. Now, if we were making an analysis in the estimates book we could in future years, I think, get sufficient information to analyse some of these into the sort of categories that we have made up under the more descriptive headings; for example, expenses in connection with the taking of the decennial census which would include certain amounts for salaries, certain amount for materials and things of that sort. If we knew long enough in advance we could divide that into appropriate categories.

Mr. DREW: There is just one item there about which I would like to have some information. I see recruiting expenses $500,000; what would that be?

The WITNESS: We know that was the amount they put in the estimates for that but it is not allocated specifically to particular types of items, but it would include all the usual forms of advertising. We do not know how much of it would go into the advertising category, but some of that will undoubtedly be used in some form of advertising—broadcasting, newspaper advertising, billboard advertising and things of that sort in a recruiting program. There will be some of it go into that and some of that item will go into other types of expenditures on recruiting.

Mr. THATCHER: Mr. Chairman, there is one thought that occurs to me in connection with this decennial census. We have the other census which is taken every five years and this ten-year thing costs a lot of money. I am wondering if we have not come now to the point in this country where we could cut that out, because I think the population is growing and I think this is one item where the committee could recommend we could make a cut and save a lot of money. Can you tell us something about that?

The WITNESS: I do not know enough of the considerations to say what the limitations are but I believe there are statutory requirements for that decennial census.

Mr. THATCHER: I believe so but I do think the population is growing rapidly. We take it every five years now. I do not think the west would particularly feel discriminated against in any way. I think the time has come when if we can save a half million dollars there for the taxpayers I think possibly this committee might be well advised to make such a recommendation.

The CHAIRMAN: In our report afterwards, yes; we might recommend as to whether we should have this, that or the other thing in the estimates and we might at that time make a report on that; but I would remind you, Mr. Thatcher, that at the moment we are dealing with estimates, and whether or not the form in which they are being presented to the House can be improved.

Mr. THATCHER: I thought the Public Accounts Committee was interested in saving money.

The CHAIRMAN: Yes, but when we have the appropriate item before us. We first have to finish with this estimate reference.

Mr. THATCHER: When will we get to that?

The CHAIRMAN: I don't know. If the committee are willing we can be finished with this today.

Mr. WRIGHT: Mr. Chairman, I move that we accept these reports and proceed to hear the representations of the witness with regard to Mr. Sellar's suggestions.

Mr. DREW: Mr. Chairman, before you go on with that I would point out that if we are finished with this statement and the answers which have been

supplied we might take up the answer to the question which I asked on May 4th at the end of the sitting, when I asked Mr. Bryce to prepare a list of the properties owned by the crown, government assets.

The CHAIRMAN: I just wanted to make sure that we have finished with this. Apparently we are, so now we will go on to the second item which Mr. Bryce brought with him on May 4th, a reply to the question asked by Mr. Drew concerning properties.

The WITNESS: The question I was asked was what assets we show in our accounts and where we find them. I was going to point out to the committee that in the schedules of the dominion balance sheet on page 2 of the public accounts are listed first the active assets. The first category, is cash in the form of current deposits and special deposits, as you will see them listed there; secondly, loans and advances to crown agencies—which would include of course certain companies engaged in the type of activities which you inquired about; third, loans and advances, within certain categories. These active assets include only cash or things in the nature of cash on the one hand and assets of an interest yielding character, yielding a financial return on the other. This general principle of including only that type of asset in our active assets goes back for many years, and I think the most definite explanation of what was excluded from it was given by the late Sir Henry Drayton in his budget speech in 1920 setting out the basis on which the net debt of the dominion could be arrived at:

> Assets which are not readily convertible, as the specie reserve is convertible, or are not interest producing, are not such assets as ought to be deducted from the gross debt. They are inactive, they are items of such a character as might well be placed in a suspense account. At any rate, whatever may be their future value, however great it may be, they are not assets of such a character as to directly reduce the gross debt any more than the other capital accounts of the country ought to be deducted from it.

Well, those are the active assets shown in the balance sheet and the other items are what we call inactive assets which consist of two categories; one, capital expenditures, which are shown in schedule "K" on page 17 of the public accounts; and the second, other non-active assets which are loans and advances are shown on schedule "L" on page 19 of the accounts. The one on page 17 shown as "capital expenditures" covers a wide variety of items which have been provided for in the estimates under the subheading of capital expenditures. Many years ago a great deal of it was covered in this way but in recent years very large appropriations and expenditures of a capital nature have not been so described and have not been entered on the balance sheet in this way. You will note, however, that certain types of useful works, works of general benefit to the country, such as canals, airports and things of that sort, as well as certain Public Works expenditures, are entered here. There is not a complete catalogue by any means, we have followed lately a more conservative practice of writing off to expenditure a very large part of our expenditure which does result in having continuing fixed assets belonging to the crown. Now, that is the general principle.

By Mr. Macdonnell:

Q. When you say writing off an expenditure does that really mean that you regard the transaction as finished when you have paid for it and you do not show it as an active asset?—A. That is right, we simply charge it off as an expenditure. For example, the expenditure for buildings on the experimental farms; they are continuing useful things; or the expenditure on an office

building for example, that would save us rent, and in that sense brings us a financial benefit.

Q. Experimental Farm buildings, would they not appear somewhat in here?—A. No sir, that does not appear in this list on the balance sheet of the assets of the dominion. Account is not kept of that in our assets categories.

Q. Take on page 17, there are several items in that list.—A. That is right, there are some; of course, those are negative assets. But what I wanted to make clear was the fact that this list does not by any means include all those things which create fixed assets.

Q. How do you distinguish?—A. Frankly, sir, I have been trying to discover a distinction in recent years and I find it is not altogether consistent, but as far as I can make out many of these works are for the general use of the public and they are listed in the governmental works here, like airfields.

Q. I presume somewhat within the four corners of the accounts they are included, they are not forgotten entirely?—A. They are all listed by the individual departments, sir, and it is necessary if one were going to make a complete list for example on real property owned by the dominion and the buildings on it, the structures on it and the works, that that would have to be assembled by the various departments which administer them.

Q. Could there be a situation where department "X" would have certain assets on its books which are not on record in the Department of Finance, which I take it is the right department in this respect?—A. I think that might well be the case, sir. We do not keep a record of the assets of the dominion other than those which appear in the balance sheet.

Q. There is such a thing as asset accrual, for instance, with respect to properties and buildings. It strikes me offhand as odd that you do not include that among your assets to show the true asset and liability position, that you would not have a complete record of that position.

The CHAIRMAN: May I ask you this, Mr. Macdonnell? Would you like to have appearing in the assets of the country the real value of all the properties and buildings of all the departments to be considered as an asset on the balance sheet?

Mr. MACDONNELL: I do not know that I would answer that categorically. I would like to think it over a little further. It did seem to me odd that the department which has control of the financial position of the country apparently does not keep a complete inventory of the assets held by the several departments. That to me appears odd.

The WITNESS: It would involve a prodigious amount of record keeping because we would have to include not only land and buildings but all the additions to those, and as well the equipment which is put into them.

Mr. MACDONNELL: I think that could be simplified. You might not need to have the complete detail with respect to each item of those assets; but I gather from you that there may be assets existing of which you have no knowledge other than that their existence would be known to the officials of certain departments, not the Department of Finance. It would appear to me that you would be the people who would be particularly interested in the value of those assets.

The WITNESS: Well, sir, they are interested in the assets for the usefulness of them in the work of the department, that is why they are left to that department. But the Department of Finance has never felt that it was worth the tremendous record keeping which would be involved in maintaining a catalogue of all the physical assets of the country.

The CHAIRMAN: Now, just a minute; that is an important point you have there. Would you want the balance sheet of the country to show all the real

estate and all the assets involved in all the departments of government and to be considered as assets of the country? The witness has just answered, of course, that it has not been the policy in previous years, but I was just wondering if that is the point of your suggestion.

Mr. MACDONNELL: I do not like to hedge, but I am going to hedge just a moment, because as I said yesterday it might turn out to be sort of dark horse type of thing. Whether that should be put in the assets or not is a matter of management, I would think. All I am suggesting at the present time is that it seems to me odd that the Finance Department, or perhaps I should say the Treasury Board, should not have a record of those assets.

By Mr. Drew:

Q. As I understand Mr. Bryce's answer to Mr. Macdonnell, he tells us that there may be properties of substantial value held by the different departments of which the Treasury would have no knowledge. That is what I understand your answer to be.—A. We would have no record, sir; we would have a knowledge from past years of what expenditures were incurred.

Q. But no record?—A. That is right.

Q. What I would point out to the committee is this—and after all when I raise the question I am not suggesting that anything improper is being done—but here we have a supervisory department which is supposed to protect the public funds, and yet we find that they have no record of these assets. I am merely asking the question to make sure that the possibility of that occurring does not arise. Now, under the various arrangements that exist at the present time the departments are in a position to dispose of their assets by sale. You realize that is so?—A. Subject to the Surplus Crown Assets Act and other Acts controlling it.

Q. But there are various Acts under which at the present time the departments can dispose of property. Now, if you have no record of those properties in the Treasury department how would you know whether they had ever been disposed of unless they reported it to you?—A. They are required to make certain reports, not necessarily to us, of all disposals; and, of course, the proceeds of such disposals would have to be accounted for under the Consolidated Revenue and Audit Act; but we certainly do not keep an inventory of all the property that could be disposed of.

Q. Now, coming back to the specific point I raised before, I do not know whether you have had an opportunity of studying the question I asked, but I was interested in certain mining properties which have been taken over by the government and have become assets of the federal government. I understand that you agree with me that that is so. Have you checked up on what mining properties the government acquired?—A. I find, sir, that we have in the public accounts only the Eldorado mining stock recorded.

Q. Yes.—A. And if we were going to find out what other mining properties we have, apart from loans and advances made to certain other mining companies—

Q. Yes.—A. And if we were going to find out whether the crown owned any other mining company properties it would be necessary for us to make detailed inquiry from the various departments and individuals concerned and that would take a considerable amount of time.

Q. You see, Mr. Bryce, that answer is one which I must say startles me, from the point of view of ordinary accounting procedure. Assuming that what I have said is so, that the government have acquired mining properties or interest in mining properties, then there are certain assets the nature of which you could only ascertain by extended inquiry.—A. Yes.

Q. Now, under different statutory provisions assets of that kind can be disposed of.

The CHAIRMAN: Yes, they can be disposed by the Crown Surplus Disposal Corporation.

Mr. DREW: Yes, and by other statutory provisions as well.

By Mr. Drew:

Q. Now, in the case of certain mining properties which may have been taken over for various reasons to expedite the war effort it seems to me to be an astonishing thing that Treasury Board would not be able at the moment to tell us whenever any question might be raised about them, just how they stand. That kind of accounting does strike me as being rather exceptional.—A. It is a question of responsibility, the division of authority and responsibility as between the Treasury on the one side and the various departments on the other; and, also, of the usefulness of keeping a central register rather than a record in the various departments and their branches.

The present practice is to rely upon the records of the various departments and their branches and to leave the control of the property in the departments that have it. The statutory provisions relating to the disposal of property, I think, are of importance in limiting the freedom of any officer of the crown to dispose of property if he does it legally. Now, whether it is possible to dispose illegally of property is a matter that would have to be controlled by his own department and those responsible in the department, or those having control of the property.

By the Chairman:

Q. Possibly the War Assets Corporation could enlighten us on that. Are there many other places where property could be disposed of without the Treasury Board knowing of it?—A. Well, sir, I hesitate to say anything on that.

Q. Who would be the officer who could give us that information?—A. I would have to find out even that. Of course, the Department of Justice are the ones we look to when we want to know what the law is on a particular subject and they would be able to ascertain.

By Mr. Drew:

Q. There is no mystery about it. I want to know where I can find out what disposition has been made of certain operating properties that were taken over by the government for various reasons, and I want to find out whether they have been disposed of or whether they have not been disposed of, and if they have been disposed of, I want to know the arrangements that were made for the disposition and the terms under which the sale was conducted. Now, I feel, Mr. Bryce, that that is such an elementary proposition in the supervision of the handling of public property that I should not have any difficulty in finding out where I can get that information.—A. Well, sir, I think if you put down a question, for example, in the House on that point, it would be necessary for the Secretary of State's Department to enquire of the various departments that would have had charge of the property in the past, the answer to be given on it.

Q. But you see, Mr. Bryce—let me qualify any remarks I am making by expressing my own feeling that you have gone out of your way to simplify in every way you can the problem we are discussing and that you have certainly given answers that have been extremely helpful in every case but I would remind you that one of things Mr. Watson Sellar put before this committee was the fact that in his notes the method of keeping our accounts and the presentation of accounts did not effectively bring under the control of parliament the supervision of our financial affairs.

The CHAIRMAN: Did he say "control"? I think his suggestion concerns only the presentation of estimates to us of the expected expenditures.

Mr. DREW: I am speaking from memory, of course.

The CHAIRMAN: Yes, but what you say is important. The two words are vastly different.

Mr. DREW: I am speaking from memory, as I said.

The CHAIRMAN: He gave his idea as to the ways in which estimates should be presented to us, but not as to the control of expenditures once the funds are expended.

Mr. DREW: As I understood it, he expressed the opinion that the method of keeping and presenting accounts should be such as parliament would be able to exercise that measure of actual control over its responsibilities that it is supposed to exercise and which apparently in his opinion it was not able to do today because of the difficulty in finding where these things are.

The CHAIRMAN: Did he say in the public accounts or in the estimates? He said it would be hard for us to locate them at times in the estimates unless we dug into them, but he mentioned time and time again that, regarding the public accounts, we could find the result of the operations of the previous year. I think it is vastly different, and it is some importance to the committee that we do not get mixed up on this. Furthermore, may I say this: if Mr. Drew has something in his mind he should state to the committee: "I want to know what has become of this property or that property" and then we will call here whoever is responsible, to answer that question. If you have in mind any property that is under War Assets we will call the chairman of War Assets here as early as we can.

Mr. DREW: That is my point, Mr. Chairman. We should not have to guess. I do not mean by this that Mr. Bryce is withholding any information which he has, but Mr. Bryce, or any other official of the Treasury Board should be able to tell us exactly what crown properties are held by the crown which are properties other than those that are used for the ordinary purpose of government through its various agencies.

The CHAIRMAN: Do you mean also those which are controlled or under the management of crown companies?

Mr. DREW: Not only crown companies. You see, there were other properties than crown companies; there were operating activities that were taken over by the government, and placed under the direction of appointed management and carried on without actually ever being set up as a crown corporation. Now, what I am asking is, what properties, not a particulir property, but what properties in 1949 were held by the government, of the nature that I have mentioned? In other words, companies that could be regarded as active or operating properties such as mines or any enterprise of that kind, industrial structures or anything of that nature.

Mr. MACDONNELL: I think if we had a complete list it would point the thing up and get the point cleared in our mind.

Mr. DREW: I do not want to ask the committee to accommodate itself to my convenience, but unless there is any reason why it should not be done, might I suggest that Mr. Bryce seek to prepare a list of properties of that kind and that we adjourn this session now. I will be frank in telling you why I want to adjourn now. The aeronautics bill is up and I want to speak on that on second reading. It would be a convenient point to terminate this particular question if Mr. Bryce will prepare a list of those properties.

The CHAIRMAN: As far as you are concerned, may I ask if you have any particular properties on which you want information and we will call whoever is responsible.

Mr. DREW: I will mention two, but I am pointing out that neither I nor other members of the committee would be performing our duty if we were satisfied just to deal with those two that I am going to mention. There is a mine in British Columbia that was, according to my information, disposed of either in 1948 or 1949; it was disposed of either in the period covered by the public accounts before us or since that time. If it was disposed of in 1949 there would be a figure there in relation to that?

The CHAIRMAN: It would necessarily be in public accounts.

Mr. DREW: Yes, it would necessarily be in public accounts and it is not one of the amounts that is shown under these various headings that have been referred to.

The CHAIRMAN: If it was disposed of after that date it cannot be either.

Mr. DREW: It would either be in these accounts which are up to March 31, 1949, either as a figure of revenue covering a sale or whatever transaction was made or it would be there as a property operated by the government. Now, my problem is this, that these operations are carried on by different departments and I will refer to another property that has been mentioned here before. It is an aircraft factory at Cartierville, which in the period covered by these accounts was owned by the government and was under lease, and under the lease there would be $200,000 payable in the period covered by this. Now, I want to know where that $200,000 is. I also want to know where that property is in the accounts.

The CHAIRMAN: Was it not transferred to Crown Assets Corporation?

Mr. DREW: It is not in Crown Assets.

By the Chairman:

Q. Was not that property ever reported in public accounts?—A. Yes, sir, after Mr. Drew's question—

Q. We cannot divide that—A. —I traced back to see where it last appeared and it appears in the public accounts for 1946 on page VA-37. I will read out the items in the Department of Reconstruction and Supply balance sheet. That department maintained a balance sheet of its own and that is reported in the public accounts there and on page 37 under crown plants privately managed, details of investments and assets as of March 31, 1946, is Canadair Limited, Cartierville, Quebec, and the figures given are investment in plant equipment and property, $6,917,411.85.

By Mr. Drew:

Q. I am sorry, do you mind repeating that?—A. The investment in plants, equipment and property, $6,917,411.85.

Under the heading Production Assets Including Working Capital Advance and Unadjusted Credits, the amount is $15,401,547.63, making a net total, as it is described at the foot of the column of $22,318,959.48. I find that property was declared surplus during the following fiscal year and for that reason no entry appears in the public accounts record. It was transferred to War Assets during that year and as you point out was listed by War Assets then, and since March 31, 1949, which is the last report of War Assets, I understand it has been sold, so that any further—

Q. Yes, but it had not been sold in the period covered by these accounts?—A. No, sir.

Q. That is, the accounts that are before us.—A. I understand that but if it were sold it would not appear in the public accounts as being sold, it would appear in the War Assets report as being sold.

Q. It was not, from the information you have and from the information I have, sold prior to March 31, 1949?—A. No.

Q. I think your information will also correspond to mine that it was sold in October, 1949—A. I cannot say that but I think Mr. Malley could say that.

Q. Again I come to this, and I suggest that the committee should consider this matter when we are able to find out, after looking into our public affairs, that an item was shown of $22 million that disappears as an item from the public accounts.

The CHAIRMAN: We have rediscovered it.

Mr. DREW: It has taken quite a lot of delving to do that.

Mr. THATCHER: I think Mr. Drew's request is sensible there, Mr. Chairman.

The CHAIRMAN: I do not say it is not. I say we have recovered the property. It appeared in 1946 in the public accounts. It was declared as surplus, it was among the properties owned by War Assets, then it was sold and it will be in next year's report.

Mr. DREW: I know. You see, Mr. Chairman, I am simply putting that forward at the moment as an example of why I think that the Treasury Department should prepare a list of properties of this nature which the government held in the period covered by the public accounts which you have under consideration, and incidentally I am urging now as I will urge later, that one of our recommendations should be that the Department of Finance at all times have a list of all property owned by the government and that a system be developed under which there can be no disposition of a property of that kind without the Treasury Department knowing about it immediately and without having some supervisory charge over it. Here was a property in 1949, which had a value of $22 million. It disappears except to the extent that we have now been able to find where it is through rather an extended period of questioning.

The CHAIRMAN: It has not disappeared. It followed the regular channels. It was declared surplus, and it is in the books of War Assets Corporation.

Mr. DREW: I cannot imagine anything that should be more alarming to the members of this committee than that a property that was in the books at $22 million and was not an idle property,—now mark this, for no single day had it been an idle property, it has been a producing property,—that that plant should be declared surplus because that is absolutely contrary to the concept we have had of properties—

The CHAIRMAN: As to that, Mr. Drew, the witness is not the proper one to answer that. We will call here Mr. Malley, Chairman of Crown Assets.

I do not want this committee to have anything outstanding here, and as I said if you have any doubts as to these properties we will get Mr. Malley here.

Mr. DREW: What I want now is this: that Mr. Bryce, the official of the Department of Finance, who has been placed forward as an expert in the field of examination of these accounts—

The CHAIRMAN: Of the estimates.

Mr. DREW: I think he demonstrated his ability as an expert in that capacity.

Mr. THATCHER: Or he would have if the chairman had let him.

The CHAIRMAN: Thank you.

Mr. DREW: What I am asking is for Mr. Bryce to prepare a list of all the properties of the type that I have been discussing.

Mr. ROBINSON: You have been discussing a great many different types of properties. Could your question not be made clearer?

Mr. DREW: My question could not be clearer. I want a list of all the properties which are in the nature of active or producing or operating properties other than those ordinary buildings used for the purpose of carrying out the services of the government.

The CHAIRMAN: I will second the motion.

Mr. DREW: That is a very commendable disposition of things.

The WITNESS: I will endeavour to have such a list compiled. I cannot promise it in forty-eight hours.

The CHAIRMAN: No, no, the committee will be here for some time yet, Mr. Bryce. The witness would like more information, Mr. Drew.

The WITNESS: To interpret that, sir, would that include properties in the hands of War Assets Corporation?

By Mr. Drew:

Q. Exactly. I want what is in everybody's hands because without any suggestion that there was any impropriety we find these dispositions of property can take place from one department to War Assets and could possibly be transferred back again. So, I want it under any department or any agency of the government. Are we in any doubt as to what it is that is being asked for, Mr. Bryce?—A. That would include, sir, I take it, any property being operated by an agency of the government such as the factories of Canadian Arsenals limited?

Q. Yes, and so there will not be any misunderstanding, any property that can be operated even if it closed down at the moment for any reason.

Mr. FRASER: Would you want that going back three years?

Mr. DREW: Starting March 31, 1948.

The WITNESS: Starting with the beginning of the fiscal year, the accounts of which we are looking at.

Mr. DREW: Yes, and since you are preparing it, since the questions would naturally follow that, it would save time if you made any enquiries as to the disposition that has taken place since then of any of those properties so we could follow through and find out the present situation.

The CHAIRMAN: I am allowing that. It is outside of our terms of reference, but I think it is quite possible we should try and follow these properties up to the moment.

I wonder if you want to adjourn or if you want to question Mr. Bryce further? We will have Mr. Bryce with us again for another meeting to continue giving us his views on Mr. Sellar's memorandum about estimates, Mr. Thatcher. Tomorrow morning at 11 o'clock.

The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

FRIDAY, May 12, 1950

WITNESS:

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

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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1950

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on

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MINUTES OF PROCEEDINGS

FRIDAY, May 12, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Chairman Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Balcer, Boisvert, Boivin, Cavers, Drew, Johnston, Kirk (*Digby-Yarmouth*) Major, Macdonnell, Picard, Prudham, Richard (*Ottawa East*), Riley, Robinson, Sinclair, Thatcher, Warren, Wright.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

Mr. Thatcher moved that the Committee write Mr. H. Marshall, Dominion Statistician, asking him for a letter expresesing his opinion as to the value of the decennial census, the costs involved and the reasons for having it.

After discussion, it was agreed that Mr. Thatcher's motion be referred to the sub-committee on agenda and procedure.

The Committee resumed consideration of the memorandum tabled by Mr. Watson Sellar, Auditor General, on April 27, respecting the preparation of the Estimates, and which is printed in *Appendix B* to that day's minutes of proceedings and evidence.

Examination of Mr. Bryce was continued.

At 12.45 o'clock p.m. the Committee adjourned until Tuesday, May 16, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

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MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Friday, May 12, 1950.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum. You know each time I open a meeting I think of a very good friend of mine, Mr. Vien, who, when he was presiding in committee of the House of Commons, would give us a lecture on ethics when he was opening a meeting. I have to give the lecture in order to explain the order of business of the day. We have Mr. Bryce again with us this morning to complete the evidence he is giving on Mr. Sellar's memorandum on the estimates. That memorandum was submitted on April 27, I think. Have you any questions on that memorandum? If you do have any questions Mr. Bryce is here as a witness to answer them, and questions on that subject are in order.

Mr. THATCHER: Mr. Chairman, may I ask that question I mentioned before the meeting?

The CHAIRMAN: Yes.

Mr. THATCHER: Mr. Chairman, I have one suggestion before you investigate or proceed with Mr. Sellar's memorandum, and I want to follow it up by a motion. It follows the remarks Mr. Bryce made yesterday about the decennial census. Since the last meeting I found that the cost of taking the census in the prairie provinces instead of being half a million dollars is $2,100,000. I think that a great saving could be effected here. I am bringing the subject up at this time because I would like the committee to write Mr. Marshall, the Dominion Statistician, asking him for a letter expressing his opinion as to the value of that census, the costs involved, and the reasons for having it. My reason for bringing it up this morning is that I fear we may not arrive at the place where we can hear evidence from Mr. Marshall and in that case I would like to have a letter from him for the information of the committee; and if I am in order, seconded by Mr. Wright, I move that such a letter be written to Mr. Marshall.

The CHAIRMAN: Of course, in accordance with the decision made by the steering committee such a move would not be in order, but since you are so anxious about it I will see that this matter is referred to the next meeting of the steering committee and I will get in touch with Mr. Marshall. I doubt if it would be very fair to a civil servant to ask him just to state his views in a letter if we did not give him an opportunity to come before the committee and explain them. Our present order of business may be completed in three or four more meetings, and as we heard in the House, we will be here until the end of June, so most likely we will have many more meetings.

As soon as we are through with Mr. Sellar's memorandum on the estimates as well as the report of the Auditor General, the steering committee will meet and decide what is the next order of business; through your representative on that committee, you can press your point. In the meantime I will put the motion to the committee if you wish but I think it is out of order because we are not at the moment on the public accounts. If you wish to follow my suggestion rather

than make your motion at this moment in an irregular way as far as our proceedings are concerned, I will get in touch with Mr. Marshall and inform him about your request, and if he feels in all fairness to his department and to himself that he can sum up his views in a letter, so much the better. If he feels however he would rather appear before the committee, then I will have the matter brought before the steering committee within a week or so, as soon as we are through with the subject before us, the steering committee will decide if the next order of business will be to call Mr. Marshall.

Mr. THATCHER: That will be quite satisfactory.

Mr. BOISVERT: Do you not think that such a recommendation will be contrary to the constitution?

The CHAIRMAN: You are right, Mr. Boisvert, any change as to the date when the census is to take place would mean an amendment, because that is laid down in the British North America Act. However, Mr. Thatcher wants to pursue this idea and investigate whether it might be possible and whether the statistician would like to make such a recommendation. If Mr. Thatcher will accept my method of proceeding, I will do what I have outlined.

Mr. DREW: Of course, Mr. Chairman, since the subject of the census has come up from a constitutional point of view, I will point out there was an occasion when the census was not taken by the government, following an amendment, and I have no doubt they could dispose of the census now because they assume the authority to declare when circumstances arise to justify the suspension of the constitution.

The CHAIRMAN: That is a question of policy and politics; the committee has nothing to do with it at the moment. You are interpreting the views of the government without being in the government.

Mr. MACDONNELL: It is so much easier to do it that way.

The CHAIRMAN: Yes, so much easier to do it when you are not in the government.

We are on Mr. Sellar's memorandum. Have you any questions?

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

By Mr. Robinson:

Q. I understand from our earlier discussions that a large amount of appropriations lapsed in 1948-49. I wonder if you would be kind enough to tell the committee what, in your opinion, you consider the main reasons for such lapsing and whether you think a revision in the form of the estimates would help to avoid that sort of situation?—A. Well, sir, the main reasons for the lapsing in 1948-49 were several: first of all in importance, I would say, was the difficulty in getting construction work and similar work projects undertaken. At that time there was a shortage of labour and material and a shortage of contractors and for that reason the government was unable to carry through in many cases the construction projects that were included in the estimates. I would say that was the No. 1 cause. The second cause, I would say, it was necessary in these early postwar years to make rather far-reaching predictions as to what was required for increases in prices and costs of carrying on government services, and where it turned out that prices in regard to materials, let us say, or other things, did not go up as much as was expected, that would leave funds available in the vote. Nowadays the price situation is more stable, and it is possible to estimate and predict more accurately. A third reason for those lapses is that many programs were being reinstituted after the war or were being expanded in

accordance with the general policy at the time and when a program is new or expanding it is more difficult to estimate accurately what can be spent on it and what will be spent on it. Those are the main reasons.

Now, your second question, is: would a change in the form of the estimates make it possible to avoid so much lapsing. I would say, yes, some changes in the form would. If you will note Public Works Department's estimates this year are covered in a different manner than in previous years. The votes themselves, in the estimates volume, for instance, are altered. Will you look under the architectural branch, construction, repairs and improvements of dominion public buildings, that is on page 40. This year there are totals given only for each province for the construction, acquisition, repairs and improvements of, and plans and sites for public buildings, whereas last year those were all detailed in the text of the estimates items themselves. Now, this year in the back of the estimates book, on page 222, in this case you will find a whole list of projects on which the vote may be expended and the total is then given, but at the bottom is a short paragraph deducting the estimated amount by which actual expenditures on all listed projects will fall short of the total amount that may be required for each. You will notice that under Nova Scotia, under New Brunswick, and under the votes for other provinces. That change in form will restrict the expenditures to the projects that are listed, but makes—

Q. Let me get that clear: you have Nova Scotia on page 222, is that right?—A. Yes, sir.

Q. Well, if the first item, Barrington Passage, is not completed in the fiscal year, it will require to have a revote.—A. Eventually it will. It will have to be in next year but it means that in the $102,000, that has been deducted, an allowance has been made for the fact that it is likely that all of this cannot be completed to the degree that would call for the expenditure there. That change in arrangement will eliminate much of the lapsing that has taken place in the Public Works votes in recent years, where it has been most prominent and large. The suggestion made by Mr. Sellar for lumping together certain administrative and other votes might mean that we could cut down lapses because we might estimate slightly more finely for certain services, and if contingencies arise making it impossible to spend money under the one heading, you may still be able to cover them under the other. However, the suggestion that Mr. Sellar makes for lumping under the text of the vote the amount that may be spent, let us say for travel expenses or for salaries or for printing, as I think he suggests in one of his paragraphs, means that we cannot use more for that heading within a vote than is set forth in the text. If that is done departments will undoubtedly wish to safeguard themselves by providing a little more under those headings than they have provided, if there is no possibility of transferring from other headings as there is now, say when they run short of travelling expenses but not of freight and express.

Q. The word "cushion" was used in this committee. In other words, they will provide a better cushion?—A. Yes, they will allow more for contingencies. But the more it is tied down, the more people will try to have a cushion in there, and that will probably bring up more lapsings.

By Mr. Macdonnell:

Q. But on this question of lapsing is not a cushion an incitement, let us say, to government services to spend money that is not necessary to be spent? What I mean to say is this: there is a type of mind that if they have the money they will spend it. I am not going to refer to anything in particular. We are talking now, of course, about overall control, and what can be done by overall control to deal with good old human nature which is at work. Now, I think I understand the reason for these cushions, and I think they are just full of danger. On the

other hand it may be that the cure may be worse than the disease if you tie people down so that they cannot go through with a job when it needs to be got through with. There seems to me to be somewhere where we have to rely on those who are dealing with it to guard against it. Has the setup and structure of the Appropriation Act anything to do with it? I get the impression from what Mr. Sellar said that the Appropriation Act was drawn in rather general terms and did not tie in with the estimates, but as I look at the Appropriation Act of last year, it seems to me it does tie in pretty tight to the estimates referred to. In the beginning of the schedule attached to the Appropriation Act, I read:

> The amount hereby granted is $440,983,724.09 being the amount of each of the items in the estimates as contained in this schedule,

—A. I do not feel myself that the Appropriation Act follows any latitude that should not be there; it does tie you down to expenditures for the amounts and for the purposes in the estimates.

Q. Are these estimates in the schedule identically the same as those in the estimates?—A. Yes, sir, that is the intention. The first part of the estimate book contains those items that will be printed in the schedule in the Appropriation Act.

Mr. RILEY: What do you think of Mr. Sellar's—Pardon me, Mr. Macdonnell, are you through?

Mr. MACDONNELL: Yes, I am through, unless Mr. Bryce has further comments to add.

The WITNESS: Mr. Macdonnell asked whether the existence of the cushions that may lapse at the end of the year in estimates lessens the control over the expenditures. I think there is no doubt that the greater the amount by which an estimate exceeds the expenditure you can actually expect and that actually takes place, the less the control that is exercised by the estimate. I know the Treasury Board is endeavouring to get estimates as realistic as possible.

Mr. MACDONNELL: If you were in a business you would recognize that there are going to be these things and would not leave it to the individual department to provide a cushion, but you would provide a general cushion. A general cushion no doubt could be well handled by the Finance Department who are reputed to be tough babies; but seriously in a case like this it does seem to me that you may have an individual cushion—I am not going to mention any particular one, there is no point in doing that—where engineers are doing a certain job and they get to the stage where it is pretty clear they do not need to go on any more but it is realized by them that they have a cushion and they go on and do the job.

The CHAIRMAN: Do you think they would go on spending above their need just to use the cushion?

Mr. MACDONNELL: I think I know a case. I think it does arise. Would it be possible to end the practice of having individual cushions and instead have an emergency fund that could be used—I will not say a general fund for the whole service?

The CHAIRMAN: For the whole department; otherwise it would be out of control.

The WITNESS: Well, sir, I should say we have moved to some degree in that direction already. There are two general votes in the Department of Finance that are specifically provided for for that purpose, one is what we call "the general salaries vote" in this year's estimate. It is No. 104 on page 17. That enables us to look after increases in salary, reclassifications, unanticipated salary costs in other votes without having to allow a cushion in other votes. We exercise a very close control there.

Mr. MACDONNELL: And you exercise that control over all departments?

The WITNESS: Yes, sir.

The CHAIRMAN: You are right, Mr. Macdonnell.

The WITNESS: Then there is a general contingency item as well in the Department of Finance vote, it is vote No. 101. It provides, subject to the approval of the Treasury Board, for miscellaneous minor and unforseen expenses, including recoverable advances for working capital purposes, and for the re-use of any sums repaid to this appropriation from other appropriations.

Again, that is working in the same direction as you mentioned. We are trying to centralize our contingencies and exercise some control over the use of them.

The WITNESS: However, those particular votes are relatively small this year and we have to use them very sparingly, and the departments naturally like to have their own vote provision for contingencies, although there is nothing there shown in exact detail.

By Mr. Macdonnell:

Q. When you go over the estimates of the various departments can you give us the total of that figure or is that just buried in the consciousness of the various departments themselves?—A. That is buried in their own consciousness, sir; part of our job in going over the estimates is to try to detect where those exist.

Mr. DREW: It is a sort of double question.

The WITNESS: That is it, a sort of cushion within the vote. I think it is fair to say that the senior officials of the department go through their votes as carefully as they can with a view to eliminating anything of that kind, trying to keep the estimates of their various branches and divisions as low as possible.

Mr. MACDONNELL: Is not Mr. Drew right; is there not a cushion that is recognized as being a reasonable allowance for contingencies, one which inevitably you would know about, and another sort of cushion which operates in their own consciousness, as you say?

The WITNESS: That, as I say, is one of the things that we try to detect, but we still feel even if we do not know, that there is some duplication in that respect.

Mr. DREW: How successful are you?

The WITNESS: As successful as we can be.

Mr. DREW: I am serious. To what extent are you able to determine the extent of this strategic reserve, to use a military term?

The WITNESS: I do not believe that we have found all of them because it is exceedingly difficult, it has been exceedingly difficult under the circumstances that I mentioned in answer to an earlier question to make a really accurate forecast of what expenditures will be under circumstances where programs are changing, where prices and cost levels are changing; and where we get into so many types of projects where it is exceedingly difficult to estimate in detail in advance just what they will cost; that is where you run into that sort of thing.

Mr. MACDONNELL: As I understand it, if you were to do away with the present system of lapsing you might avoid some of this building up of hidden cushions. I mean by that, if they knew that if they did not spend the money within the year for which it was voted it would lapse and be gone forever.

The WITNESS: Of course, it is gone forever when the vote lapses at the end of the year.

By Mr. Drew:

Q. Unless the commitment has already been made and must be paid out the following year.—A. And then of course it must be revoted.

Q. Following your remarks, is it not correct that it resolves itself to this position; the estimates are prepared on the basis of actual undertakings which each department is called upon to assume and perhaps that it will assume during that year, then subject to the requests for the paring of that estimate down, which is the usual departmental procedure, the next step as I understand it is that the department in the preparation of the final figures does not retain what you would describe as a cushion over and above the actual estimate details which their officials have actually prepared?—A. Well, sir, there is no cushion that is put in there explicitly.

Q. I know, that is exactly the point, that it is not put in there; but as I understand it you say there is an amount there—and I do not use the word in any sinister sense—there is a hidden cushion, if you like to give it that term, which is really an undisclosed contingency item, not disclosed as a contingency provision.—A. It is what they put in as a maximum to which they will be limited, and in proposing that amount they will naturally wish to have as much in there as will take care of their operation needs as they see them, and for that reason there is a margin there within which they may work. Our job in examining the estimates, and the job of parliament as well, I presume, is to endeavour to find out whether there are unreasonable margins of that kind.

Q. And where you admit that there are cases in which you cannot locate hidden cushions of that kind it simply means that we have absolutely no way of knowing whether there is that kind of a contingency involved in the amount.—A. That is true, sir, and it depends on how much time and effort we can put into examining the details and the history of expenditures on that item in itself. I might say that there are difficulties involved in doing that and one of them is that we have to examine the estimates before the expenditures for the previous year are fully known to us; in other words, we must examine on the basis of anticipated expenditures for the preceding year whereas when they come before you for consideration in parliament the expenditure for the preceding year is more accurately known. It is a job which involves a great deal of detailed examination of the amounts being provided in the various categories.

Q. Then let us follow that one point further—and I am qualifying my question by the very pertinent statement that I recognize that you must be practical in matters of this kind—in examining these items from the business point of view would not the better accounting procedure be for whatever actual contingency reserve is regarded as desirable in the preparation of the estimates, for that to be consolidated into one openly declared contingency item instead of having them retained in the item of the branch or department to which they relate in the estimates? Would it not be more desirable to have that lumped into one contingency fund item?

Mr. ROBINSON: What would you do with that contingency fund?

Mr. DREW: It would all be brought into a central fund.

Mr. ROBINSON: And by that are you suggesting that it should be voted by order in council?

Mr. DREW: No, most definitely not. That is the one thing I am opposed to, I want to see the actual votes on these items.

Mr. MACDONNELL: All that would be involved would be the allocation of the supplementary amount required from this central contingency fund if a particular vote were exceeded.

Mr. DREW: That is what a contingency fund is for. Why not have one central fund for the purpose instead of having a number of small accounts for the same purpose; is there any difficulty in that?

The WITNESS: Only this, sir, in some cases in the large votes you may be fairly sure that while under the subheadings you can eliminate contingencies you know that somewhere in that large vote they will very likely find it—it is a question of probability, and the distribution of the probalilities. In a large vote, for instance something like the building vote for Ontario of $10 million; now, that covers a large number of items which you will find on page 225. In there there is in fact a negative contingency provision where we deduct at the bottom of the page there this item I described because while we can be fairly sure that every one of the projects listed on pages 225 and 226 will not go forward in exactly the amount specified, on the whole we form a judgment that as much as $10 million may reasonably be spent. I am not sure that we would give parliament a proper picture of the probable expenditures if we took out of large votes of that kind a provision for contingencies within the various projects covered by the vote and lumped it into a single vote because the chances would be more than fifty fifty that we would have to allot some of that contingency item to that vote. Consequently it is a question of reconciling the desirability of centralizing your provision for contingencies in order to reduce it to the minimum necessary and to keep a degree of control that is useful, to centralize it on the one hand, against the desirability of showing it as close to where it will be needed as possible, in order to show to parliament a proper forecast of our requests for expenditures under these various heads. For that reason we have in the Department of Public Works, in the terminology we are using this morning, a contingency vote for supplementing other votes in that particular department. It is found on page 44 where there is a vote, No. 356—to supplement, on approval of Treasury Board, except where less than $500 is required, any of the appropriations of the Department of Public Works; and then, 387, immediately below that is a similar vote; it is to provide for balances required to complete any projects undertaken in previous fiscal years and for which no specific provision is made in the fiscal year 1950-51. These are somewhat similar small votes that can be allotted to meet contingencies that are not specifically provided for in the estimates.

The CHAIRMAN: For the purpose of clarity of the record would you mind explaining the item to which you referred on page 226, the special note at the bottom of the page there? I notice that the total amount of the vote as indicated on that page is $11,112,000 and that the amount taken off is apparently 10 per cent of that, $1,112,000, leaving the net amount of the vote at $10 million. Would you mind doing that?

The WITNESS: Yes, sir. As you will see, that vote is for the construction, acquisition, repairs and improvements of, and plans and sites for, public buildings in Ontario; a vote which appears on page 40, vote No. 297; and then you come back to this page 226—I should say pages 225 and 226—to find the details in a list of the objects on which the expenditures will be made under that vote. The estimated amount required for the construction of the projects in the fiscal year 1950/51 is listed after that. In total all of those amounts come to $11,112,000. Now from that is taken this amount described in the note down here:

> Less: Estimated amount by which actual expenditure on all listed projects will fall short of the total of amounts that may be required for each.

The CHAIRMAN: That is 10 per cent.

The WITNESS: No sir, that is related to the projects.

Mr. DREW: That is a deduction.

The WITNESS: Yes, that is a deduction of those cushions that might be said to be excessive with respect to individual items in the vote.

Mr. JOHNSTON: You are assuming that there are those cushions there and you just deduct it.

The WITNESS: That is right, sir; they are not cushions in the sense that they are wrong items, these are cushions because collectively they constitute an element of that kind. We know from experience that let us say—take the additions and alterations to the Royal Canadian Mint, if that goes ahead as quickly and as effectively as planned $250,000 would be required but we know from experience that every one of these dozens of projects cannot get ahead as quickly as planned because there will be delays owing to the difficulty in getting supplies and materials, placing contracts, and one thing and another of that kind; so while we enter the requirements as estimated, and the amount that would be required if they went ahead without any delays of any kind; but we know from experience, as I said, that they will not all go ahead just as smoothly or just as quickly as planned, and that is why we deduct the amount shown here at the bottom of page 226, $1,112,000.

The CHAIRMAN: And that is 10 per cent?

The WITNESSS Approximately 10 per cent.

The CHAIRMAN: Would it be 10 per cent in each case, or would it be 10 per cent of all?

The WITNESS: It is not 10 per cent of all because some account is taken of course to the likelihood of these things arising. For instance, you will see that in Prince Edward Island there are only three items and in that case there are no deductions. In Nova Scotia there is a total of $1,452,000 and with respect to that there is a deduction of $102,000, and we have just reviewed the Ontario position.

Mr. WRIGHT: Does the Treasury Board decide the amount of time the department has before them, or do the departments themselves determine the amount of deduction to be made?

The WITNESS: That was worked out after discussion between the officers of the Board and the officers of the Department of Public Works following a discussion between the Minister of Public Works and the other members of the Treasury Board.

The CHAIRMAN: In other words while a contract may be estimated on a certain basis to a fixed amount, in the light of experience you make a certain pro rata deduction of the kind indicated here?

The WITNESSS That is right, sir.

Mr. DREW: So in these cases the cushions are added cushions?

The WITNESS: That is right.

Mr. MACDONNELL: You could be pretty sure that those amounts would not be needed although the officials of the departments might ask for the larger amount.

The CHAIRMAN: Well, Mr. Macdonnell, we are not psychoanalysts.

The WITNESS: In some of the other large votes, for example in national parks, there is a large amount for construction projects. Well, in making up that vote we will have gone through it on a similar basis. We will have looked over the amount they assume will be required to enable them to get all their work done; but again, in the light of experience, Treasury Board appreciate that it would be most unlikely that they would be able to cover the whole of their program and a deduction of this kind will be made. That is all part of the management process which Treasury Board exercises in determining the vote or budget, and I assume the same thing is done in normal business in determining its budget; that is, to look over the requests from various divisions or units of the organization and to eliminate what it thinks can be eliminated to get the true picture.

By Mr. Drew:

Q. Now then, Mr. Bryce, we have a somewhat different situation on page 226 as compared with page 44. On page 226, as you have explained, the figures that are given for various reasons are more than the amounts actually spent during the year and for that reason there is an approximate automatic deduction of 10 per cent; then, on page 44 you have a different situation. In that case there is a definite allowance and contingency provision, under item 356 there. Now, does this not bring us to the very point made by Mr. Watson Sellar, that it is desirable that there be uniform definitions and uniform terms. I think you agree that contingencies in most of the other departments do not appear in that clearly stated form.—A. That is right, sir.

Q. Is there any practical reason why contingencies in the other departments should not be stated in the same way so that there could be a consolidation of contingency procedure under one total?—A. I think the practical reason for that is that by tradition the Public Works projects have been set forth and listed in much greater detail in the estimates than in the case of other departments. For example, if you look at the Department of Transport under air service you will find there a very large vote for the construction and improvement of airports and airways, $9 million odd—that is on page 62; and the detail of that is given on page 229, and you will notice that it does not go into anything like the same amount of detail in relation to the projects involved such as air service, radio service and so on. Now, the significant feature of it is this, that the wording of the vote does not limit the expenditure on these projects in the same way as is the case in respect to the Department of Public Works; and the result of that is that if a contingency arises in the requirements for the construction of airports or airways it can be met simply by shifts within the program whereas such a course is not possible in the Public Works program because by tradition the details are much more closely set forth and limited in the estimates themselves. I think that is the main reason why we do not have votes such as vote No. 356 or 357 in other departments.

Q. Well now, this question of the difference in practice as between the departments is one of the very points that it seems to me is brought out most strongly in the suggestions submitted by Mr. Sellar, and during the last few days we have been discussing the summary which was prepared on what you might describe as the functional nature of the estimates and it seems to me that from the point of view of a clear understanding of these estimates it would be much better to have a figure set out—I recognize quite clearly that it is desirable by practice to take some figure, whether it be 5 per cent or 10 per cent, which would be adopted as a contingency fund amount, and then that contingency amount would be included in precisely the same way as is the case with the Department of Public Works although the percentage might vary with different departments based on actuarial experience, and that then all of these contingency funds should be subject to the same conditions which attach to the contingency fund in Public Works, and that before the expenditure of any part of that contingency fund on additional requirements they should be subject to the approval of Treasury Board; is there any practical difficulty in that way of carrying it out that you can see?—A. It would increase some of the work of Treasury Board which is already quite substantial, and it would delay the application of some of these items; apart from those two, I do not see any difficulties that cannot be overcome.

Mr. ROBINSON: Would that not also remove more control from parliament?

The WITNESS: In some measure in the sense that contingencies would not be limited within the votes, not in the way that is provided in the estimates as they are now set up.

By Mr. Drew:

Q. I want to make it quite clear that in stating the proposition and in asking the question I am making no suggestion that this be a central contingency subject to free allocation by order in council. What I am suggesting is that there should be a contingency provision in the department itself, and that while it would be available for use as required, that such use would be subject strictly to the control and approval of Treasury Board. Isn't that essentially what you do now?—A. That is right, sir.

Q. That it should be a contingency fund and the use of that fund would in turn be subject to approval by the Treasury Board as I understand is the case at the present time in connection with the items in the Public Works Department estimates, with provision for the allocation of amounts already set forth.

The CHAIRMAN: And then it would be done by order in council. Even although approval of Treasury Board was required these additional expenditures would have to be authorized by order in council.

Mr. DREW: No, approved by the Treasury Board.

The CHAIRMAN: Then it would need an order in council to transfer the amount.

The WITNESS: No, a Treasury Board minute would do.

The CHAIRMAN: Authority would have to be obtained from Treasury Board before any items could be transferred from this contingency fund.

Mr. ROBINSON: It seems to me that by such an arrangement you would lose the control by parliament and in placing that you would have control by order in council.

Mr. DREW: In the case of such a contingency fund as I have been discussing with Mr. Bryce the operation would be like this; when a department needed additional amounts to complete any of its several projects they would apply to Treasury Board and Treasury Board would authorize the allocation of the amount that might be required out of this fund. You would have a supplementary control to the control now exercised by parliament.

Mr. ROBINSON: As I understand it, what you are proposing is merely a contingency fund which would operate as a cushion, that is essentially the same thing as we have been discussing here, the cushion which usually appears in estimates for construction projects of the type concerned. Isn't that the case? May I also say that I do not think it is a cushion in any sense.

Mr. MACDONNELL: Surely, under the estimates, parliament is getting more control because we are getting away from these undisclosed private cushions and we are going to have a situation where parliament will authorize a definitely recognized contingency fund and I think that is a more practical way of dealing with this problem than is the practice at the present time where the thing is definitely left to the initiative of the various departments.

The CHAIRMAN: I would like Mr. Bryce to tell us, if he can, if there is any better way by which they could find these cushions, as they have been called.

The WITNESS: Well, sir, the finding of these cushions is essentially a matter of detailed examination and perhaps intuition in some cases, as I know from experience; it is not a thing that can be easily identified, perhaps even in the minds of the people that are requesting them. Just as an example I have picked at random an item here by opening the book at page 86 where you will find the details of the vote for production service-Agriculture and take the item down toward the bottom of the page there on supplies and materials $33,000; of course, there may be a contingency element in that item within the vote for "plant products; seeds, feeds, fertilizers, insecticides and so on". The several

sections of the branch indicate the amount they are likely to require and then that is taken up by the Deputy Minister of Agriculture and the Minister of Agriculture who will examine their own officers concerned as to whether they really require that amount or the extent to which they are allowing for contingencies.

Mr. MACDONNELL: I do not know how complete the controls of Treasury Board are, but let us assume there is a request for a cushion there, I take it that Treasury Board will be in a much better position to detect it and to take care of it than to have that detail left to control by parliament.

The WITNESS: Yes.

By Mr. Drew:

Q. In any event is there not this very simple proposition? There is no suggestion of there being a general fund that can be applied in a different way than was originally intended; you have specific items, and then we know, as a matter of practice, that an estimate for a particular building, we will say, may not have been adequate. Well, then, we have this contingency reserve and the department would ask the Treasury Board for an additional amount to pay the amount by which the actual requirements were in excess of the amounts originally estimated, is that not so?—A. That is how I understand the suggestion you are making.

Q. In the case of the Department of Public Works, that is what happens now?—A. Yes.

Q. So in each case, where there would be an allowance from the Treasury Board from that contingency fund it would relate to an item which already had been specifically approved by parliament?—A. Yes, sir.

The CHAIRMAN: May I tell you it is twelve o'clock now. So there will, not be any prejudice suffered by anyone who is speaking at a quarter to one, I may say I have to adjourn the meeting at a quarter to one.

Mr. RILEY: Mr. Bryce, what do you think of Mr. Sellar's suggestion that there should be a more precise description in each vote of the purposes for which the funds are to be used, and do you find any difficulties arising in the administration from the ambiguities in the wording of the votes?

Mr. ROBINSON: Mr. Chairman, this being the thirteenth anniversary of the coronation of the King should the committee not rise while the royal salute is being fired?

The CHAIRMAN: Certainly, gentlemen, please rise.

The WITNESS: Mr. Riley's question, as I understand it is: whether any difficulties have arisen from the lack of precision in the wording of estimates which Mr. Sellar has drawn attention to, and whether we felt in the Treasury Board that it would be an improvement to make them more precise. Well, as regards administrative difficulties arising from the wording, I am not familiar with any difficulties of any consequences that have risen. Normally, it is well understood by the departments and by the Comptroller of the Treasury what expenses are properly chargeable to what votes. The naming of the votes, in fact, in the estimates now, is a largelay conventional naming and primarily for the convenience of members of parliament and departments in identifying the votes. If parliament wished to have these votes more precisely described I do not see that would be open to any more difficulty than merely extending the length of the estimates book slightly, and the schedule to be attached to the Appropriation Act. As the committee may know, votes for administration of which there are numbers under each department can, in fact, be used for a wide variety of purposes. We have had legal opinions given on that in the past. So, when you have votes for administration the wording of the votes anyway does

not normally tie down the purpose within that field very rigidly, so I think it is largely a question whether parliament feels it would be more useful to have more precise wording as Mr. Sellar has suggested in a number of cases.

By Mr. Drew:

Q. Take as an example, Mr. Bryce: First, we have already seen by your reference to the Department of Public Works, that individual buildings are shown and the estimate for each particular building, and whether the cost in the end is the exact amount set forth or not, it is related to that estimate. Now, not dealing with the general statement but with what are described as details, let me refer to page 169, under the Department of National Defence, where I read: General—acquisition, construction, purchase, maintenance, repairs, rentals and operating expenses of properties $22,492,208. That of course, is just under the army alone. Do you think that is consistent with the practice adopted by the Department of Public Works or by the other departments, and do you think this helps us in any way to understand that item which is not detailed?—A. Certainly sir, that is a much wider category in detail than is normal in most departments, especially the Department of Public Works. That general question in relation to the detail furnished by the Department of National Defence was raised some days ago in the committee, and as I said at that time, it was decided upon shortly after the war, having in mind the considerations of security at the time and other things. I have since consulted with the Minister and Deputy Minister of National Defence and they have consulted with the officers of the services and I believe that they would be prepared to have us show in future years details for the estimates of national defence on a plan that is much more closely like that in other departments.

Q. I must say if nothing else has been accomplished by our meeting of the Public Accounts Committee that in itself is a great achievement because the next item, either during the war or after, could not relate to security at all. The next reads: Personal supplies and services: food supplies, medical and dental supplies and services, clothing and personal equipment, barrack, hospital, camp, and miscellaneous equipment, laundry and dry cleaning to a total of $19,111,212. I do not think there is much security wrapped up in those items.

Mr. CAVERS: Mr. Bryce, I was wondering whether it was practical to provide the explanatory material for all departments that is provided by the Department of Public Works or the Department of Finance. In other words, would it not be possible for any of the other departments to provide the details suggested by Mr. Sellar?

The WITNESS: You have raised two points, Mr. Cavers. First, whether we could provide the detail for projects similar to that which is in Public Works, and secondly, what would be the problem of supplying the sort of explanatory material Mr. Sellar suggested in his memorandum. First, in regard to the detail, it has been traditional to supply a great deal more detail in the Public Works estimates because members of parliament were always more interested in where post offices, customs offices, wharves and public buildings were being provided to a much larger extent than they were as to where buildings were being provided at experimental farms or where a building was being provided at an airport or something of that sort. Now, if parliament wished the details, let us say, of the national parks program, or the airports and airways program in the Department of Transport, to be listed and detailed in the way the details are in Public Works estimates, that would be a question that relates to the degree of flexibility within the programs of those departments, and so I think I would hesitate to offer a comment on a matter such as that. It would more properly come, I think, from the minister or others responsible for those departments, after giving it some thought. Broadly speaking, as I indicated some meetings ago,

there has been a general move towards segregating capital programs and showing them separately in votes, and the question you raised could it be carried a step further and segregate the items within those votes and specify them in the estimates? I think in some cases it could but in other cases it would require settling the details of those programs much further in advance than it has been possible to settle them in recent years.

Mr. THATCHER: Getting back to this matter of cushions, I am not clear on one or two things. Would you turn to page 14 of the auditor's report?

The CHAIRMAN: Switching again to public accounts, Mr. Thatcher!

By Mr. Thatcher:

Q. Does this auditor's report indicate there in item 48 that that $136 million lapse which is sixteen per cent of the total granted by parliament—does that indicate that your department or any other department was out in figuring the cushion by sixteen per cent?—A. Well, in a sense, yes, but in a sense, no, because we provided, let us say, in the case of Public Works here, that is the case we were speaking of, the Treasury Board agreed that Public Works might have for that purpose $33 million more in estimates than what they spent. One reason for that was if they could go ahead with building projects they should be able to do so on financial grounds. The reason they could not go ahead however, was shortage of building supplies and contracting facilities. So that represents to that extent a difference between the financial limitations that were being placed on the department and the physical limitations placed on the department. So, to some degree, it does not represent an error, merely a difference in the degree of limitation by those two factors.

Q. But last year it is a fact that there was this cushion, if you want to call it that, of sixteen per cent. We see that from that figure. I am just wondering if the Treasury Board needs more staff or something to check up on this. I do not see how they could be out sixteen per cent, or somebody is out sixteen per cent. That is quite a terrific cushion.

The CHAIRMAN: I think the witness has already explained that but he should give it in more detail, that it is the physical and not the financial limitations; they could not find the materials to do the work,—but I would rather let the witness speak.

The WITNESS: Yes, we have made financial provision in there for certain things that could not be carried out because of physical or administrative obstacles, so that these lapsings include not only amounts that were recognized at some level to be provision for contingencies but they also include amounts which they, in fact, planned to spend, but where physical or administrative obstacles arose and prevented the expenditures being made.

By Mr. Thatcher:

Q. Well, Mr. Bryce, I am still not just clear as to how the Treasury Board decides what cushion each department needs. You said you knew of some but not of others. Could you tell us about the ones you do know of? Is it calculated on a percentage basis?—A. No, no, it is a question of judgment in the particular case as to what can reasonably be allowed in a particular circumstance, in a particular vote, or a particular department for contingencies that they cannot be sure will arise but which may arise.

Q. Take the Department of National Health and Welfare, for instance, how would they be out $23 million? Does that mean Mr. Martin had a cushion of $23 million?

Mr. MACDONNELL: He does not need it as much as some of the rest of us!

The WITNESS: Well, sir, if you look at the items you will note nearly all of that in the Department of Health and Welfare is accounted for in lapsings in vote 797, which was a vote for the health grants of one sort or another to the different provinces. Now, I am not sure whether that was the first year in which these grants were in effect, but the amounts provided there were being offered to the provinces so that if the provinces were able to take full advantage of them they could. Now, in fact, they did not take full advantage of those and it would have been awfully difficult for them to have done so quickly. You will note in this year's estimates for Health and Welfare an endeavour is made to estimate the extent to which they are likely to take advantage of them, and the amount of $25 million, as I recall, is provided there, even though provision is made in the details for the full amount of the grants that each province would be entitled to make use of if it wished to do so, and were able to do so, so the wording of vote 239 in the present year's estimates, I think, is an endeavour specifically to meet the point that you raised in regard to these large lapsings under vote 797 in 1948-49.

Mr. THATCHER: One further question—

The CHAIRMAN: Just before you put that question, Mr. Thatcher, for your own information, may I refer you to page 180 of our proceedings, where Mr. Sellar gave exactly the same explanation to Mr. Macdonnell in regard to that $23 million lapsing. Mr. Sellar's answer will be found on page 180.

Mr. THATCHER: I am very sorry, I suppose I was not here, but I wanted that information.

By Mr. Sinclair:

Q. I would like to ask a question. One of the main interesting observations of Mr. Sellar was in connection with what you might call revenue departments where there was revenue coming in because of services provided to the public or to other government agencies by the department. Today, that revenue goes into the consolidated revenue fund and there is no crediting of the department with that revenue. If it was a business firm, whatever revenue was collected would undoubtedly be credited to the department concerned. In the past, Mr. Bryce, has there ever been an effort made in the estimates to show the revenue obtained by one of these departments or branches and thus show a net amount which had to be provided out of the treasury to carry on the department or branch.—A. Well, sir, that leads into quite a large issue, but in answer to your specific question, we have in the past and at present made provision for the net requirements in two or three votes. I believe, if one looks at the vote for treatment services in the Department of Veterans Affairs, page 317, you will see that the amount that is requested is a net figure after making allowance for certain revenues of the service or expenditures that can be charged to other votes.

Q. Yes, on one point you raised there, that is quite true but the actual revenue which is obtained from that department is not shown anywhere in the estimates.—A. The actual revenue that has been obtained in the past.

Q. Yes.—A. That is true, sir, it is not; we do not furnish in the estimates statistics of past revenues. But there is another place where this is done, and that is in the National Research Council where the amount requested,—if you look on page 284, you will note the amount requested is after allowance is made there for revenue. The amount requested is reduced by $515,000 of estimated revenue which is expected, and which they are permitted to use to help meet their expenditures. However, that leads to a larger question that I take it that you implied as to how general that practice should be. The Auditor General did touch on that in his memorandum. Was it your intention to inquire about that?

Q. That is what I am inquiring about, as to why this practice of National Research Council is not also applied to government branches and departments which are outside of the government.—A. The main reason I think is that if you permit the revenue to be set off against expenditure you might then have to estimate the difference between those two, and it is always more difficult to forecast and usually to control a net amount than it is to control a total amount. If, for example, the Post Office were operated on that basis in arriving at the amount of the item in the estimates you would have to take into account an anticipated revenue of many million dollars, and you would have to anticipate the difference between the expenditures and their revenue. It would mean that it would be necessary not only to estimate in advance annually what their expenditures would be in gross, which we can estimate with some difficulty and perhaps with reasonable accuracy; but we would also have to estimate what their revenue would be, and that is always more difficult; and then provide for the net difference in a vote of a few million dollars—perhaps in some years nothing would be needed. Our feeling has been that we cannot secure as effective a control either for the Treasury or for the government as such, or for parliament, by estimating and controlling on that net basis as we can by controlling on a gross basis. I think one of the few cases where we found by experience that we could overcome that, was in the case of the Research Council. But the practical thinking of the Department and the Minister of Finance has been that a more useful and meaningful control can be exercised both by the government and by parliament by working on the gross basis.

By Mr. Macdonnell:

Q. When you contrast Research Council with the Post Office, you did it with the Research Council because it is smaller?—A. That is one of the reasons but not the only reason, because it is a practical arrangement in respect to that organization. In other instances where the revenue is small it is not so easy to do. However, if the committee felt that it would be helpful in understanding the net position of the service being given; in cases where the services given are covered by a specific revenue, the Minister of Finance has indicated to me that he would see no obstacle in trying to provide in the estimates at the back of the book such figures of revenue or such forecasts of revenue as can be made so that parliament will have an opportunity to see what the net cost of providing that service will be; let us say such a thing as the record of performance services in the Department of Agriculture, or something of that sort.

Q. The Post Office itself would not be quite in the same category as those services to which you just referred.—A. No.

Q. The Post Office does cost the taxpayer generally a net amount.—A. Or, take weights and measures, something of that sort. We could accomplish in that way the informational purpose that the Auditor General mentioned without giving up that degree of control over operations which the Minister and Department of Finance have felt can be best secured by voting the gross rather than net basis.

Q. Is it relevant here, Mr. Chairman, to ask a question which is of particular interest. I think Mr. Bryce mentioned more than one item of the kind I have in mind in which capital amounts were involved. I do not know whether that is relevant now or at some other time, but I would be very interested in having Mr. Bryce comment on it.

The CHAIRMAN: I suggest it would be better to leave that until later on.

By Mr. Macdonnell:

Q. Very well then, I will reserve that, but I would now like to ask a question which I think is relevant. We are all interested in that breakdown of the financial position. Now, let us take one thing we were on in the Department of Transport, let us take this item of telephones, telegrams and postage; I suppose you have a dozen different items on telegrams, telephones and postage in the Department of Transport. You are in a much better position to view that than I am, but I see that it comes to a grand total of $1,600,000. It seems to me from the point of view of getting the picture of what we are dealing with in the House it would be very much better to have that on a functional basis, but it may be having regard to the various departments concerned that that would not be particularly useful. Could we have your comment on that?—A. My understanding of your suggestion is that a vote of that kind should be shown on that basis as a matter of information?

Q. I would say the vote, or alternatively, it could be covered by a memorandum as well based on the functional distribution of items.—A. I think it would be quite possible to draw up a memorandum item on the basis you described but to do that is a general practice—as I indicated in the description I gave to the committee at one of the earlier meetings, the general practice or policy of the government has been to prepare votes on the basis of the purpose for which the expenditure is incurred rather than to base it on the type of expenditure that is involved. These tables we have been discussing are made up on the basis of the type of expenditure involved, and clearly are of real interest to members; and I would assume that if it commends itself to the committee, if the committee wants that sort of thing in the estimates, when we are preparing them we will try to keep them in categories which are suggested by or which reflect the views that have been expressed in the meetings of the committee here; we may not be able to do it exactly as has been suggested but we will try to do it as carefully as we can.

Q. Do you think it can be done? I suppose if you had the type of categories which you have used in this material you place before us that it would be desirable. Such a summary might run to some size but it would make the votes more interesting and give us a better appreciation of just what was involved in each case.

The CHAIRMAN: What you really mean is this, that you would make a further split of the general items which were submitted in this draft summary, that in preparing that summary he would also provide a general detail as to the items which it comprised and that such detail would give us a better appreciation of functional expenditures. You go one step further now and you suggest that with respect, for instance, to this item of telegrams, telephones and postage, that there should be a more detailed breakdown showing the items which go to make up that total. Is that what you have in mind?

Mr. MACDONNELL: I am raising that question, yes.

By Mr. Prudham:

Q. On page 7, clause 12 of Mr. Sellar's memorandum, I would like to ask Mr. Bryce whether there are many votes representing small amounts which Mr. Sellar suggests it would be desirable to reduce in number and group them. Why do you have so many of these things, small votes for items running around $2,000?—A. I think there are several reasons for that. I know the same point has been raised with the Treasury Board by the departments on occasion. In the first place, certain of these small votes are for special purposes that cannot very readily be covered within the meaning of a larger vote. You will notice as you go through the detail of the estimates that there are small votes for rather

specific purposes. For example, grants to an organization such as the Boy Scouts, which appears under Finance. It is a separate vote there. It is only a small vote but would not easily fit into any of the categories mentioned. We could very readily group these small grants under one number in the estimates and in that way reduce the total number of votes. That might be a convenience when the estimates are up for consideration in the House and any one of these grants could be explained.

The CHAIRMAN: And these details would be at the back of the book?

The WITNESS: Yes, or they could be listed right there if that were felt to be more convenient. Or, let's take another case, we have for example a number of small votes in the Department of Finance for small administrative bodies, votes for their salaries and operating expenses; for instance I think of the Farmers Creditors Arrangement Act and other organizations of that kind. Votes for these small administrative bodies of the kind to which I have referred might all be grouped together.

By Mr. Prudham:

Q. Would the grouping of these small votes into one larger item tend to avoid the necessity for supplementary estimates?—A. Perhaps to a small degree, but it would do so at the expense of perhaps some of the detailed control which parliament now has over the purpose for which the money can be spent. If we were to group all of these miscellaneous administrative functions in the Department of Finance under one larger vote we would have within certain limits the authority within the organization itself, within the Department of Finance or Treasury Board to re-allocate the funds that were originally requested let us say for the administration of the Farmers Creditors Arrangement Act or the administration of the Farmers Improvement Loans Act, to some other unit in the group. Now, if parliament was concerned with us staying within strict boundary lines as between these administrative functions I would say there was nothing to be gained by the grouping of these votes together.

Mr. JOHNSTON: It would be done at the sacrifice of detailed control.

The WITNESS: There would not be the same measure of control as is now exercised by the House with respect to these administrative accounts.

The CHAIRMAN: There might be a grouping by functional classifications without in any way taking away from parliamentary control of expenditures.

The WITNESS: I would think that Treasury Board might well welcome an expression of view by this committee on expenditures on that sore of thing as felt desirable by the House, because after all it is essentially a question for parliament.

By Mr. Drew:

Q. Now, Mr. Bryce, just following through the point raised by Mr. Sinclair in which he referred to the budget system of operation taking into account revenue items. As I understand it, there are two distinct types of revenue items; on the one hand there are those which might be regarded as substantial returns on capital investment which would go into the consolidated revenue fund to be re-allocated to special allocations; on the other hand there are enormous numbers of properties owned by the government today which are producing revenue to the government which is not in any way taken into account in capital. For instance, I have in mind farms and houses owned by the government and operated on that account. Now, as I understand it today, the government probably owns things such as farms and houses right across the country; under different statutory authorities they hold property of that kind; is it not so that the accumulated total of these annual revenues of that nature should be set off

in some way against the annual requirements of each farm or house based on the total taxation levied by parliament at the presentation of the budget by the Minister of Finance; that would actually be set off, would it not?—A. Actually much of that sort of revenue producing asset held by government is held by agencies which in fact do apply their revenue to expenditures; for instance, Central Mortgage and Housing Corporation has tens of thousands of houses I suppose, revenue producing properties. They do use the rents that they receive for meeting their operating costs and for meeting costs such as interest on debentures issued by them and things of that sort. The same thing applies to a considerable extent in connection with the Farm Loan Board. So to that extent you do get that with the properties that are held by the government which are run by the crown through an agency, but where they are held by a department I doubt whether that is so. For instance, many departments own residences which are rented to their employees because they are in out-of-the-way places and I would say there that the rental goes straight into revenue and is not used to offset the expenses of that department. What you have in mind is that such revenue should be used by the department to offset this operating cost, is that what you have in mind?

Q. Just from the point of view of presenting actually a clear picture of the situation in regard to one of the departments, might it not be desirable to present in the form of a supplementary statement or in some way a statement of those crown revenues of that kind to give a true picture of what that department is costing?—A. If it were felt by parliament that it would help in considering the estimates if that could be done, we could arrange to include figures of that kind; if it would help to give a more balanced picture of the costs reasonably attributed to each item covered by the main estimates.

Q. I do not want to get away from the point which has been raised and to which my question was related, and I thought I should bring it out at this time. I have just been thinking over the discussion which has been taking place about the properties of various types which are held by the government and the question of the great advantage of sorting this out and finding out exactly what they were, and this is what has occurred to me: The government has put forward a plan under which it offers to certain municipalities payments in lieu of taxes where the total amount of property which they hold bears a certain percentage relationship to the assessed value of properties in the municipality. Now, such a proposal can have no meaning unless the government has in its possession a detailed list of properties in every community. There would be no other way of working out what the holdings of government property were in relation to assessed values of general property within a municipality. Now, is that information available for that purpose?—A. When we were making up this suggestion, sir, we had to make a very elaborate survey extending across all departments and agencies of government to try to ascertain the holdings of real property in the various municipalities with that end in mind; and, as I was saying yesterday, that record exists in the department, they have full records of all properties held; and, of course, for this particular purpose about which you speak it is necessary to have these properties evaluated on a basis comparable to the municipality in which the property is located, and they differ, naturally; so it has been necessary to assemble a great deal of information for that purpose and it is now being analysed and appraised in the light of the practice of each municipality involved, so we have got together a lot of material for that purpose.

Q. Well then, is this not the result? In view of the statements which have been made in parliament of the various proposals which have been made for payments in lieu of taxes in certain municipalities, it does necessitate the total listing of all buildings used by the department, of the real estate and

properties owned by the department within each municipality and the evaluation of those properties on a comparable basis to local property for tax purposes? —A. The departments themselves I believe were not asked to make local evaluations because in many cases it involves a personal skill that they could not be expected to have, but we did endeavour to secure from them a list of all those properties where it was considered necessary that the crown should have a list of them.

Q. Well then, for the purpose of carrying out this proposal for payments of money in lieu of taxes, would not that require a detailed list of properties as well as the value of the property?—A. Yes sir, but I would not say that those values are all comparable on a local payment basis.

By Mr. Sinclair:

Q. I wonder if you could tell me this; why is it that there should be a charge and a record kept of payments by patients treated by the Department of Veterans Affairs—that appears on page 5 of the Report of the Auditor General, item 21—when according to the next item, item 22, no charge is made for a similar service rendered by the Department of National Health and Welfare. —A. I am afraid I could not give you any explanation of that, Mr. Sinclair, as to why there is that difference in practice. It would certainly seem to me that if it is appropriate for Veterans Affairs it would also be appropriate for a similar service under Health and Welfare. One might expect to find in regard to that that in Veterans Affairs they have been doing a considerable amount of work for the other departments. I am not sure that it would be as important, quantitatively or proportionately, under Health and Welfare.

Q. The point he makes there seems to me important because he points out that the practice has an effect on revenue. However, the next item is one we shall find even more interesting, item 23, on page 8: Benefits to Sick Mariners. I think that is much more significant, because the whole intent of the legislation is to establish a service at cost, and yet with respect the revenue of those municipalities' revenue funds, while payments are made by the department, the result is this very great gap.—A. There is some virtue in incentive there, I think, in many cases; but we have to offset that against the considerations that I mentioned, the desirability of attempting to provide for expenditures on a gross basis in order to give parliament a better measure of control; however, if we showed the revenue and the detail for each vote that might help in bringing about the incentive on the part of the department to operate efficiently.

Q. In cases of this kind we intended that the service should carry itself?

The CHAIRMAN: Gentlemen, it is a quarter to one.

The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

TUESDAY, MAY 16, 1950

WITNESS:

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

OTTAWA
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MINUTES OF PROCEEDINGS

TUESDAY, May 16, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Vice-Chairman, Mr. David Croll, presiding.

Members present: Messrs. Balcer, Blue, Boisvert, Browne (*St. John's West*), Cauchon, Cavers, Croll, Drew, Fraser, Gauthier (*Portneuf*), Hansell, Helme, Johnston, Kirk (*Antigonish-Guysborough*), Macdonnell, Major, Kirk (*Digby-Yarmouth*), Prudham, Richard (*Ottawa East*), Robinson, Sinclair, Thatcher, Warren, Wright.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

Mr. Bryce tabled statements showing a breakdown of Item 9 of the summary of the estimates tabled by him on May 5, which are printed as *Appendices A* and *B* to this day's minutes of proceedings and evidence.

The Committee resumed consideration of the memorandum tabled by Mr. Watson Sellar, Auditor General, on April 27, respecting the preparation of the estimates, and which is printed as *Appendix B* to that day's minutes of proceedings and evidence.

Examination of Mr. Bryce was concluded.

It was agreed that Mr. J. G. Taggart, Deputy Minister of Agriculture, be heard at the next meeting.

At 6 o'clock p.m. the Committee adjourned until Thursday, May 18, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

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MINUTES OF EVIDENCE

HOUSE OF COMMONS,
TUESDAY, May 16, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Vice-Chairman, Mr. D. A. Croll, presided.

The VICE-CHAIRMAN: Gentlemen, we have a quorum lets get started. Mr. Bryce was to elaborate further on item No. 9 which appeared in the appendix and was to explain certain items in connection therewith.

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

The WITNESS: Yes, Mr. Chairman, I was to provide the committee with a breakdown of the detail in item No. 9; and I was asked regarding the increases in National Revenue and under Finance. Under National Revenue the increase there from 1949-50 to 1950-51 was approximately $66,000. That increase is noted in the items of the various departments and the greatest increase is in the Taxation Division, where it amounts to about $100,000. Perhaps you would like to have that put in the record, Mr. Chairman.

The VICE-CHAIRMAN: Yes, that will be appendix "A" to today's report.

(See appendix "A")

By Mr. Macdonnell:

Q. May I ask a question there for information; can you enlighten us as to what branches use the frank and which use postage?—A. Broadly speaking, any mail sent out outside of Ottawa requires postage.

Q. Then the frank is only used in Ottawa?—A. Yes, the frank may only be used in sending mail from Ottawa.

Q. Any government office sending mail out from Ottawa can use the frank? —A. Yes, that is my understanding. The main increase there is in the total for the district offices of the Income Tax Division and I think it is due to the volume of business there.

By Mr. Fraser:

Q. You mentioned the frank being used at Ottawa.—Yes, for official mail.

Q. For official mail, would that include the Defence department sending out medals or things of that nature?—A. Where there is more than just the ordinary postage rates applicable, I do not believe so; but I am sorry I am not an expert on whether there would be extra postage charges for parcels and things of that sort.

Q. I mean they would be enclosed in a letter and I was wondering whether they would pay postage on that.—A. I am sorry I cannot tell you that. If you send mail from some outside point it would require postage.

Q. Yes; well now, in the discussion in the External Affairs Committee this morning we were told that the item of postage there included the carrying of diplomatic mail. If that was included as postage that item would appear in here, and if it were not directly used for postage the item would reduce by that amount, would it not?—A. It would not be postage through the Post Office, I suppose that comes in under what they would call their courier service.

Mr. RICHARD: Under this item here of telegrams, telephones and postage, would that include all the postage outside of Ottawa?

The WITNESS: It would include the postage, yes, unless there is something there for special delivery letters and things of that sort. I do not claim to be an expert on postal regulations.

Mr. HANSELL: Is there any particular reason why family allowance cheques are not franked?

The WITNESS: Yes, because they are all sent out from offices outside of Ottawa. Family allowance cheques are mailed from the various district offices, usually the capital city of the province. The operation is decentralized for that service.

The VICE-CHAIRMAN: Now, Mr. Bryce, was there another item?

The WITNESS: Yes sir, the other item was an explanation for the substantial increase in these categories in the Department of Finance, and again I have had a table made up which may be put into the record—perhaps the committee would like to have just a brief explanation as to how this increase occurred. In this case, sir, I must apologize to the committee. There was an item in 1949-50 that should have been in this category and was classed in the all other expenses category No. 30, and that is the main thing that accounts for the increase. It is clearly an item which should have been included here but it was simply overlooked.

Mr. MACDONNELL: What was the amount?

The WITNESS: $415,000 for telephone services for all the departments at Ottawa; and there was an increase of $100,000 in postage on family allowance and income tax refund cheques.

The VICE-CHAIRMAN: That statement will appear as appendix "B" in today's record, with the consent of the committee.

Some Hon. MEMBERS: Agreed.

(See appendix "B")

Mr. MACDONNELL: Mr. Chairman, is this a proper time to ask what check is kept on their long distance telephone calls, or should that be asked of some other departmental head? I mean this, quite frankly, I think we have all been impressed from time to time with the lighthearted way in which government servants use telephones where many times a letter would do perfectly well. Presumably there would be checks, how is that done?

The WITNESS: That is a control which is administered within the departments. From an administrative standpoint it is almost impossible to spell out detailed regulations for the use of long distance telephone calls, although one could appreciate that many times just as good service could be obtained through the use of telegram, the teletype or the writing of a letter. The departments have been asked to make use of the government teletype service, particularly that of the Department of National Defence wherever they can, in order to cut down telephone and telegraph charges, but we have to leave it to the judgment of the government departments as to whether telephone calls in particular circumstances are justified.

Mr. MACDONNELL: One thing that bothers me is this; items of that kind can run into huge amounts and we find that a great many of these charges are based largely on telephone services. I think we heard something the other day about what seems to be the unreasonable way in which civil servants come to look upon the use of the long distance telephones for calls, and I think personally that is one place where we are spending unnecessarily. They would not make so many long distance calls if they had to pay for them. I think we all recognize that limitation. But the point I want to make is this, Mr. Chairman, that I think we should have a little enlightenment and that we should have a look at the actual long distance telephone bills in the various departments to see just

what they amount to. I do not want to ask for the production of any details which are not reasonable, Mr. Chairman, but I submit that that is one thing we ought to have a look at, to see what extent, if any, the use of long distance telephones is being abused in the public service.

The VICE-CHAIRMAN: Perhaps, Mr. Macdonnell, when we have the government officers here before us we could ask them about that. We are now on this memorandum of April 26 submitted by Mr. Sellar on the estimates. Are there any more questions about any point arising out of that?

Mr. THATCHER: I wanted to ask a question on point No. 9; would it be proper to do that at this time?

The VICE-CHAIRMAN: Go ahead.

By Mr. Thatcher:

Q. Mr. Sellar made the statement there (this is on page 5, item 9) where he says, "Ministers can and do control decisions of policy, but application is delegated and it is the dead-weight of administrative cost that is of concern when estimates are under review. For example, in the present estimates, provision for salaries and wages of public employees exceeds $300,000,000. It will be the salaried expert, not the minister, who will be in indirect contact with the committee, therefore the form or text of items should be such that the expert is not in position to barter." The point I would like to make is this, that I think that is a quite important statement, and the point I would like to ask Mr. Bryce is what steps are taken by the Civil Service if certain employees are found to be superfluous or inefficient; or, how does the civil servant get dismissed for such reasons; have you a procedure?—A. Yes, sir.

Q. What is it?—A. In regard to the formal situation, civil servants of course are employed during pleasure, as the phrase is in the law, and there is no obligation to retain them beyond such time as His Majesty decides to retain them and has some use for them. Normally when a function is reducing or terminated, an effort is made or has been in recent years, when there are expansions in various other portions of the Civil Service, to place those who become surplus in one place into another place wherever that sort of staff is required. The Civil Service Commission has power that normally enables them to do that, that is to remove staff from where they become unnecessary to where they are useful.

Q. Suppose now, Mr. Bryce, that some department decides this man is not needed, supposing he is not needed for the work of the department which has gone down a little; what would the procedure be for the departmental head to get rid of that employee, could he release him?—A. In the case of a temporary civil servant the department can simply release them, tell them their employment is finished at such and such a date and they are released.

Q. The departmental manager can do that?—A. Yes, the responsible officer of the department can do that.

The VICE-CHAIRMAN: That is temporary.

The WITNESS: In the case of a temporary civil servant, and in most of these situations where you have reducing staffs it applies to the temporary staff, as they are called in the Civil Service Act. That is the ordinary way in which it is done. If they are permanent civil servants, as they are called under the Civil Service Act and the Superannuation Act and similar statutes, normally they can only be dismissed by order in council, and there are orders in council dismissing or releasing certain persons or retiring them from the Civil Service from time to time. It is not unheard of by any means, that they are retired,

dismissed or released in other manners, and there is no legal obstacle and there is no procedural obstacle to reducing staff when they are no longer required.

Q. Mr. Sellar used the word "dead-weight". I don't know whether that signifies anything or not. I am just wondering. There are many individuals who are temporary civil servants and their work is discontinued and they are let out. I think you said the other day that a good many of them are shifted, and yet we find that right today the Civil Service is several times greater than it was before the war. I was just wondering whether that huge wartime Civil Service which was built up is really being cut down quite to the extent that we are told is being done.—A. We are endeavouring to attempt to eliminate those who are not required or to use them on some more efficient operations, but the total numbers I believe are less than they were at the peak which occurred just a little after the end of the war, within some months after the end of the war. They went down for a time and then came up again, coming up again as certain operations expanded. The Bureau of Statistics puts out each year figures on the number of civil servants which reflects the major trend, and one has to make allowances, although it is difficult to decide just exactly what boundary lines to use; do you include casual construction workers, for example. The Bureau of Statistics figures will show the trend and I would think they would be a valuable aid to the committee.

Q. Would the Civil Service staff be at an all time peak just at the moment?—A. I don't believe it is, I believe the big peak was reached shortly after the end of the war and then it went down and it has since come up again.

Q. Which is one and the same thing. Do you know in the past year, in the accounts that we are studying, numerous specific instances where civil servants have become superfluous or inefficient and who have been dismissed, do you know of cases of that kind?—A. I know there have been cases but I cannot tell you from memory, but there have been cases.

Q. But very few, I suppose.—A. Oh, there would be a great many temporary civil servants who would be released.

Q. I am asking about the permanents.—A. Permanent civil servants, there are not very many dismissed—

Q. That is my point.—A. —for cause, but there were a number retired for age or one cause or another.

Q. I am not worried about that, I just wondered when they became superfluous or inefficient, if there were many times in the past year when that had happened.—A. Not a great many, no. It is not common.

Q. Well then, suppose the department decides that for certain activities they need extra staff, what is the procedure? I know they go to the Civil Service Commission. Can the departmental head say; now, I need another man and just put in his application—what is the check there?—A. The department first has to tell the Civil Service Commission that they need an additional position of a particular class perhaps, and the Civil Service Commission's appropriate investigator, from their organization and classification branch, investigates the requirements. He will then take the matter up with the appropriate departmental officers and if he is satisfied and the Civil Service Commissioners are satisfied they will recommend to the Treasury Board the establishment of an additional position or positions for those purposes. The Board will then look at it, not in as much detail, but in the light of the reports received from the Commission and from the department and decide whether they are prepared to approve the recommendation made jointly by the department and the Civil Service Commission and if so the Treasury Board will then authorize the establishment of a temporary position, or positions for that

purpose. The normal procedure is first to establish a temporary position and then at some future date when it becomes clear that the job is a continuing one, if the person in question is eligible for permanent appointment, then he will be made permanent at that future time.

Q. Is there a general order or directive at the moment in the Treasury Board or Department of Finance suggesting that the Civil Service should be kept static if possible or reduced; is any attempt being made to get it down more in line with present needs?—A. There is, sir. The Treasury Board does not issue a sort of ceiling figure for the whole of the Civil Service because it is impossible to take into account so many of the various circumstances in different departments. The Board first considers this where they scrutinize the estimates. We check very carefully all staff requirements to see what is involved. Also in recent years we have been attempting to reduce salary costs by introducing more efficient methods of getting work done, which is really one of the most constructive ways of securing economy. For that purpose, as you may have noticed in recent years, provision has been made in the estimates of the Civil Service for staff on what we call organization and methods work. They are a sort of consulting unit which can be called in by the departments to assist them in re-organizing methods and in re-organizing various sections of the departments. The Treasury Board has encouraged the various units of government to make use of this sort of service and to carry out reviews of their operations in order to achieve greater efficiency. Quite a number of the departments have made use of that service and that has resulted in securing increased efficiency.

Q. There is one other point I would like to touch on, I think it is a fair one: has the Treasury Board given consideration to the appointment of a commission such as the Hoover Commission in the United States to make an investigation into every department to ascertain where savings could be made? Is that a fair question?

The VICE-CHAIRMAN: Of course it is not a fair question. There is hardly a fair question put to this witness. It would be a fair question to put to the Prime Minister. You see there is a matter of policy involved.

Mr. THATCHER: Is that a matter of policy?

The VICE-CHAIRMAN: Of course it is a matter of government policy. It it not a matter for a departmental official to answer?

Mr. RICHARD: I would like to say this, that the question put by Mr. Thatcher is a very important one because it relates to the administration of the Civil Service. I think the answer to Mr. Thatcher's question should be this, that there is not much danger of putting a permanent employee out, except for cause.

The VICE-CHAIRMAN: Should I swear you before you give evidence?

Mr. RICHARD: Yes. I do not think that Mr. Bryce is any more competent a witness on that subject than I am.

The VICE-CHAIRMAN: No.

Mr. RICHARD: I think we should send that matter to another committee.

Mr. SINCLAIR: The point Mr. Thatcher raised has to do with the difference between the dismissal of a permanent civil servant and a temporary civil servant. I understood the witness to say that there were considerably more temporary employees in the departments than there are permanent employees, and that most of the reductions of the staff have been made through the transfer or release of temporary employees.

Mr. RICHARD: But Mr. Thatcher's question related to dismissals because of staff being superfluous or inefficient.

Mr. SINCLAIR: And one of the reasons for that statement I take it is because of the strict proportion maintained between the number of permanent and temporary civil servants employed; and I understand that the reason there are so many temporary employees—at least one of the reasons—is that they have to serve a certain probationary period before they can be made permanent. Is that not so?

The WITNESS: Yes, the department has to be satisfied that the employee is going to be an efficient employee before he is recommended for permanent appointment.

Mr. SINCLAIR: And there is a further point there as far as permanent employees are concerned, that if positions in the department become superfluous obviously the positions that become superfluous are not the permanent positions but rather those held by temporaries and they are the ones to be let go; isn't that a fair statement?

The WITNESS: Yes, that is the usual practice, the temporary staff is expected to be the fluctuating staff.

Mr. MACDONNELL: Mr. Chairman, I think we ought to be very thankful for the evidence that Mr. Sinclair has given.

The VICE-CHAIRMAN: No, he asked a question.

By Mr. Fraser:

Q. Mr. Thatcher asked if any investigation had been made in the departments along certain lines and I would refer to page 119 of the estimates where you see there a director of Government Economies Control, and I see there is a Director of the Economic Policy Division; now, there seems to be within the Department of Finance a set-up to try to bring in economies in the different departments, or is that confined just to Finance?—A. Well sir, the Director of Government Economies Control is an officer who occupies an office which was establish during the war when special measures were taken to introduce special wartime economies in the use of stationery and office supplies, as you may recall, of one sort or another. His operations there were considered to be serving a useful purpose in securing special controls in that field, largely confined to printing, stationary and office supplies. That office was continued after the war and finally the officer in question was transferred to the Department of Finance in the Treasury Board division to carry on his work. At that time he scrutinized the requests made by the departments for purposes in that particular field and his function was to examine those requisitions in an endeavour to see tha the type of supplies required conformed to the most economical purchasing plan available; and, secondly, to see that there is a good argument for each of the requisitions. That related principally to requisitions on the King's Printer, and his duty was to scrutinize them and to see that there was a good argument for the various amounts that were requested.

Q. Was that just in the Department of Finance or all departments?—A. He covered requisitions for all departments.

Q. And he has quite a staff I assume?—A. Just himself and one or two assistants.

Q. We have been talking about permanent and temporary employees, what is meant by casual and others?—A. Casual employees are normally employed only for a few months. Originally under the Civil Service Act I think that was passed in 1918 or 1919 temporary employees were people who were hired for a few months but over the course of the years temporary employees came to be employed for a fairly long temporary period one normally extending beyond a few months and that is why we have now this class of casuals.

Q. There seem to be four groups because you have "casuals and others."—A. Certain seasonal workers, for example, men who are hired for survey parties during the summertime—where they are hired for specific short periods of time.

Q. In External Affairs, they would not be casual there?—A. No, they might be casual employees. I do not know if that is abroad or home.

The VICE-CHAIRMAN: Especially in Czechoslovakia, and so on; they might be said to be casual because they don't know when they will get thrown out.

Mr. JOHNSTON: Regarding temporary civil servants, I think Mr. Sinclair said a while ago that a temporary employee was just kept on to ascertain his suitability or efficiency looking toward his permanent appointment, and a good many employees are regarded as temporary although their employment may extend from one year to ten. Well, Mr. Chairman, if they are kept on there for ten years—I understand some have been in a temperary capacity for as much as twenty years—that certainly is not for the purposes of ascertaining their efficiency. And I understand that there are some departments where it is almost impossible to get rid of a permanent employee.

The VICE-CHAIRMAN: Do you not mean temporary?

Mr. JOHNSTON: No, I mean permanent, and they have temporaries who have been on there as much as ten years or more and yet there is no question of their efficiency, it is not a case of probation to ascertain their efficiency; it is just impossible to get them placed; the only way they can be placed is when somebody retires or somebody dies.

Mr. SINCLAIR: Mr. Chairman, on a point of order; I did not suggest that the temporary employee was appointed solely for purposes of probation.

Mr. JOHNSTON: Well, Mr. Chairman, I thought that was what he said, that they were regarded as temporary until their efficiency had been demonstrated.

The WITNESS: We were talking about temporary employees, there have been temporary employees who have been temporary for a good many years. A great many of them have been made permanent in recent years. We also have in the government service now a great many employees who were taken on during the war years in expectation that they would not be employed for long afterward and they are still employed and still temporary in many cases.

Mr. THATCHER: Is it not true that it is almost impossible to get rid of a permanent employee no matter how inefficient he may be?

The WITNESS: I would say not. I think it is only the same sort of problem that you encounter in private business, that when an employee has been on your staff for many years you are reluctant to discharge him unless you have good cause for doing so.

Mr. JOHNSTON: The word "reluctant" may cover a lot.

The WITNESS: I think it is largely a human problem but in no sense a legal problem or one peculiar to government organizations as distinguished from other organizations.

Mr. MACDONNELL: I want to ask a question which I think is purely a question of fact. Mr. Thatcher raised a series of questions about the way efficiency in the Civil Service could be improved.

The VICE-CHAIRMAN: All right, Mr. Macdonnell, go ahead.

By Mr. Macdonnell:

Q. Mr. Bryce, you are familiar with the fact that the Mainguy report made certain criticisms; do you happen to know whether those criticisms led to any shake-up in the government or the naval department?—A. I am sorry, sir, I do not know that.

Q. Then, secondly, reference was made to getting in an efficiency expert to look things over, such as the ones who were brought in in the case of the Film Board.—A. Yes, sir.

Q. You know, as a matter of fact, of the results of their reports?—A. I have had a detailed discussion with Mr. Irwin, the commissioner, with regard to the changes that are being made as a consequence of that report both in regard to accounts and in regard to staff.

Q. Has that report been published?—A. Yes sir, it was tabled in the House.

Q. So would you say that the result of that report has brought about or will bring about changes in the Film Board—perhaps the question which I had in mind to ask is really a matter of policy and should be reserved.

By Mr. Richard:

Q. Is it not a fact, Mr. Bryce, that permanent civil servants are protected by the Civil Service Act and cannot be dismissed except for inefficiency, ill health, abolition of the position or misconduct?—A. I believe the legal position is that they can be dismissed at His Majesty's pleasure.

Q. I beg to disagree with you on that; that is in the Civil Service Act, that permanent employees can only be dismissed for cause. Now, another point is this: is it not also a fact that the reason we have so many employees whom we cannot dismiss is because of the fact that 30 to 40 per cent of the employees in every department only are temporary?—A. It is not as high as that in all cases.

Q. But there is a quota, isn't there?—A. There are normally quotas of permanent and temporary employees established by the Treasury Board so that there will normally be a margin of temporary employees serving as a fluctuating staff. That is one of the main purposes of having quotas, proportions or numbers of permanent and temporary employees.

Q. Isn't it also a fact that there is an order in council which prevents temporary employees, even if they have been temporary for ten years, from becoming permanent because they have no overseas standing?—A. I think it is rather this, that the overseas preference under the Civil Service Act gives them a preference on the eligible list from which permanent appointments are made.

Q. Is it not a fact that you cannot make a person permanent until that order in council is rescinded? It is not a question of practice.—A. No sir, the order in council to which you refer—I do not believe it is strictly speaking an order in council, I think it is the policy of the government or the Treasury Board, and the Civil Service Commission—it is really intended to provide for the appointment of a temporary to a permanent position where no one with the veteran qualification is available on the eligible list; in other words they are not eligible for appointment unless they have competed against veterans and they are on the eligible list and their name is reached for appointment from that eligible list.

Q. Do you know of any cases where temporary employees without overseas service qualifications have been made permanent?—A. Yes, a great many of them who come under the general policy I mentioned can be and have been made permanent, as long as they have qualified for permanent appointment by competition in which veterans have been able to compete.

Mr. MACDONNELL: I do not imagine, Mr. Chairman, it would be proper to ask Mr. Bryce to deal with the report on the Film Board, but I do suggest that it would be a proper matter for the steering committee to consider, and whether we should not have Mr. Irwin come before this committee and let us see what actually has happened there.

The VICE-CHAIRMAN: I will see that the steering committee deals with that matter.

By Mr. Thatcher:

Q. I would like to pursue for a moment the line of questioning begun by Mr. Richard. I am not yet clear as to the exact procedure that goes into effect to dismiss a permanent employee. Is it the Civil Service Commission who takes the matter in hand; or, just how is it done?—A. It would be the deputy head of the department or the officer authorized by him to deal with the matter, and a recommendation would be made to the Governor in Council which would normally go through the Treasury Board and would be acted on by the Board.

Q. You say it normally would go through the Treasury Board?—A. Yes.

Q. Would it be too much trouble—if it is I would not ask it—to give us a list of the number of employees in the past year who have been dismissed for inefficiency or similar cause, and also indicate of those the number who were permanent and the number who were temporary.—A. I think I could give you the number of permanent employees. It might be a little more difficult to get it in complete detail with regard to the temporary employees because there are a great many taken on for temporary work and it is sometimes hard to say just when that temporary work is finished.

Mr. GAUTHIER: You want just the number?

Mr. THATCHER: Yes. I am still concerned with what Mr. Richard said because it does not just seem to gibe with what you have told us and I would like to know which is right. I think you said that a permanent civil servant who is not needed or who is inefficient can be dismissed while Mr. Richard says that he cannot be dismissed. Which is right? Can he or can't he, that is the question.

The VICE-CHAIRMAN: Mr. Thatcher, did not Mr. Bryce give it as his opinion—

Mr. THATCHER: —that he could be.

The VICE-CHAIRMAN: He said he is there at the pleasure of His Majesty. Those were his words.

Mr. RICHARD: Then, Mr. Chairman, I would refer you to the Civil Service Act. I was quoting from the Civil Service Act which gives the reasons for which a permanent employee may be dismissed—inefficiency, misconduct, ill health, or the abolition of the job.

The VICE-CHAIRMAN: Well now, let us go back to this memorandum. We seem to be getting away from the original question. Are there any more questions which any member would like to ask with regard to section 9?

By Mr. Wright:

Q. I understood Mr. Bryce to say that temporary assistants were all hired through the Civil Service Commission, that they cannot be hired without an application through the Civil Service Commission?—A. It is not all through the Civil Service Commission, sir; there are certain statutes that permit employees being appointed by the minister concerned or by the Governor in Council; for example, the Film Board employees who were mentioned here a while ago, the Film Board appoints most of its employees without going to the Civil Service Commission because it is permitted by statute to do so, and the same is true of quite a number of government agencies. This also applies to appointments made at prevailing rates, that is where people work for wages. Otherwise, the normal procedure is to have the appointment made by the Civil Service Commission. There are quite a number of agencies of that kind, for instance there

is the staff of the Prairie Farm Rehabilitation Administration and the Prairie Farm Assistance Act, and other agencies of that kind which, under the statutes relating to them, can hire their staff otherwise than through the Civil Service Commission.

Q. Does that apply to departments such as the Department of Agriculture for temporary assistants here in Ottawa such as in the Publications Branch or the Information Service or in other branches of the Department of Agriculture; or, are all the temporary assistants in that department hired through the Civil Service Commission?—A. In the great majority of cases, sir; there are one or two situations I believe in respect to appointments where authority is given to hire, to pay salaries for persons hired outside of the Civil Service Act; for instance there are those mentioned in the estimates at vote 29 where you will see a small vote that permits that; but with those minor exceptions and things such as the Prairie Farm Rehabilitation Act and the Prairie Farm Assistance Act, and employees of special agencies of that kind, the rest are all under the Civil Service Commission.

Q. And those under the Prairie Farm Assistance Act and the Prairie Farm Rehabilitation Act, those employees are not hired through the Civil Service Commission?—A. I believe the statute related gives them the authority to make their own appointments.

Q. Well then how would you get the difference between temporary, casual and others, where is the line drawn, what is the dividing line?—A. Basically it is in the estimates we set that dividing line. Temporary assistants are those whom we speak of as being kept on but whose employment is not of continuing indeterminate duration while the casuals and others are the ones we expect to be hired for a portion of the year for short term requirements.

Q. Is there any particular reason why employees under the Prairie Farm Rehabilitation Act and the Prairie Farm Assistance Act should not be secured through the Civil Service Commission?—A. Well, sir, I think that is a question which should be directed to representatives of the Department of Agriculture rather than to me.

Mr. MACDONNELL: I would like to say that I think it was three years ago I tried to get that information from the Bureau of Statistics and with all their great ability they were not able to give me the figures regarding the number of employees in the government services; in fact they really could not do it because there were so many categories. I wanted to get it for my budget speech and it was most extraordinarily difficult. I did raise the question as to why there were such a number of categories with all the different qualifications and different methods of appointment—it is almost as bad as a jigsaw puzzle and it stumped even an efficient body like the Dominion Bureau of Statistics.

The VICE-CHAIRMAN: I sent over a question to the Bureau about two weeks ago and I got the answer to my question in about two days.

By Mr. Browne:

Q. Could we have an answer to that question for the record—the number of permanent and temporary and casual employees for let us say the year 1949-1950?—A. Would you like to have that as of some particular date?

Q. Is it made as of dates?—A. Yes.

Q. Well, then, let us say the first of April.—A. Or the 31st of March, normal statistics are supplied for that date.

Q. That will be all right.

By Mr. Helme:

Q. I understand that the departments are only allowed so many permanent employees, is that right?—A. Yes sir, normally there is a relationship

between the number of permanent and the number of temporary employees and in authorizing or creating permanent positions we try to keep within the proportions set.

Q. What gives a person the right to permanent appointment? I know of a particular case which has been giving me some concern. It was the case of a chap who was appointed temporarily in 1933 and continued temporary until 1940 when he joined the army. When he came back he qualified with very high marks for permanent appointment but he is still temporary, and I am told that until someone retires or leaves he will still be in a temporary position. I would think it would be reasonable to assume that a person who is qualified and has been in the department for seventeen years would by this time be eligible for appointment to some permanent position.

The VICE-CHAIRMAN: Apparently it is a very flexible rule.

Mr. HELME: I think we should know just what they mean by temporary appointment and permanent appointment.

Mr. BROWNE: But he has a pension, is that right?

Mr. HELME: Yes, he has a pension and he is eligible for retirement leave but he has no superannuation rights.

The WITNESS: Well, sir, in general the superannuation plan is restricted to permanent civil servants and is not open to temporary civil servants. There is a provision in it which covers certain employees who are not civil servants in the ordinary sense, who are appointed for a term of years in a government agency.

The VICE-CHAIRMAN: Gentlemen, we are now on section 9, are there any other questions with respect to this memorandum?

Mr. THATCHER: Yes, Mr. Chairman, on paragraph 9 I would like to ask if there are any investigations being made with respect to other departments similar to the one which was made into Film Board.

The WITNESS: There are a good many investigations being made by the unit to which I referred in the Civil Service Commission, and within departments they do conduct investigations themselves.

Mr. MACDONNELL: What departments are being investigated?

The WITNESS: I should not like to say in what units; for one thing I do not know in what units they are carrying on that work at present. In respect to our own department I think I may reasonably say that we have made use of this group in the Civil Service Commission to assist us in cutting down the cost of operations in the superannuation branch where we felt the operation could be made more efficient if we went into a detailed study with them and endeavoured to plan the use of modern methods and machinery, including calculation techniques and bookkeeping machines and things of that sort. That work has been in progress for some time and I think you will find some of the results reflected in the estimates; similarly we are using our own departmental officers to investigate the efficiency of the operations in our cheque adjustment branch in an endeavour to get greater economy.

Mr. THATCHER: Where you find that you can release staff as a result of investigations of that kind what you do with them, do you put them in some other department?

The WITNESS: We have had to cut down our staff. The superannuation branch has just released some of its employees.

By Mr. Fraser:

Q. Might I ask one other question? Then, as far as you know, there is no outside business firm which has come into any department other than the Film Board to make a study of operations?—A. That has come in at any time in the past?

Q. Within the last year.—A. Well, sir, I am not so sure how far I should go there to say either yes or no. First of all I would be speaking from memory, and secondly I learn many things in my position that are the responsibility of other departments and for that reason I rather hesitate to say anything.

Q. I appreciate that.

Mr. RICHARD: I think many of the questions we are putting to the witness are questions that it would be very nice to have the answers to, but I suggest that they are questions which should be directed to other officials.

The VICE-CHAIRMAN: Let us get back on the road again.

Mr. MACDONNELL: I think it would be very proper to get that very answer from somebody, as to whether in any other department anything similar to that is being done.

The VICE-CHAIRMAN: Gentlemen, when we get down to the estimates we will have before us any officials this committee decide they want to hear and they will be available to answer for their department. Now, let us get on to this memorandum.

Mr. MACDONNELL: Just before we leave this memorandum, Mr. Chairman, you will recall that we were to get a statement from Mr. Bryce as to the capital assets not shown as such, not in the government records at the moment—is that the proper way to put it? You remember.

The WITNESS: Yes sir, and I have written to all of those departments whom we thought would have any such assets and they are now making up a list, and I should say that it will take some time to get that information assembled. We will get that for you as quickly as possible.

The VICE-CHAIRMAN: And there is another matter which has been outstanding, that is the question asked by Mr. Diefenbaker. That information will be available within a week and we will table it then. It will be much too large to put in the record but it will be available to members through the office of the clerk. That is the information with respect to travelling expenses.

By Mr. Johnston:

Q. Let us refer to No. 10 on page 5. However, the part that I want to refer to is on page 6. Mr. Sellar was referring to items 531 "Treatment Services, $34,389,177; and item 532 Prosthetic Services, $983,450". And in the next paragraph he said: "Is the intent that, if and when vote 532 is spent no further patients may be accepted, or may they become a charge to vote 531?"—My question is: Is there any way in which the department can use the money in vote 531 for the purposes of vote 532?—A. No, sir. The description of these votes, as I said the other day, are really conventional to describe in a general way the purpose for which they exist. But in actual administration it is understood to what they apply, and vote 532 applies really to the manufacture of prosthetic appliances and certain related articles, while vote 531 is a large vote to look after the whole hospitalization and treatment services in general.

Q. I understood Mr. Sellar to say that there is a transfer between votes similar to that, where they can deduct money from one vote and use it in connection with another, without getting a direction from the Treasury Board? —A. I do not believe, sir, there are any, except the few votes which I mentioned on an earlier occasion where specific provision is made in the vote to use them to supplement other votes, or for unforeseen purposes.

Q. But I think the inference which Mr. Sellar has drawn is that that practice is followed.

The VICE-CHAIRMAN: Well, Mr. Johnston, the witness denies it. His answer is "no". This witness says "no". Can he say any more than that? There is a difference of opinion between what the witness says and what Mr. Sellar said, so that is that.

By Mr. Johnston:

Q. Maybe I misunderstood Mr. Sellar, but I thought it was quite clear at the time because I asked him to repeat it. But if the witness says definitely that that cannot be done, then, when Mr. Sellar comes back, we shall have to question him again on the matter.—A. Our understanding is that there are certain employees whose salaries are charged to this vote for prosthetic services, and there are certain types of materials, supplies and equipment purchased for this particular service as required in that service, and they must be paid for out of the vote for that service rather than out of the vote for the treatment services. In some unusual cases it is hard to say whether they are for treatment services or for prosthetic services; so the question is: how clear a line can be drawn? And the comptroller of the treasury might be able to testify more accurately to that than anyone else.

By Mr. Browne:

Q. Does the witness know where these services are located?—A. I could not say. I believe most of these prosthetic services would not be in hospitals. I believe nearly all of the treatment services would however be in hospitals or regional offices. But someone from Veterans Affairs would have to testify as to that.

The VICE-CHAIRMAN: We are still on this memorandum.

Mr. WRIGHT: Mr. Chairman, with respect to the gifts made by certain departments—

The VICE-CHAIRMAN: Mr. Taggart will be here as our next witness and he will deal with that matter. You brought it up last time. Mr. Taggart is by far the best man to deal with it. He will be our next witness after this witness finishes. It may not be today, but next day.

Mr. WRIGHT: I think we should have Mr. Bryce's opinion as to whether these gifts contravene parliamentary authority.

The VICE-CHAIRMAN: Mr. Bryce is in no position to give us that opinion. He is here to give us facts, as far as possible. That question will go before the appropriate minister. It has already been dealt with once, and dealt within a very leisurely fashion.

By Mr. Wright:

Q. Has the Treasury been consulted in the making of these gifts?—A. Which gifts?

Q. The gifts referred to in one of Mr. Sellar's briefs. I think it was mentioned in the Public Accounts Committee Report Volume, in the brief presented to the committee on Thursday, April 27.—A. Yes, sir. These are gifts of surplus supplies. The Department of Finance, or the Treasury Board would normally be consulted in respect to a large transaction of that kind either through it coming before the Treasury Board or before the Cabinet, when the Minister of Finance would be asked for his views on it. And in the normal course of events, he would have consulted with his departmental officers.

Q. Would it apply to small amounts, or only to larger amounts?—A. That is a question of what would go to the cabinet and what would not. I would

have to be prepared to answer that question because I am not sure of the rule. But anything over a few thousand dollars would.

The VICE-CHAIRMAN: Are there any further questions on this memorandum of the 26th? If not—

Mr. BROWNE: Has the witness given his opinions on the methods suggested by the auditor-general for drafting the estimates in the future?

The VICE-CHAIRMAN: The witness has given evidence on that point on two occasions. It is in the minutes. I was here when he was questioned on that point. Is there anything further, gentlemen, with respect to this witness? This brings us,—with the exception of the memorandum which Mr. Macdonnell has asked for, and which will take a few days or some time to prepare, and the other memorandum to which reference was made—this brings us to the point where we are finished with the witness who is now before us.

By Mr. Johnston:

Q. Over on page 7 Mr. Sellar gave a summary of a vote which he thought would be much more advantageous than giving the information and so on in the different groupings of this item. Do you think that would be a worth while change in the estimates?—A. Well, sir, on that point in regard to the wording in the vote, as I believe I said the other day, it would be possible to make the actual wording of the vote more precise, if parliament wishes to have it more precise. The wordings have been rather conventional in the past. However, in the suggestion about the explanation of the vote, he goes on to speak about the explanatory texts in the details; and there, as I think I mentioned at one of the earlier meetings of the committee on this matter, the view of the government has been—and I believe it has been the general view in parliament in Canada for many years, that the minister responsible should make any explanations whether in writing or orally that are required in respect to any vote.

Q. You mean in the House?—A. Yes, sir. In some cases I believe they give certain material in writing; and in some cases—in most cases, orally. But I know it has been the view of the Minister of Finance, and it has been the practice for many years that the explanation of votes, which shade over into justification and which shade over into policy, should come from the minister concerned and should not be printed in the general documents submitted by the Minister of Finance on behalf of the government as a whole.

Q. I take it that you feel the way the estimates are compiled now is better than the suggestion which Mr. Sellar has given us?—A. In regard to the wording of the vote itself, we have taken the view that the wording was very largely just conventional description rather than precise legal description. But if you wish to have a more precise definition, that can be done if parliament so desires. With regard to an explanation, it is really a question whether anything other than bare figures is more appropriately supplied by the minister responsible who must discuss it in the House.

Q. If we want it that way, we can have it. But that was not my question. My question was: Which do you think in your judgment is the better form? —A. On the wording of the vote itself, sir?

Q. Yes, regrouping these items, for example?—A. On that I think we can consolidate some of the small votes.

Q. To advantage?—A. To advantage. But I feel a grouping of some of the other votes which Mr. Sellar suggests reduces quite substantially the basic control which parliament itself exercises over the purpose for which the expenditure is incurred.

By the Vice-Chairman:

Q. Are you not saying in effect: that the more votes which are consolidated, the less information is available to parliament? Is it saying that the more votes we consolidate, the less opportunity there will be for parliament to gain information from the minister on the floor?—A. That is an additional point. The one I was making is: that the more you consolidate the less the decisions parliament takes as to the direction of the expenditure.

Q. I see.

Mr. THATCHER: It is hard to figure these estimates out; and if they were consolidated in this way, we could hardly find anything at all.

Mr. MACDONNELL: It seems to be that we should get to the end of it. I was referring to the functional presentations which we have got here, and I mentioned particularly the Department of Transport where you get, perhaps, a dozen items under Telegraph and Telephones, totalling altogether something over $1 million. And I asked Mr. Bryce whether he thought the whole question could be better understood if we had the whole picture before us. I do not believe we reached a conclusion. I would like to ask this question: suppose you had those ten items, in one, the whole item of telegraphs and telephones, would you necessarily have less control because you had one item instead of ten? My own feeling is that if you do that, you could consider it and you would have a more intelligent approach to the thing and you would have not less control but more control.

The VICE-CHAIRMAN: Let us have the question.

The WITNESS: I think as far as the Treasury or the government through the Treasury Board having control over the department is concerned, they could have it in either case. But if you have more items, for instance—you mentioned the telegraph service and things of that sort—and if there are less votes and the votes are consolidated, it seems to me that the government would be allowed more latitude to direct expenditure within that vote for the various purposes covered by it than if there were half a dozen votes.

By Mr. Macdonnell:

Q. Suppose you have those details as you have them now; my understanding of Mr. Sellar's criticism was that we could still have plenty of details. But suppose you still have those bits and pieces as they are now amounting to an over-all figure to show what your whole communication within the Department of Transport is costing, together with some break-down of it, as you say, on a functional basis; I understand that hundreds of thousands of dollars of that figure as shown in the Department of Transport relate to air fields and so on?—A. Oh, perhaps I misunderstood you. Certainly as far as providing more information by cross-classification goes, I think we could assist parliament by giving it a cross-classification of types of expenditures, and in that sense it would improve parliamentary control. But I was thinking more of the legal control which parliament exercises through the vote under which the amount of the expenditure for a particular purpose is voted and is restricted to the amount provided. And my point was that the more votes which are consolidated as distinct from the details, the more votes are consolidated, the less parliament decides with respect to the direction of expenditures.

Q. When you speak about votes being consolidated, why is there a great difference in the explanation of details in one department as contrasted to all others? Take the Department of National Defence on page 168, for example. In one short paragraph it covers the whole question whereas on page 119 it takes a whole page to do so. Compare page 119 with 168, for example?—A. I think it is true that, first of all, in the case of the National Defence Department the general categories are fewer than in any other case because,

as I explained earlier, we decided shortly after the war that the items would be grouped. As I indicated at the last meeting, after a discussion with the officers concerned and the minister of National Defence we feel that it will be possible to show defence items next year in a similar sort of break-down to that of other departments. My second main point is that the details of civil salaries and wages are not given in items of defence as they are in most of the departments?

Q. All the other departments?—A. Yes. I do not know how much weight parliament attaches to getting all the details of the number of positions and the various salary rates. That was traditionally something which the House of Commons was interested in. But certainly we could eliminate a good deal of the bulk of the volume and devote it to other purposes if we cut down on details relating to salaries.

Mr. WARREN: I see that Mr. Johnston is sitting beside Mr. Bryce. I wonder if he knows how to build a $475 house?

Mr. JOHNSTON: But not the one you have in mind.

Mr. WARREN: You can come along and see it any time.

The VICE-CHAIRMAN: All right, Mr. Drew, if you please?

By Mr. Drew:

Q. Now, Mr. Bryce, it seems to me that this is something about which we should be as clear as possible because I am under the impression that what we have just been discussing is the main point of Mr. Sellar's argument as to the manner of presenting accounts in a way which would make it possible for the members really to recapture some authority over the estimates. As I read this—and you may correct me when I am finished if I am wrong—

The VICE-CHAIRMAN: What is the page?

Mr. DREW: On page 4 and on the succeeding pages, at the beginning of paragraph 8, Mr. Sellar is pointing out that a reduction in the number of estimates from approximately 600 to 200 would focus attention on particular subjects and would facilitate debate and give somewhat greater feeling of reality in regard to the subject matter.

But what he then points out at a later point in the memorandum is that this, of course, does not in any way affect the details to be given in a separate part at the end of the book, and that those details have no legal effect in dealing with the estimates, and that you deal with the votes at the front.

My thought is this: if you have a simplification of the items in the presentation of the estimates on which we actually vote, and those details are carried out even more completely under those various items, while it is perfectly true that we do not discuss each one of those items when the vote is called, nevertheless when that vote is called we have greater details with which we can discuss that vote, containing the factors which go into that single item. Carrying it forward, it seems to me that far from having lost control, you have even more complete control if you have fewer items and more details at the end. Because, although it is true that the details have no legal and binding effect on parliament, nevertheless they are shown, and they show what the details are which go to make up the total which we have to approve. And then it would be possible in a subsequent year to check with even more detail how the money has been used.—A. That may well be true. It is very difficult for Civil Servants to know whether a smaller number of votes with more detail is preferred by members of parliament, and whether they would find it more feasible to deal with the items more effectively. Naturally, those of us who are dealing with all the estimates throughout the year are immersed in them, and I am not sure that we can reasonably pass judgment on what is the

most effective number of votes and size of votes for parliamentary purposes. It seemed to us that members of parliament are much better judges of it than we who are civil servants.

Mr. THATCHER: Mr. Chairman, after what Mr. Drew has said I must say that the present way for the average back bencher is hard enough to figure out. If there were only 200 items, I am sure it would be a lot harder. And certainly I would be opposed to any method of cutting the estimates as Mr. Sellar suggested from 600 to 200. I cannot see how that would be a step forward at all.

The VICE-CHAIRMAN: That is a matter of argument. This completes, I believe, Mr. Bryce's evidence with respect to the memorandum now before us and if there are no further questions, Mr. Bryce may be excused. I want to thank him on behalf of the committee.

By Mr. Drew:

Q. One of the points which Mr. Sellar made was in regard to legislating by the inclusion of an item in the estimates which was not in itself put forward under any statutory authority. He pointed out the practice that had developed. He does that in paragraph 17 on page 11 in "Vote Texts that Legislate".

On that point I can recall a number of cases where quite substantial payments were provided for last year that were not contemplated by any earlier estimate or by any statutory provision. I can remember particularly the provision for the payment of certain obligations in connection with some boats that had been supplied to China under the Canadian Commercial Corporation, and other details at that time. Now the point I want to clear up in my mind is: if from time to time it does become necessary to provide money for something that was not covered by any existing statute, would it not be a relatively simple matter to have a clear indication in the presentation of the estimates that that item is being dealt with in that way and not under some statutory provision?—A. I think it would be possible, and on the whole it is done in many cases. For example, look at vote 86 on page 13.

Q. Of the estimates?—A. Of the estimates for this year and you will see in connection with the Comptroller of the Treasury: ".....to authorize payment to Norman Bell of compensation at a rate equivalent to £4-10-0 per week in respect of injuries received while employed in the overseas office of the Comptroller of the Treasury." I think that is a case of a vote which legislates perhaps in Mr. Sellar's sense. There is no Act of parliament otherwise authorizing this payment. This former employee of the Comptroller's office overseas was injured in his duties. He does not come under either the Canadian or the British Workmen's Compensation Acts, so this is in effect legislation authorizing that payment, as a weekly payment to him.

Q. I do not want to interrupt your train of thought, but I would point out,—before you leave this item, that while this amount is perhaps relatively small in itself and does not run into hundreds of thousands, or into millions of dollars as some of the other items have on certain occasions, that a layman reading this would not know whether these were authorized payments coming under a statute, or whether they called for approval under any statute at all.—A. Would you like to see a more specific wording indicating that no other statutory provision for such payment exists?

Q. What I am coming to is this: Mr. Sellar in his memorandum presents his point of view in a very realistic way. He refers to the fact that members are confronted with a series of items, and that unless there is a clarifying explanation, it is impossible for them to understand what lies behind a particular vote. If one were to act on this as an auditor, it would be necessary to follow back through and to find out under what statutory provision that particular item

comes; and before you could, as an auditor, pass on these accounts, you would have to find out where they were approved. It would seem to me reasonable that those who are not expert accountants, and who cannot be expert accountants —even if they are accountants sufficiently expert to deal with items of this kind—it would seem to me that they have the right to assume without reference to the statute itself that these are actually covered by some statutory authority, unless there is a clear statement to the contrary. But if there is a clear statement to the contrary, or if there is an excluding statement which says this is not covered by a statute, then it does point out to them that there is a reason for them to inquire as to why it became necessary to make this special provision outside of arrangements already made by parliament.

The VICE-CHAIRMAN: What is your suggestion?

The WITNESS: We have endeavoured in many cases to indicate where there is an Act authorizing payment. But I take it Mr. Drew's question is as to whether it would seem desirable to make quite clear by some sign or some form of wording in each case where other statutory authority for the payment did not exist; for example, take the case in the Department of Transport, on page 64, vote 527, for the Canadian Maritime Commission: "To provide assistance for Canadian flag ocean shipping industry." There is no statute. This item in the estimates is an item authorizing the use of funds for that purpose.

By Mr. Macdonnell:

Q. Does that really give legislative authority for it, and that only?—A. Yes, sir, I believe that is the case.

Mr. DREW: Here is the point exactly. I believe Mr. Bryce has given an explanation of exactly what I was trying to get in the case of Mr. Bell getting an allowance of £4-10-0 a week. That is very different from the case here. Here we have provision for $3 million to assist Canadian flag ocean shipping. To draw a comparison, you will find that in the case of assistance to food purchases of certain kinds a statute is placed before us under which the government has authority to finance money under certain terms. In this particular case $3 million is to be made available for Canadian flag ocean shipping, yet the only legislative authority for it is an item which contains these few words: "To provide assistance for Canadian flag ocean shipping industry. . . . ." I do not think we should be legislating for a general provision involving $3 million in that many words with no more description afforded. And Mr. Bryce has explained that this is the only statutory authority there will be for this amount of money.

Mr. MAJOR: But there was a motion to that effect made in the House last year, was there not?

The VICE-CHAIRMAN: No. There was a lengthy statement made by the Prime Minister when he reviewed the question of ocean going vessels and he said that we would subsidize to the extent of $3 million, and that was the end of it. That statement was made, and it is a matter of record. And then this followed.

Mr. DREW: That is right. The Chairman has explained the sequence of events. It was at a time when concern was being expressed about Canadian flag shipping and the Prime Minister made an announcement in the House that provision of this kind would be made. But there is no legislation covering it.

The VICE-CHAIRMAN: You are quite right.

Mr. DREW: And the only authority there will be for the advancement of that money, and the only guiding direction there will be, is contained in these few words which are covered as a single item. It seems to me that in a case

of this kind there should be some way in which we could very clearly see that this is the only authority, and it would be an appropriate point at which to point out exactly what the provisions are which apply.

The VICE-CHAIRMAN: I do not think the committee disagrees with you at all with respect to that, nor with respect to a similar item. But would not that be a matter we could put into our report?

Mr. DREW: You could put in a figure giving some clarification in addition which would indicate to the members what this kind of an item was.

The WITNESS: That this was the only legislative authority for such a payment?

The VICE-CHAIRMAN: I think Mr. Drew has a point which needs consideration and I shall ask the secretary to make a note of it and to bring it up at the appropriate time for discussion. I think that something needs to be done.

By Mr. Macdonnell:

Q. I would like Mr. Bryce to say, if he can, if there is any limit to it? I mean are we really, in every one of these items, are we, so to speak, passing a statute, or is there any limit to it? The particular case we have had before us was cushioned by the fact there was an announcement made in the House. There was a little difference there because a year ago the Prime Minister made certain remarks—whether there is a statutory authority or not—he said it. If we pass this, would not that settle it? Is there really no limit of any kind to a department coming in and asking for authority, and not just saying: all right, if it is passed, it is passed.—A. The reason I hesitate to answer this question categorically is that many of the activities of the government are carried out under general statutes, the implementation of which depends upon the voting of funds in the estimates. So I rather hesitate. Before me I see the geological survey vote. I am not sure how far any statute lays down how far such funds can be used. But I think we would agree that that is a normally accepted function to be carried on if the vote is appropriate, for the expenditure required.

Q. It is part of the ordinary business of the department?—A. Yes. And again there are various votes which are used in one way or another that are not spelled out in detail. Take the Department of Fisheries for example. There is a vote there for assisting in the construction of vessels of the dragger and/or long liner types, subject to such terms and conditions as may be approved by the Governor in Council. And I doubt if there is a specific statute providing for the terms and conditions there. I believe these are votes which have come up for some years and are now regarded as normal functions of the Department of Fisheries. I am not sure whether you would call a vote of that kind, one involving expenditures for which there is no other statutory provision. That is why I hesitate to express a firm opinion. That is because there is a whole series of payments that are covered; one would be based on a statement of policy and another would be by tradition.

By Mr. Drew:

Q. Let us take page 63, item 509: "Contribution to the South Pacific Air Transport Council as Canada's share towards the maintenance and operation of air transport facilities in the South Pacific." Would that be covered by any statutory provision?—A. I doubt it, sir.

Q. That is how it seemed to me, when I saw that item. Take an item like "Civil Aviation Services $7,708,041". Would that be covered by statute? I am referring to vote 501?—A. I would think it is covered by the statutes relating to the Department of Transport, which has authority to operate airways

and airports. But that is exactly the sort of problem I was speaking of. To what degree would you expect specific provision in statutes in carrying on the functions of making expenditures? Some of the statutes are in very general terms and depend for their implementation upon sums which are voted in the estimates.

Q. I can see three distinct types of cases where these would come up. One is the case where a statute calls for a specific type of service which inevitably involves money, but where it would be impossible to say how much must be done before the payment would be made. Therefore, while there is a statutory obligation on which the government can act, there are many methods of computation which might result. Nevertheless there would be the statutory obligation. That is one case outside of the ordinary run.

Then there would be another case where you would have created a general obligation by statute to perform certain functions which call for some agreement by which the financial obligation would be determined; and you would then have to determine what the amount would be. Then there is another case where there is no statutory provision made and that is the case where we should have a clear warning that we are not just passing on an amount that has been arrived at by the fulfilment of an obligation which parliament itself had created, but that there is a new allocation of money for which there is no authority. Would it be possible for you to have a list prepared to show that type of item wherever it appears?—A. I would have to consult with the Department of Justice on the statutory authority that exists. If the committee wishes us to attempt such a list. That is subject to the problem of trying to decide what general authority is concerned.

Q. My point is this: we have seen one case where $3 million is voted under no other authority than the wording of a vote itself; and another case of $112,000 on the page before where no other statutory authority obviously exists than the vote here. So I do not think the method of dealing with it should be so complicated that the only way you find them is first to find out the ones that are not by a general review of the statutes. Surely we should have a system under which those who are sitting in parliament can determine which votes they are called upon to vote and to create authority. We are legislating and we are allowing money, is not that so? And I think we should have a clear indication given to us where in addition to allowing money for a particular purpose we are also legislating.

Mr. MACDONNELL: And we have a fourth case where we legislate by a token dollar, and thereby throw the door wide open for the expenditures.

The VICE-CHAIRMAN: That speaks for itself. The item is there and that is all there is at the moment.

By Mr. Thatcher:

Q. I am not quite clear on this. If parliament passes an item in the estimates, is that not sufficient authority for the passage of the money?—A. Well, in many of these cases the only action that the government takes is the payment of the funds.

Q. Yes.—A. If the appropriation Act, with the item in the estimates included here, authorizes the payment of funds, that may be legislating in a sense that there is no other authority for making such payment in any other Act. For instance, if we compare the situation, let us say, in the case of the Pension Act where that Act lays down all the situations and conditions and such under which pensions are payable, with the type of vote we were speaking of where there is no statute defining the terms and conditions; your Pension Act vote is subject to the terms of the statute. But in the case of the Department of Transport vote, it is not subject to the terms of a specific statute.

Q. What I do not understand is this: when parliament passes that $112,000 item, can that money be legally spent, or does there have to be a statute behind it?—A. I think it could be legally spent all right. But Mr. Drew's question was: Could parliament have some sign warning it that these are expenditures which will have authority by the item itself and which are not subject to any specific statute relating to them.

The VICE-CHAIRMAN: If it were illegal, we would not do it.

By Mr. Cavers:

Q. Would there be any objection to prefacing the details of service as set out in the estimates with a functional summary perhaps? I mean a summary of the main objects. I think it has been referred to as a functional summary?—A. Yes, by a summary such as Mr. Macdonnell was describing a little while ago. That could be done. And if the committee wishes that to be done, I know that Mr. Abbott would be quite prepared to have it in the estimates for next year.

By Mr. Wright:

Q. I want to ask Mr. Bryce how the Auditor General would know whether the vote gave the authority or whether legislation was required? How does he know that it was spent for the purpose for which it was voted when there is so little detail as to what the expenditure is for. I cannot see how the Auditor General can determine the legality of expenditures of money without more detail covering them. How does the Auditor General in a case like that know what it is for?—A. You mean in the case of a contribution to the South Pacific Air Transport Council?

Q. Yes.—A. He would simply have to satisfy himself that the payments made were made to the South Pacific Air Transport Council and that it was payment of Canada's share towards the maintenance and operation of those air transport facilities in the South Pacific. There were no other conditions laid down by parliament other than those in the general statutes such as the Consolidated Revenue and Audit Act which apply to all expenditures.

Q. It seems to me there would be quite a bit of difficulty in a vote of this kind in determining the legality of some of the expenditure.

Mr. JOHNSTON: I understood the Auditor General to say the other day that that is the way it was, that every time there was a vote he had to look it up and see if there was proper authority behind it.

The VICE-CHAIRMAN: Of course, the fact that parliament passed the estimates is authority for the Auditor General.

Mr. DREW: That is exactly the danger point, what I am getting at is this. For the purpose of defining things one way or the other and so as to clarify my own thinking on it, the situation is this; that in the ordinary course of events when we see the estimates here we assume that the money set out is the money required to carry out obligations that have been created by law by parliament itself and that applies in the light of a great majority of items. In this case where the vote is passed it then becomes law. We should certainly know if we are both legislating and providing money at the same time. What I am pointing out is: here is one item where we voted $1 million—and another item next to it, just before it, of $112,000—which could only become legally authorized by the fact that we passed the vote. My thought is that we should know when we are legislating, and then we would be able to obtain such explanations and such assurances as would appropriately safeguard the expenditure of that money. I think you will agree, Mr. Bryce, that it does constitute an entirely different responsibility on the part of parliament when you deal with items of that kind than when you deal with an item that is controlled by the authority of parliament. Is that not so?

The WITNESS: I would agree that where parliament has already laid down detailed determining conditions as to the amount that can be expended there is less need for parliament to enquire on the estimates about the necessity of covering it with terms and conditions which will ensure complete control.

Mr. GAUTHIER: Is there any objection to indicating in votes of this kind whether there is any statutory authority for them?

The WITNESS: The only difficulty I see there is that there may be degrees rather than just a clear cut yes or no. For example, a statute relating to a department may authorize it to carry on in very general terms certain activities; would you regard that then as sufficient legislative authority for making the payments; whereas in other cases a statute may state in great detail the conditions under which the money may be paid; so it is a question of how much control any statute exercised over payments.

Mr. DREW: So that we may have a clear understanding of the matter, would it be possible for you to prepare a list which would show those items in these estimates for the coming year which gain legal authority by the vote itself?

The WITNESS: I think so, sir; we will try to do that if the committee wishes.

The VICE-CHAIRMAN: Yes, the committee wishes it. The committee is very interested in that. The committee wishes that. How long would it take you to do that?

The WITNESS: It will take some days.

The VICE-CHAIRMAN: Well, we are going to be here some days.

Gentlemen, that completes Mr. Bryce's evidence in respect to this memorandum. We still have to get from him the information requested by Mr. Macdonnell, Mr. Drew and Mr. Diefenbaker.

I would like to express to Mr. Bryce on behalf of the committee our thanks for his coming here and for the very able and efficient manner in which he has answered the multitude of questions which have been put to him in a most interesting and capable manner. Thank you very much Mr. Bryce.

—The committee adjourned.

APPENDIX A

9. *Telephones, Telegrams and Postages—National Revenue.*

The amount under this classification for National Revenue is made up as follows:

	1950-51	1949-50	Increase	Decrease
	$	$	$	$
Customs and Excise Division—				
General Administration—				
Telephones and Telegrams	8,000	8,000	—	—
Inspection, Invention and Audit Services—				
Telephones and Telegrams	5,850	5,850	—	—
Ports, Outports and Preventive Stations—				
Telegrams and Telephones	66,000	55,000	11,000	—
Postage	90,000	90,000	—	—
Taxation Division—				
General Administration—				
Telephones and Telegrams	10,000	15,000	—	5,000
District Offices—				
Telephones and Telegrams	110,000	150,000	—	40,000
Postage	700,000	600,000	100,000	—
Income Tax Appeal Board—				
Telephones and Telegrams	300	*300	—	—
	990,150	924,150	66,000	—
*Not detail in Estimates for 1949-50	—	300	300	—
	990,150	923,850	66,300	—

The increases are to provide for:

Customs and Excise—

Ports, Outports and Preventive Stations—

Telegrams and Telephones—

Increase of $11,000 is due to an advance in rental rates by independent telephone companies (other than the Bell Company) of approximately 20%.

Income Tax—District Offices—Postage

Of the increase of $100,000 an amount of $75,000 is to bring the estimate more in line with actual expenditure and the balance of $25,000 is to provide for accelerated follow-up on delinquent persons and other actions requiring the use of the mails.

APPENDIX B

9. *Telephones, Telegrams and Postage—Finance*

The provision for "Telephone Service at Ottawa for all Departments" amounting to $415,000 was inadvertently omitted from the amount shown for Finance in the general summary for 1949-50 and was included instead in item 30, "All Other Expenditures".

When this is added to the 1949-50 figure of $1,124,250 the amount becomes $1,539,250. The comparison with the 1950-51 Estimate then shows an increase for that year over 1949-50 of $100,650 and the details are:

	1950-51	1949-50	Increase	Decrease
	$	$	$	$
Comptroller of the Treasury—				
Postage—				
Family Allowance Cheques	875,000	815,000	60,000	—
Registration of Income Tax Refund Cheques	260,000	200,000	60,000	—
Farmers' Creditors Arrangement Act—				
Postage	150	500	—	350
Telephones and Telegrams	250	250	—	—
Foreign Exchange Control Board—				
Telephones and Telegrams	32,000	32,000	—	—
Tariff Board—				
Telephones and Telegrams	1,500	1,500	—	—
Wartime Prices and Trade Board—				
Telephones	23,000	40,000	—	17,000
Telegrams	3,000	10,000	—	7,000
Postage	30,000	25,000	5,000	—
Telephone Service at Ottawa for all Departments	415,000	415,000	—	—
	1,639,900	1,539,250	100,650	—

The increases are to provide for:

Comptroller of the Treasury—

Postage—Family Allowance Cheques—The additional amount is required on account of the increase in the number of families in receipt of the allowance.

Postage—Registration of Income Tax Refund Cheques—Due to the greater number of refund cheques to be sent out after March 31, 1950 as a result of the increase in the tax exemption on income last year. Many refunds would not be made until after the deadline at April 30 for payment of last year's Income Tax.

Wartime Prices and Trade Board—

While there has been a net decrease of $19,000 under the general category of Telephones, Telegrams and Postage a decrease of $24,000 for Telephone and Telegrams is offset to the extent of an increase of $5,000 for Postage. This increase is considered necessary to provide for an anticipated increase in correspondence relating to rental control matters.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

THURSDAY, MAY 18, 1950

WITNESSES:

Dr. J. G. Taggart, C.B.E., Deputy Minister of Agriculture.

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

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

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on

PUBLIC ACCOUNTS

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Richard (*Gloucester*)
Richard (*Ottawa East*)
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Robinson
Sinclair
Stewart (*Winnipeg North*)
Thatcher
Thomas
Warren
White (*Hastings-Peterborough*)
Winkler
Wright

Clerk: A. L. Burgess

MINUTES OF PROCEEDINGS

THURSDAY, May 18, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Ashbourne, Browne (*St. John's West*), Cavers, Croll, Drew, Fraser, Gauthier (*Portneuf*), Johnston, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspé*), Major, Kirk (*Digby-Yarmouth*), Picard, Richard (*Ottawa East*), Riley, Robinson, Thatcher, Thomas, Warren, Winkler, Wright.

In attendance: Dr. J. G. Taggart, C.B.E., Deputy Minister of Agriculture; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee proceeded to consideration of a memorandum received from Mr. Watson Sellar, Auditor General, and tabled on May 2, containing a draft of a possible revision in the form of the Estimates for the Department of Agriculture.

Dr. Taggart was called, heard and questioned.

Mr. Bryce was recalled and questioned.

Mr. Hansell moved that the Committee sit until 6.10 o'clock p.m.

And the question having been put on the said motion, it was negatived.

At 6 o'clock p.m. the Committee adjourned until Monday, May 22, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

62559—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Thursday, May 18, 1950.

The Standing Committee on Public Accounts met this day at 4.00 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, on the 28th of April, Mr. Watson Sellar, during the course of his presentation of a memorandum to the committee, raised the question of the number of items in the estimates as well as the printed details of the estimates, and indicated that the number of items should be reduced. During the course of the discussion that followed, Mr. Browne asked Mr. Sellar if he could give an example, by using Agriculture, to show how his suggestions could be implemented, and later on Mr. Johnston, on page 81, asked "I wonder if Mr. Sellar could take up the Department of Agriculture, for example, . . . and present to us his suggestions in the matter so that we would have something concrete to go on and we would be able to compare it with the estimates which are before us. I think that would be greatly to our advantage." To which the chairman replied: "That is a fair proposal."

Then Mr. Sellar presented a brief on the 2nd of May of which all the members have had a copy and which was discussed fully on the same day before this committee.

Mr. DREW: That is the one that starts "Near the close of the committee?"

The CHAIRMAN: That is right.

It was suggested during the course of the examination of the memorandum that we should call before us the Deputy Minister of Agriculture, Mr. Taggart, to give his views on the memorandum submitted on May 2nd by Mr. Sellar on the estimates of the Department of Agriculture. The discussion, therefore, today is on that memorandum. Before we open the period of questioning I am wondering if Mr. Taggart has any remarks with which he wants to preface our own suggestions or our own questions.

Mr. THATCHER: Just on a point of information, Mr. Chairman, do I take it that today we can ask questions of Mr. Taggart on this particular memorandum?

The CHAIRMAN: On this particular memorandum and on how to word the estimates of the Department of Agriculture as suggested by Mr. Sellar.

Mr. THATCHER: And we can ask him on details on this memorandum?

The CHAIRMAN: You can ask for all the details you want but not the details of the public accounts of Agriculture.

Mr. FRASER: But anything on estimates, Mr. Chairman?

The CHAIRMAN: Anything on how to word the estimates, how to pool them, leave them as they are, or unite them in a smaller number of items, as suggested in the memorandum which you all have before you.

Mr. FRASER: Yes, I know, but what I am getting at is this, and I think Mr. Thatcher is right—suppose when we come to item No. 2 on page 2 and we want to ask some questions on information services, what it covers, et cetera,, are we allowed to do that?

The CHAIRMAN: What it covers, yes, in order to give you an idea whether it should be improved or not. You may ask what it is, but you cannot go into the detailed expenditures of that vote because that would be a question of public accounts.

Mr. LANGLOIS: Since we were a little confused the last time we studied such a proposal as this one, I would like it to be made clear at the very beginning what these figures represent here. Are they estimates or are they actual expenditures?

The CHAIRMAN: No, they are estimates of the Department of Agriculture which Mr. Sellar suggested in the future should be pooled in twenty items instead of forty-five.

Mr. LANGLOIS: For what year are they?

The CHAIRMAN: It should state on the memorandum.

Mr. FRASER: This is for this year.

The CHAIRMAN: These are the estimates that are presently before the House.

Mr. THATCHER: Mr. Chairman, just one observation: When Mr. Sellar was here you told us there were certain questions that we could ask Mr. Taggart and now that we have—

The CHAIRMAN: Have I been so unfair up to now? The only thing is that I would like to restrict the work of this committee to what it has decided itself it should do, and I do not want to go on and make a speech again. We are on a memorandum on how to deal with estimates, on how best to present them to the House in order that parliamentary control should become better, if possible. It is not a review of the public accounts. It is the study of a new method of presenting estimates, or improving the whole system of presenting estimates. All questions, as Mr. Fraser asked a moment ago, as to what is this and that, and going into details of whether it should come within one heading or another are perfectly in order. But a question as to whether they need three experts in the Department of Botany and Plant Pathology is not in order because that is not a question of principle dealing with estimates at the moment. If we are to accomplish everything we have to do, let us get through with the first item of business first.

Mr. DREW: If we are to accomplish anything we had better start asking questions.

The CHAIRMAN: If I had not said what I did we would have had what we had in other meetings on the part of some of the members.

Mr. ASHBOURNE: As I view it, I think the matter before the committee today is to find out whether or not the views of the witness compare favourably with those of the Auditor General, and if not, to what extent could the method of presentation be further improved.

The CHAIRMAN: That is right; perfect.

Mr. FRASER: Well, now, just a minute, Mr. Chairman, before you start on this. After we clean up Mr. Sellar's memorandum, then will we have Mr. Taggart before us to go into these items?

The CHAIRMAN: Into which items?

Mr. FRASER: Anything in the estimates or public accounts.

The CHAIRMAN: We will finish with the question of Mr. Sellar's memorandum and Mr. Sellar's report before we deal with any other question. Once we are through with the different memoranda submitted by Mr. Sellar, we will have to finish dealing with the review of the Auditor General of which we have considered only about one-third of the items of his report. However, we must get on with the first order of business before we take the second.

Mr. FRASER: When we get to public accounts we want to have Mr. Taggart before us.

The CHAIRMAN: Yes, if we wish to go into the Department of Agriculture; or the steering committee may want to take another department. I do not think that even in a full year we could take all the departments. However, when I am through with speaking and you with asking questions, we will be able to go on.

Dr. J. C. Taggart, C.B.E., Deputy Minister of Agriculture, called:

The WITNESS: Mr. Chairman, this is the first time to my knowledge that the guinea pig has been asked to express his views about the experiments that are being performed on him. Perhaps I can contribute most to the work of the committee by submitting a brief statement that I prepared commenting on the Auditor General's suggestions. If this is agreeable, sir, you can take this document and have it circulated among the committee.

The CHAIRMAN: I think it might be in order if the witness read his statement and after reading it, it will be for the members to ask any questions they want. I think the brief should be passed around to all the members.

Agreed.

Mr. FRASER: Just wait until we get these copies, Dr. Taggart.

The WITNESS: Mr. Chairman, broadly speaking, present practice is to relate estimates to departmental organization. The Auditor General suggests that votes should be related to legislative authority and that certain expenditures, "Acquisition or Construction of Buildings" for example, should be shown separately. The Auditor General also suggests that additional detail be shown under "Details of Services". This summary of the Auditor General's suggestions is not intended to be complete but merely illustrative.

Since the purpose in view is to enable Parliament to understand and pass judgment on proposed expenditures, it seems to me that presentation of estimates in accordance with departmental organization and functions should present a clearer picture than the alternative method suggested by the Auditor General. My reason for this view is that I believe members of Parliament are better acquainted with the departmental organization and functions than they are with its legislative background. I think this is also true of the public generally.

This does not mean that certain votes could not be consolidated if consolidation is desirable. For example, provision could be made for several types of agricultural research work under one vote instead of under several votes as is the practice at present. Other consolidations, such as the one suggested with respect to departmental administration, could be made, in part at least, without changing the general approach.

Some of the suggested consolidations appear undesirable. For example, the Auditor General suggests that Votes 39 and 40 (P.F.R.A. and Major Irrigation. . .) be consolidated into one. There is a distinct difference between the two Votes, both in purpose and procedure. The most important activities under P.F.R.A. are small water developments and community pastures. Depending on the nature of the season and a variety of other factors, it may be desirable to emphasize one or the other of these two activities. On the other hand, once it has been decided to construct major irrigation projects, definite estimates are presented for those projects by name to cover work which it is expected can be completed in the fiscal period. These facts make it appear desirable to continue with two votes.

Since in any event there will be substantial sums of money provided under certain votes, it would seem desirable to give more consideration to the amount

and kind of detail presented in the printed estimates. Mr. Bryce has pointed out that detail is now presented on what he calls a functional basis. Considerable detail as to salaries is given. Other classifications include travelling expenses, acquisition of equipment, supplies and material, freight, express and cartage, buildings and works, and a number of other, and usually less important, classifications. If this method of classification is continued, doubtless it could be made more detailed by including a larger number of more carefully selected classifications. Action in that direction, however, would increase the bulk of the book which probably would not be desirable.

In the case of the Department of Agriculture I think the detail could be made much more useful if it were not necessary to stick rigidly to present rules which require the listing of employees according to Civil Service classification and salary rate. As an example of what I have in mind, I refer to the detail supporting Vote 17. This begins on page 83. Almost a whole page (part of 83 and part of 84) is used to list the personnel of the Health of Animals Division. One line is used to list a typist, Grade 1, who received $1,320 in 1949-50 and is estimated to require $1,500 in 1950-51. In the same amount of space it could be set out that we estimated for 413 full-time veterinarians for 1949-50 and 414 full-time veterinarians for 1950-51 at a cost of $1,365,945 and $1,622,190 for salaries in the two years respectively. Other employees could be similarly grouped by broad classifications, such as "administrative", "technical" and "clerical" officers. A few senior officers could be identified by departmental title and their salaries could be listed. I suggest the departmental title because it would be much more informative to members of Parliament than designation by Civil Service grade and number.

The condensation I have suggested would allow space in the book for a more comprehensive classification of expenditures for purposes other than salaries.

An entirely different approach to the problem of classification of expenditure might be made. For example, instead of following the "functional" classification, the purposes of the proposed expenditure might be shown. To illustrate what I have in mind, I refer to the detail for Vote 10 (Agricultural Entomology) beginning on page 77. Research work in agricultural entomology is carried on in a central laboratory at Ottawa and at a number of branch and sub-laboratories in various parts of the country. In the central laboratory, fundamental problems of general application are studied. In the branch and sub-laboratories main effort is devoted to regional and local problems. It would seem to me to be much more revealing to Parliament to have in the printed estimates a statement of the expected cost of operating an entomological laboratory at Chatham, Ontario, for example, than to have the whole Entomological Service analysed on the basis of salaries, travelling expenses, freight and express, etc.

It might not be possible to follow the classification I have suggested in all Divisions of the Department, but certainly with respect to experimental and research organizations it would seem much more informative to have at least major laboratories and stations listed by name with an estimate of operating cost.

In brief, it seems that the present method of detailing estimates tends to focus attention on the details of how the job is done rather than on what is to be done. Perhaps two books could be published classifying the expenditures by two different methods, but I hesitate to suggest this without first having had the idea fully examined by Mr. Bryce and his staff.

The CHAIRMAN: There might be two methods of approach for the examination of Mr. Taggart. Are there members who would want to question him on this brief or are we going to take Mr. Sellar's brief item by item and ask him

questions on that, whichever is most agreeable to the committee? Of course I am in the hands of the committee. The statement which he has just read to us covers the one submitted by Mr. Sellar, and it might be desirable first to go through the memorandum which he has submitted item by item.

Mr. DREW: I think that referred, without following it in exact detail but in somewhat more simple form, to the views submitted by Mr. Sellar. I think probably it would be better if we were to take Mr. Sellar's memorandum and discuss it with the witness.

The CHAIRMAN: I thought that might be the method to follow; that we would question the witness on the items in Mr. Sellar's submission starting there at the bottom of page 1, because most of the upper part is self-explanatory.

By Mr. Drew:

Q. Now, Mr. Taggart, I just want to clear up one point before referring to any of the details on the memorandum submitted by Mr. Sellar. You referred to Mr. Bryce's statement, the detail of which was presented on what he calls a functional basis. I understood that Mr. Bryce used the term "functional" in relation to the re-allocation of the items in the memorandum in which he grouped the various items in an entirely different way than that in which they are now presented to us. Is it your thought that he described the present system as being on a functional basis?—A. That is what I thought, but possibly I misunderstood it.

Q. That is just it, and we want to clear up any confusion in terms because if there is confusion in terms there I think it would be well to have that cleared up so as to avoid any confusion in our discussion of the subject matter. What he was getting at there was the presentation of the estimates in summary form on what he called a functional basis, one which would group similar items for the respective department under one functional head.

The CHAIRMAN: I remember that is exactly what Mr. Drew said, that this is a new suggestion for a new division of the estimates.

By Mr. Drew:

Q. I think what I did say was that he brought these together on the basis of function for each of the votes, on the basis of the function for which they were made rather than on the basis of separation by departments or by votes.—A. Yes.

Q. And on page 2 of that memorandum of Mr. Sellar to which your memorandum refers you will see a suggestion there as to the way in which these items might be made out, and he suggests definitely that they might be consolidated under one heading. Now, you make certain comment in regard to that. You made one statement that it would increase the bulk of the book which probably would not be desirable; why do you think it would not be desirable?—A. That point is perhaps not a weighty one but it occurred to me that the greater the bulk the more difficulty a person has who wants to examine into the situation governing any particular matter. If the information can be condensed it would be helpful. I had in mind there particular details in respect to salaries and classifications of individual employees. You see, you could go to the detail section at the back of the estimates and get all the detailed information you wanted there.

Q. Yes. Well, Mr. Taggart, in that respect there is of course a difference between the votes which are actually dealt with and the headings in the details of the estimates which are separate and merely for information and not actually dealt with by resolution in the House. As I understand Mr. Sellar's recommendation it is that by reducing the grouping from let us say 600 to 200 it

would simplify the understanding of the type of thing but that we then could have a still better understanding from the details at the back of the estimates book where the type of item recommended by Mr. Sellar would be amplified and extended on what might be regarded as a rationalized basis; and when I use the term "rationalized" I mean by that there must be the same relationship between departments in respect to functional sections as has been pointed out by yourself; for instance, that a whole line or more than one line may relate to an item for a single employee at a low salary and another similar line might cover a whole branch with a large number of employees. As I understand your recommendation it would be that there should be some general system adopted in regard to condensation of detail and then the detail should be on a reasonably complete basis and sufficiently detailed so that when we vote on this item we would know what we are doing. Is that the way you would interpret his general recommendation?—A. Yes, I think that is correct as far as I understand it. But I gained the impression, perhaps I am wrong—I have not been able to attend the sittings of the committees or to read the evidence as completely as I would like to have — but I gained the impression that the consolidation suggested by Mr. Sellar of bringing the votes into line or into relation with the law, the legal background, would tend to divorce the vote so to speak from the departmental organization that carries on the work; and his interest appeared to me to be in having the vote made on a legal rather than a departmental organization basis, and that to conform to the legal basis they could be consolidated to a much greater extent than would be possible if they related to the functional, or departmental organization basis, and that as a result the members in the House will be able to follow the items more clearly. However, of course, that is a matter of opinion.

Q. The only problem that seems to me immediately to suggest itself in that respect is this, that having regard to the different activities in the departments there may be some difficulty in presenting accounts in relation to the departments structural organization and size. You will see in the memorandum which was prepared by Mr. Sellar that be proposes to consolidate the activities in all the different departments into a small number of items while at the same time giving comparisons for different years. That is a thing which I understood was meant as a type of functional basis in that case, and the idea was to present these in that way on a uniform basis from year to year. I recognize, Mr. Taggart, that that is a matter of policy, but I was wondering whether from the point of view of dealing with this on a departmental basis you see any particular difficulty in having the votes presented on this basis.

The CHAIRMAN: Are you speaking of Mr. Bryce's suggestion of a functional division or Mr. Sellar's suggestion of making consolidations of items? They are entirely different.

Mr. DREW: They are to this extent: as I understood Mr. Bryce's preparation of the material, he followed an attempt to understand just what really would be the result of Mr. Sellar's suggestion.

The CHAIRMAN: No. His memorandum was an answer to your suggestion to divide the votes on functional lines, which was not at all what Mr. Sellar advocated.

Mr. DREW: I don't want to confuse the witness.

The CHAIRMAN: I may be the one confused, but I think the witness prepared his answer to apply to the brief submitted by Mr. Sellar, and in Mr. Sellar's memorandum he dealt more particularly with the Department of Agriculture and suggested the consolidation of certain items for estimate purposes. The memorandum submitted by Mr. Bryce, to which you referred, you will recall was a memorandum prepared as a result of your own suggestion of a functional distribution of estimate material. The two things are entirely different.

By Mr. Langlois:

Q. You have a suggestion here for the listing of employees according to Civil Service classification and salary range and you say that it is not uniform enough, and you suggest that it would be better to use the departmental title which is on a functional basis and to regroup the listing of the employees that way.—A. I had in mind there the present book which lists quite a number of employees, in many cases individuals, under one Civil Service classification. I thought it might be possible to group the employees with equally good effect in so far as information is concerned and then have available more space in your detail part of the book; for example, in our case the location and purposes of laboratories and experimental stations and operating headings of that kind.

Q. Mr. Taggart, suppose we adopted the suggestion that we follow the departmental detail instead of the Civil Service classification rates, would not that be classifying these employees on a functional basis?—A. Oh yes, and that is how I interpret the suggested approach to a distribution of estimate items on a functional basis, as proposed by Mr. Bryce.

Q. Then your suggestion would be that we might adopt Mr. Bryce's suggestion in that respect?—A. Yes, but I think Mr. Bryce's suggestion was really just an elaboration of the present method.

Q. Yes, but it would still be on a functional basis?

By Mr. Drew:

Q. To get back directly to Mr. Sellar's memorandum on page 2, you will see there, Mr. Tagagrt, that he refers to seven votes which he states might all be covered by one. These all refer to administration of different types, and then he suggests that instead of these separate votes covering different types of administration that there should be a single entry to provide for the general administration of the Department of Agriculture, with the proviso that charges should not exceed so many dollars, that the whole charge should not exceed so many dollars. Then he goes on to say that the details—that would be the details of each of the separate votes—will appear in the back of the book and will give comparisons of costs in previous years, the salaries of the principal officers, the main object of the expenditure, and such other information as is necessary for a proper appreciation of the purpose of the vote. It seems to me that that was the point he was making, that a consolidation of items of a similar nature, as in this case, simplifies dealing with the accounts by grouping them under one vote, general administration, supplemented, of course, by complete detail in the back of the book. Do you see any difficulty in having the material submitted in that way?—A. I think his suggestion could be applied so far as I am aware to our department. It would be more a question of the desirability of doing it that way.

Q. But you do not see any practical difficulty in that method of carrying on your accounts, or in respect to the ordinary internal practice of the department in relation to accounts of that kind, do you?—A. I am not entirely sure of my ground because I am not completely familiar with the accounting methods which are done for us by the Treasury Department. But so far as administration is concerned, it is very desirable from our point of view to be able to allocate funds to particular units where there is an officer in charge and a more or less autonomous organization within the limits set by law and regulation.

With respect to the Chatham laboratories for example, we want to lump salaries, wages, travelling expenses and everything else that goes into the running of that laboratory so that we can know the cost of the operation and appraise the value of the result. We are not merely concerned about the distribution of cost among so-called functional classifications.

Q. But if this method of bringing together one administrative item and giving the details were adopted, there would be nothing to prevent the details

of the Chatham laboratory being kept in your own books and then presented in detail in the second part of the printed estimates?—A. I presume so.

Q. Then, at the bottom of page 2 of Mr. Sellar's memorandum—

The CHAIRMAN: We are on item 1 still.

Mr. DREW: I am sorry.

By Mr. Thatcher:

Q. On page 1 I would like to ask Mr. Taggart about this item 42 in regard to the classification of employees. Could he tell me whether his department classifies P.F.R.A. employees as temporary employees?—A. Yes, temporary.

Q. Mr. Sellar goes on and says, two lines down from paragraph 42:

> Until repealed, it is assumed votes should set out a maximum which may be spent on paylist charges. For that reason only, the intent is that each text will include a maximum for paylist charges.

May I take it from that that if the P.F.R.A. employees are temporary, then when we pass an expenditure for them in parliament, they would be limited to that amount? Is that correct?—A. I do not know if I can answer that question.

Q. That is the law, is it not? That is the law according to what Mr. Sellar said:

> Until repealed, it is assumed votes should set out a maximum which may be spent on paylist charges. For that reason only, the intent is that each text will include a maximum for paylist charges.

I think this is fairly important in setting out the classification of employees, and in order to seek information pertaining to this statement of Mr. Sellar I wonder if Mr. Taggart would turn to page A-31 of the Public Accounts which pertains to this point,—illustrating it. That is the regulation. If Mr. Sellar made a mistake, we don't have to look it up. I do not understand Mr. Taggart's expenditures on salaries and wages. I find it strange. Each year the estimate is passed by parliament. Let us take this $475,000 for these employees, which Mr. Sellar says was the pay list, and was a maximum, yet the expenditure was $936,000 odd.

Mr. FRASER: What page is that on?

Mr. THATCHER: Page A-31.

The CHAIRMAN: Here we are again getting into Public Accounts.

The WITNESS: I am afraid I did not have the Public Accounts before me when the question was raised, so I do not think I have got the point.

By Mr. Thatcher:

Q. According to Mr. Sellar your temporary pay list is limited by the vote of parliament. Why would your wages be almost double the figure voted by parliament?

The CHAIRMAN: What is your reference?

Mr. THATCHER: Page A-31.

The CHAIRMAN: That is vote No. 30. Which line? Here it is: "Salaries and Wages; Estimates $475,054; allotments $939,054; and Expenditures $936,884.31.,

The WITNESS: I cannot answer that question without going back to the records.

By Mr. Thatcher:

Q. I think this is a more important point than would appear on the surface because there it would seem that the Department of Agriculture has cut out certain construction and works and spent the money on salaries and travelling expenditures of the P.F.R.A. for that year which, according to Mr. Sellar's

statement would not be according to its legislative powers. There may be some reason for it, and if so I would like to know what that reason is.—A. One reason which I can think of—whether it be right or not in this case I do not know—is the case of the St. Mary's dam. I think there was a contract let, but the contractor at his request was relieved of the obligation of continuing with the construction and the work was undertaken by the department itself paying the wages and so on.

Q. This does not include the St. Mary's dam project.—A. The wages might be the means of acquiring the construction; the same thing would apply.

Q. Excuse me, but that is not possible from the heading of vote No. 30 because it specifies that it is excluded. My point in bringing this up is that apparently the department has spent, let us say, double the amount in salaries which parliament said it was able to do; and it seems to me that that is contrary to the law, if Mr. Sellar's memorandum is correct.

Mr. LANGLOIS: That is your interpretation.

Mr. THATCHER: Well, you tell me if I am wrong.

The CHAIRMAN: Each day instead of following the memorandum we find ourselves going back to the Public Accounts.

Mr. THATCHER: I am on page 1.

The CHAIRMAN: Yes, but your question deals with an item in the Public Accounts. Could you not word your question so that it will come within the memorandum we are dealing with?

Mr. LANGLOIS: It was not a question at all. It was a statement.

The CHAIRMAN: You asked me to be fair and to give you a chance. But for the last five or ten minutes you have been out of order in giving your opinions and trying to get the witness to say something.

By Mr. Thatcher:

Q. Keeping in mind Mr. Sellar's statement:

> Until repealed, it is assumed votes should set out a maximum which may be spent on paylist charges. For that reason only, the intent is that each text will include a maximum for paylist charges.

Could the witness not tell me why—if the pay list was fixed last year at $475,054—it jumped to $936,894.31?—A. In the first place, the pay list was not fixed at $475,054.

Q. But is not that the Estimates Figure?—A. The P.F.R.A. vote was voted as one item, as I recall it. It was not voted as Wages and Salaries and various other amounts. The P.F.R.A. vote was one vote; and in the money voted by parliament there was no distinction, as I recall it, between wages and salaries.

Q. You mean you can juggle around with the figures?

The CHAIRMAN: Within a vote—and that has been by Mr. Sellar as well as by Mr. Bryce—not within a department, but within a vote; let us say vote X; you can deal with it in that vote, and if P.F.R.A. is one vote, then the amount voted here is $3 million; the estimates are $3 million, and the expenditures were $2,983,296.27 as reported.

Mr. LANGLOIS: Mr. Thatcher has stopped at the right place in his citation of Mr. Sellar's recommendation because in the next sentence Mr. Sellar adds:

> On the other hand, by consolidating votes, the department should have more 'elbow room' to cope with a situation should a necessity arise. . . . .

So in Mr. Sellar's opinion the department should be given more and more room; yet you claim they have too much room right now.

Mr. THATCHER: I would like to pursue this matter and get an explanation of it because as I read these accounts there is something very funny about it; could I get it now or later?

The CHAIRMAN: Perhaps we might ask Mr. Bryce if he can give us an explanation. I see that Mr. Bryce is here with us now.

Mr. BRYCE: Mr. Chairman, I think the explanation is that those items in the Public Accounts represent an allotment made within a vote, and they can be altered with the authority of the Treasury Board, that is, shifted from one allotment to another.

The CHAIRMAN: Within the same vote?

Mr. BRYCE: That is right, within the same vote.

Mr. FRASER: The estimate on that was $475,054; the allotment was $939,054; yet the expenditure was $939,894.31. Now, would you mind explaining that?

Mr. BRYCE: You will note that some of the allotments—the first column which is headed "Estimates".

Mr. FRASER: That is what I meant; estimates, $475,054.

Mr. BRYCE: That is the initial way in which the total vote was divided. During the year the Treasury Board re-allotted it into allotments which are noted in the second column.

Mr. FRASER: You say the Treasury Board did it?

Mr. BRYCE: Yes, but at the request of the Department of Agriculture. The Treasury Board would re-allot them, and then the column of expenditures shows what took place within those allotments.

Mr. FRASER: The actual expenditures?

Mr. BRYCE: Yes, sir.

Mr. FRASER: Thank you.

Mr. THATCHER: I wish to say that I think it is a dangerous practice.

The CHAIRMAN: You might say so when we come to discuss our report. But at the moment we have a witness before us and you may ask him questions. We are not here on a political platform.

Mr. FRASER: Mr. Sellar's report says that they should have more 'elbow room'. I wonder how much more elbow room is required?

Mr. WRIGHT: Mr. Chairman, those allotments were taken before the Treasury Board when they were asked for. Were reasons given why the allotment on construction should be reduced by $1,002,228 when the original estimate was for $1,850,628, and why the allotment for wages or pay was increased from $475,054 to $939,054? There must have been some reason.

Mr. BRYCE: Naturally I could not speak from memory as to exact reasons for cases which happened two or three years ago. But generally speaking these changes are normally made in order to adjust the details of programs through circumstances as they develop throughout the year. In this particular case it might well have been that it was decided to have more of the work on small projects done by the hiring of employees, rather than, as in large projects, through letting contracts. I believe the expenditure through contracts would be met under that allotment of which you speak, and it would be $1,150,000 originally; whereas if that work is done directly through the hiring of labour, through what is called force accounts, it would appear in the first line.

The CHAIRMAN: We have again wandered quite far.

Mr. FRASER: Let us wander just a little more.

The CHAIRMAN: I am sorry, but I think we have wandered far enough. We are on the memorandum of estimates and I think we ought to clear it up. One hour has already gone by. Are there any more questions on item 1 of Mr. Sellar's recommendation as to the pooling of 11 items in the administration votes?

Mr. THATCHER: Are you ruling, Mr. Chairman—

The CHAIRMAN: I am ruling that we go back to this item. You can vote me down if you are not satisfied.

Mr. THATCHER: I still have not got an answer about this pay list.

The CHAIRMAN: You will not get one on this—your question always comes back to public accounts.

Mr. THATCHER: I am coming back to page 1.

The CHAIRMAN: We have got to decide whether we shall have twenty items instead of forty-five in the agricultural estimates.

Mr. THATCHER: Just give me an answer on this and I will be temporarily satisfied. It says: "Until repealed, it is assumed votes should set out a maximum which may be spent on pay list charges." Is that right or is it not right?

The CHAIRMAN: Your question is whether Mr. Sellar's statement here—

Mr. THATCHER: "Until repealed, it is assumed—"

The CHAIRMAN: That is a matter of opinion from Mr. Sellar, on a question of accountancy. Now what question is it that you wish to ask the deputy minister of agriculture?

Mr. THATCHER: I will ask Mr. Taggart that question.

The CHAIRMAN: What is the question?

Mr. THATCHER: If this is the law why then are Mr. Taggart's figures on salary double what was asked for under P.F.R.A.?

The CHAIRMAN: You ask whether section 42 here is the law—"temporary employees shall be paid only out of money specially voted by parliament for the purpose?"

Mr. THATCHER: Yes, and the next six lines.

The CHAIRMAN: Mr. Bryce, will you answer this please.

Mr. BRYCE: I think, sir, that it can best be answered by saying that section 42 which is quoted from the Civil Service Act applied to the estimates in the form they were compiled many years ago, when there were, as I understand it, general votes for what was called civil government salaries and contingencies. At that time it was considered necessary that there be separate votes for temporary employees. After the revision took place in 1938, as I described in one of the earlier meetings of the committee, each vote contained funds for the employment of temporary civil servants so there normally was not the same limitation that was implied in the earlier form of estimates. As a consequence, most of the votes, because of the way they are set out in the back of the estimate book, do contain provisions for temporary civil servants.

I think Mr. Sellar, in his paragraph below, is suggesting that because of this wording in the Civil Service Act there should be special provision in each vote to make it clear that the moneys can be used for the employment of temporary civil servants, in accordance with this section of the Civil Service Act. Now, regarding its application in this particular circumstance, the prairie farm rehablitation administration is not under the Civil Service Act in any event, so I doubt if section 42 would be applicable to the particular vote for the P.F.R.A. in any case. But, you will notice in Mr. Sellar's subsequent examples that he indicates special limits on the paylist charges.

I am not a lawyer but I believe his own wording does not accomplish what he suggests in his letter should be accomplished. I do not believe the wording makes sufficient legal provision to authorize the use of the vote for paying temporary civil servants—as he suggests section 42 of the Civil Service Act requires.

Mr. THATCHER: I have one more question.

The CHAIRMAN: The question is answered and we are going back to the memorandum. We are on number 1. Are there any questions on number 1?

Mr. THATCHER: Yes, I want to ask you when I may pursue this matter? Will I have a chance before the end of this session?

The CHAIRMAN: I do not know. That depends on the length of the session and the length of time this committee will sit before it finishes its work. I am awfully sorry, but things cannot be otherwise. I would have imagined by now that, with a little good will, you would have understood what we were doing, and what we were asked to do. We are on the first order of business proposed by Mr. Fleming in the steering committee.

Mr. BROWNE: May I ask the witness a question?

The CHAIRMAN: On this item?

Mr. BROWNE: In regard to Mr. Sellar's statement, and I think Mr. Bryce confirms it, that where a vote is put in the agricultural estimates—take the P.F.R.A. vote which I think last year was $3 million—

The CHAIRMAN: We are out of order again.

Mr. FRASER: We are on the estimates.

The CHAIRMAN: Are you talking about this brief? What page are you at, and what line?

Mr. BROWNE: I have to go by lines now, do I?

The CHAIRMAN: What is your question?

Mr. BROWNE: "Temporary employees shall be paid only out of moneys specially voted by parliament for the purpose?"

The CHAIRMAN: That has just been answered.

Mr. FRASER: A partial answer.

Mr. BROWNE: Does the deputy minister feel he can spend $3 million in any way he likes?

The WITNESS: Oh no, not the way I like.

The CHAIRMAN: It is not what he feels, it is a question of whether he is entitled to by law. What he feels would not be a fair question.

By Mr. Browne:

Q. Does the witness feel he is entitled to spend that for the general purpose of carrying out the special item on P.F.R.A., or is there any boundary to his spending as long as it can be said to come within the item? Can he spend it on employees? Can he spend it on buying equipment? Can he spend it on building buildings?—A. All those expenditures come within the scope of the P.F.R.A.—to the amount devoted to each particular type of expenditure.

Q. Where would you find the limit for what you would spend on salaries for temporary assistance?—A. As far as I am aware there is no limit in the vote itself.

The CHAIRMAN: We have with us the secretary of the Treasury Board and I would like Mr. Bryce to answer that question?

Mr. BRYCE: Well, sir, if you will look at page 96 of the estimates volume for the current year—and I assume that is the one on which the question was addressed—

Mr. BROWNE: I was going on the 1948-49 year because those are the public accounts we are going to consider later on. That is why I was taking them.

The CHAIRMAN: We are on the memorandum regarding the estimates, Mr. Browne.

Mr. BRYCE: The details of the corresponding vote are set forth on page 96 of the volume of estimates and you will notice that it gives a division or allotment of that vote, rather along the line Mr. Taggart was recently suggesting for the science division,—that is it is divided between headquarters administration, total salaries, community pastures, water development; supply, equipment, and services depot, resettlement and land use.

Under each of these headings you will see a breakdown. Under headquarters administration you see salaries, permanent, and temporary assistants; then, under water development you will see administration and supervision, small projects, large projects.

Mr. BROWNE: Under small projects and large projects there are no details given at all.

Mr. BRYCE: No.

Mr. BROWNE: There is $1,346,750, but no details at all?

Mr. BRYCE: The amount that can be spent there is for any of the costs attributable to the small projects, whether salaries or materials.

Mr. BROWNE: Which means that someone in the department has a free hand.

The CHAIRMAN: That is another statement, Mr. Browne. Ask questions of the witness and do not be a witness yourself.

Mr. THATCHER: He put it in the form of a question.

Mr. BROWNE: Is it correct that the minister or the deputy minister may spend that money for salaries, or equipment, or structures, or whatever else he thinks necessary to carry out the objective?

Mr. BRYCE: As long as it is for the purpose of these small projects.

Mr. BROWNE: In connection with this $1,346,750, are there any guides to departmental officials in its expenditure?

Mr. BRYCE: I would say that when they submit their estimates to the Treasury Board they will show supporting details of what is intended in these small projects. When, however, this vote and allotment are approved they then can vary those small details within their discretion without coming back to the board or to parliament. It would probably be better for Mr. Taggart to tell you why they need local discretion, because that is his job.

Mr. BROWNE: As far as members of parliament are concerned when they come to compare the public accounts with the estimates they have no basis to go on.

The CHAIRMAN: Ask a question.

Mr. BROWNE: Has a member of parliament any way of checking on these expenditures?

Mr. BRYCE: Well, sir, the public accounts will show the amount that was provided initially in the estimates.

Mr. BROWNE: In total?

Mr. BRYCE: Yes, for the small projects, together with any amount allotted to that purpose during the year by the Treasury Board—either to that item or away from it. Then the actual expenditures are classified in the same way.

Presumably a member would have an opportunity of inquiring why the expenditure exceeded or fell short of what was originally requested and why the original estimates were changed.

Mr. BROWNE: Is it not true that in the public accounts we will not see these expenditures. We will see a different set of expenditures which will give you the total of the original vote in the volume of estimates of $3 million?

Mr. BRYCE: No, sir, that would be accounted for under this heading.

Mr. BROWNE: Well how can I illustrate this except by following it us as Mr. Thatcher did and ask Mr. Bryce to look at the public accounts—

The CHAIRMAN: That is why we are out of order.

Mr. WRIGHT: In the estimates we vote this amount—

The CHAIRMAN: That has nothing to do with the memorandum that we are studying.

Mr. WRIGHT: It has to do with the estimates which we are discussing.

The CHAIRMAN: This afternoon we have a witness here to tell us whether Mr. Sellar's suggestion—

Mr. WRIGHT: I am asking him a direct question if you will listen until I finish before you start.

The CHAIRMAN: Let us take it, as even Mr. Thatcher suggested, item by item, although he was the first one to break the agreement by going elsewhere.

Mr. WRIGHT: You have not listened to my question. I am asking—

The CHAIRMAN: Is it on item number 1?

Mr. WRIGHT: Yes. It has to do with this very question—

The CHAIRMAN: Of administration?

Mr. WRIGHT: As suggested by Mr. Sellar.

The CHAIRMAN: Of the eleven administrative votes being pooled into one—that is item 1. Has your question to do with item 1?

Mr. WRIGHT: No, it has not.

The CHAIRMAN: Well, are there any other questions on item 1?

Mr. HANSELL: I have one question with respect to the pooling of estimates?

The CHAIRMAN: Of an administrative nature or is it on another part? The whole memorandum is on pooling of estimates.

Mr. HANSELL: My question has to do with the pooling of estimates generally.

The CHAIRMAN: They all come separately. The details given by Mr. Sellar come under different headings in order to help us understand the agricultural estimates. The first one deals with administrative votes. If you have something else in mind let us wait until we come to it.

Mr. HANSELL: I have in mind something else for illustrative purposes.

The CHAIRMAN: When we get to that you can illustrate it for us. Are there any other questions on number 1?

Mr. THATCHER: Yes, can we get a legal ruling, or can you get a ruling from the department regarding this pooling? As I understand it, and I may be wrong, if we pass a pay list in a vote, parliament is passing so much and it should not be exceeded by the department.

The CHAIRMAN: That is entirely out of order again.

Mr. THATCHER: If you will not let us ask questions what good are we doing?

The CHAIRMAN: We must stay to the business of the committee.

Mr. THATCHER: I want a legal ruling on that.

The CHAIRMAN: We will pass on to something else.

Mr. THATCHER: Will you not get me a ruling on that?

The CHAIRMAN: On what?

Mr. THATCHER: The point made by Mr. Sellar "until repealed, it is assumed—"

The CHAIRMAN: What is the ruling you want?

Mr. THATCHER: I want to know whether that statement is the law or not?

The CHAIRMAN: If you refer back to this memorandum, Mr. Sellar says this: whether these enactments, those in article forty-two which you mention, are now of importance need not now be reviewed. That is what the Auditor General says in his letter. The fact is that existing practice makes them inoperative. There is no mystery to that, it says it right there. Until repealed, it is assumed votes should set out a maximum which may be spent on pay list charges. For that reason only, the intent is that each text will include a maximum for pay list charges. There is no ruling to be had on that, it is a question of opinion.

Mr. THATCHER: Could you get a legal opinion as to that?

The CHAIRMAN: A legal opinion as to what? They will not have anything to rule on. Mr. Sellar says the law at the moment is this but it has been made inoperative by practice.

Mr. THATCHER: It has not been repealed, that is still law. I want the Department of Justice to give us a ruling on that as to whether it should be repealed or not.

The CHAIRMAN: That is right. To make the present practice legal, I think it should be repealed.

Mr. RICHARD (*Ottawa East*): I think Mr. Thatcher has raised the question in a misleading way. Parliament does not pass a pay list, it passes an item which does not allot any particular details.

The CHAIRMAN: Mr. Thatcher, I will tell you what I will do. I will submit the transcript of today's evidence to the Department of Justice and if they can find out from what you have said on what they can give a legal opinion I will ask them for it.

Mr. FRASER: I think Mr. Thatcher is perfectly right.

The CHAIRMAN: Have you any question on No. 1, gentlemen?

Mr. FRASER: Yes, I want to know if they are allowed according to law to exceed that pay list? I want to find that out.

The CHAIRMAN: We are dealing with the pooling of administration votes.

Mr. WARREN: What I would like to ask is this: all this money spent on P.F.R.A. is it not supposed to come back in the course of time to the public treasury?

The CHAIRMAN: That also is out of order, I am sorry, Mr. Warren.

Mr. WARREN: If it comes back why worry about exceeding the pay list?

The CHAIRMAN: Have we any other comments on item No. 1?

Mr. WARREN: I would like an answer to my question.

The CHAIRMAN: Order, Order.

Mr. FRASER: On this grouping here on page 2, I just wonder why Mr. Sellar put in under this grouping, under departmental administration, information services et cetera, and why he included information services in the administration. Would Mr. Bryce know of that, or would Mr. Taggart?

The CHAIRMAN: If I may point out before you ask the question, it is the administration of all branches, Mr. Fraser, not only of information. If you read the item carefully—

Mr. FRASER: I read it but—

The CHAIRMAN: It says that the administration of each branch should be pooled under one vote called administration. If you read from the beginning of paragraph one you will understand the answer.

Mr. FRASER: That is all right, but you have in that grouping departmental administration and then, No. 3, advisory committee on agriculture, No. 5, science service administration, No. 16, production service administration—

The CHAIRMAN: We also have the list in front of us, Mr. Fraser.

Mr. FRASER: We have them all the way through, but information services is a case—wait, wait, Mr. Chairman, I want to find out from Mr. Taggart if that is not just for the printing of booklets, and some of them very good booklets—

The CHAIRMAN: May I say before the witness answers that question, that this item deals with the administration officers of each branch.

Mr. FRASER: That is what I am asking Mr. Taggart.

The CHAIRMAN: And it is suggested it should be pooled in one vote. That has nothing to do with pamphlets or booklets.

Mr. GAUTHIER: That can be asked in the Chamber.

The CHAIRMAN: We are dealing with these eleven services; the administration of these branches; should these be pooled in one vote or should they be kept separate?

Mr. FRASER: I am wondering if we are here to get information or what?

The CHAIRMAN: That is political hullabuloo.

Mr FRASER: It is not political—

Mr. GAUTHIER: Yes it is.

The CHAIRMAN: Are there any questions on whether or not these eleven items should be pooled?

Mr. FRASER: I do not think, Mr. Chairman, that they should be pooled.

Mr. LANGLOIS: On page 2 of paragraph one, I see that Mr. Sellar has suggested that the acquisition or construction of buildings should be transferred to a works vote and that like treatment be given to provision for works wherever provision is made in the details. Could I get Mr. Taggart's opinion on this suggestion of Mr. Sellar?

The WITNESS: Mr. Chairman, that strikes me as a good suggestion. In our science service particularly, the practice has grown up of putting building projects in the administration vote because buildings are to be used by all the different branches of that service. I agree with Mr. Sellar it would be better to lump these in a works vote. As matter of fact the Public Works Department does most of this work for the Department of Agriculture and really the item is transferred to Public Works to do the work for us.

By Mr. Langlois:

Q. And irrespective of the purpose for which these proposed buildings are built?—A. For instance, a laboratory may be built which would serve three or four of these separately listed scientific groups here and rather than try to split the cost of the proposed building among the four, say, the practice has grown up of putting the buildings all under administration.

Q. Then we would not know what are the purposes of these buildings by, just by looking at the vote?—A. That is true, I think.

Q. That would be the inconvenience of that suggestion. There would be an inconvenience there, would there not?—A. Well, the detail in the back of the book would give the nature of the individual building.

Q. I beg your pardon. It says,

> like treatment be given to provision for works wherever provision is made in the details.

That is the part of the suggestion I do not like; that the same principle be applied in the details.—A. I was under the impression that the Auditor General had referred to the Public Works vote. Would it be No. 303 as an example of how he thought those buildings should be listed?

Mr. THATCHER: Mr. Chairman—

The CHAIRMAN: Just a moment, Mr. Thatcher, let the witness complete his answer.

The WITNESS: I am sorry, Mr. Chairman, I do not see the reference now, but I think the Auditor General did refer to the Public Works vote as an example of setting up the building item.

Mr. BROWNE: What are you looking for?

The CHAIRMAN: The witness is answering a question asked by Mr. Langlois.

The WITNESS: I am looking for a reference the Auditor General made to the methods used in the public buildings vote.

The CHAIRMAN: I forgot to consult you as an encyclopaedia, Mr. Browne; we should have turned to you.

The WITNESS: Vote 303, in the Public Works Department.

Mr. LANGLOIS: Mr. Taggart, he refers to page 74.

The CHAIRMAN: The subject of the question by Mr. Langlois is treated subsequently by the Auditor General in paragraph five at the bottom of page 3, it reads:

> It is suggested that the provision for construction by transferred to a works vote and the votes then consolidated to read:
>
> To provide for administration and operation of farms...

And that would answer to a certain extent this question by Mr. Langlois.

You see, in the first paragraph the Auditor General tries to pool together all the administrative votes and he refers to No. 5. He notices that in No. 5 they have works included in administration votes and he suggests that should be made a separate vote and that all the administration go in under one heading.

Mr. LANGLOIS: That is all very well, but on page 5 of Mr. Sellar's memorandum you will see that, and I am just asking Mr. Taggart's opinion on it.

The CHAIRMAN: You are right. He wants to ask your opinion on that, Mr. Taggart.

The WITNESS: I am sorry, I didn't get his question.

By Mr. Langlois:

Q. Do you agree with Mr. Sellar there? That is what I asked you and I understood you to answer yes; and then I understood from the evidence that Mr. Sellar went so far as to suggest that the same principle should be applied to the details, and that is what I want your opinion on.—A. As I understand Mr. Sellar's suggestion it is that the provision for buildings be shown separately under the title "Works", and that they be listed as proposed works.

Q. Well, then, Mr. Taggart, if you agree with Mr. Sellar's suggestion on page 2 there where he says—

> Acquisition or construction of buildings should be transferred to a works vote (referred to later), and that like treatment be given to provision for works wherever provision is made in the details.

I understood you to agree with this suggestion as far as the vote is concerned but when he wanted to apply the same provision to the details I was not clear as to whether you agreed that his suggestion would be a good one in so far as the details were concerned.

Mr. BROWNE: Now, Mr. Chairman, that is not in order, but then he is a member of the government group.

The CHAIRMAN: I am very sorry. I have to check somebody. I resent the accusation of the chairman being partisan on questions like that. In this case Mr. Langlois did direct the question to the witness.

Mr. BROWNE: He made a statement, just the same as I made a statement.

Mr. LANGLOIS: I beg your pardon, I did not make a statement.

The CHAIRMAN: Order.

Mr. GAUTHIER: He was just asking the witness if he agreed with Mr. Sellar's suggestion. That is not a statement. He was just asking him for his opinion.

The WITNESS: Mr. Chairman, I do not see what further comment I can make. I said I agree with Mr. Sellar's suggestion that the vote for buildings should be taken out of the administrative vote; and, secondly, if I understand this suggestion it is that the list of proposed works be set out in the details, to which I also agree.

The CHAIRMAN: I think that answers your question.

Mr. LANGLOIS: Yes.

The CHAIRMAN: I have a question I would like to ask there. You will see in the paragraph further down at the bottom of page 2 that he suggests consolidating six items listed there under one vote. Would you care to comment on that?

The WITNESS: Only as to what I said at the beginning, that this seems to me to be a more revealing way of putting it, to state that we intend to ask or do ask for certain sums of money for animal and poultry pathology, bacteriology and dairy research, and so on, rather than to lump all those items in one vote.

Mr. DREW: I still must say that I do not see any difficulties presented in that. First of all, do you understand Mr. Sellar's suggestion to mean that this acquisition and construction of buildings be transferred—

The CHAIRMAN: Mr. Drew, we are on No. 2, the pooling of these votes on laboratory services.

Mr. DREW: This is on No. 2, the item there at the bottom of page. That is what what we are on?

The CHAIRMAN: Oh, yes.

By Mr. Drew:

Q. This refers to this subject. These votes refer to a total of $5,174,301, of which $326,035 is for "Acquisition and construction of buildings" and $73,215 for building repairs, which would be transferred to the works' vote. You understand he means by that the Public Works vote?—A. Not necessarily.

Q. I am not clear myself.—A. I take it to be within our departmental estimates, that it would be set out as works rather than included as Public Works.

Q. Would it be segregated into a works' vote and the balance above brought together in one item and then the suggested details would be available in the details section? There does not seem to be any objection to the lumping together of these items with respect to laboratories and so on, you still have the same allocations and accounting and so on within your own department, but you simply carry into the details at the back of the book of estimates the

same information and perhaps more than before, to support the simplified single vote. Wouldn't that be the result?—A. That would be the result.

Q. Well then, I am wondering just what difficulty there is in connection with that.—A. I am trying to think about this from the point of view of parliament who looks at this book and it just seemed to me—I may be entirely wrong and perhaps should confine myself to the duties of my position—but I was just trying to put myself in the position of those who have the decision to make, and it seemed to me that if we voted money for animal and poultry pathology, or bacteriology and dairy research, as is set out here, parliament has a clearer statement and a more definite control as to just what money is being voted for what. From the point of view of departmental administration, however, the other probably would be far more convenient to us because we would have more latitude in transferring from one type of work to another.

Q. Now, without reviving the discussion which took place while I was away, it would appear to me that that discussion related to the fact that there already is recognized a fairly wide discretion as to the re-allocation of moneys within a single vote.—A. Within a single vote, but not as I understand it from one vote to another.

By the Chairman:

Q. Could I ask you a question, Mr. Taggart? At the present time you have here six separate votes, starting with the one for animal and poultry pathology and so on down the list; do you mean that you cannot transfer any moneys from one of those votes to another if you need it?—A. That is right, we cannot do that. We cannot transfer from one vote to another.

Q. You cannot?—A. No.

Q. Now with Mr. Sellar's suggestion of pooling these seven items could you transfer from one item to the other within the same vote?—A. With the approval of the Treasury Board, yes.

Q. I do not know whether this is a fair question to ask you, but does it give better control—I mean over your projects and expenditures with relation to them—to have separate votes rather than just one.

Mr. GAUTHIER: That is a question of policy, Mr. Chairman.

The WITNESS: May I make one statement in regard to this, Mr. Chairman? I will try to keep clear of any matter of policy. But if you will look at votes No. 9 and 10 at the bottom of the page there, agricultural entomology and forest entomology: Some years ago I think those votes were in one vote, and they were separated deliberately in order that the people interested in that particular type of work would know, and quite rightly at the time, how much money was voted for agricultural entomology and how much was voted for forest entomology. It happens that the Department of Agriculture have almost all the entomologists of the country and the department does entomological work not only for Agriculture but for Forestry, National Defence and some of the other departments, and that is the reason why they were separated, so that members of parliament and the public would understand that this money was being voted for forest entomology, for example.

Mr. DREW: I would like to ask Mr. Taggart on that point, from the standpoint of a departmental official, whether there is any difficulty in having it done that way; and, as members of parliament, I think we would like a statement as to which he thinks would be the better way to handle it. What I am trying to get at is this: will there be any practical difficulty from the standpoint of carrying on the work of the department if the change suggested by the Auditor General is carried out?

The WITNESS: From the departmental point of view I think there would be no particular difficulty.

The CHAIRMAN: Would you have any particular advantages by doing it that way?

The WITNESS: From the strictly departmental point of view?

The CHAIRMAN: Yes.

The WITNESS: It would give the departments more elbow room, as Mr. Sellar calls it; if you ran a little short for expenditures for poultry pathology, let us say, we could transfer it from forest entomology, for example; with the consent of the Treasury Board.

Mr. WRIGHT: Could you do that now with the consent of the Treasury Board?

The WITNESS: As the votes now stand we could not make a transfer of that kind.

Mr. DREW: You say, transfer that, Mr. Taggart; but aren't we getting a little bit mixed up in our definition of terms? As we go through the accounts and compare them with the estimates we find case after case where expenditures under the accounts exceed the estimate and where Treasury Board has authorized larger amounts and that is dealt with at some subsequent time by a vote of supplementary estimates if the amount be such that that is necessary; or, if it is still within the amount that has been allocated Treasury Board may make an allocation to cover that amount.

The CHAIRMAN: Mr. Bryce might answer that.

Mr. DREW: Can you do that, Mr. Bryce?

Mr. BRYCE: If it is within the proper vote, yes, sir.

The CHAIRMAN: If it is within the same vote.

Mr. DREW: No, what I am getting at, without going into all the details, is that there are a great many cases where the total expenditure exceeds the original amount voted in the estimates, and then steps are taken to correct it; isn't that so, Mr. Bryce?

Mr. BRYCE: Expenditures cannot exceed the amount appropriated until there is a supplementary appropriation.

Mr. DREW: Yes.

Mr. BRYCE: But these supplementary appropriations limit expenditures to the purposes of the original vote.

The CHAIRMAN: But it has to be voted by parliament and approved as a supplementary vote?

Mr. WARREN: May I ask a question, Mr. Chairman?

The CHAIRMAN: If you have any questions pertaining to the special memorandum you may ask it.

Mr. WARREN: Take for example this year; there have been veterinarians available.

The CHAIRMAN: I am afraid the witness did not understand you. Would you kindly repeat?

Mr. WARREN: I say there have been veterinarians available to go about testing cattle in the different counties. Nobody could say what number of cattle were going to be let go down the drain.

The CHAIRMAN: What is your question, Mr. Warren?

Mr. WARREN: Would it not be possible to estimate what would take place within, let us say, the next five months with regard to the testing of cattle or testing of cows? You could do it, could you not?

The CHAIRMAN: Let us confine ourselves to the question.

Mr. WARREN: I give that as an example.

The WITNESS: We can make estimates of the number of cattle that will be slaughtered, but we cannot guarantee that those estimates will turn out to be exactly right.

Mr. WARREN: They might be wrong.

Mr. THATCHER: Does Mr. Taggart say that he, as deputy minister, thinks that the estimates would be better if worded as Mr. Sellar suggests because they would give the department more elbow room?

The CHAIRMAN: No. He did not say that.

The WITNESS: I think I said that if the votes were allotted, the department, with the approval of the Treasury Board, would have more opportunity to transfer from one type of research to another.

By Mr. Thatcher:

Q. Then you think it is desirable?—A. I do not express an opinion on it.

By Mr. Langlois:

Q. When you say it would be easier to transfer from one item under the same vote to another item, do you mean for example—and I hope I am not making a statement—that instead of voting, let us say, $1½ million for agricultural entomology and another $1½ million for forest entomology we could group those two votes and vote $3 million; and then, by allocation made without the knowledge of parliament, we might spend only a few hundred thousand on entomology and spend the whole balance of the $3 million on agricultural entomology, and parliament would know how the money was spent only when we have the Public Accounts before us?—A. Exactly, except that we have some departmental organizations for the purpose of carrying on agricultural entomology and other organizations for forest entomology and we could not very well transfer this money without the approval of the Treasury Board unless we switched our work entirely. But what you say is true.

The CHAIRMAN: Is there anything on item 3?

Mr. FRASER: Wait a minute, Mr. Chairman. On item 2 it has been suggested that there could be a transfer from one section to another. Was that done during 1949?

The CHAIRMAN: Now we are out of it. We are not on the Public Accounts.

Mr. FRASER: I just wondered because in 1949 under Animal and Poultry Pathology—

The CHAIRMAN: There again we are switching out of our order of business. Are there any further questions on item 2? Now, item 3? Vote 12 Plant Protection. Have you any comments to make on page 3, item 3?

Mr. DREW: Mr. Chairman, I shall ask one inclusive question and then not ask any more, I hope, because the same question will apply to all of them. I am prepared to take Mr. Sellar's suggestion as to the method of presenting the accounts; but I want to know from a practical point of view as distinct from what might be regarded by members of Parliament as desirable from their point of view: do you see any one of these recommendations referred to in your memorandum—

The CHAIRMAN: Your question appears to be quite general. Why not take No. 3 for instance? It is a broad question, and we have agreed as to the details.

By Mr. Drew:

Q. In regard to No. 3, is there any practical difficulty that you can see? —A. You mean the Plant Protection Vote?

Q. Yes.—A. There is one practical difficulty but it could be overcome by the wording of the vote. That division does work all of which is not directly stemming from the Destructive Insect and Pest Act. Plant Protection covers a greater area than does this Act. The vote could be reworded so as to provide for expenditures under that Act and perhaps the other activities could be named, or included with it. I do not think there is a major point there.

The CHAIRMAN: Do you want to refer to No. 2?

By Mr. Drew:

Q. No, I think Mr. Taggart has raised a difficult point there, and it is this: I thought what Mr. Sellar was suggesting in regard to vote 12, "Plant Protection $731,705" was a general statement and there might be plant protection covered which would be quite different because there might even be plant protection involved in the activities of the new Forest Services. And I thought what he was referring to here was a specific limit to provide for the administration of the Destructive Insect and Pest Act, chapter 47 R.S., and amendments thereto which would more clearly define the functions within the Act which you administer than the present system as set forth?—A. Yes, I think it would. But some activities of that division do not fall within the scope of the Destructive Insect and Pest Act.

Mr. LANGLOIS: Give us an example, please?

By the Chairman:

Q. You mean that the present work under that vote for Plant Protection includes more than Mr. Sellar puts in his items?—A. That is right.

Mr. WARREN: When you send men out into the field to introduce insecticides and so on, how do you estimate the original cost of it? The insecticides must cost money and somebody has to work them up and so on?

The CHAIRMAN: You want to know how they estimate that amount, Mr. Warren?

Mr. WARREN: I want to know how they estimate it in order to be accurate?

The CHAIRMAN: Let the witness answer.

Mr. WARREN: Grasshoppers are not always so plentiful in the west.

The CHAIRMAN: Let the witness answer.

The WITNESS: As I understand it. Mr. Warren, your question has to do with how we make our estimates? In the beginning, the estimates are prepared by the people who are the closest to the problem. Then the items are gradually consolidated into larger items. The men who are closest to the problem are in a position to estimate within their area more accurately than can higher officials. We admit that estimates cannot be made completely accurate, but they must be made.

The CHAIRMAN: Are there any further questions on item 3?

Mr. LANGLOIS: You see that it says:

. . . . but charges shall not exceed $ for . . . ."

But suppose you have an abnormally large invasion of insects and you have exceeded the maximum mentioned in the vote; you would have to resort to a special order in council, I suppose, if parliament was not then in session?

The CHAIRMAN: You mean a Governor General's warrant?

The WITNESS: We cannot exceed whatever amounts are provided in the estimates, Mr. Chairman. And how additional funds are provided in a matter for the government to determine.

The CHAIRMAN: Item 4.

Mr. GAUTHIER: Suppose you have an ordinary epidemic; you cannot tell ahead of time how far it may go.

The CHAIRMAN: We are on item 4, the vote reading:

13 Experimental Farms Service administration
14 Central Experimental Farms
15 Branch Farms and Stations and Illustrations....

It is suggested, I think, that those three votes be consolidated into one vote.

Mr. HANSELL: Might I ask with respect to item 4, and with respect to Mr. Sellar's statement, as to how these three votes should be handled? If Mr. Taggart agrees with Mr. Sellar's suggestion, or if he does not, could he tell us in what way he disagrees?

The CHAIRMAN: Has the question to do with this particular item, No. 4?

Mr. HANSELL: As far as I can see it is the only question we need to ask on this item.

The CHAIRMAN: I think the question is perfectly in order.

The WITNESS: The proposal is to ask for one vote for the experimental farm service instead of three as at present. From the point of view of the department that proposal would offer no administrative difficulty, but I was under the impression that the objective here was to discover a method that would enable the estimates to be put before parliament in a more clear manner. It just seemed to me that if the votes were separated, somewhat in the way they are now, parliament could get a better picture of what the money was going to in this branch?

The CHAIRMAN: Are there any further questions on number 4?

Mr. HANSELL: I would ask the same question with respect to number 5?

Mr. MAJOR: Grouping it together would make things a little more difficult to understand for the member who would be wanting to ask questions?

The WITNESS: It is a matter of policy.

The CHAIRMAN: We will go on to item 5—that provision for construction be transferred to a work vote.

Mr. HANSELL: I would ask the same question I asked in relation to 4 here?

The WITNESS: May I answer with respect to number 5 that Mr. Sellar repeats the suggestion that provision for construction be transferred to a work vote. I think I answered previously that I would agree with the suggestion as one that would more truly reveal the intention.

The CHAIRMAN: Is that the answer to the question you had in mind?

Mr. HANSELL: I do not care what the answer is.

The CHAIRMAN: I did not refer to the answer; I referred to the question.

Mr. JOHNSTON: I notice that it is very definitely stated in items 4 and 5, and I imagine that it is in the others, "but charges shall not exceed blank dollars for paylist charges." Why is he so definite on that? I noticed the similarity in each one and I wondered why it would be?

The WITNESS: I am afraid I cannot offer an opinion as to what Mr. Sellar had in mind there.

The CHAIRMAN: I think that might be a fair question for the secretary of the Treasury Board.

Mr. JOHNSTON: Mr. Taggart was expressing his approval of this wording of Mr. Sellar's and I was wondering if there was some significance to it.

The CHAIRMAN: Have you any comment to make on that?

The WITNESS: Perhaps I misunderstood the question but I thought it was what Mr. Sellar had in mind when he made this proposal.

Mr. JOHNSTON: Why would it be put down specifically like that: "but charges shall not exceed so much for paylist charges?" I take it the inference is there at least, but I may be wrong, that paylist charges do exceed a stated amount on other occasions, and here Mr. Sellar suggests the statement that charges shall not exceed so much. That is the only interpretation I can think of.

The CHAIRMAN: May we ask the expert from the Treasury Board.

Mr. JOHNSTON: I do not care who answers it as long as I get an official answer.

Mr. BRYCE: As I understand it, Mr. Sellar has suggested this wording for the purpose of conforming with section 42 of the Civil Service Act which he cited in his letter of transmittal with this memorandum. As I said, in answer to an earlier question, the words do not seem to me to meet the purpose that he appears to have had in mind. The wording, I do suggest, would restrict the amount of a vote that could be used for salaries and wages, so that there would be no question then of allotting to salaries funds for other things such as for materials, supplies, construction or travelling expenses.

Mr. JOHNSTON: Is that done on occasion?

Mr. BRYCE: It is done on occasion, yes sir.

Mr. JOHNSTON: Moneys voted for building purposes are transferred to salaries?

Mr. BRYCE: In the details explaining each vote in the back of the estimate book it may be indicated, for example, in regard to the vote for agricultural entomology, that total salaries and wages or the amount provided for total salaries and wages is $1,045,912; for acquisition of equipment, $114,307. It may be that during the year some amount may be transferred from acquisition of equipment, to salaries and wages. That could be done legally by a transfer of the allotment by the Treasury Board. It is occasionally done in certain votes.

Mr. JOHNSTON: You suggest the wording that Mr. Sellar gives is not just clear in meaning. What would you suggest?

Mr. BRYCE: Well, if one wished to serve the purpose that he seems to have had in mind, I would think it would be better to say: "including blank dollars for paylist charges, including salaries of temporary employees." It might be something of that sort, if it is legally necessary to do what he rather suggests is necessary here.

Mr. JOHNSTON: That would be your suggestion?

Mr. BRYCE: I have not taken it up with any lawyers.

Mr. LANGLOIS: Mr. Bryce, Mr. Sellar also suggests that we give more elbow room to the department. By that I take it he suggests that the departments be allowed to provide for their estimates above the amount which they think would be normally required. Is that the interpretation of what he has in mind?

Mr. BRYCE: I think Mr. Sellar's suggestion would permit more elbow room in switching money from one purpose to another purpose; but it would provide less elbow room for switching money from one type of expenditure such as the purchase of equipment, to another type of expenditure such as salaries.

The CHAIRMAN: Are there any further questions on item 5? As it is now 6 o'clock, the meeting is adjourned.

Mr. THATCHER: May I make a motion before we adjourn?

The CHAIRMAN: The meeting is adjourned. It is 6 o'clock, and there is no need for a motion to adjourn.

Mr. FRASER: Can we not even have a motion?

The CHAIRMAN: It is 6 o'clock, we will meet again on Monday at 4 p.m.

Mr. HANSELL: I move that we sit another ten minutes.

Mr. FRASER: I second that motion.

The CHAIRMAN: There is a motion that the committee sit another ten minutes.

Some hon. MEMBERS: No, no.

Mr. THATCHER: That is pretty shabby, Mr. Chairman.

The CHAIRMAN: You have been here for two hours, and if you had a motion in mind you could have informed me and I would have given you five minutes at the end or at any time you desired. We shall sit again on Monday afternoon at 4.00 p.m.

Mr. THATCHER: Why meet at all.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

MONDAY, MAY 22, 1950

WITNESSES:

Dr. J. G. Taggart, C.B.E., Deputy Minister of Agriculture
Mr. R. B. Bryce, Assistant Deputy Minister of Finance

OTTAWA
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1950

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on

PUBLIC ACCOUNTS

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Thatcher
Thomas
Warren
White *(Hastings-Peterborough)*
Winkler
Wright

Clerk: A. L. Burgess.

MINUTES OF PROCEEDINGS

MONDAY, May 22, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Blue, Browne *(St. John's West)*, Cauchon, Cavers, Croll, Drew, Fleming, Fulford, Fraser, Helme, Johnston, Major, Richard *(Ottawa East)*, Riley, Robinson, Stewart *(Winnipeg North)*, Thatcher, Thomas, Warren, Winkler, Wright.

In attendance: Dr. J. G. Taggart, C.B.E., Deputy Minister of Agriculture; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Chairman presented the second report of the sub-committee on procedure and agenda, which is as follows:

The sub-committee on procedure and agenda met at 2.00 o'clock this afternoon at the request of Mr. Wright.

The sub-committee discussed a suggestion that the Committee defer further consideration of the proposals set forth in the memoranda tabled by the Auditor General respecting a revision in the form in which estimates are presented to the House, and that it proceed directly to an examination of the Public Accounts. An alternative suggestion was made to the effect that the whole question of the form of estimates be referred to a sub-committee to be appointed for that purpose.

Your sub-committee is of the opinion that the study of the memoranda submitted by Mr. Sellar on the form of the estimates and other relevant matters, on which the Committee is now engaged, should be concluded and the Committee's recommendations reported to the House before any other business is undertaken.

Your sub-committee, therefore, recommends that the examination of the present witnesses, Dr. Taggart and Mr. Bryce, be concluded and the Comptroller of the Treasury called as the next witness, to be followed by a representative of the Department of Finance to tell us why a change was made in the estimates in 1938, and the underlying reasons; and any other witnesses whose presence may have been requested by Members during our discussion of Mr. Sellar's memoranda and concerning the latter.

Your sub-committee also recommends that questioning of these witnesses be strictly confined to the proposals contained in the Auditor General's memoranda of April 27 and May 2.

Your sub-committee also points out that there are 94 items of the 161 comprising the Auditor General's report still to be dealt with and recommends that these be considered immediately the matter of estimates now under discussion is disposed of.

It was agreed that the question of the order of business to follow the Auditor General's report be decided at the next meeting of the sub-committee.

Mr. Croll moved that the report of the sub-committee be concurred in.

Mr. Thatcher moved in amendment thereto that all the words after the word *sub-committee* in the first line of the second paragraph thereof be struck out and the following substituted therefor:

That this Committee proceed, at its next regular meeting, to deal specifically with an examination of the Public Accounts.

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After discussion, and the question having been put on the said amendment, it was negatived.

And the question having been put on the main motion, it was agreed to.

The Committee resumed consideration of a memorandum received from Mr. Watson Sellar, Auditor General, and tabled on May 2, containing a draft of a possible revision in the form of the Estimates for the Department of Agriculture.

Examination of Dr. Taggart and Mr. Bryce was continued.

The witnesses retired.

At 5.45 o'clock p.m. the Committee adjourned until Tuesday, May 23 at 11 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MONDAY, May 22, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Order, gentlemen.

Gentlemen, since we met last the subcommittee on procedure and agenda met at 2 o'clock this afternoon at the request of Mr. Wright. The report reads:

"The subcommittee discussed a suggestion that the committee defer further consideration of the proposals set forth in the memoranda tabled by the Auditor General respecting a revision in the form in which estimates are presented to the House, and that it proceed directly to an examination of the public accounts. An alternative suggestion was made to the effect that the whole question of the form of estimates be referred to a subcommittee to be appointed for that purpose.

Your subcommittee is of the opinion that the study of the memoranda submitted by Mr. Sellar on the form of the estimates and other relevant matters, on which the committee is now engaged, should be concluded and the committee's recommendation reported to the House before any other business is undertaken.

Your subcommittee, therefore, recommends that the examination of the present witnesses, Dr. Taggart and Mr. Bryce, be concluded and the Comptroller of the Treasury called as the next witness, to be followed by a representative of the Department of Finance to tell us why a change was made in the estimates in 1938 and the underlying reasons and any other witnesses whose presence may have been requested by members during our discussion of Mr. Sellar's memoranda and concerning the latter."

Your subcommittee also recommends that questioning of these witnesses be strictly confined to the proposals contained in the Auditor General's memoranda of April 27 and May 2.

Your subcommittee also points out that there are 94 items of the 161 comprising the Auditor General's report still to be dealt with and recommends that these be considered immediately the matter of estimates now under discussion is disposed of.

It was agreed that the question of the order of business to follow the Auditor General's report be decided at the next meeting of the subcommittee.

Mr. STEWART: Mr. Chairman, I didn't quite understand that, I thought the procedure was to finish with the witnesses now before the committee, Mr. Taggart and Mr. Bryce, and then call one from the Treasury Board to clear up the other point which was raised, about how the form of the estimates came to be changed back in 1938. I did not know that we were to call any other witnesses.

The CHAIRMAN: No, other than those whom it was already decided to call, in answer to requests which have been made during the proceedings up to this point. We have had a number of witnesses appear before us and during the course of the discussion of the memorandum submitted by Mr. Sellar certain members of the committee asked for the appearance of certain other officials.

Mr. STEWART: Yes.

The CHAIRMAN: And one of those asked for, for instance, was the Comptroller of the Treasury. I am not going to call them by name.

Mr. STEWART: Right.

The CHAIRMAN: Then we discussed Mr. Winkler's proposal—I don't recall on just which page of the memorandum—to bring before us maybe the Comptroller of the Treasury or somebody from the Treasury Board to give us information as to why the change in the form of the estimates was made in 1938, since which date they have appeared before us in the form in which we now have them, and to get them to tell us the reason for presenting the estimates in the way they do. We have had a recommendation from the Auditor General as to what changes should be made, and it was thought that we should consider whether the changes now proposed would not put the form of the estimates just back in the shape in which they were prior to 1938. The general feeling was that we should have a detailed statement as to the reasons for the change at that time so that we could form an intelligent opinion as to the value of the change in the light of the recommendations of the Auditor General. I thought it was also understood that we would finish with those we now have before us; namely, Mr. Taggart and Mr. Bryce, to be followed by the Comptroller of the Treasury or a representative from the Department of Finance, to tell us why that change was made; and that may be the Comptroller of the Treasury or it may be Mr. Bryce again, whatever official can best give us that information. Then I think it was Mr. Wright who requested that we have someone here to give us details as to why the Prices Support Board have acted in a certain way with the result that there was a certain comment or recommendation by Mr. Sellar in his report. It was considered that at the present time the number of witnesses on the matter now before the committee should be limited to those to whom I have referred.

Mr. STEWART: Well now, Mr. Chairman, this is getting into an argument. I thought that the Comptroller of the Treasury and one of the other officers who could tell us about the change which was made in 1938 were to be called and I thought we were going pretty well to limit the necessity of calling witnesses just to those I have mentioned.

Mr. THATCHER: May I say a word?

The CHAIRMAN: Certainly.

Mr. THATCHER: I want to express entire disapproval of what you have just said. I wish to make a motion, if I may.

The CHAIRMAN: We should first dispose of this report.

Mr. THATCHER: May I amend the motion to adopt the report?

The CHAIRMAN: Yes, but no one has moved the adoption of the report yet. As soon as that is done the motion will be open for discussion.

Mr. THATCHER: But we cannot put an amendment to that motion?

The CHAIRMAN: Yes, when it is put.

Mr. THATCHER: I would like to make an amendment to that report.

The CHAIRMAN: Have you the wording of the amendment you wish to put?

Mr. THATCHER: I haven't the exact wording.

The CHAIRMAN: The clerk reminds me that the motion must be put before it is open for discussion or amendment.

Mr. THATCHER: Would there be an opportunity of doing that?

The CHAIRMAN: Yes. Mr. Croll moves that the report of the steering commitee be adopted. Now, your amendment to the motion can be put.

Mr. THATCHER: At the point there, Mr. Chairman, I would like to amend that motion to read as follows—

Mr. FLEMING: Would you read the lines you are striking out?

Mr. THATCHER: I haven't had time yet to read it.

Mr. BENIDICKSON: You can't go ahead with that until we find out what the committee are going to do with the report of the steering committee. Were they unanimous in their report?

The CHAIRMAN: I assumed that they were unanimous. This is what I understood they had agreed upon.

Mr. STEWART: I would like to be quite clear as to my stand in the matter. According to my recollection we were to finish with the present witnesses and then have the Comptroller of the Treasury and then some other person tell us the reasons for the changes made in 1938, and that at the conclusion of that we would go to public accounts.

Mr. CROLL: That is my understanding.

Mr. BENIDICKSON: That is my understanding.

The CHAIRMAN: You see what I say here. The persons indicated as witnesses on this issue are persons whose presence has been requested by members of the committee during our discussion with Mr. Sellar, and I understood that the subcommittee had agreed to everything which is here. Then there was Mr. Wright's suggestion about the Prices Support Board business, that we call an officer of that board on the point he raised. I think the only other matter involved is the point raised by Mr. Drew concerning the Cartierville property. I think at the time and since it was agreed that the matter should be dealt with by officials either from Surplus Crown Assets or the Wartime Prices and Trade Board who would be called here to clear up those points. I believe that during the course of our discussions it was decided that we would not leave anything in our records unfinished. Mr. Drew raised that question during the course of our discussions and I think it is only fair to those who have been mentioned that the points in which they are concerned should be cleared up, and also that we should hear the Comptroller of the Treasury or other official from the Department of Finance on the matter of the change in the estimates which was made in 1938.

Mr. WRIGHT: Mr. Chairman, I maintain that the whole recommendation from the subcommittee is out of order and beyond the jurisdiction of this committee. The jurisdiction of this committee as laid down by the House in its reference states this: "The Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things that may be referred to it by the House." Now, what was referred to it by the House? "That the public accounts of Canada and the report of the Auditor General for the fiscal year ending March 31st, 1949, which were tabled in the House on October 31st, 1949, be referred to the said committee." There is nothing at all in the reference to this committee from the House to deal with estimates, nothing at all; we are not an estimates committee we are a Public Accounts Committee, and the public accounts were referred to the committee; and this committee has done nothing to date except talk about estimates. I think our whole procedure has been out of order.

The CHAIRMAN: This is the first time that point has been raised and it is raised by yourself and your colleagues, nobody else has taken any objection.

Mr. FLEMING: Mr. Chairman, may I speak to the amendment?

The CHAIRMAN: Yes.

Mr. FLEMING: I think that our procedure up to the present time has been entirely in order. I do not think that Mr. Wright means to contend that this Public Accounts Committee has no power to entertain on the part of the Auditor General a submission of the kind of memorandum which he has submitted to us. If he had any such objection I think the objection should have been taken at the time. It seems to me that not only is the submission of such a memorandum entirely within the scope of the reference to this committee, but this is not the first time that the committee has received similar evidence or undertaken similar inquiries. It is the work of this committee to examine and consider the report of the Auditor General, and incidental to that are such submissions and recommendations in support of it as he sees fit to it. And I

recall very distinctly, Mr. Chairman, that we have given consideration to similar recommendations and a similar report in other years. I remember that this committee held extensive sittings in 1947 on this very matter.

Mr. WRIGHT: Not on estimates.

Mr. FLEMING: We had the same kind of reference and the same kind of review in which we dealt with the question of the presentation of the estimates and the form of the estimates, and that the committee recommended giving effect to certain suggestions of Mr. Watson Sellar in regard to more ample consideration of the estimates. And I will remind the committee of this, that the Public Accounts Committee in 1947, not only heard that evidence during the course of a long inquiry but actually reported to the House along these same lines, and one of the recommendations made by the committee at that time was the setting up of a standing committee on estimates, and it recommended also that there should be an amendment to the Consolidated Revenue and Audit Act. So, Mr. Chairman, this is nothing new in the inquiries of the Public Accounts Committee. I think far from being out of order it is something on which the Public Accounts Committee can render very useful service. But having said that, sir, may I say also that I think one of the things that we did agree on was that we wanted to get on with the detailed items of the public accounts, and the feeling of the steering committee today, as I sensed it, was this: let us bring to a conclusion as quickly as we can this review of the estimates aspect, the form of the estimates and so on; and, having done that, let us write our interim report and submit it to the House; and then, having done that we would go on to the next order of business before the committee, namely, a consideration of the balance of the report of the Auditor General. To date, out of 161 items, I think it is, we have disposed of 50 or 60. We will have to clear up the balance of his report before proceeding to the next order of business which will have to be decided upon. And you will recall, Mr. Chairman, that it was decided by the steering committee, subject of course to the approval of the main committee, that before the next meeting of the subcommittee the several members on the steering committee would consult with their colleagues as to the next order of business they would like to have considered. There have been many concrete proposals as to the next item to be studied. It may be that there is room for some misunderstanding. I don't recall the exact phrase in the report you read, Mr. Chairman, but I think the general understanding was that there would be three or four more witnesses to finish up this phase of the matter and that if certain members of the committee had asked for particular witnesses at certain stages of the proceedings that those particular witnesses would be called on matters relative to or arising out of the proceedings and evidence to date. I think the whole tenor of the meeting was clear, and I believe it is acceptable to the sentiment of this committee that we should proceed in an orderly manner as quickly as we can to complete this phase of our inquiry and make a report on it and then go on.

Mr. RICHARD: I think as far as the other witnesses are concerned that if we are to hear them the responsibility should be put on those who asked to have them called.

Mr. CROLL: I think the responsibility belongs to this committee. We do not want to be placed in the position where it can be said that certain people asked that certain witnesses be called and that we did not give them an opportunity of appearing. That is the sort of impression that gets out and when it does it doesn't do anyone any good. If we have given any undertakings as to the appearance or witnesses asked for we certainly must find some opportunity for them to appear; and I, for one, do not think the committee should be put in that impossible position. I think we are bound to hear those who have been asked for, and I think the responsibility is ours as a committee to see that those witnesses are called and given an opportunity of being heard.

The CHAIRMAN: Does anyone else want to speak on the point of order raised by Mr. Wright?

Mr. BROWNE: Mr. Chairman, I would like to support Mr. Wright to a certain extent while agreeing with Mr. Fleming on the idea of continuing and finishing up this part of the business we are on. But nevertheless, concerning the point of view expressed by Mr. Wright that this has been referred to us by the House, how will it look when we go back to the House with a report and we are not allowed to say anything about the public accounts?

Mr. CROLL: Mr. Chairman, that is the sort of thing I object to.

Mr. BROWNE: Mr. Chairman, I have the floor, I think.

The CHAIRMAN: No, no. This is a point of order raised by Mr. Croll. You made a statement and the gentleman raises a point of order.

Mr. CROLL: I object to the statement made by the hon. member who used the term "not being allowed to examine the public accounts". That is the sort of charge we are constantly being subject to and it is not true. We do not deserve it. You are the one who is now attempting to go back on the suggestion you made originally.

Mr. WRIGHT: Show me where there is anything in the first—

Mr. CROLL: On a point of order, Mr. Chairman, the motion was made by Mr. Thatcher to examine these various accounts in detail.

Mr. THATCHER: Mr. Chairman, that is not correct.

The CHAIRMAN: One by one, if you please. You moved that Mr. Sellar's report be studied item by item.

Mr. THATCHER: No, I did not. I said there should be a summary of the main objects and expenditures.

Mr. CROLL: Well, read the report. The minutes are there. I think it was upon Mr. Thatcher's motion that we first proceeded as we did. Now he finds it—

Mr. THATCHER: We are not getting anywhere.

Mr. CROLL: Stop questioning the witnesses and we will get on with public accounts. I object to the objections being made here.

Mr. THATCHER: I would refer this committee to page 3 of Minutes of Proceedings of this committee No. 1, where the Order of Reference is set out. It reads:

> That the Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.
>
> Ordered,—that the Public Accounts of Canada and the Report of the Auditor-General for the fiscal year ended March 31, 1949, which were tabled in the House on October 31, 1949, be referred to the said committee.

The CHAIRMAN: You have had fifteen meetings up to now.

Mr. THATCHER: Mr. Chairman, for the last few weeks we have been discussing estimates of the Department of Agriculture. I defy anyone to tell me where in this order of reference it refers to estimates. I support Mr. Wright completely. We have no power to be studying estimates. I am one who feels that this committee could be one of the most useful committees in the House.

The CHAIRMAN: So do we all feel.

Mr. THATCHER: But I do not see how we can get anywhere unless we examine the public accounts and do the job that parliament gave us to do. I think the main job of this committee is to find savings. But every time we

get to a saving we are ruled out of order and told that we should stick to the estimates. I resent being called out of order. I wanted to move this motion at three minutes to six the other night.

The CHAIRMAN: No, it was six o'clock. The meeting was adjourned and six o'clock had been called.

Mr. THATCHER: I agree with Mr. Wright that we have no business to be on estimates at all. I would like to move an amendment.

The CHAIRMAN: My point is this: Mr. Fleming—

Mr. WRIGHT: Mr. Chairman, may I ask a question when you are through?

The CHAIRMAN: Yes. Mr. Fleming is entirely right when he says that the discussion as to the form of estimates arises directly from the auditor-general's report. Let me say that in the past, under my own chairmanship, on many occassions this committee has had as its order of business a consideration of the auditor-general's report and the memorandum of the auditor-general. Last year the report concerned the form of representation of accounts. The year before the memorandum was along the same line as this year as to the question of estimates, yet nobody found it to be outside the scope of the reference. That practice has been followed by this committee. I do not see why, after we have had sixteen meetings, this point should be brought up today.

When the Steering Committee first sat we discussed what would be the order of business. Somebody suggested that we should take this procedure and the decision was unanimous. It may be that someone thought it would take less time, but that is not my fault. If it has taken so much time, it is because so many of the questions asked were outside the order which the sub-committee had set. I think that the question of the form of estimates is perfectly in order and it arises from the auditor-general's report. It has been the practice of this committee in the past to treat the question on many occasions and the thing has never been challenged in the House.

Mr. WRIGHT: If you will just read the report of the committee, Mr. Chairman, you will see that one of the reasons why the committee takes so long is that the chairman takes so long.

The CHAIRMAN: The chairman has to take a longer time because the members insist upon wandering.

Mr. WRIGHT: I make that as a statement and you can check the records to see whether or not I am correct. And what is more, just because the committee went through a certain procedure last year, or the year before, or the year before that, it does not necessarily follow—

The CHAIRMAN: The time to have objected was when the report of the steering committee came before the main committee.

Mr. WRIGHT: When the first report of the Steering Committee came before this committee there was no motion.

The CHAIRMAN: Anybody was entitled to speak.

Mr. WRIGHT: I know that, but there was no motion.

The CHAIRMAN: It was not requested by anybody. One or two questions were asked by Mr. Macdonnell and then we passed to another order of business.

Mr. WRIGHT: But you never moved it.

The CHAIRMAN: If anybody objected to it at the time he could have done so. You could have done so. You could have used your tongue then.

Mr. WRIGHT: Why was it not moved?

The CHAIRMAN: Today I thought there was a difference of opinion in the committee so I move the acceptance of the report to make sure that it was the opinion of the committee. In the first instance there was no amendment

moved by anybody, nor was there a question of an amendment being moved. We have that on page 12. The report of the Steering Committee was read to the main committee and nobody objected to it and it was accepted. You had a representative of your own group on the Steering Committee, and it went on that way; and I read the report and nobody objected to it and we called Mr. Sellar right away.

Mr. RICHARD (*Ottawa East*): I resent the suggestion that we are out of order. I submit that this question of estimates arises out of the auditor-general's report.

Mr. THATCHER: Where does it say that?

Mr. ROBINSON: Let Mr. Thatcher look at page E-4.

Mr. THATCHER: But page E-4 is not in the auditor-general's report.

Mr. WRIGHT: We are talking about the estimates and the auditor-general's report of this year.

The CHAIRMAN: In the auditor-general's report you will find it on many occasions. In respect to item 4 vote 330 the suggestion is made that there be a single general vote in the estimates instead of many which cover different items—the Department of Trade and Commerce and the Department of Veterans Affairs, and so on.

Mr. THATCHER: That is public accounts.

The CHAIRMAN: No. No. You just mentioned the auditor-general's report. This is in the auditor-general's report. There are many suggestions in the report as to a change being advisable in the way the estimates were worded, or in the way in which they were presented. So, as we have done in previous years, we have asked the auditor-general to preface our study of this report by a memorandum, which has dealt with the estimates in the form of representations. It has been considered in order in previous years, and the question has never been raised in the House. Neither has it been raised in this committee; and no amendment was moved. But now after we have sat fifteen times objections are made. So I rule it in order. Shall the motion made by Mr. Croll that the report of the sub-committee be adopted carry?

Mr. THATCHER: I want to move an amendment, Mr. Chairman. On page 1 you said:

> The subcommittee on procedure and agenda met at 2.00 o'clock this afternoon at the request of Mr. Wright. I want all the words struck out afterwards and to add these words:
>
> That this committee proceed at its regular meeting to deal specifically with an examination of the public accounts.

The CHAIRMAN: You object to the subcommittee reporting to the general committee what happened in a meeting of the subcommittee?

Mr. THATCHER: Not at all, Mr. Chairman. I want to get on to the public accounts.

The CHAIRMAN: You want to strike out the balance of the report?

Mr. THATCHER: That is right.

The CHAIRMAN: You do not want the subcommittee to make a report of what it has done? You may make that motion in any other place, if you want to; but at least let the subcommittee report what it has done. Let the subcommittee report what has been done and then come to another conclusion.

Mr. THATCHER: May I make a motion and speak to it?

The CHAIRMAN: Very well.

Mr. THATCHER: Mr. Chairman, I think there are four reasons why the members, whether they be liberal, conservative, C.C.F., or social credit should

pass that amendment. First, because the main duty of this committee is set out in the order of reference, and it is to examine the public accounts and the Auditor General's report. That was read by Mr. Wright and I think it is quite clear. I think that in discussing Mr. Sellar's memorandum and the estimates, as we have been doing for several weeks, and the estimates of the Department of Agriculture, we are completely out of order.

The CHAIRMAN: It has taken you fifteen meetings to come to that conclusion.

Mr. THATCHER: That is all right. And I think it is very obvious to any member today that if we do not get to public accounts very quickly, we shall not get to them this year. In fact, I think it is the object of the chairman that we do not get to them.

The CHAIRMAN: Mind you: you did not say that when you spoke privately to me the other day. You said: I believe and I trust that you want to work thoroughly. I do not doubt your intentions. You doubt them since Thursday night? I am sorry to have to bring that in.

Mr. THATCHER: You believe it is in the interests of the committee quite legitimately; and you think it would be better advised to bring in a report about something else.

The CHAIRMAN: We have stated that we think our duty is to bring in a report to the House. My own view is that many of the suggestions made by Mr. Sellar are acceptable; others are not. After this has been thrashed out in the committee a report will be tabled in the House. That is the aim I have now—rather than to stop work and go haphazardly from here.

Mr. THATCHER: May I give you my third reason?

Mr. FRASER: Before Mr. Thatcher speaks I would say that it is very, very hard to hear when everyone is talking. I think if members are going to speak they will have to stand up because it is too hard to hear. I am not going to vote on any question unless I know what I am voting on.

Mr. THATCHER: I am going to stand up then. The fourth reason I have for moving the amendment is that I am dissatisfied with the repeated rulings of the chairman, which prevent members from pursuing items which may save money for the taxpayer.

I doubt whether the government has very much to hide in these public accounts but I can tell the chairman that rulings of that kind create a different impression throughout the country. I want to remind him that the Minister of Finance challenged the opposition members to show where savings could be made and I think at the next meeting we should get on with the public accounts.

The CHAIRMAN: And not make a report on the estimates?

Mr. THATCHER: In so far as making a report is concerned, if we can save money for the taxpayers what does it matter whether there are 200 items or 600 items in the estimates.

The CHAIRMAN: The Auditor General is a man whose opinion is valuable; we must study it. We have had fourteen or fifteen meetings and this is not the time to come and say that we should not complete our work.

Mr. THATCHER: We have not started our work yet.

The CHAIRMAN: If this committee brings in a report and suggests that it in future sit on definite days, a minimum number of sittings, and that the estimates are to be brought in a certain fashion, and if we accept some of Mr. Sellar's ideas and not others, we will have done valuable work. The Public Accounts Committee in twenty-one years has sat only six years and of those six years this is only the second time that we have gone to the bottom of the question under discussion.

Mr. JOHNSTON: Since we are going to vote on this I think I had better express my opinion. I am sorry that I was unable to be present at the committee meeting this morning but I had another engagement.

From the argument I have heard I would like Mr. Thatcher's amendment to be made to the end of the committee's report because I do not think we should disregard the report. As far as the amendment is concerned, and considering the order of reference from the House, I think Mr. Thatcher is correct. It is true, as the chairman has pointed out, that in the Auditor General's report there was a reference made to the estimates. In my judgment that does not say that we should confine our proceedings here according to any reference or all references the Auditor General may have made in his report. For instance, if the Auditor General had mentioned the flood situation in Winnipeg, would we have confined our arguments to the floods in Winnipeg?

Definitely the order of reference is that we should deal with the public accounts. Now, I am faced with the problem of whether we should follow the order of reference or whether we should go on with something else. My view is that we should stay to the order of reference and that the efforts of this committee be directed to that end.

The CHAIRMAN: Why did you not bring that up at the first meeting, or in the steering committee?

Mr. JOHNSTON: That is why I say now that I think the amendment should be made at the end of the report. I apologize for not being there this morning but it was impossible for me to attend. However, since I think we will be voting on this, we will have to vote according to the order of reference regardless of what we have done in other meetings, in other years, and on other occasions. I think we are bound to follow the order of reference that was given by the House. As I indicated a moment ago, it is perfectly true that the Auditor General's report does make reference to the estimates. But, just because he made reference to some problem outside of the order of reference does not make it mandatory for us to follow that guidance or that reference?

I would like to see Mr. Thatcher's amendment made to the end of the report and if so I shall support it.

The CHAIRMAN: Just in answer to Mr. Johnston, there is only one word I object to—the word "confined." You say this committee should not confine itself to the study of the estimates; that has never been the intention. If the work had been performed quicker and if we had been out of order for less of the time—and that is no reproach to you, Mr. Johnston—we might have been further on in our work in public accounts.

Mr. JOHNSTON: I am not arguing with you on that point but we are going to have to vote.

The CHAIRMAN: And we are going to have to report to the House.

Mr. RICHARD: Mr. Johnston says that he wants to have Mr. Thatcher's report made at the end, but that is what the subcommittee report says. It says that after dealing with the memoranda tabled by the Auditor General that we should go on to public accounts.

The CHAIRMAN: Perhaps the members would wish me to read the report again.

Some hon. MEMBERS: Yes.

The CHAIRMAN: "The subcommittee discussed a suggestion that the committee defer further consideration of the proposals set forth in the memoranda tabled by the Auditor General respecting a revision in the form in which estimates are presented to the House, and that it proceed directly to an

examination of the public accounts. An alternative suggestion was made to the effect that the whole question of the form of estimates be referred to a subcommittee to be appointed for that purpose.

"Your subcommittee is of the opinion that the study of the memoranda submitted by Mr. Sellar on the form of the estimates and other relevant matters, on which the committee is now engaged, should be concluded and the committee's recommendations reported to the House before any other business is undertaken.

"Your subcommittee, therefore, recommends that the examination of the present witnesses, Dr. Taggart and Mr. Bryce, be concluded and the Comptroller of the Treasury called as the next witness, to be followed by a representative of the Department of Finance to tell us why a change was made in the estimates in 1938 and the underlying reasons and any other witnesses whose presence may have been requested by members during our discussion of Mr. Sellar's memoranda and concerning the latter."

Many other witnesses have been mentioned as possible witnesses, but they are not proposed on questions relevant to the memoranda, and it is considered that they should be limited to the two groups—first the business of the Prices Support Board and second to the Cartierville affair. I think the people of the country would be as interested in those items as in any others, and, if I may say in passing, I do not think that shows that the chairman wants to prevent any light from being thrown on any subject before the committee.

"Your subcommittee also recommends that questioning of these witnesses be strictly confined to the proposals contained in the Auditor General's memoranda of April 27 and May 2.

"Your subcommittee also points out that there are 94 items of the 161 comprising the Auditor General's report still to be dealt with and recommends that these be considered immediately the matter of estimates now under discussion is disposed of."—Those are the items referred to us.

"It was agreed that the question of the order of business to follow the Auditor General's report be decided at the next meeting of the subcommittee."

If my friends of the subcommittee will remember, I suggested that they all, during the coming week, figure out the best possible way in which we could deal with the matter. I asked them whether they thought it would be fair to throw the book on the table and say "Go to it, gentlemen."

Should we not find a way of going by departments or going by functional classes—say travelling expenses for certain departments? I said to them that during the coming week we would carry on with our work and that they might be considering how to deal with this.

Mr. CROLL: What is the amendment?

The CHAIRMAN: That all the words after "subcommittee" in the second paragraph—

Paragraph number one says that we met at 2 o'clock—and the amendment is that all the words after "subcommittee" in the second paragraph in the first line thereof be struck out and the following be substituted:

> That this committee proceed afterwards to deal specifically with an examination of the public accounts.

Mr. FLEMING: I am not suggesting to Mr. Thatcher how he ought to put his motion but I do not see how an amendment to a motion for adoption of a report can purport to take all of the words out of the report. It seems to me that all that can be done is to say that the report be not adopted and that this committee do whatever Mr. Thatcher thinks is right.

However, I just want to put this thought forward. I do not yield to anyone in this committee in my desire to get on with the public accounts as quickly as we can. We have spent three quarters of an hour this afternoon in a not too

seemly wrangle about where we are going from here. I urge that we get on as expeditiously as we can with this particular part of our inquiry. We are nearly through with this.

Mr. THATCHER: No, we will not be through this year.

Mr. FLEMING: Well that was certainly not the idea of the steering committee because the steering committee was definitely of the opinion that we would be through with this particular inquiry this week. We talked about the number of hearings required for various witnesses and the next meeting of the steering committee, presumably at the first of the week, is going to do two things; one, to dispose of the question of estimates by submitting an interim report to the House; and secondly, to get on with the matter of the public accounts.

The CHAIRMAN: The Auditor General's report?

Mr. FLEMING: We have these remaining items in the Auditor General's report. Surely we want to get on without undue delay to the items the members desire to ask questions upon in the public accounts.

With all due respect for the desire expressed this afternoon, we want to get on with this as quickly as possible and, I think if we apply ourselves and do not drag out the questioning we can conclude this part of our inquiry. It has gone on quite some time now but I think we can conclude it quickly.

Mr. MAJOR: This is new to me, but, as the gentleman has said, looking at it from a distance, I think we have spent a considerable number of days studying the problem of the estimates and, as we are just about through with them, I do not think that we should cut them out and throw them overboard now. We have been here nearly fifty minutes discussing something that is not getting us anywhere. If the farmers of this country were to lose as much time over their line fences there would be so little production that there would be no one alive in this committee. I think we should get down to the real business of our study and as soon as we have gone through the estimates we can go on to a study of the accounts.

Mr. FRASER: Mr. Chairman, I was in the steering committee meeting today and I understood, in connection with the estimates of the Department of Agriculture, that as soon as we finished we would have other witnesses.

The CHAIRMAN: As soon as we finish with this matter of the agricultural estimates we will have the Comptroller of the Treasury whose presence has been asked for by Mr. Wright, Mr. Macdonnell, and others. Afterwards, the witness may be Mr. McIntyre or Mr. Bryce. We can find out from the deputy minister of finance what the procedure was before 1938 when these changes were brought in, so that we will be in a position to make a decision about the present system; and so that we will also be able to form an opinion about Mr. Sellar's suggestions.

Then, there are the matters of Cartierville and the Support Board.

Mr. FRASER: Just a minute, Mr. Chairman; before we get into Cartierville, we will not have covered the items in the public accounts?

The CHAIRMAN: Well the Cartierville matter has been brought up by Mr. Drew.

Mr. FRASER: We would have that first?

The CHAIRMAN: After the comptroller and, so on. This question was raised by Mr. Drew when we were discussing the memorandum prepared by Mr. Bryce at the request of Mr. Drew to see if we could not agree on a summary to be given at the beginning of the estimates, a summary by functional classifications. That was discussed during two meetings of this committee. At the time Mr. Drew raised doubt about a question and brought the matter before us, and I think we ought to clear it up quickly.

Mr. FRASER: I would like to get into public accounts.

The CHAIRMAN: So would I and so would all of the members.

Mr. FRASER: On account of the wording of Mr. Thatcher's amendment I feel, with Mr. Fleming, that I cannot support it.

Mr. BROWNE: May I say a word? It seems to me you are going now into the report of the Auditor General? I suggest to Mr. Thatcher he might withdraw his motion until we have finished with the report of the Auditor General and then take it up after that.

Mr. THATCHER: I want to say this: I am not particularly worried where that amendment comes in; if you want it at the end of the Auditor General's report, that is all right. We have been in parliament now for three months and the public accounts committee has been sitting for two months, and I think we will continue sitting here without getting to the public accounts. If we can get to the business that has been referred to us by the House, it will be all right with me, but I do not think we are going to get to public accounts this year. Surely, the main job of this committee should be to call two or three departments this year, call them whichever way you want, pick them out of the hat, if you wish, and let us examine them, and let every department be prepared to come before us next year. That should be our business rather than frittering away our time with estimates.

The CHAIRMAN: May I make a suggestion? The last paragraph of this report says this:

> It was agreed that the question of the order of business to follow the Auditor General's report be decided at the next meeting of the subcommittee.

What would you say if we struck these words out and replaced them by the following words:

> That this committee proceed afterwards to deal specifically with an examination of the public accounts.

Now, I am going as far as I can go to meet your views, Mr. Thatcher, and still remain consistent with what we have done up to now. We say in the last paragraph of the report of the subcommittee that we leave the matter of subsequent work to the subcommittee. Let us withdraw these three lines and let us say as the last paragraph:

> That this committee proceed afterwards to deal specifically with an examination of the public accounts.

That would definitely commit the committee, once the present work is finished, to take up public accounts, and, I think, if we want to be consistent—

Mr. THATCHER: I do not think that will get us where we want to go, Mr. Chairman.

Mr. CROLL: Let us have a vote.

Mr. FLEMING: Mr. Chairman, may I say a word? It is understood it is the intention of the committee to proceed forthwith with an examination of the public accounts—

Mr. THATCHER: Was that two months ago?

Mr. FLEMING: The particular ones were not chosen at the meeting today, but it was clearly understood that immediately on the conclusion of the business stated there, which we hope will not take long, we will proceed forthwith to an examination of the public accounts.

The CHAIRMAN: It is to meet that suggestion that I propose to strike the last paragraph of the report of the steering committee.

Some Hon. MEMBERS: Question, question.

Mr. WRIGHT: It will be perfectly clear from the proceedings of this committee from now on as to whether Mr. Thatcher and I are right in thinking that we are not going to get to public accounts this year.

The CHAIRMAN: It all depends on how the committee conducts itself, and confines itself to the business of the day.

Mr. WRIGHT: The proof of the pudding is in the eating.

Mr. THATCHER: When are we going to get there? There is no other meeting of the public accounts committee called for this week.

The CHAIRMAN: We give notices of the subsequent meeting as we go along. For instance, we are intending to have another meeting tomorrow.

The question is on the amendment moved by Mr. Thatcher that would strike out the whole of the report; the amendment is "That all words after the word subcommittee in the first line of the second paragraph thereof be struck out and the following words substituted: That this committee proceed at its next regular meeting to deal specifically with an examination of the public accounts."

Those in favour of that amendment? Those opposed?

I declare the amendment lost.

Now, there is before us a motion made by Mr. Croll that we adopt the report of the sub-committee.

Those in favour? Opposed?

I declare the report adopted.

Now, we have Mr. Taggart as a witness today, to deal with Mr. Sellar's report on the estimates of the Department of Agriculture.

Dr. J. G. Taggart, Deputy Minister of Agriculture, recalled:

The CHAIRMAN: We had reached item No. 3. I will at the same time, call Mr. Bryce to sit beside Mr. Taggart.

Now, gentlemen, the question is on item 3, page 3 of the memorandum of Mr. Sellar on Agriculture estimates.

3. Vote 12, "Plant Protection $731,705", is in a somewhat different category. The Public Accounts (page A-14) state it is required for "the enforcement of the Destructive Insect and Pest Act". It is suggested that the text be changed to read:

> To provide for the administration of the Destructive Insect and Pest Act, c. 47, R.S., and amendments thereto; but charges shall not exceed $ for paylist charges $

Are there any questions to the witness?

Mr. CROLL: No questions.

The CHAIRMAN: Item No. 3.

Carried.

Item No. 4: the pooling of three votes in the estimates concerning experimental farms service administration, central experimental farm and branch farms and stations,

4. The votes reading:

13. Experimental Farms Service Administration	$ 129,780
14. Central Experimental Farm	1,868,118
15. Branch farms and stations and illustration stations	5,977,447

stem from the Experimental Farm Stations Act, c. 61, R.S., as amended. The three votes collectively provide for such things as:

Salaries and wages	$4,263,034
Acquisition or construction of buildings and works	1,807,349
Acquisition of equipment	493,369
Supplies and materials	432,706
Printing and stationery, etc.	237,925
Travel expenses	237,720
Feed, freight, cartage, etc.	236,180

The printed details require to be supplemented by taking notice of a sub-head in the printed details to Vote 303 (Public Works):

Experimental Farms and Science Laboratories—replacements, repairs and improvements to buildings	$ 500,000

In the main, this sub-head is administered by Agriculture.

Any questions?

Carried.

Item No. 5.

5. It is suggested that the provision for construction be transferred to a works' vote and the votes then consolidated to read:

To provide for administration and operation of farms for the purposes of Experimental Farm Stations Act, c. 61, R.S., as amended, but charges shall not exceed $ for paylist charges ....$

The details would be made more illuminating by developing material identifying the farms and giving financial information respecting their operations.

Mr. WRIGHT: We brought Mr. Taggart here to give the committee his opinion on these items, and I would like to hear his opinion.

The CHAIRMAN: It is up to you to ask questions of him, then, on any of these items. It was moved by Mr. Drew the other day that the logical way to deal with Mr. Taggart was to ask him his opinion on each of the items as we went along.

Mr. WRIGHT: Do not make a speech. All I want to do is to ask him to express his opinion on this item. I am asking that for every one of us present. We are on item No. 5, are we not?

The CHAIRMAN: We are on item No. 5. Do you care to express an opinion for us on it, Mr. Taggart?

Mr. WRIGHT: You do not need to read it to him, Mr. Chairman.

The CHAIRMAN: He can read it himself.

Mr. WRIGHT: I presume he read the report before he came here.

The WITNESS: Item No. 5 is to suggest that the provision for construction be transferred to a works' vote, and the votes then consolidated into one.

That would offer no difficulty in administration from the viewpoint of the department, and it would not materially change the present practice as far as I can understand it.

Mr. WRIGHT: That is what I wanted, Mr. Taggart's opinion.

The CHAIRMAN: Item No. 5?

Carried.

Item No. 6.

6. Votes 17 and 18 are:

Health of Animals	
17. Administration of Animal Contagious Diseases Act and Meat and Canned Foods Act.....	$3,661,965
18. Compensation for animals slaughtered.....	1,091,292

These could be consolidated into one vote:

To provide for the administration of the Animal Contagious Diseases Act, c. 6, R.S., as amended, and the Meat and Canned Foods Act, c. 77, R.S., as amended, but charges shall not exceed $ for paylist charges ..... $

The CHAIRMAN: Mr. Taggart, have you any views to express on that item?

Mr. ROBINSON: Mr. Chairman, what do you mean by "carried"? Are we giving approval by using the word "carried"? What you really mean is that there are no questions on that item?

The CHAIRMAN: That is to show that we have reviewed this item and the discussion is over and we are passing on to the next item.

By Mr. Thatcher:

Q. What does Mr. Taggart think of this item?—A. Administratively there would be no difficulty in consolidating the two votes into one.

Q. What would be the advantage?—A. No advantage.

Q. You would be neither for nor against?—A. It makes no difference to the department.

The CHAIRMAN: Any further questions on item No. 6?

Item No. 7.

7. There are two votes which involve general administration and also the administration of the Live Stock and Live Stock Products Act and the Live Stock Pedigree Act. They are:

Production Service	
19. Live Stock and Poultry.....	$1,342,738
Marketing Service	
28. Live Stock and Live Stock Products.....	1,204,012

They are now separate votes, perhaps because a different director is responsible for the administration of each. However, the grant is not to a director, but to the Crown, and a division of the money can be controlled by section 26 of the Consolidated Revenue and Audit Act 1931. Four-fifths of the total is for salaries and travel expenses. Departmental convenience is here of concern;

but from the accounting viewpoint, application would be simplified were they consolidated to read:

To provide for the administration of the Live Stock and Live Stock Products Act, 1939, and of the Live Stock Pedigree Act, c. 49, 1932, and for other services relating to Live Stock, but charges shall not exceed $ for paylist charges..... $

Mr JOHNSTON: Would Mr. Taggart's view be the same on item No. 7?

The WITNESS: No, Mr. Chairman; if I may express a view, those votes are set up according to administrative divisions in the department and if the two votes were thrown into one it would cause considerable work in unscrambling the vote after it was passed. If that was decided we could do the work but it would not be very profitable work.

The CHAIRMAN: Item No. 8.

8. The text of vote 20 is:

Plant Products

Seeds, Feeds, Fertilizers, and Fungicides Control, including grant of $40,000 to Canadian Seed Growers' Association $1,261,533

It is suggested that the $40,000 grant be transferred to the vote next suggested and the text changed to read:

To provide for the administration of the Seeds Act, c. 40, 1937, as amended, Feeding Stuffs Act, c. 30, 1937, as amended, Fertilizers Act, c. 69, R.S., as amended, Pest Control Products Act, c. 21, 1939, Inspection and Sales Act, c. 32, 1938, as amended, and the Hay and Straw Inspection Act, c. 26, 1932-33, and for other allied services; but charges shall not exceed $..... for paylist charges.. $

Mr. WRIGHT: I would like you to ask for Mr. Taggart's opinion on that, Mr. Chairman.

The CHAIRMAN: Well, say so. You have reproached me for speaking too much. If you want Mr. Taggart's opinion, ask him.

The WITNESS: No. 8. The suggestion is that vote No. 20 be attached specifically to the legislation that is enforced by that division. The only disadvantage in following that from the point of view of the department would be that the Plan Products Division which administers all of these acts, also does other work of a related nature, some of which is not based directly on this legislation. If the vote were based purely on the related legislation, then we would probably have to provide elsewhere for other functions discharged by that branch, and that again would be to add to administration and create difficulty, but it could be done. However, I do not see any good reason for doing it that way.

Mr. THATCHER: You cannot see any advantage to it?

The WITNESS: No, we cannot, from our point of view.

The CHAIRMAN: Is that all on item No. 8.

Item No. 9.

9. There are three votes for donations and contributions:

4. Contributions to Commonwealth Bureaux....$ 56,821

21. Grants to Fairs and Exhibitions, under such terms and conditions as may be approved by the Governor in Council and subject to allocation by the Treasury Board 536,400

22. Grants to Agricultural Organizations, as detailed in the Estimates..... 44,500

In addition, there are the grants such as set out in Votes 20 and 27, as well as those listed in the details (see pages 85 and 86, for example). These could be brought together with the three votes and presented in a consolidated vote:

To provide authority to make grants to Commonwealth Bureaux, Agricultural Organizations, Canadian exhibitions and fairs, etc.. as listed in the details of the Estimates; such grants to be subject to such terms and conditions as may be approved by the governor in Council ..... $

The details would necessarily be set out in a way to meet the requirements of the vote's text.

Mr. WRIGHT: Mr. Chairman, through you, again, I would ask the witness his opinion on that item. Has he any objection to item No. 9?

The WITNESS: We would be inclined to object to the recommendation here because our grant to the Commonwealth Bureaux is one that is based on an agreement among the commonwealth countries that support these bureaux, the chief job of which is to abstract scientific literature and to supply the abstracts to scientific workers. It is quite a technical job. In my opinion it would be desirable to keep them separate. If the grant to the bureaux was mixed with those other grants we could pick it out and pay it separately but it seems confusing to list grants to that kind of an organization with grants to fairs and exhibitions and other such bodies. It seems a clearer statement of the intention to say that there is so much money for fairs and exhibitions and so much for other organizations rather than rolling them all into a single vote.

By Mr. Johnston:

Q. If they were all rolled into a single vote would it leave you a greater latitude than it does now?—A. Presumably you could switch funds from grants to the bureaux to grants for an agricultural fair at Melfort, for instance.

Q. And you think that would not be advisable?—A. It might be legally possible, but probably it could not be done or would not be done.

The CHAIRMAN: Item No. 9?

Item No. 10.

10. Vote 25, "Dairy Products $654,876", is a salary vote made necessary by the Dairy Industry Act. The text might read:

To provide for the administration of the Dairy Industry Act, c. 45, R.S., as amended, but charges shall not exceed $ for paylist charges $

The details would be similar to those of other votes which are administrative in nature.

Mr. THATCHER: Has Mr. Taggart any comments to make on No. 10?

The WITNESS: I have the same comment to make on that as I made with respect to item No. 8. The entire work of the dairy products division is not based on the Dairy Products Act; it does other work based on general depart-

mental operations, and a segregation of those votes into two or three different votes would add to administrative difficulty and cause confusion, and would tend, in some cases, to obscure the real purpose of the vote.

The CHAIRMAN: Any further questions on item No. 10?

Item No. 11.

11. Two votes which have much in common are:
    26. Subsidies for cold storage warehouses under the Cold Storage Act, and grants, in the amounts detailed in the Estimates $644,159
    35. To provide for assistance to encourage the improvement of cheese and cheese factories $1,400,000.

Vote 35 is regulated by the Cheese and Cheese Factory Improvement Act. Sometimes payments under Vote 26 do not qualify under the text of the Cold Storage Act, therefore they are not paid as statutory subsidies, but as grants. These could be consolidated into one:

To provide for the payment of subsidies, premiums and grants made under the authority of the Cold Storage Act, c. 25, R.S., and the Cheese and Cheese Factory Improvement Act, c. 13, 1939, as amended, and to make grants for the purposes of the Cold Storage Act in the amount detailed in the Estimates $

The details should, of course, state the reasons why exceptions are being made.

Mr. THATCHER: How would that 26 and 35 be in here, Mr. Chairman. I don't quite follow that.

The WITNESS: They are different things, Mr. Chairman. All the subsidies paid for cold storage warehouses have been in effect for a long time. I don't remember the date they first came in, but I think it is 1907.

Mr. BENIDICKSON: Do you agree with his basic statement there that the two votes should be bunched together in one?

The WITNESS: No, they have very little in common in my opinion. One is specifically directed toward the improvement of cheese and cheese factories while the other one is a general provision to assist in the construction of cold storage warehouses for the handling or storing of all kinds of products.

Mr. THATCHER: It is your opinion, then, that they should be kept separate?

The WITNESS: That is my opinion, yes.

By Mr. Johnston:

Q. May I ask you a question about No. 10, where he suggests that there be so much for one item and so much for the paylist charges. Can you tell me whether that is better that way? Has it been the custom to transfer moneys from items to salaries?—A. Within the vote, it is legally possible with the approval of Treasury Board to transfer from one suballotment, or from one allotment to another allotment—these allotments are bookkeeping items that are set up after the estimates are passed.

Q. If you had Mr. Sellar's plan you think that would be impossible?—A. If Mr. Sellar's plan were adopted with respect to that particular point salaries and wages within the estimates would not be transferable, we could not transfer any amount in excess of that already provided.

Q. Apparently that has been done up until now, therefore Mr. Sellar is objecting to it; is that it?—A. I think Mr. Bryce explained that point at the last meeting of the committee, Mr. Chairman. Mr. Sellar's objection there is based on a section of the Civil Service Act, I think it is section 42.

The CHAIRMAN: I think, Mr. Johnston, your question is one which should be directed to Mr. Bryce.

Mr. JOHNSTON: I think Mr. Bryce did answer it, but I was trying to get Mr. Taggart to tell me his views on that.

The CHAIRMAN: Any further questions on 10 or 11?

Item 12:

12. Another group of votes with a common purpose is:

27. Fruit, Vegetables and Maple Products, and Honey, including grant of $5,000 to Canadian Horticultural Council	$989,000
36. To provide assistance for the replacement of maple production equipment	500,000
38. For assistance in construction of potato warehouses under regulations to be approved by the Governor in Council	100,000

These could be consolidated into one, but presumably limitations as to amounts should be kept, so the text might read:

To provide for the administration of the Fruit, Vegetables and Honey Act, c. 62, 1935, and of the Maple Sugar Industry Act, c. 30, 1930, and for other allied services, and to provide assistance for replacing maple production equipment and in constructing potato warehouses, such assistance to be subject to such regulations as the Governor in Council may approve; but charges shall not exceed:

$	for paylist charges
500,000	for replacing maple production equipment, nor
100,000	for constructing potato warehouses ..... $

Details, in addition to the usual information re staff, travel expenses, etc., should set out the proposed scale of assistance for the equipment and warehouses.

Mr. JOHNSTON: No. 12. This likely would be for Mr. Bryce, but I wonder if he would explain the item there "for paylist charges, $500,000 for replacing maple production equipment, nor $100,000 for constructing potato warehouses". Why would Mr. Sellar put that in there?

Mr. BRYCE: Well, sir, I assume that Mr. Sellar put that in there to achieve the purpose stated of limiting the expenditure within vote. In this suggestion for the wording in consolidating the votes there, he is endeavouring to avoid giving enough latitude to use this money generally for increasing the amount spent in salaries or for using the subsidy for replacing maple production equipment or the construction of potato warehouses.

Mr. JOHNSTON: He is absolutely stating the basic charges in the estimates, is that why?

Mr. BRYCE: Yes sir.

Mr. CAVERS: Then he has consolidated the $5,000 grant to the Canadian Horticultural Council in with the vegetables and maple products and honey.

Mr. CROLL: There is another memorandum on that.

The CHAIRMAN: May I ask a question? I would like to know Mr. Taggart's opinion. At the bottom of page 6, item 12, the item which is under consideration,

where he agrees with you, I see that Mr. Sellar indicates that paylist charges for replacing maple production equipment shall not exceed $500,000, that that is guaranteed by the vote.

The WITNESS: That is in the estimates as they stand now. That specific amount is for that particular purpose today, and we cannot exceed it.

The CHAIRMAN: So that it really means nothing, it makes no difference.

Mr. FRASER: If you were to adopt Mr. Sellar's proposal you would have to change it and you would put in the estimates either $600,000 or $400,000, and in that case it could not be changed, but the paylist and wages would be left.

The CHAIRMAN: The paylist and wages, if I might say so, Mr. Fraser, would change from year to year, they could be changed.

Mr. FRASER: That would be defined within the estimates and that is what we would be bound by; you could not overstep it.

The CHAIRMAN: Under this proposal the item would be limited to $500,000 which would apply to paylist charges.

Mr. BROWNE: They could not offer it as is the case now.

The CHAIRMAN: That is why we gain nothing and we lose nothing by this.

Mr. BENIDICKSON: Does Mr. Taggart think that members of parliament would have a better conception of what is involved in this by accepting Mr. Sellar's recommendation?

The WITNESS: From the departmental point of view we think of these in terms of duty or purpose or interest we are to serve, but we do not think at the same time of maple syrup and potato warehouses, and we therefore provide for them separately through a system of departmental units; so from that point of view it seems logical to lump two such unlike items together, and we supposed that perhaps members of parliament might see that in the same way we do, although we do not know that.

Mr. CROLL: I think you are quite right, one usually would not lump maple products and potato warehousing together.

Mr. FULFORD: On this particular item is there any way of getting information as to whether this money goes to any province outside of Quebec? I see the only province indicated on the list is Quebec, and I was wondering what the situation was with respect to the other provinces, whether they are being looked after in respect of maple products?

The WITNESS: Yes, it is available to other provinces who qualify. In order to qualify for this payment the province must first pay and submit proof of payment and we reimburse the province.

Mr. MAJOR: That would pay for the replacement of the lead equipment.

The WITNESS: Yes.

Mr. CROLL: Do the other provinces ever get any money out of it?

Mr. FULFORD: That is what I was getting at; the other provinces apparently don't get any direct advantage of this grant.

The WITNESS: The main reason for that I think, Mr. Chairman, is that the maple sugar producers in Quebec are practically the only exporters who are affected by this lead content. The other provinces are not exporters and therefore are not directly affected.

Mr. BENIDICKSON: Mr. Chairman, I don't want to spoil this questioning but the suggestion has been made that it is not in order at this time. I feel that it is the kind of questioning which is going on now which has caused so much delay in the proceedings of the committee. I think that we should confine

ourselves to a discussion of the form of the estimates. Had we done that before I think we would not find ourselves in the position we find ourselves in today. I think we should confine ourselves strictly to the form of the estimates.

Mr. FULFORD: I agree with Mr. Benidickson. I let my curiosity get the better of me.

Mr. BENIDICKSON: We have all been doing that and that is why we have taken so long to discuss this item of the form of the estimates. After all, we are only examining the estimates from the point of view of the estimates being based on the form of our public accounts, and any question pertaining to that is relevant.

The CHAIRMAN: That is right.

Mr. BENIDICKSON: While I am speaking I would also like to point out that this thing is quite properly in front of us as it is referred to in the Auditor General's report, the last paragraph at the end of page 1 of his report.

Mr. FRASER: That is right, Mr. Chairman; we are not allowed to refer at this time to questions of expenditure.

The CHAIRMAN: No, not if it is a matter pertaining to the public accounts; we are just on this recommendation of the Auditor General.

Mr. FRASER: Well, Mr. Chairman, if Mr. Benidickson had not taken an objection I was going to, because I tried to get some information out of the witness in regard to No. 3, on information services and publicity and one thing or another and I wasn't allowed to.

The CHAIRMAN: I admit quite frankly to both Mr. Benidickson and Mr. Fraser that Mr. Fulford was out of order, but because it was his first offence I let him go a little further than I perhaps should have.

Item 13:

13. No change is suggested in the following votes because they are not regarded as being long-term policies:

30. Freight Assistance on western feed grains	$5,000,000
31. Agricultural Lime assistance	435,000
33. Meat Board, including quality premiums on A and B1 grade hog carcasses	5,854,633

Details should explain the purposes, policies, etc., of each.

Item 14:

14. No material change is suggested in Vote 37, "Agricultural Products Act", but explanatory details should be provided.

Mr. FRASER: May I ask Mr. Taggart if he has any comment on this item?

The WITNESS: There is no change suggested from the present practice so I have no comment.

The CHAIRMAN: Item 15:

15. Votes 39 and 40 both come within the ambit of the Prairie Farm Rehabilitation Act. hey read:

39. Prairie Farm Rehabilitation Act and Water Storage	$3,750,000
40. Major Irrigation and water conservation projects in the Prairie Provinces	7,719,500

Some activities are producing substantial revenues (for example, in 1948-49 community pastures produced $175,917). These could be consolidated under a text reading:

To provide for the administration of the Prairie Farm Rehabilitation Act, c.23, 1935, as amended, and operation of projects and for works projects as set out in the details of the Estimates ..... $

The details should be descriptive of existing projects, as well as of new undertakings.

Mr. THATCHER: I have a question there, Mr. Chairman, relating to the form of the estimate which is for $3,750,000. Is there any reason why in that form we could not have a payroll estimate; and the same questions apply to item 16.

Mr. CROLL: Item 16 does not suggest payroll.

Mr. FRASER: No, it only provides for salaries.

Mr. THATCHER: You have the same thing there in both 16 and 15. If provision was made there for salaries and wages I think that would prevent juggling, may I say, and I want to know how much is for materials and how much for salaries, and is there any way of showing salaries and wages separately?

The CHAIRMAN: I would not want to offend you by saying that you are an expert at juggling, Mr. Thatcher.

By Mr. Thatcher:

Q. I want to ask Mr. Taggart if that could be done?—A. Quite possibly. The breakdown for that would be found in the detail in the back of the estimates book.

Q. Can you show me the amount we are spending for salaries?—A. I had not completed what I had intended to say.

Q. I am sorry.—A. It is possible to break that item down to show salaries, wages, freight, telegraph and so on, on the so-called functional classifications It is also possible to break it down according to projects. If you will look at the Auditor General's report for 1948/49 you will find it broken down by both methods at page A-31 for salaries and wages on page A-32, projects. Wages can be used for the acquisition of works so it is classified in both ways in the report.

Q. Excuse me. I don't want to disagree with you, Mr. Taggart; but on page A-31, as I recall it, you have got the estimates and then you have the expenditures; broken down, it is true enough; but we are talking about the estimates, as I understand it, and there is no place where it is broken down in the estimates in your blue estimate book, in this book here; you just have this vote figure of $3,750,000, and I want some figure put in there to limit the salaries.—A. Mr. Chairman, I pointed out in my written submission that it is somewhat difficult to give a breakdown of the estimates in the detail part of the book by two different methods, unless you want to prepare two separate books.

The CHAIRMAN: May I say there, Mr. Thatcher—and I am indebted to Mr. Browne for this—that on page 96 you have a breakdown of the items where you see item 39, which appears on page 6. Thank you for that, Mr. Browne.

Mr. THATCHER: I am sorry, Mr. Chairman, I don't just follow that. Where do you show the salaries?

The CHAIRMAN: No, no, the detail for the $3,750,000.

Mr. THATCHER: I know, but in 16 Mr. Sellar makes the suggestion that the maximum for salaries be inserted, and I want to know if it would not be possible to do the same thing in 15 for the P. F. R. A.?

The CHAIRMAN: No, he has an item here for headquarters, for the administration of the whole thing.

By Mr. Thatcher:

Q. That is what I want to get at. Of this amount of $3,750,000, how much is salaries and wages? I want to know if that can be shown?—A. There would be no difficulty in doing that from a departmental point of view, Mr. Chairman. We do provide for salaries in that amount—

Q. But I want to include salaries and wages.—A. But if you include wages it would cause us, or might on some occasions cause us considerable difficulty. Sometimes we have had difficulty in getting contractors to bid on a job that had to be done, or bids were regarded as being too high. In some cases where that happens we undertake to do the work by acquiring or hiring equipment and hiring men. Now, when we do it by that method, because manpower would then be classified as wages, whereas actually the wages paid in that kind of enterprise also includes equipment and works. If you were restricted in wages to labour employed on the projects, if you were to hold strictly to that, then we could include that in this item, and that method of classification is not only possible but is actually being followed.

Mr. THATCHER: I can see the difficulty, Mr. Chairman, but I would like the vote to include that. I do not suggest that there is anything wrong in this procedure but it is one that I do not like to follow. I think it can be afforded in this vote 39 in the future; and I think that if we decide to give men salaries and wages that parliament should vote money for that purpose to the P.F.R.A.

The CHAIRMAN: We do it that way now, as the witness explained, except for wages.

By Mr. Fraser:

Q. I would like to know if it can be done.—A. As I said, Mr. Chairman, it can be done but it would or might in some instances seriously hamper the work, and for that reason we recommend against it.

Q. How would it hamper the work?—A. As I tried to explain, Mr. Chairman, in some circumstances we found it impossible in advertising to get bids or let contracts for the construction of a project and in such circumstances we could go ahead and do the work ourselves using our own equipment or hiring it and using our own men. That limitation on wages would stop that sort of construction from being carried on. In 1948, for example, we experienced great difficulty in getting contractors to undertake small water developments. Many of the contractors who might normally do that kind of work were engaged in bigger projects elsewhere and we could not get them. Consequently, in order to avoid our work being stopped altogether, we hired or bought equipment, and then hired the men and paid for the supplies and materials and constructed the projects ourselves. If we had not been able to do that, our work would have either been stopped or seriously reduced that year.

Q. How much equipment did you purchase for this type of work?—A. I cannot tell you off hand. We have a complete inventory of the equipment, which could be produced.

The CHAIRMAN: Again we are leaving the question of principles.

By Mr. Wright:

Q. It is a question of how we are going to break down this vote; and unless we can get some of the details, I do not know how we can determine whether or not the principle be right. We are trying to determine what equipment the department might have, because if they have it, they could use it rather than to let contracts.—A. I could produce an inventory of it on short notice.

By Mr. Browne:

Q. I do not know if I am out of order, but I have brought along the 1949-50 book giving the 1948-49 estimates; and the witness has referred to page A-31; but I can find no comparison between what is stated in the estimates and what is shown in this book of estimates; the figures are dissimilar. I wonder if the witness can reconcile that difference? These do not compare with what is on page A-31.—A. That is for a different year.

Q. That one is; but this one is for 1948-49.—A. As I understand it, I believe that the public accounts are finally published in the same classification in which they appear in the details of the estimates for that year.

Q. That is the way it is given there.

By Mr. Croll:

Q. Possibly Mr. Bryce is able to answer the question.—A. We have one year for the public accounts and the other year for the estimates.

Mr. BRYCE: The thing which would be relevant would be the estimates for the year 1948-49, and I did not bring them with me. I am sorry.

Mr. BROWNE: What about the appropriation?

Mr. BRYCE: The Appropriation Act would not divide the $3 million total into the detail with which the comparison is made.

Mr. BROWNE: This large amount seemed to be out of proportion for 1949-50, and 1950-51; there seemed to be no semblance between the public accounts and the book called "Estimates".

Mr. BRYCE: Perhaps we could send for the estimates for the year 1948-49; I think that would shed some light on it, and we might return to it at the end of Mr. Taggart's memorandum.

Mr. THATCHER: I think the crux of the matter is that no matter what party is in power—this is not a political matter—the form of these estimates, item 39, is a dangerous one, if all we do is to vote a total and the payrolls may be doubled or halved and construction work juggled around in a similar way.

The CHAIRMAN: Ask your question.

Mr. THATCHER: Would it not be possible when this vote is made to have a salary maximum as suggested by Mr. Sellar? Mr. Sellar must have thought it was dangerous, because in connection with P.F.R.A. he made such a suggestion.

Mr. ROBERTSON: He answered that question three times, to my knowledge.

Mr. THATCHER: I am sorry. Perhaps the hon. member is a little smarter than I am.

The WITNESS: Am I expected to answer it further?

The CHAIRMAN: Yes.

Mr. THATCHER: Will he do that next year, and show the thing in a different way?

The CHAIRMAN: You should not ask him if he will do it next year. You can ask him if he thinks it advisable, or if he thinks it could be done. There is a ministerial responsibility involved. He can tell you whether or not he thinks it is all right. Your question is all right if it is directed to the witness in his proper capacity.

Mr. CROLL: Let us get on to the next item, Mr. Chairman.

The CHAIRMAN: You are satisfied with the answer, Mr. Thatcher?

Mr. THATCHER: Yes.

The CHAIRMAN: Item 16 "The only change suggested is to insert a maximum for salaries". Are there any questions?

16. Vote 41 now reads:

41. Prairie Farm Assistance Act Administration .....$ 500,000

The only change suggested is to insert a maximum for salaries.

By Mr. Johnston:

Q. I would like to have Mr. Taggart's view on that. Do you agree there with Mr. Sellar?—A. This suggestion, I take it, as far as I can see, applies to all the votes. The experimental farm votes, for example, in our current estimates No. 13, "Experimental Farms Service Administration", and No. 14, show "Central Experimental Farm", and No. 15 "Branch Farms . . . " salaries, wages, materials, and all the other things are included in that one vote. The situation is exactly the same as it is with the P.F.R.A. If it is decided that in each vote there should be included a maximum for salaries, that will be the maximum for salaries as far as the department is concerned.

Q. Do you envisage salaries as including wages?—A. If that phrase also includes wages for casual labour, it would probably seriously hamper the operations of the department in some divisions.

By Mr. Fraser:

Q. When you speak of hampering the department you mean your salaries for civil service and temporaries. You have an idea of what they are?—A. Yes, sir.

Q. Whereas, in the case of wages, you would not have a cushion to put them on?—A. In practice we must vary the expenditure for casual labour in conformity with the needs of the operation.

Q. Some departments have "casual and other labour" in their estimates. But you have to figure out what your casual and other labour would be; and you feel that you could not, on projects of this kind, from what I got from you before, figure out just what they would be?—A. That is my view of it at the moment; because seasonal conditions so greatly influence the work, and we think it would be very difficult to forecast exactly how much money should be spent for wages in respect to constructional and operational projects.

Q. I think Mr. Bryce said before that the practice at the present time is that they can go to the Treasury Board and get permission to take funds out of some other section. If Mr. Sellar's idea were carried out, they could not go to the Treasury Board to get those wages. Is that the way you understand it?—A. I understand that we could still do so because I understand Mr. Sellar's suggestion to apply to permanent and temporary employees as usually classified by the Commission, but not to apply to casual wages.

Q. You feel that it is only the temporary and permanents who are tied?—A. That is my understanding. Perhaps Mr. Bryce could deal with this question further.

Mr. BRYCE: If I may answer that point, Mr. Chairman, I think one has got to interpret what Mr. Sellar had in mind, which is rather hazardous; but since he used the phraseology "paylist charges", I think he must intend to include wages and similar costs as well as salaries. That is the assumption in paragraph 16. He was speaking rather loosely in terms of that.

By Mr. Wright:

Q. I would agree with the witness in regard to the allocating of money for temporary and permanent employees, and that it could be done under P.F.R.A. And I agree with Mr. Sellar that when it comes to allocating a specific amount of money for these projects, he cannot determine what those wages may be from year to year, and that that fact would have to be left open to the judgment of the department during the year. But I do think there should be some estimate given as to the approximate maximum amount that the department thinks would be necessary for casual wages and labour during a season. I think the Act has been in operation long enough now so that the department should be able pretty well to determine the maximum that they might need during any season. Do you think that would be possible, Mr. Taggart?—A. It would be most difficult with P.F.R.A. It would be more useful possibly for our scientific services, for example, which are running on a much more stable basis. In regard to the seasonal influence there would be more difficulty in that approach with respect to the experimental farms, because their supply of labour must vary with the seasons and the work. The more closely your work is influenced by the seasons, the more difficult it would be to forecast what your wages would be, if wages are made to mean all the money spent to acquire workers and buildings.

The CHAIRMAN: Are you through on this item, Mr. Fraser?

By Mr. Fraser:

Q. May I ask another question: in your department, you do list "casual" as well?—A. Yes.

Q. But that is only in certain branches?—A. Mainly in the long established branches, what we call the regular departmental services, and especially those which have to do with the administration of law such as the Plant Products Division. There is little variation in their staff from year to year. But under P.F.R.A., if we have to undertake construction on our own, rather than by contract, there is quite a difference in the amount of labour required.

Q. In your department I only see, in looking through the details so far, one place where "casuals" are mentioned; and I just wondered if there were others?

Mr. BENIDICKSON: I think it is referred to at page 97 under "Prairie Farm Assistance Act", and also under "Land Protection, Reclamation and Development".

Mr. FRASER: Yes; and it is also under another special Act.

Mr. BENIDICKSON: In previous evidence we have heard that they have to resort to this at the Farm here in Ottawa.

Mr. BROWNE: In the 1948-49 estimates which Mr. Bryce has in front of him now there was a different arrangement of estimates which he can explain, and which ought to be of interest to Mr. Thatcher.

Mr. BRYCE: The allotments are primarily divisions of the vote as put in the details of the estimates for the Prairie Farm Rehabilitation Act; in 1948-49 it followed the arrangement which is reflected in the public accounts figures for that year. In order to show more clearly the nature of the projects and the purposes for which these moneys were being expended, it was changed in the estimates for the following year, 1949-50, to something more similar to what it is in this current year 1950-51 which is under discussion. Whereas in 1948-49 there was an amount estimated for salaries and wages in total, that was not the case in subsequent years. Experience indicated the sort of point the Deputy Minister of Agriculture was making, that is, giving definite information in advance on how much would be done by contractors and how much by hiring labour. It was more feasible and useful to give the sort of details given in these current estimates than what was given in 1948-49.

Mr. BROWNE: Who decided to change the form of the estimates? Does Mr. Taggart know anything about it? It is completely changed here?

The WITNESS: My knowledge is only second hand; I was not the deputy minister at that time. I think it was done between the deputy minister and the Treasury Board.

Mr. BRYCE: I know that it was done by discussion between the department and the Treasury Board. The Board was anxious to get a more meaningful type of division to explain the vote and a more meaningful division to follow the course of the program through the year. I cannot just tell you offhand what the responsibility was between the department and the Minister of Agriculture on one hand and the Treasury Board on the other, but I know we had discussions with them at the time about improving the arrangement of the details in this vote. It was done for two purposes: first, to give a clearer picture to parliament of the intention of the expenditure; and, secondly, to give to the Treasury Board a more sensible method of control over any re-allottments that had to be made through the year.

The CHAIRMAN: Are there any further questions on 16?

Then we come to No. 17.

17. Votes 42 and 43 are works' votes. One is administered by P.F.R.A. staff, but as it is not strictly for the purposes of that Act it may be listed separately. The votes read:

42.	Land protection, reclamation and development in British Columbia under such terms and conditions as may be approved by the Governor in Council	$900,000
43.	Land protection and reclamation, clearing and settlement of new lands under such terms and conditions as may be approved by the Governor in Council	200,000

Reference has already been made to provision in various details of votes for "acquisition and construction of buildings and works", and to the $500,000 for experimental farms and laboratories in Vote 303, Public Works. All of these works projects might be consolidated into a vote, or votes, using whatever style is employed for works' votes of Public Works.

Mr. WRINKLER: Would Mr. Taggart give his opinion on this recommendation in No. 17, that the votes may be listed separately?

The WITNESS: I am not sure that the Auditor General recommends that we consolidate. I think he recommends that we continue as we are. I think the point here is that he suggests the inclusion of this in the same style as vote 303—Public Works—which lists the projects in some detail. As Mr. Bryce has just pointed out that practice has been adopted to some extent in the P.F.R.A. now.

The CHAIRMAN: Are there any further questions on 17?

The next is No. 18.

18. Vote 44 reads:

44.	Maritime Marshland Rehabilitation Act	$991,120

It is essentially for works undertakings, but the text of the Act makes the works distinguishable from those discussed in the previous paragraph. No change is suggested.

Are there any questions?

Are you satisfied, gentlemen, that we are through with the Deputy Minister of Agriculture?

Before we pass to another order of business have you any questions to ask from the witnesses?

Then, according to what the subcommittee agreed, the next witness shall be the Comptroller of the Treasury. I think that it will be in order if we call him for tomorrow morning at 11 o'clock.

Mr. THATCHER: What line are you going to pursue with the Comptroller of the Treasury?

The CHAIRMAN: We have sent the Comptroller of the Treasury Mr. Sellar's memorandum; we have sent him a copy of the evidence given up to now; and I understand that he will come to us with a brief or a summary of his opinions. Then we may ask questions of him on his brief and on Mr. Sellar's brief on the estimates. If we can finish that tomorrow we will be able to go on to something else.

The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

TUESDAY, MAY 23, 1950

WITNESSES:

Mr. B. G. McIntyre, Comptroller of the Treasury; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

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MINUTES OF PROCEEDINGS

TUESDAY, May 23, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Chairman, Mr. L. Phillippe Picard, presiding.

Members present: Messrs. Boisvert, Browne (*St. John's West*), Cauchon, Croll, Cruickshank, Drew, Fleming, Fraser, Gauthier *(Portneuf)*, Johnston, Kirk *(Antigonish-Guysborough)*, Macdonnell, Major, Picard, Pinard, Richard *(Ottawa East)*, Riley, Sinclair, Thatcher, Winkler.

In attendance: Mr. B. G. McIntyre, Comptroller of the Treasury; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed consideration of memoranda tabled by Mr. Watson Sellar, Auditor General, on April 27 and May 2, respecting the preparation of the estimates and a suggested draft of the estimates for the Department of Agriculture.

Mr. McIntyre was called, heard and questioned.

It was agreed that a statement presented to the Standing Committee on External Affairs by the Hon. Lester B. Pearson, Secretary of State for External Affairs, on May 4, 1950, respecting Item 67 of the Estimates for 1950-51, be reprinted as *Appendix A* to this day's minutes of proceedings and evidence.

Mr. Bryce was recalled and questioned.

Mr. McIntyre tabled a copy of Order in Council P.C. 830, dated April 15, 1937, respecting a revision in the form of the estimates, which is printed as *Appendix B* to this day's minutes of proceedings and evidence.

The witnesses retired.

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

A. L. BURGESS,
Clerk of the Committee.

62858—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

TUESDAY, MAY 23, 1950.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have with us this morning the Comptroller of the Treasury who is here to answer any questions concerning Mr. Sellar's memorandum on the form of the estimates. Before we start questioning the witness maybe it might be in order to ask him if he has any remarks with which he wants to preface his statement.

Mr. B. G. McIntyre, C.B.E., Comptroller of the Treasury, called:

The WITNESS: Mr. Chairman, I prepared a very short statement that refers in a summary way to the present form of the estimates and touches briefly on the form prior to 1938 as well as on some of the points raised by Mr. Sellar. In commenting—

Mr. THATCHER: Excuse me, Mr. Chairman, may we have a copy of that statement?

The CHAIRMAN: We do not have any extra copies at the moment.

The WITNESS: In commenting on the proposed re-grouping of votes in the Department of Agriculture, I would like first to refer briefly to the present form of the estimates and the results that were sought in the over-all revision of estimates in 1938.

The objectives that were sought may be summarized thus:

(1) to group all votes pertaining to the functions of a department under that department;
(2) to group the votes within the department by services;
(3) to have separate votes under each service for the principal functions or activities carried out within the service;
(4) to supply supporting details in the back of the estimates book by giving an object of expenditure classification for each vote.

I should like to emphasize that except for a few votes this detailed classification, which may be called an objective or type classification is used to give a detail breakdown for each functional vote.

In the actual accounting for the expenditure it is frequently necessary to have the vote allotted by units of organization serviced by the vote. For example, the accounting for and control of the expenditures under the vote for branch farms and illustration stations is carried out under each branch farm but the expenditures for each of these branch offices are in turn analyzed under the headings of Salaries, Wages, Travelling Expenses, Materials, Supplies, and other objective classifications.

Suggested Groupings of the Present Votes in Agriculture

The vote headings under each service almost invariably include one for general administration of the service or branch concerned, and it seems desirable

to continue this so that the director in charge will know the amount available to carry out the service under his direction.

Reduction in Number of Votes

If it is the desire of this committee to recommend a system that will reduce the number of separate votes, consideration might be given to accomplish this without disturbing the present form of estimates.

The reduction could be obtained by allotting but one vote number to each of the principal services appearing in the Agricultural estimates but to continue to show, as at present, the amounts required for the different functions or activities provided for under the service. If these separate amounts are carried into the supply bill, although under one vote number, they will continue to be binding on the department. This arrangement would permit voting on the requirements of an Agricultural service as one amount for the total of the service, or by individual items showing under the vote number.

The Proposed Fixed Amount for Paylist Charges

This proposal would present real problems if it is to include provision for casual assistance and wages. If it is restricted to salaries of regular staffs, then it will still be necessary to make some provision in a general vote to take care of pressing needs that are bound to arise in some services.

Capital Works

It is agreed that these could be separated from the operating votes and that it would be an improvement to make this separation.

Now, do you want me to touch at all on the estimates as they were before the 1938 revision?

The CHAIRMAN: I think we might bring that up after, since it is a different question entirely. The witness will be able to give us what we wanted to get yesterday, an idea of the estimates before the 1938 revision. For the moment, for an orderly discussion by the committee, I think we might proceed on what we have heard up to now. The discussion is now open to the members for any questions they may want to ask the witness on the two memoranda, the one on estimates proper and the one on estimates of agriculture on which Mr. Bryce and Mr. Sellar have given evidence.

Mr. FLEMING: Do you not think, Mr. Chairman, that it would round out our information from the witness if he completed his statement now?

The CHAIRMAN: I have no objection personally but I think it would be better to discuss what he has just read.

Mr. FLEMING: I was wondering, it might throw light on some of these other questions we had touched upon.

The CHAIRMAN: That is an entirely different subject. We want to have Mr. McIntyre, and Mr. Bryce also, give evidence on that particular question of what the estimates were before 1938. I suggested yesterday we would get somebody from Finance, and have been told that both Mr. McIntyre and Mr. Bryce will speak to us on that. If you want him to go ahead all right, but I suggest we question him on what he has read up to now.

By Mr. Johnston:

Q. There is one question that comes to my mind, arising out of what Mr. McIntyre has already said. Did Mr. Sellar consult with you over this presentation of his before he gave it?—A. No, sir.

Q. My impression was that he had gone into this quite thoroughly with you and that you were more or less in agreenment with what he recommended.

The CHAIRMAN: Mr. Sellar never said any such a thing, at least not in evidence before this committee.

Mr. GAUTHIER: Mr. Johnston said that that was his impression.

The WITNESS: I received a copy of his presentation at the time he was ready to present it or after he presented it, I do not know which, but he did not discuss it with me.

By Mr. Johnston:

Q. He did not discuss it with you in any detail at all?—A. No.

Mr. FRASER: Mr. Chairman, I wonder if from an accounting point of view Mr. Sellar would have different ideas entirely from those the Treasury Board would have. Now Mr. McIntyre, you only check up on the different items, your department sanctions the payment of these moneys, under each item, and if one item in a vote is asked to be changed around or increased, well then, your department is asked to do that changing.

The CHAIRMAN: This gentleman is the Comptroller of the Treasury, he is not the secretary.

By Mr. Fraser:

Q. Pardon me, Comptroller of the Treasury. You can change that vote for them, is that right?—A. No, the Treasury Board is the only authority by which changes can be made in the allotments made within a vote. No changes may be made between votes. The other question is in connection with the estimates and my concern with them. After all, the estimates are the foundation for our accounts and we operate the accounts in accordance with the departmental appropriations, allotments and classifications of expenditures, and report part two of the public accounts. We prepare the details of the public accounts and the estimates form the basis on which these accounts are built.

Q. And you have to have all the receipts, and payments, checked and all that, in order to do that work?—A. That is right.

Q. When you read your statement a minute ago you mentioned the fact that under casual and others it should not be difficult to operate?—A. It would be.

Q. Well, now, we have had Mr. Bryce make his explanation of that. Is there any way that that could be fixed so that there could be no casual or others, that there could be a fixed amount in a department instead of perhaps jumping $50,000 or $100,000 as they sometimes have to do?—A. I can see no way of having a fixed amount.

Q. No way of checking that so that a department cannot run into casual and other wages?—A. I do not think so.

Q. Well, when the departments make out their estimates at the first of the year, there would only be one or perhaps two branches of the agriculture department that would be affected by casual and others. I should say where they might not have control of what would be coming next.—A. Well, the experimental farm is a good example.

Q. Now, why would they not have an idea in experimental farms of what the casual would be?—A. Because of weather and other conditions, the labour supply and the labour cost may vary quite a bit, and crop conditions enter into it.

Q. Wouldn't their temporary or permanent employees be able to look after that?—A. That depends on how closely the appropriation is trimmed.

Q. My real reason for asking was that on account of this prairie farm rehabilitation amount that rose from $445,000 up to $936,000?—A. I think that was explained as being caused by a change the department was forced to make in carrying out their work projects.

By Mr. Thatcher:

Q. I am sorry that we have not got a copy of Mr. McIntyre's brief today because it is hard to remember all he said, but I wonder if he would express a general opinion as to Mr. Sellar's recommendation? He did in a general way. Would he agree with Mr. Sellar when he recommended that the actual number of votes be cut down and consolidated? Do you think that would be advisable? —A. Some of these recommendations are good but I think that No. 1 where several votes providing for administration services are suggested for consolidation —it seems to me it would be unwise to take out of the particular service the administration votes pertaining to that service and place them in a general vote for administration. After all the director of a service is responsible for carrying on his work and he should know the funds he has available to do the work. He should not have to depend on a division that is made afterwards between several directors out of a general vote.

Q. Could you, Mr. McIntyre—I do not wish to press you—but could you in a general way say whether you do favour Mr. Sellar's recommendation on estimates?

The CHAIRMAN: Not so fast, Mr. Thatcher. We must remember that Mr. Sellar made quite a number of recommendations, and the witness might agree with half of them or with one third of them. You cannot ask him do you agree with all. Point out the one you want and he will tell you now. The witness is, I may say, just now on page one of the memorandum on Agriculture estimates.

Mr. THATCHER: Which one are we on?

The CHAIRMAN: Agriculture, and not on the general.

Mr. THATCHER: Not on the general.

The CHAIRMAN: At the moment he is dealing with the consolidation of all the administration votes of the Department of Agriculture. Now, if you have any question to ask him such as, do you agree with such and such a recommendation? —that is fair, but you certainly cannot ask him whether he can agree with Mr. Sellar's recommendations as a whole because Mr. Sellar has made many recommendations. You can ask him about any one.

By Mr. Fleming:

Q. I would like to ask Mr. McIntyre, starting with the general before we come down to something more particular, if he is satisfied with the present form of the estimates as submitted to parliament having regard to parliament's responsibility with reference to the voting of public money?—A. Well, the form of the estimates in itself has not, to my knowledge, presented difficulties to us.

Q. What do you mean when you say "to us"?—A. To the operation of our accounts, the control of the accounts to keep the amount within the appropriation granted by parliament for the service. The wording of the item may have some effect. If the wording is general, of course, it does broaden the scope of the vote and of its interpretation. But if it is too restricted, it may hamper the carrying out of the service within the department. That would be something which the department would be best able to answer in dealing with a particular vote.

Q. I take it that your concern, and the concern of your colleagues, is in this respect rather different from the concern of the auditor-general. You come at this from a rather different point of view. He lays stress on the responsibility of parliament in connection with voting the money. But your concern, I take it, is with the distribution of money into the various slots into which the appropriation bill directs it to go.—A. That is correct, within the amounts authorized.

Q. So that if there are differences of opinion between you and Mr. Sellar on this question, it may be expected in view of the fact that you approach it from quite different points of view?—A. That is correct.

Q. Would you care to comment on Mr. Sellar's point on the matter of legislating by item? Is that a matter with which you in the Treasury have great concern, or are you simply taking the form of the item, whether it is legislative or not, and applying the money in accordance with it?—A. If the wording of the vote ties the item solely to the provisions of a particular Act, then the provisions of that Act only can be considered in the matter of charges to the vote.

Q. I mean, again, your approach is rather different from the one we have been considering here. I do not want to press you too far if it is taking you into a different field. But you know the point I am speaking about. Mr. Sellar does not think that parliament should change legislation simply by a brief insert in an item.

The CHAIRMAN: Do you mind giving us the item for reference in the record?

By Mr. Fleming:

Q. It has been up several times, Mr. Chairman. It is on page 11 of the first memorandum of Mr. Sellar, the one which is headed "The Estimates", item 17 on page 11. It is headed: "Vote Texts that Legislate":

> A matter of particular constitutional concern is the practice of legislating by means of items in the Appropriation Act. That is, by phrasing the text of an item, Parliament enacts in a manner to exempt from or override existing legislation or, in effect, to add to statute law.

Then he goes on to give a particular example with which we are probably familiar, item 67.

"An example is Item 67 (quoted in paragraph 15 above)."

In your work have you any particular concern with that problem which Mr. Sellar regards, I take it, as one of importance?—A. Once parliament has authorized the item, we are governed by what parliament has authorized and it does not present any problem to us.

Q. You are not concerned with basis of the practice in parliament?—A. No, sir.

By Mr. Macdonnell:

Q. As I understand it from our talks with Mr. Sellar—take item 67 shown as $1—actually what was taken, you might say, was an expenditure of several hundred thousand dollars, and it might be founded by the reason, we are told, or the fact, that there were moneys coming in to the Dominion, into the Consolidated Fund, or becoming available in foreign countries. Supplementing what Mr. Fleming has asked, may I say this: you have, as I understand it, as your authority here, item 67 which is put in at a total amount of $1. But nevertheless under that item you come to approve fairly substantial expenditures in foreign countries. Does that come within your bailiwick? Presumably these expenditures in foreign countries go through you and you authorize them?—A. That is right.

Q. And they all reach back to this one vote of $1?—A. That is right; and the wording of that vote is the authority for the payment.

Q. Presumably you get other authorities as to the detailed amounts. Do they just come from the Department of External Affairs?—A. The procurements are approved by the Treasury Board or by the Governor in Council, according to the usual practice, before payment is made.

By Mr. Fleming:

Q. Do you work upon instructions from the Treasury Board?—A. An application from the Department of External Affairs is supported either by an approval of Treasury Board or by the Governor in Council.

Q. Do you take that as instructions?—A. Payment in these cases go through the normal channels of authorization the same as in any other department. The only difference is that instead of voting $1 million, the item is authorized by a token vote of $1 and is restricted to the amounts of foreign currency referred to that are available.

By the Chairman:

Q. But your authority comes directly from the wording of item 67?—A. Solely.

Q. Solely; I mean, if the expenditure is sent to you for approval and it did not fall according to your officers within the wording of No. 67, then you could not approve it?—A. I could not.

By Mr. Macdonnell:

Q. In order to show, shall I say, the extraordinary vagueness and broadness of the authority under which you authorize the use, and so on, of inconvertible foreign currency from the deposits of such currency which may be used for governmental or for other government purposes in these countries and which have been received by the Government of Canada from other governments in settlement of claims arising out of military operations or war expenditures, there is nothing to show whether the amount involved was $10,000 or $10 million. I think we were given figures to suggest it was several hundred thousand dollars. But at the time that is voted, nobody can tell parliament how much they are voting. Is that correct?—A. That is quite right. It is subject to the amount of funds that are involved in these blocked accounts.

By Mr. Browne:

Q. How does the insertion of $1 give the government authority to spend, let us say, $1 million?—A. On that point we rely on the law officers of the Crown, the Department of Justice. They ruled that the wording is sufficient to authorize the payments that are contemplated by this item.

Q. Which may run into millions of dollars?

Mr. BOISVERT: Surely!

The CHAIRMAN: On that same question—

By Mr. Fraser:

Q. The witness mentioned the fact that the Department of External Affairs authorizes or makes application to your department for payment out of these funds?—A. That is right.

Q. Now, they are the only department which is allowed to do that? Is not that right? Out of that fund?—A. Under that $1 item, yes.

Q. Under the $1 item. The Defence Department cannot make application under that $1 item, can they?—A. No, sir. The vote is limited to the Department of External Affairs and their requirements.

Q. And if the defence department wants funds for anything overseas in any of those countries where they might have an office or some of their men, they have to go to the Department of External Affairs first; or how do they get it?—A. Their accounts are paid direct in the usual way, but are charged to their appropriation.

Q. And it won't come out of this fund?—A. It might come out of blocked currency account, but not under the authority of this $1 item, but under the authority of their appropriation.

Q. I understood in the External Affairs Committee—although I might have been wrong—that they might take money out of this account.

Mr. PINARD: I do not recall that having been said in a meeting of the External Affairs Committee when you asked your question. I think they said

that Defence had its own appropriation the same as any other department. We were told that this item could be dealt with only by the Department of External Affairs. We were told the whole procedure: an officer of External Affairs makes a demand which is sent to the proper authorities in Ottawa and is dealt with by the Treasury Board; and when it is approved by the Treasury Board, the payment is made.

Mr. THATCHER: Would it not be possible to legislate for the exact amount? Why does it have to be done this way?

The CHAIRMAN: You mean to vote the exact amount?

By Mr. Thatcher:

Q. Yes.—A. We have to be governed by what parliament has approved.

Q. You mean that the government wants to do it this way and that is why it is done in this manner?—A. Parliament has approved it in this form.

Q. Would there be anything to prevent it being done in a regular way, I mean to have an exact sum voted?—A. I do not know of anything.

Q. Therefore you would agree with Mr. Sellar that as far as technicalities go his recommendation is feasible?—A. Oh, yes, it is very practical.

The CHAIRMAN: May I point out that this is one of the items that has been left unanswered and in abeyance in our evidence. That is why I wanted some of these items to be covered. We have agreed that we should not call too many witnesses, and make the meetings too long. I had it in mind—if anybody should read the reports of our committee, and in view of the fact that the $1 item has been covered in External Affairs—to ask the committee to have added as an appendix to today's proceedings the memorandum which was submitted to the External Affairs Committee by the Secretary of State for External Affairs, the Hon. Mr. Pearson, explaining the policy of his department and the methods followed in connection with this vote. The Committee on External Affairs allowed him to read the whole memorandum without his being questioned before he was through. I think it should be included so that anybody who consults our reports will see that it has not been left in abeyance. I do not think it would be fair to the work of the committee if that question were left unanswered. Therefore, I suggest that in order to make the matter clear we add as an appendix to today's meeting the memorandum of the Secretary of State for External Affairs which was submitted to the Committee on External Affairs, explaining the views of his department on that question.

By Mr. Macdonnell:

Q. Mr. McIntyre has told us that so far as he is concerned parliament has acted in this way and it is their business.—A. That is right.

Q. And secondly, he has taken instructions from the people from whom he reasonably might take instructions, once parliament has passed it in this way, namely, by Order in Council or by minute of the Treasury Board. In fact he says: If that is the way you want to do it, you can do it in that way. But we are leaving these things to be dealt with not by parliament in detail but by the Treasury Board or by the Governor in Council.

The CHAIRMAN: On the authority of the wording of this item and as explained to the Committee on External Affairs by the Secretary of State for External Affairs to the Committee; and it was also stated that this procedure had been approved by the law officers of the Crown, that is, the Department of Justice, before the wording was made in this way, and before it was agreed to set the amount at $1. That is in accordance with what was said in the Committee on External Affairs.

Mr. MACDONNELL: There is no reason why parliament should not pass one item covering the whole of the expenditures if it wanted to do so.

The CHAIRMAN: But in this case we do not know the amount at our disposal. Consequently we do not know what we want to spend because we do not know our needs abroad at the moment this item is voted.

Mr. PINARD: And we did not know what amount would be collected following the long discussions with the nations which had the same situation.

The CHAIRMAN: We had Mr. Sinclair express his view as to what he had done in the way of negotiations, and we had Mr. Bryce give us his impression. It would have been preferable for the record to have further evidence, but since we have agreed not to hear too many more witnesses, I would like to have this memorandum included in our record.

Agreed to. (See *Appendix A*).

Mr. THATCHER: You cannot make a motion as chairman, can you?

The CHAIRMAN: I am not making a motion. My thought is more in the way of a suggestion. I was suggesting that we do something.

Mr. THATCHER: I have one or two questions.

By Mr. Fleming:

Q. It comes back to this, does it not: that your concern again is different from that of Mr. Sellar. You have no concern, I take it, with the job that parliament has to do, or with its responsibility. You are concerned with what you find after parliament has finished its work.—A. That is right, sir.

The CHAIRMAN: In court I think that would be called a leading question, Mr. Fleming.

By Mr. Fleming:

Q. There is a limit to the distance we can go in asking Mr. McIntyre questions on this subject because I think his concern is rather different. Unlike Mr. Sellar, Mr. McIntyre is not an official of parliament You are an official of a government department, the Department of Finance, are you not?—A. Yes.

Mr. MACDONNELL: I understand that this is one of the things which we shall be considering further in the steering committee.

The CHAIRMAN: I understood from Mr. Thatcher that we should leave this matter; but that is one of the items which will be left uncovered unless we add a statement at the end, or unless the committee wishes that we again hear from Mr. Bryce as to additional details of that item.

Mr. MACDONNELL: But there was a further recommendation of the steering committee that this item, among others, will be considered by and reported on in this main committee.

The CHAIRMAN: Oh yes, of course; but we are not bound to hear more witnesses, at least that was the understanding which resulted from the discussions in the committee yesterday.

Mr. THATCHER: Mr. Chairman, I would like to get back to this memorandum.

The CHAIRMAN: Which one?

Mr. THATCHER: The one of Mr. Sellar on the estimates. I would like to understand just what Mr. McIntyre's job is, is he not in charge of the Treasury Board?

Some Hon. MEMBERS: No.

Mr. THATCHER: Well then, what is Mr. McIntyre's job.

The CHAIRMAN: That is a good question. In other words, you want to know what Mr. McIntyre's duties are?

Mr. THATCHER: Yes, what does he do.

The WITNESS: My responsibilities are set out in the Consolidated Revenue and Audit Act. One is to certify that funds are available in the appropriations to be charged with the proposed expenditure; second, to audit the accounts of the department as they are submitted before payment; and, third, to carry out the accounting operations and provide the financial statements that are necessary at various periods throughout the year; and, finally, to assemble all this data in part II of the public accounts.

Mr. THATCHER: And when the departments put in their estimates for the year they consult the Treasury Board. Are you the chairman?

The CHAIRMAN: Mr. Bryce is Secretary of the Treasury Board; this gentleman is the Comptroller of the Treasury.

By Mr. Thatcher:

Q. As Comptroller of the Treasury, is one of your jobs to try and suggest ways of cutting down the estimates in any way?—A. No sir.

Q. Whose job is that?—A. I am not on the Treasury Board staff at all. I am independent of them.

Q. I was looking at the memorandum on estimates submitted by Mr. Sellar, at the bottom of page 1 there—have you got them handy there?—A. Are you speaking from his memorandum?

Q. Yes, his memorandum, the bottom of page 1. Mr. Mackenzie King apparently was speaking in the year 1928. You will see it at the bottom of the page there, and apparently at that time he said:

> We would welcome a change in the present method, a change which would not only afford fuller opportunity for discussion but which would carry with it an obligation on the part of the heads of different branches of the public service to appear before a committee of the House and explain fully the reasons which have occasioned the recommendations which find their place in the estimates submitted to the House.

—A. I do not know that I am competent to express any opinion on this.

Q. Well, would you agree—

The CHAIRMAN: You cannot force a witness if he does not want to answer.

Mr. THATCHER: Well then, let me put it this way; if this had happened as has been suggested by Mr. Mackenzie King, in your opinion which would be most affected by it, the estimates or the public accounts, if we had in mind bringing about this change?

The CHAIRMAN: Both—but, Mr. McIntyre, he is putting the question to you.

Mr. SINCLAIR: If I may say so, Mr. Chairman, Mr. Thatcher is going outside of Mr. McIntyre's duties and responsibilities there.

Mr. THATCHER: No, I thought he might care to express an opinion on Mr. Sellar's memorandum.

The CHAIRMAN: Yes, he might express an opinion, if he cares to.

Mr. MACDONNELL: He might have some opinion on the subject, and if he were to give it to us it would be very helpful.

The CHAIRMAN: If he cares to, that is all right, but he cannot be forced to answer on questions of policy.

Mr. PINARD: If I understand, the witness is being asked whether he approves of what Mr. Mackenzie King said, or whether he disapproves of it.

Mr. THATCHER: No.

Mr. PINARD: That is what it is.

Mr. THATCHER: My question was this—

Mr. PINARD: You had better put your question again.

By Mr. Thatcher:

Q. If you carried out the suggestions of Mr. Mackenzie King, if this committee or some similar committee were interested in making a saving for the coming year, which would be the more effective, to examine the estimates or the public accounts with a view to the future?—A. I would say it might involve a combination of both the public accounts and the estimates.

Q. I see. Well then, let us go a step further. Suppose we examine them both, what in your opinion would be the most effective way of taking the items which come before the committee? How would you suggest it should be done? —A. I am afraid I could not be of any help to you on that.

Q. You have no ideas?—A. There is no solution outside of hard work.

The CHAIRMAN: Hear, hear.

Mr. THATCHER: You mean, go right through the whole lot of them?

Mr. MAJOR: Would not the estimates come first and then the public accounts after the expenditures have been made?

The CHAIRMAN: That is the usual procedure. There have to be estimates and expenditures authorized before there can be public accounts, and when the estimates are up for discussion in the House the minister can be asked questions about them. Of course, it is always open to the committee to make a suggestion to parliament in its report, as was suggested yesterday by Mr. Fleming.

Mr. THATCHER: Mr. McIntyre made a statement. His reply was, "by hard work"; I would like to know what he means by that, and if he thinks it advisable—

The CHAIRMAN: It is up to the committee to decide that.

Mr. THATCHER: But I was asking him, Mr. Chairman.

The CHAIRMAN: Well, he told you.

The WITNESS: It would all depend on the committee and its organizational set-up to handle the work.

Mr. THATCHER: Just one other question, Mr. McIntyre. If you will turn to page 4 of Mr. Sellar's memorandum you see he says in paragraph 8(*b*) that a Public Accounts Committee annually reviews all receipts and expenditures and reports thereon; and he goes on to say, "a member of the opposition, as a rule a person who was a member of a former ministry, is chairman". Do you see any objection to that?

Mr. PINARD: I certainly do.

Mr. CAUCHON: That is a matter of policy, is it not?

Mr. THATCHER: Don't you think it might be an additional safeguard?

The CHAIRMAN: Do you think that is a question which comes within the competence of the witness, the Comptroller of the Treasury, to decide? That is a matter of policy, Mr. Thatcher.

Mr. CAUCHON: Surely.

Mr. FLEMING: I suggest the leader of the opposition.

The CHAIRMAN: That might be a good idea. Have I not acted in a very unbiased way at all times?

By Mr. Sinclair:

Q. As I understand your position, Mr. McIntyre, you are a combination of comptroller and internal audit?—A. Yes, sir.

Q. So then the question of the estimates would be outside of your field. Your authority is to see that expenditures conform to the provisions of the Appropriation Act, that is the items as passed by parliament. One of Mr. Sellar's suggestions is that instead of having 600 items as at the present time

in the estimates they be consolidated or reduced to 200 items. If such a consolidation of items, or reduction in the number of items in the estimates, were carried out would it make your work any easier having in mind that parliamentary approval has to be given with respect to each item that is passed? Would your work be made easier or more difficult if instead of having 600 odd items as it is now in the estimates they were lumped into let us say 200 items.

Mr. JOHNSTON: He has already answered that.

The WITNESS: If Mr. Sellar's number of votes is combined with the Treasury Board set-up of allotments as undoubtedly they would in order to provide the necessary services, our work would be the same. And our analysis of the accounts would be the same.

Mr. THATCHER: Can you say whether we will be saving any amount by adopting Mr. Sellar's recommendation? If it were put into effect would there be any saving to the taxpayer?

The WITNESS: Not by that means alone. You cannot hope to save money by tieing three or four items together instead of taking them one at a time for each service which of necessity has to be dealt with separately. I cannot see any way of making any saving by doing it in that way.

Mr. FLEMING: I understood from your reply to Mr. Sinclair that it would not make any saving in work; but if I understand the situation correctly you would then be deriving more of your authority from the Treasury Board, through Treasury Board minutes, than at the present time?

The WITNESS: Surely.

Mr. SINCLAIR: And that would have the effect of taking authority away from parliament, as far as the estimates are concerned, and having the Treasury Board actually detail the amount to be spent?

The WITNESS: That is correct.

Mr. MACDONNELL: Am I not correct in saying that while Mr. Sellar did propose reducing the actual number of items nevertheless he felt also there should be substantially the same amount of detailed information given, even although there might not be 600 items as at present? In other words, my understanding was that we would have exactly the same amount of information we have now although not perhaps arranged in the same manner.

Mr. SINCLAIR: But Mr. Sellar also pointed out that the details of the estimates carry with them no authority in connection with the expenditures or no assurance that the money would be spent in the manner indicated by them.

Mr. FLEMING: That is right; the details are not a part of the Appropriation Act.

The CHAIRMAN: Gentlemen, before we go any further may I just point out one difference between Mr. Sellar and Mr. McIntyre. Mr. McIntyre audits and approves every item of expenditure before it is made while Mr. Sellar audits the accounts after the expenditures have been made, so you will see they have two entirely different functions.

Mr. THATCHER: My difficulty about the 600 items we have at the present time is not so much that they should be cut down, but rather I think there should be more of them. I do not like Mr. Sellar suggesting that they should be consolidated into 200 items. I would like to ask Mr. McIntyre if he thinks it would be advisable or would help to have the number of votes increased, and if that would make the work of his department any more difficult?

The WITNESS: It would not be any more difficult for the department.

Mr. THATCHER: Is there any difficulty in your way? I mean, with more detailed estimates.

Mr. PINARD: I think the witness already answered that point when he said the work would be the same.

Mr. THATCHER: No, he did not.

Mr. PINARD: He said that the number of items did not make any difference.

Mr. THATCHER: I am not interested in what you say.

The WITNESS: It is awfully hard to answer that question in a blanket way because I think you will surely admit that with the estimates as they are at the present time there are quite a number of provisions in there that are quite easily understood, there may be others that are not so easily understood, and it may be possible that further detail would add to the ease of understanding on the part of members.

The CHAIRMAN: Would it not also be a question, as has been suggested, of rewording the estimates in such a way as to clarify the items which already exist and make it easier to understand them?

By Mr. Fleming:

Q. May I ask Mr. McIntyre about a different subject now? How early in the year during the session of parliament would it be possible to furnish parliament with a reasonably comprehensive statement of the actual expenditures during the preceding fiscal year corresponding to the items set out in the estimates for the current year before parliament?—A. You mean the present expenditures by departments?

Q. By departments, to enable parliament to see the actual expenditures made during the preceding fiscal year and how they correspond with the estimates proposed for the current year.—A. That would depend on the extent of the detail, the supporting detail that you want presented; a statement of the appropriations together with the allotments made under those appropriations which to a large extent conform to the details in the estimates; without seeking to extend this to all the detail involved in making an analysis by units of organization. Take Agriculture. We have many allotments in that department and we have a great many in Transport; and as long as we do not have to analyse them in too great detail it does not take too long after the books are finally wound up for the year. I should also point out that our books are kept open until April 30, one month following the end of the fiscal year, that period being necessary to effect adjustments that have to be made in winding up the accounts. But after the books are closed it would take only a relatively short time before a summary statement of appropriations by allotment breakdown could be made available.

Q. How feasible would it be to furnish parliament at an early stage in the session here with a statement in form corresponding to the estimates for the current year including the actual expenditures, we will say, for 10 months or 11 months of the fiscal year, and to estimate the contemplated expenditures for the balance of the year?—A. Well, there is one point there: we would have to wait until after the Minister of Finance presented his budget.

Q. And that is usually brought down by April. One of the difficulties one has in viewing the estimates when we have them before us is to consider the volume of expenditure in the preceding year so as to compare it with the estimates for the current year. If we had the actual expenditures there for the preceding year it would give us a better basis of comparison. I quite appreciate that the fiscal year does not close until the 31st of March and that you always have an additional month in which to close out your books and that as a result it would not be possible to get the complete statement before parliament until

some time after the end of April. Is there not some middle course we can follow there, taking the actual expenditures let us say for 10 months and estimating the contemplated expenditures for the balance of the year so that we could have that for comparison with the estimated expenditures for the current year? Would it be possible to have that brought down in the House about the same time the estimates themselves are tabled?—A. Yes, it would; it is merely an extension of the detail that is used to make up the figures for the budget.

Mr. BROWNE: As I understand it, the Auditor General suggested that something of that kind could be done.

The CHAIRMAN: Pardon me, gentlemen; so that there will be no misunderstanding, it is the intention that the committee shall adjourn at a quarter to one.

Mr. FLEMING: As Mr. Browne just said the Auditor General agreed in this suggestion. Now, in your opinion, in dealing with these expenditures, would it be possible to bring a statement of that kind down to cover the period up to the end of December, let us say December 31? Could you provide parliament with a statement showing the actual expenditures up to that date and supplement that with a statement showing the contemplated or estimated expenditures for the balance of the fiscal year?

The WITNESS: If the proposal is to have a statement presented to parliament say about the end of February there certainly would be no reason why we could not include the actual expenditures up to January 31; on the other hand, if you expect this statement before the end of January, December 31 would certainly be the cut-off date for the actual expenditures.

Mr. FLEMING: You think it would be quite possible to give parliament a statement of the expenditures up to January 31, when they could be tabled along with the estimates which usually come down at about that time? I imagine it would be very useful to the members in the House to have a statement of that kind before them when they are considering the estimates for the current year. Do you think that could be done?

The WITNESS: Yes, it could be done.

By Mr. Sinclair:

Q. Would that information with regard to the actual expenditures reflect adequately the picture with regard to expenditures for the year?—A. Not necessarily, because the accounts for the year have a time lag of at least a month and most of the expenditures, in fact practically all of the expenditures made in April pertain to the previous fiscal year. The thirty-day period is to take care of the accounts still outstanding, the invoices are for goods delivered or services rendered up to March 31.

Now, that time lag extends right throughout the year and is not picked up until the month of April; so that actual expenditures to December 31, would represent less than nine months of the fiscal year but more than eight months because salaries are charged to the month in which they are earned and are a substantial amount. There are no arrears of salaries and wages to be paid at March 31.

Q. Following Mr. Fleming's suggestion, the estimates used in the Finance minister's budget speech are a pretty accurate estimate and so long as the practice continues to have the budget speech in February or March, this committee would have at that time a pretty accurate estimate of what had been spent in the previous year.—A. Oh, yes, sir.

The CHAIRMAN: Are there any other questions you desire to ask on that brief?

By Mr. Drew:

Q. Well, Mr. Chairman, I think this would perhaps be a question to Mr. McIntyre in his position as Comptroller of the Treasury. Mr. McIntyre, I recognize that as distinct from Mr. Sellar's position you are within the ordinary ranks of the civil service as distinguished from Mr. Sellar who is appointed by parliament itself, and my question is not directed with the thought of asking you to make any statement in regard to policy but rather as to what the actual mechanics are. We have before us a comparison of the estimates of the different years starting with a group of estimates on what has been described as a functional basis for 1938-39, then carry these through into 1940-50, and again into 1950-51. Taking such an item as telephones, telegraphs, and postage, I find for instance, that in 1938-39, the last year before the war, the total estimates for telephones, telegraphs and postage expense are given at $960,248, whereas for 1950-51, you estimated $8,595,943. As Comptroller of the Treasury, are you called upon to examine these and to consider them from the point of veiw of the rather remarkable increase in the amount, and as to the reasons why there should be such an increase? Are you called upon to ask any questions which would support increases of this kind?—A. No sir, I am governed by the sufficiency of vouchers or other authorities to pay, and the authority granted by parliament to make the payment.

Q. So that yours is a strictly accounting procedure, and you do not attempt to examine whether the amount could or could not be reduced and still provide the service to be rendered?—A. No, sir, I do not.

Q. Who does accept the responsibility for that?—A. The permanent heads of the department or the person responsible for the expenditures that are made within the department.

Q. Well then, when it passes the departmental stage, what supervision is there at the Treasury level or what examination is made at the Treasury level that might conceivably effect a reduction?—A. The examination of these expenditures at the time the estimates are considered?

Q. Whose responsibility would it be at that time, at the Treasury level, to make any suggestions that would lead to reductions in the estimates?—A. You refer to—

Q. At the time the estimates are gone over?—A. —the Treasury Board?

Q. Yes.—A. Well, I cannot say who would be particularly responsible for it.

The CHAIRMAN: Would you kindly ask your question again, Mr. Drew?

Mr. DREW: Well, who at the Treasury level—and I am limiting it to the Treasury Board—has the duty or has the authority to examine the estimates that are put forward with the idea of ascertaining whether there are any items that could be reduced or whether there is an unreasonable increase of a particular item?

The WITNESS: Well, sir we of the comptroller's office do not enter the field on estimates until after they become votes of parliament and authorities to extend. We have nothing to do with the preparation of the estimates other than to present the details on expenditures of previous years as well as the year that is current at the time. The estimates are a departmental responsibility and from there they go to Treasury Board for consideration.

The CHAIRMAN: Might it not be agreeable to ask the Secretary of the Treasury Board who is here as a witness, but not at the table, whether he could answer that.

Mr. DREW: Do I take it, Mr. McIntyre, that as far as you are concerned, your responsibilities are simply responsibilities in relation to the aggregate expenditure and appropriation of money that has already been approved in the estimates through the procedure that has been provided for that purpose?

The WITNESS: That is right, sir.

The CHAIRMAN: Would it clear the record if we could ask Mr. Bryce, who is secretary of the Treasury Board, to answer that.

Mr. BRYCE: Do you wish me to answer Mr. Drew's question on that point?

The CHAIRMAN: Yes, Mr. Bryce.

Mr. BRYCE: I would say, sir, it is the responsibility of the ministers in Treasury Board to consider the proposals of the departments. In helping them do so I and other officers of the Department of Finance examine the proposals of the departments and put any comments or views that we have on them before the ministers at the meeting of the Treasury Board held to consider them.

Mr. DREW: That really does come to the information I am trying to obtain. I will explain what I have in mind. In the case of the public accounts, the Auditor General makes certain representations in regard to details of the accounts that have actually been closed at a certain date. What I am trying to ascertain is what procedure is followed of a corresponding nature to bring some measure of examination to the accounts by the department officials. Now, as I understand Mr. Bryce's answer, it is to the effect that he and other officials associated with him will examine these and that in addition to such measures of Treasury Board, he would or his officials associated with him would make any recommendation that they thought proper having regard to what they found in the estimates before that; is that right?

Mr. BRYCE: Yes, sir.

Mr. FLEMING: I would just like to ask Mr. Bryce one question arising out of that. It has to do with the timing and also with the information available to him and his other officials in relation to expenditures up to that point during the current year. As I understand it, the estimates are prepared by the various departments beginning about October and they will go to Mr. Bryce and his officials for preliminary review, we will say, somewhere around the end of December. After review there, there may be some shuttling back and forth, but at a later stage the department through its minister actually makes the formal presentation of these estimates to the Treasury Board, that is the board of ministers. Now, what information is available to and considered by Mr. Bryce and his officials at that first stage, and by the ministers of the Treasury Board at the second stage, as to expenditures to date during the current fiscal year.

Mr. BRYCE: That is a very real and difficult problem because naturally the estimates have to be prepared before we know what the expenditures will be for the year preceding that to which the estimates themselves relate. We are forced to rely on a forecast of expenditures based on all the information that is available. As Mr. McIntyre has indicated, we secure the most up-to-date information we can as to actual expenditures and contractual commitments up to the time that we are actually working on the estimates. We also request the Treasury officers to give us the best guesses they can, and often it can be no more than guesses, as to what the expenditures will be in the ensuing three, four, five or six months period. As naturally might be expected, opinions may differ as to what the expenditures in a particular vote are going to be and we have to use our best judgment in reconciling conflicting forecasts as to what those expenditures will be in certain votes.

Mr. FLEMING: Apart from a change in the government fiscal year or a change in the date of calling parliament have you any suggestion to make regarding improving the element of forecasts in the present system?

Mr. BRYCE: I am afraid not, sir, if we want to get the estimates to parliament a month or two before the fiscal year to which they relate. If that is to be the case—and as I understand it, that would be what parliament itself would wish—then I think this problem is inescapable.

Mr. MACDONNELL: Have we already discussed whether the present fiscal year is immutable? If that has already been discussed in committee I do not wish to raise the point again.

The CHAIRMAN: We have not. As I understand your question, Mr. Macdonnell, you asked, have we discussed whether the fiscal year is immutable or not? We have not.

Mr. MACDONNELL: If your judgment is not against it, Mr. Chairman, could we have an expression of opinion on that from both these gentlemen here?

The CHAIRMAN: You can ask the question if you want to, Mr. Macdonnell, but I think it is a question of policy.

By Mr. Macdonnell:

Q. I would be interested if Mr. McIntyre would say something on that, and perhaps if Mr. Bryce would, too.—A. The fiscal year used to end on June 30, but was changed; I cannot recall the year it was changed, but it was back almost forty years ago anyway, before the first war. It was changed to March 31. It was changed at that time to bring the parliamentary sessions and the operating fiscal year more in line. Now, whether March 31 is the best possible date to choose depends an awful lot on when parliament meets.

Q. Could I ask this: it may be a very superficial view but it would almost seem as if parliament continues meeting at the present time that there would be certain great advantage in having it fit with the calendar year. Would there be some objection to that?—A. Then parliament would certainly have to meet in the latter part of the summer or fall, to appropriate the estimates for the following year, that would start with the first of the calendar year.

Q. In other words, you would need a fall session?

Mr. FLEMING: There is a bigger problem than that, is there not? There is the problem of interim supply?

The CHAIRMAN: As far as the Treasury Board is concerned have you any views to express on that question of the end of the fiscal year, Mr. Bryce?

Mr. BRYCE: I do not think my remarks would be different from what Mr. McIntyre has said. The basic problem is the timing of the parliamentary action on the estimates. Various practical problems are involved in that, on which I do not claim to be an expert.

The CHAIRMAN: Are there any further questions?

Mr. CRUICKSHANK: How many indemnities would we get if we adopted this new system?

Mr. FLEMING: Probably half a one.

The CHAIRMAN: Are there further questions to Mr. McIntyre on any of these briefs.

Mr. FRASER: Mr. Chairman, I spoke before regarding that $1 item and I was told I was wrong. I have here the report of the committee on External Affairs, No. 5, and on page 119 Mr. Bryce was asked a question on that $1 item as to whether it could be used for other purposes and Mr. Bryce had this to say:

> ... but I think it is true to say that while this is in the Department of External Affairs estimates, the funds received from these countries can be used by the government for other purposes as well, covered by other appropriations.

Mr. RICHARD (*Ottawa East*): Yes, but that would require a departmental vote.

The CHAIRMAN: Would Mr. Bryce please comment on that if he cares to?

Mr. BRYCE: I believe in the External Affairs Committee the discussion to which that relates, the question came up in connection with using the actual

balances received from the other countries for expenditures under the appropriations for other departments. The question has never risen to my knowledge on whether expenditures could be made under this vote 67 for the purchase of a property to be used, let us say, by the immigration service. I am not sure what the Comptroller of the Treasury would permit us to do.

The CHAIRMAN: That is exactly the answer the witness gave a moment ago.

Mr. FRASER: Mr. Chairman, I just wanted to put on the record the fact that evidence had been given on that point before.

The CHAIRMAN: But that evidence does not contradict what the comptroller said previously.

Mr. FRASER: Well.

The CHAIRMAN: Now, you have the two: our two witnesses answered that and they are both in agreement on it.

Mr. FRASER: It says right here it can be used by the government.

The CHAIRMAN: Yes, it can be used but not by authority of vote 67.

The WITNESS: The use would be on the authority of the appropriation available to the department concerned.

Mr. RICHARD (*Ottawa East*): But the item would not justify it in itself, in other words.

The WITNESS: No, sir.

Mr. FRASER: But that item there gives authority for all these funds to be paid to External Affairs Department or handled by them.

The WITNESS: No, only what it will require for its purposes.

The CHAIRMAN: It says "out of these funds", it does not say "all of these funds".

Mr. FLEMING: Can we have the other memorandum read now, the one that Mr. McIntyre was going to read to us about changing the form of the estimates?

The CHAIRMAN: Are there any further questions to be asked of Mr. McIntyre on Mr. Sellar's memorandum?

Then we will pass on to the question of the estimates as they were before 1938.

The WITNESS: The estimates prior to the revision of 1938 were not arranged by departments except in a few instances, and then only in part.

The predominant presentation was by services but there were certain salaries and contingent expenses called "Civil Government" which were brought together in one schedule and at least in earlier years were intended to provide for government staffs at Ottawa, the inside service and the contingency expenses of the department. This particular schedule therefore contained items affecting every department.

Again, in what was described as "Miscellaneous Services" we had grants and other items which were administered by the different departments.

The votes for the Department of Agriculture, apart from those provided under "Civil Government" for salaries and contingencies, and under "Miscellaneous" for various grants and perhaps some other items, were as set out on page 19, of the estimates for 1936-37, are an example of the presentation for a particular department.

There are no further details except other than the appropriations as shown in the estimates for that year for the Department of Agriculture.

We have only the details of civil government referred to in the first schedule; these are details given at the back of the estimates for the salaries, showing positions, not unlike what is shown today in the back of estimates for permanent salaries and contingencies, but when we go on further to regular service votes there is one item for dairying, followed by separate items for subsidies, fruit, seed, feed, and fertilizer control, livestock, experimental farm, health of animals, ento-

mology, publicity and extension, farm economics, international institute of agriculture contribution to the empire bureau and the advisory committee on agricultural service, marketing of agricultural products is another item, and there are no further details given in the back of the estimates for these items. Those items I have just read total $7,457,000.

The CHAIRMAN: That is for Agriculture only.

The WITNESS: You can see here the comparative size of the two books, that for 1938 and that for 1939, the year following.

By Mr. Fleming:

Q. It would be more helpful for the record if the witness would give the number of pages.—A. The new estimates contain 228 pages, whereas the estimates of 1937-38 consisted of 95 pages.

Q. How were they broken down as between estimates and details, please.—A. There were in 1938, sixty-three pages for the estimates proper, and the total in the main estimates for 1939 was 53 pages. That is the part which provided for the votes. The 53 pages compares with the 63 pages in the old estimates.

Q. What about the details? Could you give us the number of pages for comparison there too, please?—A. In details?

Mr. BOISVERT: That is easy to figure out.

The WITNESS: 53 subtracted from 228.

Mr. MACDONNELL: Does that represent the entire change in the system or merely more detail?

By Mr. Fleming:

Q. So the big change really represents an expansion of the details?—A. The increase in size of the book is due to the expansion of the details set out in the book of estimates. In addition to this, of course, the whole body of the estimates, in the first part of the book, was re-arranged and there were many new votes introduced in the re-arrangement.

Q. Could you give us the number of items in the old estimates?—A. 440 in 1939; 295 in 1938.

Mr. FRASER: And during that time the expenditures have increased about $2 billion.

The CHAIRMAN: No, these are the two years, 1938 and 1939.

By Mr. Fraser:

Q. Oh, 1938 and 1939, pardon me. How much did it increase in that time?—A. The number of votes?

Q. No, the actual budget.

The CHAIRMAN: The actual amount of the total votes.

The WITNESS: The total vote for 1937-38 was $421 million, and for 1938-39 the amount of the estimates showed $419 million, so there was an actual reduction, not an increase.

By Mr. Fraser:

Q. Well, then, Mr. Chairman, that definitely shows this: the more details you put in the more chance there is of perhaps whittling down on some of the items. Am I right in that, Mr. McIntyre?—A. Maybe.

Q. That is what has happened there.

The CHAIRMAN: Any further questions on this memorandum or on the change?

The question I have in mind on this is: Do you know, Mr. McIntyre, what were the reasons underlying the change? Are there any memoranda on that that your department might have?

The WITNESS: There was the memorandum Mr. Bryce presented to the committee, a record of the statement made by the Minister of Finance in the House when the change was made. That is already printed in the evidence, and the only additional thing is the Order in Council that was passed to approve of this change.

The CHAIRMAN: Would members consider that it might be advisable for our study, since we already have on record the part of the speech made by the Minister of Finance when the change was made, to add as an addendum or appendix the Order in Council that was passed at the time to implement that change?

Agreed.

Are there any further questions?

(P.C. 830, dated 15th April, 1937, is printed as appendix B).

Before we adjourn for the day I have a question for Mr. Drew, if the chairman may be permitted to ask a question. Mr. Bryce wrote to me in connection with the list of properties that Mr. Drew had asked Mr. Bryce to prepare. I will read the letter. It is addressed to me.

Ottawa, May 22, 1950.

L. P. Picard, Esq., M.P.,
Chairman, Public Accounts Committee,
House of Commons,
Ottawa, Canada.

Dear Mr. Picard:—

You will recall the list of properties owned by the Crown, or agents of the Crown, which I was to have prepared for the Public Accounts Committee. These are properties of an industrial, mining, or more or less commercial nature other than residential or farming property, and other than those used directly for the ordinary purposes of government.

There is one major question about this list which I felt you should consider and on which you should give me some direction. Should I include in this list properties held by the custodian of enemy property? The legal position of the custodian, as I understand it, is a borderline case, and it is not clear to me whether in acting in his role as custodian he can be regarded as acting either for the Crown or as an agent for the Crown. Since the custodian holds a considerable number of properties of this character, it is a matter of some consequence. Perhaps you could speak to me or drop me a line about this matter within the next day or two.

Yours truly,

R. B. BRYCE,

Therefore Mr. Bryce would like to have this information from you, since you are the one who asked the question.

Mr. DREW: Yes, Mr. Chairman, I think it would be advisable to include that because as I understand it, those properties have passed under the control of the Canadian government.

The CHAIRMAN: I see. Then, Mr. Bryce, those should be included.

Mr. DREW: When will I have that?

The CHAIRMAN: I understand that all the departments have been asked to supply it and that they are in the course of preparing the material. It will be available to the committee as quickly as possible.

Mr. DREW: Could Mr. Bryce give us an indication of some date when it may be expected?

Mr. BRYCE: My department will have some of the figures in a few days. I cannot tell you the situation in the larger departments; I know they are all working preparing the list.

Mr. DREW: I don't want to embarrass anybody but I was interested in finding out the procedure being followed in compiling the information. And may I say that Mr. Bryce has been extremely co-operative in every way. If there are certain reports in, I think it would be highly desirable that we should have those reports because we could then proceed to a consideration of the matter while we were awaiting the reports from the other departments.

The CHAIRMAN: I think, Mr. Drew, that we should have all the reports before us at one time so that the whole matter may be dealt with as a subject. I think it would be better if we were to follow the report of the steering committee yesterday, that we hasten the completion of the subject matter now before us and then go on to the public accounts. Your questions relating to the Cartierville and other properties came up during the discussion of the Auditor General's recommendations with regard to the estimates and as soon as Mr. Bryce has the material available we will arrange to have it presented to the committee. It was the decision of the committee yesterday that we would complete this matter of the recommendations of the Auditor General with regard to the estimates as quickly as possible, and at least within a limited number of sittings, to have it completed either next week or the week after. Another matter which remains to be dealt with is the hearing of officials from Surplus Crown Assets and the Department of Munitions and Supply concerning the Cartierville property.

Mr. DREW: Of course, the Cartierville property is only one. I gave that as an example, but it is only one of the properties under consideration. I would point out that there will be a number of properties for discussion, and for that reason I simply repeat my suggestion that if we are in any way running short of other matters—

The CHAIRMAN: Oh no, we are not. We have too much facing us at the present time, that is our difficulty.

Mr. DREW: May I assure you, Mr. Chairman, that I am just as anxious as anyone else is to get into the public accounts but I think we ought to have some information in regard to this subject. There is also another request I made about which I would like information. I asked Mr. Bryce to prepare a list of those items in the estimates which included not only approval of expenditures but legislative authority itself. When will that be ready?

Mr. BRYCE: We are working on that now and I hope to have a statement ready for you on it very shortly.

The CHAIRMAN: There is also the suggestion from Mr. Thatcher, although not within our terms of reference at all, concerning the calling of the statistician, Mr. Marshall. I understand that he will be at our disposal on Thursday, and while we want to limit the number of witnesses, I suggest that we arrange to hear him; that is, unless Mr. Thatcher would like to withdraw his request.

Mr. THATCHER: Well, Mr. Chairman, the subject is not a controversial one and there should be no contention about it. It is one way in which we could save a certain amount of money and I think we could finish with Mr. Marshall in fifteen minutes.

Mr. FRASER: In how long?

Mr. THATCHER: I do not think there is anything contentious about it and I would like to have him called.

The CHAIRMAN: If it is agreeable we will have Mr. Marshall on Thursday. He is supposed to be back on Wednesday. However, the work of the committee will take its normal course. The witnesses about the Cartierville affair will probably be available next week.

Mr. BROWNE: Have you finished, Mr. Chairman?

The CHAIRMAN: Well, Mr. Browne, we still have five minutes, if there are any questions you would like to ask.

By Mr. Browne:

Q. In the Auditor General's report he refers to an item of $11 million—that is on page 19 of the Auditor General's report, item 66, vote 67.—A. That is the payment for the Canadian Wheat Board?

Q. Yes, on page 19. How was that authorized?—A. There was an order in council authorizing that payment on account of the deficit.

Q. Then you approved of it?—A. Yes, sir.

By Mr. Fraser:

Q. Mr. Chairman, we have a few more minutes and I have one other question I would like to ask. What departments of government have used all their blocked currency?—A. Speaking from memory I would say that any department of the Canadian government that requires currency in countries where we hold blocked currency, can use this blocked currency.

Q. Well then, that would not show in our estimates?—A. The only department that has any right is External Affairs under that $1 vote.

Q. Would it show in our estimates before it did in the public accounts?—A. You mean, the requirements of the other departments?

Q. The amounts you supply each of the departments out of this blocked currency.—A. The amount received by National Defence which would probably be used to meet pay and allowance of servicemen on the Continent at the time or to pay the operating costs of their local offices in the area—

Q. And that would be shown in our estimates?—A. That would appear in the general distribution of expenditures in the Department of National Defence. It would not be identified as an expenditure made from blocked currency.

Q. I just wondered how you keep it apart.—A. Blocked currency is a cash account, accounted for as cash. Once you turn it into expenditures the expenditures become part of the charge to the appropriation of the service concerned.

The CHAIRMAN: Is there any need for calling the Comptroller of the Treasury further?

The meeting is adjourned to the call of the chair.

—The committee adjourned.

APPENDIX A

STATEMENT MADE BY THE HONOURABLE LESTER B. PEARSON BEFORE THE STANDING COMMITTEE ON EXTERNAL AFFAIRS, MAY 4, 1950.

I have seen the Auditor General's report concerning the one dollar item in my department's estimates and I have read in the press of the discussions which have taken place on this subject in the Public Accounts Committee. I feel it would be useful if in addition to the general remarks which I made about this item at the meeting on May 1 of the Standing Committee on External Affairs I made a more comprehensive statement describing the moneys involved under this vote, the manner in which they were obtained, the purposes for which they will be used and the reason for this vote appearing in its present form. I do not propose giving figures in respect of total claims, amounts of settlement, etc., because these are more appropriately matters for the Department of Finance and I understand that Mr. Sinclair intends to make a more detailed statement in Parliament at a later date when he will furnish these figures.

During the last war the civilian organizations of the allied countries followed the advance of the armies and distributed food, clothing and medical supplies to the civilian populations of the liberated European countries. The receiving countries included France, Belgium, the Netherlands, Luxembourg, Denmark, Norway, Italy, Greece and Yugoslavia. The supplies were provided by the United States, the United Kingdom and Canada to a total of about $1,746,300,000. It was always understood that they were being furnished to the citizens of those countries on a repayment basis.

In the post-war years a committee known as the Tripartite Settlement Committee with headquarters in Washington examined the accounts submitted by the three supplying countries and determined the total cost of the goods distributed in all of the European countries as well as the amounts which had been furnished by each of the three countries. It was obviously impossible to determine what proportion of each country's supplies had gone into any particular European country. Therefore, it was decided that each supplying country would recover its expenditures on a percentage basis. It was calculated that Canada had supplied 5·3 per cent of the over-all total and accordingly was entitled to seek reimbursement from each receiving country in the amount of 5·3 per cent of the total military supplies bill for that country. For example, in the case of the Netherlands the total value of supplies distributed in that country was about 270 millions. Canada's claim against the Netherlands was 5·3 per cent of that amount or $13,839,170.

Under the procedure agreed by the Tripartite Settlement Committee Canada presented a note to the government of each European country concerned advising of the total amount owing to Canada. These were identical notes except in the case of Italy and Greece where, having regard to the economic conditions in those two countries, it was stated that Canada would seek only nominal payment.

Although there were conversations from time to time between representatives of the Canadian government and representatives in Ottawa of the foreign governments concerning our military relief credits no direct negotiations took place, except in the case of the Netherlands, until early this year when Mr. James Sinclair, Parliamentary Assistant to the Minister of Finance, visited Europe to arrange the settlement of these accounts. He met with government

representatives of all of the countries concerned except the Netherlands with whom a settlement had been completed in 1948 and Greece where, because of the unstable political situation, inter-governmental negotiations were not possible.

Within the past few weeks formal notes confirming the details of settlement have been exchanged between the Canadian government and the governments of Yugoslavia, France and Denmark. It is expected that similar exchanges of notes will be carried out shortly with the other governments with whom Mr. Sinclair had discussions. So much for the money which will be used under this vote and the manner in which they were obtained.

The purposes for which these currencies will be used are set out in the wording of vote 67 of our estimates. By 1948 it had become apparent that the economic recovery of Europe had not been sufficient to permit these countries to settle our claims entirely in Canadian dollars. It was equally apparent that there were some countries which would find it impossible to make any payment in Canadian dollars. In fact, the United States government normally lumped their military relief claims with other claims on which it made settlements involving considerable write-offs. The United Kingdom government took similar action in a number of cases.

When it was accepted that at least partial payment of the claims would have to be in foreign currencies which could not be used for ordinary commercial purposes, consideration was given to the manner in which the Canadian government could profitably use these moneys. A number of Canadian diplomatic missions had just been opened or were in the process of being opened in Europe and the problem of both office and living accommodation was presenting considerable difficulty. Excessive rentals were being asked for the few leased premises which were available and our experience was that appropriate residences for Canadian heads of mission could, in most cases, be acquired only by purchase. Accordingly, it was decided that one way in which these local currencies could be used to advantage would be by purchasing premises and furnishings, provided suitable buildings at reasonable prices were available.

This brings me to the form of vote 67 which first appeared in our supplementary estimates for 1948-49. From the review which I have given you of this matter, you will see that when we were preparing our estimates for the fiscal year ending March 31, 1949, we were faced with one known factor and four unknown factors. It was known that the foreign currencies which would be deposited to the credit of the Canadian government in northwest Europe could be used for the purchase of properties, provided the premises were suitable and the price was reasonable. The unknown factors were:—

(*a*) Would the military relief accounts be settled before the end of that fiscal year?

(*b*) What would be the level of real estate values in the various countries at the time purchases would be contemplated?

(*c*) Would a residence or a chancery or both be purchased in any particular country?

(*d*) What amounts would be available from these settlements and in what period would we be able to make the expenditures, having regard to availabilities and to the limited staff at our disposal to carry out the transactions?

We recognized that, in these circumstances, it would be extremely difficult to insert a figure in our estimates for any twelve-month period which would approximate reality. At the same time it was necessary to draw the attention of parliament to the fact that these blocked currencies existed. It was also necessary to obtain parliamentary approval of the purposes for which it was

proposed these moneys should be used. It was decided that these conditions could be best met by inserting a vote in the form of the present vote 67.

Members will also appreciate that our bargaining position both as regards the settlement of the military relief accounts as well as the purchase of any properties, could be prejudiced if estimated expenditure figures were published before such negotiations commenced.

An item of this kind first appeared in the estimates of the Department of External Affairs for the fiscal year as I said ending March 31, 1949. The same item was included in the department's estimates for the year ending March 31, 1950. The nature and purpose of the item were explained to this committee on November 23, 1949, and were accepted by the committee including most of those members who are now raising some doubts as to the form of the vote.

I can assure those members who now take objection to a procedure which they have found, I assume, satisfactory for the past two years, that we are prepared to meet their proposals for the revision of this vote in any way that is legal and workable.

That is the story of the one dollar item.

I have made it fuller than perhaps was necessary but I felt that a complete review of the situation was desirable because, when reading reports of discussions and statements on the subject, I gained the impression that a number of members, some of whom sit on this committee were somewhat confused as to the origin of the currencies, the method of settlement with the countries concerned and the manner in which expenditures would be accounted for.

Perhaps before concluding, I should refer to some of the questions on which clarification appears necessary. It has been stated, I think, by the Auditor General, that these moneys must be spent in the country of origin. This is not correct. In more than one case we have arranged under the terms of settlement that the currency of one country may be used for specified purchases in another European country.

I have seen a statement that the External Affairs expenditures for property purchases are not shown in the public accounts and do not appear in any published record. May I direct your attention to page E-10 of the public accounts of Canada for the fiscal year ended March 31, 1949. There you will see vote 698 which is the one dollar item in the same form as it appears under vote 67 in the estimates which you are now considering. As foot-notes to this vote you find explanations of two purchases made by the Department of External Affairs during that fiscal year—one of furnishings in Denmark and one a property purchased in the Netherlands.

I assume the public accounts for the fiscal year ended 31st March, 1950, will show the details of two property purchases carried out in that twelve month period.

It is Mr. Wright, I believe, who is reported to have made the statement that "we as parliament have never made any vote to the Department of External Affairs for the purchase of properties in other countries". As members of this committee know, there has been included every year an amount to cover our intended purchases except those for which blocked currencies will be used. The estimated costs of these proposed purchases have been included in our capital items and have been the subject of discussion in this committee in other years. I would expect that a discussion of the same nature will take place in the committee this year.

Purchases under the one dollar item were discussed by this committee last year and, if you look at page 91 of the report of last year's meetings, you will see that the Under-Secretary reported that purchases by the department in Paris, in Rome and in Copenhagen, were under consideration. Mr. Heeney explained that these purchases would not involve expenditures apart from the

blocked funds available in those countries. Mr. Heeney went on to give a review of our property position in all of the European countries to which Mr. Fleming had referred when describing his trip through Europe.

As committee members know, the department does not have, as has been suggested, a free hand in the expenditure of blocked currencies. Each proposed purchase must be submitted to and approved in advance by Treasury Board. Before any such submission is prepared, the Under-Secretary and the minister must satisfy themselves that the proposal represents good value for Canada. I can best describe our policy by repeating the excerpt which I read to you at our meeting of May 1, from the instructions on this matter which the Secretary of State for External Affairs issued to the Canadian heads of missions in each of the European countries where we have a military relief credit:

> I wish to emphasize that the same considerations should apply to the selection of premises that may be available under this scheme as would apply if the premises were being purchased for cash. I would not be ready to recommend to Council the payment of an unreasonably high price even though payment were to be made in the form of a credit against military relief obligations, nor would I recommend the purchase of premises larger than were necessary, even if the price were reasonable, since the maintenance costs could not be justified.

That is the end of my statement, Mr. Chairman.

APPENDIX B

(Copy)

P.C. 830

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 15th April, 1937.

The Committee of the Privy Council have had before them a report, dated April 14, 1937, from the Minister of Finance, submitting as follows:

That the existing form of the Estimates of Canada, adopted at Confederation, is inadequate for present requirements because of a number of defects of which the following may be cited:

1. Statutory authorization of certain expenditures, which should be subject to the annual review of Parliament.
2. Provision for the requirements of one service under several items in the Estimates.
3. Inclusion of a general item for Civil Government, authorizing salaries and contingencies for practically all Government services.
4. Provision for numbers of distinct activities in one general item.
5. Assembly of items under obsolete captions without relationship to existing departmental responsibility.

The above structural defects have made impossible the presentation to Parliament of intelligible details of the costs of services. The present arrangement is not only lacking in essentials, but is actually misleading. For instance, a definite sum being provided in the Estimates for a specific purpose, it is a fair assumption that such amount is the cost of that service. In fact, this is rarely true for in the majority of instances further provision is made in Civil Government or some other general item. Only an experienced accounting officer, with ample time at his disposal, can compute the real cost of most services.

The Minister, believing that there is obvious need of immediate revision, which will give Parliament precise information on the cost of the various services carried on by the Government, recommends that the Estimates for 1938-39 be compiled in accordance with the following:

1. An item for each distinct project, service, or grant.
2. Elimination of items of a general character, as far as possible.
3. Assembly of items under the department responsible for payment or administration.
4. Subsection of annual votes for certain statutory appropriations, mainly those of an administrative character which should be subject to the annual review of Parliament.
5. Notation of estimated total cost of any construction project which will not be completed during the fiscal year for which provision is made.

The Minister also recommends that preliminary revision in accordance with the above and final decision on the details and form of the Estimates be subject to the approval of the Treasury Board.

The Committee concur in the foregoing recommendations and submit the same for approval.

E. J. LEMAIRE
Clerk of the Privy Council.

OTTAWA, February 3, 1938.

REVISED FORM OF ESTIMATES

In the Budget Speech of last year I made an attempt to show the percentage distribution of our revenues and expenditures, but found it necessary to point out that the form of our Estimates and Appropriations made it impossible to achieve accuracy in such calculations. I then stated that before another year had passed I hoped to be able to introduce such changes in our procedure regarding Estimates and Accounts as would make it possible to determine more accurately the real costs of the various services of Government.

I am glad to be able to announce to the House that the Main Estimates for 1938-39, which are now being tabled, are being presented in a new form, with what I believe is a greatly improved classification and with much greater detail. The purpose of the revision is to facilitate a greater control over expenditures and to present a clearer and truer picture of the operations of Government.

The need for revision has been recognized for years, in that items in the Estimates did not reflect the cost of services. In this respect they were actually misleading, because, with few exceptions, they were supplemented from Civil Government or other appropriation of a general character. Other defects included provision, for numbers of distinct activities under one general item, and assembly of items under obsolete captions without relationship to existing departmental responsibility. The principal object of the revision is to give to Parliament, by removal of these defects, a reasonably accurate estimate of the costs of functions, assembled under the departments responsible for administration.

Application of this principle involved re-arrangement of votes and disappearance of the Civil Government and Miscellaneous sections. It also involved selection of the distinct services or projects on which the taxpayer's money is spent and insertion of an item for each. As all expenses can not be allocated on this basis, the remainder for the department or branch has been included under an item for Administration. As comparisons with Estimates of the previous year are always of first rate importance to Parliament, these have been shown in each instance. The amount entered for 1937-38 is the sum voted for that particular function, though it may have been authorized under several general or specific votes for that year. Any Member interested may obtain details of these allocations of former votes in Committee of Supply.

The new form is composed of two main sections. The first, to page 53, is made up of items to be included in the Supply Bill, together with statutory appropriations (marked "S"). The second section, from page 54 to the end, is for the information of Parliament and will not be in the Supply Bill. In the first section, division by items has been with the object of showing clearly the cost of the various services carried on by the Government. The second section, which is entirely new, is designed to furnish Parliament with detailed information as to how the various proposed votes are to be spent. For convenience the page number of the details is printed opposite each item.

In effect, items in the first section will become votes which must be administered strictly in accordance with their terms and amounts. On the other hand, the details by objects of expenditure contained in the second section may be varied to meet administrative requirements. In general, they will be the basis of classifications compiled by each department at the beginning of the fiscal year under the terms of section 26 of The Consolidated Revenue and Audit Act. These classifications are submitted to the Department of Finance and may not be amended except with approval of the Treasury Board.

The ruling principle of this revision has been the endeavour to furnish the cost of functions. At the same time, it has been necessary to give due consideration to the requirements of administration, accounting and audit, since all are necessary to a full measure of Parliamentary control. While the new form is an attempt to meet all essentials, it is not regarded as final. Rather, it is believed that experience in operation and consideration here will suggest further improvements for future years.

I need not say that the changes which have been made have resulted in a great deal of work during the past year for all the departments and for the Treasury Board. It will be clear, also, that the larger number of votes will probably increase the work of my colleagues and their departmental officials in getting their estimates through the House. We have, however, received the co-operation of all departments in making the revision possible, and I trust that the changes which have been introduced will, after study, commend themselves to the House.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 16

THURSDAY, MAY 25, 1950

WITNESSES:

Mr. Watson Sellar, C.M.G., Auditor General.
Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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1950

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on

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Winkler
Wright

Clerk: A. L. Burgess

MINUTES OF PROCEEDINGS

THURSDAY, May 25, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Vice-Chairman, Mr. David Croll, presiding.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Boisvert, Boivin, Brisson, Browne *(St. John's West)*, Cauchon, Cavers, Cleaver, Cruickshank, Drew, Diefenbaker, Fulford, Fraser, Gauthier *(Portneuf)*, Hansell, Helme, Kirk *(Digby-Yarmouth)*, Major, Pinard, Prudham, Richard *(Ottawa East)*, Riley, Sinclair, Thatcher, Warren, Winkler, Wright.

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

The Committee resumed consideration of the Auditor General's Report for the fiscal year 1948-49.

Messrs. Sellar and Bryce were recalled.

Examination of the witnesses was concluded on paragraphs 35, 58, 59, 60, 63, 64, 68, 69, 70, 73, 79, 80 and 82 to 96 inclusive.

At 1 o'clock p.m. the Committee adjourned until Monday, May 29, at 11 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.

63136—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

THURSDAY, MAY 25, 1950

The Standing Committee on Public Accounts met this day at 11 a.m. The Vice-Chairman, Mr. David A. Croll, presided.

The VICE-CHAIRMAN: Gentlemen, we have a quorum.

We had hoped our witness today would be Mr. Marshall to reply to a question asked by Mr. Thatcher. Mr. Marshall needs further amplification and clarification of the question and he has been in touch with Mr. Thatcher and he is obtaining further information from him and so he will not be available to answer questions at the present time. When he is available we will call him on short notice. Is that satisfactory to Mr. Thatcher?

Mr. THATCHER: Yes, that is fine.

The VICE-CHAIRMAN: Now with regard to the report of the Auditor General, we have dealt with a third or perhaps a little better than that of the report. I will call the items still outstanding and try to clear them up. The first item that I am calling is item 35, "Revenues," which will be found on page 11 of the report.

Watson Sellar, Auditor General, recalled:

By Mr. Fraser:

Q. Would there be any blocked currency included in the items you have indicated here?—A. A very small amount would be in the balance sheet under that heading, but it would not necessarily be in the revenue for that year, it might have been collected the year before. I am not sure on that.

Q. It might have been collected the year before?—A. Yes, it might have been. There is a blocked currency item in that. I am not sure whether they are in there. I will have to find that out for you, Mr. Fraser.

Q. Would you do that?—A. Yes.

By Mr. Drew:

Q. Just for purposes of clarification, would these totals of revenues received from other sources be limited to revenues in relation to those items covered by the public accounts?—A. It would be all revenues received by the Receiver General or deposited to the credit of the Receiver General. There might be certain items—I recall a very small one which I might use for purposes of illustration; let us say that you have a farmer who asked the Department of Agriculture to secure a pure bred sire and he would send in $500. The money would be put in a special account and would not be treated as revenue. Is that the sort of thing you had in mind, sir?

Q. Yes. We have also mentioned certain properties— —A. They would be moneys that were held for example by the War Assets Corporation which had not been paid over to the government as of that date, that would not necessarily be turned in in the year 1948/49. There is $25,840,000 from the sale of surplus war assets.

Q. Yes.—A. And that comes under the heading "Special Revenue" do you see.

Q. And this $119 million——A. That is for the previous year. The $25,840,000 was from the sale of war assets. The previous year it was $63 million.

Q. Just as a matter of detail so we can understand it, as Auditor General you audit the accounts of War Assets Corporation?—A. Yes sir.

Q. And that is embraced in the over-all audit?—A. Yes, it is a special audit required by the Act.

Mr. BROWNE: Does this revenue statement end as of the 31st of March or does it carry over?

The WITNESS: No, it ends with the 31st of March, there is a cut-off right then.

The VICE-CHAIRMAN: The next item is No. 58, on page 17, Payments to Public Employees.

Mr. DREW: Yes, Mr. Sellar that item deals with the Canadian Commercial Corporation, and as you point out there, that is the procurement agency for the Department of National Defence. You point out there that an examination of accounts discloses that it was usurping the functions of the Civil Service Commission by issuing "acceptance of tender" contracts. Has this situation been corrected?

The WITNESS: It has been discontinued, sir; the Treasury Board took action on the matter.

The VICE-CHAIRMAN: The next item is No. 59, under the same heading.

By Mr. Fraser:

Q. Under this International Joint Commission set-up Canada has to pay first the salaries and also all the expenses wherever they may travel, is that right?—A. Canada pays 50 per cent.

Q. Of all salaries and expenses?—A. Of the general expenses, and the full cost of the salaries and expenses of its commissioners; but the United States pays 50 per cent of the cost and the salaries and expenses of its commissioners.

Q. Where is the head office?—A. You mean for the Commission as a whole?

Q. Yes.—A. Well, it has no real head office. You have your Ottawa and your Washington offices which you might call the head office of the respective sections.

Q. Where would you write to if you wanted to reach them?—A. You would address your letter here to Ottawa.

By Mr. Drew:

Q. Where does the secretary have his office, the secretary you referred to in this item?—A. I am not sure of the building. It used to be the Victoria Building but I am not sure which building he is in now.

Q. But it is designated as an office belonging to the work of this Commission? —A. Oh, yes.

Q. And you have raised a question there as to the authority to advance salary to the secretary above the limit of $4,000 provided by the Act itself? —A. Yes, sir.

Q. And you say that attention should be drawn to this matter. What do you suggest should be done in regard to that?—A. It would require an amendment to the Act, sir. May I quote from the Act, section 7—I will just give you the whole thing so you will have it:

> Each of the said commissioners when appointed by His Majesty shall receive as compensation for his services an amount to be fixed by the

Governor in Council but in no case to exceed the sum of $7,500 per annum. The secretary appointed by the Canadian section of the Commission under the provisions of the said Treaty shall receive in compensation for his services a sum not exceeding $4,000 per anum.

My point is a specific limitation having been placed by parliament in that Act of $4,000, strictly speaking the action in increasing the secretary's pay is not legal. I do not oppose the fairness of it.

Q. Quite. After all, Mr. Sellar, I assume that your function as Auditor General is not so much to test the fairness as to test the legality of any action? —A. That is right.

Q. And your point there is that unless there is an amendment of the Act, regardless of how desirable it may be, there is no authority to pay more than $4,000?—A. Yes.

Q. And the only way that procedure could be legalized would be through an amendment to the Act; is that what you are suggesting here?—A. It is not my place to suggest it, but it seems to me that the Act should be amended. Also, they are finding it very difficult to keep within the $3,000 under another section which provides that the expenses shall not exceed $3,000 per annum for office accommodation including supplies. That Act was passed 40 years ago. I think that some time that the legislation should be looked at to give them a chance to turn around.

Q. Yes. Well, I would not expect Mr. Sellar to do more than call that to our attention, but I do think, Mr. Chairman, that in view of recent events in Manitoba having focused our attention on the functions of this Commission that we might well consider that suggestion as an appropriate subject for recommendation at such time as we present either our interim or final report. So far as you know is the limitation in regard to the payment of $7,500 to the Commission being upheld?—A. Yes, sir.

Q. So that the only item then which calls for an amendment to legalize what has already taken place is an amendment in regard to the limit on the salary of the secretary?—A. Yes.

Q. But you do make the suggestion that having regard to the fact that this Act was introduced 40 years ago that under present conditions there should be a general review of the Act?—A. I would go so far as to say that that item should be made an estimate item, that it be treated as an ordinary item in the estimates in the same way as is done in connection with the Pacific Halibut Treaty where you have the salaries voted by estimates.

The VICE-CHAIRMAN: While we are on this point raised by Mr. Sellar we might ask Mr. Bryce whether he can throw any light upon section 59. Mr. Bryce, can you be of assistance to us there?

Mr. BRYCE: I checked up this particular item which has just been mentioned and I think this salary rate has been approved by the Treasury Board. It was approved as far back as 1937 and went into effect at that time. The action to which the Auditor General refers here was simply a promotion of someone into that position which had existed for some 12 years.

Mr. DREW: The point that I am concerned about is not so much the amount involved, because it would appear to me that that is entirely reasonable; it is more the fact that it has been regarded as necessary to pay an amount in excess of the amount authorized by the Act for the past 13 years. That suggests to me the necessity for a review of this Act in regard to details of that kind at a time when it is clear that we are all going, I should think, to expect very much wider activities on the part of this Commission in the light of recent events.

By Mr. Browne:

Q. I wonder, Mr. Chairman, if the witness could tell us when this Act was passed?—A. 1918, sir.

Q. Have you the section under which the payment was authorized?—A. You mean, of the Civil Service Act?

Q. Yes.—A. No.

Q. What would be the section of the special Act involved?—A. May I explain it to you this way, sir; the Civil Service Commission has been in doubt for some considerable time as to the general powers given to it by the Civil Service Act with respect to legislation antedating the Civil Service Act; that is, whether the Civil Service Act overrides the provisions of these earlier Acts. Now, in this case under discussion about the increase in the salary of the secretary, as Mr. Bryce quite properly pointed out, was made quite a number of years ago; and at that time a big inquiry was in connection with the Trail Smelters and there was a very large expenditure incurred by the Commission in those years and that was covered by special votes and at that time the salary was increased. In the course of time the then secretary retired and his successor has been appointed, and that is why it came before us that year.

The VICE-CHAIRMAN: Section 60, also under the same heading:

By Mr. Fraser:

Q. This is the item which deals with payment in cash or kind for services. Am I correct in assuming that that would be additional to their salaries? Could you give us the figures on that?—A. Yes sir, that would be in addition to their salaries. We have no figures for that.

Q. No figures for that?—A. No, because they were given that as a gratuity in kind.

Mr. THATCHER: Has that practice been continued?

The VICE-CHAIRMAN: Mr. Bryce, have you any information on that in reply to Mr. Thatcher's question?

Mr. BRYCE: The amount involved will be only a few hundred dollars for each employee, constituting benefits received in kind.

Mr. FRASER: Mr. Sellar, do you feel that that practice should be discontinued?

The VICE-CHAIRMAN: He didn't say that. He didn't express any opinion, he merely called it to the attention of the committee.

Mr. FRASER: I know.

The VICE-CHAIRMAN: And he should not be asked to express his opinion here. That is not his function. His function is merely to bring it to the attention of the committee.

Mr. BROWNE: I suggest, Mr. Chairman, that you leave that to Mr. Sellar.

The VICE-CHAIRMAN: Don't tell me how I should carry on from the chair.

Mr. BROWNE: You are suggesting what he ought to say.

The VICE-CHAIRMAN: I am not suggesting what he ought to say at all, I am trying to point out that he is not here to give opinions. Let us get that straight now.

Mr. DREW: Let us not pass from that. Mr. Sellar is the one man who is answerable not to the government but to parliament, and as I understand it he is in a position to give opinion evidence in regard to the propriety of any item or in regard to the propriety of following a certain course. I would not want the record to be left in the position that we could not ask Mr. Sellar's opinion in regard to what he thinks should be done or should not be done because he is the one man who has the right to exercise that opinion. He is not under the limitations which another man might be under because of his classification as a

departmental official; he is not in any way barred from expressing opinions with regard to any matters properly before us as would be the case with the ordinary civil servant.

The VICE-CHAIRMAN: He is a civil servant in the same sense as other civil servants are. He is bound by the same rules. His duty is to criticize, point out, correct, and bring to the attention of the government certain practices and in that respect he does it, but he is not to give opinions as to the propriety or impropriety of the various actions.

Mr. DREW: Mr. Chairman, let us take exactly what we were discussing a few minutes ago. Mr. Sellar, just a few minutes ago when commenting that he was not following a perfectly correct course said, in his opinion the International Boundary Waters Act should be reviewed. He was definitely expressing his opinion, and that is the kind of opinion we want from the man who is examining all the accounts and procedures. I think it is his opinion that that will be useful to us. He has stated facts with regard to his findings; now, we want his opinion in regard to those facts.

The VICE-CHAIRMAN: He did say that with regard to the International Boundary Waters Act; I did not stop him, but perhaps I should have. However, let us get on.

By Mr. Fraser:

Q. My question has reference to the value of these advantages they get in the way of housing and fuel and so forth. What would be Mr. Sellar's opinion as to the solution for this? What should be done in this case? That is what we are here for, that is what we want to find out; what should be done.—A. The answer is, sir, that provision is made by section 17 of the Civil Service Act for the Civil Service Commission evaluating such things and prohibiting any payment which has not been carried out in accordance with section 17. All that we have been suggesting is that the department make an application to the Civil Service Commission which will examine it and, as the Civil Service Act provides, make such recommendation to the Governor in Council as it sees fit. The Department of Mines and Resources some time ago promised to do so.

Q. Have they done so?—A. I do not know.

By Mr. Browne:

Q. Does not the same situation arise in regard to your survey parties?—A. No, sir.

Q. How do you make out there? Do you give an allowance of so much per day charged against them?—A. No, the survey parties are composed of regular employees of the government; they are paid their salaries and expenses, and the salaries and expenses of any field men they may hire. They are paid out of a vote.

Q. But there is no vote for this?—A. It would be incorporated in the salary.

Mr. THATCHER: Could I ask Mr. Bryce, now that this has been drawn to our attention by the Auditor General, whether this practice has been discontinued?

Mr. BRYCE: Well, sir, I am informed this morning that there were five employees involved in this case, that the department had come across this thing in going over their practices two or three years ago when they were tidying things up after the war. At that time the Civil Service Commission was extremely busy on salary revision cases and to put these in legal form required

reviewing the situation of these employees and to make sufficient adjustment in salaries to make it fair to deduct the value of housing, fuel and light from salary.

Mr. THATCHER: So it has not been changed as yet?

Mr. BRYCE: It has now. Since the time of the audit this has been reviewed, the Civil Service Commission has revised the salaries, and I am informed that the value of housing, lights and fuel is now being deducted from the revised salary.

Mr. FRASER: And may I ask a question there? Salaries were raised to begin with, before the deductions?

Mr. BRYCE: I am informed the salaries in the case of employees like those reflected the fact that they were getting the free services, but as the Auditor General points out the appropriate thing would be either to have a note on the salary clause authorizing them to receive these benefits in kind in addition, or to deduct the corresponding value from salaries, and I understand the latter practice has now been put into effect.

The VICE-CHAIRMAN: Shall the item carry?

Carried.

Now, paragraphs 63 and 64.

By Mr. Drew:

Q. Has any step been taken to carry out the recommendation in 63, Mr. Sellar?—A. I have no knowledge, sir.

Q. That recommendation is one that a body answerable to parliament rather than an officer of the National Research Council should be called upon to approve these intergovernmental payments in connection with the activities of the Atomic Energy Control Board. What type of approval have you in mind in that recommendation?—A. They should be approved in my opinion on the ministerial level.

Mr. CRUICKSHANK: And apparently, now, Ontario as usual is going to hog matters in getting grants.

Mr. FRASER: I do not think you are right in saying that.

Mr. CRUICKSHANK: It says it there. We do not get it in the Fraser Valley Camp roads.

The VICE-CHAIRMAN: I see we are going further afield now, but we are not going to get in to floods at all.

Mr. FRASER: I am not going to have our people called hogs in regard to grants.

By Mr. Drew:

Q. As I understand, Mr. Sellar, these are payments that are made in connection with the operation of the plant, and the point in this is that the arrangements that are made for any special construction relating to these operations should be approved at the governmental level and not made independently by a Research Council officer?—A. When it affects relations with another government.

Q. Has that situation been corrected yet?

The VICE-CHAIRMAN: Mr. Bryce, have you anything to add to that?

Mr. BRYCE: That has been done. The Treasury Board considered this matter, I think a year ago, and they have approved an arrangement in respect to these buses. I am sorry I did not bring the details with me so I cannot tell you just what it is.

The VICE-CHAIRMAN: Paragraph 64.

By Mr. Fraser:

Q. Will Mr. Sellar just explain exactly what he means by paragraph 64?—A. Purely for information, sir, it does not appear in any other place.

Q. These are moneys that were taken in—like a revolving fund, is it not?—A. You may call it a revolving fund but it is money received for special purposes, for special investigations and so on which, by their Act, they are entitled to take and spend. If that provision were not in the Act they would have to be deposited to the credit of the Consolidated Revenue Fund. You will find it in no other documents so we put it out in there for convenience of record.

Q. And this is the only place this statement is shown; it is not shown in any other place?—A. To the best of my knowledge, no.

Q. Then there is no record of expenditures for coal, light, wood and electricity?—A. Oh, yes; oh, yes. You mean other than those, no.

Q. This is the only place they are shown?—A. It would be shown in the cumulative expenditure figures for the Atomic Energy Control Board. However, I think I would like to verify that.

Q. Will you do that?—A. Yes.

Q. I mean their disbursements out of that. See if you can get a breakdown of that item.

The VICE-CHAIRMAN: Now we are on paragraphs 68 and 69. We will take 68 first.

Carried.

69.

Carried.

70.

Mr. THATCHER: I would like an explanation of that paragraph 70, Mr. Chairman. I wonder why this building was erected on rented land when there was a lease for only one year eight months.

The VICE-CHAIRMAN: What is your question again, Mr. Thatcher?

By Mr. Thatcher:

Q. I am just wondering why the government would put up this building on rented land with a lease of only one year and eight months. It seems so silly on the surface there must be some reason for it.—A. The reason, sir, is this: the laboratory people were urgently in need of space, and they have been occupying this building for over twenty years on renewals of lease and they assume they will get another renewal. You will also find in the estimates that there is provision made for construction of a new building for the department, to which this laboratory will ultimately be transferred some years from now.

Q. I see. This building had been built for some time?—A. No, no. The main building has been there for a great many years and that is the building we have rented. Then there is vacant land in connection with the building and it is on that vacant land that they have constructed this temporary building.

By Mr. Drew:

Q. You say there is a building on that land; has that building been used for some particular purposes?—A. Yes, sir, it has been used by the forestry laboratories entirely. It is a brick building.

The VICE-CHAIRMAN: Paragraph 71.

By Mr. Thatcher:

Q. On paragraph 71, Mr. Chairman, I wonder if Mr. Sellar would explain whether he means here that the government was defrauded out of this $14,470 by a contractor. Is that what you mean by that, Mr. Sellar?—A. I certainly would not use the word "defrauded".

Q. What is the significance of that?—A. The significance of that is this, sir: the agreement provided that the government would reimburse the contractor for the actual cost of the trucks up to a certain amount, and in this instance the contractor was able to secure trucks at a few cents an hour less. As a result there was an overpayment to the contractor. Now, then, the department's explanation of what happened is this: in connection with another road contract where a like provision had been in the contract and where the contractor had been able to get trucks at a little less, the question was raised as to whether he was entitled to the full round figure or not. It was there decided, after investigation by the Treasury cost accountants, that he was entitled to any variance to the amount because he was servicing the trucks and doing various things which represented difference in cost. In this case it was pointed out afterwards that this contractor had not provided the same amount of servicing. On the other hand, I am told by the department that this contractor has taken quite a whipping on unexpected taxes that he has had to pay to the province of Alberta and therefore he thinks he is just getting his money back.

Q. I think this is a significant point, as a matter of general policy. As I understand it, this trucker was given a contract on the basis of cost plus a fixed fee?—A. Yes, with unit prices fixed in the contract for certain work.

Q. Does he then take his costs plus his fixed fee, and then $14,470?

The VICE-CHAIRMAN: Just one minute. Set the whole facts out. He had a contract which provided for the rental of trucks at $3 per hour. He was able to procure them at $2.75 per hour.

Mr. THATCHER: Yes, Mr. Chairman, that is true, but he was given this on the basis of cost plus a fee, and in addition to that he was able to make this saving of $14,470 which he kept, and, as I read it, he would not be entitled to keep it, and I think Mr. Sellar verified that, did he not?

The VICE-CHAIRMAN: Will you repeat what you said, Mr. Sellar?

The WITNESS: I said this contractor, unlike the contractor on the other job, did not have to provide all of the service representing the difference of 25 cents per hour, but he was paid that. Now I would not say it was the full amount, I think there was a fraction involved, and in turn the contractor had to pay out for unexpected billings he did not know of. Might I say, Mr. Chairman, in fairness to the department concerned that they would like, if this matter is regarded as important by the committee, to appear and state their side.

By Mr. Thatcher:

Q. Just a minute. Are all government roads still built in that manner, on the basis of cost plus a fixed fee? In parks where the federal government has control is that a standard practice?—A. I cannot answer that, sir, you would have to ask the Treasury about that.

Q. Could Mr. Bryce answer it?

Mr. BRYCE: The answer is that it is not standard practice; it is done in some cases, but not all.

Mr. THATCHER: It says "in recent years various contracts have been made on the basis of cost plus a fixed fee." Does that mean to say that is not so now?

Mr. BRYCE: It is becoming less so.

By Mr. Thatcher:

Q. Are tenders not called for constructing these roads? Do you examine these, Mr. Sellar? Do you see these tenders that come in?—A. We have the right of access to all files, but we depend to a great extent on the Treasury Cost accounting section. They station men on all large jobs and we are provided with copies of their reports. We make such supplementary examinations of the files as we consider necessary but we do not duplicate their work, it being an unnecessary expense on the taxpayer.

Q. Could you give me the name of the firm that was involved in this particular job?—A. Western Construction and Lumber Company.

By Mr. Diefenbaker:

Q. They have had other contracts since?—A. I could not tell you.

Q. Have they not contracts at the present time in connection with road construction in parks?

The VICE-CHAIRMAN: Let us get on, gentlemen. The answer was, Western Construction and Lumber Company.

Mr. THATCHER: I am interested in the question, too, in view of the fact that they took $14,470 more than this contract calls for, more than they should have taken.

The VICE-CHAIRMAN: As appears that they should have taken. As it appears.

Mr. THATCHER: Have they been asked to refund that money in any way or not?

The VICE-CHAIRMAN: One minute, Mr. Sellar. If there is any question with respect to that item the department concerned wants an opportunity to come before this committee to explain it, and they are the people who ought to make any explanations.

Mr. THATCHER: I would certainly like to have them.

The VICE-CHAIRMAN: I am prepared to have them come then.

Mr. PRUDHAM: There is nothing wrong there. I could give the explanation but it is not my place to do so. I suggest the matter be put over until the officials concerned are called.

The VICE-CHAIRMAN: Paragraph 72.

By Mr. Drew:

Q. In the case of item 72, this refers to the architect's fee in connection with the preparation of plans for a school at Teslin in the Yukon Territory. The cost was estimated at $460,000 and the architect was paid $13,800, being 75 per cent of the total fee. After the plans were drafted it was decided that a school costing $300,000 would meet the current requirements and new plans were prepared. For this the architect was paid $7,200 on account. As I read this, that would mean that the architect was actually paid $13,800 on the first plans calling for a $460,000 school, is that right?—A. Yes.

Q. And then in addition to that he received $7,200 in connection with the plans for a similar school?—A. Yes.

Q. So that the architect received $21,000 although no construction was proceeded with during that year?—A. That is a fact. The building, of course, has been started since.

Q. Under the later plans?—A. Under the later plans. The site was changed from there to near Dawson Creek and the building is now being proceeded with.

Q. Under which department?

The VICE-CHAIRMAN: Mines and Resources Department, it must be.

The WITNESS: Mines and Resources Department at that time. I do not know what the department is today. Oh, yes, Citizenship and Immigration.

Mr. DREW: What was the department at the time?

The WITNESS: Mines and Resources Department at the time, sir.

Mr. THATCHER: Has the Public Works Department not got its own architects?

The VICE-CHAIRMAN: This is not Public Works, this is the Mines and Resources Department.

Mr. THATCHER: Well, the Department of Mines and Resources, no matter which department.

The VICE-CHAIRMAN: They do not carry a staff of architects; they have some architects there, but they do not carry a staff. These contracts are always given by outside competition to architects.

Mr. THATCHER: The government has certain architects, I am sure of that.

The VICE-CHAIRMAN: Yes, some.

Mr. THATCHER: Why would not our own architects lay out those buildings, and what do they do if they do not do that?

The VICE-CHAIRMAN: They are quite busy working on whatever they have to do but they do not carry a specialized staff for this purpose. I will not argue about it; we can find out from the minister.

By Mr. Drew:

Q. The statement was made, Mr. Sellar, that there is outside competition in regard to architects. Was there any competition in this case or was this architect engaged without competition?—A. I did not say there was outside competition.

Q. No, you did not say it, no.—A. During the war years and since the war years, in fact, going back into the 1930's, outside architects have been retained periodically by the government for the construction of buildings on the basis of the usual fee that an architect gets.

Mr. THATCHER: What is that fee?

The WITNESS: Five per cent is the usual fee, and they select the architect from the men who specialize in that line of work.

The VICE-CHAIRMAN: What year was this?

The WITNESS: 1948-49.

By Mr. Thatcher:

Q. The usual fee is five per cent? Does that not include supervision of the work?—A. Oh, yes, this architect has been paid, and he will ultimately have to supervise the job.

Q. Is it not indicated from this figure that this architect was paid $21,000 on a building estimated to cost $300,000; that means about seven per cent as the architect's fee, and on a job on which he has done no supervision to date?

The VICE-CHAIRMAN: Of course, and the building is under construction now.

Mr. THATCHER: Only this has not been constructed; but under construction work supervision, under this heading, he has been given $21,000.

Mr. FULFORD: There was an entirely new set of plans.

The VICE-CHAIRMAN: Just a moment, gentlemen.

Mr. DIEFENBAKER: Who is this architect?

The VICE-CHAIRMAN: Is it important?

Mr. FRASER: He is a well-known Ottawa architect.

Mr. DIEFENBAKER: Who is he? Surely he would not be ashamed to have his name given?

The VICE-CHAIRMAN: I am not ashamed to have it given either.

The WITNESS: I am not quite sure how you pronounce the name so I shall spell it: N-o-f-f-k-e.

Mr. BROWN: I wonder if Mr. Sellar can give us any explanation about the first set of plans being abandoned, because I think there must have been insufficient consideration given to this school in the first place?

The VICE-CHAIRMAN: Or desire for a saving of $160,000.

By Mr. Brown:

Q. Has he any explanation to give as to the abandonment of the plans?—A. No, sir, but if you are calling an officer of the department in connection with the previous item, as this comes under the same branch it can be also dealt with then. One of the big problems I know was, after the drafting of the plans, that the location being so remote the cost of getting materials to the site and getting labour there was one of the reasons why they had to modify the plans, pick a smaller school, and ultimately to move the school nearer to Dawson Creek.

Q. Would they not have known that first?—A. You would have to ask the department.

The VICE-CHAIRMAN: Let us get on.

By Mr. Thatcher:

Q. I am not satisfied yet. Mr. Sellar has said that five per cent is the regular architects fee and he said that it included supervision. As I understand it, the government has paid this man 7 per cent before the construction actually started. I would like to know if there was some special reason for it or is that common with respect to public building?—A. I said I thought it was 5 per cent, and I think it is 5 per cent, but the 5 per cent is apart from certain out-of-pocket expenses that are added on.

Q. Has this man finished now or is he supervising this? Is he going to be putting in further bills?—A. I understand that he is supervising the building under construction.

Q. He has been paid in advance but yet he will put in additional bills?—A. Agreements with these architects generally call for payment of a certain sum when the plans and specifications are prepared and delivered. Then they are required to perform certain services, and then, when the job is done, they get the balance owing.

Q. He will have an additional amount coming?

The VICE-CHAIRMAN: Of course he will.

Mr. THATCHER: Then there is something wrong.

The VICE-CHAIRMAN: Nothing at all.

Mr. THATCHER: They get 5 per cent over-all and that includes supervision but you are telling me that this fellow is getting 7 per cent—

The VICE-CHAIRMAN: He has not got it yet.

Mr. THATCHER: $21,000.

The VICE-CHAIRMAN: He got paid for plans that were abandoned. Now put the question correctly. I think we have a right to expect arithmetic from you.

Mr. THATCHER: This man got $21,000.

The VICE-CHAIRMAN: Put the question properly. This man was asked to draw plans for a building costing $460,000. After the plans were drawn and the

work was done on them, the project was abandoned. He was entitled to be paid something for his work and he was paid three-quarters of the original contract. Then they decided to put up a new building which was to cost $300,000—by the way, a saving of $160,000—

Mr. DREW: You do not know whether there was a saving.

The VICE-CHAIRMAN: At least it appears that way. They required new plans and he made a new contract with them at approximately, let us assume, the same fee—5 per cent or whatever it was; and some money was advanced to him when the plans were completed and construction started—which is the ordinary practice. Why the building was abandoned is a matter we will get from the officials of the department, if the committee so desires.

Mr. DIEFENBAKER: Have you knowledge on this subject.

The VICE-CHAIRMAN: I am merely reading vote 72 which is sufficient for me to know what went on.

Mr. FRASER: With your own interpretation.

Mr. DIEFENBAKER: You are giving the evidence.

The VICE-CHAIRMAN: I am quite prepared to have someone from the department here.

Mr. WRIGHT: Is it customary for architects to be paid 75 per cent of the total fee before any supervision work is done? Is that customary? That is what is done here? 75 per cent of the total fee was paid here.

The VICE-CHAIRMAN: Can you answer that?

The WITNESS: I cannot answer it sir; I have not got the figure.

The VICE-CHAIRMAN: Then shall the paragraph stand, and shall we have someone from the department?

Mr. DREW: Let me just raise another point of general interest. Just say so, if you are not in a position to answer the question, but I am interested in whether there has been any discussion, to your knowledge, of the wisdom or otherwise of separate departments dealing with construction of this kind, instead of having it all under the Department of Public Works?

The WITNESS: I have never heard the subject discussed sir.

The VICE-CHAIRMAN: Let us get on.

Mr. THATCHER: No, I am sorry; in Saskatchewan I happen to know that the federal government keeps several architects whose job it is to lay out plans for these federal buildings. Now I assume the same situation prevails in other provinces—

The VICE-CHAIRMAN: Just ask the question. Ask the witness if he knows whether it prevails in other provinces?

By Mr. Thatcher:

Q. All right?—A. In each province the Department of Public Works have resident architects, and resident engineers, to supervise their particular projects and buildings. They do not deal with projects of other departments.

Q. What is the point of the federal government having their own architects and paying them fairly substantial salaries, if they are not going to do this type of work?—A. You have got to bear in mind, sir, that the architects you are talking about in Saskatchewan are those of the Department of Public Works and, I assume, they are in the office in Saskatoon?

Q. Yes?—A. That is the Department of Public Works. The man there has responsibility with regard to projects and expenditures of the Department of Public Works; he has no responsibility for the expenditures of other departments, unless the Department of Public Works is asked to act as agent for another department.

Q. Well, he might not now, but would it not be sensible to have these men in one department used for works in other departments? What would prevent the country from making a saving in that way?

The VICE-CHAIRMAN: The fact they are very busy and overloaded now.

Mr. WRIGHT: How do you know that?

The VICE-CHAIRMAN: Perhaps they are not busy in Saskatchewan but they are in Ontario; very busy and very shorthanded.

Mr. THATCHER: They are keeping an organization in one province which is doing nothing, and working for one department only.

Mr. FRASER: Mr. Chairman, I wonder if Mr. Sellar could tell us whether the Department of Public Works make their own sketch plans first, and then hand them to the outside architect? If so, what does the outside architect get in the way of a fee? Mr. Bryce looks as though he might be able to answer.

The WITNESS: I cannot.

The VICE-CHAIRMAN: Mr. Bryce thinks he can answer.

Mr. FRASER: Is the outside architect given a set fee for his work? And does the outside architect who is engaged on this public building supervise construction of the building? Or does the public works architect do that supervision?

Mr. BRYCE: Well, sir, I cannot answer all the details of that question but, from having been concerned with the authorizing of the staff of architects, I know in general it has not been government practice to have sufficient architects on its own staff to handle all peak loads or all detailed work. I believe it is the practice of the Department of Public Works to have sketch plans prepared by their own architects and frequently they have the detailed plans prepared by outside architects on a fee basis. Who does the supervision in that case, I cannot tell you.

Mr. FRASER: Can you tell us what the fee basis is in that case—when the Department of Public Works makes the sketch plans?

Mr. BRYCE: I am sorry, I cannot tell you.

The VICE-CHAIRMAN: When we have somebody here on votes 71 and 72 that will be an appropriate question.

Mr. FRASER: But this is not public works?

The VICE-CHAIRMAN: We are bound to have the deputy minister.

Mr. DIEFENBAKER: Perhaps the answer to this cannot be given here at this time—I doubt whether the Chairman will be able to give it?

The VICE-CHAIRMAN: I will try.

Mr. DIEFENBAKER: I would like to know the total amount paid for architects during the year 1948-49—those are achitects who were not connected with any department of the government?

The VICE-CHAIRMAN: For the fiscal year?

Mr. DIEFENBAKER: Yes.

The VICE-CHAIRMAN: Would you not get a quick answer to that on the order paper?

Mr. DIEFENBAKER: I find that the order paper buries answers for months.

The VICE-CHAIRMAN: I suppose the same people will have to get the answer anyway.

We will see if we can get that for you. Now we are on 73—Emergency Gold Mining Assistance Act.

Mr. THATCHER: I wonder if Mr. Bryce can tell us whether these amounts have been repaid?

The VICE-CHAIRMAN: Direct your question to Mr. Sellar. Mr. Bryce is only here to help clear things up.

Mr. THATCHER: Have the two overpayments been paid back to the Treasury?

The WITNESS: I do not know, sir, I did not check.

The VICE-CHAIRMAN: Do you feel that it is important?

Mr. THATCHER: It is $12,000 odd.

The VICE-CHAIRMAN: Do you want to get the answer?

Mr. THATCHER: I would like to make certain that it has been paid back.

Mr. BRYCE: The question is whether the overpayments of $9,000 odd and $3,000 odd have been repaid.

The VICE-CHAIRMAN: No. 79, under National Film Board.

Mr. FRASER: Has Mr. Sellar anything to say regarding this?

The WITNESS: No, sir. This is an item we discussed in a general way when we were dealing with the rental item, in connection with the National Film Board. It is merely the handling of $35,000. We think it should have been handled in one way, and the department handled it in another. It is not a serious matter.

Mr. FRASER: They reduced their overhead in that department from 10 per cent to 5 per cent?

The WITNESS: Yes, sir. I think that was mentioned in paragraph 37.

Mr. FRASER: Yes, but I asked at that time, and I would like to ask again, how they could reduce their overhead when they do not know what their overhead is? I say that, owing to the fact that all public buildings they use are paid for by public works. I think they have twelve here in Ottawa and they have them in other places throughout the country. The board is in direct competition with commercial firms, and they do not pay any income tax or anything of that nature. I do not think it is fair to the public or to the commercial firms—

The VICE-CHAIRMAN: Direct a question to the witness. We know your views on the Film Board; and there is no purpose in any of us expressing our views.

Mr. FRASER: My view in regard to the Film Board—

The VICE-CHAIRMAN: We know your views.

Mr. FRASER: My question is how can they say they reduced their overhead 5 per cent when they do not know what their overhead is.

The VICE-CHAIRMAN: Where does it say that?

Mr. FRASER: It did in the other item?

The VICE-CHAIRMAN: I know, but we are on item 79.

Mr. FRASER: It would be in this?

The VICE-CHAIRMAN: I do not see anything here.

Mr. FRASER: They have $35,000 here and if they reduced their overhead it would all come within this?

The VICE-CHAIRMAN: It says "These amounts represent purchases of equipment, materials and supplies issued from the main stores, production costs, distribution costs and miscellaneous goods and services, totalling $35,000." The answer as I recall it was that the department thought it should be dealt with one way and Mr. Sellar thought it should be dealt with in another. There is a difference of opinion.

Mr. FRASER: Yes, I know, but in this there are distribution costs—

The VICE-CHAIRMAN: So what?

Mr. FRASER: That takes in overhead.

The VICE-CHAIRMAN: What is your question?

Mr. FRASER: I want to know how they come by their overhead?

The VICE-CHAIRMAN: Do you know, Mr. Sellar?

The WITNESS: No, sir, but I would say this. Their overhead is mainly in connection with contracts performed for other government departments. You referred to rental of buildings, but other departments occupy buildings without paying rent. Therefore, in this thing, you have to bear in mind that when you are dealing inside the government there cannot be absolute accuracy in calculating over-all costs of anything. It is attempted in some countries with very limited success.

By Mr. Fraser:

Q. Yes; well, now, Mr. Chairman, that is within the department?—A. Within the department.

Q. Yes, but on top of that the National Film Board sells the right or gives the right to Canada Carries On, and other serials, to commercial companies. Now they must figure their overhead?

The VICE-CHAIRMAN: Can you answer that question?

The WITNESS: No, sir.

The VICE-CHAIRMAN: He cannot answer.

Mr. FRASER: I have been after that for a long while—

The VICE-CHAIRMAN: Vote 80.

Mr. FRASER: —and I am up against a brick wall.

The VICE-CHAIRMAN: Well, we cannot help that sometimes.

Mr. DIEFENBAKER: What control is there over expenditures for meals and the like? I have not had a chance yet to look into the returns that have been brought down but I was just looking at one here; and a man who is travelling has a meal or dinner—$10.30.

The VICE-CHAIRMAN: He had company, probably.

Mr. DIEFENBAKER: Dinner, $6.40, and so on.

Mr. CRUICKSHANK: What do you mean by "and so on?"

Mr. DIEFENBAKER: I could give you larger ones but I just want to know what control there is on these expenditures. This one is from the Department of External Affairs. No one wants to keep these men down to a starvation—

Mr. CAUCHON: —diet.

Mr. DIEFENBAKER: —level. I just wonder though, what control there is over expenditures like that?—A. Generally speaking, sir, the department concerned have the responsibility as to the reasonableness of expenses.

Q. I see.—A. That is their responsibility under the travelling expenses regulations.

Q. That is, the department is responsible for that?—A. Yes, and then each department in turn defines the standard of travel for its own staff; for example, one department may have men who are travelling in cities and have to stay at the big hotels and they will allow them a more generous allowance than would be the case in another department where its men would be spending most of their time in small villages. And, secondly, travel expense regulations provide that there may be official entertaining included in travelling expense accounts when it is necessary, for the purposes of business, to have some person with you for lunch or for dinner, but the name of that individual must be given.

Q. That is given in the case of this expense account.—A. And that account must be certified by the deputy or somebody authorized by him.

Q. And I see that was done in this case.—A. There are those three controls.

Q. Here we have the case of a prominent officer and his wife who spent the Christmas holidays in Ottawa and the room charge for both is $36 per day. I am just wondering how that came about. You say an entertainment allowance is made but that the names must be given. And I find an item here, January 1,

1949, restaurant $27.20 and dinners—I was just wondering how that was approved?—A. I am giving you the general practice. I never claimed that everything is perfect every time everywhere. What I am trying to do is to give you the general practice. In one department that I call to mind they limit the maximum that can be spent on meals; for instance, for a long time it was $4.50 per day. The departments control that, they check all accounts submitted.

Q. But this is in the City of Ottawa.—A. You have an entirely different situation there.

Mr. THATCHER: Things like that, it seems to me, are disgraceful however, what item are we on now?

The VICE-CHAIRMAN: Just one minute. We are on item 80. Mr. Thatcher does not know enough about that expense account to call it disgraceful. He does not know anything about it at all. They may have taken out the personal part and they may not have taken it out.

Mr. BROWNE: Who is giving evidence now, Mr. Chairman?

The VICE-CHAIRMAN: I am not. A statement such as that, that it is excessive, that it is disgraceful, is something that ought not to be made about a public servant's expense account particularly where his name has been mentioned.

We are on item 80, let's deal with that.

Mr. THATCHER: All right, but getting down to this point. The witness has told us that there are 2,000 or 3,000 civil servants travelling every week. If they are free to turn in expense accounts like that it points the necessity for this committee getting a standard form for these civil servants to use irrespective of what work they are doing—

The VICE-CHAIRMAN: Shall we get back on to this item 80?

By Mr. Diefenbaker:

Q. Coming back to item 80, you mentioned something a while ago about these expense accounts. May I ask you this; how do we get questions we have on the order paper answered? If I were to ask such a question as I have asked here this morning through the order paper I would get an answer to it. I have been trying since the 24th of April to get an answer about travelling expenses, and I understand that Mr. Fraser has been waiting for an order for a return which he put on the 18th of April but so far no replies have been brought down. That is why I have to ask for the information here where we have the witness before us. When I see expenses such as these—these expenses run there from $3,700 to $5,800—I think it is only natural to inquire as to what the regular method is, and the Auditor General says there is no definite formula, but there is one departmental formula of $4.50 per day for meals.—A. Yes, but that may have been raised lately. The formula still applies but that $4.50 might be up; of course, with prices what they are today that is not enough.

Q. It is not enough, as you say. I am not asking about that, I am asking you about controls. There must be some formula. One sees a bill here for a visit to Ottawa for 12 days, this man spends a few days in Ottawa and then goes back to his official post and takes his wife back and there is a reference on this bill to the effect that her expenses will be paid—that is, her travelling expenses—in order to join him and take formal leave of the foreign government concerned. That is fine, but this man comes here for a couple of weeks and his expenses are very high. I was just wondering how they were paid.

The VICE-CHAIRMAN: Now, let's get on with this item. You asked for the expense accounts and Mr. Diefenbaker, I got them for you.

Mr. DIEFENBAKER: You did.

The VICE-CHAIRMAN: As quickly as possible.

Mr. DIEFENBAKER: You did.

The VICE-CHAIRMAN: And they were turned over to you. I do not like to argue with you about it and I would not even attempt to lecture you because you are too old a politician for that; but here you have the accounts before you. There may have been some good reason, there might not be, but I was sorry to see that name come out.

Mr. DIEFENBAKER: I would like to have that deleted from the record.

The VICE-CHAIRMAN: I was sorry that anyone's name came out.

Mr. THATCHER: I think it should be made known.

The VICE-CHAIRMAN: But do you know enough about it, Mr. Thatcher? Here is an ambassador going back to his post for one reason or another. He has been called to Ottawa. He has to live some place.

Mr. THATCHER: Surely.

The VICE-CHAIRMAN: And his out of pocket expense might have been higher than that. I think we ought to examine matters of that kind and make sure of what we are saying before we comment on them. You see, he is not represented here in any way.

Mr. DIEFENBAKER: I could give you another.

The VICE-CHAIRMAN: Now, gentlemen, let us get on with this item 80, which says that there appears to be an overcharge for meals in Paris—that a man was moved from Ottawa to Paris. Let us have some comment on that.

Mr. BROWNE: We have the comments of the Auditor General, what has he done about it?

The WITNESS: The whole thing was straightened out since by adjusting it and putting him on a different basis of employment.

Mr. BROWNE: Did he have to repay that?

The WITNESS: I will have to find that out, whether he repaid it or not.

Mr. BROWNE: Can you tell us the name of the civil servant involved?

The VICE-CHAIRMAN: No, now just a minute, Mr. Sellar. I do not know that it would be proper for this committee to bandy about the names of civil servants.

Mr. BROWNE: Is that your ruling, Mr. Chairman?

The VICE-CHAIRMAN: I am going to rule that you are not entitled to the names.

Mr. BROWNE: Then, Mr. Chairman, I am going to appeal your ruling.

The VICE-CHAIRMAN: You can appeal my ruling if you don't like it.

Mr. FRASER: We could have the amounts.

The VICE-CHAIRMAN: Yes, you can have the accounts produced and you can put it on the record if you like. Can we produce them?

The WITNESS: They are not here.

The VICE-CHAIRMAN: We will have the accounts produced in this committee.

Mr. THATCHER: If the amount is excessive these names should be given.

The VICE-CHAIRMAN: That is not excessive. Mr. Thatcher, you do not know enough about the account to which Mr. Diefenbaker referred to be able to say whether it was disgraceful or excessive or not; for instance, do you know how much he paid of that amount himself?

Mr. DIEFENBAKER: He paid $20.

The VICE-CHAIRMAN: You see, you do not know what you are talking about, Mr. Thatcher; you see, in the light of what Mr. Diefenbaker has just said, the picture is changed completely.

Mr. DIEFENBAKER: The accounts to which I am referring here are accounts of $5,800, $6,000, $7,000 and $8,000 in expense accounts.

Mr. THATCHER: We will get it.

Mr. DIEFENBAKER: I have them in front of me, and the accounts were paid. I am simply asking this question: what is the basis for these payments? Apparently a person can spend what he will as long as the account is approved by some official of the department; is that correct?

The WITNESS: You have got me there on this point, sir—you are referring to External Affairs?

Mr. DIEFENBAKER: Yes, I meant External Affairs.

The WITNESS: Yes, there are special regulations with respect to the pay and allowances of External Affairs officers and Mr. Bryce might be able to give you a better answer than I could in regard to External Affairs.

The VICE-CHAIRMAN: Mr. Bryce says that he does not know anything about it without having a chance to look it up.

Mr. THATCHER: Are there forms covering this sort of thing? Let us have the forms for every department of the Civil Service.

The VICE-CHAIRMAN: You want the forms?

Mr. THATCHER: Yes, all the forms.

The WITNESS: You have to remember, sir, that there are regulations approved by the Governor in Council applicable to all departments with the exception of External Affairs and I think Trade and Commerce.

Mr. THATCHER: Could we not see the forms?

The WITNESS: What we could do is to supply you with a set of the regulations, then there are the blank forms which the civil servants have to complete, which they have to fill out whenever they put in their claim for travelling expenses, but those are just accounting forms.

Mr THATCHER: Could we have them tabled?

The VICE-CHAIRMAN: We can produce the regulations and the forms at our next meeting. We are now on item 81—Department of National Health and Welfare.

Item 82—National Research Council—oh, I see that has been dealt with previously.

Item 83, under the same heading.

By Mr. Fraser:

Q. In the Post Office department, Mr. Sellar, do they allow persons to go in there and sell radio licences? I understand the Department of Transport have people who go in there in some cases as an agent of the department to sell radio licences. Do they charge them rental for the use of the space?—A. I do not think you are right, sir; I think they have an arrangement with the Post Office whereby the Postmaster sells, and there is a commission paid to the Post Office.

Q. That is right in most cases but I understood in one or two post offices they have outside people in there.—A. That is news to me.

Q. I have a note on that down in my office.

The VICE-CHAIRMAN: Item 84, Post Office Guarantee Fund.

Mr. THATCHER: What about item 73, Mr. Chairman?

The VICE-CHAIRMAN: Oh yes, there was a question by Mr. Thatcher in connection with item 73. The information was not available at the time but we have been able to get it since then. Do you mind if Mr. Bryce gives the answer now?

Mr. BRYCE: The question was asked if any recoveries have been made of the overpayments mentioned of $9,349 in one case and $3,311 in the other. I am informed that $9,000 has already been recovered and the balance is in course of recovery and it is expected that the full amount will eventually be recovered.

The VICE-CHAIRMAN: We are now back on item 84.

Mr. FRASER: Would Mr. Sellar explain this item for us?

The WITNESS: The point is this that there is a fund called the Post Office Guarantee Fund set up under the provisions of the Post Office Act which is intended to be used to reimburse people who suffer losses arising from "the malfeasance, misfeasance, or failure to duly discharge his duties" on the part of the post office employee.

Mr. BROWNE: Including the crown?

The WITNESS: No, just persons who suffer loss.

Mr. BROWNE: Not the crown itself?

The WITNESS: No. The idea was that if anybody suffered a loss through the fault of a postal employee that loss would be immediately recoverable from this fund; for instance, in the case of mail being stolen, and things of that kind, by postal employees. The point I make here is that now the practice has been extended and this fund has been used to recover losses including such things as insured parcels, registered mail and so on, lost or stolen by outsiders, not by employees of the Post Office Department; and our view is that as a matter of common practice such charges should have been charged against the appropriations for Post Office Department and not against this employees protective fund.

Mr. BROWNE: How was this fund made up?

The WITNESS: An assessment was made against all employees of the Post Office Department until 1919, since then the income from the account has been more than enough to take care of the claims arising against it.

Mr. BENIDICKSON: I think that is a recommendation which is worthy of the support of the committee. There would appear to be no good reason for this fund to be used to cover losses arising outside of the responsibility of the postal employees themselves.

The VICE-CHAIRMAN: I think the committee should consider it very seriously. I believe you have a point there. We will consider that in our interim report.

Item 85—that is the same thing.

Item 86, Department of Public Works:

Mr. HANSELL: Could Mr. Sellar explain, in regard to that item 86, why the space was rented to another department at that low rate?

The WITNESS: The reason was, sir, that the then Commissioner of Taxation decided to open an office in St. Catharines. His successor modified it and decided they did not need quite so much space.

By Mr. Fraser:

Q. It looks to me as if the Department of Public Works had taken over the building at a rental that was far from what they should have paid for it. —A. The answer is this: the Public Works to meet the requirements of the income tax had to negotiate with property owners in St. Catharines and they finally found a property owner who was willing to build an addition to his property, and you have to bear in mind that building costs at that time were very high. There may be some adjustment, but at any rate the result was that more space was available than there was demand for.

Mr. FRASER: Your recommendation here is that the Department of Public Works should not have had this direct loss of $28,500.

The VICE-CHAIRMAN: No, he doesn't say that.

Mr. FRASER: Well, they experienced this loss of $28,500.

The VICE-CHAIRMAN: Yes, he points that out but he does not make any recommendation.

Mr. FRASER: What I want to put to Mr. Sellar is this, Mr. Chairman; what is the solution to this? What would your view be of a solution?

The WITNESS: Well, sir, I have said to this committee before, my feeling is that all government departments should be charged for the space they occupy. It may be just a matter of bookkeeping in a sense but I think it has a salutary effect on demands for space.

Mr. FRASER: I might say that I have been advocating that since 1941.

The VICE-CHAIRMAN: Item 87, under the same heading.

Mr. BROWNE: Before we pass the other item, Mr. Chairman, it seems to be the general opinion that Mr. Sellar's recommendation in that respect should be carried out, that the departments should be charged with the space they occupy.

The VICE-CHAIRMAN: I think that is a matter for us to keep in mind, and we will keep it in mind for consideration in connection with our report.

Mr. BROWNE: Yes.

The VICE-CHAIRMAN: Mr. Fraser has been advocating it since 1941 so it is time we started considering it.

Mr. BROWNE: Yes.

The VICE-CHAIRMAN: Item 87.

Mr. BROWNE: In connection with this item I wonder if Mr. Sellar could tell us whether that agreement was drawn up by a lawyer?

The WITNESS: This was an exceptional agreement. It was authorized by the department and the local marine agent was instructed to go ahead with it, which he did, and when it came to the question of the removal of the building it was found that the full cost of removal fell on the government of Canada.

The VICE-CHAIRMAN: Item 88, Unemployment Insurance Commission.

Mr. BROWNE: In regard to this item, have there been any prosecutions there? Would it not be better for us to prosecute every person concerned in a crime like that? Should they not be prosecuted the same as anyone else outside of the service, Mr. Chairman?

The VICE-CHAIRMAN: Why ask me, I am not in a position to answer that.

Mr. BROWNE: I am not asking you, Mr. Chairman; I am asking the witness through you.

The VICE-CHAIRMAN: Oh, that is all right.

The WITNESS: Well, let me give you one of these cases there, it amounted to $50 in round figures. The fellow concerned was within three months of 65 years of age. He had been in a serious automobile accident, and the department said, the poor fellow, is in bad enough trouble as it is. We will take the $50 back and let him out at 65.

Mr. BROWNE: But that is only one item.

Mr. BENIDICKSON: He had not yet reached the age of 65?

The WITNESS: He was 64 years and 9 months.

Mr. BENIDICKSON: And if it had not been for the trouble he probably would have been carried on somewhat beyond age 65 until he reached his maximum superannuation.

The WITNESS: He might have. I doubt if he had a superannuation.

The VICE-CHAIRMAN: Lets get the others.

The WITNESS: In the other cases, they involved hotel accounts in small places where somebody gets hold of an hotel form and they write out their own account and send it in. You know how it is in these very small country hotels, they have forms there on the counter, and sometimes somebody other than the clerk uses them. It is a very difficult type of case to prove in court; and in these cases the department concerned took action directly as soon as it came to their notice they got rid of the men and got the money back. When you can't be sure of a conviction it is better not to prosecute.

By Mr. Browne:

Q. Do you know how long these persons were employed in the department? —A. I don't know, I didn't have any names.

Q. Are they ever prosecuted for these offences?—A. Oh yes.

Q. There have been such prosecutions?—A. Oh yes.

The VICE-CHAIRMAN: Item 89, Department of Veterans Affairs:

By Mr. Fraser:

Q. On this item, Mr. Chairman, from what it says here I take it that this was a vehicle which belonged to the Department of Veterans Affairs?—A. Yes.

Q. And this set-up, I take it, is different from what you have in the Department of National Defence?—A. During the war, sir, the Department of National Defence had an organization which functioned in England in conjunction with the British authorities, I think it was a mixed tribunal which passed on claims, but in Canada now I think National Defence has been merged into this one. I speak subject to checking the regulations on it; but generally it appears that this applies to all the other deparments, certainly all departments other than National Defence.

Q. Well, let us assume that it might be the Department of Veterans Affairs and they might be using a car which belonged to the Department of National Defence and that it was in an accident, now then, in a case of that kind, it might be said that the car was taken without authority and therefore there was no liability. That is the way they get out of their responsibility in most cases of this kind. I have said on many occasions, and I repeat, that I think the Department of National Defence or any other department of government should be open to suit the same as anyone else would be in cases of this kind.

The VICE-CHAIRMAN: I might say to Mr. Fraser, by way of information, that I had occasion to speak to the Minister of Justice about matters of this kind and he tells me that under these circumstances he never refuses an application for the right to sue; that has been his practice ever since he became Minister of Justice—to issue a fiat to everyone who asks for one. That is a change from the old practice. Mr. Bryce has some views on it. Would you like to have them?

Mr. FRASER: Yes. You recall the other day there was a case in the city of Montreal which involved a vehicle owned by the Department of National Defence.

Mr. BRYCE: It was just about the same circumstances here. The Department of Justice is responsible for determining on behalf of the government whether there is negligence to the degree that justifies the crown recovering from the civil servant involved and in this case the Department of Justice informed the Treasury Board that they did not believe negligence was sufficient to require the person concerned to bear the cost. I have some of the details of the accident, if the committee would be interested.

Mr. DIEFENBAKER: Is there any serious point at issue?

The VICE-CHAIRMAN: No, lets get on.

Item 90, under the same heading:

Item 91, also under the same heading:

Mr. FRASER: These would be overpayments of war veterans allowances, and in those cases what they do is they deduct from the war veteran's monthly cheque so much a month to make up this overpayment. Is that right?

The WITNESS: Yes.

Mr. BENIDICKSON: If they have been overpaid they get no cheque.

The VICE-CHAIRMAN: I think it will be better to leave it to Mr. Sellar to answer.

The WITNESS: They try to reach an adjustment in these cases. There are instances in which a chap gets the allowance when he should not have got it, and he draws it over a period of years and you have no hope of getting it back.

The VICE-CHAIRMAN: Item 92, Post Discharge Rehabilitation Benefits:

Item 93, under the same heading.

The WITNESS: Perhaps I can speed things up for you, gentlemen, by saying that the three institutions referred to in item 94 have all made voluntary refunds, and the regulations have been amended, so there is no significance now from your point of view with regard to the items from 92 to 95.

The VICE-CHAIRMAN: That is completely cleared up. Fine.

Item 96, Wartime Prices and Trade Board.

Mr. FRASER: I see there an item of $15,000.

The CHAIRMAN: But that was changed later, according to the vote. That makes a difference.

Mr. FRASER: No, I do not think there should be any difference. I think the government in this case tried to control the consumers organization to some extent.

The VICE-CHAIRMAN: The comment under that item is that they were to conduct the affairs of the association on an entirely independent basis through an annual membership fee; and also that in 1949 further financial assistance for the association was authorized. Whether it was made or not is another matter for another place. What is your comment on that, Mr. Sellar?

The WITNESS: The main reason is that it had been stated in the House of Commons by the Minister of Finance that the first expenditure was necessary, after that they would be self-supporting; however, they were not, and there was a further grant of money; and, having that in mind, the statement in here, I thought I should bring the situation up to date.

Mr. BENIDICKSON: And we as members of parliament should appreciate that.

The VICE-CHAIRMAN: Yes.

Mr. BRYCE: I think it is clear, there was a change of view on the part of the government as to the amount which would at first be required. You will note that in the subsequent year, 1949/50 and for the current year, there has been an amount specifically provided in the estimates for this account.

The VICE-CHAIRMAN: Could you refer us to the item in the estimates?

Mr. BRYCE: Yes, you will find that on page 124, in the detail of the estimates.

The VICE-CHAIRMAN: All right, now item 97.

The WITNESS: That is just a summary statement.

Mr. FRASER: Now, in the summary statement no blocked funds are shown here either. Where would they be shown?

The WITNESS: I think there is a small amount in that active assets item, cash and current assets.

The VICE-CHAIRMAN: Mr. Bryce, could you answer that?

Mr. BRYCE: There is the equivalent of $482,048.22 which is shown in the detailed balance sheet statement given in the public accounts on page 2.

Mr. DREW: Paragraph 97 is a summary statement of the balance sheet of Canada showing liabilities of $16,950,404,000, and active assets of $5,420,139,000. You have been including a figure of "less: reserve for possible losses on ultimate realization of active assets, $245,869,000." How is that figure of reserves for possible losses arrived at?

The WITNESS: In due course I am going to have to refer you to Mr. Bryce to answer that because it has been in each year since, I think, 1940 or 1941. The Deputy Minister of Finance has included in the balance sheet a reserve of a round sum each year in the expectation that all of the assets will not ultimately produce their total value, and therefore he puts that amount in.

The VICE-CHAIRMAN: Can you help us with that, Mr. Bryce?

Mr. BRYCE: Well, sir, the public accounts for the last ten years or so, as Mr. Sellar has indicated, and the budget speeches, have both indicated additions to the amount for this reserve from year to year. The Minister of Finance has explained at several points, in his budget speeches (I am sorry I cannot give you immediately the references to them) the reasons for such a reserve and for the additions to it. The amounts that should be set aside to that reserve are basically questions of judgment and policy on which I think the Minister of Finance himself should answer. The reason for having a reserve, a general reserve, rather than one earmarked for specific items has been given in the House of Commons by the Minister of Finance. Broadly speaking it is not possible to say in advance against what particular assets it is necessary to hold a reserve, and in the case of many of these assets they are claims upon other governments or upon other bodies, or persons, and it has been felt that to earmark reserves against particular items in the assets tends to weaken the position of the crown in negotiating for their collection or settlement. Now, those are the essential arguments as I recall, sir, for the holding of the reserves in this general form and, as I say, the amounts put up in it are basically questions of policy which I feel the Minister of Finance should speak to.

Mr. DREW: But dealing with this only from the point of view of your knowledge and without any question of policy being involved, are you in a position to say whether this estimate of $245,869,000 as a reserve for possible loss on the realization of assets is to be regarded as an attempt to establish an accurate estimate of possible losses or whether it is a purely mandatory figure.

Mr. BRYCE: Well, sir, I think consideration of the nature of the assets makes clear that no one can make an accurate appraisal. There are loans to the United Kingdom and various European and other governments as you will note in the balance sheet. No one can say accurately what the probability of losses of any of these loans will be. It is basically a question of judgment as to how much it is reasonable to provide.

Mr. DREW: Without jumping from one item to another, I had in mind as an example item No. 106 which shows loans and advances to other governments to a total of $1,923,783,302.78. Now, the history of loans of that kind is not one of fairly high recovery, I think you will agree. I am talking now on the general international history of loans of that kind, and I am wondering to what extent this does in fact contain any real estimate of an effective reserve in relation to this?

Mr. BRYCE: Well, sir, it is difficult to comment fully on that question, to answer it fully, without throwing some doubt on to the ability of these countries to repay their credits.

Mr. DREW: Ability, or intention. I see an item of $11,681,779.21 owing by the Union of Soviet Socialist Republics. I do not think there is much doubt about ability to repay in that case. However, the only question that you can answer is as to whether it is upon any basis which would suggest that it is a real estimate of what is likely to cover the losses.

Mr. BRYCE: There is no formula that relates this to objective conditions that one can calculate on a calculating machine. The amounts put in, if you will note, over its history, have been round sums. The actual amount there of so many thousand dollars results from having charged to the reserves in the past various losses that have been experienced, so I would not like to suggest that this figure containing six significant digits represents an attempt to assess with that precision what the amount should be.

Mr. DREW: In the item under active assets, cash and other current assets amounting to $1,660,259,000, is there included in that the value of all property held by the government? I mean all the real estate held by the government?

Mr. BRYCE: No, sir, that is cash and the equivalent of cash.

Mr. DREW: It says cash and other current assets.

Mr. BRYCE: The details are set forth in schedules A, B, and C of the balance sheet and the balance sheet itself.

Mr. DREW: The item "other loans and investments" would include the value of real estate, would it not?

Mr. BRYCE: No, sir, the bulk of that as you will notice from the details of the balance sheet on page 2 are loans to provincial and municipal governments, to the United Kingdom and other governments outside Canada, Canada's subscription to the capital of the International Monetary Fund, the International Bank for Reconstruction and Development and the miscellaneous, schedule 1, which appears on page 17, of the public accounts. There you will find the largest item is the Veterans' Land Act advances and Soldier Land Settlement loans.

Mr. DREW: Well, then, do I take it that in the assets shown there is no figure including a valuation of the real property owned by the government?

Mr. BRYCE: No, sir.

Mr. DREW: I should think that that is perhaps conveyed by the term "active assets." But what is the reason why no valuation of the property is set up?

Mr. BENIDICKSON: Mr. Chairman, was that not all discussed in an earlier meeting of this committee? It is in the minutes.

Mr. BRYCE: Yes, sir. I cited the speech of one of the Ministers of Finance over thirty years ago. The gist of it is that "active assets" include cash and things that are similar to cash in their availability on the one hand, and loans and investments that normally return interest in addition to an expectation of a return of the principal.

The CHAIRMAN: We have kept pretty steadily on this all morning. Now, there is just one question I want to call the attention of the committee to. There has been some reference to expense accounts which were produced. Those expense accounts are with the clerk, Mr. Burgess, and they are available to members of the committee. The understanding is that those documents are confidential documents until the time when this committee says otherwise. The information is not to be disclosed unless and until the committee says so. I just want to point out they are available. We will adjourn now.

Mr. DREW: I simply ask the question for information: is the list ready in whole or in part, Mr. Bryce, of the properties in regard to which I asked a question some time ago?

Mr. BRYCE: Since you spoke on Tuesday I have again drawn to the attention of the departments the urgency of the matter and asked them, if at all possible, that the list be completed early next week.

Mr. DREW: Do I take it that applies also to the other question in regard to items that were dealt with in votes that are not included in any statutory provision.

Mr. BRYCE: Yes, Mr. Smellie is preparing that today.

Mr. DIEFENBAKER: I understand, Mr. Chairman, you made some ruling with regard to these documents?

The VICE-CHAIRMAN: Yes, I said they were available and they are to remain confidential.

Mr. DIEFENBAKER: I cannot understand. If they are confidential, how can I use them?

The VICE-CHAIRMAN: I am told this by the department; until such time as the committee decides or it is put on the record somehow, the information is confidential.

Mr. DIEFENBAKER: Would it not be possible for me to move that they be tabled.

The VICE-CHAIRMAN: If you move they be tabled—I do not know what the general practice is—I do not know whether the House would table them or not. However, I am told what we are doing is the general practice. By Monday we will find out definitely. That is the best I can do now.

Mr. DIEFENBAKER: Just so there will be no finality to that, I am going to make a motion before you adjourn that they do be tabled.

The VICE-CHAIRMAN: We will deal with that on Monday. Give me an opportunity to consult with the proper officials. I have been told that by the officials this morning.

Mr. DIEFENBAKER: There is nothing confidential about records like that. However, I am not going to press it now. After all, we pay the expenses; surely there can be no confidentiality about those accounts. I am not going to argue that now, though, if you will deal with it on Monday.

The VICE-CHAIRMAN: We will deal with that at our next meeting.

Mr. DREW: I would point out the difficulty that is raised by these suggestions that these documents be presented in this way. If a member examines these documents and obtains information which he thinks should be brought before the committee he will then be making use of information that has been handed to him in a confidential way, so there would be a limitation placed on the information.

The VICE-CHAIRMAN: No, no, I want that to be made very clear. I told Mr. Diefenbaker the accounts were available at the moment. I had no idea what form they would be produced in. He called attention to them this morning quite properly because he had them. I have been told by the committee secretary that I was wrong and it should have been done in another fashion, and for that reason they are to be held confidential until the next meeting, and at the next meeting we will deal with them.

The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 17

MONDAY, MAY 29, 1950

WITNESSES:

Mr. Watson Sellar, C.M.G., Auditor General.
Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

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on

PUBLIC ACCOUNTS

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Thomas
Warren
White (*Hastings-Peterborough*)
Winkler
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Clerk: A. L. Burgess

MINUTES OF PROCEEDINGS

MONDAY, May 29, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Vice-Chairman, Mr. David Croll, presiding.

Members present: Messrs. Boisvert, Brisson, Cauchon, Cavers, Croll, Drew, Diefenbaker, Fleming, Gauthier (*Portneuf*), Hansell, Helme, Kirk (*Digby-Yarmouth*), Major, Pinard, Prudham, Sinclair, Stewart (*Winnipeg North*), Thomas, Warren, Winkler.

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

The Chairman tabled the following documents:

1. Travelling Regulations, as authorized by various Orders-in-Council.
2. Travelling Regulations and Instructions issued by the Departments of Fisheries, Labour, National Defence, National Health and Welfare, and Mines and Technical Surveys.
3. Travelling Expense Account Claim Forms as used by the various departments.

The Chairman also tabled:

1. Photostatic copies of three typical expense accounts, submitted by Mr. J. C. Emond, Chief Architect's Branch.
2. Letter from Mr. E. R. Birchard, Vice-President, National Research Council, enclosing documents explaining the amounts and allowances paid to Messrs. R. A. Frigon, J. G. Malloch and R. J. Brearley.
3. Group of files from the Department of External Affairs enclosing travelling expense claims for the fiscal year 1948-49 for Messrs. J. E. Kearney, J. J. Hurley, W. F. A. Chipman, S. D. Pierce, H. A. Scott and P. A. Beaulieu.
4. Memorandum from the Department of External Affairs on the allowances paid to heads of missions abroad and explaining in particular allowances paid to Messrs. J. D. Kearney, W. F. Chipman, S. D. Pierce, J. J. Hurley, H. A. Scott, J. S. Macdonald, C. F. Elliott and General McNaughton.
5. Memorandum from the Department of External Affairs explaining the allowances paid to Messrs. Carter and P. A. Beaulieu.
6. Copies of Orders-in-Council 207/2000 of May 21/47; P.C. 209/2166 of May 14, 1948; P.C. 7/399 and P.C. 9/399 of Jan. 27/49; and P.C. 2/9760 of April 27, 1949, all of which determine the scale of allowances and related conditions of employment of Foreign Service Officers abroad, and in accordance with which the allowances of those officers other than heads of Missions, about which inquiries have been made, were determined.
7. Expense accounts for the fiscal year 1948-49 for Mr. F. K. Ashbaugh, of the Department of Trade and Commerce, together with copies of Orders-in-Council approving his appointment and providing for reasonable travelling and living expenses when absent from Tillsonburg, Ont., his normal place of residence.

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The Committee resumed consideration of the Auditor General's Report for the fiscal year 1948-49.

Examination of Messrs Sellar and Bryce was concluded on the paragraphs 97 to 122 inclusive, of the said report.

At 1 o'clock p.m. the Committee adjourned to the call of the Chair.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
Monday, May 29, 1950.

The Standing Committee on Public Accounts met this day at 11.00 a.m. The Vice-Chairman, Mr. David A. Croll, presided.

The VICE-CHAIRMAN: Gentlemen, we have a quorum.

I am tabling first, in accordance with some of the requests, the general travelling regulations, and the travelling regulations and instructions of various departments—there are eight or nine of them here; expense account forms as used by various departments and there are quite a few of them here—they will be available in the clerk's office. In addition, I am tabling various documents which are shown in a list which will appear in the minutes of proceedings.

The expense accounts submitted for the officers of the Department of External Affairs and of the Department of Trade and Commerce are complete for the fiscal year 1948-1949. Those for the officers of other Departments are representative accounts during that year.

I have a letter here this morning dated Ottawa, May 25th, 1950.

"OTTAWA, Ontario, May 25, 1950.

Mr. David Croll, M.P.,
Vice-Chairman,
Public Accounts Committee,
House of Commons,
Ottawa.

Dear Mr. Croll:

At the committee meeting on Thursday last, I understood from certain evidence, that Mr. S. D. Pierce had charged the taxpayers with a room charge at the Chateau Laurier of $36.00.

In addition, I understood that on the same day he had charged $27.20 for restaurant services.

I termed such expenditures as "disgraceful".

Since that time, I have learned that the facts were not as I understood them. A good deal of the sums involved had been paid for by Mr. Pierce personally.

Under the circumstances I should like to publicly apologize for my error. I trust my hastiness has not caused any embarrassment to Mr. Pierce.

Yours sincerely,

(Sgd.) W. Ross Thatcher, M.P."
(Moosejaw)

Mr. FLEMING: May I ask a question about the first documents which you tabled. If I heard you correctly you stated that they were instructions issued by the department concerning expense accounts. Are those general instructions issued by all departments or do some departments issue their own instructions individually?

The VICE-CHAIRMAN: They are general instructions, very lengthy, and you might look at them.

Mr. FLEMING: Mr. Burgess points out that there are travelling regulations applicable to all departments, certain orders in council, and, in addition, there are regulations and instructions issued by separate departments. He has produced those from the Departments of Fisheries, Labour, National Defence, Mines and Technical Surveys, and National Health and Welfare. There will not be time nor opportunity to look these over and I wonder if the Chairman or Mr. Sellar could tell us in a word, why the departments issue supplementary regulations?

The VICE-CHAIRMAN: I cannot tell you that.

Watson Sellar, Auditor General, called:

The WITNESS: I think I can answer. General regulations are made by the Governor in Council and they are applicable to all departments. The Governor in Council authorizes by the same regulations that a department may make more stringent regulations or regulations applicable to their own particular people, within the general scope of the regulations. They try to cover the whole field and then give to the departments power to handle exceptional cases at a lower level than the maximum permitted by the general regulations.

Mr. FLEMING: Do I understand from that regulations issued by individual departments are in the direction of rather more stringency?

The WITNESS: To meet particular needs.

The VICE-CHAIRMAN: Well, let us not go into that just at the moment.

Mr. FLEMING: Very well, but there is one other question I could ask now. Are these five departments the only ones which have been given the power to issue supplementary regulations?

The WITNESS: No, I imagine they are only samples.

The VICE-CHAIRMAN: Yes, they are just samples, Mr. McIntyre says.

Mr. FLEMING: If there are other departments which have issued similar supplementary regulations I suggest that those regulations be tabled too?

The VICE-CHAIRMAN: All right. Now, we are on item No. 97 at the present time. We were discussing that the other day, but I do not know whether there is anything holding it up?

By Mr. Drew:

Q. On No. 97, Mr. Sellar, why is it not regarded as good practice to include in that the balance or total value of the real property owned by the government of Canada, as a balancing figure, in view of the fact that a great part or at least a substantial amount of the debt has been created in acquiring that property?—A. The reason for this treatment is that the accounts of Canada are maintained on a cash basis. The effort has always been to keep to cash or the equivalent of cash. Before previous Public Accounts Committees I have been on record as suggesting that the time might come when consummable stores, which are the equivalent of cash, should be taken in as assets. On buildings and various properties, the suggestion has been advanced from time to time that efforts should be made to bring them in but the great trouble is to find what properties can be converted into cash and which cannot. The whole aim of the statement of assets and liabilities prepared by the Deputy Minister of Finance in accordance with the law, is to try to give the cash picture as of a certain date. It is not like the case of a corporate balance sheet which is a historical record showing all assets and liabilities. For example, you will not find receivables amongst assets.

Q. By receivables what do you mean?—A. Taxes assessed but not collected, for services rendered and not paid for.

Q. What kind of a figure would be involved?—A. I have no idea, sir; but it would be fairly substantial. I know the Department of Finance has been seriously considering trying to bring into effect a system where you have really got receivables. Today you could put in the cumulative total which would be very large, but it would be meaningless. There are some receivables which date back to Confederation. There is no hope of collecting them; the people are all dead; but the departments have no power to write off anything without the consent of parliament.

Q. Well, I am looking at this not from the point of view of ascertaining whether the advance was wise or unwise, or whether the obligation was incurred in a sound way. What we are really considering is the manner in which members of parliament may be able to exercise proper supervision over public expenditures and over the public accounts. Now, assuming, for the sake of argument, that the government was not as efficient as the chairman thinks this government is, how would members of parliament know if there were any substantial effort being made to collect outstanding accounts? How could they exercise or bring to bear that measure of supervision which it seems to me is the purpose of a committee of this kind?—A. I know that the Department of Finance is seriously concerned over receivables and, as you know, notice has been given of a proposed amendment to the Consolidated Revenue and Audit Act. I know from gossip with the chaps there that they are seriously considering trying to do that. Taking the problem of real estate as a whole, it is difficult to find what can be covered. I will use one example,—the dredging and deepening of the channel of the St. Lawrence river from Rimouski to Montreal. There has been a tremendous amount of expenditure on that; and it is a national asset but not a monetary asset. You could never sell the hole in the St. Lawrence river, and that is the problem that arises in trying to capitalize these properties. Some of my staff disagree with me, but my own feeling is that efforts should be made to put on the balance sheet properties that are revenue producing or that can be sold.

Q. That, exactly is one of the things which I have in mind. I do not want to labour this but I do think we are on a subject of basic importance here. What you have explained, Mr. Sellar, is this. In the first place, it has not been regarded as sound accounting practice or practical accounting practice to capitalize in the balance sheet the value of real estate and other similar property owned by the dominion government. You have also indicated that the outstanding taxes and obligations for services rendered are not included in the balance sheet. Now those are two different things. In turn, real estate and similar property breaks down into at least two distinct groups and perhaps more. One group would be the type of building required for the actual service of government, such as the parliament buildings themselves, post offices, tax offices, and various buildings of that kind throughout the country. In the ordinary course of events those are not properties that would be regarded as saleable properties no matter what sale value they might have. There is a second group of property which is assuming increasing importance because of the new relationship of government to certain types of operation in this and other countries, and that is the case where there is something of the nature of a productive or operating property.

Now, particularly in the latter case, it would seem to me that members of parliament should be in a position to exercise that measure of supervision which means anything; they should know that they can go to some place to find out what properties are being held so that they may check from time to time on the method being followed to dispose of them? Would that not seem reasonable practice?—A. Yes, and I think the Department of Finance would share your

view but the problem is to get a standard. They always face this position, sir: the present practice was established about 1920. At that time various outstanding chartered accountants firms in Canada assisted the Minister of Finance in revising the balance sheet. The view of the then Minister of Finance, and of the department then—and I am satisfied that the view is the same today—was that they must set up the accounts in such a way that nobody could say that the government was trying to make a better showing than it was entitled to. They wish to have the public accounts above criticism and to use a common phrase, free from being padded. That is the reason why all Ministers of Finance have leaned backward to eliminate anything in the public accounts which would show a greater net reduction of debt than somebody else might say was truly the case. As I say, activities of government are changing. We are getting into more and more activities and the time may well come when parliament may see fit to give different instructions with regard to the setting up of these assets.

I would like to see various things brought into the balance sheet. So there is outside control from the department—namely the Department of Finance, who would have a say on this matter, and the policy which the government would have to decide.

Q. Or parliament?—A. The government would have to bring it to parliament.

Q. Well, I do not want to enter into a dialectic exchange but it seems to me that the primary purpose of the Public Accounts Committee is to find ways in which parliament can exercise or at least hope to exercise its appripriate measure of control over government expenditure. For that reason it would seem this is a subject in which members of the Public Accounts Committee would naturally be interested. I do believe this is of sufficient importance that I might labour it to some extent.

The VICE-CHAIRMAN: Would you like to hear Mr. Bryce on some of the points before you proceed further?

Mr. BRYCE: Answering further the earlier question about the inclusion of these real assets on the balance sheet, as I indicated some time ago the present practice is to be very cautious and restrictive as to what are included as active assets. And in addition, we have certain items listed as non-active assets, which are not reflected in the short table in paragraph 97 by the auditor-general But it is also very clear that the non-active assets do not include all the categories that the auditor-general has spoken of. The difficulty is to know which of them it is wise to include. In the case of the receivables, if one is going to include all the receivables, it is difficult to ascertain just what taxes are receivable as of a certain date when we close our books. That would require a great deal of investigation, because a great many excise taxes are received after that date for the sake of the convenience of the public in paying them. The second problem is that of including lands and properties because the valuations to be put upon them in many cases would be quite arbitrary. So it poses a very difficult problem in valuation as well as in selecting the items to be included. I have run into it in connection with the list of properties to be submitted to the committee in accordance with its wishes of some weeks ago. There are innumerable places where it is very difficult to draw a boundary line and to say that this property has a commercial value while that property does not. We may have lands held by the Crown leased to a railway as a right-of-way, or lands leased to a municipality at a nominal rental, let us say for street purposes. It is exceedingly difficult to draw a consistent line and to say this should and this should not be included or excluded in the balance sheet. And finally, if we are going to include all such assets—and particularly if we are going to include such things as fixed equipment —in properties, there is an enormous accounting problem involved; but it could be done if parliament felt that the expenses warranted doing so. I think it could be done.

Mr. DREW: Have you a list of either some or all of the properties which you could submit?

Mr. BRYCE: I have not got a list ready yet. I have received replies from some of the departments, and particularly many questions from the departments about the compilation of a list. It was from an endeavour to answer these questions that I secured some idea of the difficulties involved in doing this. For example, I have had an inquiry from the Department of Resources and Development as to whether the committee wishes to include Crown lands in the Northwest Territories. There the Crown in the right of the Dominion owns all the Crown lands, many of which are not surveyed, and some of which are leased to individuals for one purpose or another. That would be a tremendous list because in the territories the Crown does own all these lands. The value is doubtful until you know whether someone wishes to have them for a particular purpose.

Mr. STEWART: Could not lands such as these be inserted in the balance sheet at a value of $1?

Mr. BRYCE: Yes, but that would be just a heading.

The VICE-CHAIRMAN: That would be an experience with dollar values.

Mr. DREW: When you speak of the difficulty of defining types of property, you of course are illustrating the very difficulty that members of parliament have in regard to this matter, because if it is impossible for the officials who are day by day working with this matter to define what property should be regarded as a productive asset, it certainly is extremely difficult for members of parliament to know the kind of property to which they should be directing some inquiry. Let me give you an illustration of what I mean, not with the suggestion that any government has any sinister motive, but rather with the idea that it is our function to inquire into the system in order to prevent improper practices. The procedure has grown up in all governmental bodies, whether they be federal, provincial, or municipal, to establish as regular practice the calling for tenders in the case of disposal of public property. We also known that there are certain properties which have been disposed of without tenders being called for. It would seem to me this is a subject in which we should be interested. In relation to the inquiries that you have been making and the measure of contact you have had, have you been called upon to examine a number of cases in which properties have been disposed of by different departments without tenders being called for?

Mr. BRYCE: I cannot speak of any in detail, sir. I have run into cases where properties have been disposed of under circumstances where it was difficult to conceive of tenders being called; for example, property disposed of to a railway company or to a municipality for railroads or for streets. It is hardly feasible there to call for tenders. On the other hand it is a problem to set reasonable values in the circumstances.

Mr. DREW: You are referring to a case where by virtue of the fact that the property is already used for a particular purpose, such as a railway siding or a coal shoot, or something of that kind, it would hardly be reasonable to expect that you put it up for public tender and perhaps deprive a general operation of some importance of a particular use of that kind.

Mr. BRYCE: That is a case which comes to mind.

Mr. DREW: I am simply directing my questions in an attempt to get our accounts in a form we can understand. You will recall that one of the properties I mentioned as being a type of property in which I am interested was a mine in British Columbia. I am dealing with a particular mine which I have in mind merely by way of illustration. This mine was developed during the war and it became an asset to the public, of the people of Canada, through an agency of the government which held it. Now that mine has been disposed of and there is

no place in the public accounts where any part of the transaction appears in a way which any member could ascertain. What I am trying to get at is how we could set up a system where—not so much this group sitting here today but—any group in a public accounts committee could be in a position to know where they could go to check upon a matter and exercise some measure of supervision in a case of that kind. That is the kind of thing I have in mind.

The WITNESS: I heard you make a reference to a mine. I wondered which mine it was. Is it the Emerald Tungsten mine?

By Mr. Drew:

Q. Yes.—A. The Emerald Tungsten mine.

Q. That is a lead-zinc property, is it not?—A. I am not sure. It is at Salmo in British Columbia. It was acquired by the government in the early 1940's because they wanted the minerals in it. The government acquired it and placed the management of it in Wartime Metals Corporation, a Crown corporation which was set up to operate various mines for the Minister of Munitions and Supply who required them for the war effort. A good deal of money was required to be spent on it to bring it into production.

Q. How much, would you say?—A. Altogether $1,273,000 was spent in connection with that mine as a capital investment as at March 31, 1945. In 1946 Wartime Metals was wound up and all of its assets were transferred to the Department of Munitions and Supply; because Munitions and Supply had no need for this mine, it was declared surplus under the Surplus War Assets Act, and the Surplus War Assets Corporation sold the mine to Canadian Exploration Limited of Vancouver.

Q. Of which Mr. Banks, the Lieutenant-Governor, is chairman?—A. I have no idea at all about that. It was sold for either $900,000 or $950,000 and the amount is payable out of the net earnings of the company. In the report of the War Assets Corporation for the fiscal year ending March 31, 1949, this sale price is reflected in a trust account with the Receiver-General; and on page 25, under the headings of Lands and Buildings you will find $85,757 as having been received that year as part payment from Canadian Explorations Limited of Vancouver, B.C. If you want to find it in the public accounts, you should look—it is not in this year's volume, it is in public accounts for 1945—at page MA-165. And also on that page you will find mention of a mine at Val d'Or. There was a small mine there also being operated by Wartime Metals, which also has been sold. We never purchased it. We just had the right to use it and develop it. The improvements have sold high there is litigation concerning it at the present time.

Q. What was it sold for?—A. It was sold, I think, for $75,000, according to my best recollection.

Q. Were tenders called for in that case?—A. You would have to ask War Assets about that. I do not know.

Q. The only item that appears anywhere in the period that we have under consideration is one item under Lands and Buildings, an item of $85,757 in connection with the Tungsten mine and the transaction with Canadian Explorations Limited of Vancouver.—A. If you will turn back to your balance sheet you will find a trust account with the dominion for $40 million odd. Whatever is left would be in that trust account. It is one bulk item and it has the sale in it.

Q. The point is that you say it is included in that bulk figure of $40,621,043.83, so the only way it would be possible for us to ascertain what this represents would be to obtain a list of all the properties, and of what payments are outstanding on various properties which make up that sum of $40,621,043.83?—A. Yes.

Q. In view of the fact that we have brought it to this point, I think we should have a list of those properties in respect of which there are payments?

The VICE-CHAIRMAN: Just a minute, let us get it clear as to what you want.

Mr. DREW: I am sorry. I recognize the difficulty involved in moving from one account to another. I have before me the fifth Annual Report of War Assets Corporation for the fiscal year ending March 31, 1949, and I am reading from the balance sheet as at March 31, 1949, which corresponds to the period of the public accounts we are examining. Under the heading of Receiver-General of Canada Trust Account, there is an item of accounts receivable. The first item is "current" including Canadian government departments and companies: $672,003.05; and deferred $40,621,043.83. Before I go further with this, am I correct in my interpretation that the current accounts receivable shown as $762,003.05 are amounts which are actually now payable?

The WITNESS: Yes.

By Mr. Drew:

Q. And that these are such items as to which you have referred?—A. Instalments.

Q. In connection with Canadian Explorations Limited; they involve deferred payments; and that deferred amount of $40,621,043.83 represents deferred payments at various times which are payable under one instalment system or another in connection with purchases from War Assets Corporation?—A. That is my understanding, it is for property and goods, possibly between them.

Q. You mean property of one kind or another?—A. Property of one kind or another, not essentially real estate.

Q. Then I would ask, Mr. Chairman, if we might have a list of the properties prepared?

The VICE-CHAIRMAN: Represented by that?

Mr. DREW: Yes, represented by that item, the balance owing, as well as the terms under which the balance is payable. May I qualify it by saying that in those cases where it can be grouped as a particular method of payment, such as a sale of goods or something of that kind under a five or ten year period of time, I would not expect separate details; but in the case of these specific properties, I think we should have a list: for example, the Canadian Explorations Limited, the $900,000 that is owing, and which is to be paid by 50 per cent of net profits. That is the particular type of payment I think we should understand when examining these and other similar properties.

The VICE-CHAIRMAN: Very well. I was told by the Department of Transport that they were getting a little behind on these properties. I was told that their list would be about 6 inches high; however, we shall do the best we can. Now, item 98, gentlemen? "Liabilities".

By Mr. Drew:

Q. I do not want to make a speech in regard to this, but I would emphasize, as Mr. Sellar has pointed out, that in the discussion which has taken place in the department there has been some measure of concern about the fact that there are certain types of items that are certainly recoverable assets but which are not shown in the balance sheet. I can understand the point made that in presenting a balance sheet upon which the national credit is established it would be most undesirable that there should be any suggestion of a distorted value being placed upon properties that can never conceivably be sold, such as the parliament buildings, post offices, and property of that kind, as well as with respect to some other properties which fall into a position where they may be sold from time to time. The extent of the subject we have under consideration is illustrated, I think, by the fact that in only one government agency, under a single department, we find that in addition to whatever properties they now hold, there are outstanding payments of over $40 million odd as to which we have no details. And I think we should be able to obtain information such as

that which I have now requested. Nevertheless, assuming that these are sound transactions subject to whatever ordinary reserve should be set aside for that purpose, it would be a normally recoverable asset which in any business would actually be shown, would it not?—A. Well, in any business that operates its accounts on the accrual basis, we certainly would.

Q. In a business you would be inclined to set up a figure which represented an accrual and then set off against it a 100 per cent write-off between something which should not be realized in any accounting method, and the amount of payments to be made under a purchase agreement; that would certainly be shown at some place in the statement as part of the general balance?—A. That is right. I think the Department of Finance is very interested in it at the moment. I know they are studying it although they have not come to any conclusion on that matter.

The VICE-CHAIRMAN: No. 98, gentlemen.

Mr. DIEFENBAKER: On a point of order, Mr. Chairman. I raise the question now, as I did not want to break in before. I raised the point a few days ago in regard to these expense accounts that were tabled as a result of my request some weeks ago. They came up on Thursday. I would like to know when I will get an opportunity to discuss these matters. Certainly there is no item that is now ahead of us in the Auditor General's accounts that gives me that opportunity, but I certainly do not intend to allow this matter to rest here, and run through and get done with these paragraphs from 98 to 161 and then no opportunity be given to discuss the reasons for the diversity in these expense accounts and the very large discrepancies in the matter of the audit of these varoius departmental expense accounts.

The VICE-CHAIRMAN: Mr. Diefenbaker, we have laid down the procedure that we will follow. After we have gone over the Auditor General's report—we will complete the Auditor General's report whatever it may entail—after that is all clear it was intended to call the steering committee for the purpose of formulating some plan for hearing other matters, any matters that the members wanted to discuss. At that time, we will discuss your request that these matters be dealt with, and if we do, then at the same time we will have, if we decide that, men from the departments available to reply to any questions that are propounded by you. I cannot do any more than that.

Mr. DIEFENBAKER: I do not want a wrong impression to go out as a result of what has happened here today; there has been a reference to Mr. Pierce, and on just this one matter I want to refer to it.

The VICE-CHAIRMAN: Mr. Diefenbaker, we are not going to open up the question of expense accounts today. We are not going to discuss it. We are on this report and we stay with this report. Anything that was said with respect to Mr. Pierce was said here a few days ago and any reference that was made today was not of my making, it was through a letter addressed to me. We cannot discuss it today. We are on this Auditor General's report. You will have your opportunity to bring the matter up as soon as we are through with this report. We will take it to the steering committee; and you have made your request.

Mr. DIEFENBAKER: There is just that one item because you just put that letter in, and I have the right to submit what Mr. Pierce's accounts amounted to and nothing more will I deal with.

Mr. RICHARD (*Ottawa East*): Are you a witness?

The VICE-CHAIRMAN: I did not ask for this letter. This letter was addressed to me by a member as a result of something he said here.

Mr. SINCLAIR: What is the date of the letter?

The VICE-CHAIRMAN: May 25th. I hesitated about putting it in; but he publicly apologized and then I thought I should put the letter on the record

in fairness to all. I could not reach the member as he was out of the city. I thought that was what he wanted to do.

Mr. DIEFENBAKER: This one item—

The VICE-CHAIRMAN: The matter will be discussed at the first opportunity and you will be heard as soon as the steering committee sits.

Mr. DIEFENBAKER: There will be an opportunity to discuss these matters?

The CHAIRMAN: Do not get me to the point, Mr. Diefenbaker, that I say there will be an opportunity. All I said was this: that the matter will be taken before the steering committee and your request will be put before the steering committee. I do not know who are on it, Mr. Fleming and Mr. Fraser, I believe.

Mr. FLEMING: I am on it and there is another member who has not been attending up to now.

The VICE-CHAIRMAN: Mr. Fraser has been at the steering committee meetings.

Mr. DIEFENBAKER: It is not my request. The figures are here and they indicate an expenditure on salary and allowance of $26,000 in addition to living expenses.

The VICE-CHAIRMAN: I do not want to start arguing with you again. I do not think that is called for, but the matter will be dealt with, the matter will be brought to the attention of the steering committee as soon as we are through with the Auditor General's report.

Item No. 98. "Liabilities."

Mr. FLEMING: On item 98, I have a question, Mr. Chairman. Paragraph 98 includes a statement that the balance sheet does not include accounts payable for goods received or services rendered but not paid for the fiscal year. In your report of the previous year, Mr. Sellar, you drew attention to two large amounts of money that had been paid during the fiscal year before the goods thereby being purchased or services rendered were in fact received or rendered. Have you found any cases of that again in your audit for the year 1948-49?

The VICE-CHAIRMAN: Gentlemen, order.

The WITNESS: Well, the only transaction I have referred to is in connection with the one department where they purchased a building and paid for it in the month of April before they actually got full possession of the property, before the title was passed. Is that what you are referring to, that sort of thing?

By Mr. Fleming:

Q. I have not got the accounts for the previous year, but my recollection was that there were two matters to which you drew attention where payment had been made before the goods were furnished or services rendered for which the payments were made.—A. You are referring to certain National Defence expenditures. No, National Defence corrected that. They did not repeat that.

Q. So there were no cases in the fiscal year 1948-49 where you found payment was made in advance of the due date in order to make the payment within the fiscal year?—A. No; I would have felt obligated to draw it to your knowledge if I had done so.

The VICE-CHAIRMAN: Item 99.

Item 100.

Item 101. Are there any questions on item 101?

By Mr. Fleming:

Q. I wonder if Mr. Sellar would give us an explanation in reference to item 101, post office savings banks, losses charged to the guarantee fund.—A. The situation is this, the post office savings bank operates under very antiquated machinery, that is, it was contemplated that the accounts would be maintained in Ottawa, so that you would have to make an applicaion to Ottawa whenever you wanted to make a withdrawal. In other words it might take a week or two to get your money. Quite a number of years ago the government and Post Office decided that this should be modified, as it was a great inconvenience to people living a long distance from Ottawa. Local post offices which have the power to accept deposits for post office savings bank, may now, on the production of the deposit book, make withdrawals up to a certain amount. During the war a small racket developed, people having fraudulent passbooks or bankbooks would go from post office to post office, they would erase figures and then get withdrawals, but that has been largely stopped. In the particular year we are talking of now the total of the withdrawals was $169, so it was not serious. There has accumulated a certain number of these fraudulent withdrawals which are in the accounts but should be out of the accounts; our view is that the liability should be reflected in the public accounts and we think it should be done by charging it off to an appropriation. That is the situation that developed but has now disappeared.

Q. In other words, you are satisfied the amounts are not recoverable? —A. There is no hope of getting any of it. It was a racket of some people who had no funds and never will have any.

Q. How long did that racket go on before it was stopped?—A. It was pretty well stopped shortly after the end of the war.

Mr. DREW: Do you think it was organized?

The WITNESS: There were one or two fellows who travelled from coast to coast.

Mr. FLEMING: Have the authorities caught up with those two individuals yet?

The WITNESS: My recollection is, yes, but I would not like to say that for a fact.

The VICE-CHAIRMAN: Mr. Bryce may have something to give us on that.

Mr. BRYCE: This is primarily a post office matter, but I made inquiries and I found that these items to which the Auditor General draws attention have been charged through the guarantee fund in the year subsequent to March 31, 1949.

The VICE-CHAIRMAN: What do you mean by the "guarantee fund", Mr. Bryce?

Mr. BRYCE: It is the post office guarantee fund.

The VICE-CHAIRMAN: What is that?

Mr. BRYCE: To which reference is made in this paragraph.

The VICE-CHAIRMAN: How is that required?

Mr. BRYCE: As you will notice on page 22 of the Auditor General's report paragraphs 84 and 85 relate to this fund. As the Auditor General points out, the fact that at the end of March 1949 these debit balances had not been charged out, understates the liability of the post office savings bank in the balance sheet of Canada. That matter has been rectified during the subsequent year. I am informed that the balance sheet coming out for March 31, 1950, will reflect the correction of this matter.

The VICE-CHAIRMAN: Item 102, gentlemen. "Active Assets".

By Mr. Drew:

Q. On item 102—either from Mr. Sellar or Mr. Bryce—I would like definite information covered by this because this is the item that really covers what I was referring to in my general question: revenue in arrears, and stores and equipment are not included in the statement of assets, with the exception of the stores inventories of the Department of Public Printing and Stationery and The Department of Transport. Have you the total figures of revenue in arrears?—A. No, sir.

Q. I mean is there any way of estimating on what scale it is?

The VICE-CHAIRMAN: What is revenue in arrears—Define revenue in arrears? Will you, Mr. Sellar, please, for us?

The WITNESS: I gather what Mr. Drew is wanting is money that has been owing for income taxes, corporation taxes, from any kind of taxes, or money due from the sale of property or anything by the government of Canada or for services rendered which have not been paid for. We include as revenues in arrears: if we had a defalcation, the amount that was stolen.

By Mr. Drew:

Q. It is not what I would include, it is what is included in this account. I use the term as used in your report where you say "revenue in arrears and stores and equipment are not included in the statement of assets". What I am asking is what figure this would amount to?—A. The only thing that we got is, with the exception of stores inventory of the Department of Public Printing and Stationery and Transport, these are the only two in the item. The King's Printer's account was $406,000 and the Department of Transport account was $2 million in round figures.

Q. That does not cover such departments as the Department of National Revenue?—A. No, sir.

Q. That figure would be very much larger?—A. Very much larger.

Q. Have you any idea of the figure? Would it be $25 million or $50 million?—A. I have never tried to bring them together.

Q. It seems to me in considering this whole question of whether payments in arrears should be shown so we may know what relationship they bear to those collected, that it is essential that we know how important these figures are. I should think that we as auditors of a certain type in this situation should be in possession—should see how important it is that we insist or do not insist that such a figure be included. Is there no way in which an estimate of that could be made?—A. Most of the departments, in fact all the departments, will have books of accounts setting out all those things. The big one would be National Revenue. Now, in our audit of National Revenue we see all of these things, we check to see how efficient they are in the follow-up. Then, there are certain accounts that departments believe they cannot collect for one reason or another; they apply to Treasury Board for permission to transfer them to the equivalent of a suspense account and if the Treasury Board is satisfied they cannot collect it that year, it authorizes them to put it into a suspense account, but simultaneously instruct them to bring it up a year later and make another report. Now, these receivables do not go into the balance sheet. We examine the procedure to see how efficient the department is in trying to collect them. We do not try to match the totals because we do not have to deal with the totals in the certificate.

Q. But let us take the case of the Department of National Revenue. Even if it may be accepted that it is not practical to continue an accumulating total of these outstanding amounts, there must be a total for the actual suspense account?—A. Oh, yes, they have totals.

Q. And that figure must be obtainable?—A. I would imagine it is.

Q. You have not got it with you? Could you get that?—A. You have to bear in mind this, the first Income Tax Act was a Corporation Act introduced by Sir Thomas White in 1917; he was then Minister of Finance. That Act was administered by Mr. Breadner. When Mr. Breadner became commissioner of customs he continued to administer this old Act. Now, there were a bunch of claims that Mr. Breadner had reached the opinion long ago he could never collect. They date back to before 1920, and they are still there. To put them up as a receivable, I think, would be a mistake.

Q. Quite.—A. The statute of limitations does not run against the Crown but our chances of collecting any money from them is nil. If you asked them for those figures the Department of National Revenue would give them to you but you would have to accept them with tremendous reserve, especially with respect to the old ones.

Q. My own opinion—and that is not evidence in any way—but my own opinion would be that there should be a process by which at a precise certain point they should be written back as figures that could not be in any way regarded as active figures in a suspense account; but as you say there is a suspense account in which there is a continuing attempt to make some collection. —A. Yes, but it seems to me that what you really need is to give the department some power to write off bad debts.

Q. Yes.—A. Because it is discouraging to a man who is trying to collect a bill when he can see all sorts of old accounts cluttering up his record. At the present time there is nothing in the statutes permitting that, and I do hope that there will be some legislation that will permit the departments to deal with that.

Q. That is the kind of information we want to have. You think there should be some statutory power giving the departments power to write off bad debts. —A. I am already on record in 1947 to that effect, and that has already been recommended to parliament by this committee.

Q. You will recognize I am a newcomer; I did not realize that you had dealt with that before. If that were done, I would assume that the suspense account that would remain could be regarded as an account that would indicate those unpaid balances; that, subject to whatever reserves would be set up for failure to collect, would represent an asset.—A. Yes, sir.

Q. And do you say at the moment there is no figure of that asset at all? —A. No, sir.

Q. I am glad to know that was recommended. I did not know that.— A. Oh, yes, and the departments are quite favourably disposed towards it.

The VICE-CHAIRMAN: We shall deal with it again.

Item 103 under "Active Assets".

By Mr. Fleming:

Q. I take it there will be a change made next year in the way of valuation for the following year?—A. I have not seen the balance sheet but I imagine it will be varied this year.

The VICE-CHAIRMAN: Item 104.

By Mr. Fleming:

Q. What Mr. Sellar indicates in his findings leaves me doubtful whether he is satisfied with the change which the Foreign Exchange Control Board has made.—A. The situation is this: you may recall that last year when I was before the public accounts committee I filed a memorandum in which I took exception because I thought the accounting application should include the amount unaborded since revaluation took place in 1946. Last winter the Foreign Exchange Control Board again brought their problems before the legal

officers of the Crown who then had a practical situation to review. They varied their opinion. I think they have given a first class opinion now, that everything is in balance and that everything is straightened away.

By the Vice-Chairman:

Q. I suppose you consider it is a first class opinion because you agree with it.—A. No. I think it fits into a practical application.

By Mr. Fleming:

Q. What about the Department of Justice?—A. The Department of Justice gave both opinions and the Foreign Exchange Control Board has to follow the Department of Justice. The accounts are now, I think, in a true state for the information of parliament.

Q. Having regard to the legal opinion?—A. Yes, having regard to the legal opinion.

The VICE-CHAIRMAN: Item 104? Shall item 104 carry?

Carried.

Item 105?

Carried.

Item 106?

By Mr. Fleming:

Q. I have several questions on No. 106. This matter of loans and advances to other governments totalled nearly $2 billion at March 31, 1949. Does this represent all the outstanding loans and advances regardless of the nature of the authority for them?—A. Yes, sir. To the best of my knowledge as at that date, it does.

Q. It includes all war expenditures chargeable to these other governments as well as loans made during the course of the year, and trading loans made since?—A. Yes, sir. These loans and advances include everything to other governments.

Mr. BRYCE: I would like to point out that these are the formal loans. They do not include things which might involve a claim on another government not arising necessarily from a loan.

Mr. FLEMING: Is paragraph 111 an example of a claim?

Mr. BRYCE: Yes, 111. That is the item mentioned. Item 111 would be an example and I would point out that various departments themselves have operating arrangements, for instance, with a department of government in the United Kingdom, such as the Royal Canadian Navy with the Admiralty. There would be advances from one to the other, and there would be claims on one or the other which would not be recorded here in loans and advances on the balance sheet. Then I suppose we have claims outstanding under the Mutual Aid Act which have never been formally settled with various governments. You may recall the Mutual Aid Agreements made during the war, and any claims arising out of that, analogous to the United States Lend Lease Claims, and things of that sort.

Mr. DIEFENBAKER: Could you tell us roughly what would be the amount of the claims that have not been settled under Mutual Aid?

Mr. BRYCE: It would be difficult to say.

Mr. DIEFENBAKER: But what would be the amount, approximately?

Mr. BRYCE: There would be billions of dollars worth of goods supplied under Mutual Aid, of which the largest items would be those supplied to the

United Kingdom and to other armies and to other countries. Under some of those agreements Canada had the right to request the return of certain things. So those claims would not be included.

Mr. DIEFENBAKER: Approximately, what do they amount to as against Canada?

Mr. BRYCE: The expenditures?

Mr. DIEFENBAKER: Yes?

Mr. BRYCE: For the purchase of supplies, it would be billions and therefore technically speaking we are transferring billions in goods to these other countries; but how much claim we have on them at this time it is difficult to say.

The VICE-CHAIRMAN: Would they have off-setting claims against us?

Mr. BRYCE: In some instances they might.

Mr. FLEMING: There must be a gross figure of claims carried on the books of the Canadian Government somewhere?

Mr. BRYCE: No, sir, there is not. The Mutual Aid reports reflected the amount transferred to those various countries, and in those reports you will see copies of the Mutual Aid Agreements relating to those matters.

Mr. DIEFENBAKER: All that information is to be found in those Mutual Aid reports?

Mr. BRYCE: Yes.

Mr. STEWART: Do we include the money which was loaned to Roumania, or the loan to China of $50 million? Why would the Roumanian loan be in there when it is apparently quite uncollectable?

Mr. BRYCE: There was apparently no formal action taken to secure the settlement of it or to write it off. The time when one takes action on these things depends on diplomatic circumstances.

The VICE-CHAIRMAN: I think that Mr. Sinclair has already got another trip mapped out for himself. I can see that happening.

Mr. STEWART: Does Mr. Bryce think there is any collectability in the case of the loan made to Roumania?

Mr. BRYCE: I would not want to make a definite statement on it without reviewing the facts again and considering the effect that any statement might have on the status of our claim. But it is evident that it has been in default for many years, and that the likelihood of collecting it is much less than it was before.

Mr. STEWART: Then what about the loan to Greece of $6\frac{1}{2}$ million?

The VICE-CHAIRMAN: Let Mr. Sellar answer, please.

By Mr. Stewart:

Q. Yes. Let us ask Mr. Sellar, the Auditor General, what he thinks as to the possibility of collecting it?—A. My answer is that I regard this as a very poor account and in view of the fact that the Minister of Finance has set up reserves of approximately $175 million against the possibility, I regard these loans to Greece and Roumania as being two prime items provided for in the reserve.

Mr. FLEMING: What about that item of $11,681,779.21 loan or advance to the Union of Soviet Socialist Republics?

Mr. BRYCE: That arises in two manners; a small loan was made to the U.S.S.R. under the terms of the Export Credit Insurance Act, and the details of it will be found in the Reports to Parliament made under that Act.

Mr. FLEMING: In what year was that?

Mr. BRYCE: It was made, I think, in either 1945 or 1946. I believe it matured this year.

Mr. FLEMING: There has been no interim instalment paid on account of it?

Mr. BRYCE: No; but payments of interest have been made when due.

Mr. FLEMING: The amount falls due this year?

Mr. BRYCE: Yes, around September of this year. I am speaking of course from memory.

The VICE-CHAIRMAN: And the account is in good standing at the moment.

Mr. FLEMING: But there is another one, is there not?

Mr. BRYCE: There is another one which arises from advances made on behalf of the U.S.S.R. for the purchase of foodstuffs and supplies for the Russian troops in the Far East, just immediately following the conclusion of hostilities in the Far East. Those advances were made in September and October of 1945. Definite terms of settlement with the U.S.S.R. were not arranged at the time because negotiations were still proceeding at that time looking towards a larger credit under the Export Credit Insurance Act, Part II. These negotiations never resulted in a large credit. Consequently we have taken up with the U.S.S.R. in recent years the question of settlement for the advances made at that time, and those negotiations are still proceeding through our embassy in Moscow.

Mr. FLEMING: How long have those negotiations been carried on?

Mr. BRYCE: For several years.

Mr. FLEMING: Has any progress been made?

Mr. BRYCE: Yes, sir.

Mr. FLEMING: In the case of that item of $11,681,779.21 I take it there is some portion of it which still represents an unsettled claim. Is that correct?

Mr. BRYCE: Yes.

Mr. FLEMING: I rather gathered that all the items in paragraph 106 represented ascertained agreed loans and advances, whereas claims which have not been ascertained were to be found in other sections of the report.

Mr. BRYCE: Those two items for the U.S.S.R. are slightly different again. The loan made in connection with the Export Credit Insurance Act is quite definite as to its amount and as to its time and terms of payment.

Mr. FLEMING: How much was that one?

Mr. BRYCE: In the neighbourhood of $3 million.

Mr. FLEMING: And there is about $9 million in the second one?

Mr. BRYCE: Yes, $8 million odd, I think. The second amount involved was definitely known, although there was a slight adjustment in the amount, when there was one small shipment diverted at the last moment. But while the general obligations of the U.S.S.R. were definitely established, the time and terms and conditions of payment were left to be settled by future negotiations. It is those negotiations which are still taking place. I should add that included were other expenditures made of course under the Mutual Aid Act in respect to the U.S.S.R. There may be more claims arising out of certain transactions there which are still not definitely ascertained in amount as well as in terms and time of payment.

Mr. FLEMING: Does the list you have given cover all the items of account or contra-account between Canada and the U.S.S.R. of a definite nature?

Mr. BRYCE: There were payments arising out of the transfer of the Petsamo Nickle property which I think were covered by an agreement with the U.S.S.R. I cannot speak as to the details of it; but in these cases the payments received by the government are transmitted to the previous owners of the mine in Petsamo.

Mr. FLEMING: Is that the only one?

Mr. BRYCE: It is the only one I can remember at the time; but I do not like to make categorical statements because we have a variety of transactions in respect to operating activities, and I would not like to say that none of them is outstanding.

Mr. FLEMING: Are there any contra-accounts on the part of the Soviet Union against Canada of which you are aware?

Mr. BRYCE: Not that I am aware of; but, of course, I would not claim to be aware of all the small ones.

Mr. FLEMING: In the case of the compensation to apply for the seizure of the Petsamo mine, I take it that the Government of Canada was a party to the agreement?

Mr. BRYCE: The money is payable in the first instance to the Government of Canada.

Mr. FLEMING: And then the Government of Canada pays it over to the—

Mr. BRYCE: To the previous owners of the property.

Mr. FLEMING: And who were they?

Mr. BRYCE: It was International Nickel.

Mr. FLEMING: They were the only people interested?

Mr. DIEFENBAKER: Have any advances or loans been given to the U.S.S.R. by the Export Credit authorities during the last three years?

Mr. BRYCE: I could not tell you off-hand whether the Export Credit Corporation has advanced any credits on shipments to the U.S.S.R. in that time, but apart from that there would be no power to make advances or loans, since Part II of the Act lapsed several years ago.

Mr. DIEFENBAKER: In 1947?

Mr. BRYCE: I think so.

Mr. HANSELL: In respect to the amount of nearly $2 billion included in that item on the balance sheet under Active Assets, the third item is "Other Loans and Investments"?

Mr. BRYCE: Yes. If you look at the public accounts page 2, the main balance sheet, you will see the group listed as item 3-b and there is a detailed schedule given on page 16 of the public accounts.

The VICE-CHAIRMAN: Item 107.

Mr. FLEMING: In regard to this amount in 106 I suppose there is a variation going on in some of these accounts at the present time?

Mr. BRYCE: You mean payments are being made?

Mr. FLEMING: Yes.

Mr. BRYCE: Yes, sir. I could not tell you in detail just what transactions have been taking place since March 31, 1949; but many of these loans call for payment and of course the main loan to the United Kingdom is still open and advances are being made for it.

Mr. FLEMING: But it would be about used up by now, would it not?

Mr. BRYCE: Yes, sir.

Mr. FLEMING: Can you say how many of those loans are classified as in arrears? You would put Roumania and Greece in that category?

Mr. BRYCE: I hesitate to state from memory the status, for example, of the Chinese loan at the moment. But as far as I know it would be the only one.

Mr. FLEMING: Where credits have been taken by way of the purchase of property with the use of blocked currency, for instance, as in the Netherlands and Denmark? Are they reflected in these accounts or in claim accounts such as we have reference to in item 111?

Mr. BRYCE: Settlements in blocked currency have usually been made for claims of the nature of those referred to in paragraph 111 and not for loans or advances payable in Canadian dollars as these are.

Mr. FLEMING: Then none of these purchases of property by Canada through the use of blocked currency abroad would be reflected in any way in the figures, such as those in item 106?

Mr. BRYCE: No, sir.

The VICE-CHAIRMAN: Item 107? Item 108? Item 109?

Mr. FLEMING: As to 108, who is responsible for seeing that accounts are collected in connection with advances under the Export Credit Insurance Act?

The VICE-CHAIRMAN: Mr. Sellar might answer you.

The WITNESS: I am not so sure that I am the right person. I thing it is the Minister of Finance; but it may be that the Export Credit Corporation is regarded by the Minister of Finance as an agent.

Mr. BRYCE: Part II of the Act is administrated by the Minister of Finance and the Department of Finance, and the Act does give the minister authority to make use of the Export Credit Insurance Corporation as an agent, if he sees fit. The Department of Finance has administered those loans and the collection of them, with, of course, appropriate assistance from the Department of External Affairs and the Department of Trade and Commerce, in so far as their activities relate to representations abroad or to assistance in purchasing and similar matters.

By Mr. Fleming:

Q. I am not clear as to the relationship between these figures having regard to the $17 million mentioned in the first sentence and the sentence to the effect that repayments of principal total $18 million. What is the significance of the first sentence? Would you say that the advances include interest? Advances by whom or to whom?—A. That would be accrued interest owing by various governments in connection with advances made to them and formally placed in that loan category and capitalized.

Q. That is capitalization. Under what circumstances would capitalization be made of accrued interest?—A. I am trying to find an example for you but I cannot give you one. Can you do so, Mr. Bryce?

Mr. BRYCE: These advances were made under agreements that normally left the borrowing government a period in which to draw upon the loan and use it for purchases. Interest was normally charged on those advances during the period advances could be made, and the interest during that period—what we might term the borrowing period—was normally accumulated until the end of that period and the accrued interest at the end of that period was added to the capital amount of the debt.

The VICE-CHAIRMAN: Item 109? The same thing? Item 110? Item 111?

By Mr. Fleming:

Q. With respect to the Danish credit in item 110, the reference is that it represents partial settlement of Canada's claim. Are we on the subject of the purchase of the embassy property there, Mr. Sellar?—A. As far as I am concerned, it was just "receiving money". I am just noting that it was received. And the same with respect to money from Spain. How they financed the embassy property might or might not be allied with it.

Q. You proceed simply on the authority of the orders in council in matters of that kind?—A. For our purposes.

Q. Yes.—A. First of all, we watch to see that the entries for the balance sheet are reflected by transactions; and having done that, we come to the

expenditures and we look primarily to the records of External Affairs and to the Governor in Council for authority for the purchase of any property with the use of this money.

Q. This gets back to your recommendation in connection with legislating by means of items in the estimates. Is that not upon all fours with the subject?

Mr. SINCLAIR: No!

The WITNESS: The primary reason for the paragraph was the receipt of the money from Spain. I thought you might be interested in knowing how it arose. The Government of Spain agreed with the big powers that after it disposed of German porperty in Spain, it would allocate the money around. Canada, I think, got a 3·8 per cent share of it. So we got that much money in Spain. It was just found money to my way of thinking.

By Mr. Fleming:

Q. There was no blocked currency?—A. No. It was Spanish currency.

Mr. SINCLAIR: There was no way of showing that in the estimates of the year before because it was unexpected. Item 111, since it was a formal loan or advance beyond recovery at the time of the explanation, it was very doubtful and I do not see how a loan could be carried as a claim or a rather doubtful item.

Mr. FLEMING: I thought this was getting back to the payment of the $1 item?

Mr. SINCLAIR: Well, it is not.

The VICE-CHAIRMAN: Any questions on item 110?

By Mr. Fleming:

Q. What use would be made of that credit for Spain?—A. At the end of that particular year it was lying there to the credit of the Government of Canada. I imagine it is still there.

The VICE-CHAIRMAN: I think there was quite an elaborate statement made about it in the External Affairs committee.

Mr. FLEMING: On Spain?

The VICE-CHAIRMAN: On blocked currency generally.

Mr. FLEMING: I do not remember anything being said about Spain.

By Mr. Gauthier:

Q. How much money would it represent in our currency?—A. We received 3,100,000 pesetos, which when converted would amount to $282,000.

The VICE-CHAIRMAN: Item 111?

By Mr. Fleming:

Q. Is 110 in the same position as 111, not reflected in the balance sheet? —A. No. 110 is in the balance sheet.

The VICE-CHAIRMAN: Item 111 is in.

Mr. FLEMING: Because it was ascertained.

The VICE-CHAIRMAN: Item 112. "Reserve for Possible Losses."

By Mr. Fleming:

Q. Item 112 "Reserve for Possible Losses". I notice that the auditor-general concludes the section with this comment:

> The authority to effect a compromise may be a necessary incident of the conduct of litigation, but it is not explicitly granted by the Act, and this is the first transaction of the kind noted during annual audits.

Does that mean there has been no similar statement in all the time there has been an audit of public accounts?—A. The situation is this: Parliament has not given any general authority to write-off bad debts or the equivalent. This case arose during the year before the deputy minister of Finance made a write-down. He consulted the Department of Justice. The deputy minister of Finance in his part of the public accounts on page XXXI of his report, refers to this as being done on the advice of the deputy minister of Justice. During the war years the government assisted various coal mines to improve their property in order to get larger production.

One mine received an advance. The coal controller was very critical of the use that had been made of that advance. Ultimately there was trouble getting the money back and it was passed over to the legal officers for litigation. They issued a Writ of Extent. That is as far as the legal proceedings went. A successor company to the company that had got the advance offered to pay $10,000 in settlement of a claim of roughly $20,000 and the law officer decided that rather than fight the case through, having the cost of litigation in view, and the risk of failing to win, decided that it was good business to take the $10,000 in cash and close the account. Now, had there been a judgment of the court there would have been no doubt in our minds that it would be written off, but in this particular case there was no judgment of the court, however the Department of Justice is of the opinion that it has the power under this particular section of the Department of Justice Act, but as it was the first time that we ever observed that power exercised we thought we should bring attention to it. It is a question of law. We are noting it, but we leave it to the lawyers.

Q. You are not undertaking to say that the department did not have the power to do that?—A. No.

By Mr. Sinclair:

Q. If the department did not have that power that would mean that every case involving the Crown would have to be fought through to a judgment and that would be absurd?—A. That is the situation today, sir. Our books are cluttered up with old accounts that cannot be collected. That is what I was suggesting earlier, that we should have a way to clean that stuff up. I am not critical of writing this off, but here is a new method employed to do it. As I say, the only legal step taken was to issue a Writ of Extent.

The VICE-CHAIRMAN: What happens, as Mr. Sinclair points out to us, is that the legislative portion has fallen down a bit, and we ought to do something about it. The Finance Department is also concerned with it. I think it is a matter that ought to be dealt with by this committee very forcibly and as quickly as possible.

Mr. SINCLAIR: To clean up all these old book debts in each department would mean we would have to take to law to get a judgment in each case even though we could not collect?

The WITNESS: There is a mortgage on our books over a hundred and fifty years old; nobody can find the mortgage but the debt is still on our books.

By Mr. Hansell:

Q. To follow that question up respecting the legislative action. Should that not be done under present legislation? For instance, what I have in mind is some resolution, say, in the budget?—A. The convenient way, sir, would be to put it into the Consolidated Revenue and Audit Act. It is already in the Bankruptcy Act and so far as a bankrupt is concerned it can be done. If you just put a general power in the Consolidated Revenue and Audit Act you could have the controls as well as the powers.

Q. What I had in mind was that the writing off of any indebtedness should come before parliament yearly, and to put it into an Act giving the government authority to write it off would not do that.—A. Well, sir, years ago Public Account Committees met and went over the bad debts and spent months going over them. The last time they did it I think was in 1912, it may have been 1913 or 1914 but anyway that was the last time it was done, and frankly, sir, to do that you would cover a tremendous amount of paper in here and you would be bored stiff. I think the more practical thing is to have the government take the responsibility and present to you each year a statement of what action it has taken in writing off bad debts. In that way you would have the publicity necessary.

Mr. SINCLAIR: You could challenge any one of them then?

The WITNESS: Yes.

By Mr. Fleming:

Q. Except that it would be all completed before the committee ever saw that.—A. Governments are not anxious to write accounts off in a hurry, and only do so if there is no hope of collecting. It is afraid of being criticized or showing favouritism. You have always that safeguard.

Q. If we proceeded to do such a thing now, we would have to go back of 1912?—A. You would have to go back to 1912 but you would also be taking up a lot of accounts prior to that.

Q. There is quite a list they were not prepared to have written off in 1912?—A. A very convenient illustration is the aid to civil power in the time of strikes. You will find claims against various municipalities particularly in Nova Scotia and British Columbia and some in the Province of Quebec that have stood in the books for years and years and years. We will never get the money, and some of these date back of 1912.

Mr. SINCLAIR: There are earlier ones too, that the committee of that time did not regard as hopeless, but are hopeless today?

The VICE-CHAIRMAN: Before we leave this, I would say I think it is definitely a suggestion.

Mr. FLEMING: It is linked with the suggestion Mr. Sellar made earlier in the morning.

The WITNESS: In this case it is not by the minister but by the Department of Justice's legal opinion here. It is a legal question.

The VICE-CHAIRMAN: This is a matter we will deal with before the committee. It is important.

Item 113. "Net Debt."

Item 114. "Agricultural Prices Support Act."

By Mr. Drew:

Q. In this paragraph you speak of the St. Malo shops and other miscellaneous property turned over to War Assets Corporation as surplus assets. What disposition has been made of these, do you know?—A. All that I have got, sir, is the note that I have taken from Dr. Clark, dealing with the item in his part of the report, where he says at page XXVI:

> In addition there is a bookkeeping entry of $2·2 million representing an amount previously carried for St. Malo shops property under Public Works capital (non-active) now transferred to consolidated deficit accounts. This is a contra-item and also appears on the revenue side under special receipts and credits.

That was transferred over to War Assets Corporation for sale, was it not, Mr. Bryce?

Mr. BRYCE: Yes.

The WITNESS: And he had to bring it back out of non-active to deal with it that way.

By Mr. Drew:

Q. In other words, it had been included as a non-active asset and it became active to the extent of being sold.—A. Yes.

Q. And for the purpose of carrying out the sale it became necessary to bring it back into revenue. Would there be many other cases similar to that?—A. No, not that year.

Q. Not that year?—A. No, every year there are a few similar ones to that. That was the big item that year.

Q. Was that disposed of during the period we are covering in the public accounts?—A. You mean by War Assets?

Q. Yes.—A. I would have to find that out for you, sir.

Q. Since I do not know where else we could look for it in the accounts, I would like to know.—A. I will find it.

The VICE-CHAIRMAN: 115, gentlemen.

Mr. FLEMING: Why does this appear as an item in your report, Mr. Sellar? You simply state the fact, you do not make any comment?

The WITNESS: No, the only comment is in paragraph 118, where I relate a very peculiar thing happened with the very best intentions on the part of everybody. You will notice there,—may I refer to paragraph 118, Mr. Chairman?

The VICE-CHAIRMAN: Surely.

The WITNESS: You notice that the government paid $117,000 more than it expected to pay. What happened was this, they had to establish a standard, and the Order said for processing apples, apples were to be calculated on the basis of one barrel of apples for every case of apple sauce and concentrated apple juice.

What happened was that the apples were of a higher standard than expected and it took fewer apples to make a can of apple sauce, and fewer apples to make a can of apple juice.

The VICE-CHAIRMAN: They were not British Columbia apples, by the way.

The WITNESS: Ordinarily, the thing would have run in favour of the government but that particular transaction ran against the government, and it cost $117,000 more than the government expected when it fixed the formula There was nothing else to it, it just happened that way.

By Mr. Fleming:

Q. The error was in the formula, they under-estimated the value of the apple?—A. They under-estimated the value of the crop.

Q. That money went to the Nova Scotia Apple Marketing Board for distribution among the producers?—A. Yes, sir.

The VICE-CHAIRMAN: Items, 116 117, 118.

Item 119. "Distressed Canadian Nationals Outside of Canada."

By Mr. Hansell:

Q. Under this item, Mr. Chairman,—this might—be a rather general question, what would be the nature of assistance to distressed nationals abroad? —A. A typical example, sir, would be a man, say he was a foreigner or a

naturalized Canadian, he came from some other country, and during the war his wife was still in the other country for one reason or another. He would come to the Department of External Affairs or Immigration and say, can you arrange to get some money to keep my people in that country. Say, it was an occupied country. The Department would take the money, arrange with the British or some other government which had a connecting link into that country and they would make arrangements and look after the financing, and in due course, would bill us. That is the sort of assistance. Or it might also be the case of some mariner who jumped his ship in a foreign country and the country concerned wanted to get him out of that country and we would be called upon to foot the bill. .

Q. The amounts would not be large amounts individually?—A. No, sir.

Q. I suppose assistance would be on a personal basis, it would not be on matters of business failures or anything like that?—A. No, the bulk of the money would come from individuals like that or from religious orders getting their missionaries home.

By Mr. Fleming:

Q. Now, I have a question on item 117:

> Out of a total of 676,004 units of processed fruit, 310,093 were donated to various government agencies, to hospitals, and to the United Kingdom government.

How many went to the United Kingdom government?—A. My recollection is that $1 million worth were.

Q. Would that be the bulk of the 310,000?—A. I will quote from the annual report of the Department of Agriculture to give you that information:

> The end of the fiscal year, 1947-1948 found the board in possession of a considerable quantity of processed apples which had been acquired under the support program for the Nova Scotia apple crop of 1947. They could not be sold in Canada except at prices that would have spoiled the market for producers in other provinces, and foreign buyers could be found for only part of the supply. Distribution of a portion of the stocks, therefore, was made in the Department of Veterans Affairs and other government services and to institutions such as hospitals, the receiver paying the cost of distribution only. The remaining stocks, consisting of some 187,000 cases of apple sauce, was given to the British Ministry of Food, which paid the cost of inland and ocean transportation to the United Kingdom.

Q. This was apple sauce, not the apples?—A. No, it was processed.

Q. You remember there was a quite a stir three or four months ago over the sale by the Ministry of Food over there of apples that had been donated by British Columbia.—A. It was not the Canadian government.

Q. That has nothing to do with this item?—A. No.

Q. This has just to do with apple sauce.—A. Yes.

Q. On these items 119 and following I would just like to ask a question in regard to the relationship between these and the matter that was before the Committee of External Affairs the other day. We were there concerned with a question of collection under an item that permits the Department of External Affairs to make certain advances for the purposes of repatriation of distressed Canadians abroad. Now, this seems to relate to a rather different fund. Is there some assistance given to distressed Canadians abroad quite apart from that one that is in the accounts of the Department of External Affairs?—A. What you have now before you is not money appropriated by the Govern-

ment of Canada but which has been sent in by individuals for the purpose of looking after certain people. It is a trust account. The reason this item is in here is because the department has construed the settlement with England as relieving the individual who had provided his money from bearing any part of the cost which the British government may have spent on that individual. We thought that it should have been a set-off against him. For example, let us say an individual sent in $1,000 asking them to look after a person in southern Asia. We in turn asked the United Kingdom authorities to do that. They then spent $500 looking to the needs of the individual recommended, but, by reason of the settlement of war claims, the adjustment of war accounts between the Canadian and United Kingdom governments, it was agreed we would never pay that $500 to England. That was the set-off, you see. The department in applying this, has treated that as also extending to the individual who put up the $1,000 and so they gave him back his $1,000.

Q. The result of it is whether this claim against the United Kingdom government does reduce to $500?—A. No, the United Kingdom claim against Canada, because they paid in advance.

Q. Yes, but has not Canada in fact written off $500?—A. No. England has written off $500 owing by Canada to the U.K. They dispersed in advance of receiving any money from us.

Q. Have they written that off completely?—A. Yes, by the 1946 agreement.

Q. Has any action been taken in the light of all this to see that the benefit of this transaction accrues to the government rather than to the individual?—A. The money has gone.

The VICE-CHAIRMAN: Has anything been done?

The WITNESS: We do not think it will happen again, but it happened.

By Mr. Fleming:

Q. How many persons were affected by this?—A. I cannot tell you; there must have been quite a substantial number.

Q. That was a pretty lucky break for them?—A. Yes, it was.

Q. It seems to me we were told by the Department of External Affairs that every effort is made to collect every cent that is advanced to distressed Canadians even after they come back here and try to re-establish themselves. But that incident in your view is closed now?—A. I think that is closed from the point of view of being able to do anything. The people got the money direct. They took it back in good faith. They left it to the government and the government saw fit to hand it back. I doubt if we could get it back from any individual. It is just one of those unfortunate things that happens.

By the Vice-Chairman:

Q. You say that the British government gave up its claim for money that it had spent. What is unfortunate about that?—A. I think the Canadian government should have got the benefit.

Q. I see what you mean.—A. I always have the viewpoint of the Canadian government in mind.

Q. But these were our own people here in Canada who were trying to be helpful to people in the war zone, is that it?—A. Yes, the war zone, or occupied countries of one sort or another.

The VICE-CHAIRMAN: Gentlemen, we have had a long session this morning. I will try to arrange a meeting for Wednesday.

Mr. DREW: Just before we adjourn. We will be coming into the "Miscellaneous Audits", I assume, very shortly after we resume Mr. Sellar's evidence, and I merely put this forward as a question as to whether it would not be desirable to have someone here who is in a position to give answers in regard

to these matters, in addition to Mr. Sellar. I am not wishing to break the continuity but it may save time by not having the necessity of calling witnesses separately in connection with these items later. I think it would be desirable to have officials posted, at least, in regard to the major items under each of these headings which obviously invite fairly general questions on which Mr. Sellar could not be expected to have all the information.

The VICE-CHAIRMAN: Yes, I think you are quite right, Mr. Drew.

Mr. DREW: I would particularly like to have someone here from the Canadian Arsenals and also from the Canadian Commercial Corporation. I would certainly want officials here other than Mr. Sellar.

—The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 18

TUESDAY, MAY 30, 1950

WITNESSES:

Mr. Watson Sellar, C.M.G., Auditor General;
Mr. R. B. Bryce, Assistant Deputy Minister of Finance;
Mr. K. W. Taylor, Assistant Deputy Minister of Finance;
Mr. B. J. Roberts, National Harbours Board.

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1950

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Clerk: A. L. Burgess.

MINUTES OF PROCEEDINGS

Tuesday, May 30, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Vice-Chairman, Mr. David Croll, presiding.

Members present: Messrs. Anderson, Ashbourne, Balcer, Boisvert, Cauchon, Cavers, Cruickshank, Drew, Fleming, Fournier *(Maisonneuve-Rosemont)*, Fulford, Fraser, Gauthier *(Portneuf)*, Hansell, Helme, Kirk, *(Digby-Yarmouth)*, Langlois *(Gaspe)*, Larson, Major, Prudham, Richard *(Ottawa East)*, Robinson, Sinclair, Stewart *(Winnipeg North)*, Thomas, Warren, Winkler.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General; Mr. R. B. Bryce, Assistant Deputy Minister of Finance; Mr. K. W. Taylor, Assistant Deputy Minister of Finance; Mr. B. J. Roberts, National Harbours Board.

Mr. Bryce tabled a memorandum on items in the estimates of special legislative significance, which is printed as *Appendix A* to this day's minutes of proceedings and evidence.

The Committee resumed consideration of the Auditor General's Report for the fiscal year 1948-49.

Examination of Messrs. Sellar and Bryce was concluded on paragraphs 123 to 129, inclusive, of the said Report.

Mr. Taylor was called, questioned on paragraph 138, and retired.

Mr. Roberts was called, questioned on paragraphs 141 to 146, inclusive, and retired.

At 1 o'clock p.m., the Committee adjourned until Thursday, June 1, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

63705—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Tuesday, May 30, 1950.

The Standing Committee on Public Accounts met this day at 11 a.m. The Vice-Chairman, Mr. David A. Croll, presided.

The VICE-CHAIRMAN: Gentlemen, we are on item 123 in the Auditor General's report.

Before we proceed I have here a memorandum for the Public Accounts Committee on items of the estimates of special legislative significance. This is produced as a result of a question asked by Mr. Drew; it is of some length, and I will table it. It will appear in the record of today's proceedings, members will be able to look at it and see what there is in it of interest to them. *(See Appendix A.)*

Mr. FLEMING: When will there be an opportunity of asking questions arising out of that? I take it that it is too bulky now to attempt to spend time on it?

The VICE-CHAIRMAN: I will talk to Mr. Bryce about the matter, find out what it contains, and let you know later.

Mr. FLEMING: Thank you.

The VICE-CHAIRMAN: Mr. Sellar is here and has an answer to one question asked yesterday by Mr. Drew.

Watson Sellar, Auditor General, called:

The WITNESS: Yes, Mr. Drew asked to whom the St. Malo shops were sold and for what price? The city of Quebec was the purchaser and the price was $500,000.

The VICE-CHAIRMAN: We are now at item No. 123. "Fisheries Prices Support Account".

Mr. FRASER: Is Mr. Sellar going to explain this?

The VICE-CHAIRMAN: Just ask questions.

By Mr. Fraser:

Q. On the latter part of this it states that the figures $1,173,421 of working capital is an overstatement?—A. Yes, sir. The reason is that they did not offset gifts and their small losses against that. The situation was corrected last fall by parliament by vote 789 and the account is now in balance.

Q. The account is now in balance?—A. Yes.

By Mr. Browne:

Q. When you say now, you mean for the year 1949-50?—A. It is now in balance as far as this item is concerned. The deficiency is now made up.

Q. That is by an amount to the credit of the Fisheries Prices Support Board?—A. Yes, sir.

The VICE-CHAIRMAN: Section 124. "Government Annuities Account."

By Mr. Stewart:

Q. Has Mr. Sellar had information from actuarial sources as to the adequacy of the reserve in the government annuity account and, secondly, as to the up-to-dateness of the tables of mortality which are being used?—A. I am trying to think, sir. There were some adjustments made in the last year but I would have to find out more, unless Mr. Bryce could give you the information. The Department of Finance and the Department of Labour work in close co-operation. I know that the two departments have been negotiating this year to correct their differences with regard to interest and to get their accounts comparable.

Q. In your capacity as Auditor General do you consult with actuaries as to the accuracy of the reserve?—A. No; we take their reports.

The VICE-CHAIRMAN: Can you be helpful, Mr. Bryce?

Mr. BRYCE: Only to say, in connection with paragraph 125 that both the rate of interest applicable and the mortality tables have been revised in the past two years. They were revised having in mind getting them on a more currently valid basis. The method of calculating interest, to which the Auditor General refers, has recently been revised and the Finance Department has agreed with the Department of Labour on the method of calculation but I am sorry I have not got the details.

By Mr. Fleming:

Q. The final sentence of para 125 suggests that some further revision of the method of calculating interest is under consideration—that is apart from the reduction from 4 per cent to 3 per cent in the yearly compounded rate.—A. That is what Mr. Bryce has been referring to. The Department of Finance and the Department of Labour are now in agreement. The trouble was that the Department of Labour calculated the interest from the moment the payment was received by it; and the Department of Finance treated it from the beginning of the next month. That is just a difference in handing within the government, but they are now on common ground.

Q. That is all you have reference to in para 125?—A. That is right.

Mr. STEWART: I have not yet found out if the reserve is actuarially sound. We are told it is computed in part by the Department of Finance and in part by the Department of Labour but I am wondering if there is any actuarial report as to the soundness of the reserve. At a future meeting I wonder if we might be told what tables are used?

Mr. BRYCE: I am sorry that I cannot tell you what tables are used and when the last actuarial valuation was made.

The WITNESS: The table is the Mortality of Annuitants 1900-20, published by the Institute of Actuaries and the Faculty of Actuaries of Scotland known as "the a(f) and a(m) tables."

The VICE-CHAIRMAN: The Scotch part of it was for your benefit, Mr. Stewart. Do you want something further now?

Mr. STEWART: I would like to know if there is any actuarial report as to the soundness of the reserve?

The VICE-CHAIRMAN: Do you want someone to tell you the amount of it?

Mr. STEWART: No, but at some later meeting I would like to be told whether it is actuarially sound.

The VICE-CHAIRMAN: Mr. Bryce, would you get that?

Mr. ASHBOURNE: I would like to be advised regarding the trend of the demand for annuities? Is it on the increase or on the decline?

The WITNESS: I cannot give you a specific answer.

The VICE-CHAIRMAN: Can you give an answer Mr. Bryce?

Mr. BRYCE: Sales of annuities, I believe, fell off when the interest rate was reduced but I believe they have begun to move upward again.

Mr. ASHBOURNE: I happen to be on the Old Age Security Committee and I would like that information for comparison purposes.

The VICE-CHAIRMAN: The information can be made available.

Mr. BROWNE: On what page in the public accounts do we find this account criticized?

Mr. BRYCE: Mr. Ashbourne, do you want information as to the monthly sales?

Mr. ASHBOURNE: Yes, information on the last five years perhaps.

The WITNESS: This account is dealt with in summarized form on page K-17.

The VICE-CHAIRMAN: 125 has been dealt with. We will go to 126.

By Mr. Fleming:

Q. Mr. Sellar, would you enlarge on para 126? This looks to be one of those $1 amounts in the estimates which have been an indication of a substantial payment?—A. This is a $1 item, which I think is the quite proper use of a $1 item. What happened was this. The department got out certain forms and undertook to give a last survivors annuity for a guaranteed period; and the conversion of last survivor annuity on death of one annuitant, an annuity based solely on the life of the survivor.

They got out forms and their agents sold contracts. Later a question arose as to the legality of the minister selling that kind of annuity. The Department of Justice ruled that he had no such authority but these people had purchased the contract in good faith and, therefore, to validate those that were already outstanding, this item was put in. It is for fair dealing of the people who purchased in good faith. The government has discontinued selling those annuities.

Q. I follow you on the principle but why do you say a $1 item was needed to meet the costs of return of the moneys?—A. The reason was it was decided not to be public policy to issue that sort or type of annuity. Therefore, if you put it into the Act you were establishing that form of annuity. If you put it into the Appropriation Act just to cover the outstanding cases you would not be enacting continuing legislation which would encourage people to think they could buy that type of insurance.

Q. Why did it have to be a $1? Could the amount not have been ascertained specifically?—A. They would not know at the time. You are never sure—when you have a joint annuity—you are not sure when one is going to die.

Q. It was not possible to make any estimates based on mortality tables? —A. No, you have the $1 to get it before the Committee of Supply because this is a money resolution you are dealing with. They could not calculate absolutely what the amount necessary was.

Q. However, this is not a recurring item?—A. No, as I say, there are very few of them and they will disappear.

Mr. BROWNE: On page K-6 it gives two votes of $1 each. Is that the same idea there?

The WITNESS: K-728 was a special case; 729 was also a special case. You see they refer to two individuals by name.

The VICE-CHAIRMAN: We will go to 127. "Permanent Services Pension Account".

Mr. STEWART: Can we take 128 as well?

The VICE-CHAIRMAN: Yes.

By Mr. Stewart:

Q. May I ask how this fund was administered? There seems to be a note from the Auditor General that he is not entirely satisfied with the administration?—A. The problem, sir, is this. It arises in connection with arrears for which service men are contributing. I will use the army as an example. The pay corps pays a man and make the deductions from him. The man is contributing for arrears as actuarially calculated and there may be errors made by the pay corps in making those deductions. There is a control account maintained in Ottawa but this control account cannot as yet be reconciled with the actual deductions being made by the pay corps in the field. The result is that when man is being retired or takes his discharge and is entitled either to a pension, or a refund of money, one has laboriously to go over all of the records which takes sometimes days or weeks, and delays payment to the individual. The net result is added administrative cost, but no loss to the individual. The aim is to try to get the control accounts in Ottawa brought up to date and the field accounts reconciled. That is the problem which has not been achieved yet and progress is slow. They were delayed in the hope that a special machine would help to clear that up but the machine has not been satisfactory.

Q. Have you made recommendations in the past about effecting this reconciliation?—A. We do not make recommendations but we complain to them because we are concerned about all awards.

Q. Do they pay any attention to your complaints?—A. Oh, yes; oh, yes; but things move slowly in the service forces.

The VICE-CHAIRMAN: Paragraph 129.

"R.C.M.P. dependents' pension fund".

Mr. FLEMING: Is there any reason for including paragraph 129 in the report, other than just as a matter of record?

The WITNESS: For information, sir. That is the only place where you will find it.

The VICE-CHAIRMAN: Yesterday, I suggested that our next meeting be held on Wednesday and then I found that Wednesday was caucus day for all parties and decided to hold it today. I was not able to get people from the Canadian Arsenals Limited, the Canadian Broadcasting Corporation, the Commercial Corporation, so paragraphs 130 to 137 will stand.

With regard to paragraph 138 we have Mr. K. W. Taylor here.

"Commodity Prices Stabilization Corporation, Ltd."

K. W. Taylor, Chairman, Wartime Prices and Trade Board, called:

The VICE-CHAIRMAN: We are on paragraph 138, Commodity Prices Stabilization Corporation Limited.

By Mr. Fleming:

Q. May we have a statement on this item from Mr. Taylor?—A. On the whole item?

Q. Mr. Sellar attaches a note saying "In addition to direct subsidies, some importers were subsidized indirectly by means of partial or complete relief from the payment of import duties and taxes on certain commodities under the authority of orders in council."—A. There were a great many orders in council passed during the war. I have not got with me complete papers but I have the last annual report of the board where they are listed, on page 86.

The VICE-CHAIRMAN: Would you identify that document?

The WITNESS: It is the Report of the Wartime Prices and Trade Board of February 1, 1947. That is the last published report and on pages 86 to 90 there is a list of orders in council passed, remitting in whole or in part duties on imports in connection with the administration of subsidies and price ceilings. In many cases, where we were subsidizing an import, and it seemed unnecessary and undesirable, to collect duty and increase the subsidy by the amount of the duty. Where there were no other complications of domestic manufacture and so on it was customary to have the duty remitted by order in council to all importers, and subsidies were reduced by that amount.

By Mr. Fleming:

Q. Remitted in the case of all importers?—A. Yes. There were no cases that I remember where the remission was to an individual importer. The order in council was passed, for instance P.C. 7021 of 1942, vegetable type fibre other than cotton, removing the special excise tax. In other words, that tax was completely suspended by that order in council for all importers.

Q. How does the Commodity Prices Stabilization Corporation stand now with regard to winding up?—A. We have no inventories; we are paying no subsidies; we make no bulk purchases; the staff is down to about 14; and they are engaged solely in a winding-up operation. For example, we cannot close a subsidy account until we get the final assessment from the income tax people. We still have quite a number of claims for shipping shortages against steamship companies, for example, as well as claims against us. It will all take time to adjust them and work them out. I cannot just say when the corporation's charter can be surrendered, but we are making progress in cleaning up these odds and ends. Six months ago we had about 150 or more company year-ends to get cleared with respect to income tax; but the number is now cut down to 50 or less.

Q. And after that you will be surrendering the charter of the corporation? —A. That would be a matter for the Governor in Council.

Q. There is no announced decision?—A. No, I do not think so. We are working on the assumption that we shall recommend the surrender of the charter as soon as the last file is closed, and I hope that will be within the year.

Q. You have referred to the report of the Wartime Prices and Trade Board, the last one to be made public up to the end of 1947?—A. Yes.

Q. The Commodity Prices Stabilization Corporation did not submit separate reports to parliament at any time, did it?—A. No.

Q. It was simply included within the scope of the Wartime Prices and Trade Board report?—A. That is right.

Q. Is it the intention of the Wartime Prices and Trade Board to put together or to compile a report which can be submitted to parliament soon?—A. Part of the trouble has been that with the rapid diminution of staff we simply have not had the time to put together a final report. Under the order in council the Wartime Prices and Trade Board is not actually required to make an annual report, but only to report as and when required or directed to do so by the minister. It would be the intention of the present chairman of the board to submit a final report when the thing is finally cleaned up, a report which would be of historical interest, if nothing else.

Q. Have you the date on which the 1947 report to which you referred was made public?—A. It was submitted to His Excellency by the minister on February 15, 1947.

Q. Do you happen to have any record indicating whether it was tabled in parliament?—A. I presume it was, but I do not know.

Q. You do not know? Was that in any sense a report for the year?—A. It was for the calendar year 1946 including all the important developments up to February 1, 1947.

Q. Was it the policy of those subsidiary corporations such as the Commodity Prices Stabilization Corporation to submit annual reports to the Wartime Prices and Trade Board?—A. No, not as such. They submit monthly reports of all their operations to the chairman of the board. The Auditor General, of course, has always sent a copy of his audited statement directly to the chairman of the board.

Q. You mean to the Chairman of the Wartime Prices and Trade Board?—A. Yes, and in addition to the minister.

Q. Apart from full reports, what about annual statements of these subsidiary corporations in a form suitable for audit? Were such annual financial statements prepared?—A. Yes. The Auditor General is the auditor of all the companies which were, so to speak, associated with the Wartime Prices and Trade Board.

Q. While they did not prepare annual reports, they did, however, submit annual financial statements?—A. There was of course the annual report to the shareholders.

Q. I see that Mr. Sellar is nodding his head at one point by which I take it he indicates that he audited the financial statements of these subsidiary corporations?

Mr. SELLAR: You will find at page F-60 the financial statement of the Commodity Prices Stabilization Corporation Ltd., and you will find at page F-65 the balance sheet of the Canadian Sugar Stabilization Corporation Ltd., which was an allied corporation.

By Mr. Stewart:

Q. On page F-60, in the balance sheet of the Commodity Prices Stabilization Corporation Ltd., there is shown "Inventory of Commodities, at cost, as certified by the Management, Oils and Fats . . ." Yet the auditor tells us that the market value was probably substantially lower than that. Why was the market value not used in the balance sheet instead of the cost?—A. The market value was much lower. We have always carried our inventories at cost in our statement from year to year. It so happens in that particular year the inventory of oils and fats was the remainder of a very large inventory which we had operated with during the course of the war. Some of that for example was the tail-end, so to speak, the dregs of the tanks with respect to which we knew we could never realize anything approaching its full value. Moreover, might I say that we handled something between 500,000 and 600,000 tons of imported oils during the war and our total losses, which were partly subsidies and partly trading losses—the trading losses deliberately and consciously taken—amounted to something in the order of $40 million, and that works out to something like, I think, 4 cents or 5 cents a pound on the average.

Q. The reason for my question is that in a general business you would put them in at cost or market, whichever was the lower.—A. At that time I think it would have been almost impossible to say what the market value of any oil was. The market was extremely confused. We were buying, for example, peanut oil in India at one price and on the other hand we were buying Belgian palm oil at another. There was no market in the sense that everything was a series of bulk purchases between the governments at the close of the war. It was our practice to carry all our inventories at cost.

Q. This question deals more with public accounts than with the auditor's statement, Mr. Chairman, and you may want to rule upon it. I do not very much care. But on page F-61 in the statement entitled "Statement of Subsidies paid for the year ended March 31, 1949" I see under the heading of "Subsidies—Domestic, Butter", which I gather was from Denmark, New Zealand and Australia, there were subsidies paid in the amount of $872,923.55.—A. Yes.

That was an arrangement to import butter in order to meet a shortage that year. The negotiations and all arrangements for the importation of butter were handled by the Department of Trade and Commerce. Its distribution in Canada was handled by the Department of Agriculture in collaboration with the Department of Trade and Commerce; and it was agreed that we would reimburse the Department of Trade and Commerce for the final loss on their operations.

Q. You mean (if the price of butter went below the ceiling?) (to keep the price of butter at or below the ceiling?)—A. Yes.

The VICE-CHAIRMAN: I am reading from the Journals of the House of Commons for 1947. I see that the Hon. Mr. Abbott laid before the House the report of the Wartime Prices and Trade Board for the year ending December 31, 1946, including important developments up to February 1, 1947.

By Mr. Fleming:

Q. What was the date in 1947?—A. February 18.

By Mr. Browne:

Q. With respect to whale oil and seal oil, has it been disposed of?—A. Yes.

Q. Was there much loss?—A. A very substantial loss around $600,000.

Q. And why?—A. It was sold to the trade—.

Q. Were there very few buyers?—A. I think some of it was exported, in fact a large amount was exported. The whale oil was largely exported to Belgium.

Q. It has all gone now?—A. Yes it has all gone now and it has been gone for some months.

By Mr. Fraser:

Q. You mentioned that you have 14 on your staff now? What was your staff a year ago?—A. I think about 70 or 80. I could look up the records. At the peak it was about 570.

Q. And the peak would be about 1944?—A. 1945 or 1946, after the war.

By Mr. Fleming:

Q. The purchases of this corporation are handled through one agency, are they not?—A. Yes. We had a bulk purchasing division which was administered under contract by a firm in Montreal, Harrisons and Crosfield (Canada) Limited.

Q. That purchasing was to channel all agency business through one firm, whereas previously it was done by a number of firms interested in that kind of agency business?—A. No. Harrisons and Crosfield (Canada) Limited administered our bulk purchasing division but they used the ordinary channels of trade and the ordinary brokers. I was not president of the corporation in the active stages. I took over about two or three years ago.

Q. Was there not some crticism of the selection of brokerage through just one agency?—A. I would not be inclined to agree with it.

The VICE-CHAIRMAN: We shall not go into that. Are there any further questions?

By Mr. Fraser:

Q. Was there a surplus of butter at the end of March 1949?—A. I do not know, sir.

Q. Was there not a considerable surplus at that time?—A. I do not know.

Q. With respect to the accounts proven to be uncollectable, were they substantial?—A. I think they are carried in our balance sheet on page F-60 at $12,523.39.

Q. That was the total amount?—A. That was the total amount as of that date, yes, sir.

Q. Would that be from these different corporations?—A. A great many of them were small individuals. For example, a great many of them would occur through our consumers' milk subsidy where, after we checked up we might find that a small milk distributor had made an error in his calculation whereby he owed us $3.48, but we might not find that out for a couple of years in some cases. I doubt if there would be many accounts amounting to as much as $1,000.

Q. These would be mostly over-payments on your part?—A. Mostly over-payments on our part or occasionally an error whereby a farmer distributor included the milk that he consumed in his own family, which would be against the regulations. There were scores and scores which were not worth chasing up. We recovered a great many. Most people are honest, and when we would point out a mistake, they would pay up. But it was not worth while taking court action to collect, let us say, $3.48.

By Mr. Fleming:

Q. These corporations handled some hundreds of millions of dollars of purchases during the war period?—A. Yes.

Q. Can you tell us off-hand what the total commission would be?—A. No. I think it was something in the order of ¼ of 1 per cent, in one year it was ·27 per cent. The Bulk Purchasing Division worked on a voluntary limitation of profit formula whereby they refunded to us any income earned over and above a certain amount in relation to their standard profits.

Q. But while the commission rate was being reduced, actually the bulk purchasing was increasing so much at the same time that the actual payments were not reduced?—A. I have not got the contract before me, but I think the general arrangement was that they got their out-of-pocket expenses and a commission at certain rates, and they refunded to us everything that contributed to excess profits in that division of their operations.

Q. Would it be very difficult to prepare a statement with respect to those commissions?—A. I would think not. I think we could prepare a statement, for example, of the gross commission earned, the expenses charged, the amounts refunded or not claimed, and the final payments.

Q. That would include the amount of these purchases?—A. Yes, it ran to hundred of millions of dollars.

The Vice-Chairman: That will be provided. Are there any further questions on this matter?

By Mr. Stewart:

Q. Under what situation would there be a remission of customs duty and excise tax?—A. As I said a while ago, I do not recall there ever being any individual remission. They were all by order in council. They were published at the time and the list in the last Annual Report of the Board covers fully four pages, giving each order in council, the date it was passed, the commodity, and how far it went in the way of removal or remission.

By Mr. Ashbourne:

Q. What commodities are being subsidized now?—A. None, sir.

The VICE-CHAIRMAN: That exhausts Mr. Taylor's part in these proceedings. He was just interested in Item 138. Thank you very much, Mr. Taylor. That is all. You will give us that statement and we shall have it put in the record.

Section 141:

"National Harbours Board."

We have with us Mr. B. J. Roberts, a member of the National Harbours Board, who is here to answer questions for the committee in the absence of the chairman, Mr. Smith.

Mr. B. J. Roberts, Member, National Harbours Board, called:

By Mr. Fraser:

Q. I see there is the comment here that the Harbours Board fiscal year should be the calendar year. Why do you think that should be done?

Mr. SELLAR: For the reason that is stated there. You will find in the public accounts figures that do not exactly compare with the accounts shown in the National Harbours Board statements. Their fiscal year is the calendar year and public accounts are based on the government fiscal year with the result that you will find certain transactions for January, February and March in the public accounts which are not in the National Harbours Board figures; the figures do not tie in. That would be the reason.

Mr. FRASER: And you would cover an extra three months in the public accounts?

Mr. SELLAR: In the public accounts, yes, but the expenditures would not be large.

The VICE-CHAIRMAN: Item 142:

By Mr. Fleming:

Q. I see this paragraph 142 refers to the fact that the agreement with the city of Montreal with respect to the Jacques Cartier bridge is now the subject of litigation. Has the case been settled yet?—A. In the first proceedings the crown was successful but I understand there is to be an appeal.

Q. What was the judgment?—A. Judgment was in favour of the crown for $686,134.71 and interest—interest was $108,485.16.

Q. Against the city of Montreal?—A. Yes.

Q. When was that judgment handed down?—A. On the 15th of March, 1950.

Q. And an appeal has been taken?—A. I understand an appeal is being taken.

By Mr. Cavers:

Q. How did the litigation arise? Did the city refuse to pay their share of the tolls that have been collected?—A. Going back to the inception of this bridge the federal government passed a statute amending the Montreal Harbour Commissioners Act which conferred powers on the Canadian government to guarantee bonds for the construction cost of the bridge. Simultaneously, the province of Quebec passed legislation authorizing the participation of the province and the city of Montreal in connection with aid towards meeting any deficit should the revenues not be sufficient, also granting power to the city of Montreal by amendment to its charter to make an agreement with the Montreal Harbour Commission to contribute such assistance—actually, in an amount not exceeding $150,000 a year, for the first forty years of the life of the bridge.

After paying that from 1930 to 1944 the city decided that it was exceeding its authority under the power granted to it by the province and declined to pay any further and as a result we requested the Department of Justice acting for the corporation, to institute action before the superior court in Montreal and judgment was obtained in the amount referred to.

Q. Is the judgment against the city of Montreal and the province of Quebec?—A. The province wasn't sued, there was no suit against the province.

Q. What was the attitude of the province of Quebec, that they were not liable under the agreement?—A. No, by correspondence—the province didn't pay—an official wrote us, no doubt at the direction of his government, and said that in view of the controversy that had arisen between our Board and the city of Montreal the province of Quebec would similarly decline to pay. There was no actual filing of a statement that they would not pay, but they declined to pay at the time.

By Mr. Fleming:

Q. I was just wondering if you could tell us whether there is a time limit within which the appeal can be taken?—A. I think there is. You see, we do not actually carry on the litigation, it is carried on through the Department of Justice; but I am informed that an appeal is being taken.

Q. But this judgment represents complete success in the lower court?—A. Complete success, we got everything we asked for.

The VICE-CHAIRMAN: Mr. Boisvert, what is the usual time for leave to appeal?

Mr. BOISVERT: Thirty days.

Mr. FLEMING: Can it be extended?

Mr. BOISVERT: No.

The VICE-CHAIRMAN: In any event, your Board does not take care of litigation, that is in the hands of the Department of Justice.

The WITNESS: Yes.

The VICE-CHAIRMAN: On item 143:

Mr. DREW: Just a minute, Mr. Chairman, on item 142: That deals with revenues and disbursements. In the case of the operation of the various harbours have you a consolidated surplus or deficit for the operation of all harbours for the period covered by this report, up to December 31, 1949?

The WITNESS: That would be for our fiscal year ending December 31, 1948.

Mr. DREW: Very well.

Mr. STEWART: Page Z-103 gives the figures for revenue.

The WITNESS: I can summarize that for you: After paying all operating expenses and administration expenses there was an operating surplus of $5,222,000. There were some income charges and there was $1 million interest to the public, leaving a surplus of $4,185,000 to be applied against depreciation and interest due the government; and after these applications were made, there was a deficit of $2,042,353.

By Mr. Drew:

Q. To December 31, 1948?—A. Yes.

Q. Have you the corresponding figure for December 31, 1949?—A. Yes, it was considerably better, the corresponding deficit was $1,493,517.

Q. I see, for instance, on page 61 of sessional paper 131, which is the statement for the calendar year 1949 on the operation of the harbour of Quebec, there was a deficit of $15,611,166.99.—A. You mean an accumulated deficit.

Q. That is an accumulated deficit.—A. That is right.

Q. These are accumulated deficits?—A. Certainly. What I gave you before was the deficit for the year. I will just take a look at Quebec and give you the amount up to the end of that period.

Q. Yes.—A. I think you are referring to the accumulated deficit in the balance sheet—$15 million.

Q. This is the accumulated deficit?—A. Yes, for the Quebec operation to which you referred specifically, to the end of 1949.

Q. Well then, have you the figure that will show the deficit or surplus, accumulated deficit or surplus, to December 31, 1949; that is, the over-all operations?—A. For the harbours?

Q. Yes.—A. As shown by our statement—accumulated from the beginning of the present Board and prior to that, less the interest accumulated prior to 1936 which was cancelled as provided for in our Act—the accumulated deficit as shown in our balance at December 31, 1949, is $34,102,778, of which $30 million represents unpaid interest due the dominion government. However, I might add, if I may, that the deficit figure does not include an estimate of depreciation accrued prior to the date on which we took over.

Q. And so that the accumulated deficit would be in excess of that?—A. Yes, a great deal more.

Q. Greatly in excess of that $34 million?—A. Of that $34 million, yes.

Q. Of the $34 million, yes; well, who fixes the rates that are charged?—A. The Board recommends and the Governor in Council ratifies.

Q. Is it possible for you to answer very simply the cause for the continuing deficit which has accumulated to this amount?—A. Yes. I would say it is the seasonal nature of the operations so far as the Atlantic ports are concerned and the river St. Lawrence ports; it is a seasonal operation actually for eight months of the year on the St. Lawrence—the investment charges are there all the time and staff has to be maintained in the quiet season, which makes the operation unprofitable from the standpoint of money but it certainly must be expected to justify itself from the standpoint of service to the national transportation system; and that is one of the reasons, although of course there are possibly other explanations—for instance a port like Quebec has nothing like the volume of traffic which you find in Montreal, it has not had a progressive increase in its traffic and it has had a considerable amount of money invested for a good many years in port facilities.

Mr. LANGLOIS: I see that at Port Colborne for the year 1949 you show a surplus of $193,930. Would you explain that for us?

The WITNESS: Port Colborne is simply the government elevator there and that is the operating surplus. We are operating that as an agent of the crown and report to the authorities. There is no charge in there for interest or depreciation. We simply operate the facility and turn over to the government at the end of each year whatever profit is made on the elevator and if there is a loss we ask for a vote.

By Mr. Drew:

Q. In this sessional paper which I have before me I notice the difference in the charges between the ports of Montreal, Vancouver, Halifax and so on——A. You will notice that Halifax and Saint John are practically the same for tonnage.

Q. I see, for instance, that the expenditure on dominion government account, for instance, on the harbour of Montreal is $65 million and in the case of Vancouver $24 million and in the case of Quebec $30,865,000; and I notice in the case of Quebec the operation there shows a deficit on income in 1949 of $917,000 whereas in Vancouver there is an income surplus of $122,000 for the same year. I would assume that in relation to what you have said the fact that Vancouver is a year round port would have something to do with it?

—A. Yes, that has something to do with it. The crown owns in Vancouver a very considerable amount of water front property which it leases. I think we had over $300,000 from real estate rentals out there, which is a very important factor in the improved financial situation, and at Quebec we have no corresponding rentals and we have I think in relation to the total investment very considerably reduced tonnage as compared with other ports.

By Mr. Langlois:

Q. In Quebec, you mean?—A. In Quebec, yes. If you will look at the tonnage figures of a port like Montreal, for instance, compared with Quebec, relative to size investment they are not proportionate traffiewise.

Q. But with regard to these expenditures in Quebec, can you tell us what they were and when they were made?—A. They were made, some of them, over a hundred years ago, from the very inception of the port, and they also include an investment of about $10 million on the Wolfe's Cove Terminals which was built for a special purpose and has never been used to capacity.

Q. When was that built?—A. About 1929, in 1928 or 1929.

Q. Is the railway tunnel a part of this expenditure?—A. No, the tunnel is a railway project.

By Mr. Drew:

Q. Just take the method of accounting here, I notice, for instance, that in the statement of liabilities in connection with the port of Quebec that you have a replacement reserve of $2,877,216.67?—A. Yes.

Q. I notice that the replacement fund is $672,216.67; where is the balance? —A. There is no fund for it. There is a charge. Since the inception we have made an annual charge for depreciation—since the inception of the National Harbours Board—amounting to approximately $200,000 a year. That is an amount which we would set aside from surplus revenue if we had any. If we had a deficit we would have to secure a vote by parliament. For a number of years parliament has had to provide the money to balance that operating account, but in those years when there was a surplus, the surplus went into this replacement fund. The balance sheet indicates the amount set aside and charged.

Q. I notice in this particular case the figures do not balance, that there is this replacement reserve of $2,877,000—that is actually reserved?—A. Yes.

Q. Compared to $672,000— —A. The same would apply in connection with any other port where the income is insufficient to provide for the annual charges and if there is a surplus we set it aside in this reserve.

Mr. BOISVERT: In what year did you have your last surplus?

The WITNESS: In 1949 we had an operating surplus at Quebec, very little, to apply to depreciation or interest.

Mr. LANGLOIS: In answer to one of my questions I think you said the Wolfe Cove Terminal was built in 1929?

The WITNESS: In 1928 or 1929.

Mr. BOISVERT: 1928, that is right.

The VICE-CHAIRMAN: Mr. Hansell did you want to ask a question?

By Mr. Hansell:

Q. Yes. There is a surplus on the Second Narrows Bridge. According to revenue and expenditure there would not appear to be a great deal of difference but there is quite a surplus—$149,000? Can you explain that?—A. That is the difference between the tolls collected and the operating and maintenance expenses, less interest on the balance outstanding of a loan made by the harbour

for reconstruction of the bridge. That operation is really a trustee operation on behalf of the Montreal Trust Company which represents the bondholders of the original bridge company, the Burrard Inlet and Tunnel Company.

Q. The revenues consist of tolls?—A. Yes, tolls.

Mr. LANGLOIS: In answer to another question the witness stated the expenditures in connection with Quebec, for example, were made more than a hundred years ago. A hundred years ago the National Harbours Board was not in existence. Does it mean that when the National Harbours Board was created they assumed the expenditures on the books then and they are taken into account here?

The WITNESS: The operation was similar to the amalgamation of one corporation with another. All the liabilities and assets of the previous corporations, which were separate ones, were assumed by the Board.

By Mr. Drew:

Q. But I understood you to say that as of 1936 there were no accumulated deficits carried forward; they were all extinguished at that time?—A. Interest only.

Q. Not the accumulated deficit?—A. No, nothing was done with regard to the book deficits, but accumulated interest as of the date of the formation of the National Harbours Board was cancelled in every case.

By Mr. Langlois:

Q. Following my last question, the older the port the greater will be the deficit shown on page Z-103.—A. I did not follow your remark.

Q. You said that the expenditures might have been made one hundred years ago and that they have been taken into account in the accumulated deficits shown here in this book. I say then that we can assume that the older the port the greater will be the accumulated deficit because there will be more expenditure covering a greater period of years than would be the case for new facilities or new ports that came into existence recently?—A. The deficit shown in the balance sheet is the deficit on current account accumulated year by year. It has nothing to do with the capital expenditure at all and it represents certain operating deficiencies,—either interest due the government on moneys expended by the government in maintaining the port, or the actual loss from year to year in the operation of the port—but not depreciation in full.

The VICE-CHAIRMAN: Mr. Langlois wants to know whether, with respect particularly to the port of Quebec, when you took it over in 1936 there was a large deficit which had accumulated at that time?

The WITNESS: Oh, yes.

The VICE-CHAIRMAN: Larger than it was in the case of other ports because it was an older port and there had been more time for the accumulations?

The WITNESS: Yes, because I think the facts are that for many years the port of Quebec has, with a few exceptions, never had earned surpluses over operating expenses.

Mr. FRASER: Are the tolls the same?

The WITNESS: Yes, the tariffs generally are the same. We have uniform tariffs in eastern ports.

Mr. BALCER: Is there anything being done to improve Quebec harbour? For instance, is the National Harbours Board doing anything special in that case to improve traffic at Quebec or at least improve structures there? It seems a sort of hopeless case with these tremendous deficits all the time?

The WITNESS: Our main function with regard to harbours is to see that we have the bets of facilities and that they are kept in proper condition. We are

doing everything we can to enhance the reputation of the port as a port of quick turn around, so that ships are directed to the port. There are other agencies like the stevedoring agencies, the representatives of the ship owners, the boards of trade, who are equally interested in the prosecution of the business through the ports. Actually, if another port has advantages in the way of cheaper transportation by rail, that port, on the basis of cost, will be attractive, other things being equal.

Mr. LANGLOIS: Are you in a position to say, Mr. Roberts, whether or not the operating deficits of Quebec have increased or decreased since the Harbours Board has taken the operation over?

The WITNESS: They have very materially decreased. You will find a statement in our annual report for 1949 on page 9. In 1935, the year before we took over, the deficit was $315,000—that is operating deficit; in 1936 it was $191,000; in 1937, it was $124,000; in 1938 the deficit was $49,000; in 1939 the deficit was $22,000; in 1940 the surplus was $180,000; the war activity had something to do with that. The list carries on down showing the other war years. In 1945 there was a surplus of $146,000; then we revert to a deficit in 1946 of $35,000; in 1947 the deficit was $63,000; in 1948 the deficit was $149,000; in 1949 the surplus was $57,000. That is the record, and it is materially better than before the formation of the National Harbours Board when the deficit was $191,000, and for the previous year it was $315,000.

Mr. GAUTHIER: In fairness to Quebec and Three Rivers, I think I should say they are in a special position owing to the fact that shipping company interests are in going as far inland with the ships as they can. Many ships go by Quebec and Three Rivers as far as Montreal. That is why Quebec has not been receiving enough revenue to cover its deficit. The same thing applies to Three Rivers. In the summertime I think the revenue for Halifax and Saint John, N.B. is not as high as it is in the fall and winter.

Mr. BALCER: They get much more traffic.

Mr. GAUTHIER: In Three Rivers you have many ships going by without stopping.

The VICE-CHAIRMAN: Would somebody like to have Mr. Roberts' view on this?

The WITNESS: My view is that in the last analysis the people who are shipping goods direct them to ports at which they wish them to be embarked or disembarked. There are factors which have to do with the cost of getting goods to and from the seaboard and which determine the port of sailing or reception. There is no question about that. Of course, there are other factors entering into it. Sometimes there are better sailings from one port than another; more frequent sailings; variety of destinations of certain ships; the space needed by the shipper; and time is of the essence, a shipper may send his goods farther afield to get them delivered at destination more quickly.

Mr. GAUTHIER: I think it has been the plan of the Quebec City Council to try and get port franc—

The VICE-CHAIRMAN: Free ports?

Mr. GAUTHIER: Because they want more revenue, but the principle I advance is sound. All the pilots will tell you that every shipping company is much more interested in going as far inland as they can.

The WITNESS: A ship will stop anywhere that there is freight offered in paying quantity; a ship will not stop if there is no freight offered.

Mr. GAUTHIER: I have stated the general complaint of pilots on the St. Lawrence.

Mr. LANGLOIS: There is another reason for it, I would say. Many, if not the great majority of ship companies, are charging the same freight rates, whether they carry goods to Montreal or to Quebec? I had an example of that the other day.

The VICE-CHAIRMAN: Well, you have made a statement, let us have Mr. Roberts' views on it?

The WITNESS: I have no knowledge myself of what the charges are but I understand they would be the same to Quebec as to Montreal; that is on a trip from the United Kingdom, for instance.

Mr. LANGLOIS: They are the same even for local traffic.

By Mr. Drew:

Q. Could you suggest what can be done to encourage a greater volume of traffic into the harbour at Quebec?—A. I think the traffic to Quebec this year looks quite promising, and it is based upon the production of local industry sold for export and, to a certain pressure which has been placed upon shipping companies to call there when they have a tonnage of freight sufficient to justify their making a call, rather than passing, as has been suggested is the tendency.

Q. By whom are those positive steps being taken to encourage greater use of the facilities?—A. Well, they are being done mainly by people in the stevedoring business, who are called upon to quote on the cost of loading and unloading certain tonnages; they are being done by our traffic department, in so far as we can assist anybody who wants to use the facilities of the port of Quebec. We maintain a traffic officer and he goes around from place to place and is interested in assisting in any way in clearing up difficulties, and in giving information on the availability of our facilities, and the shipping services which are available in and out of the port of Quebec.

By the Vice-Chairman:

Q. I gather too that it is being done by the very active chamber of commerce in the city of Quebec and by the local administrative people?—A. Local organizations are very alive to the desirability of increasing traffic to Quebec.

Q. Would you say that the facilities in Quebec are excellent?—A. We have very excellent facilities there. Some of them are not in good repair. We have had apropriations over the last three years to put them in repair—I refer there to work deferred during the war—and apart from those matters we have very good facilities—as good as those of any other port not used to maximum capacity and not used for some part of the year.

Mr. DREW: Is there anything you can suggest from the point of view of parliamentary responsibility that can be done to extend the use of this great port?

The VICE-CHAIRMAN: Do not tell us to give you any more money; suggest something short of that?

The WITNESS: Well, I think we have in this country a policy of freedom as far as choosing the means of transportation is concerned. That being so, the further development of Quebec, it seems to me, must rest upon two factors: the production of goods that can be sent abroad; and the increase in local population and local business. Perhaps something should be done to develop coastal activities—and perhaps the development of the north shore will increase traffic a good deal. However, those things take time. As far as artificial means are concerned, I cannot think of anything that would assist.

By Mr. Langlois:

Q. When you say Quebec has very good and adequate facilities, I am inclined to agree with you as far as ocean shipping is concerned. There the statement is quite exact. However, have you ever considered facilities of the port as far as local traffic is concerned? You have to take into account the fact that Quebec has a tidal problem, with tides ranging between 12 and 17 feet. That is quite a disadvantage in the case of smaller ships. Loading and handling costs, the main charges, are increased. The inner basin of Quebec should be provided with another lock so the level could be kept standard and so that ships could go in and out of the harbour at any state of the tide. Has your board studied any facilities for increasing the traffic in that direction?—A. The inner basin is locked, but there would have to be a double lock to do what you suggest.

Q. Yes, a double lock?—A. I think that has been considered from time to time but, as far as we have seen it, and as far as our predecessors the Quebec Harbour Commission saw it, the expenditure would not be warranted by the traffic. I have no definite report on it but I know it is not considered necessary or advisable or that traffic would justify it.

Q. I can tell you that up to some fifteen years ago 75 per cent of the local traffic was sailing from Quebec. Quebec was the farthest point inland to which traffic on the St. Lawrence used to go. Now, I do not think Quebec is getting 10 per cent?—A. Well, the growth of motor traffic and good highways has caused that.

Q. I am speaking of water transportation only.—A. The volume of traffic is down due to good roads and the development of traffic.

Q. No, I mean that 75 per cent of the water transportation ten years ago was from Quebec and now not more than 10 or 15 per cent of it at the most is done from Quebec. Ships going to Montreal are charging the same rates as those loading or unloading in Quebec—just on account of the stevedoring loading and unloading expenses which are so much higher on account of this wide range of the tide.

Mr. GAUTHIER: There is some advantage between the Quebec and Montreal wharves?

Mr. LANGLOIS: In Quebec and Montreal, within limits of the Harbours Board you have the same tariff but in Montreal you have the additional advantage of using the canal system, along the Lachine canal, and the rate is one-third of what you pay in Quebec within the limits of the harbour.

The VICE-CHAIRMAN: Gentlemen, let us get back again. This has all been useful information, but let su get back.

By Mr. Fleming:

Q. It is quite clear the Harbours Board in the case of Montreal and Three Rivers and Quebec is operating harbour facilities that are to a large extent competitive with one another?—A. To a certain extent competitive, yes. They always were competitive but the Crown provided the facilities.

Q. What does the Harbours Board regard as its proper function with respect to the increase in traffic to one harbour in a situation like that—in the face of competition?—A. Well the competitive factor will operate no matter what attitude we have. People will determine what port to use irrespective of what we say, even if we choose to say something; and I think generally speaking we would not interfere with the free choice of anyone to use one port as against another. Nor would any of our officers do that.

At times, when our facilities were being used to capacity at certain places, we have suggested that if traffic were diverted it would get more prompt handling at another port. That was done under wartime conditions, shortly after the

outbreak of war, but generally speaking we are not in a position to intervene with persons sending goods by any particular route, or to suggest one port as against another. They are all government ports and local interest in the development of a port is such that I do not think any government body should encourage or discourage the use of one port or another. I think our function definitely comes in when there is a choice of sending goods by Canadian ports as against any port other than Canadian.

Q. In the face of this competitive condition on the St. Lawrence river, then I gather your board is leaving it largely to the local interests, such as the municipal councils, the boards of trade, and others seeking to extend traffic using the port of Quebec vis a vis the ports of Montreal and Three Rivers?—A. I think the answer is that we are not doing anything in the way you suggest to encourage the use of one port as against another.

The VICE-CHAIRMAN: Mr. Fleming is not suggesting that.

By Mr. Fleming:

Q. In matters of that kind, your board, since it is operating harbours which are to some extent competitors with one another, leaves to local bodies and to Boards of Trade the matter of extending traffic. Take for example the harbour of Quebec?—A. Our local staffs will do everything possible to secure business for a port. They will assist in any way they can. While we would not suggest that we should use any pressure to direct traffic from one port to another, the local manager will do everything possible to get business.

Q. Is the efficiency of the local operation reflected in this financial statement?—A. Yes. Of course the turn-around depends on factors other than our own. The facilities for loading and unloading are handled by local stevedore organizations.

Q. You gave us some figures from the report which you have before you which I find it difficult to follow in relation to the summary of revenue and expenditures, surplus and deficit. I refer to page Z-103.—A. Yes, sir.

Q. Can you clarify that for me, please?—A. What is the paragraph?

Q. Page Z-103, at the top of the page; the figure, for instance, showing the Port of Quebec; revenue, $710,567.30; expenditures $1,832,099.52; and deficit $1,121,532.22. You gave some figures beginning before the war and extending through the war which I understood indicated deficits on operations?—A. These expenditures here include interest and charges for depreciation or reserve.

Q. This is your total account, whereas before you were giving us simply the operations?—A. Yes.

By Mr. Browne:

Q. Where do you get your revenue?—A. From charges for our services; for example, the use of wharfs, sheds, grain elevators, terminal railways, cold storage warehouses, and leases on land.

Q. Have these varied, let us say, very much since 1939?—A. I shall answer you in parts. So far as the eastern harbours are concerned, the tariffs of harbour dues, dockage and top wharfage which are our main sources of revenue, for the use of wharves and sheds, have not been changed since 1938 when we revised our tariffs and made some increases. The cold storage warehouse charges have been increased in line with increases put into effect by private owner competitors. Our grain elevator charges have increased in line with increases approved by the Board of Grain Commissioners. Generally speaking, our charges have not been increased since before the war with the exception of two or three special terminal tariffs, terminal railway tariffs.

Q. The first lot has not been increased since 1938?—A. Yes.

Q. And you mentioned wharfage charges, storage and wharfage; is there any comparison with private concerns by which you can make increases? It seems strange that you should be charging the same fees now.—A. I think where there are competitive situations, they are not important except in Vancouver. Private operators follow our rates as far as the use of wharves and piers are concerned. In Montreal there are no private operators. In Quebec on the other side of the river there may be a few. I do not think they are important. In Halifax and St. John they are not important.

Q. In relation to freight rates, where do you stand in regard to these charges? —A. I do not think we have anything to do with them.

Q. You referred to an increase in 1938?—A. We have not increased our charges in the way that railway freight rates have been increased in the last year.

Q. Why have you not?—A. First of all, there is a very considerable resistance to increasing the rates. We have been able to maintain our relative position by reason of the increase in traffic. The volume has been important to us.

Q. That does not make allowance for depreciation and interest?—A. Our relative position has been maintained notwithstanding the increase in cost of operations because we have had increased volume. If we should lose that volume, then our relative position would be changed and we would not be in as good a position. The Board recognizes that one of its important functions is to make its operations as attractive as possible for shipping, and that it should not increase the charge unless it has to do so.

Q. Toronto and Hamilton are not here. They are run by Harbour Commissions?—A. Yes.

Q. How do their operations compare, let us say, with Montreal, Quebec, or Three Rivers?—A. I can only speak from general knowledge. I do not think they have increased their charges since before the war. In the case of Toronto there is a municipally controlled organization so far as financing is concerned, although they do operate under a Dominion Charter, and there are nominees of the dominion government on the commission.

Q. How do they compare with regard to profit or loss with your operations? —A. I do not think a comparison can be made because they differ so much. Their main charges derive from leased property, and from a cargo rate placed upon everything that comes into the harbour whether or not it goes to private wharves. I understand that the financial position at Toronto is improving and that over a period of years the municipality has put up a considerable amount of money by way of support of the Toronto Harbour.

Mr. FLEMING: That whole question is tied up with the development of Harbour lands, is it not?

The VICE-CHAIRMAN: Yes, the frontage.

By Mr. Browne:

Q. You mentioned the seasonal operations at Montreal and Quebec. Do Halifax and Saint John have opposite seasons?—A. Yes, for the great bulk of their traffic other than local and coastal trade.

Q. Do you reduce your staff during the off season in all these places?— A. To the extent it is practical to do so.

By Mr. Prudham:

Q. Mr. Roberts stated that in large part the deficit is made up of interest charges, unpaid interest charges. Could you say what rate of interest is charged?—A. $2\frac{3}{4}$ per cent per annum. That was fixed in 1947. Previously it had been higher.

By Mr. Langlois:

Q. Are your rates for top wharfage, harbour dues, and rental on sheds or lands uniform throughout Canada for all harbours which come under the National Harbour Board?—A. No. The St. Lawrence and eastern ports are uniform. Vancouver is not similar, not exactly similar. Churchill is not the same. Otherwise all the harbours are the same.

Q. You say "St. Lawrence River". Does that include the Atlantic coast?—A. St. Lawrence River, Halifax and Saint John are all uniform.

Q. And Churchill is separate?—A. We maintained the tariffs in effect when we took over.

Q. Are they lower?—A. Slightly lower.

Q. And what about the west coast?—A. They are based on the competitive situation in the ports to the south.

Q. Oh, yes, south of the border; and they are those which we inherited when we took over. Are these rates occasionally revised?—A. Yes. They are under revision all the time. We have numerous charges which are not covered by harbour dues, such as rentals on properties, storage, and so on. We try to adjust them to meet current competition. But the basic charges have not been changed, generally speaking, since before the war.

Q. Your top wharfage rates bear no relation to the freight rates. In the case, for example, of ocean freight, for which the rate is much higher, let us say, in the vicinity of $45 to $50 a ton, you charge the same top wharfage as you would charge on local freight for which the rate would be something like $2 a ton. For example, your commodity rate in Montreal, I think, is something like 40 cents a ton. On freight charge of $2 to $2.50 that is quite an increase, when the shipping company has to pay for rail and wheel competition; but it is not so much when the same rate is charged on freight rates of $45 to $50.

The VICE-CHAIRMAN: Let him answer.

The WITNESS: We are providing the same facility. Whatever the destination. I do not think we should discriminate, for instance, by charging more for goods going to Australia than to the United Kingdom, but the basis of the freight rate would be higher. Some difference is made with respect to coastal traffic. Along the St. Lawrence River I think we have an average rate of 25 cents per ton which has been in force for a great many years, as compared with a maximum rate which might apply to individual commodities of up to 45 or 50 cents a ton.

By Mr. Langlois:

Q. Along the same line, and having in mind the Harbours Board, is there an effort to encourage shipping and to see that these harbours get more revenue? Would it not be good policy to consider this angle to get more local traffic for your harbours?

Mr. GAUTHIER: Policy!

The VICE-CHAIRMAN: They provide the facilities and then the rest is up to the people. That is what he says.

By Mr. Langlois:

Q. Are those rates fixed by the board?—A. Our rates are fixed by the board and are put into effect only after approval by the Governor in Council.

Q. My question may be worded differently. Would the witness consider that reduction of the tariffs could be taken into account when making recommendations?

The VICE-CHAIRMAN: No, Mr. Langlois. That decision lies with the responsible minister. The minister responsible in this case is the Hon. Mr. Chevrier. You know him very well and you could discuss it with him profitably, perhaps, but I do not think you should try to discuss it with this witness.

By Mr. Stewart:

Q. I notice there are substantial amounts of interest charged to the national ports on loans which were received. For example, in the case of Vancouver it appears that almost $700,000 was charged in 1947, that $800,000 was paid; in 1948 that $683,000 was charged, while $1 million was paid. Why should they pay more money than the interest charged? I take it the money was to pay for some arrears?—A. That was the purpose, to make up arrears.

By Mr. Drew:

Q. Having regard to a comparison of the statements in the case of the harbour at Quebec and in the case of the harbour at Churchill, I find in the case of the harbour at Quebec there is an interest charge due to the dominion of $765,493.34; and that there is an additional $200,000 reserve for replacement, which makes a total figure of $965,493.34 under other income requirements, in excess of the amount of the deficit. In Churchill the sum of $999 odd is set out for interest and nothing for reserves for replacement which seems difficult to understand, because the capital obligation is very substantial as well.—A. The explanation is this: that that interest charge of $999 represents interest on such amounts as have been advanced by the government only since formation of the National Harbours Board.

Q. You mean the $999?—A. It represents interest on such amounts as we have borrowed from the Dominion Government since the Harbour of Churchill was transferred to us for administration. Previously it was administered by the Department of Transport, and no debenture obligation was ever set up with respect to the Harbour of Churchill. We are simply operating it as a trustee for the government. The situation differs in respect to the other harbours. The other harbours were previously existing corporations and their obligations, under our Act, were transferred to us. Subsequently the government directed to operate the elevators at Port Colborne, Prescott and Churchill. There is no interest obligation set up. We have directions from the government to operate them, to turn any profit over to the government, and to recover any loss. It is a lopsided statement in that respect, and we have to put a note in our report each time.

Mr. STEWART: I would like to direct my question to the Auditor General. There is in the public accounts apparently matured interest which is unpaid amounting to $28½ million. Is this amount collectable, and are there reserves set against it? I am referring to page Z-104, at the bottom of the page.

Mr. SELLAR: Pardon me, but would you be good enough to repeat your question. You were referring to something which I did not prepare.

Mr. STEWART: The question is: there is "matured interest unpaid" extending over some years, amounting to $28½ million. Is it the opinion of your department that this interest is all collectable, or should there be a reserve set up against that which is not all collectable?

Mr. SELLAR: Well, I could give you an accounting reply, but I think you want a practical reply. I think it should be wiped out altogether because you have no hope of getting it. The ports can never make enough money to meet it.

Mr. STEWART: Have you any idea of how many items such as this are in the public accounts which should be written off?

Mr. SELLAR: No, sir. This is an unusual case in respect to the National Harbours Board. It is covered by the special Act. The matter has been discussed before: What is the real place of the national harbours in the transportation economy of the country? Should they be regarded as ports which should try to be self-supporting, or should they be linked together as part of the national fabric in connection with transportation? That is purely a question of policy over which, as an accountant, I never have had to worry about.

By Mr. Cruickshank:

Q. I would like to ask one question there, Mr. Chairman. In connection with page Z-103, there is shown a surplus of $149,018.81 for Second Narrows Bridge. My question is: would that surplus be used to retire outstanding bonds, or would that go into the general fund?—A. The Second Narrows Bridge is operated by the National Harbours Board until such time as the loan in the amount of $1 million is repaid. That loan was used to repair the bridge in 1934, the bridge having fallen in. The bridge was operated and owned by a privately incorporated company comprised of the surrounding municipalities. We financed the repairs of the bridge—I mean the Vancouver Harbours Board —and the time has now arrived when that debt has been liquidated and it will be up to the municipalities forming or controlling the corporation to determine when the bridge is to revert to the corporation.

Q. I am aware of that. My question was what happens to that $140,000?—A. It would be used to pay off the outstanding balance of the loan to which I referred, the loan made to reconstruct the bridge.

Q. And that has to be paid to whom?—A. To the Vancouver Harbours Board, because the Vancouver Harbours Board financed $1 million for the repair of the bridge—that was done through the federal government.

Q. And that amount will be used to pay off the balance of that loan?—A. Yes, and the bridge will be turned back to the municipalities, or the corporation concerned, once that loan of $1 million has been repaid; and I may tell the committee that it has now been repaid.

Q. Then, Mr. Chairman, I would like to ask another question—you say that $1 million has now been paid?—A. I say that it has now been paid—you were speaking about the accounts for 1949.

Q. But it has now been repaid?—A. Yes. That does not show in the account here, but I say it has now been liquidated. I am speaking as of now.

Q. So there would be no reason for the excessive tolls we have now?—

The VICE-CHAIRMAN: Now, George, that would be your opinion.

The WITNESS: The bridge reverts to the former owners when they want it.

Mr. LANGLOIS: Mr. Chairman, this committee has received suggestions that these huge accumulated deficits should be written off. I was just wondering if it would be pertinent to ask the witness if he would recommend that action?

The VICE-CHAIRMAN: Well, Mr. Langlois, Mr. Sellar discussed that with us yesterday.

Mr. LANGLOIS: Oh, I was not here.

The VICE-CHAIRMAN: That is one of the matters to which the committee was going to give consideration with a view to making a recommendation in its interim report.

Mr. DREW: Just in relation to that, Mr. Chairman, so that I may clearly understand it, on page Z-104, Mr. Sellar, there is a summary there of the loans and advances in respect of these various harbours, then there is a column showing the maturity and interest unpaid. As I understand it you have already expressed the opinion and are of the view that it would be wise to re-examine

the actual obligations as they stand and to regard the matured interest as a matter that definitely is not going to be repaid from the operating point of view; is that your idea?

Mr. SELLAR: My view is this, that the assets of each harbour should be re-appraised and taken at the real value, their actual value, you see.

Mr. DREW: Yes.

Mr. SELLAR: That has not been done. The revenue rates of a port should be matched against its capacity to pay interest, and then you would have something on which to work. For instance, you have been discussing previously the port of Quebec. Now, the port of Quebec will never be able to pay that debt. On the other hand, the port of Three Rivers has been a profitable port, one which rarely has a deficit and quite often has a surplus, Vancouver made a profit last year, and others have paid their interest; but, on the other hand, the port of Saint John had a bad year. Now, my feeling is that it is no good considering Rivers and Harbours as a source of income from investments, instead the practical thing is to treat them as facilities giving service. That is my personal view.

Mr. DREW: What I am thinking of is this, it would appear—take for example the harbour of Quebec—actually it would be a sounder practice not to have it carrying this heavy load of obligations which it can't carry and which gives the appearance of a heavy deficit which is really the result of accumulated obligations which perhaps bear no immediate relationship to the present capitalized value of the project.

Mr. SELLAR: But you can't take one port alone.

Mr. DREW: I am not suggesting that.

Mr. SELLAR: You have Chicoutimi, Saint John and ports of that kind.

Mr. DREW: I am taking that as an illustration. It would make it possible, would it not, for a port like Quebec, and for the other ports, to carry on on a basis which would be more encouraging?

Mr. SELLAR: Yes. It appears to me that we should take the actual current value and start afresh.

Mr. DREW: Is it not also true, in relation to your remark regarding these ports as part of one combined activity, that the two wars have themselves necessitated certain construction which perhaps creates obligations disproportionate to the picture in some of these ports?

Mr. SELLAR: That may be true. On the other hand, there is the port of Halifax, that would be one of the ones principally involved, where facilities were created, but are not listed in the harbour assets.

Mr. DREW: But take the port of Quebec as an example; part of their big capital investment was construction necessitated or carried on during the war, was it not?

Mr. SELLAR: No, I do not think so, sir. The heavy expenditure there was in connection with the Wolfe Cove development and that was back I think in 1928 or 1929.

Mr. LANGLOIS: In this interesting exchange between Mr. Drew and Mr. Sellar some reference was made to refinancing the debt of these ports in order to place them on a paying basis, otherwise it is not to be expected that they will ever be able to pay. Am I to understand that we now have a suggestion something along the lines of the suggestion made by Sir Henry Thornton regarding the C.N.R.?

The VICE-CHAIRMAN: Now, Mr. Langlois we were not dealing with that. We were all thinking of it. That would not be quite a proper question at the

moment. Now, while I am speaking, gentlemen, can we finish with these items from 141 to 146 so as to release Mr. Roberts—are there any more questions on these items?

By Mr. Fraser:

Q. Have you been asked to take over any of the harbours in Newfoundland at all, or has that been considered?—A. That is a question for the Governor in Council. Under our statute we are required to operate anything the Governor in Council turns over to us.

Q. You haven't been asked to take that over yet?—A. No.

By Mr. Fleming:

Q. On item 144, Mr. Roberts, it states: "The expenses of head office, Ottawa, amounting to $180,827 were pro-rated among the various harbours, elevators and bridges"; what was the basis of the pro-rating?—A. In relation to the total operating expenditure and the total operating revenue, the total of that in each case in relation to the whole, it is pro-rated on the basis of the volume of business as represented by revenue and expenditure.

Q. Revenue and expenditure?—A. Total revenue and expenditure.

Q. Then what about elevators and bridges, how did they come into this picture?—A. There are the two toll bridges. At Vancouver there is the Second Narrows Bridge, and there is the Jacques Cartier Bridge at Montreal. Then there are the two elevators, at Prescott and Port Colborne—these elevators are outside of any of the harbours, we just operate them for the government.

By Mr. Langlois:

Q. Is it just the expense of the head office here at Ottawa which is charged? —A. We charge the cost of our central bookkeeping organization, our central engineering staff and our central secretarial staff; that expense is all charged back to the various harbours in relation to the volume of business of each harbour, the relation that each bears to the whole.

Q. And that adds to the deficits we see here?—A. They become an item of expense with respect to the unit concerned.

By Mr. Fleming:

Q. You include revenue and expenditure in arriving at that ratio?—A. Yes.

Q. Do you think that works out fairly in the case of a harbour like Quebec? —A. I think so.

Mr. FLEMING: I was going to ask Mr. Sellar if he has any observation to make on that, he mentions that in item 144. Have you any comment?

Mr. SELLAR: That is mentioned in item 144 because the Act provides that there should be separate accounts maintained for each harbour, and that head-quarters cost should be pro-rated over these harbours. I put that in there just by way of information. Those amounts are pro-rated.

Mr. FLEMING: There is no recommendation?

Mr. SELLAR: No, sir.

Mr. CRUICKSHANK: It is not clear to me, it appears to me from this that the city of Montreal and the province of Quebec are behind in their payments and the expense placed on us, in other words, Vancouver is paying—

The VICE-CHAIRMAN: Now, George.

Mr. CRUICKSHANK: Vancouver is paying their debt and the province of Quebec and the city of Montreal are not and yet we are charged up with our full share of this. I see where the province of British Columbia and the city of Vancouver—is that all overhead?

Mr. SELLAR: No sir, if you will look at paragraph 142, you will see that we state there that the revenue of $13 million includes $94,000 from the city of Montreal—just using round figures—and a like sum from the province of Quebec toward the deficit on the Jacques Cartier Bridge. In other words, the National Harbours Board operates on an accrual basis, therefore the port of Montreal really paid actually more pro rata than if we had left out the money they didn't collect, so I don't think you need to worry about that.

Mr. CRUICKSHANK: That may be true, Mr. Sellar—

Mr. LANGLOIS: We have been paying for British Columbia all the time.

Mr. CRUICKSHANK: Not according to my mathematics—in that item 144, head office expenses are pro-rated, and that $180,827 is pro-rated among the various harbours, elevators and bridges, and it would appear to me from that that although we pay our debts in Vancouver we are still being charged an equal share with these provinces and cities which are not paying their debts; is that not correct?

Mr. SELLAR: I would like to point out that it is the port of Montreal that is being charged on that basis—

Mr. CRUICKSHANK: But they are not paying.

Mr. SELLAR: Oh yes, they are, the port of Montreal is paying. You have to distinguish between the City of Montreal and the Port of Montreal. The Port of Montreal is carrying this. It is the City of Montreal that the judgment is against, not the port of Montreal.

The VICE-CHAIRMAN: Well then, gentlemen, we will consider items 141 to 146 inclusive disposed of and release this witness. If you want him back again he will be available. When we meet again next Thursday we will deal with the Northwest Territories and then we will start back on item 130.

The committee stands adjourned until Thursday.

—The committee adjourned.

OTTAWA, May 29, 1950.

MEMORANDUM FOR THE PUBLIC ACCOUNTS COMMITTEE ON ITEMS IN THE ESTIMATES OF SPECIAL LEGISLATIVE SIGNIFICANCE

In response to the request of the Committee for a list of those items in the Main Estimates for 1950-51 that have special legislative significance, I have reviewed the various Votes in the Estimates and endeavoured to list those which appear to fall into the following six groups:—

1. Votes that make exceptions to laws or extend their application.
2. Votes that provide in special circumstances for payments of a type that are usually provided in general circumstances by statute.
3. Votes authorizing agreements with provinces or special payments to provinces or municipalities not otherwise authorized by statute.
4. Subsidies to industry, agriculture, trade, or other economic groups or classes not otherwise provided for in statutes.
5. Nominal votes not covered in other groups.
6. Items classed as statutory in the Estimates which have been authorized by a specific vote in an earlier appropriation act.

I am giving below a list of the numbers of the Votes that appear to me to fall in these several groups. This list has been made up in the Department of Finance, without taking time for detailed consultation with the Department of Justice on the legal terms and aspects of this classification, but if a definitive

classification in these categories is desired, it would probably be worth while having the law officers of the Crown review the lists that follow and give evidence upon the matter. There appears to be some room for differences of opinion as to whether or not certain votes fall in these classifications. For example, I have included Votes 101 and 104 in Class 1, on the ground that these votes are not subject to the usual statutory restrictions on the purposes for which they can be used, and may be used to supplement the amounts in other votes.

I should like to emphasize that the Appropriation Act itself, of course, gives statutory effect to the provisions in the various votes in the Estimates, and the Department of Finance has regarded this as proper authority for making payments for which provision is made by items in the Estimates, even where there are no other statutes specifically authorizing such payments or determining the terms and conditions on which they may be made.

It will be clear from an examination of the categories given that they do not, of course, include items which simply authorize grants to organizations of one kind or another, such as the Boy Scouts, the Canadian Welfare Council or, the Victorian Order of Nurses, whether or not such grants are subject to regulations or terms and conditions laid down by the Governor in Council, nor do they include votes which authorize contributions to international organizations or to projects or programs covered by international agreements but not specifically provided for by statute. It also seems desirable to point out for clarity that there are other items in the Estimates not listed here which provide for the cost of Government operations or activities carried on under general powers of the Government, such as Departmental Acts, and not regulated in detail by other legislation. Examination of the Estimates indicates that there is great variety of degree in the extent to which the activities provided for under various items in the Estimates are controlled by the specific Acts of Parliament, and any line that one attempted to draw between those votes the application of which was controlled in detail by specific legislation and those which were not so controlled, would be arbitrary.

R. B. BRYCE.

1. *Votes that make exceptions to existing laws or extend their application*

Agriculture—
Vote 26 (See also Group 4)
29
Civil Service Commission—
Vote 63
External Affairs—
Vote 66
71
Finance—
Vote 101
104
Governor General and Lieutenant Governors—
Vote 130
Labour—
Vote 164
Legislation—House of Commons—
Vote 178
Mines and Technical Surveys—
Vote 196

National Defence—
Vote 202
203
National Health and Welfare—
Vote 239 (See also Group 4)
National Revenue—
Vote 261
Privy Council Office—
Vote 280
Public Works—
Vote 356
Resources and Development—
Vote 401
Trade and Commerce—
Vote 430
Transport—
Vote 478
496
Veterans Affairs—
Vote 538
540
552

NOTE

Each year the Supplementary Estimates tabled toward the end of the Parliamentary Session include items for both the Senate and House of Commons which make exceptions to the provisions of the Senate and House of Commons Act. For the first Session of 1949, the Further Supplementary Estimates (1) tabled September 28, 1949, provided:

The Senate

799	To provide for the payment of the full sessional indemnity for the first session of 1949 to Members of the Senate for days lost through absence caused by public business, by illness, or on account of death. Payments to be made as the Treasury Board may direct	$ 5,000
800	To provide, notwithstanding anything contained in the Senate and House of Commons Act, for the payment to each Member of the Senate who attended the first part of the first session of 1949, which commenced on January 26, 1949, and ended on April 8, 1949, of an amount representing the actual transportation and living expenses of such Member while on the journey between Ottawa and his place of residence after the Easter adjournment of Parliament on April 8, 1949, and on the return journey from his place of residence to Ottawa at the end of the recess which commenced on that date, or at any other one time during that session	5,000

House of Commons

801	To provide for the full sessional indemnity to Members of the House of Commons—days lost through absence caused by illness, official public business, or Order of the House, or on account of death during the first session of 1949—notwithstanding anything to the contrary in Chapter 147 of the Revised Statutes, 1927, an Act respecting the Senate and House of Commons, or any amendment thereto. Payments to be made as the Treasury Board may direct	9,475

802 To provide, notwithstanding anything contained in the Senate and House of Commons Act, for the payment to each Member of the House of Commons who attended the first part of the first Session of 1949, which commenced on January 26, 1949, and ended on April 8, 1949, of an amount representing the actual transportation and living expenses of such Member while on the journey between Ottawa and his place of residence after the Easter adjournment of Parliament on April 8, 1949, and on the return journey from his place of residence to Ottawa at the end of the recess which commenced on that date, or at any other one time during that session 15,500

$ 24,975

The first items for each House, Votes 799 and 801 as above, were repeated under Votes 587 and 588, respectively, in the Further Supplementary Estimates (3) tabled March 16, 1950, to cover the second Session of 1949.

2. *Votes that provide, in special circumstances, for payments of a type that are usually provided in general circumstances by statute.*

Finance—
Vote 86
Justice (including Penitentiaries)—
Vote 141
147
149
Labour—
Vote 170
Legislation—House of Commons—
Vote 182
National Defence—
Votes 207-212 (incl.)
213
Royal Canadian Mounted Police—
Vote 408
409
410
411
Transport—
Vote 495
Veterans Affairs—
Vote 553
554

3. *Votes authorizing agreements with Provinces or Special Payments to Provinces or Municipalities not otherwise authorized by Statutes.*

Citizenship and Immigration—
Vote 62
Finance—
Vote 99
100
Labour—
Vote 157
159
160

National Health and Welfare—
Vote 239 (See also Group 1)
Resources and Development—
Vote 381
382
398
Transport—
Vote 486
505

4. *Subsidies to Industry, Agriculture Trade or Other Economic Groups or Classes not otherwise provided for in Statutes*

Agriculture—
Vote 21
26 (See also Group 1)
30
31
33
35
36
38

Fisheries—
Vote 128
129

Labour—
Vote 169

Trade and Commerce—
Vote 445
450

Transport—
Vote 476
521
522
526
527

5. *Nominal Votes not covered in Other Groups*
External Affairs—

Vote 67

6. *Items classed as Statutory in the Estimates which have been authorized by a Specific Vote in an earlier Appropriation Act.*

1. Ministers' Motor Car Allowances—
Vote 352—Main Estimates for 1931-32 provides—

"To provide for payment annually from the Consolidated Revenue Fund of the sum of $2,000 to each Minister of the Crown charged with the administration of a department, the Solicitor General, and the Leader of the Opposition, and the sum of $1,000 each to the Speaker of the Senate and the Speaker of the House of Commons, in lieu of motor cars and their maintenance, including chauffeurs, the acceptance of such sums not to vacate their respective seats in

Parliament; and to authorize the Governor in Council to appoint any person now employed in the Public Service as a chauffeur of a passenger automobile at Ottawa, whose position is abolished, to a vacant position in the Public Service, provided such chauffeur has been continuously employed as such for at least two years and that the appointment will be made at no higher remuneration than he is now receiving."—($42,000.00)

2. Citizenship and Immigration—

Pension to Mrs. Doris Ryckman—

Vote 450—Supplementary Estimates for 1936-37 provides—

"To provide for pension of $35.00 per month for Mrs. Doris Ryckman until death or remarriage, and $7.50 per month for each of her four children until they attain the age of sixteen years, such pensions to be effective from November 30, 1935."—($1,040.00)

3. External Affairs—

Annuity to Mrs. Helen Young Roy—

Vote 578—Further Supplementary Estimates for 1948-49 provides—

"To authorize payment from the Consolidated Revenue Fund to Mrs. Helen Young Roy, wife of the late Honourable Phillippe Roy, Canadian Minister to France, of an annuity at the rate of $1,666.66 to commence on December 10th, 1948, and to continue during her lifetime or until her remarriage. Portion payable for the period December 10th, 1948 to March 31st, 1949, inclusive."—($515.20)

4. Justice—

Pensions to Mrs. Violet L. Jenkin—Mrs. Jean Laird Farrell—

Vote 73—Main Estimates for 1927-28 provides—

"To hereby provide for payment to Mrs. Beatrice Williams, widow of late Penitentiary Guard John Williams, Mrs. Violet L. Jenkin, widow of late Penitentiary Guard M. E. Jenkin, and Mrs. Jean Laird Farrell, widow of late Penitentiary Guard R. E. Farrell, of an allowance of $600.00 a year each and so in proportion for any part of a year, to commence from the 1st April, 1927, and continue thence forth during their natural lives, respectively, such allowance to be paid monthly out of any unappropriated moneys forming part of the Consolidated Revenue Fund of Canada."—$1,800.00)

5. National Defence—

Annuity to the Widow of the late Honourable Norman McLeod Rogers—

Vote 470—Supplementary Estimates of 1940-41 provides—

"To provide hereby, notwithstanding anything contained in the Consolidated Revenue and Audit Act or any other Act or Law, for payment out of the Consolidated Revenue Fund to the widow of the late Honourable Normand McLeod Rogers of an annuity at the rate of $2,500 to commence from June 11th, 1940, and to continue during her lifetime."—$2,014.00.

6. Resources and Development—

Payment to Yukon Council for subsidies and for compensation as authorized by Item 205, Appropriation Act No. 4, 1947-48—

Vote 205—Main Estimates of 1948-49 provides—

"Grant to Yukon Council—To authorize payments to be made from the Consolidated Revenue Fund in respect of each of the years 1948

to 1951, inclusive, to the Yukon Consolidated Revenue Fund in accordance with an agreement to be entered into by the Minister of Finance, with the approval of the Governor in Council on behalf of the Government of Canada, and the Controller of the Yukon Territory with the approval of the Council of the Yukon Territory, on behalf of the Government of the Yukon, such agreement to provide, on such terms and conditions as may be agreed upon, for payment for each such year of the total of amounts calculated on the following basis:

(a) Grant in lieu of grants for support of Government and Legislature and other special grants, $60,000.

(b) Annual subsidy of eighty cents per head in respect of a population of eight thousand persons, being the estimated population for the year 1948, the first year of the proposed agreement, $6,400.

(c) Compensation to the Government of the Yukon in consideration of its agreement to refrain, and to require the municipalities in the Yukon Territory to refrain, from levying personal income taxes, corporation income taxes, corporation taxes and succession duties, as defined in the agreement, during each such year, the amount for each year to be computed in accordance with section four of the Dominion-Provincial Tax Rental Agreements Act, 1947, for which purpose the amount of the statutory subsidies is the amount set out in paragraph (b) and the guaranteed minimum annual amount is $89,365, the estimated amount for the year 1948 being $135,000.

The estimated total amount required for the year 1948 being"—$201,400.00.

7. Transport—

Annuity to Colonel J. A. Cross—

Vote 907—Supplementary Estimates of 1948-49 provides—

"To authorize payment from the Consolidated Revenue Fund to Colonel J. A. Cross, former Chief Commissioner, Board of Transport Commissioners, or his legal representatives, of an annuity at the rate of $4,800 payable monthly to commence on July 1, 1948 and to continue for a period of five years from that date."—$3,600.00.

8. Veterans Affairs—

Annuity to Colonel John T. C. Thompson—

Vote 634—Supplementary Estimates of 1939-40 provides—

"To authorize payment from the Consolidated Revenue Fund to Colonel John Thomas Connolly Thompson, former Dominion Franchise Commissioner, of an annuity at the rate of $5,000.00 to commence on his retirement from the position of Dominion Franchise Commissioner and to continue during his lifetime."—$5,416.66.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 19

THURSDAY, JUNE 1, 1950

WITNESSES:

Mr. Watson Sellar, C.M.G., Auditor General.
Mr. M. W. Mackenzie, C.M.G., Deputy Minister of Trade and Commerce.
Major-General J. H. MacQueen, President, Canadian Arsenals, Limited.
Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

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Vice-Chairman: David Croll, Esq.

Messrs.

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Ashbourne
Balcer
Beaudry
Benidickson
Blue
Boisvert
Boivin
Brisson
Browne (*St. John's West*)
Cauchon
Cavers
Cleaver
Cloutier
Cruickshank
Denis
Diefenbaker
Drew
Fleming
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Gauthier (*Portneuf*)
Hansell
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Pinard
Prudham
Richard (*Gloucester*)
Richard (*Ottawa East*)
Riley
Robinson
Sinclair
Stewart (*Winnipeg North*)
Thatcher
Thomas
Warren
White (*Hastings-Peterborough*)
Winkler
Wright

Clerk: A. L. Burgess.

MINUTES OF PROCEEDINGS

THURSDAY, June 1, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Blue, Boisvert, Brisson, Cauchon, Croll, Denis, Drew, Fulford, Fraser, Hansell, Kirk (*Digby-Yarmouth*), Macdonnell, Major, Picard, Richard (*Ottawa East*), Sinclair, Thomas, Winkler.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General; Mr. M. W. Mackenzie, C.M.G., Deputy Minister of Trade and Commerce; Major-General J. H. MacQueen, President, Canadian Arsenals, Limited; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed consideration of the Auditor General's Report for the fiscal year 1948-49.

Mr. Mackenzie and General MacQueen were called, questioned and retired.

Examination of Messrs. Sellar and Bryce was concluded on paragraphs 130 to 134, inclusive, 136, 137, 150 and 151 of the Auditor General's Report.

At 6 o'clock p.m. the Committee adjourned to the call of the Chair.

A. L. BURGESS,
Clerk of the Committee.

63707—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
Thursday, June 1, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum.

I understand that it was decided that we would proceed with items 130 to 134 relating to Canadian Arsenals Limited. We have with us the Deputy Minister of Trade and Commerce, Mr. M. W. Mackenzie, who is ready to answer questions; and, of course, we also have the Auditor General who will be with us for the completion of his report.

Mr. M. W. Mackenzie, Deputy Minister of Trade and Commerce, called:

By Mr. Fraser:

Q. Mr. Mackenzie, I see there is an authorized capital there of $5 million, and it says that as of March 31, 1949, there was a balance in hand of $2,536,000. Now, could you or Mr. Sellar tell the committee how much of that would be capital, how much of that total would be taken up?—A. Mr. Chairman, these figures represent the working capital fund of the Corporation. $5 million was authorized but up to March 31, 1949 only $2,500,000 had been drawn.

Q. Yes.—A. Subsequent to that date the balance of this working capital was drawn.

Q. It was all drawn?—but what were the sales?—A. It was all drawn out subsequent to this date, but these figures of course have no connection with sales, this is purely working capital of the company used in the operation of its business.

Q. But what I was getting at there is this amount of $5 million; you say that has all been used up?—A. I did not say it was all used up, it is employed in the carrying on of the operation.

Q. Then item 133. The balance sheet statement refers to payments made by customers; who were your customers in 1949?—A. The customers referred to there were several commonwealth countries and I think the United States, who purchased certain munitions from Canada.

Q. Does that include the United States?—A. The United States is included.

Q. And South America?—A. I think not but China is also included.

By Mr. Macdonnell:

Q. Might I ask Mr. Mackenzie if he would comment on the observation made by the Auditor General in paragraph 131, particularly the last couple of sentences?—A. Yes sir. I find it difficult to agree with that recommendation, that these assets should be set up on the Corporation's books at suitable depreciated values, for the reason that there would be great difficulty in determining what were suitable depreciated values. The assets in question are machine tools and other assets acquired during the war which had an original cost of some $90 million. In the ordinary course depreciation is the

means employed to amortize the cost over the useful life of the assets. In this case the assets were used during the period of emergency and they are being held against the possibility that they might be needed for use in the event of another emergency; but just what the proper basis of depreciation would be I would find great difficulty in determining. It seemed to us preferable simply to record that these assets are in existence and are held.

Q. Well then, may I ask you this: I notice it says there, "subject to a footnote on the balance sheet". Are these assets not included in the balance sheet total?—A. There is simply a footnote. In the ordinary course fixed assets held by an operating company would be included at appropriate values as assets in the balance sheet. In this case these fixed assets by reason of their nature are not so shown and there is simply a footnote at the bottom of the balance sheet to the effect that the company is holding assets of the crown which had an original cost value of $90 million.

Q. Do these change from time to time? I mean, once they come into your custody do they stay there without depreciation—what if they are taken out?—A. If they were disposed of they would be taken out of that figure.

Q. Then perhaps I might ask the Auditor General too, I am wondering whether, perhaps, the Auditor General had something special in mind when he observed that these do change from time to time; and, if they are just taken out without any indication of their depreciated value, at what value are they shown in the assets as recoveries?

Mr. SELLAR: My view is simply this, sir, that there are these various assets—some are in use, some of them are standby—I believe every manufacturer had assets created during the war in connection with war activities. They are continuing to do business and have inventoried them. We have some of these which have not been taken in. We think these should be taken in too, to reflect the correct position; because from year to year these deteriorate, whether in use or not, and whether through use or disposal or just general obsolescence they go down in value; we think it will be more informative to parliament were Canadian Arsenals to list what they really think those assets are worth.

Mr. MACDONNELL: Would you suggest that they be inventoried and revalued?

Mr. SELLAR: No, no, there is no reason to go to any great expense. We are thinking of it in relation to be financial statement of this Corporation. We suggest that the financial statement is not true when it says that there is a book value there of $90 million. We would like to see a practical figure used.

The CHAIRMAN: Would you care to comment, Mr. Mackenzie?

The WITNESS: It is just the difficulty of determining what the fair figure is.

Mr. MACDONNELL: Suppose you agreed—

The CHAIRMAN: Just a moment, please Mr. Macdonnell; would you allow Mr. Mackenzie to complete his answer?

The WITNESS: Here are assets which had an original cost. That is a known factor, and the original cost is noted. You could have ten different people appraise these assets and get ten different answers as to the fair value. The balance sheet is only intended to reflect that there are assets which are held, many of them in standby condition, that is in storage against the possibility of other emergency. Some of these no doubt will be obsolete by the time they might be used and it is, we felt, hardly likely that any appraisal would add anything to the information that is available under the present method. Any appraisal of these assets would be based on assumptions, and it would involve, to start with, quite a lot of clerical work in calculating the values and annually in writing them down.

By Mr. Macdonnell:

Q. If there was an arbitrary procedure, as someone suggests, it might be more practical. I think such a course would not involve any great amount of trouble. What do you think of the suggestion of establishing an arbitrary figure of value with respect to these assets?—A. I assume from this recommendation that it contemplates setting up some depreciated value with provision thereafter for some rate of annual depreciation arrived at on some arbitrary basis; this would mean that as there is an annual appropriation by parliament to cover the deficit on this Corporation's operations, if depreciation is put in then the deficit is increased and that involves an increase in the amount of the vote. There is also this to it, that it would not require cash because you have created a value through a straight writing up of values; again, we felt it would not add very much, it would merely be a bookkeeping entry, and it is extremely unlikely that one could get a figure which would mean very much.

Q. I am not so much interested in whether it is a surplus or a deficit operation, what I am thinking of is this, that if one were in ordinary business one would apply depreciation accounting and arrive at amounts which would take care of the depreciation of an asset or assets of this kind. I am thinking, for instance, of a company like Polymer. —A. You have a completely different situation in Canadian Arsenals than you have in Polymer. Polymer is an operating company and their fixed assets are properly valued each year depreciation is provided just in the way it would be in any commercial corporation; Furthermore Polymer is continually replacing its assets. The situation in Canadian Arsenals is quite different in that it is not a self-supporting operation, there is a vote each year to cover the deficit, and to increase the deficit by depreciation really would be just a bookeeping entry.

Q. Let us take the situation that at the end of "X" years we dispose of this $5 million company, would you not want to be in a position to know definitely—or at the end of 10 years, if we are to follow it down—would you say it would be an advantage doing that?—A. Personally I do not see the advantage. I should point out that this has no connection with recording individual assets or control accounts, nothing of that nature, it is simply the way in which it is shown on the balance sheet.

Mr. CROLL: This is just a disagreement between two very expert accountants, is it not?

The WITNESS: That is correct.

Mr. CROLL: Well, lets get on then.

By Mr. Fraser:

Q. This item is really stock piling in preference to setting up a deficit?—A. It represents a residue of assets which were acquired during the war—many of which were loaned to corporations which had production contracts and at the end of the war they were taken back and held against the possibility of being needed again.

Q. You are stock piling nevertheless; that is really stock piling to the extent of $90 million, that is what it amounts to?—A. In a sense, I suppose. They are held in reserve against an emergency.

Q. They are held in reserve for an emergency?—A. Yes.

Mr. MACDONNELL: With reference to item 133, as Mr. Croll suggests, it is a disagreement amongst experts; but as I understand paragraph 132 that is a different thing,

> . . . the company has in its custody stocks of surplus stores and munitions. An inventory of these has not yet been completed, therefore they are not recorded in the accounts, nor do they appear among the assets shown on the balance sheet as at March 31, 1949.

That is a quite different matter, isn't it? You are saying these tools were listed there. It is really a question of the value you are prepared to put on them.

The WITNESS: Here again the question is the difficulty of valuing surplus war munitions which were taken over at the end of the war. While they have not been inventoried in complete detail by a physical count, there are records, some based on physical count and some based on the records of previous custodians,—there are records of these assets, only not a complete detailed inventory. Again, some of that material is of very questionable value. It may be valuable if a use can be found for it. Some of it would be considered obsolete by our own services. Some of it may be damaged by the lapse of time, deterioration of propellents, is a factor there; but there are substantial stocks of materials and stores of munitions which have not been set up as an asset; again, largely because of the difficulty in valuing them. It so happens in the last few years that it has been possible to dispose of quite a substantial amount and the proceeds of course are accounted for.

By Mr. Fraser:

Q. In the present statement here, on page 2, there is $823,836 total which has not been shown under the sales as recovered by the company?—A. I think that reference ought to be taken in conjunction with the next item, 133, because they are the same item. The background of that transaction was this, we had requests to supply certain munitions to commonwealth countries which could not be supplied out of stock. They were urgent requirements in the country concerned and they could not wait, or did not want to wait for the time it would take to produce the goods. It was possible to borrow from stores of the Department of National Defence the items in question. They were not items which the Department of National Defence was prepared to declare surplus in the sense that the services could get along without them, but they were items the services could do without during the period during which similar items would be reproduced; so certain munitions were borrowed from the Department of National Defence and delivered to the country concerned. Now, the big bulk of these came from the stocks of the Department of National Defence but to the extent of $823,000 the items were taken out of the inventories of Canadian Arsenals. The whole matter was treated in the same way in the accounts which was really a borrowing of munitions with the obligation to replace them. I think if it were being done again probably it would have been better if that $823,000 had been dealt with apart from the $6,400,000, but it makes no difference in the net result; although, as I said, I think perhaps it would have been better, and if that were to happen again we would probably deal with the $823,000 differently. The transaction was regarded as one transaction between the Corporation and a Commonwealth country, and the major part of the supply borrowed from National Defence.

Q. Would not that make it harder bookkeeping for the department?—A. I think it was done in perhaps the simplest way in that it was all treated as one transaction. I think perhaps, as I say, it might have been better to put it in two transactions and it probably would be handled that way if it happened again.

Q. Well, then, at the end of that item there is this comment:—

Not all the orders were approved by the Governor in Council.

—A. They all, subsequently, were approved. After we got into this transaction we discovered that it was necessary to secure the approval of the Governor in Council.

Mr. MACDONNELL: Under what authority did the Governor in Council approve?

The WITNESS: Under the authority of the Munitions and Supply Act.

Mr. FRASER: And that would be because they had to approve all transactions over a certain size, is that it?

The WITNESS: My understanding of it is this—I don't want to get into a legal argument because I am not a lawyer—but my understanding is that it became necessary to get Governor in Council approval by reason of the fact that some of the munitions were being taken from stores under the control of the Department of National Defence and that is what led to the necessity of getting permission from the Governor in Council.

Mr. WRIGHT: Was the authority of the Governor in Council for the shipment of this stuff obtained before it was shipped or was retroactive authority obtained?

The WITNESS: I haven't got the exact details of the dates of the shipments but it was after the transaction was started that the question was raised of the need for Governor in Council approval. It was the opinion of Mr. Varcoe, of the Department of Justice, that we should have approval from the Governor in Council.

By Mr. Macdonnell:

Q. Could you tell us in what year this took place?—A. In 1949.

Q. Are you sufficiently familiar with the Munitions and Supply Act to tell us whether or not, had this transaction taken place in wartime, such approval would have been necessary? I am just wondering what was the object in getting it.—A. I have Mr. Varcoe's opinion here if that will be helpful to the committee, Mr. Chairman. Would you like me to read it?

Q. Yes.—A. This letter is addressed to me and reads as follows:

OTTAWA, March 16, 1949.

DEAR SIR: 155997

Re: *Ammunition for Pakistan*

At the request of Mr. Anger, I have given consideration to the question whether certain ammunition held by the Department of National Defence may be supplied to the Government of Pakistan under an arrangement whereby it will be replaced by Canadian Arsenals Limited at some date in the future. My understanding is that the Auditor General objects to this transaction on the ground that the sale price of the ammunition furnished to Pakistan should go into the Consolidated Revenue Fund and a fresh vote of this sum be obtained from Parliament to pay for the ammunition to be supplied by Canadian Arsenals in the future.

My attention is called to the provision of the Deparment of Munitions and Supply Act which enables the Minister of that Department to "exchange munitions of war and supplies." My opinion is that under this provision the Minister might enter into an arrangement with the Government of Pakistan to exchange the ammunition in question in return for ammunition to be purchased by Pakistan from Canadian Arsenals in the future and turned over to the Department of National Defence.

I may say that I should think that the Minister of Munitions and Supply would require to be authorized by the Governor in Council to dispose of the ammunition being administered by the Department of National Defence in the manner herein indicated.

Yours truly,

F. P. VARCOE,
Deputy Minister.

The Deputy Minister,
Department of Trade and Commerce,
OTTAWA.

Mr. MACDONNELL: I do not suppose I would set up my opinion against that of the Deputy Minister of Justice, but it does seem to me that that is an odd kind of a transaction.

Mr. CROLL: But that was the only way in which they could get them to meet the order.

Mr. MACDONNELL: I know, but seriously, it seems to me that that is an odd transaction; the eastern people were nearly at war at that time, were they not?

The CHAIRMAN: That would be more a question of policy, Mr. Macdonnell.

Mr. MACDONNELL: Yes, I suppose that is fair enough.

Mr. ASHBOURNE: There is an amount there of $6,071,387, what was that?

The WITNESS: That was the amount that was approved under Order in Council P.C. 2041. That was the shipment to Pakistan.

Mr. MACDONNELL: I just wanted to point out that apparently the Auditor General has greater knowledge; he had a very definite question in his mind about this transaction. What I was getting after was the question of authority; no doubt it should have been done in the way described in the letter, and which I understand was the way in which it was done; am I correct in that?

The WITNESS: Yes, that is the way it was done.

The CHAIRMAN: What is the date of the letter?

Mr. MACDONNELL: March 16, 1949.

By Mr. Macdonnell:

Q. My understanding is that the Auditor General objects on the grounds that the sales price was to a certain extent furnished by the taxpayer and the receipts should go into consolidated revenue, and I should have thought that this was a matter where a vote should have been obtained from parliament for the purpose. Was that done?

The WITNESS: No sir. What was done was done in accordance with the opinion of the Deputy Minister of Justice.

Mr. MACDONNELL: Oh yes.

The CHAIRMAN: And that is the opinion of a highly competent official of the Department of Justice against the views of the Auditor General.

Mr. MACDONNELL: There may be a difference of views, but I do not want to express any opinion on that. I am interested to observe that the "watchdog of the Treasury" shall I say, did think of that, and I think we had better keep it in mind.

The CHAIRMAN: One way or the other it would not have changed anything in respect to what was finally done.

Mr. MACDONNELL: Except for our whole point, that parliament would have been consulted. In any event, I think it was a very unusual transaction. I think I can imagine there might have been quite a debate on it if it had come up for consideration in the House. I am not going to question it, however, It seems to me there is a point there and I think we should be grateful to the Auditor General for having brought this to our attention.

By Mr. Croll:

Q. Would the witness comment on the Auditor General's remark in the last line of item 134?—A. In 134?

Q. Yes.—A. Well, this again goes back to the question of the proper charge to operations, in that an appropriation is provided to cover the net deficit on the operations of Canadian Arsenals. In setting up the pension plan, the

actuarial calculations of the liability of the company in respect to past service produced a figure of $382,020; that would be the liability if all the employees then in the service had taken advantage of the pension plan as and when they became eligible under the plan. Some of them were then eligible, but others had a year or so to go before they became eligible under the plan.

Q. Canadian Arsenals is not under the government superannuation plan?—A. No. In order to meet this liability of $382,020 which would arise if all individuals entitled did take advantage of their rights, the Corporation set aside that amount into its pension fund. Now, as I understand it, the question raised by the Auditor General is whether or not this is an appropriate charge to the 1948/49 appropriation. I would point out that the 1948/49 appropriation from parliament was to cover the net deficit, and in arriving at that net deficit there were a great many items; you had the proceeds of sales of some of those old inventories; you had revenues coming into that year that were really adjustments of prior years' income; so that it seemed to me perfectly right and proper that that $382,000 adjustment in respect of past years might quite properly be offset against the earnings that could properly be attributed to prior years; I find it hard to say which particular expenses were covered by the parliamentary appropriation of $2,900,000 out of which only $2,500,000 was drawn—I am using round figures there.

The CHAIRMAN: What is your comment, Mr. Sellar?

Mr. SELLAR: The only point was this, Mr. Chairman; in the case of the salaried employees, they must have at least three years of continuous service before they are eligible, and in the case of hourly rate employees, five years of continuous service, and quite a large number of them had neither three years nor five years of service. We thought the Corporation was anticipating its liability a little bit too fast. That is all we say about it. We are not objecting but we are drawing it to your attention.

Mr. MACDONNELL: May I ask you, Mr. Chairman, is Mr. Mackenzie using the same language as Mr. Chevrier used the other day when he said there was $50,000 extra in the travelling account and they could use that for other purposes without specific parliamentary authority? Is that the same thing here?

The CHAIRMAN: I doubt if Mr. Chevrier said that because you can transfer within a vote, but not from one vote to another.

The WITNESS: I do not think that question arises here. The question here is whether or not it was proper to provide for what might turn out to be the company's liability in respect of past years; and I think the Auditor General will agree with me on that score. That is the only point at issue.

THE CHAIRMAN: Are there any further questions on items 130 to 134?

By Mr. Fraser:

Q. Yes. When you sold this stuff to Pakistan did you sell it at a profit or at cost?—A. It was sold at a fair value which resulted in recovery of direct costs to the Canadian Arsenals and of some overhead to the consolidated revenue fund.

Q. That is not an answer to my question.—A. Well, to carry through with it, you get involved in the question of what is the cost.

Q. Haven't you got a real accounting system in there, or is this arsenal run in such a way that you do not know the cost of these things?—A. First of all the cost obviously includes all direct expense, and that was recovered. You have to remember the type of operation. It is not a standard operation where you can charge your total overhead, as in the normal course of business; you have a lot of overhead in carrying a standby plant of this kind and you cannot arrive at a precise amount to charge to a single transaction.

Q. I understand that.—A. So that ordinarily you cannot compute this in the same way as you could with other companies.

Q. Well, in the public accounts at page Y-64 it gives the proceeds of sales. I think you mentioned that though—I see there the item, Proceeds from Sales, $3,052,000; and then down below you have "Direct cost of sales include materials used, labour and other direct charges"; and then below that the profit from the operations?—A. Yes.

Q. Exclusive of overhead?—A. That is right.

Q. Well now, how do you arrive at your profit?—A. The figure shown is of course a different one—profits represent sales less direct cost.

Q. Direct cost?—A. Yes. Then there is a question of how much overhead you can properly charge against a particular transaction.

Q. Yes. My real reason in asking that is to find out how you arrive at the price you ask commonwealth countries, the U.S. or Pakistan; how do you arrive at a price for that?—A. It is based on the direct costs you have plus an estimate of overhead assuming that you had a full-time operation, or a reasonably full-time operation, coupled with some element of what other suppliers, if any, would charge.

The CHAIRMAN: You do not assume, Mr. Fraser, for a moment that the department does not know what its material costs are, do you?

Mr. FRASER: Well, that is what I am questioning.

The CHAIRMAN: I would like to have that point made clear.

Mr. DREW: I note in Mr. Sellar's statement on the audit of the annual statement, on page 19 of the report of Canadian Arsenals Limited, that there is a reserve and I have examined the accounts of Canadian Arsenals Limited for it for the year ending March 31, 1949, and I observe that he refers to the fact that certain stores are apparently carried at their full value. Now, the stores referred to there are stores which you in turn would be in a position to dispose of, are they not?

The CHAIRMAN: I do not want to interrupt you, Mr. Drew, but for the last half hour we have been discussing that very question with Mr. Mackenzie and he has given us quite a substantial bit of information. Mr. Fraser questioned him about that statement, and it was dealt with quite fully.

Mr. DREW: I would like to introduce the question because I think it involves a matter of cost accounting. I think the fact that some of these stores were not shown as received by Canadian Arsenals Limited is important.

The WITNESS: A large part of these were military stores transferred to Canadian Arsenals at the end of the war. I pointed out that it was very difficult to determine the value of those stores, that it depends entirely on whether or not one is able to find a purchaser for them. There is a real problem in attempting to value these inventories. We have made an extensive study of the subject and we find it is difficult to put a value on them or even to determine if they will have any real worth. I think it should be made clear that the sales that are made are handled in the way that is shown in this statement in the Auditor General's report. The proceeds from the sales are there, and the direct costs are all clearly there, the difference between those is really our recovery on these old inventories, that is really what it amounts to, plus such portion of overhead as can be absorbed by these particular orders.

Mr. DREW: Well, as I understand it, the inventory of surplus stores has not yet been completed.

The CHAIRMAN: We have been on this for fully three-quarters of an hour, and the answer has been given. We would only be repeating ourselves for the accommodation of one member.

Mr. DREW: Then may I refer to one item in particular, the item of $7,259,234.40; just what exactly does that mean?

The WITNESS: This again comes back to the transaction that we have been discussing, the sale of munitions to commonwealth countries, in large part to Pakistan. Pakistan came and asked for certain munitions which could not be delivered because they were not available at the moment, but Pakistan's requirement was such that they could not wait for the length of time it would take to produce them.

The CHAIRMAN: I think if Mr. Drew would consult the printed report of the evidence for the past half hour or so he would find that the answers had already been given.

By Mr. Fraser:

Q. In regard to the stores to which reference was made, is there any check made on the stores available to see what can be disposed of, and what condition they are in? You must have a tremendous amount of stores there.—A. That situation is examined from time to time and anything that is considered completely worthless or useless to the arsenals is being disposed of through the proper channels.

Q. Is that done by the Department of National Defence?—A. No, Canadian Arsenals do that.

Q. Would not the Department of National Defence be in a better position to determine whether stores were in good condition or not?—A. The management of Canadian Arsenals itself is of such a nature that it can determine whether or not an item should be disposed of.

Q. I was just wondering whether the defence department would have more of an idea about them than your department would, or than Canadian Arsenals would?—A. I would think the directorate of Canadian Arsenals, which includes representatives from the services and includes representatives from Canadian industry would be about the best qualified group to decide as to the condition of stores.

Q. They meet together?—A. They meet together, yes.

By Mr. Drew:

Q. In connection with the stores that have been brought under your control and are not reflected in this statement—you do dispose of them from time to time, don't you?—A. Yes.

Q. Well then, is it not possible that these stores could be disposed of without them being formally reported in the records of the Arsenal?—A. There are proper records as far as stock control is concerned. This question has to do with the values at which they should be recorded in the balance sheet of the company.

Q. I am not concerned with that so much. According to the statement of the Auditor General the stores received from the Department of Reconstruction and Supply are not reflected in this statement presented which we have before us.—A. That is the inventories?

Q. Yes.—A. The inventory as distinct from the physical assets?

Q. Yes.—A. Yes.

Q. Since they are not reflected there where would they be in connection with any statement of Canadian Arsenals, how would we find out whether there had been any disposition made of any of these stores?—A. Well, the sales are recorded in the annual statement, in the annual report; and the direct cost of these sales are reported, and the difference between the direct costs and the proceeds of sales represents the recovery, which includes some amount of overhead cost.

Mr. MACDONNELL: Mr. Drew's question ties in with the reference in paragraph 132 which we discussed before; that is shown in the fullest detail.

The WITNESS: It gets down to the question of the value you place on the inventory in the balance sheet.

Mr. MACDONNELL: Yes, we have the two points involved there, the record of proceeds of sales and the question of inventory value.

The WITNESS: And the information with respect to the sales is recorded in the company's books.

The CHAIRMAN: You know exactly what your inventories are, you have a good idea of your physical inventory and you know what is surplus?

The WITNESS: There is a general record. It is not, as I said earlier, a complete physical count of all the assets which were taken over, but there are records maintained and there are proper stock control records.

By Mr. Drew:

Q. You perhaps have not the record in front of you and may not be able from memory to answer this question, but could you give us some indication as to the figures involved, because even for the purposes of your records it may be difficult to put a dollar value on the munitions which have been transferred to you from the Department of National Defence. The actual things themselves are there. You might possibly be able to indicate to us something of the kind of thing involved in that group which is not covered by inventory.—A. I think perhaps I should ask General MacQueen to give you some information on that; he would know more about what is on hand there than I would.

Mr. DREW: What is the nature of the things that that would cover?

General MACQUEEN: Well sir, such things as fulminate of mercury, R.D.X, and supplies of that kind.

The CHAIRMAN: Would you speak a little louder please, General MacQueen, so we can all hear you?

General MACQUEEN: In the main inventory stocks of component parts.

Mr. DREW: Do these include such things as rifles, machine guns, artillery rifles and things of that nature?

General MACQUEEN: No, nothing of that kind.

The CHAIRMAN: Would you kindly speak a little louder.

General MACQUEEN: No, ordinarily there would be no stocks of weapons included.

By Mr. Drew:

Q. I want to ask a question and for the purpose of simplifying it I would like to make this observation. We are here considering the general question not only of what the accounts contain but the manner of dealing with the accounts, and what I am interested in is the fact that here is another occasion where there are substantial materials and supplies which are not shown in any inventory or statement presented to us. I am anxious to know the nature and extent of the inventory, if it can be measured in dollar value, having regard to the fact that components for explosives and explosives themselves are things that may often depreciate quite rapidly in value—but that is something else—what I want to know is the inventory value of the items which are held by Canadian Arsenals. I mean, is that a substantial part of your supplies at the present time?—A. It is a substantial part of our stock, and these reserves of inventory are necessary on account of the fact that we could not take contracts to make munitions unless we had these components on hand, that is to say for early delivery; and while there are government records of stock kept of them the actual value is not shown in the balance sheet. That is a different sort of picture.

Q. Then do I understand from your statement, and the remarks of General MacQueen, that these are largely technical requirements for the production of explosives in your explosive plant?—A. They are residual stocks that were

taken over at the end of the war, stocks that were on hand at the various factories. We disposed of everything which we thought would not be needed in the future and retained what we thought might be useful.

Q. Then, having regard to the supplies you sell, are they figured on the basis of a nominal cost?—A. Any time they are used up there is a cost placed on them at present day replacement value.

Q. At present day replacement value?—A. Yes.

Q. Then, as I understand the picture, it is a perfectly normal situation that arises in the operation of the company, that you have taken in supplies that were left over from war operations, that there are very extensive supplies which probably in the ordinary course of events would be considered expendable but which, as General MacQueen has explained to the committee, are used for the manufacture of munitions, and then they are given a present day replacement value. Now, Mr. Sellar, as I understand it, you would have these inventoried and a value placed on them?

Mr. SELLAR: That is what I thought should be the arrangement, that these things should if necessary be given an arbitrary value and be shown as actual assets in the balance sheet of the Corporation. As has been pointed out, some of them are obsolete, some are deteriorating so rapidly that probably they could not be used. My thought was that the proper procedure would be to place a value on them. But I gather from what Mr. Mackenzie has said that there is in addition stocks which Canadian Arsenals would not use which might have an efficiency which might be open to question. Isn't that what I understood, Mr. Mackenzie?

Mr. DREW: Well then, Mr. Chairman, may I ask a question of Mr. Mackenzie in relation to clearing that point up.

The CHAIRMAN: You had better let him clear it up now.

The WITNESS: I would say that the potential use is dependent upon orders coming in from other countries. Of course, if the orders don't come in, a lot of the stuff will be worthless.

By Mr. Drew:

Q. I suppose it will be conditional upon the quality of the material at the time you actually want to use it?—A. That is right.

Q. And it might deteriorate further. Then, at such time as that is brought into use—and for the purposes of your own records you mentioned a value that you place on it, a replacement value which you put on it when you use it for the purposes of production—you then go out and value the comparable article or material on the open market, and then it becomes an item or entry in your general inventory and is shown in the records of the company.—A. Yes, we do that in order to determine the sale price to charge the customer.

Q. What I am trying to get at is this: without suggesting that there is any impropriety on the part of anybody, it seems to me that unless you then carry that value into your account that you get a false—and I don't imply anything wrong in the use of that word "false"—but you get a false figure in relation to your sale figure in so far as those items are concerned.—A. Well, as I pointed out, the cost of this whole operation is a very difficult thing to get. Last year there was an appropriation by parliament of $2,900,000 and the end result was that something like $2,400,000 was used to cover the net deficit. This year it will be considerably less, as a result of the fact that there were substantial sales made and substantial recoveries from them, which you might call wind-falls.

Q. Coming back to this whole question of accounting, here is the thing which disturbs me about this procedure. You carry on operations as an agent of the government; and if at the end of the year there is a deficit or a requirement, then automatically a vote is made for that purpose. Now at that point

Canadian Arsenals has received a vote that is based upon accounts that do not reflect something which may be taken in of quite a substantial value; and then you start from that point on, with what in any ordinary business operation would be regarded as a fictitious picture.—A. Well, this particular operation is quite different, let us say, from that of Polymer, which is another company reporting to the minister and whose accounts are handled on the basis of an ordinary commercial enterprise. Instead of waiting until the end of the year and then finding out whether or not we have a deficit and requesting an appropriation, at the beginning of the year we have to put forward an estimate of what we anticipate the deficit will be. That is arrived at by determining the total stand-by expenditures and deducting from it the estimate of what we might recover from sales, and then asking for the amount which we hope will cover the deficit. In the year under review here we had estimated for a deficit of $2,900,000 whereas in the end result we only used $2,400,000. While the statements for the current year are not here, the results I think will be better than that because the recoveries were much greater. But we have at the beginning of the year put in an estimate asking parliament to vote for an anticipated deficit. We do not wait until the end of the year to find out whether we have a deficit and then seek to recover it. This is definitely a deficit operation.

Q. Yes, it is essentially a deficit operation, and since the deficit is something which must be taken care of by a vote of parliament, then unless credit is given for whatever value is placed in your own accounts for material you sold, it seems to me that we perhaps are not dealing with the figures we actually should be dealing with in a parliamentary organization.—A. The estimate is at best a guess of what the year's operation will result in. In the final result, of course, every cent of recovery is in there and the estimate is reduced accordingly.

By Mr. Wright:

Q. It appears to me that the functions of Canadian Arsenals Limited are two-fold: one part of it is a holding operation in which they hold certain tools and equipment and so on in case of an emergency; another part is an operative function in which they manufacture certain materials for our own forces or for sale. Would there not be an advantage in separating the two functions of Canadian Arsenals Limited and thereby being able to give a better picture of the cost of production of materials, rather than loading up the production of materials with an overhead which is brought about through the holding operations of the company?—A. The principal job of Canadian Arsenals Limited is to maintain certain machinery and facilities in a standby condition; that would cost, let us say, $X million; then an attempt is made to reduce that cost by making such use of that machinery as is possible in order to sell munitions and so on to other countries, and to the extent that those sales are made, the net cost to the Canadian taxpayer is reduced. But the difficulty comes in trying to talk in terms of cost as you would determine cost in an ordinary commercial enterprise. I do not think you can separate the two functions, because when you do sell something, you must try to recover some of the standby cost.

By Mr. Fraser:

Q. How much was sold to the commonwealth countries, the United States, China, Pakistan? That would not be disclosing anything?—A. Proceeds of the sales in the year ending March 31, 1949?

Q. You gave us a total of so much, but how much was sold to each country?

By Mr. Drew:

Q. That is already available, is it not?—A. I do not know if a break-down of sales has been given. The total sales were $3,052,000 in this year under review.

By Mr. Fraser:

Q. Was that for the manufacture of arms?—A. That was the total revenue from the manufacturing operations of Canadian Arsenals Limited, it might result from all sorts of things.

Q. You have not got a break-down of what you sold to the different countries?—A. Not here at the moment.

Q. Could you get it? Was there not a report tabled in the House?—A. There were certain orders in council tabled covering these transactions, but they would not necessarily tie in with the actual values shown here because of the borrowing operations which went on from the stocks of the Department of National Defence. I think we could have a break-down of sales prepared.

Q. Can you do that?—A. Yes.

Q. And in that break-down, could you not show what was old stuff and what was new?—A. I would doubt if that could be done; but we could show the total sales made.

The CHAIRMAN: Are there any further questions concerning Canadian Arsenals Limited?

Mr. FRASER: There is one question on page Y-65 and also on page Y-66, "Vacation Pay... $114,356.03"; and "Non-Productive Time... $7,913.11". Are they generally put in like that? Why are they put in like that?

Mr. SELLAR: This is unusual.

Mr. FRASER: Yes, I wondered why it was done that way?

Mr. SELLAR: A man's credits for leave with pay accumulate throughout the year and when he takes his leave with pay, it is charged against this account.

Mr FRASER: I see.

Mr. SELLAR: It is the only corporation that does that.

Mr. FRASER: I have not seen it in any of the other corporations, so I wondered why it was done this way.

Mr. SELLAR: Yes.

Mr. FRASER: Is there any special reason why this corporation should do it differently from the others?

Mr. SELLAR: No, there is not; but they have got it that way and it is quite correct. There is no objection to it from the audit point of view. We think it is a little unusual and I do not know exactly why they are in practice. They may have inherited it from the old Quebec Arsenal, but that is the way they set it up.

Mr. FRASER: And then take the item "Foremen and Supervisor, $303,273.29", and then consider the item "Vacation Pay, $114,356.03"; on that item alone I thought that was a pretty high proportion.

Mr. SELLAR: A man accumulates his leave from the summertime so at March 31 a good deal has accumulated.

Mr. FRASER: It has been accumulated for the whole year?

Mr. SELLAR: Possibly for nine months; but he uses it up in August or September.

Mr. FRASER: Does Canadian Arsenals Limited demand that he take his vacation with pay during the year or is it allowed to accumulate for over one year?

Mr. SELLAR: I do not know.

The WITNESS: I would have to ask General MacQueen.

General MACQUEEN: It is not allowed to accumulate except in certain special cases, Mr. Chairman.

Mr. FRASER: Ordinarily it is just for the 12 month period?

General MACQUEEN: That is right.

By Mr. Drew:

Q. May I ask if in the plant at Longueuil, Quebec, artillery weapons are in actual production at the present time?—A. I do not know. Are we going to go into this year's operations, Mr. Chairman?

The CHAIRMAN: We are limited to the Auditor General's report or to the public accounts for the year ending March 31, 1949.

Mr. DREW: That can be dealt with at another time.

The CHAIRMAN: I mean the time for that to be dealt with would be in the House when the minister brings in his estimates.

By Mr. Drew:

Q. In the period covered, were you in production at Longueuil?—A. I would have to ask General MacQueen to answer you.

General MACQUEEN: No, we were not, Mr. Drew.

By Mr. Drew:

Q. In the disposition of weapons and munitions under the arrangement which you have already described and which involved sales to China and to commonwealth countries and certain other countries as well, was the sale made on the basis that it was disposing of weapons and munitions which had ceased to be of a type that we ourselves were using here, or were we actually selling weapons of a type that are still regarded as weapons in active use here?—A. We were meeting requests from commonwealth countries who asked us if we could supply them with certain munitions. In this particular case you are speaking of, the countries themselves could not wait; the requesting countries could not wait until we could produce their requirements. So in order to meet their requirements we borrowed supplies from the Service Stores of the Department of National Defence, and then replaced them so that it was current stuff that was borrowed from the Department of National Defence which had to be replaced.

The CHAIRMAN: That has already been covered.

Mr. SINCLAIR: Mr. Chairman, must we go over the same ground again and again? I think we should call off our committee until Mr. Drew is ready to come to the committee because this is the third time we have had this explanation.

Mr. DREW: That was entirely unnecessary, Mr. Chairman. We are all trying to do our work here.

Mr. SINCLAIR: That matter was dealt with half an hour ago.

Mr. DREW: I want to deal with any remarks that I think are sufficiently worth dealing with.

The CHAIRMAN: Are there any further questions to be asked about Canadian Arsenals Limited before the item is passed? Has the Auditor General any further remarks he wishes to make?

Mr. SELLAR: No, sir.

The CHAIRMAN: Then the next order of business is Canadian Commercial Corporation, items No. 136 and No. 137.

Mr. FRASER: In item 136 paragraph (a) it says that the corporation was set up:

to assist in the development of trade between Canada and other nations,—

Now, our trade has certainly dropped off. I wondered what was being done there?

The CHAIRMAN: I wonder what this has to do with the remark made by the Auditor General in this item?

Mr. FRASER: It is under "Canadian Commercial Corporation", and Mr. Mackenzie is here and he is the deputy minister of the Department of Trade and Commerce and I wondered what the department is doing?

The CHAIRMAN: It might be well if the Auditor General explained these two items which appear in his report.

Mr. SELLAR: The reason they are reported is rather unusual; there are two transactions to which I draw attention, one involving $972,880 and another $2,811,858. The financial year of the Canadian Commercial Corporation ends on March 31, when its expenditures and revenues are cut off, while the Government of Canada has a 12 months year for revenue purposes but actually 13 months for expenditure purposes. It so happens that last April parliament appropriated sums of money in connection with the objects of these transactions and they appear in the expenditures for the Department of Trade and Commerce in the public accounts. They are also reflected in the accounts of the corporation, although the amounts are a little different; they are in twice. That is one reason.

The other reason is: these uses were a little exceptional for the Canadian Commercial Corporation.

The CHAIRMAN: Your first paragraph simply states the powers and the purpose of the corporation so that any question concerning them would be one concerning the policy of the government and not for this committee.

Mr. FRASER: What about this $972,880 that has been recovered?

Mr. SELLAR: That has been repaid to the corporation. It is in the public accounts on page Y-21 which shows a payment of $850,000; that was the amount as I said.

Mr. DREW: It was paid by whom?

Mr. SELLAR: By the Department of Trade and Commerce as an appropriation, special vote 638.

Mr. DREW: Was it paid by the Ming Sung Industrial Company?

Mr. SELLAR: This was paid out of the consolidated revenue.

Mr. DREW: I realize that, because there was an arrangement made between the Quebec Ship Yards and the Ming Sung Industrial Company Limited. Was that not a balance owing to the shipyards arising out of a transaction. This was an item for which there was no provision and it was dealt with simply by a vote in the estimates?

Mr. MACDONNELL: When you used the word "repaid" I thought you meant it was repaid by the Ming Sung Industrial Company; but you meant that it was repaid by another department?

The WITNESS: This $972,880 was the total amount of advance made in the first instance out of the resources of the Canadian Commercial Corporation and it was subsequently partially recovered in the carrying out of this operation.

Mr. MACDONNELL: Recovered from whom?

The WITNESS: From the purchasers of the ships. It was taken out of this vote which was obtained by the Department of Trade and Commerce and then the corporation was repaid, I mean the Canadian Commercial Corporation was repaid.

By Mr. Macdonnell:

Q. And the balance however is still owing?—A. You have again to go back to the original transaction. It was done under the Export Credits Insurance Act, not under the Export Credit Insurance Corporation, but under part II of the Act which authorized a guarantee of certain undertakings. It was part of the post-war lending program. This transaction originated there. Under that transaction the Ming Sung Company entered into contracts to have ships built in Canada for export to China. There was a certain arrangement for payment. The money was to be put up by Canadian banks. Appropriate guarantees were made in accordance with provisions of the Act. It was fully explained in the House at the time the estimate was sought, and the whole history of the transaction—I do not know if it is necessary to repeat it; but as I understand the Auditor General's question it seemed to raise the appropriateness of the corporation's money being used for this purpose.

Q. This is one of those cases where really the presence of an item in the Estimates had the effect of legislating, because if you look at Hansard you will find that in the end the minister said: "If it is passed here, is not that authority?" One would have to admit that if it was passed as an item in the estimates it did give authority. That was our trouble, and possibly it was the Auditor General's trouble.

The CHAIRMAN: We might ask him, because he is present.

Mr. SELLAR: That was the reason. As Mr. Mackenzie has said, there was a question of the corporation's monies being used for a special purpose, and it was cleared up.

Mr. MACDONNELL: If I remember correctly, I think I undertook to say at that time there was no more authority to spend the money on this than there was to buy St. Paul's Cathedral.

The CHAIRMAN: That is a statement which has nothing to do with the work of the committee. That is political. It is a very political statement.

The WITNESS: That money from the corporation's resources was used for that purpose in the first instance and I satisfied myself that it was completely within the powers of the corporation as set out here; it was to assist in connection with the development of export trade and it came squarely, I think, within the powers of the corporation. That was considered by the directors of the corporation and one of the directors was an assistant deputy minister of the Department of Justice and he confirmed that it was within the power of the corporation.

Mr. MACDONNELL: I won't argue with Mr. Mackenzie.

By Mr. Fraser:

Q. I wonder if the deputy minister could say how much Canada was out on the deal?—A. I do not know how much Canada was out on the deal altogether. The total amount involved was of the order of $15 million; the total ship building program was in the order of $15 million.

By Mr. Macdonnell:

Q. "Further, during its financial year the corporation purchased and stored in its own name strategic materials at a cost of $2,811,858." What have you to say about that?—A. Yes. Once again the corporation—

Mr. SELLAR: It was vote 664.

The WITNESS: The corporation's resources were used to purchase. These were imported commodities purchased for the purpose of a strategic stockpile, and the corporation purchased them, subsequently to be reimbursed.

By Mr. Drew:

Q. After all, this is the sort of thing we are under some obligation to know something about. This general transaction with the Ming Sung Industrial Company involved a ship building program of $15 million; and the explanation of what has been stated in item 137 by the Auditor General is that under the direction of the minister, but without any separate statutory authority, the corporation made substantial expenditures out of its working capital in connection with the completion of that ship building program. And this item of $972,880 was regarded as recoverable by the company from the Department of Trade and Commerce in order to complete that transaction, and the item was then entered in the estimates, and it was voted. It was the only thing that gave statutory or other authority for paying that money. Now, having regard to that procedure, and to the general purpose, I think it would be interesting to know how much the Ming Sung Industrial Company did pay to the government, or, how much it cost the government to support this transaction under this plan. Can that figure be given?—A. Yes. I think I am right in saying that in the end result the net cost to the Dominion Treasury would be something in the order of $400,000 which represented a comparatively small fraction of the total loss involved in connection with the program. Part was absorbed by the shipyards themselves. Part of it was absorbed by the Ming Sung Company paying a higher price than the contract price.

By Mr. Fraser:

Q. That answers my question. Thus the Dominion Government is out $400,000 and some odd thousand dollars on the deal. They are minus that money?—A. That is right; there is of course still an outstanding account receivable.

Q. There is no chance of collecting it, is there?—A. I do not know why not.

The CHAIRMAN: But during that time Canadian materials have been bought, paid for and used, and Canadian workmen have been given work.

Mr. FRASER: Oh, yes.

By Mr. Drew:

Q. You mean there is still an outstanding obligation on the part of the Ming Sung Industrial Company?—A. That is right.

The CHAIRMAN: Are there any other comments or any other questions? Are we satisfied that we are through with the Canadian Commercial Corporation? If we are through, we shall proceed with the Polymer Corporation Limited, items 150 and 151.

Mr. MACDONNELL: Do you know the page?

Mr. SELLAR: Yes, it is page Y-87.

The CHAIRMAN: Would the Auditor General care to comment on these two items?

Mr. SELLAR: Mr. Chairman, item 150 is just factual by way of information. We carry item 151 because in previous years we made reference to this $1,250,000. Originally it was a larger sum. What happened was that early in the war years, Fair, which was a crown corporation buying raw rubber, secured irrevocable letters of credit on certain banks for the purchase or buying of rubber in the Straits Settlements and so on. When the Japanese invaded that

area, we did not know what had happened, but there were these irrevocable letters of credit outstanding. They have gradually been cleaned up. That just refers to it. We are not critical. It just refers to the action taken by Polymer in trying to clean it up.

The CHAIRMAN: Are there any other questions that the members of the committee would like to ask with respect to the Polymer Corporation? I think Mr. Wright asked for information on Polymer at one time and I stated that we would have the officials here. Now we have with us the deputy minister who is responsible.

Mr. WRIGHT: I have no particular information to ask of the officials. But I did state with regard to Polymer, and with regard to other corporations, that they were matters which should be dealt with by the committee and I would suggest a recommendation of the committee be made to the House that the annual statements of these crown companies be placed before some committee of the House such as the Public Accounts Committee, just as the Trans-Canada report is now placed before the Railways and Shipping Committee.

The CHAIRMAN: You have no particular information that you wanted to get at this point, Mr. Wright?

Mr. WRIGHT: No.

Mr. MACDONNELL: Are we going to have some statement? You say that the operating officers are here, Mr. Chairman?

The CHAIRMAN: The deputy minister of the Department of Trade and Commerce is ready to answer questions.

By Mr. Macdonnell:

Q. Would the deputy minister say something to us for example about the provisions for depreciation and obsolescence? How was that treated during the war years; just where do we stand on that now?—A. If the committee really wants to go into Polymer Corporation Limited in detail, we could bring the officials of the company here. I thought the committee was only going to deal with these questions in the Auditor General's report and I did not think it was necessary to bring people here from Sarnia.

Mr. SELLAR: The Polymer Corporation was set up during the war, as you know, when costs were very high. It was a rush job and approximately $52 million were invested in it. Throughout straight line depreciation practice has been applied, and at the present time reserves have been accumulated. Obsolescence in Polymer has been relatively light. Their biggest problem was conversion of their heating and power plant. At the time of contruction they had great trouble in getting satisfactory boilers, but they now have that trouble rectified. During the year their total sales were approximately $21·5 million, and production costs were $20,650,000; so after allowing for depreciation of $2,241,000, there is an operating surplus of $913,000.

Mr. MACDONNELL: How does that compare with earlier years?

Mr. SELLAR: They had not changed depreciation practices up that time. They are now making some changes. They had miscellaneous revenues in addition, due to the fact that they were supplying some stream and water to neighbouring industries and also were generating power for the Ontario Hydro. There has been a shortage of power in that area and when they had the apparatus available they generated power for the province. Their supply requirements very largely come from the United States. In that particular year their sales to the United States exceeded the cost of everything they had to import from the United States; and their external sales combined gave us a net surplus of about $3 million in United States dollars in the year.

Mr. MACDONNELL: Can you remember how that operation compares with the operation this year?

Mr. SELLAR: It is improving all the time.

Mr. MACDONNELL: What can you say about the natural rubber situation?

Mr. SELLAR: You would have to get experts to answer that question. I cannot tell you. I know that the past year was a good year. They have been developing new processes which are better than natural rubber for particular uses and they have had an opportunity to market their product on the continent of Europe. In addition, a large plant for synthetic rubber in the United States was destroyed by fire, and we picked up quite a lot of their market.

Mr. DREW: You mean in the export field?

Mr. SELLAR: Yes, and in the United States itself.

Mr. MACDONNELL: What have you to say about labour relations?

Mr. SELLAR: Currently I know nothing about them.

Mr. CROLL: There was a statement made in the House by the Minister concerning labour relations at Polymer in reply to a question asked by Mr. Murphy.

Mr. SELLAR: In the last report of Polymer Corporation Limited they stated that 48 per cent of their staff has been continually in their employ for five years or more which would indicate to me that there were pretty good relations. They have a pension plan, of course, and in addition, they have a health insurance plan.

Mr. MACDONNELL: What is the reference to the agency? Does that mean a selling agency? I refer to the item "Management Fees of Operating Agencies—$349,658.08"? That is on page Y-89. It is down near the bottom?

Mr. SELLAR: I am sorry but I shall have to get that information for you.

The WITNESS: That probably is due to the patent rights and so on of Polymer in the United States.

By the Chairman:

Q. You have the Dow Chemical and one or two other companies incorporated to manage certain plants of Polymer—A. I think that is all tied in with that.

Q. The report of the War Expenditures Committee on Polymer will give you the set-up.

Mr. DREW: Within the period covered by this report there was no sale of any part of the property?

Mr. SELLAR: There might have been the odd machine that was worn out, but no real property sale.

Mr. DREW: I mean a capital sale.

Mr. SELLAR: No. They were adding to their capital assets out of their own profits.

The CHAIRMAN: During the war certain of these companies because of their special qualifications were asked to incorporate Canadian companies to act as management for some of the operations of Polymer. That would be the item covering this.

Mr. MACDONNELL: It strikes me as odd that after operating for several years they should still—

The CHAIRMAN: Some of these things are covered by American patents or by patents which are Canadian and American.

Mr. SELLAR: I shall find out for you.

The CHAIRMAN: We did not expect to enter in public accounts on this. We are just dealing with the report of the Auditor General on these two items.

Mr. CROLL: Carried, Mr. Chairman?

The CHAIRMAN: Item 155 "War Supplies Limited".

Mr. SELLAR: I might save time by telling you that within the last few days I sent a letter to the Secretary of State to the effect that this company had liquidated all its accounts and that its charter could be surrendered. It was a company used during the war in relation to United States purchases.

MR. DREW: It is fully wound up?

Mr. SELLAR: Yes, it is fully wound up.

The CHAIRMAN: Is Mr. Wardle around? We had one item for Mr. Wardle, "Northwest Territories Power Commission" item 148. We have sent for him; and there was also "Eldorado Mining and Refining (1944) Limited"; and Mr. Bennett will be here soon.

The WITNESS: He will be here in a minute or two.

By Mr. Macdonnell:

Q. While we are waiting let us go back to Polymer. I think the company has discontinued its trading operations in natural rubber. I see that the balance contains provision for claims arising from wartime natural rubber transactions.—A. They took over all the assets and liabilities of the crown company set up to buy natural rubber during the war, the whole operation was ultimately turned into the Polymer Corporation Limited and they are in the process of cleaning it up. This item is the residue of that. These old claims resulted from the loss of certain rubber and the impossibility of determining with certainty what happened to the rubber on the Japanese occupation. These things are in the process of settlement and where we can get satisfactory verification we are paying the capital amount of the claims but disputing the interest.

Q. Do you know what happened to the price of natural rubber, and do you know whether it was rising?—A. Yes.

The CHAIRMAN: Since Mr. Macdonnell quotes what he said in the House I would like to refer him to a very good report of one of the sub-committees on war expenditures of which I was the chairman, which devoted 15 to 20 pages to Polymer.

Mr. CROLL: Would you care to read it now?

The CHAIRMAN: No.

Mr. CROLL: We are not likely to finish with Mr. Bennett. Would the committee consider adjourning now? He will be here for some time.

The CHAIRMAN: I am in the hands of the committee.

Mr. CROLL: We have got Mr. Bennett and he will be here for quite a little while; and some of these matters could hardly be disposed of in the remaining minutes.

Mr. DREW: How are we coming on with the information I asked for from Mr. Bryce?

Mr. BRYCE: There are two points of difficulty, and if the chairman would permit me, I would like to ask a question about them. In regard to the list of properties we are having difficulty with the properties of the National Harbours Board. It would take a long time to prepare that information. If the committee is willing to dispense with that item it would help us to speed things up.

Mr. DREW: You mean the properties which the Dominion Harbours Board operate, that the crown owns and leases?

Mr. BRYCE: To private enterprise in the various harbours. There is a great deal of that which comes within the ambit; and the other point has to do with crown lands in the Northwest Territories which have been leased or sold for purposes of this kind. If we could omit those two items, it would assist us in getting a complete report earlier.

Mr. DREW: I suggest that the information which is now available in any of the departments and which is completed could be presented without in any way confusing the situation, and that the other information could be brought forward when it is completed.

The CHAIRMAN: You meant just these last two? I thought that for the information of the committee we were to be supplied with that information all at one time in order to have the whole picture before us.

Mr. DREW: I think, Mr. Chairman, that while it is desirable that we should have the complete picture, in view of the discussion of the subject which has taken place for the purpose of immediate questioning of the officers from War Assets whatever materials is immediately available would be of very great value to us. When may we expect to have the officials from War Assets here?

The CHAIRMAN: I think Mr. Gavsie will be available some time next week. The next three items on our order of business as I have them before me here are, first, the Northwest Territories (item 148) and Mr. Ward the chairman, will appear; then in connection with paragraphs 139, 140 and 147, Eldorado Mining and Refining (1944) Limited, Mr. Bennett will be available and then there is the question concerning the Yukon, and then the War Assets Corporation. Now, perhaps Mr. Bryce could tell us just how the report on properties owned by the government is coming along?

Mr. BRYCE: I have had replies from all the departments in which such assets are held. In the case of Transport that includes the Harbours Board; then there is the question of Trade and Commerce as well as the Department of Public Works. The Department of Resources and Development will report on the Yukon and the Northwest Territories. They have told me that it will take some considerable time to compile that information.

Mr. DREW: In regard to that, would there be any extensive properties in the Yukon and the Northwest Territories?

Mr. BRYCE: There is a great deal of property. It was originally all crown property in the Northwest Territories where all the property is held by the crown in the right of Canada and every time property is acquired there it has to be acquired from the government of Canada. The list of property involved there is very extensive and will take some considerable time to prepare.

The CHAIRMAN: What form will that report be prepared in, Mr. Bryce? Will it be typewritten, mimeographed or what?

Mr. BRYCE: It will depend on the form in which the committee want it. I have it at present in typewritten form. It possibly could be mimeographed but it would involve a very large job of duplicating.

The CHAIRMAN: I suggest that when the report is made available it be available for a few days to all members of the committee so that they can be entirely familiar with the subject matter contained in it before it comes before the committee for discussion. I do not think it would be fair to the committee if it were produced only to the member asking for the material.

Mr. MACDONNELL: Is it too long to be mimeographed, is that out of the question?

The CHAIRMAN: It could be printed in our record as soon as we have it entered. That is one of the reasons why I feel it should not be taken in piecemeal.

Mr. DREW: After all, we are not conducting a litigation where it is necessary for everyone to have a statement of claim and a statement of defence or anything

of that kind. If these reports are ready in typewritten form for a number of the departments it seems to me perfectly simple to make them available for examination by those who are anxious to use the information for the purpose of the proceedings and questioning, and that does not in any way withhold information from anyone interested. There is no mystery about it and I want this information before we proceed to discuss the War Assets Corporation because we know that a number of those properties were purchased and then dealt with by the device of being declared war surplus, and that is what I want some information on.

The CHAIRMAN: That is why I thought it should all be produced at the one time.

Mr. BRYCE: I will endeavour if possible to have copies made, by photostat or in some way, for the use of the committee.

The CHAIRMAN: Within a reasonable length of time.

The committee stands adjourned to the call of the chair.

Mr. DREW: Just a minute, please. The reason I am asking this is that I think it is important that we should have that information before us when the War Assets Corporation are here.

The CHAIRMAN: It was decided, I think about three weeks ago, that we would get this matter before the committee at the earliest possible time. I had thought that the witnesses would be before the committee today but Mr. Gavsie was not available so we have had to postpone his appearance until next week, as early as we can arrange.

Mr. DREW: Just one minute. There has been a lot of talk about delay. I asked for this information some time ago and I said that I wanted it when the War Assets Corporation people were before the committee. I would like to have the information I asked for particularly with respect to them so that it will be available when they are here.

The CHAIRMAN: I think we can leave that to the committee. We will proceed first with the items to which I referred a moment ago, and then the witnesses from War Assets will be at your disposal. Mr. Drew has raised the question of this Canadair property. They already know about that and they will come here prepared to deal with it.

Mr. DREW: Since you mentioned that I would also like the complete file on Canadian Exploration Company at the same time.

The CHAIRMAN: The committee stands adjourned to the call of the chair.

—The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 20

TUESDAY, JUNE 6, 1950

WITNESSES:

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

Mr. J. M. Wardle, Chairman, Northwest Territories Power Commission.

Mr. W. J. Bennett, President and Managing Director, Eldorado Mining and Refining (1944), Limited.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

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on

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MINUTES OF PROCEEDINGS

TUESDAY, June 6, 1950.

The Standing Committee on Public Accounts met at 11.30 o'clock a.m., the Vice-Chairman, Mr. David Croll, presiding.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Blue, Cauchon, Croll, Cruickshank, Drew, Fleming, Fournier (*Maissoneuve-Rosemont*), Fraser, Gauthier (*Portneuf*), Hansell, Helme, Johnston, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspé*), Larson, Macdonnell, Major, Prudham, Richard (*Ottawa East*), Riley, Sinclair, Thatcher, Thomas, Wright.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General; Mr. J. M. Wardle, Chairman, Northwest Territories Power Commission; Mr. W. J. Bennett President and Managing Director Eldorado Mining and Refining (1944) Limited.

The Chairman tabled the following documents which are printed as appendices to this day's minutes of proceedings and evidence:

Appendix A: Letter dated June 2 addressed to the Clerk of the Committee by Mr. G. W. Hunter, Executive Assistant to the Deputy Minister of Trade and Commerce, with which was enclosed a listing of Deferred Accounts Receivable of War Assets Corporation as of March 31, 1949;

Appendix B: Memorandum on the quinquennial census of the prairie provinces furnished by Mr Herbert Marshall, Dominion Statistican;

Appendix C: Statement of payments to "outside" architects, i.e., architects not in the regular employ of the Canadian government, for the fiscal year 1948-49, as furnished by Mr. B. G. McIntyre, Comptroller of the Treasury;

Appendix D: Letter, dated June 1, addressed to Mr. R. B. Bryce, Assistant Deputy Minister of Finance, from Mr. A. MacNamara, Deputy Minister of Labour, regarding the actuarial position of the Government Annuity Fund.

Appendix E: Letter dated May 22, addressed to Mr. Bryce, by Mr. J. C. Lessard, Deputy Minister of Transport, containing answers to certain questions regarding the Maritime Freight Rates Act.

The Committee resumed consideration of the Auditor General's Report for the fiscal year 1948-49.

Mr. Wardle was called, questioned and retired.

Mr. Bennett was called and questioned.

Examination of Mr. Sellar was concluded on paragraphs 148 and 149 of the Auditor General's Report.

At 1 o'clock p.m. the Committee adjourned to the call of the Chair.

A. L. BURGESS,
Clerk of the Committee.

63820—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

TUESDAY, June 6, 1950.

The Standing Committee on Public Accounts bet this day at 11.30 a.m. The Vice-Chairman, Mr. David A. Croll, presided.

The VICE-CHAIRMAN: Gentlemen, some time ago Mr. Drew asked for a statement as to how "Deferred assets" were made up. It appears on page Y-90, and the figure is shown as $40,621,043.83 in the balance sheet of War Assets Corporation. I have that statement and I shall file it now so that it may be printed, we hope, before we deal with the matter of War Assets. (See Appendix A). Mr. Marshall was to be here this morning at, I think, the request of Mr. Thatcher. Unfortunately, Mr. Marshall was called to a Privy Council meeting this morning but he has sent us a statement, of which Mr. Thatcher has a copy. (See appendix B.)

Mr. Thatcher has indicated that he wants Mr. Marshall to appear so we shall have him at the next meeting.

There was a question asked by someone in this committee as to the total amount paid as fees to outside architects in the fiscal year 1948-49. We now have the answer here and also a list of the architects of the department which I shall put on the record. (See appendix C.)

Our first witness this morning will be Mr. Wardle.

Mr. J. M. Wardle, Chairman, Northwest Territories Power Commission.

Mr. LANGLOIS: Mr. Chairman, on a point of order, before we begin with the witness, I think the other members of the committee should have the advantage of seeing these statements to enable them to ask questions.

The VICE-CHAIRMAN: I did say that the reason for filing them now is that we shall have them in the printed record before the War Assets Corporation matter comes up.

Mr. LANGLOIS: But you said that "you hoped".

The VICE-CHAIRMAN: I was assured that it would be done. The general idea was that they should be ready by the week-end. We are dealing now with item 148.

By Mr. Fraser:

Q. What is your position, Mr. Wardle?—A. I am chairman, sir.

By Mr. Drew:

Q. What horsepower does that plant at the Snare River produce?—A. The installed horsepower is 8,350.

Q. Is that a single generator?—A. Yes, sir.

Q. And that is on the Snare River?—A. Yes.

Q. Where is it exactly?—A. It flows in through Great Slave Lake about 40 miles west of Yellowknife, and the plant is up the Snare River about 94 miles by air-line from the town and a little south and a little bit west.

Q. Is there any further development up there at the present time?—A. No, not at the present time.

Q. Is any similar program contemplated on the Hay River?—A. We have data on the other rivers, and we have other sites selected and surveyed on the Snare River which would allow expanding to about 30,000 horsepower.

Q. So according to your figures there is an estimated 30,000 horsepower on the Snare River?—A. Yes.

Q. Without being too exact, what would you say was the estimated potential horsepower developed in that area?—A. I do not think I can answer your question, but I could get you the information. So far there seems to be ample power in the river.

Q. I am asking a question as to the scale on which this commission may be expected to operate in the future and to be able to develop in that area. Would those figures be readily available?—A. Yes, we could get them without any great trouble. There would certainly be 100,000 Hydro Electric horsepower available in the area as required.

Q. You mean in the Yellowknife area?—A. Yes.

Q. There is no special significance to it except that this is the first discussion we have had of the development in that area. If there are figures of the anticipated possible horsepower development in that area it would be useful to have them on the record and associated with this evidence.

By the Vice-Chairman:

Q. Can you do that by means of a memorandum?—A. Yes, I would be glad to do so.

Q. All right.

By Mr. Fraser:

Q. This 3½ per cent loan of $4,615,000, is it callable, can it be called in, or is it a definite 20-year loan?

Mr. SELLAR: May I interrupt?

The VICE-CHAIRMAN: Yes.

Mr. SELLAR: There is a typographical error in our office in respect to this "3½ per cent". It should read "3⅛ per cent".

By Mr. Fraser:

Q. I thought there was something wrong. Is it a callable loan?—A. No, sir, it is a loan for a definite 20-year period.

Q. Was that loan made by the government here or was it made by your commission?—A. The commission borrowed the money from the government on the authority of the Power Commission Act.

Q. I wondered at the 3⅛ per cent, owing to the fact that the government is borrowing money at 2¾ per cent.—A. The right of the power commission to borrow money is subject to such terms as the Governor in Council may designate; and at the time they designated 3⅛ per cent.

By Mr. Fleming:

Q. Is your commission a body corporate with power to sue and to be sued?—A. Yes, sir.

Q. And has the development reached a point where you are marketing your power?—A. Yes, we are selling power. You will note from the report and the balance sheet—and I shall read from the Annual Report of the Northwest Territories Power Commission for the year ending March 31, 1949.

The VICE-CHAIRMAN: What does it indicate?

The WITNESS: We sold some $93,000 worth of power that fiscal year as covered by the report.

By Mr. Fleming:

Q. What has been the results of your operation in a word; can you tell us that?—A. Yes, sir. If you will look at the statement of the balance sheet our total cash on hand in accounts receivable and inventories amounted to $217,575.47. We have certain charges including operation and maintenance, and at the end of the year 1949 we had a surplus of $63,681.24.

Q. Was that the surplus for the year?—A. That was the surplus for the year, yes.

Q. You sold power to the extent of $90,000; what other sources of income did you have?—A. In that is the figure I gave you. There were certain inventories of materials and supplies and certain returnable containers that we had and they totalled $73,431.46. We have accounts receivable also included in the $90,000 to the extent of $50,000.

Q. Are you reading from your balance sheet?—A. Yes, sir, I am reading from the balance sheet which is in the Auditor General's report.

Q. We would like to have it before us.—A. I can give you the statement of income and expenditure for that period.

Mr. THATCHER: Is this statement in the public accounts anywhere so we can look at it?

Mr. SELLAR: Yes, on pages M-79 and M-80.

The VICE-CHAIRMAN: All right, Mr. Fleming.

Mr. FLEMING: Your only income according to the statement there on page M-80 was from the sale of power, isn't that right?

The WITNESS: Yes sir, quite.

By Mr. Fraser:

Q. When did this operation of yours start?—A. Interest really started under the Act from April 1, 1949, as it was not payable under the Act until the first fiscal year after the year in which the plant was completed as designated by the minister. Thus interest starts from April 1, 1949, and the first payment of overhead charges was due in this year, April 1, 1950.

Q. Where did you get the money with which to pay that; does that come out of the consolidated revenue account?—A. That comes out of the revenue we get from the sale of power.

Q. Yes, but you only got $90,000 from that?—A. There are no overhead, interest or amortization payments made from that, as there were none due up to March 31, 1949. The plant was only completed in that fiscal year.

Q. I see, then you expect to pay more this next year?—A. Yes sir. We had a payment to meet on April 1 of this year.

Q. How did you pay that?—A. We paid all the interest charges, operations and maintenance and $75,000 of the principal payment; and, in addition, we carried forward out of revenue for that fiscal year just ended the sum of $28,000 to meet our operating expenses for the first three months of this fiscal year. We have no working capital and we have to get our money from the mines and they pay us at the end of each quarter; and so that we would be able to meet our operating expenses for April, May and June we held over $28,000 from our revenues for the past fiscal year.

Q. Well then, next year you will have to pay the balance of this first instalment along with this $313,000?—A. Yes sir, unless we get some relief in the way of amortization over the first years in that payments on principal can be deferred when the load is low for the new plant.

By Mr. Fleming:

Q. I see you have there income from rentals of $401; is that for a year? And, for how many cottages would that be?—A. That covered from the date they were completed, about October 1, to the end of the fiscal year, March 31, 1949.

Q. These are rented to employees are they?—A. These are the senior operating employees. There are two cottages. Two of the men are married and they live there.

Q. Then I see you have rentals from staff house; you have one staff house there and you collect revenue from that, I suppose?—A. Yes sir. There is a staff house there for single men of the technical staff and we serve meals there. All of these men are the men who are working in the plant like the chief mechanic and the electrical engineer and so on.

By Mr. Fraser:

Q. Where do you show your operating expenses?—A. Operating expenses are shown in schedule "C", and if you go further to schedule "D" in the statement it will give you all the details of the expenditures on operation from September 1, 1948 to March 31, 1949.

The VICE-CHAIRMAN: Is 148 o.k.?

Mr. DREW: No, just a minute.

By Mr. Drew:

Q. Was this plant built by the Commission or by contract?—A. It was underway by contract under the direction of the department first and then when the Commission was appointed it was taken over by it, completed, and then operated by the Commission.

Q. You mean it started as a private venture?—A. No sir, as a departmental venture of the former Department of Mines and Resources.

Q. With whom was the contract placed?—A. The contractors were the Northern Construction—Manaix Companies.

Q. I notice that in this item the first fact that the statutory authority covers development of power on the Snare River. Is there wider power than that to extend to development to adjoining rivers?—A. Anywhere, sir, in the Northwest Territories, if there is the need and it can be done and looks economical.

Q. That is what I wanted to establish. It is not limited to the Snare river or any particular river?—A. No, sir.

Q. And the authority of this commission would extend to the development of electric power in any part of the Northwest Territories?—A. Yes, sir.

Q. Just as a matter of procedure: in the case of carrying forward further developments, how would you proceed with them? From whom would you obtain authority?—A. After the project has been investigated and found sound we have then two courses, one to put the vote in the estimates of the power commission in the estimates of the department, get approval that way, or if the House was not in session we could, with the approval of the Governor in Council, borrow money from the Department of Finance to proceed.

Q. I notice that you were appointed on March 31, 1949. Was that your first appointment?—A. No, sir, my appointment was from September 1, 1948, as chairman.

Q. I think I have misread the entry here:

> The only appointment made, as of March 31, 1949, was that of chairman.

That means as of March 31, 1949; only the chairman had been appointed.

Now, the Act calls for the appointment of a commission of three, and it says: "The commission shall consist of one member to be appointed by the

Governor in Council to be chairman, and not more than two additional members to be appointed by the Governor in Council."

Have any additional members been appointed since March 31, 1949?—A. No, sir.

The VICE-CHAIRMAN: I am prepared, gentlemen, to take applications for those two additional members.

Mr. CRUICKSHANK: I am right in line.

By Mr. Fraser:

Q. I see an item on page M-81, Schedule D: travelling expenses, $2,697.51. Could you give us an explanation for those?—A. That represents expenses incurred by senior members of our staff travelling out there. You can only get in there by air, unless you travel nearly all summer by ordinary transportation. You have to take planes at Edmonton for Yellowknife and from there up to Snare. During construction several trips were necessary, not only my own but our electrical engineer and other people who were supervising construction and also maintenance and operation on the plant.

Q. This is construction, then?—A. Right up to the end of March 31, 1949. Yes, sir, that is construction.

By Mr. Drew:

Q. At what price per horsepower is the power being sold?—A. $100 per horsepower year.

Q. I am struck by the fact that the capital cost is not unduly high for the power production there and I am rather struck with the figure of $100 per horsepower. How does that compare with the price per horsepower in other areas? Is that not a rather high figure?—A. It is high compared to figures in Ontario, where it may run from $25 to $30, but we have a transportation problem and also the problem of high wages and severe winter conditions. The Act does not allow us to sell power at less than cost. We have got the price of power down as low as we can at the present time, considering that we are only selling now under one-half of our capacity. The load has not grown to the extent we would like, but it is showing signs now of building up steadily.

Mr. LANGLOIS: Are we to take it that your operating expenses there are much higher than in any other district in Canada?

The WITNESS: I would not say higher than in any other district, but they are high in that we pay men there 40 per cent to 50 per cent higher in wages, and in the construction of the plant the transportation bill was over $600,000. We had to take everything in over the ice, by a winter haul. The capital investment was high, but it was done as economically as possible.

By Mr. Drew:

Q. Just so that I may have some idea of the future plans of the organization as relating to what it is now doing, are you carrying out investigations of possible power development throughout the whole of the Northwest Territories?—A. Yes, we do that though we depend largely on the water resources division of the Resources and Development Department. They take the hydrometric readings and we do not duplicate anything they do. We also carry out investigations where there are small plants such as diesel plants, and where the demand does not justify hydro electric development.

Q. The question that arises in my mind is whether diesel plants could not produce power at this cost?—A. No, sir, at Yellowknife the average cost per kilowatt hour of diesel plants was about 6·8 cents to the mine; our cost at $100 per horsepower year is only 1·53 cents per kilowatt hour.

By Mr. Fraser:

Q. That is on account of the extra charge for bringing in the fuel, is that right?—A. Yes, sir, it is very expensive by the time you get the fuel oil there.

Q. Who is your chief customer?—A. The Giant Yellowknife Gold Mines.

By Mr. Drew:

Q. Are there any other developments immediately contemplated in that area?—A. Mining, sir?

Q. No, electrical.—A. Well we have a plant under way at Fort Smith, that is a diesel plant. It will be completed and in operation about the end of this calendar year, we hope. We also have a plant under way at Hay River, it will be a diesel plant too. The demands at either place do not justify a hydro electric plant because we would have to get a load of 30,000 to 40,000 horsepower and our demand there is probably 400 or 500.

Q. What horsepower will the ones at Hay River and Fort Smith be?—A. About 450 horsepower.

Q. In each case?—A. Yes.

Q. What will it be possible to sell that for, per horsepower?—A. Our initial horsepower rate at Fort Smith will be ten cents per kilowatt hour.

Q. Which will mean what per horsepower?—A. It will run around $650 or $600.

Q. Because of the nature of the demand you will sell it by kilowatt hours rather than by horsepower?—A. That is right.

Q. Are there any other developments under construction or contemplated at present?—A. No, sir, not at present. We keep in close touch with the mining developments in the area and whenever a mine begins to develop we get in touch with them to see if they are ready to take power and whether they might need a transmission line. We will not build any transmission lines or start a development unless we have a firm contract from some mine that they will take enough power to make our position secure financially.

Q. Can you give an estimate of the cost of the complete plant at Fort Smith?—A. The total cost of that plant will be about $125,000.

Q. And Hay River?—A. Hay River will be a little more, it will be about $150,000, perhaps, not more than $150,000.

Q. That is on account of the different conditions as between the two places, is it?—A. It is a matter of construction. At Hay River, we have certain foundation troubles there and we have also anticipated some trouble with our poles which will have to be laid in somewhat of a gumbo soil which is very sensitive to frost conditions.

Q. Are you carrying the power any considerable distance from the producing plant?—A. Yes, we have a transmission line 94 miles long.

Q. At Hay River?—A. No.

Q. At Fort Smith?—A. I beg your pardon, I thought you were referring to Snare. No, our plants will be practically in the centre of these two settlements.

By Mr. Langlois:

Q. You said awhile ago you do not start any construction until you are sure the venture will be financially sound. Are we to understand that before starting any such construction that you require from your probable customers long term contracts with you?—A. Yes, sir, what we regard as a minimum contract, so we can meet out obligations on the money we borrow.

Q. Is there any fixed time period for those contracts?—A. They are related to the amortization period. If the amortization period is 20 years we expect the firm or the mining company to give us a firm contract over 20 years. The load may start quite low and then build up.

The VICE-CHAIRMAN: That completes discussion of clause 148 and clause 149.

Mr. DREW: I might say, Mr. Chairman, that this is an extremely interesting development and I think one that is most encouraging for the Northwest Territories. The development of these diesel plants offers tremendous opportunity throughout that territory.

The VICE-CHAIRMAN: The evidence has been very interesting. We are now on item 139.

W. J. Bennett, President and Managing Director of Eldorado (1944) Mining and Refining Limited, called:

By Mr. Fraser:

Q. Mr. Bennett, are you managing director?—A. President and managing director.

Mr. FLEMING: Mr. Chairman, I am interested in the comment in 140 in which the Auditor General says:

> These shares were acquired by Eldorado prior to its shares being expropriated. Its accounts are subject to examination by the Auditor General, but due to the state of the books and records an audit has not been possible. As the corporation is not in active operation, consideration is being given to winding it up.

I presume the reference there is to the El Bonanza Mining Corporation Limited and not the Eldorado?

The VICE-CHAIRMAN: Look at Y-74. That will give you the details.

Mr. FLEMING: Am I correct in that interpretation?

Mr. SELLAR: Yes. As a matter of fact it has been sold.

Mr. DREW: To whom?

Mr. SELLAR: I do not know, sir.

Mr. FLEMING: Its assets or its stock?

The VICE-CHAIRMAN: He said it was sold and the assets or the stock is the question.

Mr. SELLAR: Eldorado owned a majority of the share capital. They did not own all of the assets but they owned, I think it is, 50-odd per cent of the share capital, so it is a sale of the shares.

Mr. FLEMING: You are not referring to something that has happened since you made this report?

Mr. SELLAR: Yes, I am. I understand your question was: does this refer to Eldorado or does it refer to El Bonanza, and if action has been taken to wind it up? I am bringing you up to date and saying that the interest of Eldorado has been sold.

Mr. FLEMING: Eldorado has disposed of its controlling interest in El Bonanza?

Mr. SELLAR: Yes.

Mr. FLEMING: On what basis?

Mr. SELLAR: Perhaps it is better that Mr. Bennett answer that.

The WITNESS: Perhaps I might give a bit of the background on this. When the shares of Eldorado were expropriated by the government, there was included in the assets a block of stock in the El Bonanza Company. The company, that is the El Bonanza Mining Corporation, owned nineteen claims at a place called Dowdell Point, which is about seven miles from the Port Radium property of Eldorado. The company was incorporated, if I remember correctly, in 1934. A

shaft was sunk and some underground work was done. The result—I am speaking now, of course, of something that occurred some years prior to the expropriation of the shares of Eldorado—the results, I am told, were such that it was decided to close down the property. From 1937 on the property was inoperative. When the expropriation of Eldorado's stock took place, as I have stated, in the assets was included a block of stock in the El Bonanza Mining Corporation. The company, of course, was a separate corporation and not a subsidiary of Eldorado. It was a company in which Eldorado held stock and it so happens that it held a majority interest.

By Mr. Drew:

Q. What was the profit?—A. The number of shares issued was 3,499,161, and of that quantity Eldorado owned 2,429,334.

By Mr. Fleming:

Q. To whom did Eldorado sell?—A. Negotiations in the first instance were handled by a lawyer in Toronto by the name of J. R. Stirrett who it was later disclosed was acting for a Mr. J. J. Gray. The sale was made to Mr. J. J. Gray.

By Mr. Drew:

Q. Mr. J. J. Gray?—A. Yes.

Q. When did he buy that?—A. The transaction was completed on the 1st of December last.

By Mr. Fleming:

Q. What was the price paid?—A. $25,000.

Q. What did that cost Eldorado?—A. The Eldorado Company, had not as a company expended any money on the property.

Q. I understand that, but what did Eldorado pay for the shares?—A. What the vendor interest would be, I do not know. I wonder if I could give you some more of the background and in that way perhaps answer some of these questions or prepare the way for the answers. The Auditor General, Mr. Sellar, suggested on a number of occasions since he had been asked to audit the books that Eldorado should take steps to call a meeting of the shareholders or a meeting of the directors of El Bonanza. Eldorado's difficulty was that none of the officials of the El Bonanza Company were officials of the Eldorado Company, and with the exception of Mr. Gilbert Labine, who at that time was a director of Eldorado, none of the directors of El Bonanza were on the board of Eldorado.

By Mr. Fleming:

Q. Even though they held a controlling interest in the stock?—A. That is correct. At the time the El Bonanza Corporation was incorporated some of the directors of the Eldorado at that time were directors of El Bonanza, but with the exception of G. A. Labine they resigned from the Eldorado Board some years later. I believe some of them have since died. At the time of the expropriation of the Eldorado stock none of the directors of Eldorado with the exception of Gilbert Labine were directors of El Bonanza. I do not believe there had been an annual meeting held since November 18, 1935, of the shareholders of El Bonanza.

By Mr. Thatcher:

Q. I am still not clear from this Y-74 what the federal government's investment is in this company.—A. It is an investment in shares.

By Mr. Drew:

Q. What was paid for it?—A. I have sent someone out to get that information.

Q. Well, Mr. Bennett, how were these negotiations carried out for the sale of the stock? Just outline the sequence of events.—A. Well, we were giving consideration as to what steps we could take to wind up the company, Mr. Sellar was pressing us to do something about the situation, quite properly, of course, but I was in the difficult position of, as I say, not being a director or of not being in a position to call a meeting of the directors. Finally, the Directors of Eldorado including myself, persuaded Mr. Labine that he should endeavour to get together those of the original directors of the company who were still available and arrange for the calling of a shareholders meeting. Our idea at that time as Mr. Sellar has indicated in his notes—our idea then was to wind up the company and dispose of our interest in it in whatever fashion might seem most satisfactory.

We had the original geological reports. We had the reports that were made by our own exploration staff following the expropriation in 1945. I had had our consultant and our director of exploration examine the property again last summer with a view to determining what value it might have. In the process of the arrangement for winding up the company, we received a communication from Mr. Stirrett asking us if we would be interested in disposing of our interest in the company.

Q. Was he interested in the company before?—A. I do not think so.

Q. Or Mr. Gray?—A. No, I do not believe so.

Q. How far would that be from what was originally the B.E.A.R.A. property?—A. I do not know offhand; it would be in that neighbourhood.

Q. The B.E.A.R.A. property is near Echo Bay?—A. It is in the general area. I cannot tell you, Mr. Drew, what the mileage would be, but it is in that general area.

Q. I was only interested in whether it was close to B.E.A.R.A.—A. I can find that out for you. We have a map of the area.

Q. Then, you had a communication from Mr. Stirrett?—A. Yes, asking us if we would be interested in disposing of our shares in this company. There is one point I might also mention. We had also had from time to time letters from other shareholders asking us what we proposed to do with the property, and my position again was that we were only a shareholder; we were not the management of the company and I felt that the president and the directors of the company should take the responsibility for calling a meeting of shareholders and determining what the policy should be. So that we were caught in a cross-fire, so to speak. A demand was being made on us to do something with the property when we, in our judgment, did not think that the property should be developed. In any case, we were not in a position to initiate a program because we were only a shareholder and not the management.

In the midst of this endeavour to extricate ourselves from a difficult situation, this offer came. Frankly it looked like a very handsome offer, and after examining the property again, we decided that the thing to do was to dispose of our interest by selling the shares, which we did.

Q. Was there any public notice of the sale of this stock?—A. I do not believe so, no.

Q. There were no advertisements in any financial papers or elsewhere, offering this stock for sale?—A. No.

By Mr. Fleming:

Q. Where is the holding of that stock reflected in your balance sheet—on Y-75, non-marginal mining stocks nominal value $7?—A. That is right, yes.

By Mr. Richard (Gloucester):

Q. Have you any other mining stocks?—A. No, not at the present time. In addition to the El Bonanza stock we had some Teck-Hughes and Gunnar Gold at the time of the expropriation. They have been sold.

By Mr. Fleming:

Q. Because there was a market for them?—A. Yes. We watched the market and tried to get the best recovery we could.

By Mr. Thatcher:

Q. Would Mr. Bennett say whether or not there was a profit or loss on the shares he disposed of?—A. Well, frankly, my present information is that there was a profit, but I would like to find out what Eldorado as a company invested in El Bonanza before I answer that question.

The VICE-CHAIRMAN: Dr. Gauthier.

Mr. GAUTHIER: Mr. Bennett, was El Bonanza the same kind of a mine as Eldorado—were they looking for radium?

The WITNESS: No, El Bonanza originally was worked on as a silver property. As far as I am aware there has never been any discovery of radio active occurrences on the property. None of our reports would indicate the presence of uranium.

By Mr. Johnston:

Q. I would like to ask a question with respect to page Y-75 where it says: "Non-marketable mining stocks, at nominal value, $7." How would you know they were of non-marketable value if you never tried to sell them, and when you never advertised them in any financial magazine?—A. I would think that the term would have reference to your ability to trade them on the stock market.

Q. Did you try to trade them? I understood you said you never tried to dispose of them.—A. I did not, personally, no.

Mr. DREW: The stock was not listed?

Mr. FLEMING: I think a non-marketable stock has a pretty well accepted meaning.

Mr. LANGLOIS: Prior to the investment of Eldorado in El Bonanza was there any hope of finding uranium?

The VICE-CHAIRMAN: Oh, well, Mr. Langlois there might have been a hope.

The WITNESS: We are going back to 1934 and I was not associated with the company then.

Mr. LANGLOIS: Perhaps I expressed myself wrongly but the reason for buying this interest in El Bonanza was that there was reasonable ground to believe that there was uranium to be found there, was it?

The WITNESS: I would not know.

By Mr. Drew:

Q. You mean when it was bought by the government in the first place?—A. Yes.

Q. That was only because they happened to hold the stock at the time Eldorado was incorporated?—A. Yes.

By Mr. Wright:

Q. I would like to ask the witness if after the government took possession they carried on exploration work in looking for radium in other parts of the Northwest Territories?—A. You have reference specifically to El Bonanza?

Q. No, no.—A. Yes, Eldorado has an active exploration division and, commencing in 1944, the company began rather extensive exploration activities in the Northwest Territories and also in northern Saskatchewan. Those activities have been expanded each year since 1944. At the present time our activities are pretty well concentrated in what is known as the Goldfields area of Lake Athabaska—the north shore of the east end of Lake Athabaska.

Q. What claims do you now hold through exploration?—A. I can give you the exact number in a moment. As at December 31st the company held 249 claims of which 226 were in Saskatchewan and 23 in the Northwest Territories.

Q. Are those claims in one block or are they separated?—A. Some of them are in blocks. The Saskatchewan group is largely in one area. By that I mean they are not far apart but they are not in solid blocks.

Q. What exploration work or development work is currently carried on?—A. Our exploration program falls into two parts. We have what we call general exploration, which consists of prospecting, and geiger counter surveys. When a claim has been staked and if the surface indications are favourable we usually do surface diamond drilling. We have a diamond drilling program of about 30,000 feet underway for the year. We have completed roughly half of that. The work is being done on three groups of claims in the Lake Athabaska area. Then we have a second type of exploration which consists of underground development. We have sunk two shafts at the east end of Beaver Lodge Lake, a lake about a quarter of a mile north of Lake Athabaska—at the east end of Lake Athabaska.

We have an incline shaft on one group of claims. We started to sink the shaft on the 1st of December; it was completed early in April; and we now have underway a program of underground lateral development and underground diamond drilling.

Then, about three miles from this particular group which is known as the Ace group, we have sunk a vertical shaft. It was started on January 8th and was completed, early in April. We are also doing underground lateral development and underground diamond drilling on that particular property. The program for the time being calls for lateral development on two levels. It is the usual sort of thing which you do in an endeavour to define the size and limits of an ore body.

The VICE-CHAIRMAN: Mr. Benidickson you had a question to ask?

Mr. WRIGHT: I would like to pursue this further.

The VICE-CHAIRMAN: All right.

By Mr. Wright:

Q. What is the development program of the company for the coming year? Is it an aggressive program?—A. What I have just been describing in now under way. I do not know how you judge the aggressiveness of a program, but if you judge it in terms of dollars and cents I would say it is an aggressive program.

Q. What is the amount of money?—A. Roughly our budget for exploration—

Q. I am speaking of development rather than exploration?—A. Underground development? On the underground development program from the first of the year to the middle of August we will probably spend between $350,000 and $400,000 dollars.

Mr. DREW: Are you speaking of the property at Port Radium?

The WITNESS: No, I was speaking of the property at Lake Athabaska.

By Mr. Benidickson:

Q. Who are the directors of El Bonanza?—A. The original directors?

Q. When you sold your shares?—A. This is the list of directors that I have, and I have no reason to believe that there were any additions made to the board, although I understand some of these men are now deceased.

President and managing director—G. A. LaBine;

Secretary—J. B. Kearns;

Directors: G. A. LaBine, Harry Snyder, I. D. Babcock, J. B. Tyrell, P. C. Dings.

By Mr. Drew:

Q. These developments on which you said you had spent some $300,000 are in the Northwest Territories?—A. No, those are in the province of Saskatchewan.

Q. Are there any indications that the country there contains radium? —A. In the course of the exploration program we have been carrying out since 1944 one of the most interesting areas discovered has been that an area north and east of Lake Athabaska and in the general vicinity of Goldfields. We have done the usual thing. We have a reputable firm of consultants, James & Buffam in Toronto, and at each stage in this program we have had the benefit of their advice. As a matter of fact, Dr. Buffam is giving a large part of his time to the direction of the exploration program.

There comes a time always in this sort of program where when you have done a certain amount of surface exploration you arrive at a point where you exhaust the information that can be made available from surface trenching or diamond drilling. You have then to decide whether the diamond drill results you have warrant expenditure under-ground. In this case the diamond drill results on these two groups of claims suggested that we should go under-ground.

Q. Did those indicate that you should go under-ground because of the suggestion of the possibilty of gold?—A. No, not of gold, of uranium.

Q. I ask you the question because that is in an area where gold has been discovered.—A. There have been no traces of gold in any of the diamond drill cores on our property. However some of the other people working in the area have gold content in their ore.

The VICE-CHAIRMAN: Now, Mr. Thatcher?

By Mr. Thatcher:

Q. Mr. Bennett mentioned a moment ago there were four directors. Would he turn to page Y-77 for a moment and give us a break-down of those "directors' fees . . . $4,500"? Would each director get a quarter of that amount?—A. We are not speaking now of the same company, Mr. Thatcher. The directors' fees shown on page Y-77 have to do with directors of Eldorado; while the names that I gave you a moment ago were those of directors of El Bonanza.

Q. Is Mr. LaBine president of Eldorado?—A. No. I am the president of Eldorado.

Q. Could I have a break-down of it, nevertheless?—A. We pay our directors $62.50 per month.

Q. Do they attend one meeting a month? How do you arrive at it?—A. We require a minimum of four meetings a year but actually, in practice, we have more than that. The executive committee of the board meets quite frequently, as often as once a month and sometimes more frequently than that.

By Mr. Langlois:

Q. How many directors are there on the executive committee?—A. Three.

By Mr. Thatcher:

Q. I wonder if Mr. Bennett could give us a break-down of the item "Salaries. . .$48,939.19"?—A. That is for "salaries". I could give you the details if you wish it, or I could, perhaps, just tell you about it. Those are salaries of the administrative office of the company, that is, the head office of the company.

Q. I would like to have a break-down if you could provide. one.—A. I could supply it. I would be glad to give it.

Q. Could I have a break-down as well of the other company?

The VICE-CHAIRMAN: What other company? Will you refer to an item?

Mr. THATCHER: The Eldorado one and the El Bonanza.

The VICE-CHAIRMAN: There is no other.

Mr. THATCHER: This is a total amount for the two of them, is it?

The VICE-CHAIRMAN: No, no!

By Mr. Thatcher:

Q. Then what does it represent?—A. This represents Eldorado. Eldorado was a shareholder in El Bonanza. The companies are quite distinct. As to El Bonanza, the only place you will find any reference to El Bonanza—and you won't find it so named—is the item in the balance sheet showing "non-marketable mining stocks, at nominal value . . . $7".

Q. On page Y-77 in this item of $48,939.19 I presume your salary is included? —A. That is correct.

Q. And that of Mr. Labine?—A. No. Mr. Labine is not a salaried officer of Eldorado.

Q. If you can give me a break-down of that item I would be happy.—A. I would be glad to.

By Mr. Fleming:

Q. Taking you back to this item again, Y-75—$7 there—is that the nominal value of the El Bonanza stock; and, on whose advice was that figure established for our balance sheet purposes; is that before the government took it over?—A. I cannot answer definitely as to that. All I can do is to give you my best recollection which is that that figure was certainly set up in our books at the time I came into the company. Perhaps one of my assistants who was with the company prior to expropriation could tell us, when it was first shown at that figure, whether it was at the time of expropriation or before that.

The VICE-CHAIRMAN: We can get that for you.

By Mr. Fleming:

Q. There are some other questions I wanted to ask based on that information. In connection with the sale I see you have a value there of $25,000 indicated. Was there any public offering of that stock? Did you consult any advice in arriving at the decision to sell 2,429,334 shares at that rate of $25,000?—A. The opinion that we had was from three geologists, competent geologists, two of whom had been with the company and who had made reports on the property but who were no longer with the company at the time this matter was dealt with. However, I got in touch with both of these gentlemen and asked them for opinions and then I had our own director of exploration examine the property again in the light of the reports which had been made previously. The decision was based on these opinions and having in mind the fact that we were not prepared to initiate any work on the property. Of course, the matter was discussed thoroughly by the board of directors and the transaction was approved by the board.

By Mr. Drew:

Q. There was no government approval of any offer in that case?—A. It was dealt with entirely by the board.

Q. There was no submission of this beyond the board?—A. No, except in the board minutes which are submitted to the minister.

The VICE-CHAIRMAN: Have you finished, Mr. Fleming?

Mr. FLEMING: No I have not finished.

By Mr. Fleming:

Q. With respect to these three reports you had—two of them were from geologists and one from your director of exploration—did they all support the figure of $25,000?—A. The $25,000 was an offer that came to us. We had a number of discussions with these gentlemen and, of course, I told them that we had received an offer and asked them for an opinion as to its value. It was on the basis of that opinion that I made my recommendation to the board that we accept the offer.

Q. Can you be a little bit more specific as to just what the comments were? —A. This question puts me in a very difficult position; the board made what was to be a sound transaction. Now, I do not want to say anything here that would hurt either the purchaser or others concerned.

There are, you must remember, a million and a quarter shareholders in addition.

The VICE-CHAIRMAN: Mr. Fleming, if I may—

Mr. DREW: Not a million and a quarter shareholders.

The WITNESS: No, shares.

The VICE-CHAIRMAN: You appreciate the situation, Mr. Fleming—

Mr. FLEMING: I think you misunderstand my point, Mr. Chairman. I simply want to link it with the figure. I am not asking the witness to give a lot of details which may reflect on something that may not be our business now, that is not my intention.

The WITNESS: I could answer the question I think satisfactorily if I could do it with the understanding that it would not be—

The VICE-CHAIRMAN: For publication? No, Mr. Bennett, we cannot do that. In the light of reports that you had and in the light of recommendations that you had, the board decided to accept this offer?

The WITNESS: It looked like a very good offer to us.

Mr. RICHARD (*Gloucester*): Would you have accepted less?

The WITNESS: At the time the offer was received we were prepared to wind up the company and write it off completely.

By Mr. Fleming:

Q. One other question. I understand from what you said Mr. Labine accepted the offer, too.—A. That is right, it was a unanimous decision.

Mr. LANGLOIS: Following the question asked by Mr. Thatcher a while ago, and to clear our minds on that, would the witness confirm that Eldorado Mining and Refining Limited was a crown company and Bonanza was a private company of which Eldorado owned some shares which were acquired through the expropriation of Eldorado?

The WITNESS: That is correct.

Mr. ASHBOURNE: There are two items I would like to speak about; the first is in the drilling.

The VICE-CHAIRMAN: What page are you referring to?

By Mr. Ashbourne:

Q. It arises out of Mr. Bennett's remarks. He said about 30,000 feet of drilling. Were there any worthwhile discoveries of oil made?—A. No.

Q. The other question is: on pages Y-74 and Y-75, I notice that mine royalties amount to $4,925. Were there two payments made of that amount or

is it the same amount, and on what basis were the payments made?—A. That is all royalty that is paid to the Northwest Territories administration. It is calculated on a tonnage basis.

Q. At what rate?—A. I cannot tell you offhand. Judging from the size and the amount of our tonnage it would not be very much per ton. I may say it is a rather arbitrary arrangement. The subject of whether the company should pay royalties and on what basis is now under discussion with the Northwest Territories administration.

By Mr. Sinclair:

Q. Mr. Bennett, in the same connection, if and when you develop ore bodies in Saskatchewan what will be the relation then, as far as the payment of royalties is concerned?—A. In Saskatchewan a different situation exists. The mineral rights in Saskatchewan, as I recall it, are not retained by the province. In the Northwest Territories all the claims on which we are now operating are held under lease. In other words, the crown does not alienate its title. There is no alienation of title to the mineral rights and that is, I understand, the basis for the royalty payments which are made to the Northwest Territories administration.

Q. But surely Saskatchewan cannot levy royalties?—A. I cannot tell you offhand.

Mr. WRIGHT: Yes, I know they collect royalties.

The WITNESS: It has not become a problem for me as yet and that is probably why I am not familiar with what the policy is. There is at the present time a difference between the two. I seem to recall having seen some weeks ago that the province of Saskatchewan was bringing its mining regulations into complete harmony with those in the Northwest Territories.

By Mr. Wright:

Q. I was not so interested in this problem as in the position of the Crown money and as to whether they are obligated to pay royalties.—A. Perhaps this might serve as a guide to what the policy will be. There are other taxes which normally the province of Saskatchewan levies. For instance, there is a tax on oil and gasoline products. Eldorado has not been required to pay that tax. What the ultimate legal position may be, I would not care to say.

Q. It would become rather involved in view of the fact that you are doing considerable exploration work and you might discover—I suppose that your exploration work is confined mainly to basic uranium but in that process you might discover other minerals. Now, what is the policy of your company—what happens to deposits you discover of other mineral?—A. We would develop them if the indications warranted it.

By Mr. Langlois:

Q. Have you done that in the past?—A. It has not been a problem. The original Eldorado property in the early days had some silver production. The silver content today is negligible.

The VICE-CHAIRMAN: Gentlemen, we have 139 and 140.

By Mr. Fraser:

Q. I want to ask Mr. Bennett if the company checks into deposits of radioactive ore in Haliburton county?—A. We, as a company, Mr. Fraser, have not had a party in there. We have confined our explorations so far to northern Saskatchewan and the Northwest Territories, and last year we had one party in the Sault Ste. Marie area. However, I understand, the geological survey have had men in the area.

Q. Would it not be a whole lot cheaper for you to produce your ore from there?—A. If there is ore there we would be very happy to.

Q. I understand there is. That is why I am asking you.—A. Mr. Fraser, under these new purchasing arrangements there is nothing to prevent anyone from developing ore and selling it.

Q. To you?—A. Yes.

Q. And you would take it at what—$6.—A. On the basis of the formula which I announced some weeks ago.

Q. I just want to ask a couple more questions. You mentioned the fact that the directors met once a month and sometimes more often. Where do they meet?—A. Four times a year. Generally, we have our meetings in Toronto because all of the directors except two live in Toronto.

By Mr. Langlois:

Q. Where is your head office?—A. Our head office is here but we have a Toronto office.

By Mr. Fraser:

Q. These travelling expenses, $11,456—what do they cover?—A. They cover travelling expenses of officers of the head office.

Q. That item would cover air too, I suppose?—A. That would cover complete travelling expenses.

Q. One more question. On the Northern Transportation Company you have—

The VICE-CHAIRMAN: We are not there yet. There is an item there but we have not reached it. We were not dealing with it.

Mr. SINCLAIR: It is in the balance sheet?

The WITNESS: Yes, in the consolidated balance sheet.

Mr. FRASER: It is 139 and 140.

The VICE-CHAIRMAN: It is 147, actually.

Mr. FRASER: Yes, but it is mentioned in 139.

By Mr. Fraser:

Q. Now that you have taken it over what have you done with it? Are you using it and has it developed, or what?—A. The Northern Transportation Company was a company that was incorporated, in 1937 by Eldorado primarily to provide transportation for supplies coming into Port Radium and concentrates going out. At the mine ore is hoisted in the normal manner of a hard rock mine and is put through a gravity concentrator. The concentrate is shipped in bags down to Port Hope where the final extraction of uranium oxide is made. The business of providing transportation to Port Radium by water, if you will glance at the map, is a rather complicated one. Distances are great. The distance from Fort McMurray to the mine is, roughly, 1,400 miles. The route is by way of the Athabasca river, Lake Athabasca, Slave river, Great Slave lake, Mackenzie river, the Bear river, and Great Bear lake. To complicate matters there are portages—one on the Slave river of twenty-five miles, and one on the Bear river ten miles long.

As I said, the company was incorporated in 1937 to look after the supplying of Port Radium. However, from its inception it also carried freight for other people. There was no rate jurisdiction in the country at that time. In 1940, the Eldorado property was closed. The activities of Northern dropped very materially in 1940 and 1941. With the reopening of the mine in 1942, and the development of the Canol project at Norman Wells, the company became very active again. Over the period from, 1943 until the end of 1948 there has

been a continual expansion of the company's business. In the period 1945 to 1949, there was expended about $2,900,000 on equipment. The withdrawal of the Hudson Bay Company as a common carrier made it necessary for Northern to expand. Then there were certain activities in the mining area, especially the Yellowknife area and certain activities of government departments in the north. All of these have contributed to the expansion of the company. If you would be interested in judging the company's progress on the basis of the freight carried, I can give you some figures. Tonnage in 1945 was 14,000; in 1946, 22,000; in 1947, 35,000; in 1948, 49,000, and 1949, 38,000. There was a falling off in 1949 from 1948.

Q. Well, where do you show your profit where you are operating this company? Do you show it in any of these public accounts?—A. Yes, that is 84.

Q. Well, on Y-77 you show apportionment to Northern Transportation Company $6,000. That is "less", under schedule 3. It just says "less $6,000."—A. I know what that is if I can find it here. That is a part of the head office expenses which is charged to Northern.

Q. Northern pays what portion?—A. $6,000.

Q. It is just a fixed sum?—A. Yes.

By Mr. Prudham:

Q. Mr. Chairman, I would like to ask Mr. Bennett what proportion of the total tonnage available in the north does his company handle?—A. That would be by water?

Q. Yes?—A. Just water?

Q. That is what I had in mind?—A. Well, we are the only company at the present time which operates over the entire system—that is from Waterways north to the mouth of the Mackenzie. There is another operator on the Athabaska part of the route and there is another operator on the section of the route north of Fort Smith. I have not got the actual tonnage figures for the other companies but we can get them from the Board of Transport Commissioners as they are all recorded. I would say that we carry probably 80 per cent of the tonnage.

Q. Would you say that the proportion was increasing and are these other companies fading out of the picture, or do you think that there is a chance of them surviving?—A. I would say that 1949 saw a general decrease in the amount of the total tonnage carried. We carried more tonnage in 1948 than all operators carried in 1949. I would think that on a proportional basis our reduction in tonnage was greater than the reduction of other companies. That would be because of the routes.

Q. Does the Board of Transport Commissioners control the amount of freight which the company is allotted?—A. No, no.

Q. Do they control the number of bottoms that can be put on the river?—A. Yes, that is right; you must obtain a licence from the Board of Transport Commissioners to operate between two points or in a certain area.

Q. Why is it necessary, when there is so little competition?

The VICE-CHAIRMAN: Well you are getting into something that is not his field, Mr. Prudham.

By Mr. Fleming:

Q. Mr. Chairman, what was the year of the expropriation, Mr. Bennett?—A. 1944.

Q. There had been an old Northern Navigation Company incorporated about 1937, and in 1947 the Board of Eldorado had a new company incorporated, the Northern Transportation Company of 1947 Limited, to assume the liabilities and assets of the 1937 Northern company. I am interested as to the authority of the Board of Eldorado to do that? Now, I appreciate that Eldorado is not

quite in the same position as some other Crown companies. It was a case of expropriation of the stock of an existing company, but was there any consultation with the government about the incorporation of a company by Eldorado?—A. None other than the minutes of the meetings—and that would be after the event. All these things are done in the normal company manner but the minutes of the meetings would be of course filed with the minister to whom we report. The purpose of the new incorporation was to change the company from a provincial company to a dominion company—it was not a matter of incorporating a company to enter into some new kind of business. I do not know that any special authority was required to do it but perhaps Mr. Sellar could go into that point. In this case we were just changing the company from a provincial company to a dominion company.

Q. Of course, Eldorado might be in a rather different position from some of the other Crown corporations that came into existence in a rather different way?—A. That is right.

Q. I was going to ask, Mr. Chairman, if I could switch to Mr. Sellar on this question in regard to new corporations. Are there any cases where they have incorporated subsidiary companies for which there has been no specific authority set up?

Mr. SELLAR: You have got to go back to the war years.

Mr. FLEMING: To the war years?

Mr. SELLAR: The Commodity Prices Stabilization Corporation had Wartime Foods Corporation and some others incorporated at that time.

Mr. FLEMING: I knew there were a great many at that time but, take the post-war years—are there any cases now of incorporation of subsidiaries by Crown corporations?

Mr. SELLAR: No, I do not recall. You have got to bear in mind, with regard to Eldorado that at the time of incorporation it was an Ontario corporation and simultaneously, with expropriation it was given a Dominion Companies Act charter.

Mr. FLEMING: That is the 1944 company?

Mr. SELLAR: Yes. Northern Transportation was operating under an Alberta charter and the action was taken to just convert it to a dominion charter. My recollection is that there were no new powers.

The VICE-CHAIRMAN: Have we concluded with Mr. Bennett?

Mr. FLEMING: Just one other question. There is one item on Y-84, a matter of an advance for capital purposes of $737,000. Those are advances by Eldorado to Northern Transportation in accordance with order in council P.C. 1035 of March 1947. What was the authority for that order in council, Mr. Sellar?

Mr. SELLAR: I would have to look at the order in council first.

The VICE-CHAIRMAN: We shall have that at the next meeting. Now, gentlemen, I have received from Mr. Bryce the letter of the Deputy Minister of Transport concerning the Maritime Freight Rates Act about which someone asked, and an original letter from the Minister of Labour regarding the actuarial position of the Government Annuity Fund. I think Mr. Stewart asked about it. They are on file.

(See appendices D and E).

Is it the desire of the committee that Mr. Bennett should return, if we have not concluded with these items?

Mr. DREW: Yes, Mr. Chairman, there are some items about which I want to ask questions. They won't take long. Perhaps we had better wait until the next meeting.

The VICE-CHAIRMAN: Very well, the meeting is now adjourned.

The meeting adjourned.

Appendix A

DEPARTMENT OF TRADE AND COMMERCE

OTTAWA, June 2, 1950.

A. L. BURGESS, Esq.,
Committees and Private Legislation Branch,
Room 432,
House of Commons,
Ottawa, Ontario.

Dear Mr. Burgess:

In accordance with the request of the Leader of the Opposition made at the meeting of the Public Accounts Committee of the House of Commons held on May 29, 1950, enclosed herewith are three copies of a listing of Deferred Accounts Receivable of War Assets Corporation as at March 31, 1949, showing in detail all accounts over $5,000, together with a recapitulation of these accounts by period of time during which they are payable, as requested. The recapitulation appears on page 5 of the listing.

If any further information is required in this connection, please let me know.

I am returning herewith the draft Minutes of Evidence of the meeting of May 29, which you were good enough to send to Mr. Mackenzie.

Yours very truly,

G. W. HUNTER,
Executive Assistant,
to Deputy Minister.

WAR ASSETS CORPORATION

ACCOUNTS RECEIVABLE AS AT MARCH 31, 1949

Dominion Government Accounts	
Department of Labour	$ 14,639.43
Department of National Defence	32,770.69
Department of Public Printing and Stationery	66,718.31
Department of Public Works	19,089.70
9 accounts under $5,000.00	14,246.38
Provincial Government Accounts	
Province of Alberta—Department of Public Works	11,861.88
Province of Ontario—Hydro Electric Power Commission of Ontario	23,357.00
3 accounts under $5,000.00	1,094.70
Municipal Government Accounts	
4 accounts under $5,000.00	5,924.81
Deferred Accounts	
Acadia Overseas Freighters Ltd.	4,982,680.61
Accessories Manufacturers Ltd.	25,268.52
Addison Industries Ltd.	304,211.95

Deferred Accounts (Cont'd)

Andros Shipping Co. Ltd.		2,744,818.93
Argonaut Navigation Co. Ltd.		544,499.40
Arkin, M.; Schwartz, A. O.; Arkin, N.		58,240.00
Austin Motor Co. (Canada) Ltd.		176,537.50
Babcock, Wilcox, Goldie McCulloch Ltd.		37,269.14
Bawden Machine Company Limited		8,312.46
British Columbia Water Transport Co. Ltd.		24,000.00
Bowser, S. F., Co. Ltd.		14,323.00
Branch Lines Ltd.		560,000.00
British Aeroplane Engines Ltd.		47,451.85
Brunswick Motors Ltd.		212,984.72
Canada Iron Foundries Ltd.		72,876.45
Canada Machinery Corp. Ltd.		22,830.10
Canadian Car and Foundry Co., Ltd.		1,132,217.28
Canadian Eastern and Pacific Co. Ltd., and Lacrinoid Products of Canada Ltd.		41,250.00
Canadian Exploration Co. Ltd.	$ 814,242.67	
Less: Balance of reserve set up against this account due to conditional nature of terms of payment	814,242.67	
Canadian General Electric Co. Ltd.		1,166,368.96
Canadian Mobile Co. Ltd.		86,666.67
Canadian Oil Co. Ltd.		140,000.00
Canadian Shipowners Ltd.		443,092.36
Canadian Vickers Ltd.		412,079.61
Canadian Westinghouse Co. Ltd.		311,578.04
Central Aircraft Ltd.		11,432.99
Darling Brothers Ltd.		46,098.35
Dolphin Steamship Co. Ltd.		277,370.43
Dominion Bridge Co. Ltd.		428,789.29
Dominion Engineering Works Ltd.		272,198.07
Dominion Magnesium Ltd.		1,245,833.18
Dominion Shipping Co. Ltd.		554,748.72
Dominion Twist Drill		13,964.10
Eastboard Navigation Ltd.		639,514.73
Elmac Company		11,812.50
Fairchild Aircraft Ltd.		127,000.00
Fairfield, H. C. & L. C., et al		21,987.54
Federal Commerce & Navigation Co. Ltd.		917,478.71
Firestone Tire & Rubber Co. of Canada Ltd.		25,037.21
Fleet Manufacturing Ltd.		395,657.58
Fleet Aircraft Ltd.		59,902.48
Forest Industries Ltd.		10,500.00
Gelatine Products Ltd.		38,929.61
G. & T. Shipping Limited		1,201,518.54
Gulf Ports Steamship Co. Ltd.		164,196.45
Gulf Lines Ltd.		28,050.00
Hall Engineering Ltd.		12,352.84
Hayes Steel Products Ltd.		391,659.44
Heaps Engineering Co. (1940) Ltd.		28,334.00
Ingersoll Machine & Tool Co. Ltd.		40,647.48
Inglis, John, & Co. Ltd.		138,968.02
Ivor Shipping Co. Ltd.		1,206,602.05
Johnson Walton Steamships Ltd.		464,441.74
Kennedy, William, & Sons Ltd.		164,352.35
Kerr Silver Lines (Canada) Ltd.		230,821.94
Laurentian Shipping Co. Ltd.		884,215.23

Deferred Accounts (Cont'd)

Leyland's Limited	28,160.00
Light Alloys Ltd.	19,687.50
Loblaws Groceteria Ltd.	332,500.00
Lunham & Moore Ltd.	264,192.34
Lunham & Moore Tankers Ltd.	166,340.03
Meighen, W. H. Ltd.	19,250.00
Montship Lines Ltd.	912,511.96
MacDonald Bros. Aircraft Ltd.	232,880.01
McDougall Co. Ltd.	16,964.28
McKinnon Industries Ltd.	294,564.87
National Cut Stone Ltd.	135,333.34
National Electric Manufacturing Co.	45,750.00
Navico Shipping Co. Ltd.	166,987.86
New Method Laundry Ltd.	13,999.99
North American Cyanamid Ltd.	2,400,000.00
Northern Star Steamship Co. of Canada Ltd.	137,831.29
Northwest Industries Ltd.	384,866.98
Otaco Limited	15,620.00
Packhurst Realty Ltd.	91,875.00
Pic Bell Ltd.	144,656.36
Pictou Foundry & Machine Co. Ltd.	11,500.00
P. & T. Steamship Co. Ltd.	1,208,233.32
Reliance Motor & Machine Works Ltd.	6,052.94
Rogers Majestic Ltd.	367,500.00
Saguenay Terminals Ltd.	2,256,582.70
Scarborough, Township of	232,500.00
Seaboard Owners Ltd.	1,614,425.65
Shawinigan Chemicals Ltd.	757,346.24
Shurley-Dietrich-Atkins Co. Ltd.	25,800.00
Seagull Steamship Co. of Canada Ltd.	854,956.18
Sommerville Limited	300,000.00
Squamish Fishing & Packing Co. Ltd.	20,000.00
Standard Machine & Tool Co. Ltd.	17,772.40
Steinbergs Wholesale Groceterias Ltd.	320,000.02
Terra Nova Steamship Co. Ltd.	187,071.43
Thompson Products Ltd.	100,057.39
Thompson Brothers Machinery Co. Ltd.	30,652.30
Topco Limited	68,031.80
Triton Steamship Co. Ltd.	1,380,809.40
Vancouver Engineering Works Ltd.	40,698.79
Vancouver Oriental Lines Ltd.	802,403.38
Vivian Diesels & Munitions Ltd.	19,351.72
Webb, Gifford Ltd.	13,702.37
Welland County Hospital	9,278.35
Weston, George, Ltd.	480,000.00
Westminster Iron Works Co. Ltd.	9,303.15
20 accounts under $5,000.00	39,069.37

Trade Accounts

Fairchild Aircraft Ltd.	47,570.58
Midland Shipyards Ltd.	7,500.00
Molybdenite Corporation of Canada	78,561.50
Page & Sons Ltd.	7,960.76
Roe, A. V., of Canada Ltd.	5,640.54

Trade Accounts (Cont'd)

St. Lawrence Manufacturing Co.		81,896.00
University of Toronto		8,114.16
Vancouver Engineering Works		6,436.17
White Canadian Aircraft Limited	$ 234,214.71	
Less: Reserve against this account due to doubtful nature of our claim for discrepancies	232,139.99	2,074.72
77 accounts under $5,000.00		62,911.30

Foreign Accounts

Brand, R. A., Co. Ltd.	125,764.77
Carbide & Carbon Chemicals Corporation	5,642.00
Mannerfrid, Henrich, Inc.	5,194.62
Netherlands Government	119,033.03
Thorne, C. J. & Co. Ltd.	8,000.00
	$ 41,383,046.88

RECAPITULATION

Current Accounts:

Dominion, provincial and municipal Governments and trade accounts	$ 762,003.05

Deferred Accounts:

Payable within 5 years	$ 24,527,150.08	
" " 10 "	12,823,161.47	
" " 15 "	2,024,899.10	

Subject to special terms:

(1) Canadian Exploration Co. Ltd.	$ 814,242.67		
Less: Reserve	814,242.67		
(2) Dominion Magnesium Ltd.		1,245,833.18	
			40,621,043.83
			41,383,046.88

(1) Payable in annual payments equal to 50% of net profits to be made within six months after close of purchaser's financial year.

(2) Payable in yearly payments of not less than one cent (1c) per pound of magnesium sold from the property during the year in respect of which any such payment is made and not less than $50,000. in any one year (including interest).

APPENDIX B

DOMINION BUREAU OF STATISTICS

MEMORANDUM ON THE QUINQUENNIAL CENSUS OF THE PRAIRIE PROVINCES

The basic reason for these quinquennial censuses was the opening up of the West bringing about rapid population changes and development of natural resources. A more frequent measurement than every ten years was a real need. This was felt so strongly in the case of the three Prairie Provinces that a provision requiring a census of population and agriculture every five years was inserted in the Acts constituting these provinces as well as in the Statistics Act itself.

Quinquennial Censuses of Population and Agriculture have been taken every ten years in Manitoba since 1886, and in Saskatchewan and Alberta since 1906.

The Acts which created the Western provinces provided for such censuses and the Census and Statistics Act, and later the Statistics Act, made provision for them.

For example, the Alberta Act (4-5 EDWARD VII, Chapter 3) to establish and provide for the Government of the Province of Alberta provides in Section 18 subsection (*b*) that "A census of the said province shall be taken every fifth year, reckoning from the general census of one thousand nine hundred and one.

The quinquennial census is, therefore, a matter of constitutional right.

The use of quinquennial census data as a basis for subsidies is only one of a great many uses to which it has been put. From the outset, i.e., the first quinquennial census taken in Manitoba in 1886 the census was not a mere count of noses but was of a very comprehensive character. In the Act providing for it (assented to 1st May, 1885) its scope was prescribed as follows:

> The Census shall be so taken as to ascertain, with the utmost possible accuracy, in regard to the various territorial divisions of the country,—their population and the classification thereof, as regards age, sex, social condition, religion, education, race, occupation and otherwise,—the houses and buildings therein, and their classification as dwellings, inhabited, uninhabited, under construction and otherwise,—the occupied land therein, and the condition thereof, as town, village, country, cultivated, uncultivated and otherwise,—the produce, state and resources of the agricultural, fishing, lumbering, mining, mechanical, manufacturing, trading and other industries thereof,—the municipal, educational, charitable and other institutions thereof,—and whatsoever other matters are specified in the forms and instructions to be issued, as is hereinafter provided.

Indeed, its scope in some respects was greater than recent censuses. As statistical organization developed some of the fields covered were put on a more frequent basis, as, for example, the industrial census. But the quinquennial census has always covered both population and agriculture in a broad way.

It furnishes very valuable information. The data obtained in the population census (quinquennial) are certainly used a great deal and serve many purposes.

The quinquennial agricultural census is particularly useful. It provides important information to measure changes going on in the agriculture industry. The Bureau of Statistics, in co-operation with the provincial Departments of Agriculture (Department of Trade and Commerce in Quebec) and the Federal Department of Agriculture publishes estimates annually of the acreages seeded to various crops and numbers of live stock on hand. Production estimates are issued for crops, live stock, dairy, poultry, and miscellaneous products. In all this work of providing annual and monthly estimates the census is an important source and, in most cases, the only source of a starting point or 'bench mark'.

The importance of a 'bench mark' can be readily illustrated in connection with estimating wheat acreage. Each June a mail questionnaire is sent to farmers across Canada with the request that they enter the number of acres sown to wheat and each other crop as well as the number of live stock on hand and the disposition of the same. About 15 per cent of the farmers send in replies and on the basis of this sample the percentage change in say, wheat acreage, between two successive years is obtained. For the year following the census the percentage change is applied to the census figure of wheat acreage. This procedure is carried on until a new census figure becomes available.

When the census figures become available the series for each kind of grain and live stock is adjusted, if necessary, to the new census base. In the Prairie Provinces the adjustment can be made every five years, and in the rest of Canada, every ten years. During the intercensal years estimates do frequently get out of line. The provision of a quinquennial census aids greatly in providing more accurate statistics on grain acreages, which undergo rapid shifts in the Prairie Provinces. Certain crops like flaxseed are not grown over wide areas and, therefore, changes are more difficult to estimate by sampling methods. A census 'bench mark' is especially important for such crops. In estimating such items as numbers of hogs and poultry, rapid changes do take place and the importance of having frequent 'bench marks' is paramount because if the series gets out of line for one year the error can be cumulative in character.

At the present time the quinquennial census returns in the Prairie Provinces do result in more accurate annual statistics for agriculture. About 40 per cent of the farms of Canada are located in these provinces and 66 million of the 99 million cultivated acres. Commercial production of wheat, and to a large extent oats and barley, is centred in the Prairies. Production of live stock and live stock products is important in that surpluses are produced for export and utilization in deficit producing areas in other parts of Canada. Provision of quinquennial 'bench marks' to check annual agricultural estimates is, therefore, of particular importance in the Prairie Provinces.

The Prairie Provinces themselves make a great deal of use of the quinquennial census of Agriculture. After 1946 the Bureau was under continuous pressure to get the results out quickly. The data are in constant use as 'bench marks' on which to build current estimates. One advantage of a complete census is that information is available for small areas. With this as a basis current estimates can be made for these small areas and much of the interest in the Prairie Provinces is in local area situations.

PAYMENTS TO OUTSIDE ARCHITECTS

FISCAL YEAR 1948-49

Department	Payee	Amount	Total
Agriculture	J. V. Connor	$ 780 00	
	Riddle and Connor	7,500 00	$ 8,280 00*
External Affairs—			
England	G. P. Scott	29 62	
England	T. E. Scott	3,163 55	
France	Y. Courcoux	37 92	
Denmark	Albert Oppenheim	63 00	
Netherlands	P. C. Oosthock	160 85	3,454 94
Mines and Resources—			
Lands and Development:			
Services Branch	Victor P. Belcourt	1,843 62	
	H. S. Brenan	3,510 00	
	E. T. Brown	3,400 00	
	R. A. Frechet	1,170 04	
	Rule, Wynn and Rule	10,080 49	20,004 15
Indian Affairs	W. E. Noffke	21,000 00	
	M. Payette	4,264 54	25,264 54**
Immigration Branch	Thos. E. Scott (England)	4,650 62	4,650 62
National Defence	D. A. Webber	13,332 59	
	E. C. Cox	13,591 57	
	Fetherstonhaugh, Durnford, Bolton and Chadwick	30,000 00	
	H. W. Lea	5,000 00	
	Amyot, Marchand and Legare	15,000 00	76,924 16
National Health and Welfare	Northwood and Chivers	2,000 00	2,000 00*
Public Works	Canadian National Railways	6,963 78	
	Gaston Amyot	6,675 00	
	J. L. Caron	9,000 00	
	Charles B. Dolphin	54,690 28	
	J. S. Lefort	7,298 49	
	Ross A. Lort	12,274 54	
	P. Leonard James	45,000 00	
	W. E. Noffke	8,606 17	
	J. J. Perrault	45,000 00	
	Hazen Sise	2,800 00	
	Thos. E. Scott (England)	1,441 63	
National Capital Planning Service	Edouard Fiset	6,187 50	
	Jacques Greber	6,000 00	211,937 39
Reconstruction and Supply—			
National Film Board	Hazen Sise	800 00	800 00
Trade and Commerce—			
National Research Council	Leslie R. Fairn	983 88	
	Gentil J. K. Verbeke	8,967 22	9,951 10*
Transport	German E. Milne	46,213 68	
	P. E. McGrail	1,107 90	47,321 58
Veterans Affairs	Allward & Gouinlock	75,140 75	
	H. S. Brenan	53,818 73	
	J. V. Connor	13,856 93	
	Charles A. Jean and G. Fernand Caron	42,000 00	
	Eugene Larose	30,498 00	
	Ross & MacDonald	5,891 51	
	George G. Teeter	5,942 26	
	Andrew L. Mercer	2,288 95	229,437 13*
	TOTAL		$640,025 61

* Paid by Department of Public Works in connection with construction for this Department.
** Paid by Lands and Development Service in connection with construction for this Branch.

Appendix "I"

OTTAWA, June 1, 1950.

Dr. R. B. Bryce,
Assistant Deputy Minister,
Department of Finance,
Confederation Bldg.,
Ottawa.

Dear Dr. Bryce:

With reference to the actuarial position of the Government Annuity Fund, I wish to advise that the annuity fund is constantly under review inasmuch as a valuation must be made each year as required by Section 15 of the Government Annuities Act. This Section also provides that the mortality tables to be used shall be those specified in the Regulations approved by The Governor-in-Council under Section 13 of the Act. Subsections 1 and 2 of Section 4 of the Government Annuities Regulations call for the use on and after April 19, 1948, of the British Mortality Tables contained in "The Mortality of Annuitants, 1900-1920", known as "a(f) and a(m) tables", with reduction of three years in age. The actuary of the Annuities Branch makes the valuation.

In 1936 it was found that the mortality basis was not adequate, and an interim increase in rates of 15 per cent was put into effect pending an independent mortality study by Professor M. A. Mackenzie of the University of Toronto, who was engaged for the purpose.

As a result of Professor Mackenzie's study a new mortality table was adopted in 1938. This changed the valuation basis, and it was necessary to transfer $8,941,195.84 to the annuities fund to strengthen the reserve to the then current mortality level.

The rates and mortality tables adopted in 1938 continued in effect until 1948, when it was again found that the mortality experience warranted a further increase in premiums and valuations. As a result the rates were increased, effective April 19, 1948, and the interest rate for new business reduced from 4 per cent to 3 per cent by the Government, since this was approximately the rate for Government bonds. An amount of $11,408,468.42 was necessary to strengthen the reserve as a result of the new basis of mortality. This amount was transferred to the annuities fund as of March 31, 1949.

As old deferred annuities mature each year, however, and become vested annuities, they are valued on the new basis. This action requires an additional transfer to the fund. Last year this transfer was $1,250,000.00. Consequently, then, in addition to the rather large amounts transferred to the fund from time to time when there has been a change in the mortality basis, such as in 1938 and 1948, an annual transfer is required and made on account of old contracts maturing and becoming payable.

To check on our interpretation of the mortality trend Mr. W. A. Jenkins, Vice-President and Actuary, Teacher's Insurance and Annuity Company of New York, was engaged in 1948 to examine the mortality data compiled by the Annuities Branch. Mr. Jenkins reported in 1949 that the mortality tables being used by the Annuities Branch were adequate.

Mortality studies over the past 50 years, whether based on population, insured lives, or annuitants, all show increasing longevity. Improvement in sanitation, working conditions and medical science indicates that this trend will continue.

The 1948 annuity rates make allowance for some further increase in longevity.

Yours very truly,

A. MacNAMARA.

APPENDIX E

May 22, 1950.

DEAR MR. BRYCE:—Referring to our telephone conversation regarding certain questions concerning the Estimates of this Department, asked at the Wednesday, May 10th session of the Standing Committee on Public Accounts.

Item 27 Maritime Freight Rates Act, page 303—Question by Mr. Johnston. Is the Maritime Freight Rates Act comparable to the Crows Nest Pass Agreement?

The Maritime Freight Rates Act authorized a 20 per cent reduction in existing freight tariffs on certain preferred movements in the territory designated in the Act. The Act also provides for the same reduction in additional tariffs, or increase in tariffs authorized from time to time. Under the Act, the tariff of tolls established to be paid by the shippers, are 80 per cent of the normal tariffs, and the Government contributes 20 per cent, which is paid to the Railways to bring the existing tolls to normal. Covering items are included in the Estimates of this Department each year to provide for the 20 per cent contributions by the Government.

Under the Crows Nest Pass Agreement authorized by Chapter 5, Acts of 1897, the Canadian Pacific Railway in return for certain subsidies granted, agreed to reduce rates on certain commodities moving in the territory specified in the Act. Subsequent amendments to the Railway Act have changed certain provisions of the original agreement. The amendment to Subsection 5 of Section 325 of the Railway Act in 1925 provided that, notwithstanding anything in this Subsection contained, rates on grain and flour shall, on and from the 27th day of June, 1925, be governed by the provision of the Agreement made pursuant to Chapter 5 of the Statutes of Canada, 1897, but such rates shall apply to all such traffic moving from all points on all lines of Railway west of Fort William, to Fort William or Port Arthur, over all lines now or hereafter constructed by any Company, subject to the jurisdiction of Parliament.

It will be noted that the two Agreements are not comparable. Under the Maritime Freight Rates Act, the Government compensates the Railways for the loss in revenue by reason of their filing tariffs 20 per cent below the normal, but does not compensate the Railways for any loss of revenue due to the limitations in the tariffs imposed upon them by the Crows Nest Pass Agreement.

Can you tell me if there is any application being made by the Railways to have the amount increased?

No application has been received from the Railways to increase the present contribution of 20 per cent authorized under the Maritime Freight

Rates Act, but the Province of New Brunswick, in its submission to the present Royal Commission on Transportation, has requested that the Government's contribution under the Act be increased from 20 per cent to 30 per cent.

Page 304—Question by Mr. Langlois—breakdown of Vote Number 494, Maritime Freight Rates Act, Other Railways—$1,450,000.

The estimate required for each of the Railways for the calendar year 1950, included in this Vote, is as follows:

Canada and Gulf Terminal Railway Company	$ 23,500
Canadian Pacific Railway, including Fredericton and Grand Lake Coal and Railway Company and New Brunswick Coal and Railway Company	549,000
Cumberland Railway and Coal Company	40,500
Dominion Atlantic Railway Company	360,000
Maritime Coal, Railway and Power Company	22,500
Sydney and Louisburg Railway Company	454,500
Total	$1,450,000

Yours faithfully,

J. C. LESSARD,
Deputy Minister.

R. B. Bryce, Esq.,
Assistant Deputy Minister of Finance,
OTTAWA, Ontario.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 21

THURSDAY, JUNE 8, 1950

WITNESSES:

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

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

Mr. W. J. Bennett, President and Managing Director, Eldorado Mining and Refining (1944) Limited.

Mr. Herbert Marshall, Dominion Statistician.

Mr. R. A. Gibson, Director, Development Services Branch, Department of Resources and Development.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

STANDING COMMITTEE

on

PUBLIC ACOUNTS

Chairman: L. Philippe Picard, Esq.

Vice-Chairman: David Croll, Esq.

Messrs.

Anderson
Ashbourne
Balcer
Beaudry
Benidickson
Blue
Boisvert
Boivin
Brisson
Browne *(St. John's West)*
Cauchon
Cavers
Cleaver
Cloutier
Cruickshank
Denis
Diefenbaker
Drew
Fleming
Fournier *(Maisonneuve-Rosemont)*
Fulford
Fraser
Gauthier *(Portneuf)*
Hansell
Helme
Homuth
Johnston
Kirk *(Antigonish-Guysborough)*
Kirk *(Digby-Yarmouth)*
Langlois *(Gaspé)*
Larson
Macdonnell
Major
Maybank
Pinard
Prudham
Richard *(Gloucester)*
Richard *(Ottawa East)*
Riley
Robinson
Sinclair
Stewart *(Winnipeg North)*
Thatcher
Thomas
Warren
White *(Hastings-Peterborough)*
Winkler
Wright

Clerk: A. L. Burgess.

MINUTES OF PROCEEDINGS

THURSDAY, June 8, 1950.

The Standing Committee on Public Accounts met at 11.30 o'clock a.m., the Vice-Chairman, Mr. David Croll, presiding.

Members present: Messrs. Ashbourne, Blue, Boisvert, Brown (*St. John's West*), Cauchon, Drew, Fulford, Fraser, Gauthier (*Portneuf*), Hansell, Helme, Kirk (*Digby-Yarmouth*), Johnston, Larson, Major, Prudham, Richard (*Ottawa East*), Stewart (*Winnipeg North*), Thatcher, Thomas, Warren, Winkler.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General; Mr. R. B. Bryce, Assistant Deputy Minister of Finance; Mr. W. J. Bennett, President and Managing Director, Eldorado Mining and Refining (1944) Limited; Mr. Herbert Marshall, Dominion Statistician; Mr. R. A. Gibson, Director, Development Services Branch, Department of Resources and Development.

The Vice-Chairman tabled the following documents which are printed as appendices to this day's minutes of proceedings and evidence:

Appendix A: Details of receipts by the Atomic Energy Control Board for the fiscal year 1948-49;

Appendix B: List of properties of a productive, operating or commercial nature, owned by the Crown or Agencies of the Crown, March 31, 1948 to May 31, 1950;

Appendix C: Supplementary List of Properties owned by the Crown and used for Commercial Purposes, as furnished by the Public Works Department.

Examination of Messrs. Sellar and Bennett on paragraphs 139, 140 and 147 of the Auditor General's Report for the fiscal year 1948-49 was concluded.

Mr. Bennett retired.

Mr. Marshall was called, heard regarding the quinquennial census of the prairie provinces, questioned and retired.

Mr. Gibson was called and questioned.

At 1.20 o'clock p.m., the Committee adjourned until Monday, June 12, at 4.00 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

63924—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

THURSDAY, June 8, 1950.

The Standing Committee on Public Accounts met this day at 11:30 a.m. The Vice-Chairman, Mr. David A. Croll, presided.

The VICE-CHAIRMAN: Gentlemen, we have a quorum present. I have here the answer to a question asked by Mr. Fraser dealing with paragraph 64 which Mr. Sellar has prepared and which I will put on the record.

(See appendix A).

It is intended that we should start on War Assets on Monday. A list of the properties that Mr. Drew asked for is now being printed and should be available tomorrow for everyone.

(See appendix B).

The Public Works Department list is incomplete and I think Mr. Drew had a talk with Mr. Fournier; that list will be available tomorrow in mimeographed form.

(See appendix C).

The War Assets deferred accounts will be available some time today and it will also be distributed. The Chairman indicates it is the intention to continue sitting every day once we get into War Assets.

Now, we are on Eldorado, gentlemen. We have two witnesses here this morning—

Mr. DREW: Just before we proceed with that, Mr. Chairman, I would like to deal with a letter that has been received by every member of the committee and which, I think, in error, was dated May 31st, because it was received by all of us on June 7th.

The VICE-CHAIRMAN: From whom?

Mr. DREW: From Mr. Picard. Did you not receive one?

The VICE-CHAIRMAN: I did not see it.

Mr. DREW: I think you will find you have one because I think perhaps it was given to every member of the committee. I do not want to precipitate a discussion at the outset that will delay the proceedings, but I think it will be much better if we deal with this in committee instead of complying with the suggestions made. The proposal put forward in this letter is that members of the committee write to the Clerk of the Committee by 6:00 p.m. today making their suggestions as to the way in which we can best expedite the proceedings. My own opinion is that the process of digesting these various recommendations by letter would in itself involve a very much greater time than is we settled the matter very simply here in the committee. Now, I do not want to take exception to the wording but I do not think that the second paragraph is worded in the way that is not in keeping with the intent that has been shown by the members generally who have attended here. It reads as follows:

> Assuming that members of the committee would wish to perform their work in connection with the public accounts with a view to obtain practical results and not with any so-called political or publicity-seeking

motives. I think that it would expedite our work if we could obtain from members of the committee their suggestions as to how we could work efficiently having regard to the possible number of meetings to be held before the last week of the session.

Now, I think one thing that has characterized these meetings is that, except for any incidental exchanges that may have taken place between individuals, and that has been extraordinarily limited when you consider the pressure under which the committee has been meeting, there has been no suggestion of the intent that is referred to in this paragraph, and I would say that this committee already has had very extensive results in the information that is now before it. I would point out that War Assets Corporation will have its representatives here on Monday. There is no doubt that that will take several days at least. It is not possible, of course, to deal with specific items in the War Assets Corporation until the War Assets Corporation is before us, and until the report to which you refer, which is being prepared by Mr. Bryce, is before the committee it will not be possible to discuss specific items that will be before War Assets Corporation.

Now, if there is any desire that we should indicate what will follow the disposition of a consideration of the War Assets Corporation I would indicate that I wish to proceed with certain items in the Department of National Health and Welfare. I will be very pleased to indicate which items I wish to deal with first in adequate time so that that can be prepared before we finish with War Assets. When we dispose of the Department of National Health and Welfare I wish then to proceed with certain items in Public Works, and I will be very happy to let you know in advance what specific items I wish to deal with. I do not want it to be inferred that I am seeking a priority. I am merely indicating for myself what items I would wish to deal with and leaving the discussion open for anyone else to suggest the course they wish to follow. I think there will be plenty of time by next Monday when we meet to discuss the War Assets Corporation for us to consider in the meantime and decide then which department will come on next, and if desirable, which items we wish to deal with in the department. I would therefore suggest that instead of anyone writing today to make these suggestions, which will produce quite a problem in digestion, that we give this consideration until Monday and that on Monday we will then decide what we will follow atfer we dispose of War Assets.

Mr. THATCHER: Could I make one comment on this, Mr. Chairman? I made a motion about two or three weeks ago that we go into public accounts and the chairman said at that time that when these witnesses were through we would get on with the public accounts and I think that it is still the duty of this committee to do so.

The VICE-CHAIRMAN: Let us not get off the track. It is a hot day today and we do not want to get into any arguments. We have to finish what we have at the moment. Then we will go into War Assets. Then it was intended to call a meeting of the steering committee and the steering committee will make a recommendation to the whole committee as to what we will deal with next. There are some suggestions already before the steering committee and now with your suggestion, and Mr. Stewart's they will all be considered, be brought back to the committee, and I can assure you that there will be ample work before this committee.

Mr. JOHNSTON: Mr. Chairman, before you leave that subject, in view of the fact that you just suggested the steering committee will be meeting Monday I understood it was the intention of the letter to have each member indicate the subjects which he wishes to discuss so that the steering committee would be able to digest them on Monday, as Mr. Drew put it. Speaking for myself, I wish to say I answered the letter and in effect suggested that that letter

be read here in the committee and the committee itself decide rather than have each individual member put forward a variety of things he wished discussed, because it seems to me it will involve the steering committee in an immense amount of work.

The VICE-CHAIRMAN: There are only so many matters that this committee can deal with exhaustively and we have got a fairly large agenda before us. Once we finish with these items — —

Mr. JOHNSTON: My point was that the committee here should deal with the letter instead of writing individually to the chairman.

The VICE-CHAIRMAN: There is no purpose in dealing with it here at the moment. A few members did speak to me and I made some suggestions, but I think the matter should go to the steering committee. You are a member of the steering committee, Mr. Johnston, you will know just what to bring forward, and the others will also.

Mr. STEWART: As I recall the report of the steering committee, Mr. Chairman, it was that we were to hear the Auditor General and then go on to public accounts.

The VICE-CHAIRMAN: I do not know that there is any such report, I think we discussed it.

Mr. STEWART: I remember that report distinctly.

The VICE-CHAIRMAN: We will just look at it.

Mr. DREW: Just for the purpose of the record so there may be no misunderstanding I was to make it clear that the suggestion I made was a suggestion on behalf of the members of my party on this committee, that it represents their view as well as my own.

The VICE-CHAIRMAN: Well, the record will speak for itself and we will deal with it at the proper time.

This morning we have Mr. Bennett, concluding with Eldorado Mining.

Mr. W. J. Bennett, President and Managing Director, Eldorado Mining and Refining (1944) Limited, recalled:

By Mr. Richard:

Q. There are one or two questions about Eldorado which I would like to ask. I do not think we have on the record yet the names of the board of directors, or the profit and loss statement since the crown corporation took over.—A. You want the names of the directors first and then—?

Q. Then the statement of profit and loss on your operations.—A. The names I gave the other day were those of the El Bonanza directors. The Eldorado directors are—and I shall give them to you in alphabetical order—R. T. Birks, K.C., of Toronto. Mr. Birks is the president of East Malarctic and a director of several mining companies; Dr. W. F. James, of Toronto, who is a consulting geologist; John A. MacAuley, K.C., of Winnipeg; Charles C. Williams, of Toronto, who has recently retired as Professor of Mining at Toronto University and Fraser D. Reid, of Toronto, who is a mining engineer and also an expert on milling; and, of course, myself. I might also mention that Mr. Birks, Mr. MacAuley and Mr. Reid have been on the Eldorado board since 1940, that is, they were on the board prior to expropriation; Mr. Williams and Dr. James came on the board in 1945, and I came on in 1946.

Q. Then could we have the statement of your profits or losses since Eldorado was taken over?—A. Yes. The figures are shown in the public accounts reports: For 1944 there was a profit of $126,474; for 1945, a loss of $338,965; 1946, a

profit of $195,547; 1947 a profit of $1,416,488; and in 1948 the statement shows a profit of $1,335,400; these figures, of course, are after depreciation and depletion.

By Mr. Winkler:

Q. I would like to ask Mr. Bennett at the time Eldorado was taken over by the government was a valuation placed on El Bonanza?—A. Do you mean in the balance sheet?

Q. Yes.—A. In the last balance sheet prior to expropriation and dated January 28, 1944, the 2,429,334 shares were shown at a value of $15,001.

Q. Was a valuation placed on it for the government?—A. Following the expropriation of the property, or rather of the shares, there was an appraisal made. I believe Mr. Sellar or some members of Mr. Sellar's staff, had a part in the appraisal; and as I recollect it the company's auditors were also consulted—the company auditors were P. S. Ross and Sons—and as a result of that appraisal the value of the holdings was written down to $1.

The VICE-CHAIRMAN: Actually, I think it is slightly below $7.

The WITNESS: Six dollars is shown but $5 represents some other assets of doubtful value.

The VICE-CHAIRMAN: Yes, I see.

By Mr. Drew:

Q. Now, Mr. Bennett, I will explain the purpose of my question merely so that you may understand it is not directed to the question of the possible value of these shares. The thing which concerns me is that there is a procedure here under which property owned by a crown corporation can be disposed of without public notice and without reference to the government. Now, in this case you have explained a decision was reached that it was wise to dispose of these holdings in a mine that had not been operating and that negotiations were then carried out through Mr. Sterritt and Mr. J. J. Greig and that as a result of these negotiations these 2,429,334 shares were sold for $25,000. You indicated that this offer of $25,000 was regarded as a satisfactory one in view of the information you had and you also stated that this decision was made by the board of the crown corporation without reference to the government. Now, what I am concerned with is a pattern which does not relate only to this particular case but relates to other cases as well where we have property disposed of without the long established procedure of public notice. I would like to know just exactly how these negotiations were opened up with Mr. Sterritt as a result of which this property was disposed of for the amount indicated.—A. I have made a few notes in an effort to try to get the story in its proper sequence. I discovered yesterday on examining the transcript of my remarks of Tuesday that perhaps the time sequence was not as clear as it might have been. First of all, we were dealing, as I endeavoured to point out, with a rather difficult situation. It had been suggested by the Auditor General on a number of occasions that steps should be taken to clarify our position. We had discussed with his representative how we should go about extricating ourselves from the predicament. The general view was that we should take steps to have the company wound up. At the same time we were receiving letters from the public who held the balance of the issued shares enquiring as to why something was not done with the property. As I pointed out the other day we were not the management of the company—I mean by "we" that Eldorado was not the corporation, but merely a shareholder. In my view, in which the directors concurred, there were three steps which we could take. The first was to acquire the holdings in the hands of the public. Obviously, that was not a very practical solution because the stock so far as

we could discover had not traded since 1936 or 1937. It would be difficult to find a suitable method of buying the stock other than by advertising; and, of course, the moment we did that, the stock in all probability would take on a fictitious value. There would be a natural suspicion on the part of the stockholders that the property had some value and we were trying to get control of all the shares. The second course, which we considered, was that Eldorado might dispose of its shares. There again there was the problem of finding a satisfactory means of accomplishing the objective. The stock was not listed, and had not been traded for many years. It certainly did not strike the directors and myself as a practical proposal that we should advertise that this block of shares was for sale. Discussion of these several plans went on for a considerable period of time. This El Bonanza item in our balance sheet has been a problem, for several years, as the Auditor General can tell you. Finally we decided upon a third course. We would try and persuade the president of the company who at that time was on the board of Eldorado, Mr. Labine, that he try to find enough directors to call a directors meeting at which meeting a decision might be made to call a shareholder's meeting. That decision was given effect to at a meeting of the Eldorado directors held on June 3, 1949. I may say that Mr. Labine anticipated considerable difficulty because several of the directors I believe had died and the address of another director was unknown; so that while we did decide that this was the way we should proceed, there was still the problem of getting a directors meeting organized and fixing a date for a shareholders meeting. As I say, the decision to follow that course was taken on June 3, 1949. Mr. Labine was unable to arrange a meeting of the directors in June or July. On July 18th, I received a letter from J. R. Sterritt written on behalf of a client, and enquiring as to the possibility of purchasing the Eldorado holdings in El Bonanza—The letter was, not a formal offer, but more in the nature of an inquiry. The statement was made by Mr. Sterritt that his client would be prepared to pay $25,000. The name of the client, was not disclosed. I replied to Mr. Sterritt and advised him that his proposal would be taken under consideration, and would have to be referred to the board of directors. I then reviewed the reports on the property, the two reports which were made in previous years. I also got in touch with both the geologists who had made these reports, advised them that we had received an offer, the amount of the offer, and asked them, if they still supported the opinion which they had expressed in their reports. They both indicated to me that they did, and they both suggested that the amount offered was, as I mentioned Tuesday, a handsome offer. In order to be absolutely certain as to the probable value of the property I also asked our Director of Exploration, Dr. E. B. Gillanders, to go to the property and make a thorough examination. I communicated with him shortly after I received Mr. Sterritt's letter. He went to the property shortly after and advised me late in August that his opinion coincided with the opinion expressed by the other men. He too expressed the view that this offer was a good one. As we were not having a meeting of the directors until the early part of October, I sent a copy of the correspondence with Mr. Sterritt to the directors. In the meantime Mr. Sterritt had had some conversations with Dr. James our Vice President in Toronto. I suggested to the directors that they should read the correspondence and if there were any further details they required, they should get in touch with Dr. James.

We received a formal offer from Mr. Sterritt on September 16 including 10 per cent of the purchase price, $2,500. This offer was discussed at a Board meeting on October 6, and on my recommendation it was accepted. I mentioned on Tuesday that the transaction was completed on Decemeber 1st. Actually the agreement to sell was executed on October 6 on the afternoon of the day

the directors' meeting was held. The final cheque was received on November 24, when we delivered certain documents involved in the transaction.

In so far as reference to the government is concerned, I stated Tuesday that there was no specific reference to the Government. I intended to convey by that that there was no approval by order in council or anything of that kind obtained. Of course our minutes are submitted to the minister to whom we report.

Q. That is to the Hon. Mr.?—A. To the Right Hon. Mr. Howe, for his approval. And I would, of course, make it a practice, as I am required to do, of reporting to him on all matters of major policy.

Q. The point I am still interested in is why it was not regarded as advisable to insert some advertisement in the press to the effect.—A. That it had been sold?

Q. No; that it was for sale. Why was not that done?—A. As I have pointed out, we had investigated very thoroughly the desirability or advisability of endeavouring to sell the stock in that fashion. We did not regard this method of disposal as practical or as likely to bring results having in mind the fact that these particular holdings had been carried on the books of Eldorado since 1940 at purely nominal values. That is, they were carried on the books of the company prior to expropriation at a very nominal value.

Q. The reason I am interested in it is this: that that stock is quoted at present at 13 to 15 cents a share as an unlisted stock, which means that that stock which was sold for $25,000 at the present time would have a value of $315,000.

The VICE-CHAIRMAN: Has it any takers?

By Mr. Drew:

Q. It is quoted.—A. We could never have sold 2,429,000 shares of this stock at anything like that figure.

Q. You spoke about the fact that if you had advertised that you were seeking to buy the minority stock which Eldorado held, 2,400,000 out of 3,400,000 issued shares, you would have created a fictitious value. I quite agree with you that that would be so. But at the same time the value of a mine is only something which is ultimately determined by whether they do or do not strike a profitable ore body. So it would seem to me that ordinary caution would have suggested that there be some notice because, in the interests of mining, there might be a highly speculative value on the other side. So I cannot just understand why that was not done.—A. Perhaps I was too close to the general mining situation with respect to radio active minerals and had, too comprehensive a grasp of what the value of a property would be in a certain location. As I indicated on Tuesday and again today, we regarded this as an excellent solution to the problem because we had been prepared—and we were preparing—to wind up the company and write off the stock entirely. And as I have indicated the only cash investment which Eldorado had ever had in this company was $15,000.

Q. But you do know that this is quoted at the present time as an unlisted stock?—A. I have been told that, since.

Q. That is quoted as an unlisted stock at 13 to 15 cents.

The VICE-CHAIRMAN: Let us not leave a wrong impression. I think it is only fair to say that that is a made market, on that unlisted stock.

Mr. DREW: You are speaking as an expert with respect to the operations of Mr. J. J. Gray?

The VICE-CHAIRMAN: You know very well.

Mr. DREW: That was a private deal with Mr. J. J. Gray who has had a great deal to do with mining stocks.

The VICE-CHAIRMAN: Is it not a made market with respect to this unlisted stock?

By Mr. Drew:

Q. It is assumed that the market is one which bears some relation to the possible speculative value of the property; and if this stock was only worth 1 cent last December, it would be interesting to know that it is regarded by some people as worth from 13 to 15 cents today.—A. It seems to me that we must keep in mind that this company is in the mining business and that we have to do things which a company does in the mining business. We acquire claims and we do work on them. We may let claims drop. We may let our title to a claim, such as it is, lapse. It is quite conceivable that in doing so we may not be exercising the best judgment. But that is the sort of thing which this company has to do.

In the case of the operations of this company, I am not suggesting for a moment that it should not be held accountable for its activities, but I do suggest that it cannot be judged entirely in the light of a normal government-agency which is operating in the administrative sphere rather than in the producing and selling sphere.

Q. You have 226 claims in northern Saskatchewan which are not part of the radium development?—A. That is correct.

Q. Is there any reason why you could not dispose of them in the same way as you disposed of this El Bonanza mining stock without any public notice?—A. What we would do with the claims, if we thought they did not warrant further development is drop them. We would not attempt to sell them. In other words, we are in the business of acquiring claims for the purpose of selling them to other people. In the case of the El Bonanza stock, I would like to remind the committee that the stock was something which we inherited. This company as an agency of the crown did not acquire this interest in El Bonanza. It was something which was in the portfolio of the company at the time of the acquisition of the capital shares of Eldorado. I felt that we took the best means possible of extricating ourselves from a difficult situation. First of all, I do not think that as a matter of policy we would have wanted to proceed with the development of the property as long as there was a million or so shares in the hands of the public apart altogether from the fact that in our opinion the property did not warrant further development.

Q. I am coming back to this rather simple question. I am concerned at this time with the pattern of procedure, having regard to the manner in which you disposed of the El Bonanza stock. Is there anything in your authorization or otherwise which would prevent you from dealing with the 226 claims in Saskatchewan in precisely the same way?—A. I would think that the company —and the Auditor General can possibly clarify this point if I am not stating the true position—subject to its relationship with the minister to whom it reports, has the power to divest itself of certain assets.

Q. And in the same way, would there be anything to prevent you from disposing of the property at Port Radium in the same way? I am not suggesting that you would?—A. I think in theory the answer is possibly "yes".

Mr. THATCHER: On this particular point, Mr. Chairman, I think there is a principle involved. I do not find myself in agreement with Mr. Drew. I think that if we set up a crown corporation, as we have done in this case, we should hire the best possible men to run it and leave them alone to run it. Mr. Drew suggested that every time they wanted to sell some property or shares, the officials of the company would have to come to parliament or to a parliamentary committee. I do not think so. From what I have heard in this case I think they acted in a proper manner and made a pretty good deal. I am opposed to a crown corporation having to come to parliament in order to sell any property or to sell any shares.

The VICE-CHAIRMAN: Item 139 and 140.

By Mr. Fraser:

Q. That property had radio activity ores on it, did it not?—A. Not so far as we know.

Q. Not so far as you know?

The VICE-CHAIRMAN: You are "busting" the market wide open in getting that answer. You can ask your question.

By Mr. Fraser:

Q. I am asking Mr. Bennett, and he says that as far as he knows there is not.—A. Let me answer in this manner. As I said on Tuesday, on the basis of the geological reports which we had, we did not think the property warranted further development.

Now, if you have anything to do with geologists you will know they very rarely agree completely, but in this case we had three of them who examined the property on three separate occasions and they were all in agreement. In the science of geology there is plenty of room for—

By Mr. Fraser:

Q. —disagreement. I have seen that. I have seen that in South America. I was with three geologists there. I just want to ask you a few more questions. Were the directors of El Bonanza asked if they wanted to buy stock? Were they approached?—A. The only director of El Bonanza we were able to get in touch with was Gilbert Labine who was, of course, a director of Eldorado at that time. Of the other directors, I understand two of them were dead and the third one could not be found. That is one of the things that has complicated the problem. The corporation had not ceased to exist as a corporation but it certainly had ceased to function. There had not been an annual meeting since 1935, nor as I recall it, a meeting of directors.

Q. In regard to the plant at Port Hope: the radium needles that were lost or stolen from the National Research Council, were they made there?—A. They were filled there, yes..

Q. They were filled there?—A. That is right.

Q. And what was the profit from the Port Hope plant, have you any idea?—A. We do not—

Q. Or is there a profit from that?—A. Our profits are calculated on our total sales.

Q. On your total sales?—A. Yes.

Q. Well, you sell there, of course, to different clinics and places?—A. The radium business is a commercial business and I may say highly competitive. We sell to hospitals, clinics, radiologists, and we also sell to industry and to certain research institutions.

Q. Why do you say competitive?—A. The Belgian company has a very active sales company in the United States called Radio-Chemical Corporation. The radium business has always been highly competitive.

Q. And there is no protection on that?—A. Not so far as I know.

By Mr. Browne:

Q. It has been competitive only since the entry of the Belgians.—A. The Belgians were in the market a number of years before Eldorado.

Q. And they controlled it?—A. Yes.

The VICE-CHAIRMAN: Are paragraphs 139, 140 and 147 disposed of? Any further questions on those paragraphs?

Mr. FRASER: I asked some questions on that the other day in connection with the Northern Development Company. That was Northern Transportation.

The VICE-CHAIRMAN: What was the question?

By Mr. Fraser:

Q. No, no, it was Northern Transportation I asked the question on. This is also the same, is it not?—A. Northern Transportation is a wholly owned subsidiary of Eldorado.

Q. And you gave some figures on that the other day, and I think I asked for some more, did I not?—A. I do not recall.

The VICE-CHAIRMAN: Not to our knowledge, Mr. Fraser.

By Mr. Fraser:

Q. You not only freight for your company, the Eldorado company, but you freight for other people?—A. That is correct. We are a licenced operator under the Board of Transport Commissioners.

Q. You have your own planes too, have you not?—A. They are not owned by the transportation company. They are owned and operated by Eldorado; they are not common carriers, they are company aircraft.

By Mr. Prudham:

Q. Mr. Chairman, I would like to ask Mr. Bennett if there has been a reduction in freight rates this year to the Yellowknife?—A. We have removed what are known as the classified rates from our tariffs on all freight moving north from Waterways, that would include freight moving to Yellowknife, and freight moving to other points. The classified rates were special rates established above the base rates for such articles as furniture, glassware and the sort of freight that is susceptible to breakage. These classified rates have been removed.

Q. Is that done to meet truck competition?—A. Not primarily, Mr. Prudham. The real reason that we removed the classified rates was because of an improvement in our handling methods on the Fitzgerald-Smith portage. We have in operation there this year what is known as the pallet board method of handling freight. Previously all our freight was unloaded at one end of the portage and loaded at the other by hand. As a result there was a rather high incidence of breakage with consequent claims. It was because of the high cost of handling certain freight across the portage that we established special or classified rates for certain commodities. With this pallet board operation—

The VICE-CHAIRMAN: Will you explain to the members what you mean by pallet board operations?—

The WITNESS: The pallet is a specially designed board, they can be of varying sizes, on which you load freight. The board is moved about by a fork lift truck. You have seen these trucks I am sure. They lift pallet and move it around freely. As the prongs on the truck can be raised to different elevations. This method is really the most modern and efficient way of handling freight. We have inaugurated the palett system at both ends of the portage and at our base terminal at Waterways. As a result the reason for maintaining classified rates no longer existed; so we have eliminated them.

Mr. PRUDHAM: Do you think the new system will make it profitable to handle that type of freight at the new rates?

The WITNESS: It is difficult to talk about profits on tonnage in the north because there is such a very wide fluctuation in volume from year to year. The portage has always been extremely expensive to operate; it accounts for seventeen per cent of Northern's total operating costs. We hope to reduce the cost by at least half by eliminating most of the stevedoring. The difficulty about the stevedoring has been that we not only have to pay the men who work on the portage but we have to move them there by air, feed and house them while they are there, and then move them out again in the fall. It has been a very costly operation.

By Mr. Fraser:

Q. How about your insurance on the freight handled? Do you handle that yourself?—A. The shipper is responsible for insuring his freight. Which is in accordance with the standard practice of all shipping companies. However, we maintain facilities for arranging coverage for him. We notify all our customers that we will place insurance on the cargo if he wishes us to and we send him a list of the rates, but the actual policy he must take—

Q. And if it is not covered by insurance you are not responsible for breakage?—A. Unless it can be proved we have been negligent.

By Mr. Johnston:

Q. Are you subject to the increases in freight rates?—A. No.

Q. It would not affect you at all?—A. No, we are a water carrier, you see. We have not applied for any increase in rates.

The VICE-CHAIRMAN: Gentlemen, that completes Mr. Bennett. Thank you Mr. Bennett.

Mr. Herbert Marshall, Dominion Statistician, called:

The VICE-CHAIRMAN: Mr. Marshall says he can explain it in much less time than it will take to read the letter. Mr. Marshall, will you give the question that was asked?

The WITNESS: The question, as I understand it, was as to whether or not in my opinion the quinquennial census of the prairie provinces could be dispensed with? Those are not the exact words but I think that was the meaning of the question.

In the first place the answer to that is I think that the quinquennial census is a matter of constitutional right for the prairie provinces. For example, in the Act, which arranged for the creation of the province of Alberta, which Act was 4-5 EDWARD VII, Chapter 3—An Act to establish and provide for the government of the province of Alberta. It provides: in section 18, subsection (*b*) that:

> A census of the said province shall be taken every fifth year, reckoning from the general census of one thousand nine hundred and one.

The same arrangement exists for each of the three prairie provinces, Manitoba, Saskatchewan and Alberta, so that in so far as the bureau is concerned we are compelled to take this census, and it is provided for in the Statistics Act.

By Mr. Thatcher:

Q. Well, Mr. Marshall, do you happen to know offhand what was the purpose of this census originally? Was it mainly to get statistics on population? —A. No, it had a much wider purpose than that.

Q. What was the main purpose?—A. The main purpose was to take a complete census of the prairie provinces. For example, these quinquennial censuses commenced in Manitoba in 1886 and in that year there was an Act providing for that census, assented to May 1, 1885. Now, the scope of the census was prescribed as follows:

> The census shall be so taken as to ascertain, with the utmost possible accuracy, in regard to the various territorial divisions of the country,—their population and the classification thereof, as regards age, sex, social condition, religion, education, race, occupation and otherwise,—the houses and buildings therein, and their classification as dwelling, inhabited,

uninhabited, under construction and otherwise,—the occupied land therein, and the condition thereof, as town, village, country, cultivated, uncultivated and otherwise,—the produce, state and resources of the agricultural, fishing, lumbering, mining, mechanical, manufacturing, trading and other industries thereof,—the municipal, educational, charitable and other institutions thereof,—and whatsoever other matters are specified in the forms and instructions to be issued, as is hereinafter provided.

So that in some respects, in fact, in several respects, the scope of the census in 1886 was much wider even than it is today. As statistics became organized throughout the country particularly in the federal government some of these fields were taken over by annual and other investigations, and therefore, the census today does not need to be as comprehensive as that, but in all of these quinquennial censuses there has been a census of population and a census of agriculture and that is provided for in the constitutional arrangement between the dominion and the provinces.

Q. Mr. Marshall, you stated at the beginning of your letter that the basic reasons for this quinquennial census was the opening up of the west bringing about rapid population changes and certain things in agriculture. Now, as I recall it, was not this original Act enacted in order to let the west keep its parliamentary representation up in accordance with its growing population, was that the main reason for it?—A. Well, no, the representation in parliament is based on the decennial census, not on the quinquennial.

Q. Are you right there, Mr. Marshall? I believe they change their representation every five years.

Mr. CAUCHON: No, every ten years.

Mr. THATCHER: For all of the provinces?

Mr. CAUCHON: Yes, in all of the provinces.

By Mr. Thatcher:

Q. Well, now, in the west today, in the three prairie provinces, the population has pretty well stopped increasing?—A. Yes, but of course, there has been a lot of internal shifting. I am perfectly willing to give to this committee my own view if you wish it.

Q. I would just like to ask you a few questions and then I wish you would. I wonder if you could tell us how much the last census cost?—A. The last quinquennial census cost $2,060,000 approximately $2 million.

Q. On page 2 of your letter you state that this census provides very valuable information. I wonder if you would outline the nature of that information?—A. Well, it is very useful. For example, the Dominion Bureau of Statistics, as you know, makes estimates of the production of the various crops, animals, livestock, each year. We cannot take a complete enumeration of these crops, that is, on the same basis as you do in the decennial or the quinquennial census of agriculture, therefore, we must do it on a sampling basis and so we secure from various places in the west a sample of what is going on in agriculture periodically, and from that sample, of course, we could not tell you what is the total acreage planted, what is the total production of wheat, oats, barley. We must have something to tie the sample to, so we have to have the census data which is a complete enumeration for either 1941 or 1946. We can then make an estimate of the total crops for the current year or the other items in the agricultural field.

In the prairie provinces you do not have as stable a condition of agriculture as you have in the eastern provinces. There is more fluctuation. If we only had the decennial census figures to tie our estimates to they would be very apt to get far out of line, and so it is a great advantage to the bureau to have these

quinquennial consuses. I know that in the prairie provinces a great deal of use is made of this quinquennial census data. In the 1946 census we were being pressed continually to get the information out just as quickly as possible because they needed the information also as bench marks. The provinces are interested more in local conditions than is the dominion government. You certainly cannot in a sample get information about local areas so you have all of that basic data acquired in a census about local areas to which you can tie in a sample. I know that the people in the prairie provinces use the census a very great deal for just that very purpose. What I would be afraid of is this if the quinquennial census were done away with, instead of having the kind of sample we have now, which is the most economical kind of sample to get; we just send out a lot of questionnaires to the farmers and we get quite a large percentage of them back, and on the basis of those we are able to make an estimate. Now, if we did not have those bench marks to tie in with I think it would be necessary each year to have a much more complicated and expensive kind of a survey. We might have to start field visitation, and that would cost a great deal.

Q. Is that the way you do it in the other provinces today, field visitations?—A. No, we do not but as I say the conditions there are more stable than they are in the prairie provinces.

Q. In the prairie provinces now that they are not opening up to the extent to which they did in former years, do you not think that you can get along with those things which you need in those three provinces on the same basis as you do with the other seven provinces?—A. I think we would get along better in the other seven provinces if we had a quinquennial census in agriculture as well, but we can manage in these provinces because of conditions do not change so rapidly and there is more diversification of farming.

Q. You said it was an advantage to the Bureau of Statistics to have this census. I can understand that. I am just wondering if it were not possible that this could be cut out, would it do the farmers of Saskatchewan any harm? Just what does this quinquennial census do for them, could you tell us that?—A. Well, that involves the whole question of agricultural statistics. It seems to me there is not very much argument that the agricultural statistics put out by the Bureau are of very great importance not only to the farmers but to all sorts of people; you have for example the matter of the movement of the grain crop; on the basis of our estimates the railways make arrangements, they have to make arrangements a long while ahead, for the movement of the grain, and if we did not have these figures the proper arrangements could not be made by the railways; and the same applies to the bankers with respect to the financing of the farmers during the crop year—if they did not have that information it certainly would be harmful to the farmers.

Q. What is the value of this quinquennial census anyway, what about that one you took in 1946?—A. That is the bench mark, we could not get anywhere unless we had some sort of a bench mark to work from. It gives us the information on which to base our samples in the subsequent years.

Q. But I still feel that if there is the least possibility of our effecting a saving of $2,100,000 to the people of Canada by the elimination of some of this work we ought seriously to consider making such a recommendation. What do you think of that?—A. I think it would be a retrograde step not to take the quinquennial census in the prairie provinces. May I say that that $2 million spent in 1946 was a very high figure. We had great difficulty in that year because, well, it was a period of high employment and it was difficult to get people and we had to pay more for them and we didn't get quite as good a class of personnel as we had in the 1936 census with the result that we could not turn out our work as quickly; but since that operation there has been a great improvement in census procedure and as a result of that I think we are going to be able to eliminate certain processes, like hand punching of cards for example, to a large

extent and that will reduce the cost of doing the job. I know it seems a lot of money but on the other hand I know that these statistics are of great value.

Q. If these quinquennial censuses are useful I wouldn't say that we should discontinue them, but if they are not useful it seems to me that they ought to be eliminated, at least in so far as that may be possible. I believe, Mr. Chairman, that this committee should ask the three provincial governments, Alberta, Manitoba and Saskatchewan, what their opinion of it is. I do not think most of the prairie people would want a useless expenditure continued, if that is what it is. I would like to have the committee or someone contact the western provinces and get their reaction to my proposal that this might be a way of saving the people a considerable amount of money.

The VICE CHAIRMAN: That raises a new question; it has nothing to do with the question you put before the committee on May 2nd. Mr. Marshall says that he will contact the three prairie provinces and see what their views on this point are and he will convey the result to you.

Mr. THATCHER: I wonder if Mr. Marshall while he is here could tell us how long it would take to take the 1951 census.

The VICE CHAIRMAN: That again is a new item, but I don't see any harm in letting him answer.

The WITNESS: We have great ambitions for the 1951 census because with the introduction of new machines we hope to have a full count of the population by the end of March of 1952, which would be very much earlier than we ever did it before. We might not reach that objective, but that is our objective. I think undoubtedly it will be earlier than in previous decennial censuses.

The VICE CHAIRMAN: Now, gentlemen, let us get on with this meeting and have Mr. Gibson complete his evidence.

By Mr. Johnston:

Q. Just one moment, Mr. Chairman. You said, Mr. Marshall, that you thought the expense of the last census was high and that you were quite sure that it could be reduced next time; by how much do you think it could be reduced?—A. Oh, you just can't be certain of a thing of that kind, how much it is going to cost you to take a census. A lot depends on the price level at the time. We should think of this in terms of relative costs and constant dollars, not in terms of absolute figures.

Q. Then you could hardly say that you anticipated a lower cost for the next census because that would depend entirely on the price structure?—A. That is right, not perhaps in absolute figures.

Q. So it would not be quite fair then to give us the hope, shall I say, that there is going to be a reduction.—A. It all depends on the dollar value which prevails at the time, but there is the possibility of a saving.

Q. But it is nothing more than a possibility.—A. I would not like to go into that question. We are introducing new methods in connection with the 1951 census and there undoubtedly is going to be a reduction in our costs, and I would think also in connection with the next quinquennial census that we might also look forward to a reduction in costs.

Mr. BROWNE: How did this discussion arise?

The VICE-CHAIRMAN: Out of the question asked by Mr. Thatcher on May 2.

Mr. BROWNE: In the House?

The VICE-CHAIRMAN: No, here.

Mr. BROWNE: I wonder if I might ask Mr. Marshall a question here; it has no bearing on the question now before the committee but I think it is important.

Mr. THATCHER: Just one other thing, if I may. I wonder if the chairman—I do not know what the procedure is—would give some sort of assurance that he will follow up by asking the prairie governments for their opinion on this matter, as I requested?

The VICE-CHAIRMAN: Mr. Thatcher, I said this: I asked Mr. Marshall to write to the three prairie provinces and ask their views on this matter and by the time he gets the answer you will probably not be here, nor will any of the rest of us, but the information will be there and available for the record—and he said he would send the information on to you.

By Mr. Fraser:

Q. Right along these lines, I would like to ask about the questionnaires you send out to farmers; you send out quite a few of them, do you not?—A. Yes, we have a good many at different times.

Q. And do not some of the farmers object to them?—A. Some of the farmers do object; we do get a few objections, but we have a very great measure of co-operation.

The VICE-CHAIRMAN: You don't have to answer that.

Mr. FRASER: But there are a good many of these questionnaires sent out, and I believe some of them are compulsory.

The VICE-CHAIRMAN: No, no.

The WITNESS: Yes, some are compulsory. Compulsion can be exercised to collect information prescribed in the Statistics Act.

By Mr. Fraser:

Q. You can make it compulsory?—A. We use the big stick very very little. As a matter of fact, quite a number of our inquiries are made on a purely voluntary basis.

Q. And a lot of these questionnaires to farmers are compulsory?—A. I would not say as to that without consulting with my Director of Agricultural Statistics. If you wish me to I will make inquiries and let you know. I can say, however, that we have the co-operation of the farmers to a very great extent, although there is the odd one who does object.

The VICE-CHAIRMAN: All right, gentlemen; that concludes our examination of Mr. Marshall.

Mr. STEWART: Mr. Chairman, before Mr. Marshall leaves, I would like to have the opportunity of saying to his face what I have often said behind his back, that he is doing a very good job of supplying us with most dependable statistics, and I hope he will carry on the good work.

Mr. THATCHER: One more question if I may, Mr. Chairman. I wonder if Mr. Marshall could say about this 1951 census—

The VICE-CHAIRMAN: We will just hear the question first and see if it comes within the scope of our reference.

By Mr. Thatcher:

Q. I was just going to ask him how long the census taking lasts?—A. It starts on June 1.

Q. And you finish in March of the next year?—A. No, I said that we hoped to have a tabulation of the population by March of 1952.

Q. And what about the cost of the last one?—A. It was about $5 million, a little under.

Mr. FRASER: There are one or two questions I would like to ask now that Mr. Marshall is before us.

The VICE-CHAIRMAN: He is not before us in a general sense, he is before us on the specific question asked by Mr. Thatcher on May 2 last; he is not here to discuss the 1951 census.

Mr. FRASER: I have a question I would like to ask him.

The VICE-CHAIRMAN: Well, he came here for the specific purpose of answering the question asked by Mr. Thatcher on May 2nd.

Mr. FRASER: Well, I will ask the question and then you can tell me whether it can be put or not: What items are included in the cost of living?

The VICE-CHAIRMAN: Gentlemen, we are not going into that field now.

The WITNESS: I could send you a memorandum on that.

The VICE-CHAIRMAN: Yes, a long tedious one, please.

Now, we will ask Mr. Gibson to resume the stand, and he will finish dealing with items 71 and 72.

Mr. R. A. Gibson, Director, Development Services Branch, Department of Resources and Development, called:

Mr. FRASER: This is in regard to the national parks?

The VICE-CHAIRMAN: Yes, the Department of Mines and Resources. There was some question raised on paragraph 157 and that will cover the report from there to the end and should not take very long. Are there any questions about item 71?

Mr. THATCHER: Would Mr. Gibson explain that for us?

The WITNESS: May I read from the statement I have here?

The VICE-CHAIRMAN: Yes.

The WITNESS: In the spring of 1948 a number of Alberta contractors known to be qualified to carry out the reconstruction of the Jasper-Edmonton Highway in Jasper National Park, were invited to submit tenders on a cost plus fixed fee basis. The Western Construction and Lumber Company submitted the lowest tender and a contract was entered into with this firm on the 7th of April, 1948. The equipment rental rates attached to the contract contained as one item a price of $3 per operating hour for five cubic yard dump trucks, this price to include the cost of fuel, lubricants, repairs, and wages of operator. Subsequently, complaints were received from the Alberta Motor Transport Association that the contracting firm were hiring trucks at the rate of $2.75 per hour whereas the prevailing rate in the province that year was $3 per hour. The contractor was apprised of this complaint and he claimed that he was supplying certain services to the truckers and that he would lose money if he paid them $3 an hour when he was only getting that amount from the department. Moreover, he said that if he had to pay $3 to individual truckers he would use his own trucks for he had only taken on the individual truckers to give them work. As the department was actually paying a higher rate for dump trucks of this kind under other contracts let after competition, it was decided that the arrangements made by the Western Construction and Lumber Company would not be questioned so long as satisfactory service was being furnished for the rate fixed in the schedule. In making this decision the department had in mind the following facts:

There is no clause in the contract which stipulates that the equipment provided for the work by the contractor shall be owned by the contractor, nor is it stipulated that the contractor shall pay rental at the same rate as paid by the department for any additional equipment he requires to carry out the work.

While it is true that a section of the contract states that the fixed fee shall be deemed to cover the entire profit of the contractor and the necessary services of all executive officers of the contractor, there is a heavy expense involved in the operation of a large fleet of equipment which is not recoverable under the terms of the contract. Some of this additional expense is caused by the need for the contractor to maintain repair shops and a force of mechanics for which he is not paid under the terms of the contract. The supplier of individual units of equipment is not subject to this expense and, therefore, should be prepared to accept lower rental rates.

The rental rates as set forth in the contract were established by competition. The contractor is obligated to keep a specified amount of equipment in operation on the job and is only paid rental when it is working. If the equipment breaks down the contractor must replace it with other equipment of comparable size and efficiency. In some instances the contractor is able to transfer the needed equipment from another job which he has under way. In other cases he must obtain the needed equipment by agreement with another owner. Sometimes he can negotiate rental rates with the other owner on favourable terms. At other times he has to pay higher rentals than he is receiving from the department and thereby loses money. At all times the department pays him the rental which has been established by competition.

By Mr. Thatcher:

Q. I would like to read from Mr. Sellar's statement in regard to this and I would like Mr. Gibson to correct me if I am wrong. This is the contract with Western Construction and Lumber Company and it says, "the contract provided for payment of cost plus a fee of $33,760"?—A. Yes.

Q. What he actually got paid for? Am I correct in saying that he got cost plus $33,760, plus $14,470.50?—A. He gets paid a fixed fee for doing the work.

Q. And anything else?—A. In addition he gets the rental for use of equipment, as shown in a schedule to the agreement.

Q. But didn't he sign a contract to do this job at cost plus a fee of $33,000 odd?—A. No.

Q. Then what does that mean; the contract was let for cost plus a fee of $33,760?—A. You understand in any of these contracts...

The VICE-CHAIRMAN: Do you see what he is reading there?

The WITNESS: In this case the amount of money that was voted for this particular project was $752,000. The undertaking of the management of Western Construction and Lumber Company was that they would do this work for a fixed fee of $33,760, which was approximately 4 per cent of the appropriation for the work. In addition...

Mr. JOHNSTON: Yes, but note there that it was a fixed fee of $33,000 odd cost plus.

The WITNESS: That is the fee that he gets for doing the work.

Mr. THATCHER: Was it cost plus that?

Mr. CAUCHON: Let the witness finish his answer.

The WITNESS: It is a little difficult to understand, but the fee is fixed on the amount of the vote, the amount of the appropriation. The contractor collects that fee for his management services. Then we pay him a rental for his equipment which in the case of this particular job was approximately five per cent of the replacement value of the equipment per month of two hundred operating hours, plus operating costs.

Mr. JOHNSTON: What was that per hour?

The VICE-CHAIRMAN: Amounting, about, to how much?

By Mr. Johnston:

Q. You were to pay him a fixed fee?—A. That is right.

Q. What was the fixed fee? I do not mean the fixed fee, but the rental per hour?—A. You see, attached to this contract is a list of equipment, such as a one and one-half yard shovel, a three-quarter yard shovel, drag lines. In each one of these there is a definite rental rate for that.

Q. A fixed rate, not a fixed fee, a rental?

Mr. FRASER: A monthly rental rate?

The WITNESS: That is right.

By Mr. Johnston:

Q. What is that? May we confine it to one machine? For instance, there is a certain sized shovel to be used. Was there subletting of any of that work for that particular sized shovel?—A. In most cases this man had his own equipment.

Q. But there were cases in which he hired or sublet a portion of that contract for that particular type of work?—A. So far as I know the only equipment he hired were some trucks.

Q. But he used all his own equipment? Therefore, there was no fluctuation in the fixed charge?

By Mr. Thatcher:

Q. You think there is nothing irregular in this?—A. Nothing at all, and we got very good results.

Q. Were any contracts suspended for the time with Western Construction?—A. No.

Q. What did Mr. Sellar draw this to the attention of the committee for?

The VICE-CHAIRMAN: Mr. Sellar, will you answer that please? Why did you bring it to our attention in that way?

Mr. SELLAR: My reasons are set out in the paragraph. I refer to the treasury cost report in these words:

> The Treasury Cost Audit Report on the project discloses that the contractor rented from others a number of trucks on the basis of $2.75 per operating hour which included fuel, repairs, services of operator, etc.

Now I will quote from the Treasury Audit Report.

> The trucks numbered 111 to 171, inclusive, were hired from outside parties on the basis of $2.75 per operating hour and included fuel, repairs, operator, etc.
>
> It may be noted that these trucks have been claimed at the rate of $3.00 per hour, which is a difference of 25 cents per hour on a total of 57,882 hours, or $14,470.50.
>
> It is also understood that other machines have been hired from outside parties at lesser rates than as claimed under the contract, but on a different basis, as they were rented on a flat rate but the company paid for the the fuel, repairs, operator, etc.

That is a quotation from the treasury report.

Now, then the contract itself—

Mr. THATCHER: Just before you go on with that, if I might interrupt you for a moment, from what you have said are you suggesting that the $14,470 overpayment is a direct cost plus fee, part of the contract?

Mr. CAUCHON: Let him finish that.

Mr. SELLAR: Now then, so far as the cost audit is concerned, the department has the right to dispute the cost audit. Then comes section 4 of the contract, which is a long section and deals essentially with the taking of trade discounts and a whole lot of other related matters, but it includes a sentence that was the reason for this item. I will read the sentence:

Refunds and Trade Discounts—

> 4. The Contractor covenants and agrees to take advantage of any and all refunds and trade discounts and such refunds and trade discounts and any profits (save and except the fee payable to the Contractor as provided in Section 3 hereof) which may be received by the Contractor in any way in connection with the work shall be credited by the Contractor to the Minister.

Mr. JOHNSTON: That item of $14,470.50 was not credited to the department?

The WITNESS: That is right.

Mr. JOHNSTON: Which was a violation of the contract?

The VICE-CHAIRMAN: No no no, just a minute now.

Mr. JOHNSTON: I am talking to Mr. Sellar.

The VICE-CHAIRMAN: I do not care who you are talking to.

Mr. JOHNSTON: He is the witness.

The VICE-CHAIRMAN: But you are giving evidence.

Mr. JOHNSTON: Where did that $14,470.70 go to—to the contractor?

The CHAIRMAN: Yes.

Mr. JOHNSTON: Which is in violation of his contract?

The CHAIRMAN: No, no.

Mr. JOHNSTON: Well, I am talking now.

The CHAIRMAN: I do not care who you are talking to. You are giving all the evidence. You are saying, "which is in violation of his contract." You are making an assertion. Ask him if it was in violation of his contract. It is a question of interpretation. You should ask him if it was in violation.

Mr. JOHNSTON: Well, I am asking if that was in violation of his contract.

The CHAIRMAN: All right, ask him the question.

Mr. SELLAR: In my opinion, sir, it is not a violation of the contract; it is whether the department has exercised its responsibility in establishing whether he was entitled or not.

Mr. JOHNSTON: Now, Mr. Sellar,—

Mr. SELLAR: One second more to refresh your memory. When I was here before I said that my understanding was that the contractor had been faced with some unexpected demands for gasoline taxes from the province of Alberta and that the department had been influenced by that in coming to these arrangements and I then suggested to the chairman that the department be allowed to appear as they had asked me to do so.

Mr. JOHNSTON: Maybe I can make myself a little clearer if I read a section on page 20 of the Auditor General's Report under the section Department of Mines and Resources:

> The contract provided for payment of costs plus a fee of $33,760. It—

That is the contract.

> —also stipulated that any incidental profit accruing to the contractor in connection with the work was to be credited to the government.

Well now, is not there an incidental profit there of $14,470.70? I am asking Mr. Sellar. There are too many people answering questions here.

The CHAIRMAN: Just a minute. Mr. Gibson will answer that.

Mr. JOHNSTON: I asked Mr. Sellar.

The CHAIRMAN: Mr. Gibson is prepared to answer that.

Mr. JOHNSTON: I want Mr. Sellar's answer first and then I will ask Mr. Gibson.

The CHAIRMAN: All right, Mr. Sellar.

Mr. SELLAR: My problem, sir—as you will remember, I quoted a section from the agreement which I used in my report, and I used it very carefully "any incidental profit." I am not prepared to say what the amount of that profit was.

Mr. JOHNSTON: Would you agree, Mr. Sellar, that this item of $14,470.70 may be one of those incidental profits to which you refer?

Mr. SELLAR: It is the incidental profit in that $14,470.70. It may not be all of the $14,000; it might be only a small fraction of it. It is a $14,000 transaction that is involved.

Mr. JOHNSTON: In any event, whatever the profit was it was not credited to the government?

Mr. SELLAR: That is right.

Mr. JOHNSTON: Now, that is quite clear. Now the witness Mr. Gibson can give his answer.

The WITNESS: Well, Mr. Chairman, the point is this. The contractor has undertaken to supply five cubic yard dump trucks with drivers and operating costs for $3 an hour. If they cost him $3.50 an hour or $3.25 an hour, he has got to supply them to us for $3 an hour. If he can get them for $2.75 an hour, then we have got to figure out whether the incidental service that he supplies to that individual trucker is worth the difference. Now, probably I could not do better than to read a short memorandum showing what services the contractor supplies to the individual trucker that justifies him in saying that there is no profit in the transaction.

OTTAWA, 8 June, 1950.

NOTES RE TRUCK RENTAL RATES

WESTERN CONSTRUCTION & LUMBER COMPANY LIMITED

(1) On all our cost-plus-fixed-fee contracts every effort is made to try to secure the services of a contractor of recognized standing, who has an experienced organization, and who also has a sufficient number of units of equipment to carry out the work.

(2) In accordance with the terms of the contract, the contractor has the right to use his own equipment exclusively; this applies to trucks, as well as other types of equipment. If, however, he does not own sufficient units of the type of equipment required, he must make arrangements to get these wherever he can and payment for these is made at the same rate as specified in the contract. If he is able to secure this equipment at a lower rate than specified it is to his advantage, and if he must pay a higher rate, then he must absorb the loss. This Department has consistently taken the attitude that it is not their concern where the equipment comes from as long as it operates satisfactorily.

(3) The owner of a fleet of equipment, as in this case the prime contractor, is faced with expenses which the individual owner is not. Some of these are listed as follows:

(i) He must employ a master mechanic and assistants all year round to overhaul his equipment and keep same in good repair.

(ii) He must construct and maintain a properly equipped workshop or garage.

(iii) He must maintain a storehouse with a complete stock of spare parts.

Now, that is where the individual truckers get their service from the contractor.

Mr. JOHNSTON: Would not he charge them the regular price for these parts?

The WITNESS: He charges them, as I understand it, just exactly what they cost him.

Mr. JOHNSTON: Then he has not any loss.

The CHAIRMAN: He has not any profit, either.

The WITNESS: He has got to employ a man to handle these parts, hand them out and so on.

The CHAIRMAN: Let him finish the memorandum.

The WITNESS:

This involves a very high expenditure.

(iv) On the job he has to erect temporary repair shops and maintain same.

(v) On the job he has to install fuel pumps and handle fuel and all loss through shortages must be absorbed by him.

(vi) The Department pays only actual operating hours but in many cases to hold trucks the contractor must pay additional hours and this is not recoverable.

(vii) In many cases in working extra hours the contractor must pay overtime and this is not recoverable.

That is, we only pay for the number of hours those truckers are on the job.

Mr. JOHNSTON: May I say now that those remarks that you have given on behalf of the contractor may justify the contractor's conscience that there is no profit, but how do you account for this "It also stipulated that any incidental profit accruing to the contractor in connection with the work was to be credited to the government"? How do you conform that section from the contract with the fact that there was a profit which was not credited back to the government?

The WITNESS: I do not admit that there was a profit on the account.

Mr. BROWNE: Have you got an account to show that he was not making any profit on it?

The WITNESS: I can get one. I am prepared to say that the accounts relating to this contract have all been checked.

By Mr. Johnston:

Q. It seems to me this account has been paid.—A. Yes.

Q. And yet you made no check of it to see if that was in conformity with the terms of the contract?—A. That account was checked carefully.

Q. But you just now said you had not got the details of the account.—A. From our accountants—not from the contractor.

Q. So you do not know whether there was a profit made or not?

The CHAIRMAN: He gave his opinion.

Mr. JOHNSTON: I have not asked for an opinion; I want an answer.

The CHAIRMAN: He is going to get you the information.

Mr. JOHNSTON: Well, I think, then, Mr. Chairman, we are not in a position where we can discuss this vote 206 until we get the information.

The CHAIRMAN: We cannot conclude the discussion anyway.

Mr. PRUDHAM: I would like to ask Mr. Gibson if this certain flexibility in the truck rates does not give the local man in the towns adjacent to the work, say, in Jasper, an opportunity of participating whereas, if the contractor was forced to use his own trucks only, they would be excluded?

The WITNESS: In this case the contractor told us quite definitely that if there was any continuation of the discussion with the Alberta Truckers Association about the rates, that he would put his own trucks on the job and release the individual truckers, and he said he had given them the work because he thought they needed it, because he had his own trucks that he thought he could use on the job.

The CHAIRMAN: Gentlemen, let us save our questions. There has been a motion to adjourn. We stand adjourned until Monday at 4 o'clock.

The committee adjourned.

APPENDIX A

Para. 64, Audit Report 1948-49

The request is for details of:

Receipts—

Rental of accommodation, board and lodging of employees, hospital and coffee shop receipts, sales of coal, ice, wood and electricity, operation of buses, etc. $639,655.41

Rentals—tenant houses	$128,774.05	
" tenant garages	3,567.39	
" staff hotel	27,671.55	
" dormitories	9,649.12	
" shopping centre	13,765.86	
" house furnishings	961.01	
Meals, staff hotel dining room	75,468.35	
Meals, cafeteria	89,675.90	
Hospital revenues	58,277.28	
Community centre revenues	71,265.22	
Public school revenues	8,245.73	
Post office revenue	505.46	
Coal sales	28,199.56	
Wood fuel sales	1,293.00	
Ice sales	2,955.10	
Electricity sales	20,595.60	
Bus transport revenue	47,448.05	
Sundry revenues	9,892.57	
		$598,210.80
Refunds of expenditures—sales of stores to contractors, etc.	21,786.86	
Refunds of salaries by Post Office	1,401.00	
Miscellaneous refunds, etc.	18,256.75	
		41,444.61
		$639,655.41

APPENDIX B

LIST OF PROPERTIES OF PRODUCTIVE, OPERATING OR COMMERCIAL NATURE, OWNED BY THE CROWN OR AGENCIES OF THE CROWN, MARCH 31, 1948, TO MAY 31, 1950 (INCOMPLETE).

OTTAWA, June 5th, 1950.

MEMORANDUM TO PUBLIC ACCOUNTS COMMITTEE

During the discussions which took place on May 11, 1950, the Committee requested me to prepare for the Committee a list of all properties of an industrial, mining or other productive, operating or commercial nature, owned by the Crown or agencies of the Crown at any time since March 31, 1948. In order to obtain the required information, a letter dated May 15, 1950, copy of which appears as Appendix "A" of this memorandum, was forwarded to the Deputy Ministers of all departments considered likely to have such properties. While it seemed likely that some of these departments would have no such properties, it was considered desirable to send a copy of this letter to these as well for their information.

The following replies to this letter have been received to date:

1. DEPARTMENT OF AGRICULTURE—

This department advised that no properties of the kind referred to are owned or operated by it. In the case of community pastures and irrigation projects under P.F.R.A. the department own the works and charge a fee for services rendered, but these establishments are set up as a part of the general rehabilitation programme rather than as commercial enterprises.

2. AUDITOR GENERAL'S OFFICE—

No reply received as letter was only forwarded for information purposes.

3. CITIZENSHIP AND IMMIGRATION—

The department advised that no properties of this kind are operated or owned by it. As a matter of interest, however, they advised that the Indian Affairs Branch have a number of small enterprises conducted mainly to meet the needs of individual Indian Bands. Some of the equipment used is purchased from funds appropriated by Parliament.

Sawmills are operated on various reserves to provide materials for houses built for and by Indians and occasionally for buildings being constructed by the Indian Affairs Branch or the Department of National Health and Welfare on Indian reserves. In addition, the Blackfoot Indians operate a coal mine on their reserve financed by Band funds. The output is used to provide fuel for individual members of the Band and community activities. This mine, in addition to giving employment to a number of Indians, furnishes fuel to members of the Band at a low cost.

4. EXTERNAL AFFAIRS—

The department reports that no such properties are under its custody.

5. FINANCE—

The department itself has no such properties under its custody and have submitted the information, as follows, with respect to its agencies:

(a) Foreign Exchange Control Board....	Nil.
(b) Wartime Prices and Trade Board...	Nil.
(c) Industrial Development Bank.....	Nil.
(d) Canadian Farm Loan Board.....	Nil, except for a few farm properties acquired by the Board through quit-claim or foreclosure and which are in the process of sale by lease-sale options.
(e) Bank of Canada.....	Head Office Building, Wellington St., Ottawa. Public Debt Division—King Edward Ave., Ottawa. Agencies at Toronto, Montreal, Regina, Calgary, and Vancouver. In addition the following properties have been purchased to provide for expansion of existing premises— Ottawa—Canadian Bank Note Company Bldg., 224 Wellington St., leased to the Company. When the Company vacates in the near future, this property will be leased to the Government. British American Bank Note Company Bldg., 262 Wellington St., leased to the Government. 225 Sparks St., leased to the Government. 223 Sparks St., leased to the Plaza Hotel Company Ltd. Toronto—19-31 Victoria St., leased as gas station to Douglas Newton.
(f) Comptroller of the Treasury.....	Nil, letter sent for information only.
(g) Royal Canadian Mint.....	Nil, letter sent for information only.
(h) Tariff Board.....	Nil, letter sent for information only.

6. FISHERIES—

The department advised that the only property which might come within the category in question is that in connection with the Bait Service in Newfoundland where depots are maintained, bait fishes are purchased, frozen and later sold to the fishermen as required. There are twenty such depots located at strategic points, from a fishing standpoint, around the Island. Seventeen have freezing and storage facilities and three have storage facilities only. They range in capacity for freezing, from 2,500 to 30,000 pounds daily and for storage, from 40,000 to 850,000 pounds. All these depots were taken over at the time of Union.

7. JUSTICE—

According to reply from the department no such properties are owned by it. This report included the Penitentiaries Branch and the Royal Canadian Mounted Police.

8. LABOUR—

The department advised that the only properties which might come into this category are as follows:

(a) The Hostel at St. Paul l'Ermite, Quebec, which consists of two storeys and basement, wood frame construction, and which was transferred to the department through the War Assets Corporation from Defence Industries Limited. This building is used as a distribution centre for displaced persons.

(b) Buildings at New Denver, British Columbia, consisting of the main Sanatorium building and sixteen maintenance buildings, as well as a number of huts, formerly used to take care of Japanese. These buildings were turned over to the Province on loan until they were no longer required for Japanese maintenance.

(c) Ten buildings at Ajax, Ontario, used for the housing of displaced persons and a distribution centre, which the department has rented from Central Mortgage and Housing Corporation.

9. MINES AND TECHNICAL SURVEYS—
The department advised that they have no such properties to report on.

10. NATIONAL HEALTH AND WELFARE—
The department advised they have no such properties coming under its jurisdiction.

11. NATIONAL REVENUE—
Both the Customs and Excise Division and the Taxation Division report that they have no such properties.

12. POST OFFICE—
The Post Office department report that they have no such properties.

13. PRIVY COUNCIL OFFICE—
The Privy Council Office itself have no such properties. A report, however, copy of which appears as Schedule 1 of this memorandum, has been submitted with respect to the Federal District Commission. This report consists of a letter dated May 26, 1950, from the Secretary of the Commission to Mr. Mackenzie of the Cabinet Secretariat.

14. RESOURCES AND DEVELOPMENT—
The department have submitted a long list of such properties, which list appears as Schedule 2 of this memorandum. The department advised that the list does not include Crown Lands in the Northwest Territories or the Yukon. It was felt that information in regard to these would not be required since only an infinitesimal part of the 1½ million square miles has been surveyed. Most of the parcels in use are leased although in a few cases title has been granted under the provisions of the Dominion Lands Act.

It is to be noted that the list is made up of two parts. The first deals with lands for which Letters Patent have been issued, and the second in regard to properties which are vacant or under lease. All parcels of land listed were appraised in or since 1948 by experienced officers of the Veterans Land Act Administration having a knowledge of the property values in the various localities. Where streets and roadways were granted to municipalities, a nil value is shown inasmuch as these are considered vested in the municipality and the grant is in the form of Quit Claim Letters Patent.

15. TRADE AND COMMERCE—
While the department itself own no such properties they have reported on the holdings of the various agencies reporting to the Minister of Trade and Commerce:

Canadian Arsenals Limited
Canadian Wheat Board
Board of Grain Commissioners
Eldorado Mining and Refining (1944) Limited
Northern Transportation Company (1947) Limited
Polymer Corporation Limited
A. V. Roe Canada Limited
Crown Assets Disposal Corporation

The list of properties held by the above appear in Schedule 3 of this memorandum.

16. TRANSPORT—

The list of properties reported by this department appears as Schedule 4. It is to be noted that the list does not include any of the properties owned and operated by the National Harbours Board. In this connection the department advised that a letter was written to the Chairman under date of May 28, and advice was received from the Secretary that it would take months for them to compile the required information. As soon as the report is received, however, it will be forwarded to me for submission to the Public Accounts Committee.

The following brief description of the Schedule is submitted for the information of the Committee:

Air Services:

A-1—Is a list of all Airports and associated radio aids. Property sales made since March 31, 1948, are indicated in the remarks column as well as those airfields which are under lease to municipalities, etc.

A-2—Is a list of commercial and industrial leases associated with the various Airports throughout Canada.

Canal Services:

B-1—*Welland Ship Canal*—Is a list of property leases as well as sales since March 31, 1948.

B-2—*Lachine Canal*—Consists of a list of property leases. There have been no property sales since March 31, 1948.

B-3—Is a tabulation of property sales made since March 31, 1948, with respect to various canals throughout Canada other than the Welland Ship Canal.

(*Note:* The list with respect to leases of Canal properties is not complete. The department advised that information regarding the remainder of Canals is being compiled.)

Marine Services:

C-1—Is a list taken from available information in the Lands Branch of Marine Services properties throughout Canada. As this list does not include public harbours, it cannot be considered complete.

C-2—Is a list of Marine leases which is being compiled and the department anticipates that much research and time will be required before it is completed. A partial list, however, of leases has been compiled from information available.

C-3—Is a list of property sales made since March 31, 1948.

17. VETERANS AFFAIRS—

The department advised that they have no properties coming within the scope of the Committee's enquiry, with the possible exception of the vetcraft shops and the prosthetic centres. The vetcraft shops are used as a means of sheltered employment for the manufacture of poppies and are located in leased premises at Montreal and the Sunnybrook Hospital premises in Toronto. The prosthetic centres deal mainly with the manufacture, adjustment, etc., of prosthetic appliances for the department's patients but a small percentage of the products is sold at cost to other government agencies. Most of the centres are located in the department's hospital properties and the remainder in premises provided by the Department of Public Works.

18. Crown Agencies Not Covered in Other Departmental Reports—

(a) Canadian Broadcasting Corporation—

The Corporation advised that they have no properties coming within the category referred to.

(b) Central Mortgage and Housing Corporation—

This Corporation's report appears as Schedule 5 of this memorandum. It is to be noted that this list does not include small parcels of unused land adjacent to housing projects, or land held for residential development where there is not possibility of it being used for commercial or industrial development, nor does it include Laurentian Terrace, Ottawa, Staff Hotels at Deep River and other places, all of which are or were used exclusively for residential purposes.

(c) National Research Council—Nil.

No report has been received from the following departments. These departments, however, advised their reports are in the course of preparation.

National Defence
Public Works
Secretary of State, including Custodian of enemy property

It is pointed out, for the information of the Committee, that it was not considered necessary to circularize the following Departments or Agencies of the Crown:

Office of the Chief Electoral Officer
Civil Service Commission
Office of the Secretary to the Governor General
House of Commons
Department of Insurance
Public Archives
Public Printing and Stationery
Senate
Air Transport Board.

R. B. BRYCE.

APPENDIX "A"

OTTAWA, May 15, 1950.

The Public Accounts Committee of the House of Commons, at the suggestion of the Leader of the Opposition, has requested a list to be furnished it of all properties of an industrial, mining, or other productive, operating or commercial nature, owned by the Crown or agencies of the Crown, including, of course, Crown companies, at any time since March 31, 1948. This list should include all properties of this nature that are actually in use, or were previously used or are intended to be used for these purposes. Mr. Drew has subsequently stated that this request is not intended to cover properties primarily used or useful for residential or farming purposes, nor those properties used in the ordinary carry ing on of usual Government services (such as repair shops, storage depots, etc.).

The list should be supplemented by notes indicating which of the properties have since been disposed of, by what means and under what authority in each case, and to whom.

The Minister of Finance has directed me to request all Departments and agencies of the Crown to have lists of such properties prepared as quickly as possible. Would you please, therefore, have a list prepared of such properties under the control of your Department, and of agencies reporting to your Minister.

The discussion on this matter in the Public Accounts Committee took place mainly on May 11th, and will be found in the Minutes of Proceedings and Evidence of the Committee for that day, when it is printed.

If you have questions to ask about this matter, I should be glad if you would telephone me at Local 2058.

Yours truly

R. B. BRYCE.

SCHEDULE 1

FEDERAL DISTRICT COMMISSION

File No. 185

OTTAWA ONT. May 26 1950.

Mr. M. R. MACKENZIE,
Cabinet Secretariat,
Privy Council Office,
Ottawa, Canada.

Dear Mr. Mackenzie:

Further to our letter of the 19th instant respecting answers for return to Parliament of questions concerning properties owned or controlled by the Crown of industrial, mining or other productive nature the following data is submitted:

1. CAFE CHAMPLAIN—BATE ISLAND

The Commission owns the land on which this building was erected by Mr. Jack Sim at a cost to him of $72,000.00. Mr. Sim pays the Commission an annual rental of $50.00 and under the terms of the agreement a 5% interest in the building transfers from Mr. Sim to the Commission each year. Therefore at the end of twenty years the Commission will own the building. As of this date the Commission possesses a 15% interest in the ownership of the building.

2. RESTAURANT—ROCKCLIFFE PARK

This building is owned by the Commission and is situated in Rockcliffe Park which the Commission holds under lease from the City of Ottawa. The concessionaire pays the Commission $500.00 per year for the privilege of operating the restaurant.

3. OTTAWA-NEW EDINBURGH CANOE CLUB—ROCKCLIFFE PARK

The Commission owns the water lot upon which this Clubhouse was erected by, and at the cost of, the Club. The Club pays the Commission $1.00 per year rental. The building, of course, is the property of the Canoe Club.

4. RESTAURANT AT LAC PHILIPPE—GATINEAU PARK

A small restaurant is operated in an old settler's house which the Commission acquired with land which was purchased for the development of Gatineau Park. A nominal rental of $6.00 per year is charged the operator of the restaurant who is required to act as a watchman and caretaker of the Lac Philippe picnic area as well as to look after the renting of tents and boats for the Commission.

5. FARM PROPERTIES ACQUIRED BY THE COMMISSION

The farms listed hereunder were expropriated for the construction of the railway cut-off line and freight yards two and one-half miles south of Billings Bridge. Arrangements are being made that these lands, apart from the areas required for the immediate railway construction purposes, shall be continued in farm use. Leases are being entered into with the former owners or with other persons to carry on the farming work.

Lot No.	*Concession*	*Acreage*
Pt. of 2	II Rideau Front	34·1
W¼ of 2	III "	40·1
W pt of 2	III "	11·6
NE pt of 2	III "	25·4
NW pt 2	III "	33·3
SE pt of 2	III "	33·0
Pt of 1	IV "	6·7
NW ¼ of 2	IV "	50·0
S ½ of 2	IV "	70·0
Pt 1 and 1A	IV "	3·2
Pt 1 and 4	IV "	11·6
Pt 1 and A	IV "	7·8
Pt 1A and 2	IV "	124·7
Pt 1 and A	IV "	28·0
Pt 1 and A	IV and V "	149·0
SW ¼ of 2	V "	50·0
Pt A	V "	24·5
Pt 1 and A	V "	42·8
E ½ of A	V "	47·0
NE pt of 1	V "	50·0
SE ¼ of 1	V "	33·25
NE ¼ of 2	V "	9·38
A	VI "	68·6
NE ¼ of 1	VI "	94
SW ¼ of 1	VI "	25·4
W ½ of 24	III Ottawa Front	2·1
Pt 11, 12 and 13	Junction Gore	104·0

Yours truly,

(Sgd.) H. R. CRAM,
Secretary.

SCHEDULE 2

REPORT OF ORDNANCE AND ADMIRALTY AND PUBLIC LANDS DISPOSED OF FOR OTHER THAN RESIDENTIAL OR AGRICULTURAL PURPOSES FROM MARCH 31, 1948, TO DATE. 18TH OF MAY, 1950

Province	Locality	Acreage	Patentee	Valuation	Remarks
Quebec	Part Lot 156, Montreal South	24,230 sq. ft.	Les Marguilliers de L'Œuvre et Fabrique de St-Georges de Montréal Sud.	$ 700.00	Sold to occupant for religious and educational purposes at appraised value.
Quebec	Lot 1089-1 and Pt. Lot 1094, Lauzon.	6·6 acres	Corp. of the Town of Lauzon	917.00	Sold to occupant for municipal purposes at appraised value.
Quebec	Pt. Lot 3056, Quebec	905 sq. ft.	L'Auditorium	181.00	Sold to occupant for private enterprise at appraised value.
Saskatchewan	Lots 3 and 4, Block 233, Regina		Saskatchewan Provincial Council Boy Scouts Association.	1,000.00	Sold to occupant for public organization purposes at appraised value.
Alberta	River Lots 25, 27, 29, Edmonton Settlement.	136·92 acres	City of Edmonton	14,560.00	Sold by tender for civic purposes for $15,000.80.
Ontario	Lots A and B, Amherstburg	7 acres	Town of Amherstburg	16,300.00	Sold to occupant for park purposes at nominal price.
Manitoba	Lot B, Victoria Beach	2·36 acres	Rural Municipality of Victoria Beach.		*Sold to occupant for memorial park at nominal price.
Nova Scotia	Pt. Lots 5 and 8, Louisburg	1·87 acres	Louisburg Development Co. Ltd.	240.00	Sold to occupant for private enterprise at appraised value.
Alberta	Pt. Parcel E, River Lot 20, Edmonton Settlement.	28·10 acres	City of Edmonton	35,125.00	*Sold to occupant for park purposes at nominal price.
Quebec	Pt. Lots 1136 and 1213, Lafontaine Park, Montreal.	·75 acres	Montreal Catholic School Comm.	25,944.00	Sold to occupant for school purposes at appraised value.
Alberta	Pt. Block 131, Lethbridge	8·5 acres.	City of Lethbridge	44,580.00	*Sold to occupant for park purposes at nominal price.
Quebec	Pt. Lots 377-16, 1085-9, 1085-10, 1088-1, Lauzon.	37·240 sq. ft.	Rev. Sisters Jesus Marie	50.00	Sold to occupant for convent purposes at appraised value.
Ontario	Lots 1 and 2, Clyde St., Elora	2 acres	Corporation of the Village of Elora.	10 170.00 (5,085.00 reversionary interest)	*Sold to occupant for community and recreational purposes at nominal price.
Quebec	Pt. Lots 29, 30 and 31, Lauzon	12·7 acres	Corporation of the City of Levis	Nil	*Sold to occupant for park purposes at nominal price.
Quebec	Pt. Lots 1104, 1105, 1109 and 1110-1, Lauzon.		Corporation of the Town of Lauzon.	Nil	*Sold to occupant for park purposes at nominal price.
Ontario	Pt. Lot 56, Hamilton	5 acres	Board of Education for the City of Hamilton.	2,550.00	Sold to occupant for school purposes at appraised value.
Alberta	Pt. N.W. ¼ Sec. 9-24-29W. 4th Mer.	31·1 acres	Inglewood Gold Club Ltd	800.00	Sold to occupant for private enterprise at appraised value.
Quebec	Pt. Lot 9, Lachine	47,720 sq. ft.	Quebec Hydro Electric Comm.	150.00	Sold to occupant for power transmission line easement at appraised value.

*Letters Patent contain the provision that if land used for other purposes, title shall revert to Crown.

63924—3½

REPORT OF ORDNANCE AND ADMIRALTY AND PUBLIC LANDS DISPOSED OF FOR OTHER THAN RESIDENTIAL OR AGRICULTURAL PURPOSES—*Concluded*

Province	Locality	Acreage	Patentee	Valuation	Remarks
Ontario	Pt. Lot 56, Hamilton		Corporation of the City of Hamilton.	$ 25.00	Sold to occupant for road allowance at appraised value.
Quebec	Pt. Lots 1259-1, 2 and 3, Sorel		Shawinigan Water and Power Co.	50.00	Sold to occupant for power transmission line easement at appraised value.
Quebec	Pt. Lot 9, Lachine	175,334 sq. ft	Province of Quebec		Sold to occupant for highway purposes at nominal price.
Quebec	Pt. Lots 24, 26, 29, 30, 1189, 1190, 1195, 1196 and 1197, 1199, 1200 and 1201, Sorel.	11·14 acres	Cdn. National Railway Co.	15,000.00	Sold to occupant for railway purposes at appraised value.
Nova Scotia	Pt. Admiralty Reserve, Sydney		Corporation of the City of Sydney		*Sold to occupant for park purposes at nominal price.
Quebec	Pt. Lots 4437-143 and 9437-144, Quebec.	120 sq. ft.	Corporation of the City of Quebec.	Nil	Sold to occupant for street widening purposes at nominal price.
Quebec	Pt. Lots 1090, 1093 and 1095, Lauzon.	14 acres	Corporation des Curés et Marguilliers de L'Oeuvre et Fabrique de St-Joseph de Lévis.	Nil	*Sold to occupant for cemetery purposes at nominal price.
Quebec	Pt. Lots 25-30, 91-97, 125, 1102-1104, 373-4, 1110-1, 1111-1, 1112-1 and 1112-3, Lauzon.		Quebec Power Co.	251.00	Sold to occupant for power transmission line easement at appraised value.
Ontario	Pt. Barbet Point Naval Reserve, Sherbrooke Twp.	22·5 acres	Municipality of Twp. of Sherbrooke.	875.00	*Sold to occupant for park purposes at nominal price.
Ontario	Pt. Lots 10 and 11, Charlotteville Twp., Turkey Point.	66 acres	Linn Charles Cratt	1,000.00	Sold by auction for $1,800.00 for private enterprise.
Ontario	Lots 13-28, Prescott	16 lots	Corporation of the Town of Prescott.	7,200.00	*Sold to occupant for park purposes at nominal price.
Quebec	Lot 81 and Lots 27-36 and 82-90, Lauzon.	149 acres	Levis Golf Club	3,725.00	Sold to occupant for private enterprise at appraised value.
Quebec	Pt. Lot 26, Lauzon	108,900 sq. ft.	Corporation de St-Louis-de-Gonzague-de-Pintendre.	Nil	Sold to occupant for public road at nominal price.
Quebec	Pt. Lot 4116, Quebec	26,379 sq. ft.	Corporation of the City of Quebec.	106,960 (reversionary interest: $6,081.53).	Crown reversionary interest sold to occupant, for $31,889.00.
New Brunswick	McCann, Flea and Man of War	20½ acres	Connor Brothers Ltd.	$750.00	Sold to occupant for private enterprise at appraised value.
Ontario	Lots 1-6, Block 3, Biggar Tract Brantford.	·306 acres	Corporation of the City of Brantford.	Nil	*Sold to occupant for park purposes at nominal price.
Ontario	Extension of Douro St., Toronto	45 strip of land	Corporation of the City of Toronto.	Nil	Sold to occupant for street purposes at nominal price.
British Columbia	Govt. Reserve Twp. 39 W.C.M.	104·04 acres	Brunette Manufacturing Co. Ltd.	10,000.00	Sold to occupant for private enterprise at appraised value.
Quebec	Lots 74, 73, 72, 71, 70A, 364, 365-1, 366-1, 367-1, 368-1, 363-1, 371-1 and 370-1, Lauzon.	592,500 sq. ft.	Edouard Ruel Ltd.	5,051.00	Sold to occupant for private enterprise at appraised value. (Agreement of sale dated 1/10/47.)

* Letters Patent contain the provision that if land used for other purposes, title shall revert to Crown.

REPORT OF LEASES AND VACANT ORDNANCE, ADMIRALTY AND PUBLIC LANDS FOR OTHER THAN RESIDENTIAL OR AGRICULTURAL PURPOSES AS AT 18TH OF MAY, 1950

Province	Locality	Acreage	Lessee	Valuation	Remarks
New Brunswick	Pt. Lots 1-9 Ordnance Reserve, Edmunston.	·86 acres	Temiscouata Railway Co.	$4,147.50	*Leased for Railway right-of-way at nominal rental 1945 ($1.00)
New Brunswick	West Battery and Blockhouse, St. Andrews.	2·5 acres	Corporation of the Municipality of the town of St. Andrews.	1,600.00	*Leased for public park purposes at nominal rental. ($1.00) 1943
New Brunswick	Martello Tower, St. John	0·5 acres	Municipality of the City and County of St. John.		*Leased for municipal purposes at nominal rental. ($1.00) 1945
Saskatchewan	Pt. Sections 22 and 23-17-20 W. 2nd.	100 acres	Regina Golf Club tenure uncertain..	13,390.00	*Leased for golf course purposes at nominal rental ($25.00) subject to R.C.M.P. reservation. 1939
Saskatchewan	Lots 7, 8 and 9, Block 146, Saskatoon.	140′ x 75′		6,000.00	Vacant
Alberta	Pt. N.E. ¼ 35-23-1 W. 5th and S.E. ¼ 2-24-1 W. 5th Calgary.	201·38 acres	Thomas Hanna Munn	2,400.00	Leased for quarrying purposes—($305.00 plus $1,000.00 Royalty per year and 10c. per cu. yd. of sand and gravel removed). 1949
Alberta	Pt. N.E. ¼ 35-23-1 W. 5th and S.E. ¼ 2-24-1 W. 5th Calgary.	·71 acres	Valley Pipe Line Co. Ltd.		Leased for Pipe Line right-of-way at nominal rental ($15.00) 1940
Alberta	Pt. N.E. ¼ 35-23-1 W. 5th and S.E. ¼ 2-24-1 W. 5th Calgary.	1·16 acres	Imperial Oil Co. Ltd.		Leased for Pipe Line right-of-way at nominal rental ($15.00) 1938
Alberta	Pt. N.E. ¼ 35-23-1 W. 5th and S.E. ¼ 2-24-1 W. 5th Calgary.	4·84 acres	Calgary Power Co. Ltd.		Leased for transmission line purposes at nominal rental ($10.00) 1941 (easement only).
British Columbia	Portion Foreshore and Bed Pitt River fronting pt. frac. Sec. 4 Twp. 40 E.C.M. and pt. frac. Sec. 2 and 3. B.6 N. R.1E New Westminster District.	47 acres	Timber Land Lumber Co. Ltd.		Leased for booming ground purposes ($285.10) 1930.
British Columbia	Portion Foreshore and Bed Pitt River fronting frac. N.E. and S.E. ¼s Sec. 5 Twp. 40 E.C.M. New Westminster District.	26 acres	Canadian White Pine Co. Ltd.		Leased for booming ground purposes ($653.62) 1950.
British Columbia	Portion of Foreshore and Bed Fraser River from Douglas Island to Kanaka Creek and Pitt River from Douglas Island to Pitt Lake.				Considerable additional Foreshore area available for booming ground leases; numerous applications pending.
P.E. Island	Battery Site Charlottetown	1·25 acres	City of Charlottetown	3,000.00	*Leased for park purposes at nominal rental ($(1.00) 1938.
Nova Scotia	Battery Point, Shelburne Harbour.	·589 acres	Canadian National Railway		Leased for railway* right-of-way purposes at nominal rental ($1.00) 1934.

* Lease permits cancellation 6 months' notice if used for other purposes.

REPORT OF LEASES AND VACANT ORDNANCE, ADMIRALTY AND PUBLIC LANDS FOR OTHER THAN RESIDENTIAL OR AGRICULTURAL PURPOSES—*Continued*

Province	Locality	Acreage	Lessee	Valuation	Remarks
Nova Scotia	Battery Point, Shelburne Harbour.	·172 acres	Irving Oil Co. Ltd.	$750.00	Leased for private enterprise at 6% of valuation. ($45.00) 1946.
Nova Scotia	Battery Point, Shelburne Harbour.	·119 acres	Imperial Oil Co. Ltd.	765.00	Leased for private enterprise at 6% of valuation. ($46.00) 1944.
Nova Scotia	Islands 1, 2, 3 and 4 Shelburne Harbour.	10 acres	Town of Shelburne	200.00	*Leased for municipal purposes at nominal rental ($3.00) 1926.
British Columbia	Parcel 16 D.L. 114 Group 1, and Water Lot, New Westminster District.	133·94 acres		64,960.00	Vacant—Department of National Defence reservation.
British Columbia	Portion Bed Fraser River fronting pt. D.L. 398 Group 1 Twp. 12 E.C.M. New Westminster District.	2·10 acres	Maple Ridge Lumber Col Ltd. and Port Heney Brick Co. Ltd.		Leased for booming ground purposes ($218.19) 1948.
British Columbia	Portion Bed Fraser River fronting pt. D.L. 398 Group 1 Twp. 12 E.C.M. New Westminster District.	1·13 acres	Maple Ridge Lumber Co. Ltd.		Leased for booming ground purposes ($150.00) 1948.
British Columbia	Portion Foreshore and Bed Fraser River fronting pt. of lots 278, 279 Group 1 New Westminster District.	8·66 acres	British Columbia Forest Products		Leased for booming ground purposes ($116.19) 1948.
British Columbia	Portion Foreshore and Bed Fraser River Twp. 9 E.C.M. New Westminster District.	·83 acres	British Columbia Electric Railway Co. Ltd.		*Leased for right-of-way for submarine cable at nominal rental ($5.00) 1939.
British Columbia	Portion of Bed Fraser River fronting lots 277, 249, 248, 247 and pt. 397 Group 1 New Westminster District.	67·46 acres	British Columbia Forest Product Co. Ltd.		Leased for booming ground purposes ($3,218.54) 1949.
British Columbia	Portion Foreshore and Bed Fraser fronting lots 401, 402, and pt. 403 Group 1, New Westminster District.	34 acres	British Columbia Forest Product Co. Ltd.		Leased for booming ground purposes ($1,727.41) 1949.
British Columbia	Portion Bed Fraser River fronting parcel C and pt. sections 10 and 11 B.5 N. R. 1E, New Westminster District.	11·19 acres	Evans Products Co. Ltd.		Leased for booming ground purposes ($556.22) 1949.
British Columbia	Portion Foreshore and Bed Pitt River fronting pt. Sec. 30 B.6 N. R. 1E, New Westminster District.	15·40 acres	Pacific Pine Co. Ltd.		Leased for booming ground purposes ($183.00) 1948.

British Columbia	Portion Foreshore and Bed Pitt River fronting Lot 467 Group 1 and Sec. 30, 19 and pt. 20 B. 6 N. R. 1E Twp. 38 W.C.M., New Westminster District.	119·79 acres	Royal Trust Co. by assignment from Canadian Western Lumber Co. Ltd.	.....	Leased for booming ground purposes ($342.90) 1931.
British Columbia	Portion Bed Pitt River fronting Lot 467 Group 1 and Sec. 31 B.6 N. R. 1E Twp. 38 W.C.M. and Twp. 9 E.C.M., New Westminster District.	35,976 acres	Royal Trust Co. by assignment from Salmon River Logging Co. Ltd.	.....	Leased for booming ground purposes ($178.78) 1933.
British Columbia	Portion Bed Pitt River fronting Lot 231 Group 1 and pt. Sec. 19 B. 6 N. R. 1E Twp. 38 W.C.M. and Twp. 9 E.C.M., New Westminster District.	32·9 acres	Mohawk Lumber Co. Ltd.	.....	Leased for booming ground purposes ($170.41) 1930.
British Columbia	Portion Foreshore and Bed Pitt River fronting Sec. 16 Twp. 9 B.6 N. R. 1E, New Westminster District.	1·09 acres	Greater Vancouver Water District of Vancouver.	.....	*Leased for water main purposes at nominal rental ($5.00) 1947.
British Columbia	Portion Foreshore and Bed Pitt River fronting pt. frac. N.W. ¼ Sec. 4 frac. N.E. ¼ Sec. 5 Twp. 40 E.C.M., New Westminster District.	25.54 acres	Canadian White Pine Co. Ltd.	.....	Leased for booming ground purposes ($223.00) 1940.
Alberta	Lots 1–4, Block 7, Medicine Hat	.....	Canadian Legion B.E.S.L., Medicine Hat Branch.	$ 4,000.00	Leased for Legion purposes at 6% of valuation ($240.00) 1949
Alberta	Pt. Lot 47A Fitzgerald Settlement	·9 acre	.....	.....	Reserved for and occupied by R.C.M.P.
Alberta	Pt. Block 31, Lethbridge	·68 acre	.....	.....	Reserved for and occupied by R.C.M.P.
British Columbia	Stanley Park, Vancouver, New Westminster District.	950 acres	City of Vancouver	13,000,000	*Leased for park purposes at nominal rental ($1.00). 1908–2007
British Columbia	Stanley Park, Vancouver, New Westminster District.	3·76 acres	Royal Trust Co. by assignment from the First Narrows Bridge Co. Ltd.	.....	*Leased for bridge site purposes, at nominal rental ($1.00) 1936.
British Columbia	Parcel 15 pt. of fractional Twp. west of Twp. 39 W.C.M., New Westminster District.	187·6 acres	City of Vancouver	28,000 00	*Leased for park purposes at nominal rental ($1.00) 1912.
British Columbia	Pt. Parcel 15 pt. of fractional Twp. west of Twp. 39 W.C.M., New Westminster District.	12·5 acres.	City of Vancouver	.....	Leased for quarrying purposes ($25.00) plus 5c. per cu. yd. of stone removed. 1941.
British Columbia	Pt. Parcel 15 pt. of fractional Twp. west of Twp. 39 W.C.M., New Westminster District.	2·4 acres	Vancouver Power Co. Ltd.	.....	*Leased for transmission line right-of-way at nominal rental ($1.00) 1908–2007.
British Columbia	S. ½ Sec. 24; S. ½ of N. ½ Sec. 24; W. ½ L.S. 13 of Sec. 24; L.S. 13 14, 15, 16 of Sec. 13, all in 17–10–W. 6th; and Frac. L.S. 13 of Sec. 18; Frac. L.S. 4, 5 and 12 of Sec. 19 in 17–9–W. 6th, Armstrong.	772 acres	.....	Appraisal requested.	Vacant. Former Rifle Range.

*Lease permits cancellation 6 months' notice if used for other purposes.

REPORT OF LEASES AND VACANT ORDNANCE, ADMIRALTY AND PUBLIC LANDS FOR OTHER THAN RESIDENTIAL OR AGRICULTURAL PURPOSES—*Concluded*

Province	Locality	Acreage	Lessee	Valuation	Remarks
Nova Scotia	Navy Island No. 5, Shelburne Harbour.	22·3 acres	W. T. Dauphinee		Leased for quarrying purposes ($50 per year plus royalty 40c per long ton of stone removed) 1944.
Nova Scotia	Navy Island No. 5 Shelburne Harbour.	22·3 acres	Town of Shelburne	$1,135.00	*Leased for recreational purposes at nominal rent ($1.00). 1946.
Quebec	Pt. Lot 549 La Prairie	15,360 sq. ft.	Village of La Prairie	Nil	Leased for street purposes at nominal rental ($1.00). 1949.
Quebec	Pt. Lots 156–171, 156–186, and 156–187.	6,555 sq. ft.	Montreal and Southern Counties Railway Company.		*Leased for street railway purposes at nominal rental ($1.00) 1935–1955.
Quebec	Pt. Lot 156, Longueil	102,000 sq. ft.	School Commissioners, St. Jean Baptiste of Montreal South.	30,600.00	Leased for school purposes at nominal rental ($1.00). 1899–1998.
Quebec	Pt. Lot 156, Longueil	1·4 acres	Municipal Corporation of the Town of Montreal South.		*Leased for municipal purposes at nominal rental ($1.00) 1926.
Quebec	Pt. Lot 156, Longueil	12,258 sq. ft.	John Lester Grant and Joseph Ralph Bousquet.	5,516.10	Leased for private enterprise at 6% of the valuation ($330.00) 1946.
Quebec	Lot 1950, Commissariat Fuel Yard, Quebec.	4 acres, 3 roods and 28 perches.	Province of Quebec.	25,000	Leased with right to purchase ($750.00) 1878.
Quebec	Pt. Lot 4116, in front of Parliament Buildings, Quebec City.	5½ acres	Province of Quebec	258,450.00	Leased for Provincial purposes at nominal rental ($50.00) 1881.
Quebec	Pt. Lots 4115 and 4116, Montcalm Market, Quebec.	89,509 sq. ft.	Corporation of the City of Quebec.	215,228.00	Leased for municipal purposes at nominal rental ($1.00) 1947.
Quebec	Pt. Lot 3055, St. John Gate, Quebec.	3,720 sq. ft.	Corporation of the City of Quebec.	18,600·00	*Leased for street and park purposes at nominal rental ($1.00) 1948.
Quebec	Lot 2544, St. Louis Ward, Quebec.	8,845 sq. ft.	High School of the City of Quebec		Leased for school purposes at nominal rental ($1.00) 1899–1989.
Quebec	Pt. Lots 371, 370 and 206, Lauzon.	4·1 acres	City of Lauzon		*Leased for municipal purposes at nominal rental ($5.00) 26-9-38.
Quebec	Pt. Lots 1114, 373-4, 372-3, 371, 370 and 206, Lauzon.	92 acres	Corporation of the Town of Lauzon.	4,420.00	Leased for municipal purposes at 6% of valuation ($265.00) 15-7-49.
Quebec	Pt. Lots 376-3, 1086-3, 373-4, 374, 375-2, 1086-2, 1111-1, 1112-1, 1114, 1139 and 1168, Lauzon.		Corporation of the Town of Lauzon.		Leased for road purposes at nominal rental ($1.00) 2–5–50.
Quebec	Lots 1–115 to 1–131, 1–134 to 1–141 and 1–143 to 1–153 and 1–156 to 1–162, Chambly.	8·75 acres	Park area	Crown's interest 4,490.00	Community Playground.
Ontario	Water lot fronting ½ of S. ½ Town Lot B, Cataraqui, Kingston.	283,760 sq. ft.	Canadian Pacific Railway.	213,616.80	Leased for right-of-way purposes plus revenue from sub-leases approximately ($2,000.00) 1–6–83, 3–6–46, 7–2–45.
Ontario	Lots 49 and 50, Hamilton.	3½ acres	Corporation of the City of Hamilton.		*Leased for park purposes at nominal rental ($1.00) 1-4-26.
Ontario	Sub-lots 1, 2, 3, 4, 5, 8, 9, and 10, Burlington Heights, Hamilton.	2·55 acres	Board of Royal Botanical Gardens	4,000.00	*Leased for park purposes at nominal rental ($1.00). 20-10-49

Ontario	Pts. Parcels A, B, C and D Burlington Beach.		Hydro Electric Power Commission of Ontario.		Leased for transmission line right-of-way at nominal rental ($1.00). (easement only) 18–4–32
Ontario	Pts. Parcels A and B, Burlington Beach.	·57 acre	Canadian National Railways.		Leased for railway right-of-way at nominal rental ($1.00). 18–11–36 (easement only)
Ontario	Pt. Lot 2, Waterloo and Princess Streets, Fort Erie.	60′ x 148·5′		$800.00	Vacant.
Ontario	Lots 77, 80 and 81, N. Side, Dibble Street, Prescott.	243·55′x434·12′	Prescott Arena Company	1,200.00	*Leased for community purposes at nominal rental ($1.00). 6–12–49
Ontario	Navy Island, Niagara River	125 acres	Niagara Parks Commission	32,000.00	*Leased for park purposes at nominal rental ($1.00). 23–12–38
Ontario	Brock's Monument Ground, Queenston.	22 acres	Commission of Queen Victoria Niagara Falls Park.	9,400.00	*Leased for park purposes at nominal rental ($20.00). 27–6–36
Ontario	Ft. George, Niagara on the Lake		Corporation of the Town of Niagara		Leased for water main purposes at nominal rental ($1.00). 17–7–31
Ontario	Ft. Mississauga and Ft. George, Niagara.		Niagara Parks Commission		*Leased for park purposes at nominal rental ($1.00) 1–7–34
Ontario	Ft. Mississauga Reserve, Niagara		Niagara-on-the-Lake Golf Club		*Leased for golf club purposes at nominal rental ($1.00). 1–5–46.
Ontario	Twp. of Niagara, Cty. Lincoln	20 acres	Corporation of Twp. of Niagara		*Re-forestration purposes, at nominal rental ($1.00) 10–2–48
Ontario	Twp. of Niagara, Cty. of Lincoln	189·65 acres	Niagara Parks Comm.		*Preservation and beautification purposes, at nominal rental ($1.00) 1–4–48
Ontario	Niagara-on-the-Lake "Compound"	1·5 acres	Corporation of Town of Niagara		*Handicraft centre and meeting place, at nominal rental ($1.00) 10–2–48
Ontario	Niagara (Pt. Fort George Military Reserve)	100′ x 1,230′	The Niagara Parks Commission		Right-of-way through Camp Ft. George Nominal rental 1–7–31 ($1.00)
Ontario	Lot 5, Bardet Pt. Twp. of Sherbrooke.	19·91 acres	Township of Sherbrooke	730.80	*Leased for park purposes at nominal rental ($1.00). 1–12–46.
Ontario	Pt. St. Joseph's Island, Sault Ste. Marie.	1 acre	Lyn Hollingsworth and J. F. Shaw	335.00	Leased for golf club purposes at 6% of valuation. ($20.00) 1–5–46
Ontario	Parcels A and B, Milford Haven, St. Joseph's Island.	100 acres			To be offered for sale by tender in the near future.
Ontario	Pt. Lots 36 and 37, Con. 4, Pittsburg Twp.	7·7 acres	Corporation of the Township of Kingston	236.00	*Leased for park purposes at nominal rental. ($1.00) 23–11–48
Ontario	Pt. N. ½ Lot G, Con. C, (RF), Ottawa.	·641 acre	Corporation of the City of Ottawa		Leased for municipal purposes at nominal rental. ($1.00) 28–3–17.
Ontario	Pt. Lot 25, Con. 8 Pittsburg Twp.		Gananoque Electric Light & Water Supply Co. Ltd.		Leased for transmission line right-of-way at annual rental ($15.00). 19–11–49.
Ontario	Pt. Lot 25, Con. 8 Pittsburg Township	·47 acre	Hydro Electric Power Commission of Ontario		Leased for transmission line right-of-way at nominal rental ($1.00). 29–9–49
Ontario	Pt. Lot 25, Con. 8, Pittsburg Twp.	·57 acre	Hydro Electric Power Commission of Ontario.		Leased for power distribution station site at nominal rental ($5.00). 27–3–47.

* Lease permits cancellation 6 months' notice if used for other purposes.

SCHEDULE 3

DEPARTMENT OF TRADE AND COMMERCE

STATEMENT OF INDUSTRIAL, MINING OR OTHER PRODUCTIVE, OPERATING OR COMMERCIAL PROPERTIES OWNED BY THE CROWN, OR AGENCIES OF THE CROWN, SINCE APRIL 1, 1948

Description	Location	Former Use	Present Use	Sold to	Date of Sale	Authority
Canadian Arsenals Limited:						
Small Arms Ammunition Division.	Quebec City, P.Q.	Dominion Arsenal, operated by D.M. & S	Canadian Arsenals Ltd.	—	—	—
Gun Ammunition Division	Lindsay, Ont.	Dominion Arsenal operated by D.M. & S.	" "	—	—	—
Small Arms Division	Long Branch, Ont.	Small Arms Limited, a Crown Company under direction of D.M. & S.	" "	—	—	—
Gun Division	Longueuil, P.Q.	Operated on management-fee basis by Dominion Engineering Ltd. under direction of D.M. & S.	" "	—	—	—
Filling Division	St. Paul L'Ermite, P.Q.	Cherrier Filling Plant, operated by Defence Industries Ltd. under supervision of Allied War Supplies Corp'n.	" "	—	—	—
Explosives Division	Valleyfield, P.Q.	DeSalaberry Works, Valleyfield, P.Q., Fuze Powder Plant, Beloeil, P.Q., Hexachlorethane Plant, Shawinigan Falls, P.Q., operated by Defence Industries Limited, under supervision of Allied War Supplies Corporation.	" "	—	—	—
Instrument and Radar Division	Leaside, Ont.	Comprises approximately 1/10 of the plant formerly operated by Research Enterprises Ltd., a Crown Company under the direction of the Dept. of M. & S.	" "	—	—	—

Canadian Wheat Board:						
Canadian Wheat Board Bldg...	Winnipeg, Man.....	.....	Head Office of Canadian Wheat Board.	—	—	—
Board of Grain Commissioners—						
Canadian Government Storage Elevators located at the following points:	Port Arthur, Ont., Moose Jaw, Sask., Saskatoon, Sask., Calgary, Alta., Edmonton, Alta., Lethbridge, Alta., Prince Rupert, B.C.	.....	Storage of Grain....	—	—	—
Eldorado Mining and Refining (1944) Limited:						
Mine, buildings and equipment.	LaBine Point, Great Bear Lake, N.W.T.	Operated as privately-owned Company until all outstanding shares appropriated by the Canadian Government in 1944.	Production of radium and uranium.	—	—	—
Refinery.....	Port Hope, Ont.....					
Buildings and equipment (Prospective Mine)	Beaverlodge Lake, Sask.....					
Northern Transportation Company (1947) Limited:						
Land, Buildings, Boats, Barges, and Motor Vehicle Equipment.	Fort McMurray, Alta.....	Wholly-owned subsidiary of Eldorado Mining & Refining Ltd.—acquired by Canadian Government when shares of parent Company appropriated.	Provides all transportation for Eldorado mine, as well as public transportation service in the Mackenzie River area.	—	—	—
Polymer Corporation Limited:						
Plant and Equipment.....	Sarnia, Ont.....	Crown Company operated under direction of Dept. of M. & S.	Production of Synthetic Rubber.	—	—	—
A. V. Roe Canada Limited:						
Balance of equipment at Malton and Nobel (not included in sale of Malton Plant to Company.	Malton and Nobel, Ont.....	Formerly part of Victory Aircraft Ltd. Plant at Malton, and of Defence Industries Ltd. Explosives Plant at Nobel.	On loan as capital assistance for use on Gas Turbine Development Contract with Dept. of National Defence.	—	—	—

CROWN ASSETS DISPOSAL CORPORATION

STATEMENT OF INDUSTRIAL, MINING, PRODUCTIVE, OPERATING OR COMMERCIAL PROPERTIES

DISPOSED OF FROM APRIL 1, 1948 TO DATE OR HELD FOR DISPOSAL

No.	Description	Location	Formerly used as or by	Sold to	Reported present use	Date of Sale	Authority
1.	Coal Pier and coal handling facilities.	Lewisporte, Nfld	As Coal Depot	Newfoundland Railway St. John's, Nfld.	Coal Depot	June 11, 1948	
2.	Buildings and 3,000 ton marine railway.	Sydney, N.S.	As ship repair dock By Sydney Engineering and Dry Dock Co. Ltd.	Sydney Engineering and Dry Dock Co. Ltd. Sydney, N.S.	Ship repair	April 5, 1948	
3.	Former Foundation Maritimes shipyard, buildings and equipment.	Pictou, N.S.	As Maritime shipbuilding.	J. J. Block Equipment Corporation, Montreal, P.Q.	Not known	April 6, 1948	P.C. 1957/48
4.	Land, buildings, machine tools	Trenton, N.S.	By Trenton Steel Works Co. Ltd.	Trenton Steel Works Co. Ltd. Trenton, N.S.	Steel fabricating	June 22, 1948	P.C. 2371/48
5.	Clark Ruse Plant	Dartmouth, N.S.	As Aircraft Repair Depot by Clark Ruse Aircraft Co. Ltd.	Fairey Aviation Co. of Canada Ltd. Eastern Passage, N.S.	Aircraft repair	Nov. 30, 1948	P.C. 5760/48
6.	Iron Mine	Bathurst Iron Mines, N.B.	As Iron Mine By Dominion Steel and Coal Co. Ltd.	Department of Lands and Mines, Province of N.B.	Iron mine	April 9, 1948	P.C. 2060/48
7.	Airport	Milledgeville, (St. John, N.B.)	As Airport, R.C.A.F.	City of St. John, N.B.	Municipal airport	May 27, 1948	
8.	Graving dock	St. John, N.B.	As Graving dock by St. John Dry Dock Co.	St. John Dry Dock Co. Ltd. St. John, N.B.	Graving Dock	June 1, 1949	P.C. 3571/49
9.	Former Hexachlorethane Plant No. 2.	Shawinigan Falls, P.Q.	As Hexachlorethane Plant by Canadian Industries Ltd.	Canadian Industries Ltd.	Chemical operations	June 22, 1948	P.C. 3957/48
10.	Buildings, Former Defence Industries Ltd. Villeray Plant.	8,500 St. Lawrence Blvd. Montreal, P.Q.	As Explosives Plant	William Ziff and Son Ltd., Montreal, P.Q.	Demolished as per original contract for use and return of land.	July 7, 1948	
11.	Land and buildings	Presqu'ile, P.Q.	As Magazine Area by Defence Industries Ltd.	Henri Laforest, St. Eugene, Roberval Co. P.Q.	Unknown	July 30, 1948	P.C. 3919/48
12.	Land and buildings	Longue Pointe, Que.	As Tank Arsenal by Montreal Locomotive Works.	Canadian General Electric Co., Ltd.	Manufacturing electrical equipment.	Aug. 2, 1948	P.C. 2313 P.C. 5918
13.	Ammunition Storage Depot	St. Isidore, P.Q.	As High Explosive Magazine Depot by Defence Industries Ltd.	Eastern Electrical Supply Co., 6202 Sherbrooke St. W., Montreal, Que.	Warehousing	Aug. 30, 1948	P.C. 4247

14. Land, Former Defence Industries Ltd. Villeray Plant.	8500 St. Lawrence Blvd. Montreal.	As Explosive manufacture by Defence Industries Ltd.	Stanley Bagg Corporation (under terms of original contract as to use and return).	Sub-divided into lots.	Dec. 31, 1948	P.C. 159/49
15. Land and buildings	Longue Point	By Montreal Locomotive Works as Tank Arsenal Warehouse.	Montreal Locomotive Works Ltd.	Storage	Jan. 1, 1949	P.C. 1063
16. Former Defence Industries Ltd. Plant including Maintenance equipment.	Verdun, P.Q.	As small arms ammunition plant — Defence Industries Ltd. converted to Multiple Tenancies by Crown Assets Disposal Corporation.	Verdun Industrial Building Corporation (comprising existing tenants).	Manufacturing	Sept. 1, 1949	P.C. 4403
17. Originally Canadian Vickers Aeroplane Division Plant.	Cartierville, P.Q.	As aeroplane Manufacturing Plant by Canadair Ltd.	Canadair Limited, Cartierville, P.Q.	Aeroplane manufacture.	Oct. 1, 1949	P.C. 6567/50
18. Former Canadian Arsenals Hangar.	Cap de la Madeleine. P.Q.	As storage by Canadian Arsenals.	City of Cap de la Madeleine, P.Q.	Industry	Oct. 24, 1949	
19. Land and Industrial buildings	9500 St. Lawrence Blvd. Montreal.	As part of Former Defence Industries Ltd. Montreal Works Munitions Plant. Converted to Multiple Tenancies by Crown Assets Disposal Corporation.	9500 Building Incorporated, Montreal, P.Q. (comprising existing tenants).	Manufacturing	Dec. 1, 1949	P.C. 6305
20. 2 Warehouses	Craig St. East, Montreal	As Naval Stores	Canadian Pacific Express.	Warehouses	Jan. 6, 1950	
21. Former Noorduyn Aircraft Plant	Cartierville, P.Q.	As Aircraft Plant by Canadian Car & Foundry.	At present leased to Canadair.			
22. Additions mainly machinery and equipment.	Lauzon, P.Q.	By Geo. T. Davie & Sons, Ltd. Shipbuilding Plant.	Geo. T. Davie & Sons, Ltd.			
23. Diesel Generating Plant	Seven Islands, P.Q.	As Diesel Generating Plant supplying power to Seven Islands Airport.	Negotiations proceeding (Waiting for signing of agreement.)			
24. Certain land also Power Plant.	Gaspe, P.Q.	As part of "HMCS Fort Ramsay".	Leased to province of Que. and Gaspe South Electric Co-operative, and Shell Oil Co. Ltd.			
25. Part of Toronto Shipbuilding Co. Ltd. Plant. (Western Building and land).	Toronto, Ont.	As Shipoutfitting yard operated by Redfern Construction Co. Ltd.	Loblaw Groceteria Co. Ltd.	Processing and Warehousing.	June 25, 1948	P.C. 3364
26. Former Fleet Aircraft Plant. (Addition only)	Fort Erie, ont.	As Aircraft manufacture by Fleet Aircraft.	Fleet Manufacturing Ltd	Manufacturing	July 7, 1948	P.C. 5521/48
27. Plant and Equipment	Victory Aircraft Plant, Malton, Ont.	As Aircraft manufacturers.	A. V. Roe Canada Ltd.	Manufacture of Aircraft.	Aug. 1, 1948	P.C. 642/49

CROWN ASSETS DISPOSAL CORPORATION

STATEMENT OF INDUSTRIAL, MINING, PRODUCTIVE, OPERATING OR COMMERCIAL PROPERTIES

DISPOSED OF FROM APRIL 1, 1948 TO DATE OF HELD FOR DISPOSAL

No.	Description	Location	Formerly used as or by	Sold to	Reported present use	Date of Sale	Authority
28.	Former Canadian Army Trade School.	Hamilton, Ont.	As Canadian Army Trade School by Army.	The Austin Motor Co. (Canada) Limited.	Used as Distribution Depot.	Aug. 31, 1948	P.C. 5694
29.	125 buildings, land Former General Engineering Plant.	Scarborough, Ont.	As Ammunition Plant by General Engineering Co.	Township of Scarborough.	Proposed Industrial Site.	Oct. 1, 1948	P.C. 1749/49
30.	Former United Steel Corporation Shell Plant.	Welland, Ont.	As Manufacture Ammunition (Shell).	United Steel Corporation, Toronto, Ont.	Extension to existing buildings.	Nov. 9, 1948	
31.	Otis-Fensom Elevator Co. Ltd. Buildings.	Hamilton, Ont.	As Ordnance Plant	Otis-Fensom Elevator Co. Hamilton, Ont.	1 building leased by National Defence. Other buildings in use by Elevator Co.	Dec. 31, 1948	
32.	Land and buildings (Christie Street Hospital).	Toronto, Ont.	As Hospital (Department of Veterans Affairs).	City of Toronto	Hospital	April 15, 1949	P.C. 2120/49
33.	Former Post Office Building and Site later leased as Bank Premises.	London, Ont.	As Bank (under lease from Public Works).	Bank of Montreal, Montreal, P.Q.	Bank	May 1, 1949	P.C. 2369/49
34.	Liberty Building former John Inglis Co. Ltd.	Toronto, Ont.	As Munitions factory by John Inglis Co. Ltd. (Converted to Multiple Tenancies by Crown Assets Disposal Corporation).	Liberty Building Ltd. Toronto, Ont. (comprising existing tenants).	Manufacturing	Jan. 2, 1950	P.C. 99/50
35.	25 buildings, Former General Engineering Plant.	Scarborough, Ont.	As Ammunition Plant.	Not Sold. Used for Emergency Shelter purposes. Under agreement for eventual sale to Township of Scarborough.			
36.	Land and Hangar	Winnipeg, Man.	By MacDonald Bros. Aircraft as overhaul and repair plant.	MacDonald Bros. Aircraft Winnipeg, Man.	Aircraft overhaul and repair plant.	1948	P.C. 2370/48
37.	Industrial building and land	St. James, Man.	By Mid-West Aircraft, St. James, Man. as Aircraft Repair Depot.	National Motors Ltd. Winnipeg.	Assembly of motor cars, agricultural implements and re-building of gasoline motors.	Jan. 7, 1949	P.C. 461/49

38. Hangar and land	Stevenson Field, Winnipeg.	By Standard Aero Engine Works Ltd. and Canadian Airways Ltd. as Aircraft Repair Depot.	Ray-O-Vac (Canada) Ltd. (Former lessees)	Manufacture of electrical batteries.	Jan. 1, 1950	P.C. 2520/50
39. Hangar No. 9	No. 8 Repair Depot Winnipeg.	As Hangar by R.C.A.F.	Leased to Ford Motor Co. of Canada Ltd. for five years from Aug. 1947 and may be renewed for further five year period at expiration of original lease.			
40. Hangar No. 7.	No. 8 Repair Depot Winnipeg.	As Hangar by R.C.A.F.	Leased to The Maytag Co. for five years from July 23, 1946 to be returned to Department of Transport on expiration of lease.			
41. Hangar No. 6	No. 8 Repair Depot, Winnipeg	As Hangar by R.C.AF..	Leased to Family Fair Ltd. for five years from July 12, 1946 to be returned to Department of Transport on expiration of lease.			
42. Industrial Building	Sea Island, Vancouver, B.C.	By Coates Ltd. as overhaul and repair depot	City of Vancouver, B.C.	Unknown	June 14, 1948	
43. Industrial bldg., outbuildings and installations	Sea Island, Vancouver, B.C.	By Canadian Wright Ltd. and British Aeroplane Engines Ltd. as overhaul and repair engine plant.	British Aeroplane Engines Ltd.	Overhaul and repair aeroplane engines	Aug. 1, 1948	
44. Boeing Aircraft Plant No. 1	Vancouver Airport, Sea Island.	As Aircraft manufacturing plant.	Canadian Pacific Air Lines Ltd., Montreal, Que.	Terminal for aircraft	March 3, 1949	
45. Hotel (Dunsmuir)	Vancouver, B.C.	As Merchants Seamen Manning Depot.	Salvation Army, Vancouver, B.C.	Hostel	Sept. 1, 1949	P.C. 4771/49
46. Former U.S. Warehouse	Prince Rupert, B.C.	As warehouse	Soren Madsen, Edmonton, Alta.	For removal (on leased land).	Mar. 15, 1950	
47. Boeing Plant No. 2	Sea Island, Vancouver, B.C.	As aircraft plant.				
48. Canadian Pacific Air Lines Hangar.	New Westminster, B.C.	As repair and aircraft overhaul.				
49. Administration Building	Prince Rupert, B.C.	By United States Forces	Frank Kaftel, 222 Simcoe St., Toronto, Ont.	Apartment Block	Oct. 31, 1949	

SCHEDULE 4

DEPARTMENT OF TRANSPORT/AIR SERVICES

AIRWAYS AND AIRPORTS PROPERTY RECORD

Airway	Site	Cost Value			Remarks
		Airfield	Buildings	Total	
		$	$	$	
Green No. 1	Torbay, Nfld.	4,308,824	7,915,341	12,224,165	
"	Gander, Nfld.	1,799,692	18,313,224	20,112,916	
"	Buchans, Nfld.	637,526	515,330	1,152,856	
"	St. Andrews, Nfld.	.....	208,278	208,278	
"	Sydney, N.S.	2,038,158	2,711,519	4,749,677	
"	Charlottetown, P.E.I.	887,516	2,142,273	3,029,789	
"	Moncton, N.B.	2,964,267	3,392,928	6,357,195	
"	Havelock, N.B.	57,018	.....	57,018	
"	Blissville, N.B.	246,030	159,918	405,948	
"	Megantic, Que.	331,329	139,612	470,941	
"	Bishopton, Que.	96,576	.....	96,576	
"	Windsor Mills, Que.	355,717	356,280	711,997	
"	Montreal (Dorval), Que.	4,919,528	5,167,891	10,087,419	
"	St. Eugene, Ont.	427,790	525,629	953,790	
"	Ottawa, Ont.	970,029	1,916,558	2,886,587	
"	Carp, Ont.	441,280	138,569	579,849	Leased to Township of Huntley Dec. 1st, 1947. 5 year term. Annual rental $1.00.
"	Arnprior, Ont.	366,174	914,571	1,280,745	
"	Killaloe, Ont.	184,933	72,750	257,743	
"	Lake of Two Rivers, Ont.	120,335	.....	120,335	
"	North Bay, Ont.	1,385,700	473,719	1,859,419	
"	Diver, Ont.	122,480	.....	122,480	
"	Gillies, Ont.	91,041	.....	91,041	
"	Earlton, Ont.	152,936	74,787	227,723	
"	Round Lake, Ont.	139,711	.....	139,711	
"	Ramore, Ont.	63,408	.....	63,408	
"	Porquis Jct., Ont.	76,980	74,899	151,879	
"	Tudhope, Ont.	83,487	.....	83,487	
"	Kapuskasing, Ont.	1,089,277	342,620	1,431,897	
"	Hearst, Ont.	45,189	.....	45,189	
"	Pagwa, Ont.	248,314	98,893	347,207	
"	Ogahalla, Ont.	53,633	.....	53,633	
"	Grant, Ont.	39,362	.....	39,362	
"	Nakina, Ont.	371,650	122,553	494,203	
"	Kowkash, Ont.	136,277	.....	136,277	

"	Armstrong, Ont.	695,807	235,837	931,634	
"	Allanwater, Ont.	110,786	.....	110,786	
"	Sioux Lookout, Ont.	389,185	145,980	535,165	
"	Sunstrum, Ont.	76,712	.....	76,712	
"	Amesdale, Ont.	132,487	.....	132,487	
"	Vermilion Bay, Ont.	125,711	.....	125,711	
"	Kenora, Ont.	249,661	113,825	363,486	
"	Caddy Lake, Man.	113,247	.....	113,247	
"	Whitemouth, Man.	82,560	.....	82,560	
"	Vivian, Man.	94,826	.....	94,826	
"	Winnipeg, Man.	4,406,246	4,705,329	9,111,575	
"	Portage La Prairie, Man.	940,243	1,557,028	2,497,271	Leased to City of Portage La Prairie May 1st, 1948. 5 year term. Annual rental $1.00.
"	Carberry, Man.	619,684	1,874,824	2,494,508	
"	Brandon, Man.	870,824	1,244,496	2,115,320	Leased to City of Brandon Dec. 1st, 1946. 5 year term. Annual rental $1.00. Supplemental Agreement June 1st, 1948. Subsidy $7,000.00 per annum.
"	Rivers, Man.	538,860	2,464,254	3,003,114	
"	Broadview, Sask.	116,827	109,693	226,520	
"	Regina, Sask.	1,068,649	778,971	1,857,620	
"	Moose Jaw, Sask.	952,710	1,407,431	2,360,141	Leased to City of Moose Jaw Feb. 1st, 1947. 5 year term. Annual rental $1.00. Subsidy $7,000.00 per annum.
"	Swift Current, Sask.	704,143	1,935,510	2,639,653	
"	Medicine Hat, Alta.	553,552	1,333,412	1,886,964	Leased to City of Medicine Hat April 1st, 1947. 5 year term. Annual rental $1.00. Subsidy $7,000.00 per annum.
"	Lethbridge, Alta.	1,273,625	1,947,873	3,221,498	
"	Macleod, Alta.	690,421	1,447,422	2,137,843	
"	Cowley, Alta.	112,969	124,605	237,574	
"	Coleman, Alta.	103,344	108,708	5,364	
"	Cranbrook, B.C.	17,347	52,304	69,651	
"	Kimberley, B.C.	93,306	74,124	167,430	
"	Crescent Valley, B.C.	.....	151,591	151,591	
"	Carmi, B.C.	.....	137,780	137,780	
"	Penticton, B.C.	413,318	92,604	505,922	
"	Princeton, B.C.	89,822	263,082	352,904	
"	Hope, B.C.	257,850	5,811	263,661	
"	Vancouver, B.C.	2,860,123	3,177,573	6,037,696	Leased to City of Vancouver on November 1st, 1947 for 5 year term. $24,000.00 subsidy per annum.
"	Patricia Bay, B.C.	2,050,835	6,199,607	8,250,442	
Green No. 2	Clear Creek, Ont.	.....	92,875	92,785	1·37 acres sold by tender. O.C. 3575 dated Aug. 12th, 1948. Consideration $180.00.
Amber No. 1	Vancouver, B.C.	.....	.....	.....	See Green Airway No. 1.
"	Comox, B.C.	4,373,799	2,037,242	6,411,041	
"	Port Hardy, B.C.	4,954,308	2,689,068	7,643,376	

DEPARTMENT OFTRANSPORT/AIR SERVICES

Airways and Airports Property Record

Airway	Site	Cost Value			Remarks
		Airfield	Buildings	Total	
		$	$	$	
Amber No. 1	Sandspit, B.C.	162,070	411,245	573,315	
"	Massett, B.C.		376,829	376,829	
Amber No. 2	Lethbridge, Alta.				See Green Airway No. 1.
"	Champion, Alta.	128,036	22,100	150,136	Leased to Village of Champion June 1st, 1946. 5 year term. Annual rental $1.00.
"	Vulcan, Alta.	1,080,451	1,463,884	2,544,335	
"	Shepard, Alta.	530,167	541,600	1,071,767	
"	Calgary, Alta.	2,426,416	2,335,508	4,761,924	Leased to City of Calgary July 1st, 1949. 5 year term. Annual rental $1.00. Subsidy $25,000.00 per annum.
"	Netook, Alta.	65,486	6,880	72,366	Leased to Town of Olds June 1st, 1946. 5 year term. Annual rental $1.00.
"	Penhold, Alta.	974,874	1,588,545	2,563,419	
"	Edmonton, Alta.	5,656,209	5,231,965	10,888,174	Leased to the City of Edmonton Nov. 1st, 1946. 10 year term. Annual rental $1.00. Subsidy $25,000.00 per annum.
"	Whitecourt, Alta.		345,938	345,938	
"	Grande Prairie, Alta.		136,728	136,728	
"	Fort St. John, B.C.		121,201	121,201	
"	Beaton River, B.C.		99,388	99,388	
"	Fort Nelson, B.C.		118,896	118,896	
"	Smith River, B.C.		119,122	119,122	
"	Watson Lake, Y.T.		200,393	200,393	
"	Teslin, Y.T.		122,793	122,793	
"	Whitehorse, Y.T.		266,420	266,420	
"	Aishihik, Y.T.		105,697	105,697	
"	Snag, Y.T.		150,363	150,363	
Amber No. 3	Yarmouth, N.S.				See Red Airway No. 3.
"	Greenwood, N.S.	1,235,005	2,497,749	3,732,754	
"	Waterville, N.S.	193,067		193,067	
"	Amherst, N.S.	340,063		340,063	
"	Moncton, N.B.				See Green Airway No. 1.
Amber No. 4	Princeton, B.C.				See Green Airway No. 1.
"	Ashcroft, B.C.		179,704	179,704	
"	Dog Creek, B.C.	413,384	490,313	903,697	
"	Williams Lake, B.C.	33,302		33,302	Leased to Village of Williams Lake Oct. 1st, 1946 5 year term. Annual rental $1.00.
"	Quesnel, B.C.	261,439	198,616	460,055	

"	Prince George, B.C.	1,968,644	1,950,515	3,919,159	
Amber No. 6	Clear Creek, Ont.				See Green Airway No. 2.
"	Toronto, Ont.				See Green Airway No. 23.
"	Muskoka, Ont.	167,774	64,060	231,834	
"	Emsdale, Ont.	105,322		105,322	
"	South River, Ont.	37,641		37,641	
"	North Bay, Ont.				See Green Airway No. 1.
Amber No. 8	Dartmouth, N.S.				See Red Airway No. 3.
"	Stanley, N.S.	571,461	352,356	923,817	
"	Amherst, N.S.				See Amber Airway No. 3.
"	Moncton, N.B.				See Green Airway No. 1.
Red No. 1	Seven Islands, Que.	1,535,900	390,085	1,925,985	
"	Mont Joli, Que.	2,331,886	2,234,877	4,566,763	
"	Quebec, Que.	1,797,612	2,066,963	3,864,575	
"	Montreal (Dorval), Que.				See Green Airway No. 1.
"	Ottawa, Ont.				See Green Airway No. 1.
"	Stirling, Ont.		94,072	94,072	
"	Toronto, Ont.				See Red Airway No. 23.
"	London, Ont.	1,781,526	1,859,893	3,641,419	16·5 acres exchanged with Township of London and Township of Missouri West for road diversion purposes. O.C. No. 161 dated Jan. 15th, 1948.
"	Windsor, Ont.	1,477,964	494,952	1,972,916	
Red No. 3	Sydney, N.S.				See Green Airway No. 1.
"	Copper Lake, N.S.		148,445	148,445	
"	Dartmouth, N.S.	1,982,301	6,674,209	8,656,510	
"	Yarmouth, N.S.	2,112,465	3,416,874	5,529,339	0·9 acres sold for Highway Purposes. O.C. 685 dated Feb. 14th, 1950. Consideration $1.00. Town of Yarmouth.
Red No. 6	Winnipeg, Man.				See Green Airway No. 1.
"	Portage la Prairie, Man.				See Green Airway No. 1.
"	Neepawa, Man.	402,685	905,957	1,308,642	
"	Yorkton, Sask.	1,000,562	1,657,356	2,657,918	
"	Dafoe, Sask.	1,136,955	1,335,063	2,472,018	
"	Saskatoon, Sask.	2,572,984	1,449,871	4,022,855	
"	North Battleford, Sask.	1,004,743	1,415,201	2,419,944	
"	Vermilion, Alta.		76,736	76,736	
"	Cooking Lake, Alta.	34,992		34,992	
"	Edmonton, Alta.				See Amber Airway No. 2.
Red No. 10	Yarmouth, N.S.				See Red Airway No. 3.
"	Pennfield Ridge, N.B.	1,446,815	2,548,649	3,995,464	
"	Blissville, N.B.				See Green Airway No. 1.
Red No. 23	Toronto (Malton) Ont.	3,039,574	3,842,092	6,881,666	
"	Wiarton, Ont.	801,806	87,970	889,776	
"	Gore Bay, Ont.	631,942	115,758	747,700	
"	Lakehead (Fort William) Ont.	1,452,956	533,816	1,986,772	5·5 acres sold to Harvey Barrie. O.C. No. 5685 dated Dec. 10, 1949. Consideration $250.00.
"	Graham, Ont.	398,357	252,398	650,755	
"	Kenora, Ont.				See Green Airway No. 1.
Red No. 63	London, Ont.				See Red Airway No. 1.
"	Sarnia, Ont.	9,664		9,664	

DEPARTMENT OF TRANSPORT/AIR SERVICES

AIRWAYS AND AIRPORTS PROPERTY RECORD

Airway	Site	Cost Value			Remarks
		Airfield	Buildings	Total	
		$	$	$	
Red Air Route No. 1....	Goose, Labrador	8,182,018	18,525,902	26,707,920	
" "	Mecatina, Que		5,525	5,525	
" "	Seven Islands, Que				See Red Airway No. 1.
Blue Air Route No. 84..	Edmonton, Alta				See Amber Airway No. 2.
" " ..	Ft. McMurray, Alta	56,705	84,444	141,149	
" " ..	Embarras, Alta	22,902	48,771	71,673	
" " ..	Ft. Smith, N.W.T	98,036	120,397	218,433	
" " ..	Tt. Resolution, N.W.T	39,774	37,076	76,850	
" " ..	Yellowknife, N.W.T	1,220,532	422,936	1,643,468	
N.E. (Crimson) Route..	Winnipeg, Man				See Green Airway No. 1.
" " ..	Dauphin, Man	727,267	1,380,761	2,108,028	Leased to the Town of Dauphin March 15, 1947. Annual rental $1.00.
" " ..	The Pas, Man	1,688,649	1,252,821	2,941,470	
" " ..	Churchill, Man	5,099,340	1,805,307	6,904,647	
" " ..	Coral Harbour, N.W.T	4,287,952	1,680,497	5,968,449	
" " ..	Frobisher Bay, Man	5,379,094	2,205,747	7,584,841	
McKenzie River Route..	Hay River, N.W.T	53,577	111,893	165,470	
" " ..	Fort Providence, N.W.T	71,902	51,588	123,490	
" " ..	Fort Simpson, N.W.T	71,296	109,302	180,598	
" " ..	Wrigley, N.W.T	37,437	66,206	103,643	
" " ..	Fort Norman, N.W.T		2,094	2,094	
" " ..	Norman Wells, N.W.T	179,527	161,460	340,987	
" " ..	Aklavik, N.W.T		33,648	33,648	
Miscellaneous not Assigned to Specific Airway of Air Route.	Cape Ray, Nfld		361,402	361,402	
" "	Summerside, P.E.I	22,440	38,020	60,460	
" "	Cape North, N.S		253,047	253,047	
" "	Maitland, N.S	1,800,667	916,434	2,717,101	
" "	New Glasgow, N.S	213,351	2,288	215,639	
" "	New Waterford, N.S		104,278	104,278	
" "	Chatham, N.B	1,092,764	758,216	1,850,980	
" "	Fredericton, N.B	76,767		76,767	
" "	Saint John, N.B	62,555		62,555	
" "	Cartierville, Que	1,414,366		1,414,366	
" "	Fort Chimo, Que	8,091,534	1,550,448	9,641,982	
" "	Hollinger, Que	149,604		149,604	
" "	Mingan, Que	3,525,409	544,755	4,070,164	
" "	Rimouski, Que	3,064	5,624	8,688	Leased to the Town of Rimouski, Oct. 1st, 1946. 5 year term. Annual rental $1.00.

"	"	Saguenay, Que	1,277,592	2,032,846	3,310,438	
"	"	St. Johns, Que	1,124,367	2,833,094	3,957,461	Leased to the City of St. Johns April 1st, 1948. 4 year term. Annual rental $1.00.
"	"	Hamilton, Ont	103,254	.....	103,254	
"	"	Mount Hope, Ont	1,096,690	1,417,684	2,514,374	
"	"	Oshawa, Ont	549,341	634,178	1,183,519	Leased to the City of Oshawa Oct. 1st, 1946. 5 year term. Annual rental $1.00.
Miscellaneous Establishments Not assigned to Specific Airway or Air Route.		Red Lake, Ontario	596,359	.....	596,359	
"	"	St. Catharines, Ont	436,539	431,674	868,213	Leased to City of St. Catharines July 1st, 1947. 5 year term. Annual rental $1,00.
"	"	Toronto Island, Ont	1,221,980	.....	1,221,980	
"	"	Davidson, Sask	566,397	666,920	1,233,317	Leased to the Rural Municipality of Arm River June 1st, 1948. 5 year term. Annual rental $1.00.
"	"	Estevan, Sask	666,424	1,648,338	2,314,762	Leased to Town of Estevan May 1st, 1946. 5 year term. Annual rental $1.00.
"	"	Prince Albert, Sask	.....	787,038	993,633	Leased to City of Prince Albert April 1st, 1947. 5 year term. Annual rental $1.00. Subsidy $5,000.00.
"	"	Weyburn, Sask	717,216	1,340,978	2,058,194	Leased to Province Saskatchewan Jan. 1st, 1946. 5 year term. Annual rental $1.00.
"	"	Claresholm, Alta	833,345	1,518,220	2,351,565	
"	"	High River, Alta	511,114	665,225	1,176,339	
"	"	Lac La Biche, Alta	210,994	.....	210,994	
"	"	Namao, Alta	6,405,251	730,944	7,136,195	
"	"	Peace River, Alta	7,402	.....	7,402	
"	"	Abbotsford, B.C	3,502,150	1,983,844	5,485,994	
"	"	Boston Bar, B.C	.....	131,567	131,567	
"	"	Kamloops, B.C	718,465	129,008	847,473	Leased to City of Kamloops March 1st, 1946. 5 year term. Annual rental $1.00.
"	"	Kitchener, B.C	64,913	.....	64,913	
"	"	Langley, B.C	77,986	.....	77,986	Leased to Township of Langley March 1st, 1946. 20 year term. Annual rental $1.00.
"	"	Midway, B.C	23,572	.....	23,572	
"	"	Mount Hays, B.C	.....	93,002	93,002	
"	"	Oliver, B.C	71,786	.....	71,786	
"	"	Salmo, B.C	91,183	.....	91,183	Leased to Village of Salmo Nov. 15th, 1948. No buildings included.
"	"	Smithers, B.C	944,032	964,642	1,908,674	
"	"	Terrace, B.C	.....	2,036,287	3,526,483	
"	"	Vanderhoof, B.C	.....	377,918	753,210	
"	"	Woodcock, B.C	547,052	244,783	791,835	
"	"	Yahk, B.C	94,900	.....	94,900	
"	"	Pontiac, Que	.....	.....	.....	Sold by Tender as Airfield no longer required. Price received $2,604.00. Purchasers L. C. and W. Hucqabone. O.C. No. 4494 dated Oct. 5th 1948.

DEPARTMENT OF TRANSPORT—AIR SERVICES

Index of Leased Property

Lessee	Location	Utilization	Effective Date	Area	Annual Rental	Remarks
					$ cts.	
Associated Custom Air Clearance Co. Ltd.	Malton Airport	Office Space	July 18, 1949	328 sq. ft.	709 40	
Atlas Aviation Ltd	Ottawa Airport	Storage and Maintenance	June 1, 1947		1,333 00	Cancell
Atlas Aviation Ltd	Ottawa Airport	Housing Aircraft	Mar. 1, 1948	2,640 sq. ft.	1,267 20	
Atlas Aviation Ltd	Ottawa Airport	Workshop	Dec. 1, 1949	1,483 sq. ft.	781 00	
Atlas Aviation Ltd	Ottawa Airport	Office	April 1, 1947	4,376 sq. ft.	100 00	
Austin Motor Co. of Canada Ltd.	Penhold, Alta	Storage	May 1, 1950	15,000 sq. ft.	3,600 00	
The Babb Co. (Canada) Ltd	Patricia Bay, B.C	Storage	Sept. 26, 1949	5·23 acres	150 00	
The Babb Co. (Canada) Ltd	Montreal, Que	Office	Jan. 1, 1947	1,368 sq. ft.	1,368 00	
Aero Club of B.C.	Vancouver Airport	Flying School	July 1, 1946	4 bldgs.	1 00	
Aircraft Service Western Ltd.	Winnipeg Airport	Maintain Aircraft	Sept. 19, 1949	18,900 sq. ft.	735 24	
Aircraft Service Ltd	Winnipeg Airport	Storage	May 1, 1949	1·35 acre	1,341 12	
Airlines jointly (8 International Airlines).	Gander, Nfld	Office and Store Space	Jan. 1, 1950	59,950 sq. ft.	31,011 96	
Allied Aviation Service Ltd	Gander, Nfld	Office Space	Jan. 1, 1950	5,148 sq. ft.	7,722 00	
American Air Lines Inc.	Malton Airport	Office Space	Jan. 9, 1949	1,630 sq. ft.	3,259 42	
American Can Co	St. John Airport, Que	Storage	Jan. 1, 1947	84,800 sq. ft.	10,600 00	
American Overseas Airline	Gander Airport	Storage and Office	Jan. 1, 1950	4,017 sq. ft.	6,025 56	
Ancienne Lorette Airways	Quebec Airport	Warehouse	May 1, 1948	300 sq. ft.	108 00	
Ancienne Lorette Airways	Quebec Airport	Office Space	Sept. 1, 1948	292 sq. ft.	295 96	
Aero Caterers Ltd	Malton Airport	Restaurant, Quarters	April 1, 1949	31,725 sq. ft.	780 00	
Aero Caterers Ltd	Malton Airport	Restaurant and News Stand	Nov. 1, 1949	3,206 sq. ft.	3,306 00	
Aero Caterers Ltd	Montreal Airport	Restaurant Soda Fountain	June 15, 1947	1,200 sq. ft.	1,200 00	
Aero Caterers Ltd	Montreal (Dorval) Airport	Restaurant, Lodging Quarters	April 1, 1949	81,362 sq. ft.	6,000 00	
Aero Caterers Ltd	Malton Airport	Restaurant, Soda Fountain	Jan. 1, 1946	870 sq. ft.	1,072 50	
Aero Caterers Ltd	Montreal (Dorval), Que	Restaurant, Lodging Quarters	June 15, 1947	22,044 sq. ft.	9,000 00	
Aero Caterers Ltd	Montreal (Dorval), Que	Coffee Shop	Dec. 1, 1948	200 sq. ft.	630 00	
Aero Caterers Ltd	Sydney Airport	Restaurant and News Stand and for preparing flight meals.	Mar. 31, 1950	2,870 sq. ft.	2,859 92	
Aero Caterers Ltd	Toronto Airport	Living Quarters for Lessee's employees.	Jan. 1, 1947	20,000 sq. ft.	469 92	
Aero Caterers Ltd	Calgary Airport	Office and Living Quarters	Aug. 1, 1948	400 sq. ft.	60 00	
E. L. Babine & J. K. Taylor	Yarmouth, N.S.		July 1, 1948	34,375 sq. ft.	15 00	
A. M. Berry & Co	Fort Smith, N.W.T.	Workshop	Jan. 1, 1949	1,800 sq. ft.	100 00	
Charles Berry	Montreal, Que	Storage	Oct. 1, 1948	368 sq. ft.	183 96	
Boy Scouts Association	Victoria, B.C.	Operations	Jan. 1, 1950		1 00	
Brandon, City of, Air Services	Brandon, Man.	Public Airport	Dec. 1, 1946	635·46 acres	1 00	
Brandon Flying Club	Neepawa Airport, Man.	For use of flying club	Jan. 1, 1949		1 00	
" " "	Brandon Airport, Man.	" " "	Dec. 1, 1946	4·54 acres	1 00	

The Corp. of City of Brantford	Brantford Aerodrome	Public aerodrome	Oct. 1, 1947	547·62 acres	1 00
Brant-Norfolk Aero Club	Brantford Aerodrome	For use of flying club	Aug. 1, 1947	5·35 acres	1 00
British-American Oil Co. Ltd.	Calgary Airport, Alta.	Refuelling aircraft	Oct. 1, 1948	3,425 sq. ft.	50 00
" "	Lethbridge Airport Alta.	" "	Sept. 1, 1948	352 sq. ft.	25 00
" " "	Toronto Airport, Ont.	Housing aircraft	Nov. 4, 1948	131 acres	1,267 20
" " "	Mont Joli, Airport, P.Q.	Refuelling aircraft	Jan. 1, 1948	2,025 sq. ft.	50 00
" " "	Pas Aerodrome, Man.	Refuelling aircraft	Dec. 1, 1947	2,875 sq. ft.	10 00
" " "	Seven Island Airport, P.Q.	" "	Oct. 1, 1947	7,500 sq. ft.	1,080 00
British Overseas Airways.	Montreal Airport, P.Q.	Storage and office	April 1, 1949	43,531 sq. ft.	34,428 00
British Overseas Airways.	Gander Airport, Nfld.	Office	Jan. 1, 1950	3,577 sq. ft.	5,725 56
British Yukon Navigation Co. Ltd.	Whitehorse Airport	Refuelling aircraft	Nov. 1, 1947	2,000 sq. ft.	50 00 and 1c. gal. on gas and 5c. gal. on lubricants.
Can. Aeronautical Radio	Montreal Airport, Que.	Office	Nov. 1, 1949	456 sq. ft.	456 00
Can. Car & Foundry Co. Ltd.	Cartierville Airport, Que.	For building site	Feb. 1, 1949	5·5 acres	70 00
Can. Aeromotive Ltd.	Cartierville Airport, Que.	Office and Storage	April 3, 1948	11,250 sq. ft.	50 00
Can. Aircraft Co.	Regina Airport, Sask.	Housing Aircraft	Aug. 15, 1949	37,800 sq. ft.	921 60
L. S. McKenna	" " "	Office	Dec. 1, 1948	2,813 sq. ft.	648 00
Can. Pacific Air Lines Ltd.	Saskatoon Airport, Sask.	Office	July 1, 1947	246 sq. ft.	246 00
" " "	" " " "	"	April 1, 1949	156 sq. ft.	56 16
" " "	Saguenay Aerodrome, Que.	Storage Office	Dec. 1, 1948	10,000 sq. ft.	180 00
Cannon Electric Co. Ltd.	Montreal Airport	Office	Oct. 16, 1949	171 sq. ft.	256 56
Central Aircraft Ltd.	Malton Airport, Ont.	Housing aircraft	Aug. 1, 1947	1·8 acres	2,472 00
Cannon Electric Co. Ltd.	Montreal Airport	Office	Oct. 16, 1949	171 sq. ft.	256 56
Central Aircraft Limited	Malton Airport, Ont.	Housing Aircraft	Aug. 1, 1947	1·8 acres.	2,472 00
R. S. Chaulk	Gander Airport, Nfld.	Storage	Aug. 1, 1949	1,488 sq. ft.	600 00
Colonial Airlines Inc.	Ottawa Airport	Temp. passenger bldg.	Oct. 1, 1948	294 sq. ft.	294 00
" "	Montreal Airport, Que.	Office	Jan. 25, 1950	336 sq. ft.	504 00
" "	(Dorval) Montreal Airport, Que.	"	July 1, 1948	663·5 sq. ft.	663 36
Cox & Stevens Aircraft (Canada) Ltd.	Montreal Airport, Que.	"	Feb. 15, 1949	456 sq. ft.	684 00
Cox & Stevens Aircraft (Canada) Ltd.	" "	"	Oct. 1, 1946	228 sq. ft.	228 00
Curtiss-Reid Flying Service Ltd.	Cartierville Airport	"	Feb. 1, 1949	3·43 acres.	40 00
Canadian Pacific Airlines Ltd.	Saguenay Airport, Que.	Business of lessee	Jan. 1, 1949	1,080 sq. ft.	1,080 00
" "	Saskatoon Airport, Sask.	Storing materials	April 1, 1949	156 sq. ft.	56 16
" "	Port Hardy Airport, B.C.	Living Quarters for Lessee's Agent.	May 15, 1949	1,290 sq. ft.	360 00
" "	The Pas Aerodrome, Man.	Transmitters	May 1, 1948	256 sq. ft.	184 32
" "	The Pas Aerodrome, Man.	Staff residence and lessee's operations.	May 15, 1948	7,000 sq. ft.	180 00
" "	Regina Airport, Sask.	For the lessee's operations	July 1, 1948	813·6 sq. ft.	813 48
" "	Seven Islands Aerodrome.	Office	June 1, 1948	812 sq. ft.	632 40
" "	Regina Airport, Sask.	Office and storage	Oct. 1, 1948	1·8 acres.	1,338 72
" "	Quebec Airport	"	Dec. 1, 1948	1,113·5 sq. ft.	1,113 72
" "	Montreal (Dorval) Airport, Que.	Housing aircraft and for Offices.	April 1, 1949	32,858 sq. ft.	18,714 00

DEPARTMENT OF TRANSPORT—AIR SERVICES—*Continued*

INDEX OF LEASED PROPERTY—*Continued*

Lessee	Location	Utilization	Effective Date	Area	Annual Rental	Remarks
					$ cts.	
Canadian Pacific Airlines Ltd. —*Concluded*	Montreal (Dorval) Airport, Que.	Office space	July 1, 1948	395·5 sq. ft.	395 76	
" "	Prince George Airport, B.C.	" and crew accommodation.	Aug. 1, 1948	308 sq. ft.	308 50	
" "	Whitehorse Airport, Y.T.	Lessee's business and storage space.	Oct. 1, 1948	1·15 acres.	1,800 00	
" "	Sandspit Airport, B.C., "The North Suite".	Lessee's staff members	Sept. 1, 1949		360 00	
" "	Sioux Lookout Aerodrome,		April 1, 1948	17,516 sq. ft.	50 00	
G. P. D'Aoust	Montreal Airport Que	Barber Shop and Hairdressing	April 15, 1950	475 sq. ft.	712 56	
Dorozs Bros	Regina Airport Sask	Storage	Feb. 1, 1949	2,268 sq. ft.	504 32	
A. J. Drinkell	Dog Creek Aero. B.C.	Restaurant and Hotel	April 1, 1949	12,900 sq. ft.	220 60	
A. J. Drinkell	Dog Creek Aero. B.C.	Hotel and Restaurant	April 1, 1947	27,900 sq. ft.	122 60	
The T. Eaton Co. Ltd	Gander Airport Nfld	Mail Order Office	June 15, 1949	13,328·0 sq. ft.	1,839 96	
T. Eaton Co. Ltd	Malton Airport	Office	May 1, 1948	2·8 acres	2,534 40	
E. E. Ferguson	Mont Joli Aerodrome Que	Hotel	July 1, 1949	1·40 acres	4,440 00	
R. E. Fortin	Quebec Airport	Office	May 11, 1948	337·35 sq. ft.	337 32	
Gander Consumers Co-Operative Society Ltd	Gander Airport Nfld	Retail Store	Dec. 16, 1949	13,500 sq. ft.	552 00	
W. Goddard	Port Hardy Aerodrome	Housing Family	Nov. 1, 1948	22,500 sq. ft.	120 00	
Goodyear Humber Stores Ltd.	Gander Airport Nfld	Office	April 1, 1946	2·19 acres	12,240 00	
Goodyear Humber Stores Ltd.	Gander Airport Nfld	Store Bldgs	April 1, 1946	7,410 sq. ft.	200 00	
R. Habel	Kaspuskasing Airport	Office	April 1, 1948	285 sq. ft.	285 00	
The Corp. of the City of Halifax	Dartmouth Airport	Housing Aircraft	Aug. 1, 1948	4·04 acres	990 00	
Frank L. Hale	Port Hardy Aerodrome	Office	Sept. 1, 1949		360 00	
Frank L. Hale	Port Hardy Aerodrome	Housing Lessee's employees	Sept. 1, 1949	22,500 sq. ft.	300 00	
Hollinger—Ungava Transport Co. Ltd	Mont Joli Airport	Storage	April 1, 1948	30,733 sq. ft.	10,526 88	
Hollinger—Ungava Transport Co. Ltd	Seven Islands Airport	Office	Dec. 1, 1948	2,500 sq. ft.	10 00	
Hotz and Sons Ltd	Malton Airport	Storage	Mar. 1, 1947	621 sq. ft.	298 08	
Vivian Howard Gifts Ltd	Toronto Airport	Gift Shop	Feb. 13, 1950	101 sq. ft.	151 56	
Hudsons Bay Co	Goose Aerodrome Nfld	Office	Nov. 1, 1949	1·28 acres	1,920 00	
Hudsons Bay Co	Winnipeg Airport	Storage of Aircraft	Aug. 1, 1949	4,887 sq. ft.	2,245 76	
Intercity Airlines Co	Dorval Que	Office	May 1, 1948	209 sq. ft.	209 04	
Intercity Airlines Co	Montreal Que	Workshop	Oct. 1, 1949	192 sq. ft.	192 00	
Inter Provincial Air Services Ltd	Windsor Airport Ont	Site for Hangar	Aug. 14, 1947	39,040 sq. ft.	100 00	
Kramer Tractor Co. Ltd	Regina Airport Sask	Office	Aug. 15, 1949	16,800 sq. ft.	657 60	
John Labatt Ltd	London Airport	Warehouse	April 1, 1948		8,601 60	

Labrador Mining & Exploration Co. Ltd.	Seven Island Aerodrome	Office	Nov. 15, 1948	192 sq. ft.	192 00
Labrador Mining & Exploration Co. Ltd.					
Corp. Twp. of Langley	Langley Airport	Public Airport	Mar. 1, 1946		
Laurentide Aviation Ltd.	Cartierville Airport	Storage	Jan. 1, 1950	2,500 sq. ft.	50 00
Laurentide Aviation Ltd.	Cartierville Airport	Office	May 1, 1950	456 sq. ft.	164 16
W. H. Lawrence	Lakehead Airport, Ont.	Storage	Apr. 1, 1948	288 sq. ft.	72 00
Leavens Bros. Air Services Ltd.	London Airport, Ont.	Office	May 19, 1947	1 acre	2,160 00
Lep Transport Ltd.	Montreal Airport, Que.	"	Nov. 1, 1946	200 sq. ft.	200 00
" "	Montreal (Dorval) Airport, Que.	"	Mar. 1, 1947	228 sq. ft.	228 00
J. Armand Levesque	Seven Islands Airport, Que.	Restarurant	Dec. 15, 1948	95 sq. ft.	95 04
Machearn and Bowness	Charlottetown Airport, P.E.I.	Storage	Dec. 1, 1949	4,920 sq. ft.	1,180 80
Maritime Central Airways Ltd.	Charlottetown Airport, P.E.I.	Use of Hanger 4	July 1, 1947	2·58 acres	20 00
Maritime central Airways Ltd.	Sydney Airport, N.S.	Office	Dec. 15, 1947	147 sq. ft.	147 00
Maritime Central Airways Ltd.	Charlottetown Airport, P.E.I.	"	June 1, 1948	289·8 sq. ft.	289 80
Maritime Central Airways Ltd.	Charlottetown Airport, P.E.I.	"	Oct. 1, 1948	2·3 acres	1,242 96
Maritime Central Airways Ltd.	Sydney Airport, N.S.	"	Sept. 1, 1949	401 sq. ft.	601 56
Markmaster Can. Ltd.	Montreal (Dorval Airport, Que.	"	Aug. 1, 1947	531 sq. ft.	531 96
W. H. Mather c/o	Uplands Airport, Ottawa, Ont.	Housing family	Oct. 15, 1947	0·29 acres	240 00
Montreal Flying Club	Cartierville Airport, Que.	Office	Aug. 1, 1946	456 sq. ft.	164 16
Murray Hill Taxi Ltd.	Montreal (Dorval) Que.	"	Oct. 1, 1946		332 00
" " "	" " "	"	Oct. 1, 1946	377 sq. ft.	377 00
Mrs Amy M. McElphinney	London Airport, Ont.	Canteen and lunch counter	April 21, 1947	11,050 sq. ft.	300 00
McGarrigle, Frank	Montreal (Dorval) Que.	Office	Oct. 1, 1946	228 sq. ft.	228 00
McInnes Products Corp. Ltd.	McMurray Airport, Alta.	Bldgs.	Nov. 1, 1949	3,000 sq. ft.	25 00
Compagnie Nationale Air France	Gander Airport, Nfld.	Office	Jan. 1, 1950	1,577 sq. ft.	2,365 56
National Paving Co.	MacLeod Aerodrome, Alta.	Bldg. 46 and storage	Dec. 1, 1948	11 acres	60 00
Newfoundland Airways Ltd.	Gander Airport, Nfld.	" 2-housing personnel 3-repair house	July 1, 1949	38,400 sq. ft.	150 00
" "	Gander Airport, Nfld.	Housing personnel	Aug. 15, 1949	19,350 sq. ft.	384 00
" "	" "	Housing aircraft	June 1, 1949	3·1 acres	1,920 00
Northeast Airlines Inc.	Montreal Airport, Que.	Workshop	Jan. 11, 1949	192 sq. ft.	192 00
" "	" "	Offices	July 1, 1949	300 sq. ft.	600 00
" "	Montreal (Dorval Airport, Que.	"	July 1, 1948	219 sq. ft.	252 00
Northern Aircraft & Marine Service.	North Bay Airport, Ont.	Bldg.	July 1, 1948	0·03 acres	50 00

DEPARTMENT OF TRANSPORT—AIR SERVICES—*Continued*

INDEX OF LEASED PROPERTY—*Continued*

Lessee	Location	Utilization	Effective Date	Area	Annual Rental	Remarks
					$ cts.	
Northern Wings Ltd.	Seven Islands Airport, Que.	Office	Nov. 15, 1946	573·12 sq. ft.	753 26	
" " "	" " " "	Housing	Sept. 1, 1948	4,500 sq. ft.	1,500 00	
" " "	" " " "	Building Site	July 1, 1949	1,250 sq. ft.	120 00	
O'Kanagan Air Serviecs Ltd.	Penticton, B.C.	Hangar Site	Dec. 1, 1947	·97 acres	90 00	
J. A. Omond	Vanderhoof Aerodrome, B.C	Housing	May 1, 1948	10,200 sq. ft.	300 00	
Pan American Airways	Moncton, Airport	Office	June 1, 1948	342 sq. ft.	342 00	
" " "	" "	Storage	April 1, 1948	1,347 sq. ft.	484 92	
" "World Inc.	Sydney Airport, N.S.	Office	Sept. 15, 1949	381 sq. ft.	57 56	
" " " "	" " "	Dead storage	April 1, 1949	305 sq. ft.	109 80	
" " " "	Gander Airport, Nfld.	Office	Jan. 1, 1950	2,067 sq. ft.	3,100 56	
" " " "	Whitehorse Aero. Y.T.	Office	Dec. 23, 1948	66 sq. ft.	66 00	
The Pas Airways	The Pas Aerodrome, Man.	Residence	Nov. 1, 1947	7,000 sq. ft.	185 00	
" " "	" " "	Storage and workshop	June 1, 1948	1,000 sq. ft.	240 00	
G. M. Party	Montreal (Dorval) Airport, Que.	Office	Dec. 1, 1948	228 sq. ft.	342 00	
" "	Montreal (Dorval) Airport, Que.	Office	Oct. 1, 1946	180 sq. ft.	180 00	
Prairie Flying Service	Regina Airport, Sask.	Office	May 1, 1950	529 sq. ft.	338 64	
Quebec North Shore & Labrador Railway Co.	Seven Islands Airport, Que.	Office	June 1, 1948	2,512 sq. ft.	1,205 36	
" "	" "	Quonset bldg.	Sept. 1, 1948	10,000 sq. ft.	10 00	
" "	" "	Bldg. Site	Sept. 1, 1948	10,000 sq. ft.	10 00	
H. Rader	Patricia Bay Airport, B.C.	Workshop	Oct. 1, 1948	198·5 sq. ft.	198 60	
T. J. Raper	" "	Storage	Aug. 12, 1949	18,750 sq. ft.	153 12	
Rimouski Airlines Ltd	Mont Joli Aero., Que.	Housing Aircraft	May 6, 1949	2·4 acres	2,534 88	
Rolls Royce Montreal Ltd.	Montreal Airport, Que.	Office	June 15, 1948	25,705 sq. ft.	4,431 96	
Rootes Motors Limited	Montreal (Dorval) Airport, Que.	Office	July 1, 1948	7,189 sq. ft.	7,189 00	
Rose Aero, Ltd	" "	Office	Oct. 1, 1949	192 sq. ft.	120 00	
" "	" "	Housing aircraft	Aug. 16, 1948	33,520 sq. ft.	16,240 00	
" "	" "	Housing aircraft	Feb. 1, 1948	33,158 sq. ft.	19,118 00	
" "	" "	Office	Nov. 1, 1946	200 sq. ft.	200 00	
Rotax (Can.) Ltd	Montreal Airport, Que.	Storage	Mar. 1, 1949	1,685 sq. ft.	1,695 04	
Frank H. Rousseau	Montreal Airport	Workshop	Feb. 18, 1949	209 sq. ft.	313 56	
K. L. M. Royal Dutch Airlines	Gander Airport, Nfld.	Office	Jan. 1, 1950	1,396 sq. ft.	2,094 00	
K. L. M. Royal Dutch Airlines	Montreal Airport, Que.	Office	May 25, 1949	931 sq. ft.	1,296 44	
Royal Bank of Canada	Gander Airport, Nfld.	Office	Jan. 10, 1949	900 sq. ft.	2,700 00	
Royal Bank of Canada	Montreal Airport, Que.	Office	July 1, 1949	1,083 sq. ft.	1,083 00	
Scandinavian Airlines System Inc.	Gander Airport, Nfld.	Office	Jan. 1, 1950	1,942 sq. ft.	2,513 00	

Sharon Airways Ltd.	North Battleford Airport, Sask.	Office	Aug. 15, 1949	451 sq. ft.	288 24
Pauls Flying Service	Charlottetown Airport	Stock Room	July 1, 1947	247 sq. ft.	59 28
Pauls Flying Service	Charlottetown Airport	Office	July 1, 1947	70 sq. ft.	70 44
Shell Oil Co. Can. Ltd.	Moncton Airport, N.B.	Office	Oct. 15, 1947	105 sq. ft.	105 00
Shell Oil Co. Can. Ltd.	Windsor Airport, Ont.	Storage	June 21, 1948	3,600 sq. ft.	50 00
Shell Oil Co. Can. Ltd.	Sydney Airport, N.S.	Storage	April 1, 1949	286 sq. ft.	102 60
Shell Oil Co. Can. Ltd.	Sydney Airport, N.S.	Storage	April 1, 1948	177 sq. ft.	63 72
Shell Oil Co. Can. Ltd.	Saguenay Aerodrome, Que.	Storage	April 12, 1948	625 sq. ft.	50 00
Shell Oil Co. Can. Ltd.	Patricia Bay Aerodrome, B.C.	Storage	Jan. 1, 1949	1,800 sq. ft.	50 00
Shell Oil Co. Can. Ltd.	Montreal (Dorval) Airport, Que.	Refuelling aircraft	Sept. 1, 1947	·573 acre	50 00
Shell Oil Co. Can. Ltd.	Quebec Aerodrome	Storage	Dec. 1, 1947	3,713 sq. ft.	100 00
Shell Oil Co. Can. Ltd.	Sydney Airport, N.S.	Storage	Jan. 1, 1948	·5 acre	400 00
Mrs. S. T. E. Sheridon	Quebec Airport	Lunch Counter	July 1, 1947		360 00
Robert Simpson Western Ltd.	Regina Airport, Sask.	Storage	Mar. 1, 1949	1·03 acres	1,308 00
Smithers Motors Ltd.	Oliver Aerodrome, B.C.	Refuelling aircraft	Sept. 1, 1948	5,000 sq. ft.	25 00
Spartan Air Services Ltd.	Ottawa Airport	Housing aircraft	Dec. 1, 1947	2,640 sq. ft.	1,267 20
Spartan Air Services Ltd.	Ottawa Airpot	Workshop	Dec. 1, 1949	988 sq. ft.	494 00
Spartan Air Services Ltd.	Ottawa Airport	Office and Workshop	Dec. 1, 1947	266 sq. ft.	266 00
Standard Oil Co. of B.C.	Penticton Aerodrome	Storage	Dec. 1, 1947	2,400 sq. ft.	50 00 plus 1c. per gal. on gas and 5c. per gal. on oils.
Standard Oil Co. of B.C.	Prince George, B.C.	Refuelling aircraft and Storage	April 1, 1947	3,600 sq. ft.	50 00
Standard Oil Co. of B.C.	Princeton Aerodrome	Storage and refuelling aircraft	Jan. 1, 1948	3,600 sq. ft.	50 00
Standard Oil Co. of B.C.	Vanderhoof Aerodrome	Storage and refuelling aircraft	Feb. 1, 1948	3,600 sq. ft.	50 00
Standard Oil Co. of B.C.	Patricia Bay Aero. B.C.	Storage and refuelling aircraft	Nov. 15, 1948	1,800 sq. ft.	50 00
Thode Bros. Ltd.	Saskatoon Airport, Sask.	Overhaul shop	Dec. 1, 1948	1,554 sq. ft.	519 44
Trans-Canada Airlines	Moncton Airport, N.B.	Storage	May 1, 1947	529 sq. ft.	190 44
Trans-Canada Airlines	Yarmouth, N.S.	Workshop	April 1, 1947	1,600·2 sq. ft.	1,600 20
Trans-Canada Airlines	Saskatoon Airport, Sask.	Office	July 1, 1947	314 sq. ft.	314 04
Trans-Canada Airlines	Pennfield Ridge Airport, N.B.	Office	April 15, 1947	2,262 sq. ft.	1,079 04
Trans-Canada Airlines	Lethbridge Airport, Alta.	Acco. passengers	Jan. 1, 1948	1·01 acres	806 52
Trans-Canada Airlines	Lethbridge Airport, Alta.	Office	Dec. 1, 1948	447 sq. ft.	447 00
Trans-Canada Airlines	Torbay Airport, Nfld.	Office	April 1, 1949	1,188½ sq. ft.	1,188 48
Trans-Canada Airlines	Vancouver Airport, B.C.	Office	April 27, 1948	1,981 sq. ft.	3,962 00
Trans-Canada Airlines	Saanich, B.C.	Workshop and office	May 1, 1949	3,600 sq. ft.	77 64
Trans-Canada Airlines	Patricia Bay Airport, B.C.	Office	June 1, 1949	1·28 acres	1,222 20
Trans-Canada Airlines	Yorkton Airport, Sask.	Office	June 1, 1948	543·5 sq. ft.	114 00
Trans-Canada Airlines	Toronto Airport, Ont.	Office	Nov. 1, 1949	2,794 sq. ft.	4,191 00
Trans-Canada Airlines	Toronto Airport, Ont.	Office	Jan. 9, 1949	3,418 sq. ft.	6,835 92
Trans-Canada Airlines	Saskatoon Airport, Sask.	Office	June 1, 1949	741 sq. ft.	266 76
Trans-Canada Airlines	Regina Airport, Sask.	Office	July 1, 1948	874 sq. ft.	697 80
Trans-Canada Airlines	Montreal Airport, Que.	Office	Dec. 11, 1948	1,344 sq. ft.	2,016 00
Trans-Canada Airlines	Montreal Airport, Que.	Office	Nov. 1, 1949	27,200 sq. ft.	13,056 00
Trans-Canada Airlines	Montreal Airport, Que.	Storage	July 1, 1948	8,978 sq. ft.	9,978 04

DEPARTMENT OF TRANSPORT—AIR SERVICES—*Concluded*

INDEX OF LEASED PROPERTY—*Concluded*

Lessee	Location	Utilization	Effective Date	Area	Annual Rental	Remarks
					$ cts.	
Trans-Canada Airlines	Sydney Airport, N.S.	Office	April 1, 1946	665 sq. ft.	664 80	
Trans-Canada Airlines	Sydney Airport, N.S.	Storage	May 1, 1949	812 sq. ft.	292 32	
Trans-Canada Airlines	Sydney Airport, N.S.	Office	Sept. 1, 1949	2,650·45 sq. ft.	3,966 72	
Trans-Canada Airlines	Montreal Airport, Que.	Bldgs.	Jan. 3, 1948	4·48 acres	650 00	
Trans-Canada Airlines	Swift Current Aerodrome, Sask.	Office	Jan. 1, 1948	23,000 sq. ft.	277 20	
Trans-Canada Airlines	Toronto (Malton) Airport	Office	Jan. 1, 1948	3·2 acres	3,134 64	
Trans-Canada Airlines	Vancouver Airport, B.C.	Bldg. site	Sept. 1, 1946	5·5 acres	1,650 00	
Trans-Canada Airlines	St. James, Winnipeg, Airport Man.	Office	Jan. 1, 1948	Bldgs. Nos. 13, 15, 16, 22, 33, and Hangar B-1	3,672 00	
Trans-Canada Airlines	Lethbridge Airport, Alta.	Office	Mar. 1, 1949	982·2 sq. ft.	1,964 40	
Trans-Canada Airlines	London Airport, Ont.	Office	Mar. 1, 1949	2·051 sq. ft.	2,051 04	
Trans-Canada Airlines	Winnipeg Airport, Man.	Hangar and annex	Oct. 1, 1945	Hangar No. 2	13,320 00	
Trans-Canada Airlines	Sydney Airport, N.S.	Passenger waiting room	Dec. 16, 1946	34,000 sq. ft.	1,500 00	
Transcontinental & Western Air Inc.	Gander Airport, Nfld.	Office	Jan. 1, 1950	1,611 sq. ft.	2,416 56	
United States of America	St. Johns Torbay Airport, Nfld.	Storage and office and workshop	Nov. 1, 1946	Hangar No. 4	19,519 20	
Westinghouse Airways Ltd.	Patricia Bay Airport, B.C.	Office	April 1, 1949	337 sq. ft.	336 96	
World Wide Aviation Agencies & Sales Inc.	Montreal (Dorval) Airport, P.Q.	Office	Sept. 1, 1947		192 00	
C. Ed. Wright	Lakehead Airport, Ont.	Maintaining portion of bldgs.	Oct. 1, 1949	7,680 sq. ft.	5 00	
Yukon Airways Ltd.	Whitehorse Airport, Y.T.	Storage	April 1, 1949	2,500 sq. ft.	50 00	

INDEX LEASED PROPERTY

Lessee	Location	Area	Utilization	Effective Date	Annual Rental	Appraised Value	Remarks
					$ cts.		
Aiken, Innes & McLachlan	Lot 8, Tp. Lincoln	7·6 acres		Dec. 31, 1929	68 40		
Atlas Steels Ltd	Near Welland		36 dia. pipe and draw 20 cfs. water.	Nov. 13, 1942	3,050 00		
Addarin, Angelo	N. of Rameys Bend Stone Crushing Plant	1·96 acres	Stone Crushing Plant.	Apr. 28, 1943	10 00		
Armstrong, Howard	Humberstone	200 sq. ft.	Refreshment Booth	July 22, 1949	200 00		
Alliance Paper Mills Ltd.	Near Lock 4	2·27 acres	To draw water	Aug. 26, 1959	5,475 00		
Beaver Wood Fibre Co.	Lot 48, Tp. Thorold	0·574 acre		Nov. 8, 1923	1,860 00		
Beaver Wood Fibre Co. Ltd.			24" pipe and use 4,320,000 gallons of water.	Oct. 25, 1932	1,400 00		
Beaver Wood Fibre Co. Ltd.	East bank below Br. 10	63,180 sq. ft.		June 9, 1936	200 00		
British American Oil Co.	Humberstone	6,500 sq. ft.	Warehouse site	Aug. 16, 1938	32 50		
Beaver Lumber Co. Ltd.	West side Canal, Humberstone	6,241 sq. ft.	Lumber Yard	July 3, 1941	100 00		
Boccabella, F. B. & A.	Humberstone	19,870 sq. ft.	Gravel Storage	Sept. 17, 1941	99 35		
Boyle, F. O. & Sons	E. side canal above Br. 14	43,915 sq. ft.		Jan. 9, 1942	131 75		
Boccabella, A. & B.	Near Rameys Bend	80,000 sq. ft.	To take stone	Feb. 4, 1944	10 00		
Bell, Grant E.	Port Colborne	25,000 sq. ft.		Oct. 30, 1944	125 00		
Beaver Lumber Co. Ltd.	Village of Humberstone.	22,260 sq. ft.	Lumber Yard	May 31, 1945	113 30		
Beam, Anson	near Br. 20, Pt Colborne	4,000 sq. ft.		Jan. 5, 1946	20 00		
Beaver Lumber Co. Ltd.	Port Colborne	1·45 acres		May 22, 1945	640 00		
Berry, George	W. Lock 7, Thorold	117 sq. ft.	Vendor's Booth	July 21, 1947	50 00		
Bermingham, Cornelius J.	Port Colborne	8,432 sq. ft.	storing gear and supplies	Oct. 12, 1948	50 00		
Beam Building & Supply Co.	Port Colborne	49,065 sq. ft.	for storage	Feb. 3, 1949	490 00		
Canada Cement Co.	Humberstone	2·34 acres		Sept. 7, 1932	612 00		
Clemens & Miller	Welland	32,400 sq ft.		Aug. 3, 1934	191 40		
Commonwealth Elec. Corp. Ld.	Welland		Railway siding	Jan. 19, 1935	20 00		
Canada Furnace Co. Ltd.	E. side Pt. Colborne Hbr.	53·41 acres		Dec. 31, 1935	3,332 34		

DEPARTMENT OF TRANSPORT—WELLAND SHIP CANAL—*Continued*

INDEX LEASED PROPERTY—*Continued*

Lessee	Location	Area	Utilization	Effective Date	Annual Rental	Appraised Value	Remarks
					$ cts.		
Cameron, Wm. R.	E. Side Welland Harbour.	30,000 sq. ft.	Coal Storage	Oct. 4, 1939	150 00		
Can. Steamship Lines Ltd.	Homer	16,836 sq. ft.		July 4, 1942	5,340 00		
Cameron & Phin	near Welland Centre Dock	18,395 sq. ft.	Storage etc	Jan. 8, 1943	91 97		
Clemens J. W. & W. Miller	near Br. 14—Welland Centre Dock	94,500 sq. ft.		Feb. 26, 1943	472 50		
Canada Packers Ltd	on west bank		for roadway near Br. 18	Mar. 24, 1944	10 00		
Cameron, W. R.	Port Weller	24,000 sq. ft.	sand and coal dock	Nov. 20, 1946	400 00		
Calaguiro Bros.	at Beaver Bd. Dock	21,450 sq. ft.		Oct. 8, 1946	107 25		
Can. Cement Co. Ltd.	W. side Canal, Tp. Humberstone.	86·4 acres		June 8, 1948	10 00		
Century Coal Co. Ltd.	Humberstone	6·28 acres	coal dump and railway siding.	Aug. 14, 1948	1,375 00		
Can. Cement Co. Ltd.	Port Colborne	228,100 sq. ft.	storing and loading	Oct. 28, 1948	2,281 00		
Dwor Metal Co.	E. side Canal, Pt. Colborne.	0·92 acre		Feb. 8, 1937	10 00		
Dwor Metal Co.	E. side Pt. Colborne Hbr.	29,664 sq. ft.		Aug. 11, 1938	148 07		
*R. E. Bateman	Lot 214, Twp. Thorold	4·49 acres	Home site				Sold June 10, 1948—$562.50—O.C. 2194 May 18, 1948.
*Bell, Grant E.	Port Colborne	14,400 sq. ft.	Warehouse				Sold Feb. 25, 1949—$2,500.00—O.C. 594 Feb. 8, 1949.
*Cross, D. B. & H. J.	Lot 28, Port Colborne						Sold by tender Dec. 8, 1949—$2,000.00 O.C. 5,400 Oct. 25, 1949.
Dawson, Mrs. D. M.	near Br. No. 11	0·84 acre	refreshment booth site	May 23, 1940	21 00		
Diffin Const'n and Supply.	near Welland centre Dock.	36,900 and 141,480 sq. ft.		Oct. 28, 1942	891 90		
Dougherty, John	between Allenburg and Pt. Robinson.	75 acres		Aug. 30, 1944	60 00		
D'Amico, Tony	Lot 25, Con. III, Humberstone.	80,000 sq. ft.	Stone Crushing plant	June 18, 1946	10,00		
D'Amico, Tony et al.	Lot 25, Con. III, Humberstone.	3·67 acres	taking stone	May 4, 1948	20 00		plus 20 cents cu. yd. of stone.
*Davis, James	Twp. Thorold	0·93 acre	farming				Sold Aug. 2, 1949—$186.00—O.C. 3143 June 29, 1949.

Empire Hanna Coal Co.	East Docking Pt. Weller Harbour.	92,460 sq. ft.	handling coal etc.	Oct. 4, 1939	471 20		
Empire Hanna Coal Co.	East side Pt. Weller Hbr.	3,000 sq. ft.	for office building and weigh scales.	Nov. 22, 1940	37 50		
Empire Hanna Coal Co.	East side Pt. Weller Hbr.	6,700 sq. ft.	handling and storing coal.	Nov. 19, 1941	33 50		
Empire Hanna Coal Co.	below Lock 1, Pt. Weller Harbour.	.....	handling and storing coal.	Oct. 10, 1948	550 00		
*Easterbrook, Lola M.	Lot 26, City Welland.	228 sq. ft.	.....	.....	.....	.....	Sold Aug. 6, 1948—$143.00—O.C. 3227 July 20, 1948.
Forbes Motors Limited	Humberstone	3,594 sq. ft.	Storage	Aug. 30, 1949	35 00		
Griggs, T. J.	Town of Dunnville	1,684 sq. ft.	site for office buildings	June 24, 1946	15 00		
*Corp. twp. of Grantham.	W. side ship canal—Lock 1.	2·68 acres	road purposes	.....	.....	.....	Sold April 9, 1948—$1.00.
*Hyde Steel Products Ltd.	Lot 7, Twp. Thorold.	3·26 acres	.....	.....	.....	.....	Sold Aug. 6, 1948—$2,000.00—O.C. 3035 July 8, 1948.
*H.E.P.C. Ont.	Lot 50, Twp. Thorold.	2·639 acres	.....	.....	.....	.....	Sold Oct. 4, 1948—$1.00—O.C. 3984 Sept. 27, 1948.
*Murray, John Gilbert.	Lot 27, Chapel St. Thorold.	8,547 sq. ft. and frame house.	.....	.....	.....	.....	Sold by tender—$3,000.00 Oct. 24, 1949—O.C. 4109 Aug. 17, 1949.
*Town of Port Colborne	Port Colborne	0·38 acre	.....	.....	.....	.....	Sold Aug. 5, 1948—$1.00.
*Port Colborne, Corp.	Lot 17 and 26 Pt. Colborne.	9,434 sq. ft.	.....	.....	.....	.....	Sold July 14, 1949—$1,600.00—O.C. 3075, June 16, 1949.
Hill, Barnett	Twn. Welland near Br. 16	0·99 ac.	.....	Dec. 21, 1938	4 00		
H.E.P.C. Ontario	.....	17,852 sq. ft.	.....	Jan. 31, 1950	100 00		
Heysel, Jas.	near Thorold Dock	0·40 acre.	.....	May 30, 1947	87 00		
Heysel, James.	lots 48 and 30.	5·49 acres.	Storage	July 14, 1949	60 00		
Heysel, James.	Twp. Thorold	·172 acre	Storage	Oct. 20, 1949	37 50		
International Nickel Co.	E. side Pt. Colborne Hbr.	.....	Intake works and conduit	Apr. 29, 1936	459 67		
International Nickel Co.	E. side Pt. Colborne Hbr.	29,120 sq. ft.	.....	Dec. 6, 1939	179 72		
Imperial Oil Ltd.	West Docking, Pt. Colborne	23,170 sq. ft.	.....	Oct. 18, 1940			
Industrial Docks and Supplies.	Thorold turning basin	15 acres	.....	Oct. 11, 1940	1,400 00		
Kennedy, Stan.	W. Lock 8, Humberstone	11,250 sq. ft.	.....	Oct. 19, 1937	56 25		
Kells, Clarence R.	E. side Seeley St. Welland	4,140 sq. ft.	.....	Feb. 13, 1940	18 84		
Knoll Shoes Ltd.	.....	4,000 sq. ft.	for bldg. and septic tank	Feb. 12, 1942	20 00		
Pittsburg Coal Co.	Port Weller	1·7 acres	.....	Feb. 16, 1934	630 00		
Lannan Coal Co. Ltd.	Port Colborne	19,050 sq. ft.	.....	Mar. 24, 1932	114 30		
Lahey, Geo. R.	S. side Main St. Welland	325 sq. ft.	for building	Jan. 5, 1937	25 00		
Lannan Coal Co. Ltd.	E. Docking, Pt. Colborne	21,600 sq. ft.	.....	Nov. 21, 1938	129 60		

DEPARTMENT OF TRANSPORT—WELLAND SHIP CANAL—*Concluded*

INDEX LEASED PROPERTY—*Concluded*

Lessee	Location	Area	Utilization	Effective Date	Annual Rental	Appraised Value	Remarks
					$ cts.		
Law R. E. Crushed Stone Co.	Village Humberstone.	0·46 acre	Storage ground.....	Dec. 19, 1940	100 00		
Lannan Coal Co. Ltd...	E. Docking, Pt. Colborne	2,564 sq. ft.	transhipment purposes	May 1, 1941	12 82		
Maple Leaf Milling Co..	Twp. Crowland, Welland	0·12 acre	.....	Apr. 26, 1937	50 00		
Mulholland, Geo.....	Port Robinson.....	5·6 acres	.....	Oct. 1 , 1938	10 00		
Mixed Concrete Supply Ltd.	E. side Humberstone.	41,012 sq. ft.	.....	Mar. 6, 1942	205 06		
Magee, Chas and Sons.	at Ramey's Bend.....	3·30 acres	to lay railway tracks..	Oct. 6, 1948	720 00		
Maple Leaf Milling Co.	Pt. Colborne Harbour	4 parcels	railway tracks.....	Aug. 30, 1949	382 00		
Niagara, St. Catharines and Toronto Co.	Near Lock 7.....	.....	for spur line.....	Mar. 22, 1937	100 00		
Newman, A. & Co.....	Pt. Weller Yd.....	.....	to store locomotive crane and light locomotive	Feb. 14, 1939	50 00		
Industrial Docks & Supplies Ltd.	Thorold turning basin	148,304 sq. ft.	.....	Oct. 9, 1940	370 76		
Industrial Docks & Supplies Ltd.	Thorold turning basin	167,232 sq. ft.	.....	Oct. 11, 1940	65 70		
Niagara District Warehouse & Fwd. Co.	at Thorold Dock.....	22,434 sq. ft.	.....	Feb. 14, 1942	134 60		
Ontario Paper Co.....	Lots 28 and 29, Thorold	4·55 acres	.....	May 25, 1927	2,210 00		
Ontario Paper Co.....	near guard gate.....	1·4 acres and 280 sq. ft.	.....	Mar. 26, 1928	150 00		
Ontario Paper Co.....	Twp. Thorold.....	1·54 acres	.....	Sept. 28, 1931	89 16		
Ontario Paper Co.....	Thorold turning basin	83,241 sq. ft.	.....	Sept. 19, 1940	208 10		
Ontario Paper Co.....	E. side guard gate.....	0·73 acre	parking lot.....	Dec. 9, 1947	80 00		
Pirson, John.....	.....	0·57 acre	.....	Sept. 11, 1933	10 00		
Pt. Colborne Iron Works	North of Humberstone	4·1 acres	.....	Oct. 28, 1942	1,095 00		
Pt. Colborne Iron Works	North of Humberstone	.....	right of way purposes..	Oct. 28, 1942	20 00		
Pt. Colborne Iron Works	Humbertsone.....	54,770 sq. ft.	.....	Aug. 23, 1945	273 85		
Penniman, Frank.....	Thorold.....	0·91 acre	.....	June 26, 1946	40 00		
Port Weller Dry Docks Ltd.	.....	10·78 acres	.....	July 30, 1946	30,000 00		
Paterson Steamships Ltd.	Ft. Erie St., Pt. Colborne	1,320 sq. ft.	stowage of ships gear.	Sept. 29, 1948	10 00		
Repar, Ignac.....	near Humberstone....	14,000 sq. ft.	Crusher Plant site....	Mar. 11, 1937	10 00		

Humberstone Flour Mills.	W. bank-Humberstone	3·08 acres		Dec. 1, 1939	5,135 00	
Repar, Geo.	Humberstone	1·83 acre	to remove stone	Dec. 17, 1947	36 00	
Stewart & Welch	Twp. Humberstone	3·62 acres		July 8, 1930	81 90	
Somerville & Son	Welland—above Br. 14	8,000 sq. ft.		Nov. 27, 1937	40 00	
Sherk, H. E.	E. Docking—Pt. Colborne.	2,994 sq. ft.	coal and coke transhipment.	May 27, 1941	14 97	
Somerville, Mary Ethel	near Br. 14, Welland	21,600 sq. ft.		Nov. 19, 1942	108 00	
Somerville, Chas. Ross	W. side canal—Welland.	0·14 acre		June 30, 1948	90 00	
Toronto & Niagara Power.	near Allenburg	2 parcels		Apr. 21, 1906	100 00	
Taylor, Art	W. side Lock 1	117 sq. ft.	vendor's booth	Dec. 29, 1938		
National Trust Co. Ltd	vicinity of Welland	3·37 acres		Aug. 31, 1934	711 00	
Viau, J. P.	Con. 6, Twp. Crowland	0·41 acre		Sept. 18, 1929	12 30	
Valley Camp Coal Co.	Port Colborne	0·35 acre		Apr. 22, 1931	91 87	
Valley Camp Coal Co.	W. docking—Pt. Colborne.	1·5 acre		Apr. 9, 1946	280 00	
Walker Bros.	Lot 48, E. Beaver Board Dock.	10,500 sq. ft.		Feb. 14, 1939	52 50	
Copr. County of Welland.	Twp. Thorold, Lot 203	1·16 acre	roadway purposes	July 7, 1948		Sold July 7, 1938.
D'Amico Rocco	Lot 27, Twp. Crowland.	1·9 acre		June 22, 1931	57 00	
H.E.P.C. Ont.	at Decew Falls		draw 1,100 c.f.s. surplus water for power house.	Apr. 26, 1937	82,500 00	
International Nickel Co.	Port Colborne			May 23, 1917	200 00	
Maple Leaf Milling Co.	W. pier, Pt. Colborne Hbr.	6·5 acres	6" pipe line	Oct. 15, 1934	6,753 00	
Maple Leaf Milling Co.			use elevator tracks	Nov. 23, 1934	417 00	
Niagara District Warehouse & Fwd. Co.	Near Br. 8, Thorold		construct rly. spur	Aug. 28, 1941	137 50	
Niagara District Warehouse & Fwd. Co.	below gd. gate Lock 7.	0·55 acre		Nov. 18, 1947	120 00	
Niagara District Warehouse & Fwd. Co.	south end Thorold Dock.	0·188 acre	for warehouse	Nov. 18, 1947	41 00	
Ontario Paper Co.	Twp. Thorold		build and maintain pile dock.	May 1, 1938	100 00	
Ogilvie Flour Mills Co.	East side Welland Canal at Ramey's Bend Wharf.	1·97 acre		Apr. 1, 1947	4,200 00	
Page Hersey Tubes Ltd.	Welland South		draw 2,800 g.p.m.	Aug. 1, 1941	1,125 00	
Std. Steel Const'n Ltd.	Port Robinson		pump house and 4" pipe.	Jan. 1, 1913	60 00	
Valley Camp Coal Co.	W. Docking, Pt. Colborne.	3·09 acres		July 1, 1938	901 36	
Valley Camp Coal Co.	W. Pier, Port Colborne	2·89 acres		Jan. 1, 1949	630 00	

DEPARTMENT OF TRANSPORT—LACHINE CANAL

INDEX OF LEASED PROPERTY

Lessee	Location	Area	Utilization	Effective Date	Annual Rental	Appraised Value	Remarks
					$ cts.		
Can. Car & Foundry Co. Ltd.	North Bank	770 sq. ft.		April 1, 1935	69 63		
Aubin, Gaston	Side Canal	871 sq. ft.	Refreshment booth	July 1, 1943	53 00		
Building Products Ltd.	in Ville LaSalle	7,720 sq. ft.		June 1, 1928	193 00		
Cities Oil Co	N. side Ville St. Pierre	5,000 sq. ft.		Mar. 1, 1930	112 50		
Buckler Scrap Metal Co.	S. bank opp. Grier Basin.	6,750 sq. ft.		Oct. 1, 1939	337 50		
Bay Quinte Transpt'n Co.	Western side Basin No. 3.	12,703 sq. ft.	Flour Shed No. 2	May 1, 1942	1,382 62		
Building Products Ltd.	S. bank Ville LaSalle	450 sq. ft.		June 1, 1945	953 60		
Building Products Ltd.	S. bank of Canal		Railway siding	Mar. 1, 1945	80 00		
Binz, M. E. Co. Ltd.	S. side canal N. by Cabot St.	2,400 sq. ft.	Parking lot	Jan. 1, 1947	60 00		
Bancroft Industries Ltd.	W. wide Mill St., Montreal.	16,800 sq. ft.		Nov. 22, 1946	1,050 00		
Bancroft Industries Ltd.	W. side Mill St., Montreal.	44,800 sq. ft.		Nov. 22, 1946	2,000 00		
Bancroft Industries Ltd.	E. side Mill St., Montreal.	68,472·4 sq. ft.		Nov. 22, 1946	3,423 62		
Bancroft Industries Ltd.	E. side Mill St., Montreal.	25,698 sq. ft.		Nov. 22, 1946	1,284 90		
Bonner Leather Ltd.	near Br. 7		1-6″ supply and 1-8″ return pipe.	Dec. 1, 1948	300 00		
Bonner Leather Ltd.	Lot 953		Railway siding	Dec. 1, 1948	112 50		
Buckler Scrap Metal Co.	opposite Lot 2510	2,700 sq. ft.	Storing scrap material	Oct. 1, 1949	135 00		
Brown, J. R.	at Atwater Br. approach.	743 sq. ft.		Nov. 1, 1949	53 00		
Coldwater, Adolph	at Lachine	1,046 sq. ft.		Oct. 1, 1909	31 38		
Canada Car & Foundry Co.			16″ pipe and draw water.	April 1, 1905	780 00		
Canada & Dom. Sugar Co.	on south bank	2,400 sq. ft.		Nov. 1, 1910	430 00		
Canadian Tube & Steel Products Limited.	above Cote St. Paul Bridge.		10″ supply pipe and draw water.	April 1, 1913	550 00		
Canadian Tube & Steel Products Limited.	above Cote St. Paul Bridge.	4,000 sq. ft.		April 1, 1914	100 00		
Can. Allis-Chalmers Ltd.	below Lks. 5		Supply pipe and draw water, Lessee's plant	Jan. 1, 1913	975 00		

Can. Cold Storage Co. Ltd.	.....	.....	8" pipe and draw water Basin No. 2.	May	1, 1921	360	00
Can. Car & Foundry Co.	below Rockfield Bascule.	.....	Supply pipe and draw water.	May	1, 1922	780	00
Dominique Vocisano...	S. bank Brewster Bridge.	5,440 sq. ft.	.....	July	1, 1923	272	00
Can. Tube & Steel Products Ltd.	S. bank above Cote St. Paul.	4,350 sq. ft.	.....	April	1, 1924	531	25
Can. Steamship Lines Ltd.	N. of N. Lock 1.....	1,260 sq. ft.	.....	May	1, 1926	94	50
Rochester & Pittsburg Coal Co. Ltd.	E. of Wellington Basin.	7,250 sq. ft.	.....	Oct.	1, 1926	362	50
Roby's Products Ltd..	above Cote St. Paul Bridge.	.....	3" pipe and draw water.	May	1, 1927	60	00
Canada & Dom. Sugar Co.	Montmorency St.....	6,908 sq. ft.	.....	Jan.	1, 1929	431	75
Consol. Oka Sand & Gravel.	St. Gab. Basin No. 2..	11,125 sq. ft.	.....	Jan.	1, 1929	1,335	00
Canada Car & Foundry Co.	Montreal.....	19,430 sq. ft.	.....	Jan.	1, 1926	120	00
Can. Steamship Lines Ltd.	W. side Basin No. 1..	.....	2 platforms.....	Apr.	1, 1930	136	50
Can. Bag Co. Ltd.....	near Charlevoix St....	13,721 sq. ft.	.....	July	1, 1930	686	05
Can. Malting Co. Ltd..	St. Henri St.....	.....	6" pipe and draw water.	Mar.	1, 1931	235	00
Canada & Dom. Sugar Co.	below St. Gab. Lks...	3 parcels	.....	June	1, 1931	60	38
Can. Car & Foundry Co. Ltd.	Montreal.....	.....	Pipe and draw water..	May	1, 1933	10	00
Consol. Oka Sand & Gravel.	.....	.....	3" pipe and draw water St. Gab. Basin.	May	1, 1928	60	00
Canada & Dom. Sugar Co.	S. bank St. Gab. Lock	570 sq. ft.	.....	June	1, 1934	35	63
Canada & Dom. Sugar Co.	.....	.....	Pipes and draw water.	May	1, 1934	2,027	50
Can. Bag Co. Ltd.....	S. side below Brewster Bridge.	839 sq. ft.	.....	May	1, 1934	41	95
Champlain Oil Products.	W. side, N. Lock 2....	1,350 sq. ft. and building	.....	Apr.	1, 1930	281	25
Can. Car & Foundry Co. Ltd.	Town of St. Pierre aux Liens.	17,920 sq. ft.	.....	Mar.	1, 1935	755	50
Canada Packers Ltd...	S. bank above Cote St. Paul.	625 sq. ft.	.....	Apr.	1, 1938	15	63
Guy Tombs Limited..	Colborne.....	.....	Occupy shed and lay 1" water pipe.	July	23, 1939	1,483	86
Calvin Shipping Co. Ltd.	.....	.....	portion shed 1, basin 4	July	13, 1938	922	50
Can. Car & Foundry Co.	on North Bank.....	1,840 sq. ft.	.....	Mar.	15, 1939	39	05

DEPARTMENT OF TRANSPORT—LACHINE CANAL—*Continued*

INDEX OF LEASED PROPERTY—*Continued*

Lessee	Location	Area	Utilization	Effective Date	Annual Rental	Appraised Value	Remarks
					$ cts.		
Can. Oil Coy's Ltd....	S. end of Wellington Basin Park.	22,500 sq. ft.	.....	Apr. 1, 1940	10 00		
Can. Steamship Lines..	N. E. side St. Gabriel Basin No. 3.	158,300 sq. ft.	.....	May 1, 1940	11,517 00		
Can. Steamship Lines..	St. Gabriel Basin	96,555 sq. ft.	.....	May 1, 1940	12,866 62		
Can. Oil Co. Ltd.....	W. Side Br. St. Gab. Sta.	36,040 sq. ft.	.....	May 1, 1942	2,162 40		
Can. Car & Foundry Co. Ltd.	near St. Colomban St.	15,291 sq. ft.	for extension.....	Apr. 1, 1942	955 69		
Can. Car & Foundry Co. Ltd.	N. side canal.....	325 sq. ft.	Temporary storing plant.	Sept. 1, 1943	4 06		
Can. Car & Foundry Co. Ltd.	opposite St. Gabriel Basin.	.....	14" pipe—draw water	May 1, 1945	360 00		
Cape & Co., E.G.M...	on Riverside St.....	19,880 sq. ft.	.....	Mar. 1, 1945	994 00		
Canada S.S. Lines Ltd.	St. Babriel Basin 2....	158,000 sq. ft.	Storage space.....	Sept. 1, 1944	11,850 00		
Chartrand, Andre.....	Cote St. Paul.....	.....	Restaurant.....	Apr. 1, 1946	31 83		
Can. Malting Co. Ltd.	below Cote St. Paul Lks.	.....	16" pipe and 10" return.	Apr. 1, 1947	497 50		
Chester Lines Ltd.....	St. Gabriel Basin.....	14,560 sq. ft.	.....	Nov. 1, 1947	910 00		
Champlain Oil Products.	Wellington and Bridge St.	4,635 sq. ft.	Service Station.....	Oct. 1, 1948	231 50		
Consol. Oka Sand & Gravel.	between St. Gab. Basins 3 and 4.	26,400 sq. ft.	.....	Oct. 1, 1949	6,600 00		
Dominion Bridge Co...	below Lock 5.....	.....	Draw water—7" pipe..	July 1, 1884	280 00		
Dom. Barb Wire Co..	below Lock 5.....	.....	Draw water—6" pipe..	Sept. 1, 1885	210 00		
Dom. Textile Co. Ltd.	Cote St. Paul Locks..	.....	Draw water—18" pipe.	May 1, 1900	1,710 00		
Davies Ltd. The.....	Oak St.....	.....	Draw water—8" pipe..	May 1, 1909	360 00		
Dom. Textile Co. Ltd.	E. bank/St. Paul Br. below Cote.	3,745 sq. ft.	.....	June 1, 1909	140 44		
Dom. Textile Co. Ltd.	above Cote St. Paul	.....	Draw water—12" pipe.	June 1, 1911	780 00		
Dom. Steel Corp. Ltd..	near Wellington Basin	199,800 sq. ft.	.....	Aug. 1, 1911	8,052 00		
Dom. Flour Mills Ltd.	N. bank below Cote Paul Locks.	1,660 sq. ft.	.....	Feb. 1, 1913	62 25		
Dom. Flour Mills Ltd.	near Basin St. Henri..	1,750 sq. ft.	.....	April 1, 1919	65 63		
Dom. Textile Co. Ltd.	near Cote St. Paul Br.	4,000 sq. ft.	.....	Sept. 1, 1919	100 00		
Dom. Textile Co. Ltd.	N. bank below Cote St. Paul.	450 sq. ft.	.....	April 1, 1922	16 88		
Dom Textile Co. Ltd..	below Cote St. Paul.. Locks.	.....	Draw water—supply pipe.	May 1, 1923	180 00		

Dom. Textile Co. Ltd.	above C.N.R. Bridge			Discharge pipe	May	1, 1923	52 50
Dom. Textile Co. Ltd.	near Cote St. Paul Bridge.	1,627	sq. ft.		May	1, 1926	40 69
Champlain Oil Products.	W. side, N. Lock 2	1,350	sq. ft.		April	1, 1930	281 25
Dom. Bridge Co.	below Lock 5	78,050	sq. ft.		April	1, 1933	2,051 25
Dom. Textile Co.	N. Bank			Draw water—6" pipe	May	1, 1935	100 00
Dupuis, J. P. Ltd.	E. Cote St. Paul Br.	6,400	sq. ft.		May	1, 1941	240 00
Daigle & Paul Ltd.	E. Cote St. Paul Br.	22,235	sq. ft.		April	15, 1941	555 88
Dom. Bridge Co.	N. bank Lachine	17,380	sq. ft.		Nov.	1, 1941	434 50
Dom. Bridge Co.	N. bank Lachine	22,860	sq. ft.		Nov.	1, 1941	571 50
Quebec United Coasters	near Lock 1	4,026	sq. ft.		April	1, 1945	331 95
Guaranty Trust	E. side Basin 2	41,803·7	sq. ft.		May	1, 1944	
Dom. Bridge Co.	N. bank Lachine	21,375	sq. ft.		April	1, 1946	534 28
Denaro Salvatore	N. bank near St. Gab. Locks.	500	sq. ft.	Restaurant	Nov.	1, 1946	60 00
Daigle Lumber Co.	near Charlevoix St. N. bank.	14,550	sq. ft.		Oct.	1, 1946	730 00
Daigle & Paul Ltd.	S. bank opposite Monk Blvd.	8,400	sq. ft.		Mar.	15, 1947	210 00
Daigle & Paul Ltd.	above Cote St. Paul Bridge.	3,700	sq. ft.	Storing lumber	Nov.	1, 1947	92 50
Dominion Coal Co.	near Ropery St.			Draw water by 3" hose	June	1, 1949	30 00
Esplin, Ltd., G. & J.	St. Gabriel Basin No. 4.	23,467 and 22,000	sq. ft.	Lumber storage			1,375 00
Esplin, Ltd., G. & J.	St. Gabriel Basin No. 4.	24,000	sq. ft.		Aug.	1, 1944	1,500 00
Fox, T. M.	above Cote St. Paul Bridge.			2" pipe and draw water	Jan.	1, 1907	30 00
Foundation Co. of Can. Ltd.	in Lachine	1,200	sq. ft.		Aug.	6, 1933	30 00
H. Feldman Realty & Investment Corp.	E. side Mill Street	7,919	sq. ft.	for building site	Aug.	1, 1944	395 98
Food Colours Ltd.	above Cote St. Paul Br.	5,773	sq. ft.	Railway siding	Jan.	1, 1948	72 16
Grier, G. A.	near Grier Basin	4,937	sq. ft.		May	18, 1927	840 00
Coldwater, Adolph	N. bank, Town Lachine.	1,046	sq. ft.		Oct.	1, 1909	26 15
Mallinckrodt Chemical Works Limited.			8"	pipe and draw water	Oct.	1, 1912	750 00
Grier, G. A. & Sons Ltd.	Montreal	23,280	sq. ft.	Loading and unloading vessels.	May	1, 1948	700 00
Germain, L. D.	in part of lot 1013	6,750	sq. ft.	Building purposes	May	1, 1949	190 00
Hodgson, John C. & Chas.	above C.N.R. Bridge			10" pipe and draw water.	Jan.	1, 1899	360 00
Rochester & Pittsburg Coal Co.	S.E. side Wellington Basin.	72,505 and 38,867	sq. ft.		June	1, 1907	6,960 75
Herbert Lumber Reg'd	E. of C.N.R. Swing Bridge.	4,800	sq. ft.		July	1, 1947	240 00

DEPARTMENT OF TRANSPORT—LACHINE CANAL—*Continued*

INDEX OF LEASED PROPERTY—*Continued*

Lessee	Location	Area	Utilization	Effective Date	Annual Rental	Appraised Value	Remarks
					$ cts.		
Can. Steamship Lines..	N. side Basin 1.....	34,802 sq. ft.	.....	July 1, 1908	2,610 15		
Can. Steamship Lines..	N. side N. Lock 1.....	9,510 sq. ft.	.....	May 1, 1911	713 25		
Imperial Oil Ltd.....	near C.N.R. Bridge...	.....	Oil and gas lines.....	June 1, 1940	50 75		
Imperial Oil Ltd.....	E. bank above C.N.R. Bridge.	1,840 sq. ft.	.....	Jan. 1, 1942	46 00		
Can. Packing Co. Ltd..	Wellington Basin.....	.....	14" pipe and draw water.	July 1, 1901	1,050 00		
Lalonde, Phil.....	near Cote St. Paul Br. N. side.	16,500 sq. ft.	.....	Jan. 1, 1935	60 00		
Levasseur, Roland.....	above Lock 3.....	.....	Wood yard.....	April 1, 1946	602 80		
Lahaye Inc.....	E. side Mill St.....	33,880·99 sq. ft.	Temp. bldg.....	.....	1,694 00		
Gen. Soya Products....	.....	30,250 sq. ft.	2-14" and 1-20" pipe.....	May 1, 1948	300 00		
Montreal Gas Co.....	Basin No. 1.....	.....	4" pipe—draw water...	Dec. 1, 1892	100 00		
Steel Co. of Canada....	below Brewster Br. Island 5.	.....	.....	June 30, 1943	1887 00		
Wilsil Limited.....	Oak St.....	.....	Pipes and draw water.	June 1, 1902	360 00		
Montreal L. H. & P. Co.	above Cote St. Paul Bridge.	.....	Pipe and draw water..	April 1, 1913	1,080 00		
Montreal L. H. & P. Co.	above Cote St. Paul Bridge.	.....	Coal handling plant...	June 1, 1913	11 25		
Montreal Tramways Co.	on North bank.....	224,796 sq. ft.	.....	Mar. 1, 1917	3,016 38		
Montreal L. H. & P. Consol.	W. of Cote St. Paul Bridge.	138·72 sq. ft.	.....	May 1, 1921	6 25		
Steel Co. of Canada....	near Brewster Bridge.	var. parcels.	.....	May 1, 1922	1,313 25		
Mount Royal Metal Co.	Oak and Mill Streets..	315 sq. ft.	.....	Aug. 1, 1927	15 75		
Mount Royal Metal Co.	Oak and Mill Streets..	5,400 sq. ft.	.....	Nov 1, 1932	270 00		
Montreal Coke & Mfg. Co.	S. bank, Town La-Salle.	700 sq. ft.	.....	July 14, 1936	28 50		
Montreal Tramways Co.	N. G. Ward.....	6,672 sq. ft.	.....	June 1, 1931	83 40		
Mount Royal Metal Co.	W. side Mill St.....	450 sq. ft.	.....	Sept. 15, 1937	22 50		
Maple Leaf Milling Co..	S. side Wellington Basin.	41,910 sq. ft.	.....	Feb. 8, 1940	2,778 80		
Mussens Ltd.....	N. end of Basin 4.....	.....	Flour shed.....	Feb. 1, 1942	150 00		
Maple Leaf Milling Co.	Wellington Basin.....	11,100 sq. ft.	Feed plant and store-house.	May 1, 1942	693 75		
Montreal Lumber Co. Ltd.	St. Gabriel Basin 4...	6,370 and 24,906·25 sq. ft.	Lumber storage.....	.....	.....		

Mount Royal Metal Co.	N. side Oak Street	1,739 sq. ft.	Extension to shed 2	Aug. 15, 1942	86	95
Montreal Dry Docks	8352 sq. ft. Mill Street	8,352 sq. ft.		May 1, 1943	417	60
Mount Royal Metal Co.	Mill Street	2,350 sq. ft.		Aug. 1, 1944	117	50
Montreal Tramways Co.	Autobus Park, Lot 964	4,177·26 sq. ft.		Dec. 15, 1942	104	43
Murphy Paint Co, Ltd.	near Br. 5 Atwater	5,166·82 sq. ft.		May 1, 1944	258	34
Montreal Coke & Mfg. Co.	in Ville LaSalle	765 sq. ft.		Apr. 1, 1945	10	00
Monsanto (Can) Ltd.	in Ville LaSalle	765 sq. ft.		Apr. 1, 1945	10	00
Marine Agencies Reg'd.	Common St.	8,099 sq. ft.	Storage space	Mar. 15, 1946	607	42
Montreal Lumber Co. Ltd.	St. Gabriel Basin 4	8,000 sq. ft.		June 1, 1946	500	00
Montreal Dual Mixed Concrete Co.	north bank	4,961·4 sq. ft.		May 1,1945	281	25
Monsanto (Can) Ltd.	rly. siding on S. bank			July 1,1946	40	00
Montreal Shipping Co.	Basin 2 near Common St.	4,760 sq. ft.			1,200	00
Mount Royal Metal Co.	N. side Oak St.	8,600 sq. ft.		Feb. 1, 1947	642	50
Montship Lines Ltd.	Basin 2 of Common St.	4,765 sq. ft.		Apr. 1, 1948	357	00
Montreal Dry Docks Ltd.	Basin No. 2	150,803 sq. ft.		Feb. 1, 1945	10,600	00
Ogilvie Flour Mills Co.	Mill Street, Lots 12, 13, 14.			Jan. 1, 1923	4,957	50
Ogilvie Flour Mills Co.	Mill Street, Lots 18 and 19.			Jan. 1, 1923	4,350	00
Ogilvie Flour Mills Co.	Mill Street	1,475·76 sq. ft.	Marine legs, steam pipes and conveyors	Mar. 18, 1924	188	46
O'Reilly, Geo.	N. side St. Gabriel Basin 2.	1,250 sq. ft.		Feb. 15, 1941	118	75
Ogilvie Flour Mills Co.	both sides Mill St.	100,527·65 sq. ft.		Jan. 1, 1941	5,446	38
Page-Hersey Tubes Ltd.	N. side near C.N.R. Bridge.	1,885 sq. ft.		May 1, 1921	94	25
Prefontaine & Co. T.	near Brewster Bridge		Pipe and draw water	May 1, 1922	60	00
Prefontaine & Co. T.	near Charlevoix St.	6,750 sq. ft.		May 1, 1935	337	50
Peacock Bros. Ltd.	S. bank near Rockfield Br.		4" disch. pipe and rubble pit.	Nov. 1, 1942	30	00
Que. & Ont. Transpt'n. Co.	W. side Wellington Basin.	31,210 sq. ft.		Apr. 1, 1946	1,950	68
Rutherford & Sons Ltd.	below Atwater Ave. Br.		Pipe and draw water	May 1, 1906	150	00
Simmonds Ltd.	near Decourcelles St.	3,520 sq. ft.	Erect coal-handling plant.	Mar. 1, 1931	132	00
Rochester-Pittsburg Coal.	near Wellington Basin.	51,450 sq. ft.		Oct. 15, 1933	3,215	63
Rochester-Pittsburg Coal.	near Wellington Basin S. side.	6,120 sq. ft.	Coal storage	June 1, 1939	382	50
Robin Hood Flour Mills	W. side Wellington Basin.	21,008 sq. ft.	Warehouse site	Jan. 1, 1940	1,364	44
Roy, J. Aime	E. side, South Lock 2	612 sq. ft.	Refreshment booth	May 1, 1943	100	00

DEPARTMENT OF TRANSPORT—LACHINE CANAL—*Concluded*

INDEX OF LEASED PROPERTY—*Concluded*

Lessee	Location	Area	Utilization	Effective Date	Annual Rental	Appraised Value	Remarks
					$ cts.		
Rail & Water Terminal.	Basin No. 2		Occupy sheds 4 and 5.	Apr. 12, 1948	2,744 98		
Ross Engineering Co...	Ville La Salle, S. bank, Lot 962.			May 1, 1949	32 00		
Rail & Water Terminal.	near Wellington St. swing bridge.			Oct. 1, 1949	150 00		
Std. Chemical Co. Toronto.	below Cote St. Paul Locks.		Pipe and draw water.	Jan. 1, 1906	210 00		
Sherwin-Williams Co. Ltd.	near Atwater Ave. Bridge.		6" pipe and draw water	April 1, 1910	210 00		
St. Lawrence Flour Mills.	on Griers Wharf		Marine leg	Jan. 1, 1911	20 00		
St. Lawrence Flour Mills.	Griers Basin		Pipe and draw water..	April 1, 1911	150 00		
St. Paul Land & Hyd. Co.	at Cote St. Paul Locks		Surplus water	May 1, 1915	2,000 00		
Steel Co. of Canada....	N. side, below Cote St. Paul Locks.	4,000 sq. ft.		Mar. 1, 1921	151 00		
Steel Co. of Canada....	N. side, below Cote St. Paul Locks.	1,230 sq. ft.		June 1, 1925	46 13		
Steel Co. of Canada....	N. side near Cantins Dry Dock.	13,250 sq. ft.		Jan. 1, 1929	397 50		
Steel Co. of Canada....	S. side Lachine Canal	12,040 sq. ft.		Mar. 1, 1931	301 00		
Steel Co. of Canada....	Near Charlevoix St...	300 sq. ft.		Sept. 1, 1931	11 25		
Simmons Ltd.	N. side Canal		Pipe and draw water..	May 1, 1933	100 00		
Supertest Petroleum	S. side above Cote St. Paul Br.		3 pipe lines	Aug. 1, 1933	21 00		
Steel Co. of Canada Ltd.			2-12" mains and 1-24" main and draw water.	May 1, 1938	1,110 00		
Selig, I. I.	W. of Atwater Ave., N. Bank.	20,583 sq. ft.		Nov. 15, 1939	1,029 15		
Selig, I. I.	S. bank, W. Atwater Bridge.	4,675		July 15, 1946	233 75		
Sherwin-Williams Co..	South side canal		build railway siding..	July 15, 1946	33 75		
Soumis, E. W.	at Basin No. 2	200 sq. ft.		June 1, 1947	50 00		
St. Lawrence Gulf Navigation Co.	foot of Duke St.	8,520 sq. ft.		May 1, 1948	613 50		
Steel Co. of Canada....	near Brewster Bridge.		16" supply pipe	April 1, 1948	150 00		
Sheedo Construction Co.	above Lock 3, South bank.	17,528 sq. ft.		Sept. 1, 1949	875 00		

Thomson-Gingras Lbr. Co.	W. of Charlevoix Br.	10,000 sq. ft.	.....	Aug. 16, 1943	500 00
Tutino, Julio	Montreal	1,313·8 sq. ft.	refreshment booth	Apr. 1, 1945	90 69
Vibra-Lite (Eastern) Ltd.	E. Side Wellington St.	.....	Electric sign	Dec. 1, 1937	100 00
Vocisano, Dominique	S. bank below Charlevoix St. Br.	5,440 sq. ft.	.....	July, 1 1923	
Walker & Co. J. R., Ltd.	near Flour Basin No. 4	.....	1" pipe and draw water	May 1, 1923	10 00
Williams-Thomas Ltd.	at Lachine, Basin No. 2	.....	Advertising signs	May 1, 1926	75 00
Williams-Thomas Ltd.	at Lachine	.....	Advertising sign	July 1, 1925	25 50
Wilsil Ltd	Oak St.	.....	As warehouse	Nov. 11, 1936	234 00

DEPARTMENT OF TRANSPORT—CANAL SERVICES

PROPERTY SALES SINCE MARCH 31ST, 1948.

Location	Purchaser	Consideration	O.C. No.	Date	Area	Utilization
		$ cts.				
Briggs Island (Rideau Lake)	W. B. Weston	250 00	1831	April 27, 1948	1 acre	Cottage.
Coboconk Village Ontario	Clarke G. Benson	25 00	2005	May 6, 1948	0·22 acre	
Dunnville, Ont.	Whitney Root	200 00	5450	Nov. 26, 1948	3,188 sq. ft.	
Dunnville, Ont.	Mrs. Eileen Walker	100 00	3176	June 29, 1949	1,850 sq. ft.	
Dunnville, Ont.	JW. & LI. Wiederick	88 00	3176	June 29, 1949	1,767 sq. ft.	Industrial.
Dunnville, Ont.	W. R. Jackson	90 00	3176	June 29, 1949	1,799 sq. ft.	
Dunnville, Ont.	Thomas J. Griggs	641 48	6504	Dec. 29, 1949	·202 acre	Industrial.
Dunnville, Ont.	H. B. E. Anger	63 00	6504	.....	2,100 sq. ft.	Industrial.
Grantham Township	Joseph M. Deluca	2,000 00	435	Feb. 6, 1948	8·76 acres	
Grantham Township	County of Lincoln	.....	1347	April , 1947	2·66 acres	Road Diversion.
Grantham Township	Harry Mihowich	117 61	1832	April 27, 1948	0·567 acres	
Grantham Township	CNR Co. for Niagara St. and T. Rly.	300 00	879	Aug. 31, 1948	1,649 acres	Railway Purposes.
Grantham Township	Ziraldo Bros.	4,000 00	534	Feb. 4, 1948	11·4 acres	Fruit Farming.
Grantham Township	Kasper & Maria Mierzwa	100 00	5274	Oct. 18, 1949	6,524 sq. ft.	
Merritton, Ont.	Vera Pearl McFall and Wm. McFall	650 00	1652	Apr. 16, 1948	1·07	By tender.
Merritton, Ont.	Town of Merritton	1 00	4808	Oct. 22, 1948		Road Development.
Merritton, Ont.	Interlake Tissue Mills Co. Ltd.	49,000 00	4531	Oct. 7, 1948	5·48 acres	Industrial.
Morrison, Ont.	Township of Morrison	1 00	3973	Oct. 1, 1947	6·62 acres	Road Development.
Merritton, Ont.	Wm. and Mary Newell	400 00	1487	Mar. 20, 1949	1·03 acres	Residential.
Merritton, Ont.	Boyle	450 00	2712	June 2, 1949	0·17 acres	Industrial.
St. Ignace de Coteau du Lac	Municipality	1 00	1811	Apr. 22, 1948	3,439·6 sq. ft.	For opening street.
St. Catharines, Ont.	Mrs. Elizabeth MacDonald	60 00	889	Feb. 24, 1949	0·08 acre	Home site.
St. Cecile, Co. B. P.Q.	C.N.R. Co.	100 00	3854	Aug. 31, 1948	153,415 sq. ft.	C.N.R.
St. Catharines, Ont.	City of St. Catharines	1 00	2188	May 9, 1949	1·87 acres	Municipal purposes.
Thorold, Ont.	Provincial Paper Co.	800 00	1087	Mar. 16, 1948	0·80 acre	Industrial.
Thorold, Ont.	W.A. Hunt and O. R. Stedman	35 00	663	Feb. 15, 1949	417 sq. ft.	
Thorold, Ont.	Twp. of Thorold	1 00	1499	Mar. 24, 1950	9·3 acres	Municipal purposes.
Welland, Ont.	Archie Shively	100 00	2605	June 10, 1948	2·06 acres	Farming.
Welland, Ont.	Twp. School No. 2, Pelham	1 00	2001	May 5, 1948	·61 acre	Twp. School Area No. 2.
Welland, Ont.	Ont. Constn. Co.	1,150 00	411	Jan. 31, 1950	5·02 acres	Industrial.

PROPERTY RECORD

Location	Cost Value			Area	Purpose	Remarks
	Land	Buildings	Total			
Annapolis, Nova Scotia				·016 acre	Lighthouse Tower	
Annapolis, Nova Scotia				·025 acre	Lighthouse Tower	
Annapolis, Nova Scotia				·045 acre	Lighthouse Tower	
Annapolis, N.S.				·219 acre	Lighthouse Tower	
Annapolis, N.S.				1 acre	Lighthouse Tower	
Anse aux Canards, Bonaventure, P.Q.					Lighthouse	
Anse aux Vallon, Co. Gaspe, Quebec					Front Light	
Anse aux Vallon, Co. Gaspe, Que					Back Light	
L'Anse a Brillant, Co. Bonaventure, Que.					Lighthouse	
Parish of Argyle, Yarmouth Co., Nova Scotia.				·5 acre	Lighthouse Tower	
Parish of Argyle, Yarmouth Co., N.S.				Approx. 9 acres	Residence and Tower combined, Boat House and Store House.	
Parish of Argyle, Yarmouth Co., N.S.				·37 acre	Lighthouse Tower and Residence combined, Storehouse, Wharf and Shed.	
Parish of Argyle, Yarmouth Co., N.S.				3·5 acres (Island).	Lighthouse Tower and Residence combined, Breakwater, Oil Shed and Barn.	
Parish of Argyle, Yarmouth Co., N.S.				5–6 acres (½ of Island).	Lighthouse Tower and Residence combined, Breakwater, Boat House and Oil Shed.	
Annapolis, N.S.				·252 acre	Lighthouse Tower	
Annapolis, N.S.				·092 acre	Fog Bell House and Oil Shed	
Parish of Argyle, Yarmouth Co., N.S.				120 acres (South end of Island).	Lighthouse Tower, Fog-Alarm, Radio Station, Slipway, Dwellings, etc.	
Parish of Argyle, Yarmouth Co., N.S.				12·5 acres (All of Big Fish Island).	Combined Residence and Light	
Antigonish Co., N.S.				2 acres	Lighthouse Tower, Dwelling, Barn, Oilhouse. (Cape George, N.S.)	
Havre Boucher Back, Antigonish Co., N.S.				Lot 60 sq. ft.	Lighthouse Tower	
Havre Boucher Front, Antigonish Co., N.S.				Lot 60 sq. ft.	Lighthouse Tower.	
North Canso, Antigonish County, Nova Scotia.				5 acres	Combined Light and Dwelling, Barn, Oilshed.	
Pomquet Island, Antigonish County, Nova Scotia.				26 acres	Combined Light and Dwelling, Oilhouse, Storehouse, Barn.	

DEPARTMENT OF TRANSPORT/MARINE SERVICES—*Continued*

PROPERTY RECORD—*Continued*

Location	Cost Value			Area	Purpose	Remarks
	Land	Buildings	Total			
Bamfield, British Columbia				1·933 acres	Lifeboat Site	
Pachena Pt. British Columbia				Approx. 50 acres	Lighthouse Site	
Cape Beale, Barclay District, B.C.				160 acres	Lighthouse	
Beaver Pt., Halifax County, N.S.				19 acres	Beaver Harbour Light	
Betty Island, Halifax County, N.S.				1 acre	Light Station	
Halifax Harbour, Halifax County, N.S.				57 acres	Chabucto Head Light and F.A. Station.	
Dover Island, Halifax County, N.S.				1½ acres	Dover Light	
Egg Island, Halifax County, N.S.				1 acre	Light Station	
Devil Island, Halifax County N.S.				10 acres	Range Lights	
George Island, N.S., (Halifax Harbour)					Light and F.A. Station	
Hants-West, Hants County, N.S.				3 acres	Mast and Shed	
Hants-West, Hants County, N.S.				5 acres	Lighthouse Tower, Dwelling and Oil Shed.	
Hants-West, Hants County, N.S.				·7715 acre	Lighthouse Tower	
Hants-West, Hants County, N.S.				·015 acre	Mast and Shed	
Hants-West, Hants County, N.S.				1·75 acres	Lighthouse Tower	
Harbour Island, Halifax County, N.S.				·287 acres	Lighthouse and Dwelling Combined	
Harvey Parish, Albert County, N.B.				6·5 acres	Residence, Fog-Alarm, Lighthouse Tower, etc.	
Harvey Parish, Albert County, N.B.				3 acres	Residence, Fog-Alarm and Lighthouse	
Harvey Parish, Albert County, New Brunswick. (Grindstone Island)				3 acres	Residence, Fog-Alarm and Lighthouse	
Herring Cove, Halifax Harbour, Halifax Co. N.S.				·056 acre	Light	
Indian Harbour, St. Margaret Bay, Halifax Co., N.S.				½ acre	Light	
Inner Sambro Island, Halifax Co., N.S.				7·5 acres	Light	
Jeddore Harbour, N.S.				7 acres	Lighthouse and Dwelling Combined.	
Jeddore Harbour, N.S.				2,400 sq. ft.	Range Lights	
Kent Island, Halifax Co., N.S.				2,500 sq. ft.	Range Light (Inner)	
Ketch Harbour, Halifax, Co., N.S.				1 acre	Harbour Light	
Owls Head Lighthouse, Halifax, Co., N.S.				650 sq. ft.	Lighthouse and Dwelling	
Cambridge Parish, Queens Co., New Brunswick				·56	Lighthouse Tower	
Cambridge Parish, Queens Parish Co., New Brunswick				·086 acre	Mast and Crib	
Cambridge Parish, Queens Co., New Brunswick				1 acre	Lighthouse Tower	

Campobello Parish, Charlotte Co., New Brunswick				1 acre	Residence, Fog-Alarm, Lighthouse Buildings and Piers.
Campobello Parish, Charlotte Co., New Brunswick				·556 acre	Lighthouse Tower
Hart Island, Canso Harbour, N.S.				3 acres	Harbour Light
Canso, N.S.				60 sq. ft.	Canso Front ad Back Range Lights
Cranberry Island, Canso, N.S.				6½ acres	Light and F.A. Station
Sydney Harbour, Cape Breton Co., N.S.				500 sq. ft.	Range Lights
Derby Point, Cape Breton Co., N.S.				1 acre	Light Station
Glace Cove, Glace Bay, Cape Breton Co. N.S.				1 lot 225 sq. ft. 1 lot 3,600 sq. ft.	Rangelights
Bryant's Landing, Brome County, Que.					Lighthouse
Baccard Point, Dist. Barrington, N.S.				4½ acres	Lightstation
Cape Sable, Barrington, N.S.				2 acres	Lighthouse
Bon Portage, Barrington, N.S.				5 acres	Lighthouse Tower and Residences, etc.
Stoddard Island, Shelburne County, Barrington, N.S.				·207 acre	Lighthouse
Cape Sable, Shelburne County, Barrington, N.S.				7 acres	Lighthouse, Fog Alarm and Residence
Batiscan, Champlain County, Que.					Back Lighthouse
Bear Island, N.S.				¼ acre	Lightstation
Beaver Island, N.S.				8 acres	Light and F.A. Station
Berens Island, B.C.				½ acre	Beacon
Beauharnois, Que.					Lighthouse
Beauharnois, Que.					Lighthouse
Beauharnois, Que.					Lighthouse
Gull Harbour, Bifrost, Manitoba				2 acres	Light, Steel Tower and Dwelling
Bonaventure Point, Que.					Lighthouse
Port Borden, P.E.I.					Back lighthouse
Port Borden, P.E.I.					Front Lighthouse
Cape Tormentine Pier, Co. Westmorland, N.B.					Back Lighthouse
Cape Tormentine, Pier, Co. Westmorland, N.B.					Back Lighthouse
Cape Tormentine, Co. Westmorland, N.B.					Front Lighthouse
Cape Tormentine, Co. Westmorland, N.B.					Back Lighthouse
Jourimain, Co. Westmorland, N.B.					Lighthouse, Dwelling and Barn
Shemogue, Westmorland Co., N.B.					Back Light
Shemogue, Westmorland Co., N.B.					Front Light
Burial Island, Dist. Cowichan, B.C.				½ acre	Beacon
Prp, pctp. Parish of Burton, N.B.				·028 acre	Lighthouse and Crib
Pope's Harbour, Halifax Co., N.S.				22,000 sq. ft.	Light
McNab Island, Halifax Harbour, Halifax Co., N.S.				1¼ acres	Light
Mauger Beach, Halifax Harbour, Halifax Co., N.S.					Light and F.A. Station
Shag Ledge, Halifax Co., N.S.				½ acre	Range Light (Outer)
Peggy Point, St. Margaret Bay, Halifax Co., N.S.				1 acre	Light

DEPARTMENT OF TRANSPORT/MARINE SERVICES—*Continued*

PROPERTY RECORD—*Continued*

Location	Cost Value			Area	Purpose	Remarks
	Land	Buildings	Total			
Pennant Cove, Halifax, Co., N.S.				¼ acre	Lighttower	
Sable Island, N.S.				Sand Bar	Light Station	
Sambro Island, Halifax Co., N.S.					Light and Fog-Alarm Station	None Arable.
Sambro Harbour, Halifax Co., N.S.				1/10 acre	Light	
Sauls Island, Near Shag Bay, Halifax Co., N.S.					Light	Rocky Island.
Church Point, Sheet Harbour, Halifax Co., N.S.				375 sq. ft.	Fixed Light	
Sheet Harbour, Halifax Co., N.S.				1,640 sq. ft.	Range Lights	
Watt Point, Sheet Harbour, Halifax Co., N.S.				300 sq. ft.	Light	
Sheet Rock Island, Halifax Co., N.S.					Lighthouse and Dwelling Combined	
Spry Bay, Spry Harbour, Halifax Co., N.S.					Range Lights	
Terence Bay, Halifax Co., N.S.				1½ acres	Light	
Croucher Island, St. Margaret Bay, Halifax, Co., N.S.				5 acres	Light	
Wolfe Pt., Ship Harbour, Halifax, Co., N.S.				50 acres	Light Station	
Ile Du Milieu, Parish Ile Dupas, Que.					Lighthouse (Front)	
Ile du Mileu, Parish Ile Dupas, Que.					Lighthouse (Back)	
Ingonish Island, N.S.				2 acres	Lightstation	
Balache Pt., Inverness, N.S.				60 sq. ft.	Light Tower	
Cape St. Lawrence, Inverness Co., N.S.				163 acres	Lightstation	
Caveau Point, Inverness, N.S.				25 sq. ft.	Lighthouse Tower (Back Light)	
Caveau Point, Inverness, N.S.				25 sq. ft.	Lighthouse Tower (Front Light)	
Clark Cove, Inverness Co., N.S.				2 lots, each 3,600 sq. ft.	Range Lights	
Friar's Hear, Inverness, N.S.				50 sq. ft.	Pole and Hut	
Margaree Harbour, Inverness, N.S.				60 sq. ft.	Lighthouse Tower (Front)	
Margaree Harbour, Inverness, N.S.				60 sq. ft.	Lighthouse Tower (Back)	
Margaree Island, Inverness, N.S.				100 acres	Combined Light and Dwelling, Oilhouse, Barn.	
Henry Island, Inverness, N.S.				10 acres	Lighthouse Tower, Dwelling, Boathouse, Barn, Oilhouse.	
Dartmouth, N.S.					Marine Depot	
Dartmouth, N.S.				4,800 s.f.	Back light	
Digby, N.S.				·5 acre	Residence, Boathouse and Tramway	
Bear River, Co. Digby, N.S.				2 acres	Lighthouse	
Digby, N.S.				10·17 acres	Lighthouse and Residence	
Gilbert Point, Co. Digby, N.S.				1 acre	Lighthouse and Residence	

Point Prim, Co. Digby, N.S.				11 acres	Lighthouse and Residence
Sissiboo, Co. Digby, N.S.				7 acres	Lighthouse
Digby, Island B.C.					Dwellings, Workshops, Office, Stores, etc.
Discovery Island, B.C.				4·32 acres	Lighthouse
Fort Folly, Co. Westmorland, N.B.				2·5 acres	Lighthouse
Douglastown Co. Bonaventure, Que.					Back Light
Marks Point, Co. Charlotte, N.B.				·06 acre	Lighthouse
Spruce Point, Co. Charlotte, N.B.				·5 acre	Lighthouse
Besserer Crossing, Hull Co., Que.					Back Lighthouse
Besserer Crossing, Hull Co., Que.					Front Lighthouse
Way Channel, Hull County, Que.					Front Lighthouse
Way Channel, Hull County, Que.					Back Lighthouse
Entrance Island, B.C.				10 acres	Lighthouse
Esquimalt, B.C.				1 acre	Lighthouse
Fame Point, Co. Gaspe, Que.					Lighthouse
Fiddle Reef, B.C.					Light
Esquimalt, B.C.					Lighthouse
Flint Island, N.S.					Light and F. A. Station
Fox River, Co. Gaspe, Que.					Back Light
Fox River, Co. Gaspe, Que.					Lighthouse
Fox River, Co. Gaspe, Que.					Front Light
Gagetown, Queens Co., N.B.					Back Light
Gallows Point, B.C.				·02 acre	Lighthouse
Amherst, Gaspe, Que.					Lighthouse
Etang Du Nord, Gaspe, Que.					Light, Dwelling, Oilshed
					Light Tower, Dwelling, Oilshed Storehouse
Byron Island, Gaspe, Que.					Light, Dwelling, Oilhouse, Stable
Bird Rock, Gaspe, Que.					Light
Gentilly, Nicolet County, Que.					Lighthouse
Shippegan, Co. Gloucester, N.B.					For Handling and Storage of Fish
Pokemouche, Co. Gloucester, N.B.					Light
Big Duck Island, Co. Gloucester, N.B.				2 acres	Residence and Fog Alarm Buildings
Gull Cove, Co. Gloucester, N.B.				·038 acre	Lighthouse
Grand Harbour, Co. Gloucester, N.B.				5·11 acres	Lighthouse and Residence
Little Wood Island, Co. Gloucester, N.B.				·924 acre	Life Saving Station, Residence and Wharf
Long Eddy, Co. Gloucester, N.B.				7 acres	Fog Alarm and Residence
Grand Manan, Co. Gloucester, N.B.				1,205 acres	Lighthouse and Residence
Swallowtail, Co. Gloucester, N.B.				5 acres	Lighthouse, Residence, Trestle Landing
Whitehead Island, Co. Gloucester, N.B.				5·5 acres	Residence and Fog Alarm
Grande Riviere, Co. Bonaventure, Que.					Lighthouse
Grande Riviere, Co. Bonaventure, Que.					Front Light
Grande Riviere, Co. Bonaventure, Que.					Back Light
Oak Point, Kings County, N.B.				2·19 acres	Lighthouse
Grenville, Co. Argenteuil, Que.					Back Light
Grief Point, B.C.					Beacon
Griffin Cove, Cap des Rosiers, County Gaspe, Que.					Front Light
Griffin Cove, Cap Des Rosiers, County Gaspe, Que.					Back Light

DEPARTMENT OF TRANSPORT/MARINE SERVICES—*Continued*

PROPERTY RECORD—*Continued*

Location	Cost Value			Area	Purpose	Remarks
	Land	Buildings	Total			
Grondines Point, Co. Portneuf, Que.					Lighthouse	
Grondines Point, Parish Grondines, Que.					Back Light	
Grondines, Co. Portneuf, Que.					Upper Front Lighthouse	
Grondines, Co. Portneuf, Que.					Upper Back Lighthouse	
Grondines, Que.					Signal-reporting Station	
Guion Island, N.S.					Lighthouse	
Cape Porcupine, Co. Guysboro, N.S.					Front Light	
Cape Porcupine, Co. Guysboro, N.S.					Back Light	
Guysboro Harbour, Dist. Guysboro, N.S.				10,000 sq. ft.	Light	
Queensport, Dist. Guysboro, N.S.				1 acre	Lightstation	
Cole Harbour, Dist. Guysboro, N.S.				2,000 sq. ft.	Pole Light	
Cole Harbour, Dist. Guysboro, N.S.				50 acres	Front and Back Range Lights	
Country Island, Dist. Guysboro, N.S.				non arable	Lightstation	
Chaplo Harbour, Dist. Guysboro, N.S.				2 lots each 3,600 sq. ft.	Front and Back Range Lights	
Eddy Point, Dist. Guysboro, N.S.				2 acres	Light and F. A. Station	
Isaac Harbour, Guysboro Co., N.S.				½ acre	Lightstation	
Point Enragee, Inverness, N.S.				2 acres	Combined Light and Dwelling, Shed, Boathouse, Fog Gun House.	
St. Patrick Channel, Inverness Co., N.S.				¼ acre	Lightstation	
Jersey Cove, Cap Des Rosière, Co. Gaspé, P.Q.					Front Light (Range)	
Jersey Cove, Cap Des Rosière, Co. Gaspé, P.Q.					Back Light (Range)	
Kaslo, B.C.				1 acre	Lighthouse	
Buctouche Bar, Kent Co., N.B.				30 sq. ft.	Lighthouse Tower and Dwelling, Oil-shed.	
Buctouche Bar, Kent Co., N.B.				30 sq. ft.	Lighthouse Tower. (Inner Front Light)	
Buctouche Bar, Kent Co., N.B.				30 sq. ft.	Lighthouse Tower. (Inner Back Light).	
Dixon Point, Kent Co., N.B.				30 sq. ft.	Lighthouse Tower. (Front Light)	
Dixon Point, Kent Co., N.B.				30 sq. ft.	Lighthouse Tower. (Back Light)	
Cassie Point, Kent Co., N.B.				30 sq. ft.	Combined Light and Dwelling, Oilshed.	
Cocagne, Kent Co., N.B.				30 sq. ft.	Pole and Hut	
Richibucto, Kent Co., N.B.				11,520 sq. ft.	Lighthouse Tower	
St. Louis Gully, Kent Co., N.B.					Range Lights, Oilhouse	
Annandale, King's Co., P.E.I.				40 sq. ft.	Front Lighthouse Tower	
Annandale, King's Co., P.E.I.				60 sq. ft.	Back Lighthouse Tower	
Cardigan River, King's Co., P.E.I.					Front Lighthouse, Pole Light on Public Wharf.	

Cardigan River, King's Co., P.E.I.				3 acres	Back Lighthouse	
Cape Bear, King's Co., P.E.I.				1 acre	Combined Light and Dwelling, Stable, Oilshed.	
East Point, King's Co., P.E.I.				3 acres	Lighthouse Tower, Dwelling, Fog Alarm Plant, Oilhouse.	
Georgetown, King's Co., P.E.I				100 sq. ft	Front Lighthouse Tower	
Georgetown, King's Co., P.E.I				40 sq. ft	Back Lighthouse Tower	
Kings, King's Co., N.S.				5 acres	Lighthouse Tower and Residence Combined, Oilshed, and Barn.	
King's, King's Co., N.S.				3·7 acres	Residence and Light Combined and Oil Shed.	
The Cedars, King's Co., N.B.				·57 acre	Lighthouse Tower	
Porter Point, King's, King's Co., N.S.				1·5 acres	Lighthouse Tower	
Shampier Wharf, King's Co., N.B.				·063 acre	Lighthouse Tower	
Murray Harbour, King's Co., P.E.I.				50 sq. ft.	Front Lighthouse Tower	
Murray Harbour, King's Co., P.E.I.				40 sq. ft.	Back Lighthouse Tower	
Panmure, King's Co., P.E.I				2 acres	Lighthouse Tower, Dwelling, Fog Alarm Plant, Oilhouse.	
Shipwreck Point, King's Co., P.E.I.				1 acre	Combined Tower and Dwelling, Oilshed	
Near Souris Public Wharf, King's Co., P.E.I.				9,900 sq. ft.	Used by the Provincial Fishermen's Loan Board.	(Water lot.)
Larry River, Dist. Guysboro, N.S.				2 acres	Light	
Liscomb, Dist. Guysboro, N.S.				5 acres	Lightstation	
Torbay, Dist. Guysboro, N.S.				30 acres	Light	
Park Point, Dist. Guysboro, N.S.				1/6 acre	Range Lights	
Port Felix, Dist. Guysboro, N.S.				55 acres	Lightstation	
Redman Head, Dist. Guysboro, N.S.				½ acre	Lightstation	
Three Top Island, Dist. Guysboro, N.S.				20 acres	Lightstation	
Whitehead Island, Dist. Guysboro, N.S.				64 acres	Light and F.A. Station	
St. John, Parish Lancaster, N.B.				½ acre	Lighthouse and Fog Bell	
St. John, Parish Lancaster, N.B.				70 acres	Lighthouse and Residence	
Tiner Point, Saint John, N.B.				47 acres	Fog Alarm and Residence	
Route Ignace, Lauzon, Levis, Que.					Marconi Radio Station	
Lavaltrie, Co. Berthier, Que.					Back Lighthouse	
Lavaltrie, Co. Berthier, Que.					Lighthouse (Front)	
Quai de Lavaltrie, Co. Berthier, Que.					Back Lighthouse	
Vieille Eglise, Leclercville, Co. Lotbinière, Que.					Front Lighthouse	
Ste. Emélie, Co. Lotbinière, Que.					Back Lighthouse	
Lennard Island, B.C.				13 acres	Lighthouse	
Limoilou, City Quebec, Que.				5·5 acres	Explosive Storage	
Wilmot Bluff, Co. Sunbury, N.B.				·038 acre	Lighthouse	
Lorignal, Co. Prescott, Ont.					Front Lighthouse	
Lorignal, Co. Prescott, Ont.					Back Lighthouse	
Battery Pt., Dist. Lunenburg, N.S.				2½ acres	Lightstation	
Cross Island, Dist. Lunenburg, N.S.				2 acres	Lightstation and Fog Alarm	
Hubbards Cove, Co. Lunenburg, N.S.				¼ acre		
Kaulbach Island, Dist. Lunenburg, N.S.				¼ acre	Lightstation	
La Have, Dist. Lunenburg, N.S.				¾ acre	Lightstation	
Mosher Island, Dist. Lunenburg, N.S.				2 acres		

DEPARTMENT OF TRANSPORT/MARINE SERVICES—*Continued*

PROPERTY RECORD—*Continued*

Location	Cost Value			Area	Purpose	Remarks
	Land	Buildings	Total			
Tanner Island, Dist. Lunenburg, N.S.					Lightstation	
Westhaver Island, Dist. Lunenburg, N.S.				6 acres	Lightstation	
West Tronbound Island, Dist. Lunenburg, N.S.				1 acre	Lightstation	
Near Souris Public Wharf, King's Co. P.E.I.				55 sq. ft.	Used by the Provincial Fishermen's Loan Board.	(Water lot).
Magog Wharf, Parish of Magog, Que.					Lighthouse	
Magog Wharf, Parish of Magog, Que.					Lighthouse	
Green Point, Magog Canton, Que.					Lighthouse	
Maquereau Pt. Bonaventure, P.Q.					Lighthouse	
Mayne Island, B.C.				4 acres	Lighthouse Site	
Mayne Island, B.C.					Fog Signal	
Melocheville, Parish of Melocheville, P.Q.					Lighthouse	
Merry Island, B.C.				6·48 acres	Lighthouse	
Bellerive, Montreal, Que.					Lighthouse	
Ile Ronde, Montreal, Que.					Lighthouse	
Ille Ste. Helene, Montreal, Que					Lighthouse	
Longue-Point, Montreal-Est, Que.					Lighthouse	
Longue-Pointe, Montreal, Que.					Lighthouse	
Tetreaultville, Montreal, Que.					Lighthouse	
Tetreaultville, Montreal, Que.					Lighthouse	
Chance Harbour, Saint John Co., N.B.				·77 acre	Lighthouse	
Lepreau, Saint John & Charlotte Co., N.B.				3·90 acres	Lighthouse and Fog Alarm Buildings and Residence.	
Pilot Bay, Nelson, B.C.				1 acre	Lighthouse	
Newport Point, Bonaventure, P.Q.					Lighthouse	
Nootka, B.C.					Lighthouse	
Greenly Island, P.Q.					Fog Alarm Building, Coalshed, Stable, Oilstore.	
Becancour, Nicolet Co., Que.					Lighthouse	
Ile Perrot, Vaudreuil Co., Que.					Lighthouse	
Race Rocks, B.C.				9 acres	Lighthouse	
Scarlet Pt., B.C., Prince Rupert Dist.				96 acres	Lighthouse	
Carmanah Pt., Dist. Renfrew, B.C.				158 acres	Lighthouse	
Sheringham Pt. Dist. Renfrew, B.C.				5·94 acres	Lighthouse	
Ile Lebel, L'Assomption Co., Que.					Front Lighthouse	
Ile Lebel, L'Assomption Co., Que.					Back Lighthouse	
Repentigny, L'Assomption Co., Que.					Front Lighthouse	
Repentigny, L'Assomption Co., Que.					Back Lighthouse	

Point Tupper, Richmond, N.S.				1 acre	Light, Dwelling, Oilhouse, Storehouse
Arichat, Co. Richmond, N.S.				4 acres	Light
West Arichat, C. Richmond, N.S.					Light
Beaver Island, Co. Richmond, N.S.				¼ acre	Light
Bourgeois Inlet, Co. Richmond, N.S.				625 sq. ft.	Lightstation
Cap Rond, Co. Richmond, N.S.				1 acre	Lightstation
Cape St. George, Co. Richmond, N.S.				38 acres	Lightstation
Crighton, Co. Richmond, N.S.				4,000 sq. ft.	Head Light
Gregory Island, Co. Richmond, N.S.				Island	Light
Dog Island, Co. Richmond, N.S.				½ acre	Lightstation
Fourchu Harbour, Co. Richmond, N.S.					Range Lights
Fourchu, Co. Richmond, N.S.				1 acre	Head Light
Grand Digue, Co. Richmond, N.S.				3,600 sq. ft.	Lightstation
Green Island, Co. Richmond, N.S.				7 acres	Light and F.A. Station
Jerome Point, Co. Richmond, N.S.				½ acre	Lightstation
Jerseyman Island, Co. Richmond, N.S.				6 acres	Light
Lower L'Ardoise, Co. Richmond, N.S.				2 lots each 3,600 sq. ft.	Range Lights
Marjorie Island, Co. Richmond, N.S.				½ acre	Light
Ouetique Island, Co. Richmond, N.S.				4 acres	Lightstation
Petitoegrat, Co. Richmond, N.S.				¼ acre	Lightstation
Poulamon, Co. Richmond, N.S.				½ acre	Light
Red Islands, Co. Richmond, N.S.				3 acres	Light
Rocky Bay, Co. Richmond, N.S.				2,700 sq. ft.	Storm Signal Station
Ship Point, Co. Richmond, N.S.				¼ acre	Light
Charlemagne, Parish Riviere des Prairies, Que.					Front lighthouse
Charlemagne, Parish Riviere des Prairies, Que.					Back Lighthouse
Bout de L'Ile Traverse, Parish of Rivière des Prairies, Que.					Front Lighthouse
Bout de L'Ile Traverse, Parish of Rivière des Prairies, Que.					Back Lighthouse
Kains Island, B.C.				25 acres	Lighthouse
Pt. Atkinson, West Vancouver District B.C.				185 acres	Lighthouse
Ile à L'Aigle, Richelieu-Verchères Co., Que.					Back Lighthouse
Ile à L'Aigle, Richelieu-Verchères Co., Que.					Front Lighthouse
Ile Deslauriers, Richelieu-Verchères Co., Que.					Back Lighthouse
Ile Deslauriers, Richelieu-Verchères Co., Que.					Front Lighthouse
Ile Ste. Thérèse, Richelieu-Verchères Co., Que.					Back Lighthouse (Upper Back)
Ile Ste. Thérèse, Richelieu-Verchères Co., Que.					Upper Front Lighthouse
Ile Ste. Thérèse, Richelieu-Verchères Co., Que.					Lower Back Lighthouse

DEPARTMENT OF TRANSPORT/MARINE SERVICES—*Continued*

PROPERTY RECORD—*Continued*

Location	Cost Value			Area	Purpose	Remarks
	Land	Buildings	Total			
Ile Ste. Thérèse, Richelieu-Verchères Co., Que.					Lower Front Lighthouse	
Village of Varennes, Richelieu-Verchères Co., Que.					Lighthouse	
Ile Bouchard, Verchères Co., Que					Back Lighthouse	
Verchères Village, Verchères Co., Que					Lighthouse (Front)	
Verchères Village, Verchères Co., Que					Lighthouse (Back)	
Verchères Traverse, Verchères Co., Que					Front Lighthouse	
Verchères Traverse, Verchères Co., Que					Back Lighthouse	
Ile Dupas, Co. of Berthier, Que					Front Lighthouse	
Ile Dupas, Co. of Berthier, Que					Back Lighthouse	
Champlain, Co. of Champlain, Que					Front Lighthouse (Old Site)	
Victoria Harbour, West Soughees Point				0·353 acre	Maintaining and Using Wharf at $225.00 per annum.	Water lot, leased to B.A. Oil.
Victoria Harbour, Lot D. and E, B.C.						Water lot, leased to B.C. Forest Products Ltd.
Victoria Harbour, Lot D. and E., B.C.						Water lot, leased to B.C. Forest Products Ltd.
Victoria Harbour, front of Lot 1295 and 1927, B.C.				1,437 sq. ft.	Site for Wharf at $15.00 per annum	Wharf site, leased to B.C. Fuel Co. (New McColl Frontenac).
Victoria Harbour, front of and adjoining Lot 1274, B.C.						Water lot, leased to B. W. Brown & Sons.
Ile Perrot, Vaudreuil Co., Que					Lighthouse	
Cap Santé, Portneuf Co., Que					Lighthouse	
Portneuf, Que					Dwelling and Lighthouse	
Portneuf, Que					Lighthouse	
Bay Du Vin Island, Northumberland Co., N.B.					Light Tower, Shelter Shed	
Bay Du Vin Island, Northumberland Co., N.B.					Light Tower	
Escuminac Point, Northumberland Co., N. B.					Lighttower, Dwelling, Fog Alarm Plant, Barn, Coalshed.	
Escuminac, Northumberland Co., N.B.					Pole Light	
Fox Island, Northumberland Co., N.B.					Two Lighthouse Towers, Dwellings	
Fox Island, Northumberland Co., N.B.					Steal Tower, Cottage, Oilshed, 2 Poles and Huts.	

Goodfellow Bar, Northumberland Co., New Brunswick.					Pole Light and Shelter Shed
Grandoon Flats, Northumberland Co., N.B.					Combined Light and Dwelling, Oil-house.
Grandoon Flats, Northumberland Co., N.B.					Light Tower, Boathouse
Grant Beach, Northumberland, N.B.				1,600 sq. ft.	Light Tower
Grant Beach, Northumberland Co., N.B.				1,600 sq. ft.	Light Tower
Legget Shoal, Northumberland Co., N.B.					Pole Light
Oak Point, Northumberland Co., N.B.					Light Tower
Oak Point, Northumberland Co., N.B.					Light Tower
Lower Neguac Wharf, Northumberland Co., N.B.				2,500 sq. ft.	Light Tower
Lower Neguac Wharf, Northumberland Co., N.B.				2,500 sq. ft.	Light Tower. (Back)
Preston Beach, Northumberland Co., N.B.					Light Tower. (Back)
Preston Beach, Northumberland Co., N.B.					Lighthouse Tower (Front)
Sheldrake Island, Northumberland Co., N.B.					Light Tower (Back)
Sheldrake Island, Northumberland Co., N.B.					Light Tower (Front), Cottage
St. Andrew Bank, Northumberland Co., N.B.					Pole Light, Back Light
St. Andrew Bank, Northumberland Co., N.B.					Pole Light and Shed. Front Light
Oak Point, Bonaventure, P.Q.				2,500 sq. ft.	Back Light (Range)
Oak Point, Bonaventure, P.Q.				2,500 sq. ft.	Front (Range)
Oka Point, Parish of L'Annonciation d'Oka Quebec					Lighthouse
Owls Head, Halifax Co., N.S.				49 acres	Combined Light and Dwelling, Wood
Flat Point, Cape Breton Co., N.S.				10 acres	Light and Fog Alarm Station
Gabarus, Cape Breton Co., N.S.				¼ acre	Light
Little Lorraine, Cape Breton Co., N.S.				50 acres	Light
Louisburg, Cape Breton Co., N.S.				½ acre	Light and Fog Alarm Station
Louisburg, Cape Breton Co., N.S.				2 Lots 2,500 sq. ft. each	Range Lights
Mainadieu, Cape Breton Co., N.S.				16 acres	Combined Light and Dwelling
Point Clear, Cape Breton, Co., N.S.				11,500 sq. ft.	Light
Rocheford Point, Cape Breton Co., N.S.				2 Lots 2,500 sq. ft. each	Range Lights
Scatari, Cape Breton Co., N.S.				10 acres	
Sydney Bar, Cape Breton, N.S.				Sand Bar	Lightstation
Sydney, Cape Breton Co., N.S.				1 acre	Rangelights
Cap D'Espoir Co., Bonaventure, Quebec					Lighthouse
Cap De La Madeleine Village, Quebec					Lighthouse (Back)
Cap De La Madeleine Wharf, Champlain Co., Quebec.					Lighthouse (Back)
Cape Negro Island, N.S.				22 acres	Lightstation
Cadastre Parish, Cap Des Rosiers Co., Gaspe, P.Q.					Lighthouse

DEPARTMENT OF TRANSPORT/MARINE SERVICES—*Continued*

PROPERTY RECORD—*Continued*

Location	Cost Value			Area	Purpose	Remarks
	Land	Buildings	Total			
Cadastre Parish, Cap Des Rosiers Co., Gaspe, Quebec.					Lighthouse	
Baie Carillon, Carillon Parish, P.Q.					Lighthouse (Back)	
Baie Carillon, Carillon Parish, P.Q.					Lighthouse (Front)	
Carleton Canton, Bonaventure, P.Q.				3·93 acres	Lighthouse	
Chambly Bassin, Chambly Co., P.Q.					Lighthouse (Front)	
Chambly Bassin, Chambly Co., P.Q.					Lighthouse (Back)	
Chambly Canton, Chambly Co., P.Q.					Lighthouse (Front)	
Chambly Canton, Chambly Co., P.Q.					Lighthouse (Back)	
Champlain, Visitation de Champlain Parish P.Q.					Lighthouse (Upper front)	
Champlain, Visitation de Champlain Parish, P.Q.					Lighthouse (Upper back)	
Champlain, Champlain Parish, P.Q.					Lighthouse (Lower Front)	
Champlain, Visitation de Champlain, Parish, P.Q.					Lighthouse (Lower Back)	
Brighton, Charlottetown, P.E.I.					Lighthouse Tower (Front)	
Brighton, Charlottetown, P.E.I.				60 ft.sq.	Lighthouse Tower (Back)	
Charlottetown, P.E.I.					Wharf and Buildings	
Charlottetown, P.E.I.				1,14 acres	Site for Pump House	Leased by Maritime Electric Co. Charlottetown, P.E.I.–$15.00 P.A.
East Iron Bound Island, District of Chester, N.S.				1 acre	Lighttower, Dwelling Attached	
New Harbour, District of Chester, N.S.				1½ acres	Lightstation	
Feltzen, District of Chester, N.S.					South Pole Light	
Eastern Harbour, Cheticamp Village, N.S.					Lighthouse Tower	
Ciboux Island, N.S.				2·5 acres	Lightstation	
Brier Island, Digby Co., N.S.				5 acres	Lighthouse Tower, Fog-Alarm, 2 Residences, Sheds, etc.	
Cape St. Mary, Digby Co., N.S.				1·125 acres	Lighthouse Tower, Residence, Fog-Alarm, Barn and Oilshed.	
Church Point, Digby Co., N.S.				·6 acre	Lighthouse Tower and Residence Combined	
Grand Passage, Digby Co., N.S.				65 acres	Lighthouse Tower, Bell Tower and Stand, Residence, etc.	
Peter Island, Digby Co., N.S.				·5 acres	Lighthouse Tower, Residence, Oil Shed, Wood Shed and Boathouse.	

Clayoquot, B.C.						Clayoquot Lifeboat Service	
Clayoquot, B.C. (Amphitrite Pt.)					10·8 acres	Lighthouse	
Victoria Harbour, fronting Lot 127 B.C.					0·24 acre	Building and Repairing at $40.00 per annum.	Water lot, leased to Burns & Co. Ltd.
Victoria Harbour, B.C.					0·27 acre	Unloading Coal at $100.00 per annum	Leased to Edward Le Bus.
Victoria Harbour, Selkirk Waters, B.C.							Water lots, leased to C.N.R.
Victoria Harbour, fronting City Lots Nos. 890A, to 893A (incl.), 502A to 505A (incl.) and 539A to 541 (incl.) James Bay, B.C.							Leased to Canadian Pacific Railways
Victoria Harbour, 1 at St. John N. and Menzies St., and 1 between Pendray and Oswego Sts., B.C.							Leased to C.P.R.
6 lots and 8 water lots fronting Oswego, Menzies and Pendray Sts., Victoria Harbour, B.C.							Leased to C.P.R.
Victoria Harbour, abutting on lots 137, 138, 216, 217, 218, 219, 220, 222 and 1364, B.C.					0·46 acre	Use of Wharf at $230 per annum	Leased to Canadian Puget Sound Lumber & Timber Co.
Victoria Harbour, abutting on Lots 134, 135, 136, B.C.					4·26 acres	Shingle Mill and Dry Kiln at $425.00 per annum.	Leased to Canadian Puget Sound Lumber & Timber Co.
Victoria Harbour, 3 lots in bed of Portage Inlet, B.C.							Leased to Dalziel Box Co.
Victoria Harbour, lot 7 in bed of Portage Inlet, B.C.							Leased to Dalziel Box Co.
Victoria Harbour, portion lots 1, 2 and 3, Portage Inlet, B.C.							Leased to Dalziel Box Co.
Victoria Harbour, Portage Inlet, B.C.							Leased to Dalziel Box Co.
Victoria Harbour, Esquimalt Dist. B.C.					4·32 acres	Lights	
Victoria Harbour, between Lots 1284 and 5, B.C.					2·02 acres	Construction at $750.00 per annum	Leased to Joseph Falconer Ltd.
Victoria Harbour, Huron St., B.C.					0·34 acre	Extension of wharf at $20.00 per annum.	Leased to Home Oil Distributors Limited.
Victoria Harbour, adjoining 30 B. Farm, B.C.						Pipe Line privileges at $10.00 per annum and Gallonage.	Leased to Home Oil Distributors Limited
Victoria Harbour, B.C.						Pipe Line privileges at $10.00 per annum and Gallonage.	Leased to Imperial Oil Ltd.
Victoria Harbour, B.C.					0·52 acre	Dock Facilities at $75.00 per annum	Leased to Island Tug and Barge Limited
Victoria Harbour, adjoining Lots 109, 110 and 111, B.C.					0·15 acre	Site for wharf at $60.00 per annum	Leased to Kelly, Douglas Ltd.
Victoria Harbour, Lot 13 and 14, B.C.							Leased to Kingham-Gillespie Coal Co.
Victoria Harbour, front of lots 116, 131 and 132, Parcel A of Lot 133, B.C.					1·003 acres	Wharf and Storage at $200.00 per annum	Leased to Manning Lumber Mills Ltd.

DEPARTMENT OF TRANSPORT/MARINE SERVICES—*Continued*

PROPERTY RECORD—*Continued*

Location	Cost Value			Area	Purpose	Remarks
	Land	Buildings	Total			
Victoria Harbour, fronting Lot 6 and lots 2, 3 and 4, B.C.				0·244 acre	Site for saw mill at $15.00 per annum	Leased to Moore-Whittington Limited.
Ogden Point, Victoria, B.C.					Lighthouse and Fog Alarm	
Victoria Harbour, Lot 9, B.C.				24181 s.f.	Marine railway & Slip at $75.00 per annum.	Leased to Point Hope Shipyards Limited.
Victoria Harbour, Selkirk Water Land						Leased to Selkirk Lumber Co.
Victoria Harbour, Lot 1, Sec. 4, B.C.				0·36 acre	Site for Wharf at $100.00 per annum	Leased to P. G. Sills
Victoria Harbour, West Bay, B.C.						Water lot, leased to Soceity of the Order of the Love of Jesus.
Victoria Harbour, Rem. of Lot 11 and Pt. Lot 11, B.C.				0·83 acre	Proposed Wharf at $155.00 per annum	Leased to Standard Oil Co.
Victoria Harbour, Rock Bay, B.C.						Leased to Taylor Mills Co. Ltd.
Victoria Harbour, Lots 5 and 6, B.C.				0·49 acre	Wharf for ferries at $800.00 per annum	Leased to Victoria Dock Co. Ltd.
Victoria Harbour, Rock Bay, B.C.				0·36 acre	Site for Wharf at $64.30 per annum	Leased to Victoria Gas Co. Ltd.
Victoria Harbour, Rock Bay, B.C.				0·12 acre	Water Cooling Tower at $50.00 per annum.	Leased to Victoria Gas Co. Ltd.
Victoria Harbour, south of Lots 4 and 5 B.C.				0·91 acre	Construction of vessels at $160.00 per annum.	Leased to Victoria Machinery Depot.
Victoria Harbour, front of Lots 17 and 18, all lot 17 and 18, B.C.				0·59 acre	Storing purposes at $52.00 per annum	Leased to Foster (Victoria Motor Boat and Repair Works).
Blackrock Point, Co. Victoria, N.S.				3 acres	Light Station	
Cape North, Co. Victoria, N.S.				68 acres	Light and Fog Alarm	
Great Bras D'Or, Co. Victoria, N.S.				¼ acre	Range Lights	
Ingonish Harbour, Co. Victoria, N.S.					Light	
S. Ingonish Harbour, Co. Victoria, N.S.					Light	
Iona, Co. Victoria, N.S.				½ acre	Light Station	
Gillis Point, Co. Victoria, N.S.				10 acres	Light Station	
Kidston, Island Co. Victoria, N.S.				3600 s.f.	Light Station	
Little Bras D'Or, Co. Victoria, N.S.				1 acre	Range Lights	
Little Narrows, Co. Victoria, N.S.					Light Station	
McKenzie Point, Co. Victoria, N.S.				1½ acres	Light Tower	
MacKinnon Harbour, Co. Victoria, N.S.					Light	

Man of War Point, Co. Victoria, N.S.				2500 s.f.	Light Tower
McNeil Beach, Co. Victoria, N.S.					Light
Munro Point, Co. Victoria, N.S.				½ acre	Light
Neil Harbour, Co. Victoria, N.S.				½ acre	Light
Otter Harbour, Co. Victoria, N.S.				2400 s.f.	Range Lights
St. Ann Harbour, Co. Victoria, N.S.					Light
White Point, Co. Victoria, N.S.				¼ acre	Light
Thrum Cap Is., Mary-Joseph Hbr. N.S.				½ acre	Light
Trial Island, B.C.				35 acres	Lighthouse
Estevan Pt., B.C.				83 acres	Lighthouse
Cloridorme Parish, Gaspe Co., Que.					Front Light (Range)
Cloridorme Parish, Gaspe Co., Que.					Back Light (Range)
Bass River, Colchester Co., N.S.				·057 acre	Lighthouse Tower
Five Islands, Colchester Co., N.S.				2·132 acres	Lighthouse Tower
Highland Village, Colchester Co., N.S.				1·41 acres	Mast and Shed
Portapique, Colchester Co., N.S.				·761 acre	Lighthouse Tower
Comox, B.C.				·10 acre	Range Lights
Contrecoeur Course, Contrecoeur Parish, Que.					Lighthouse (Back)
Contrecoeur Course, Vercheres Co., Contrecoeur Parish, Que.					Lighthouse (Front)
Contrecoeur-Vercheres, Vercheres Co., P.Q.					Lighthouse (Back)
Contrecoeur-Vercheres, Vercheres Co., P.Q.					Lighthouse (Front)
Ile St-Ours Course, Vercheres Co., P.Q.					Lighthouse (Front)
Ile St-Ours Course, Vercheres Co., P.Q.					Lighthouse (Back)
Contrecoeur Traverse, Vercheres Co., P.Q.					Lighthouse (Back)
Contrecoeur Traverse, Vercheres Co., P.Q.					Lighthouse (Front)
Contrecoeur Village, Vercheres Co., P.Q.					Lighthouse (Front)
Contrecoeur Village, Vercheres Co., P.Q.					Lighthouse (Back)
Petite Traverse, Vercheres Co., P.Q.					Lighthouse (Front)
Petite Traverse, Vercheres Co., P.Q.					Lighthouse (Back)
Outhouse Point, Albert Co., N.B.				·037 acre	Lighthouse Tower
Dock Island, B.C.					Lighted Beacon
Advocate Harbour, Cumberland Co., N.S.				2 acres	Lighthouse Tower and Residence Combined.
Apple River, Cumberland Co., N.S.				17·9 acres	Residence, Fog Alarm and Lighthouse Tower.
Biglow Point, Cumberland Co., N.S.					Back Light
Biglow Point, Cumberland Co., N.S.				¼ acre	Lighthouse Tower (Front)
Cape d'Or, Cumberland Co., N.S.				·16 acre	Residence, Lighthouse Tower and Fog Alarm.
Cape Sharp, Cumberland Co., N.S.				3·5 acres	Fog Alarm, Residence and Storehouse.
Coldspring Head, Cumberland Co., N.S.				1 acre	Lighthouse Tower
Steven Point, Cumberland Co., N.S.					Lighthouse Tower (Front)
Steven Point, Cumberland Co., N.S.					Lighthouse Tower (Back)
Eatonville, Cumberland Co., N.S.				·27 acre	Light
Mullins Point, Cumberland Co., N.S.				¼ acre	Lighthouse Tower (Front)
Papineauville, Que.					Back Lighthouse

DEPARTMENT OF TRANSPORT/MARINE SERVICES—*Continued*

PROPERTY RECORD—*Continued*

Location	Cost Value			Area	Purpose	Remarks
	Land	Buildings	Total			
Papineauville, Que					Front Lighthouse	
Pearl Island, N.S.				2 acres	Lightstation	
Bliss Island, Co. Charlotte, N.S.				5·88 acres	Lighthouse, Residence, Boat House	
Drews Head, Co. Charlotte, N.S.				1 acre	Lighthouse, Residence, Barn	
Pea Point, Co. Charlotte, N.S.				5 acres	Lighthouse, Residence and Fog Alarm	
Perce, Bonaventure Co., Que.					Lighthouse	
Pine Island, Coast District, B.C					Lighthouse	
Pointe-Du-Lac, St. Maurice Co., Que					Back Lighthouse	
Arnet Island, Co. Pictou, N.S.				1 acre	Light and Dwelling	
Caribou Island, Co. Pictou, N.S.				2 acres	Light, Dwelling, Oilhouse, Fog Alarm	
East River, Co. Pictou, N.S.				180 acres		Water lot, leased to Logan & MacLeod.
Pictou Island, Co. Pictou, N.S.				60 sq. ft	Lighthouse	
Pictou Island, Co. Pictou, N.S.				2 acres	Light, Dwelling, Oilhouse	
Pictou Island, Co. Pictou, N.S.				2 acres	Light, Dwelling, Oilhouse	
Pictou Island, Co. Pictou, N.S.					Light, Dwelling, Oilhouse, Boathouse	
Pictou Harbour, Co. Pictou, N.S.				60 ft	Front Light	
Pictou Harbour, Co. Pictou, N.S.				60 ft	Back Light	
Point Peter, Co. Bonaventure, Que.					Lighthouse	
Port Daniel West, Co. Bonaventure, Que.					Lighthouse	
Porlier Pass, B.C.				4 1/10 acres	Lighthouse	
Portlock Pt., B.C.				7 acres	Lighthouse	
Cap Sante, Co. Portneuf, Que.					Back Lighthouse	
Lead Mines, Co. Brome, Que.					Lighthouse	
Cape Egmont, Co. Prince, P.E.I.				3 acres	Lighthouse	
Cascumpeque, Co. Prince, P.E.I.				10 acres	Light, Dwelling, Oilhouse, Stable	
Darnley Point, Co. Prince, P.E.I.					Front Light	
Darnley Point, Co. Prince, P.E.I.				40 sq. ft	Back Light	
Fish Island, Co. Prince, P.E.I.					Main Light, Dwelling, Woodshed, Oilhouse.	
Fish Island, Co. Prince, P.E.I.					Inner Range, Lighthouse	
Fish Island, Co. Prince, P.E.I.					Outer Range, Lighttower	
Little Channel, Co. Prince, P.E.I.					Back Light	
Little Channel, Co. Prince, P.E.I.					Front Light	
Miminegash, Co. Prince, P.E.I.				60 sq. ft	Back Light	
Northport, Co. Prince, P.E.I.					Front Light	
Mullins Point, Cumberland Co., N.S.				1 acre	Light Tower and Dwelling, Oilhouse	
Parrsboro, Cumberland, Co., N.S.				1·7 acres	Fog Alarm and Dwelling Combined, Oilshed.	

Port Greville, Cumberland Co., N.S.				·101 acre	Tower and Mast, Shed, Range Lights	
Pugwash, Cumberland Co., N.S.				½ acre	Main Light and Dwelling	
Pugwash Harbour, Cumberland Co., N.S.				7,515 sq. ft.	Wharf	Water Lot leased to Mr. J. R. Allan—$5.00 P.A.
Shulie, Cumberland Co., N.S.				1·23 acres	Lighthouse Tower	
Wallace Harbour, Cumberland Co., N.S.						Water Lot leased to Department of Highways, N.S.
Wallace Harbour, Cumberland Co., N.S.				3,600 sq. ft.	Lighthouse Tower (Front)	
Wallace Harbour, Cumberland Co., N.S.				3,600 sq. ft.	Lighthouse Tower (Back)	
Ballenas Island, B.C.				3·2 acres	Lighthouse	
Ash Island, St. Thomas Parish, Que.					Lighthouse	
St-Denis Wharf, Richelieu Co., Que.					Lighthouse	
St-Denis Wharf, Richelieu Co., Que.					Lighthouse	
St-Antoine Course, St-Hyacinthe Co., P.Q.					Lighthouse (Front)	
St-Antoine Course, St-Hyacinthe Co., P.Q.					Lighthouse (Back)	
Ste-Emelie, Quebec Co., Que.					Lighthouse (Front)	
St. Esprit Island, N.S.				3 acres	Lightstation	
Pointe Citrouille, Champlain Co., Que.					Lighthouse	
Ile-Aux-Raisins, Yamaska Co., Que.					Lighthouse (Front)	
Ile-Aux-Raisins, Yamaska Co., Que.					Lighthouse (Back)	
Letite, Charlotte Co., N.B.				2·5 acres	Residence, Fog-Alarm and Lighthouse Buildings.	
Midjik Bluff, Charlotte Co., N.B.				·5 acre	Lighthouse Tower	
St. George de Malby, Bonaventure Co., P.Q.					Back Light (Range)	
Ste. George de Malbay, Bonaventure Co., P.Q.					Front Light (Range)	
Ile Aux Sables, Berthier Co., Que.					Lighthouse (Lower Front)	
Ile Aux Sables, Berthier Co., Que.					Lighthouse (Upper Front)	
Ile-Aux-Sables, Berthier Co., Que.					Lighthouse (Upper and Lower Back)	
Nicolet River, Parish of St-Jean Baptiste de Nicolet, Que.					Lighthouse (Back)	
Nicolet Traverse, Parish of St. Jean Baptiste de Nicolet, Que.					Lighthouse (Back)	
Nicolet River, Parish of St-Jean Baptiste de Nicolet, Que.					Lighthouse (Front)	
Ile-Aux-Cerfs, Vercheres Co., Que.					Lighthouse (Front)	
Ile-Aux-Cerfts, Vercheres Co., Que.					Lighthouse (Back)	
Northport, Co. Prince, P.E.I.				5 acres	Back Light	
North Point, Co. Prince, P.E.I.				2 acres	Light	
Sea Cow, Co. Prince, P.E.I.				1¾ acres	Head Light, Dwelling	
Summerside, Co. Prince, P.E.I.				60 sq. ft.	Back Light	
Summerside, Co. Prince, P.E.I.				6,890 sq. ft.		Water Lot, leased by Arsenault & Delaney.
West Point, Co. Prince, P.E.I.				100 sq. ft.	Main Light, Dwelling, Oilhouse	
Wright's Range, Co. Prince, P.E.I.					Front Light	
Wright's Range, Co. Prince, P.E.I.					Back Light	
Seal Cove, City Prince Rupert, B.C.					Buildings and Station Workshops	

DEPARTMENT OF TRANSPORT/MARINE SERVICES—*Continued*

PROPERTY RECORD—*Continued*

Location	Cost Value			Area	Purpose	Remarks
	Land	Buildings	Total			
Pulteney Pt., Malcolm Island, B.C.				7 acres	Lighthouse	
Brush Wharf, Co. Queen's, P.E.I.				40 sq. ft.	Ranges	
Birch Point, Co. Queen's, P.E.I.				30 sq. ft.	Front Light	
Birch Point, Co. Queen's, P.E.I.				30 sq. ft.	Back Light	
Cape Tryon, Co. Queen's, P.E.I.				1 acre	Light, Dwelling, Oilhouse	
Carter's Island, Co. Queen's, P.E.I.				½ acre	Lightstation	
Coffin Island, Co. Queen's, P.E.I.				130 acres	Lightstation	
Douse Point, Queen's, Co. P.E.I.				40 sq. ft.	Front Light	
Douse Point, Queen's Co., P.E.I.				40 sq. ft.	Back Light	
Fort Point, Co. Queen's, P.E.I.				½ acre	Lightstation	
Haszard Point, Co. Queen's, P.E.I.				40 sq. ft.	Front Light	
Haszard Point, Co. Queen's, P.E.I.				60 sq. ft.	Back Light	
Leard's, Co. Queen's, P.E.I.					Front Light	
Leard's, Co. Queen's, P.E.I.				66 sq. ft.	Back Light	
Little Hope Island, Co. Queen's, P.E.I.				2 acres	Lightstation	
Medway Head, Co. Queen's, P.E.I.				½ acre	Lightstation	
Medway Harbour, Co. Queen's, P.E.I.					Lightstation	
New London, Co. Queen's, P.E.I.					Back Light	
North Rustico, Co. Queen's, P.E.I.					Main Light, Dwelling	
Pinette, Co. Queen's, P.E.I.				30 sq. ft.	Inner Front Light	
Pinette, Co. Queen's, P.E.I.				30 sq. ft.	Inner Back Light	
Point Prim, Co. Queen's, P.E.I.				5 acres	Light, Dwelling, Oilhouse	
Port Mouton, Co. Queen's, P.E.I.					Lightstation	
St. Peter's Island, Co. Queen's, P.E.I.				1 acre	Lighthouse	
Western Head, Co. Queen's, P.E.I.				6 acres	Fog Alarm	
Warren Farm, Co. Queen's, P.E.I.				40 sq. ft.	Back Light	
St. Marc Point, Richelieu Co., Que.					Lighthouse	
Martin, St. John Co., N.B.				7·5 acres	Residence and Lighthouse Tower Combined.	
Quaco, Saint John Co., N.B.				4 acres	Residence, Fog Alarm, Lighthouse Tower, etc.	
Fisherman Harbour, District of St. Mary's, N.S.					Light	
Port Bickerton, District of St. Mary's, N.S.				50 acres	Light and F.A. Station	
Budget, District of St. Mary's, N.S.					Fixed Light	
St. Maurice de L'Echourie, Fox River, Que.					Front Light (Range)	
St. Maurice de l'Echourie, Co. Gaspe, Que.					Back Light (Range)	

St. Nicholas, Que					Signal Station
St. Nicolas, Co. Levis, Que					Front Light (Range)
St. Nicolas, Co. Levis, Que					Back Light (Range)
Cardinal Traverse, Richelieu Co., Que					Lighthouse
Cardinal Traverse, Richelieu Co., Que					Lighthouse
Ile Deschaillons, Richelieu Co., Que					Lighthouse (Back)
Ile Deschaillons, Richelieu Co., Que					Lighthouse (Front)
Laperle Course, Richelieu Co., Que					Lighthouse (Front)
Laperle Course, Richelieu Co., Que					Lighthouse (Back)
Laplante Traverse, Richelieu Co., Que					Lighthouse (Front)
Laplante Traverse, Richelieu Co., Que					Lighthouse (Back)
St. Ours Lock, Richelieu Co., Que					Lighthouse (Back)
St. Pauls Island, N.S.					Lightstation
St. Pauls Island, N.S.				3 acres	Light and F.A. Station
St. Pierre-les-Becquets, Nicolet Co., Que.					Lighthouse
St. Pierre-les-Becquets, Nicolet Co., Que.					Lighthouse
St. Placide, Municipality of St. Placide, Que.					Lighthouse (Back)
Laperle Course, Parish of St. Roch-de-Richelieu, Que.					Lighthouse (Front)
Laperle Course, Parish of St-Roch-de-Richelieu, Que.					Lighthouse (Back)
St. Onge Traverse, Parish of St-Roch-de-Richelieu, Que.					Lighthouse (Front)
St-Onge Traverse, Parish of St-Roch-de-Richelieu, Que.					Lighthouse (Back)
St-Ours Lock, Parish of St-Roch-de-Richelieu, Que.					Lighthouse (Front)
Warren Farm, Co. Queen's, P.E.I.				40 sq. ft	Front Light
Wood Island, Co. Queen's, P.E.I.				1 acre	Main Light, Dwelling, Oilhouse
Cox Point, Queen's Co., N.B.				·88 acre	Light
Fanjoy Point, Queen's Co., N.B.				·5 acre	Light
McMann Point, Queen's Co., N.B.				·038 acre	Light
Wedge Island, N.S.				3 acres	Lightstation
Wendover, Plantagenet Nord, Ont.					Front Light
Bayswater, King's Co., N.B.				·08 acre	Lighthouse
Belyea Point, King's Co., N.B.				·71 acre	Lighthouse
McColgan Point, King's Co., N.B.				·22 acre	Lighthouse
Sand Point, King's Co., N.B.				·79 acre	Steel Tower and Light
Leonardville, Charlotte Co., N.B.				·13 acre	Lighthouse
Fort Monckton, Co. Westmorland, N.B.				¼ acre	Lighthouse
Musquash Island, Queen's Co., N.B.				·09 acre	Lighthouse
Wolfville, King's Co., N.S.				·287 acre	Lighthouse
Bunker Island, Yarmouth Co., N.S.				2 acres	Lighthouse
Cape Fourchu, Yarmouth Co., N.S.				9·25 acres	Residence, Lighthouse and Fog Alarm
Green Island, Yarmouth Co., N.S.				10 acres	Fog Alarm, Bomb Station, Residence, 3 Sheds.
Ships Stern, Yarmouth Co., N.S.				10 acres	Light, Steel Mast and Shed
Yarmouth Harbour Bunker Island, Yarmouth County, N.S.				·52 acre	Tower and Residence

DEPARTMENT OF TRANSPORT/MARINE SERVICES—*Continued*

PROPERTY RECORD—*Continued*

Location	Cost Value			Area	Purpose	Remarks
	Land	Buildings	Total			
Yellow Rock, Denman Island, B.C.				14 acres	Lighthouse	
Senanus, B.C.					Beacon	
Pecks Point, Co. Westmorland, N.B.				2 acres	Lighthouse, Res dence, Fog Alarm	
Barnes Point, Co. Westmorland, N.B.				2·52 acres	Lighthouse	
Saturna Island, B.C.				7 acres	Lighthouse	
Cape Mudge, B.C.				2 acres	Lighthouse	
Bridges Point, Sunbury Co., N.B.				2/7 acre	Lighthouse	
City St. John, N.B.				¾ acre	Wharf, Buoy Shed, Blacksmith Shop, Oilshed.	
Partridge Island, St. John, N.B.					Light and Alarm	
Shediac Island, Co. Westmorland, N.B.					Front Light	
Shediac Island, Co. Westmorland, N.B.					Back Light	
Shediac Town, N.B.				30 sq. ft	Back Light	
Cape Roseway, Shelburne Dist., N.S.				100 acres	Light and Fog Alarm Station	
Gull Rock, Shelburne Dist., N.S.					Light and Fog Alarm Station	
St-Ours Lock, Parish of St-Roch-de-Richelieu, Que.					Lighthouse (Back)	
St-Roch, Parish of St-Roch-de-Richelieu, Que.					Lighthouse (Range Front)	
St. Roch, Parish of St-Roch-de-Richelieu, Quebec.					Lighthouse (Range Back)	
Bouchard Peninsula, Berthier Co., Que.					Lighthouse (Front)	
Bouchard Peninsula, Berthier Co., Que.					Lighthouse (Back)	
Ile Bouchard, L'Assomption Co., Que.					Lighthouse (Front)	
Mousseau, L'Assomption Co., Quebec					Lighthouse (Back)	
Mousseau, L'Assomption Co., Que.					Lighthouse (Front)	
St. Sulpice Traverse, L'Assomption Co., Que.					Lighthouse (Back)	
St. Sulpice Traverse, L'Assomption Co., Que.					Lighthouse (Front)	
St. Sulpice Course, L'Assomption Co., Que.					Lighthouse (Back)	
St. Sulpice Course, L'Assomption Co., Que.					Lighthouse (Front	
Ile-du-Moine, Richelieu Co., Quebec					Lighthouse (Back)	
Ste-Anne-de-Sorel, Richelieu, Co., Que.					Lighthouse, (Front)	
Ste-Anne-de-Sorel, Richelieu Co., Que.					Lighthouse, (Back)	
Louiseville, Maskinonge Co., Que.					Lighthouse (Front)	
Louiseville, Maskinonge Co., Que.					Lighthouse (Back)	

St-Antoine de Tilly, Lotbiniere, Co., Que.					Pole (on the shore)
St-Antoine de Tilly, Lotbiniere Co., Que.					Back Light (Downstream Range)
St-Antoine de Tilly, Lotbiniere Co., Que.					Back Light (Range)
St-Antoine de Tilly, Lotbiniere Co., Que.					Front Light (Range)
St. Clements, Manitoba					Light Station
Melocheville, Beauharnois Co., Que.					Lighthouse, (Front)
St. Croix, Lotbiniere Co., Que.					Lighthouse
St. Croix, Lotbiniere Co., Que.					Back Light (Range)
St. Croix, Lotbiniere Co., Que.					Front Light (Range)
Port Hebert, Shelburne Dist., N.S.				½ acre	Lightstation
Salvages, Shelburne County, N.S.				¾ acre	Fog alarm station
Sand Spit, Shelburne Dist., N.S.				20 sq. ft.	Light
Cape Spencer, St. John, N.B.				136 acres	Light and Alarm
Long Point, Kings County, N.B.				·037 acres	Light, Mast and shed
Grey's Point, Kings County, N.B.				·175 acres	Light, Mast and Shed
Whiffen Spit, Sooke Dist., B.C.				3·92 acres	Beacon
Souris, Town Souris, P.E.I.					Light, Dwelling, Storeshed, Oilhouse
Ile Molson, Georgeville, Que.					Lighthouse
St. Adelaide, Co. Bonaventure, Que.					Lighthouse
Becancour, Nicolet County, Que.					Back Lighthouse
Ste. Anne-de-Bellevue, Que.					Upper Back Lighthouse
Ste. Anne-de-Bellevue, Que.					Lighthouse
Ste.-Anne-de-Bellevue, Que.					Upper Front Lighthouse
La Perade, Champlain County, Que.					Front Lighthouse
La Perade, Champlain County, Que.					Back Lighthouse
Gallia Bay, Richelieu County, Que.					Upper Front Lighthouse
Gallie Bay, Richelieu County, Que.					Upper Back Lighthouse
Gallia Bay, Richelieu County, Que.					Lower Front Lighthouse
Gallia Bay, Richelieu County, Que.					Lower Back Lighthouse
Ile des Barques, Richelieu Co., Que.					Lighthouse
Ile de Grace, Richelieu County, Que.					Front Lighthouse
Ile de Grace, Richelieu County, Que.					Back Lighthouse
Ile du Moine, Richelieu County, Que.					Front Lighthouse

DEPARTMENT OF TRANSPORT—MARINE SERVICES

INDEX OF LEASED PROPERTY

Lessee	Location	Area	Utilization	Effective Date	Annual Rental	Appraised Value	Remarks
St. Lawrence Paper Mills Co. Ltd.	Trinity Bay East, Twp. De Monts, Co. Saguenay, Que.	3·4 acres		Mar. 4, 1929	$ 1.00		
La Compagnie de Transport Du Bas, St. Laurent, Ltee.	Town of Rimouski, Co. of Rimouski, Que.	7,505 sq. ft.		Oct. 1, 1946	187.63		
Canada Steamship Lines Ltd.	Gov't Wharf, City Windsor, Co. Essex, Ont.			April 1, 1947	1,200.00		
Dom. Transportation Co. Ltd. and Owen Sound Transportation Co.Ltd.	Town Blind River. District of Algam, Ont.		Use of public wharf	Sept. 1, 1946	50.00		
Dom. Transportation Co. Ltd. and Owen Sound Transportation Co.Ltd.	Manitowaning, Twp. Assiginock District of Manitoulin Island.			May 15, 1946	150.00		
Dom. Transportation Co. Ltd. and Owen Sound Transportation Co.Ltd.	Town Little Current, Dist. of Manitoulin, Ont.		Public Wharf	Aug. 28, 1946	150.00		
Graham Oil Co.	Part Lot 11, Con. I,Twp Bayham, Co. Elgin, Ont.	5 acres	Marine Oil Storage Depot	July 1, 1948	500.00		
Great Lakes Lumber and Shipping Ltd.	Port Arthur, Dist. Thunder Bay, Ont.	53·7 acres	Storing Logs	May 1, 1946	650.00		
Great Lakes Paper Co. Ltd.	Port Arthur, Dist. Thunder Bay, Ont.	70 acres	Storing Logs	July 1, 1949	360.00		
Imperial Oil Ltd.	Town Collingwood, Co. Simcoe, and between Lots 45 and 46	4·76 acres	Maintaining and using wharf, pipe line and approach	April 1, 1948	100.00		
W. B. Kerr & Sons	Town of Little Current on Manitoulin Island		Constructing and maintaining and using buildings and marine railway thereon	April 1, 1948	25.00		
Northern Wood Preserves Ltd.	Port Arthur, Dist. Thunder Bay, Ont.	35·12 acres	Storing of Logs	Oct. 1, 1948	180.00		
Mary Emeline Nunn	Town of Prescott, Co. of Grenville, Ont.		Bldg. for Canadian National Railway Express Telegraph and Ticket Depts.	May 20, 1947	75.00		
Point Au Baril Islanders' Association	Point Au Baril, Dist. of Parry Sound, Ont.	960·75 sq. ft.	Operating a restaurant	May 1, 1947	150.00		
Provincial Paper Ltd.	Main Harbour at Port Arthur Dist. of Thunder Bay, Ont.	73·1 acres	Storing of Logs	Nov. 1, 1948	375.00		
Rondeau Enterprises Ltd.	Rondeau, Ont., Co. of Kent	7,200 sq. ft.		June 15, 1947	72.00		

Holgar Smith	Village of Portsmouth, Co. of Frontenac, Ont.,	8,249 sq. ft.	Constructing, maintaining and using wharf	June	1, 1948	10.00
G. N. Riberdy	Co. of Essex, Twp. of Tilbury, Ont.	·41 acre	Site for Canal for small boats	July	1, 1946	25.00
C. D. Sampson	Abercrombie, Co. of Pictou.	6 acres	Wharf	Oct.	1, 1948	25 00
Mersey Paper Co. Ltd	Town of Liverpool Bay, Co. Queens, N.S.			Mar.	6, 1930	62 50
Miss Anne McCormick	Freds Peninsula Chester Harbour, Co. of Lunenburg, N.S.	·856 acre	Erecting and maintaining a jetty	Nov.	9, 1950	50 00
Maritime Packers Ltd	Pictou Harbour, Pictou	3,162 sq. ft.	Ice house	Dec.	1, 1945	50 00
Grand Etang Fishermen's Co-Operative Ltd.	Grand Etang Harbour, Co. of Inverness, N.S.	0·18 acres	Wharf	Mar.	22, 1950	1 00
Mrs. Gordon S. Kinley	Crouchers Island, Saint Margarets Bay, Co. Halifax.	5 acres	Dwelling	May	1, 1947	10 00
H. Fred Irving	Bayfield, Co. of Antigonish, N.S.	0·14 acre	Erecting and maintaining bldg. for fishing industry.	Jan.	1, 1949	10 00
Yarrows (1930) Ltd	Lot 53, Esquimalt Harbour, B.C.	2 38/100 acres	Railways and Works	July	1, 1949	175 00
Yarrows Ltd	W½ lot 52 and 53, Esquimalt Harbour, B.C.	1·89 acres	Launching ways	July	1, 1949	140 00
James A. Wilby	Victoria Harbour, B.C.	0·4 acre	Constructing Marine ways	Oct.	1, 1948	225 00
Victoria Gas Co. Ltd	Victoria Harbour, Vancouver Island, B.C.	0·12 acre	Water cooling tower	Sept.	1, 1946	50 00
Victoria Machinery Depot Co. Ltd.	Victoria Harbour, B.C.			Mar.	1, 1950	500 00
The Corporation of the City of Victoria.	Victoria Harbour, B.C.		Wharf floats	Feb.	1, 1950	1 00
Victoria Dock Co. Ltd	James Bay, City of Victoria, B.C.	0·49 acre	Constructing and maintaining wharf.	July	1, 1947	800 00
Standard Oil Co. of B.C. Ltd.	Port Alberni Harbour, Dist. of Alberni, B.C.	0·83 acre	Wharf	June	1, 1946	155 00
Shell Oil Co. of B.C.	Nanaimo District, B.C.					60 00
Kneens Builders Supplies Ltd.	Nanaimo Harbour, Nanaimo Dist.	0·027 acre	Wharf	April	1, 1950	50 00
Kelly, Douglas & Co. Ltd.	Victoria Harbour, B.C.	0·15 acre	Wharf	Dec.	1, 1946	60 00
Island Tug & Barge Ltd.	Victoria Harbour, B.C.	0·52 acre	Dock facilities	May	1, 1946	75 00
Home Oil Distributers Ltd.	Newcastle Town, Nanaimo, B.C.	0·34 acre		Oct.	1, 1949	30 00
Bertram Foster	Victoria Harbour, B.C.		Boat-building works	Dec.	1, 1949	100 00
Falconer Marine Industries Ltd.	Victoria Harbour, B.C.	2·02 acres	Wharf and Warehouse	July	1, 1948	750 00
John Crane	Exit Passage, Nanaimo Harbour.	0·36 acres	Boathouse and Floats	June	1, 1947	25 00
Scott & Beden Ltd	Victoria Harbour, B.C.		Wharf	May	1, 1947	145 00
John Alexander Rowan	Exit Passage, Nanaimo Harbour.	0·8 acre	Constructing and maintaining Dock.	Mar.	1, 1947	112 00
G. B. Murdie	Victoria Harbour, City Victoria, B.C.		scow-loading, craneway and log storage	July	1, 1947	50.00

DEPARTMENT OF TRANSPORT/MARINE SERVICES—*Continued*

INDEX OF LEASED PROPERTY

Lessee	Location	Area	Utilization	Effective Date	Annual Rental	Appraised Value	Remarks
					$		
Harvard L. Morrison and Gladys M. Morrison	Newcaslte Island Passage, Nanaimo, B.C.	0·46 acres.....	wharf.....	Nov. 1, 1948	25.00		
Laura Olive McLeod.....	Newcaslte Island Passage, Nanaimo, B.C.	3/10 acres.....	wharf.....	July 1, 1948	50.00		
McCarter Shingle Co. Ltd.	Victoria Harbour, B.C..	1·48 acres.....	storage of logs.....	Jan. 1, 1950	330.00		
Manning Lumber Mills Ltd.	Victoria, B.C.....	1·003 acres.....	.....	April 1, 1947	200.00		
Mrs. Ronnie Cooper.....	Exit Passage, Nanaimo Harbour, B.C.	.....	floating wharf and approach thereto.	May 1, 1948	75.00		
Canadian Pugent Sound Lumber and Timber Co	Upper Harbour, Victoria B.C.	0·46 acres.....	wharf.....	July 3, 1947	230.00		
Canadian Pacific Rly. Co	Victoria Harbour, B.C..	.....	.....	April 1, 1949	3,000.00		
Corporation Village Campbell River	Campbell River, B.C...	.....	wharf and floats.....	Mar. 1, 1950	1.00		
British American Oil Co. Ltd.	City Victoria, B.C.....	0·533 acre.....	wharf.....	Sept. 10, 1946	220.00		
British American Oil Co. Ltd.	Exit Passage, Nanaimo Hbr. B.C.	0·82 acre.....	dock.....	Jan. 1, 1948	25.00		
Frank William Bowman..	Exit Passage, Nanaimo Hbr. B.C.	0·34 acre.....	boathouse and ways.....	June 1, 1947	25.00		
Albert William Bowman.	Exit Passage, Nanaimo Hbr. B.C.	0·34 acre.....	boathouse and float.....	June 1, 1947	25.00		
Bloedel, Sturat & Welch.	Harbour of Alberni, at Port Alberni, B.C.	78·28 acres.....	booming ground for losg.....	Oct. 1, 1946	360.00		
Bathurst Power & Paper Co. Ltd.	Government Wharf at Bathurst, N.B.						
Caraquet Packers Ltd...	Government Public Wharf, Middle Caraquet, N.B.	16,380 sq. ft....	fish caring and packing plant.....	April 1, 1948	400.00		
Eastern Lobsters Ltd.....	Point du Chene, N.B....	9,290 sq. ft.....	site for building.....	Sept. 1, 1948	92.90		
Fraser Co. Ltd.....	Newcastle, N.B.....	9·50 acres.....	storing logs.....	April 1, 1949	100.00		
W. L. Loggie Co. Ltd....	Escuminac Point, N.B..	1·1 acre.....	drying nets.....	Dec. 1, 1948	10.00		
Robichaud & Co. Ltd....	Shippigan Hbr. Co. Gloucester, N.B.	12,750 sq. ft....	fish cannery.....	April 1, 1948	35.00		
Smith, Woodbury and B. Harrison	Escuminac Point, N.B..	3·66 acres.....	fishing business.....	Dec. 1, 1948	21.00		
Corporation Town St. Andrew	Andrew, N.B.....	.....	to use Government Wharf.....	Sept. 1, 1948	100.00		
West Coast Co. Ltd.....	Point du Chene, N.B....	15,000 sq. ft....	for Lessee's buildings.....	Jan. 1, 1950	375.00		

DEPARTMENT OF TRANSPORT—MARINE SERVICES

Property Sales Since March 31, 1948

Location	Purchaser	Consideration	O.C. No.	Date	Area	Utilization
		$ cts.				
Amherstburg, Ont.	Town Amherstburg	1 00	424	Jan. 31, 1950	0·23 acres	Sewer Outlet.
Huggard's Cove	Gordon and Hilda G. Daley	100 00	4,941	Oct. 29, 1948	0·713 acres	Wharf Purposes.
Nanaimo, B.C.	C.P.R. Co.	50 00	1,847	April 27, 1948	0·182 acres	Industrial water lot.
St. Antoine de Tilly, P.Q.	Director, Veteran's Land Act	100 00	2,887	June 26, 1948	1 sq. arpent	Home site.
St. Placide, P.Q.	Napoleon Dubreuil	300 00	618	Feb. 10, 1949	1,500 sq. ft.	By tender.
Three Rivers, Que.	J. Roy	Exchange	2,747	June 2, 1949	1,600 sq. ft.	
Toronto, Ont.	City of Toronto	1 00	465	Jan. 31, 1950	5,896 sq. ft.	Municipal Purposes.
Vercheres, Que.	Rene Choquette	25 00	4,098	Oct. 10, 1947	6,100 sq. ft.	Farming.
Vercheres, Que.	Village Vercheres	1 00	4,778	Sept. 20, 1949	4,900 sq. ft.	
Victoria Harbour, B.C.	Crowe Gonnason	3,700 00	3,779	Aug. 3, 1949	0·57 acres	Industrial.

SCHEDULE 5

CENTRAL MORTGAGE AND HOUSING CORPORATION

Properties Held or Acquired Since 31st March, 1948, Other Than Those Used or Useful For Residential Purposes and Those for the Administrative Services of the Corporation, Showing Disposals Since that Date

Location	Description	Original Cost of Properties Held	Original Cost of Properties Sold	Selling Price	Means of Sale	Authority for Sale	Purchaser
		$ cts.	$ cts.	$ cts.			
Ajax, Ontario	27 Storage Buildings	448,662 00					
" "	1 Frame Shed	516 00					
" "	1 Wash-house	382 00					
" "	12 Office Buildings	134,173 00					
" "	1 Recreational Hall	53,618 00					
" "	1 Staff Hotel	84,920 00					
" "	1 Hospital	33,576 00					
" "	1 Bank and Post Office	13,324 00					
" "	1 Gate House	42,350 00					
" "	1 Fire Hall	11,306 00					
" "	3 Garages	32,210 00					
" "	7 Service Buildings	52,676 00					
" "	24 Manufacturing Buildings	825,221 00					
" "	5 Dormitory Buildings	209,565 00					
" "	1 Cafeteria	68,200 00					
" "	1 Commissariat	7,753 00					
" "	4 Pump Houses	75,239 00					
" "	1 Steam Plant	124,881 00					
" "	2 Storage Buildings		36,000 00	15,030 00	Direct Negotiations	Section 34(2) (c) of The National Housing Act, 1944.	Rowe Bros. & Co. (Canada) Ltd.
" "	1 " "		39,278 00	18,700 00	" "	" "	Ajax Machinery Co. Ltd.
" "	1 " "		7,405 00	2,500 00	" "	" "	Houston Lumber Company.
" "	1 " "		7,405 00	2,200 00	" "	" "	W. V. Peacock.
" "	2 " "		14,810 00	4,400 00	" "	" "	Canadian Office and School Furniture Ltd.
" "	2 " "		14,810 00	4,400 00	" "	" "	Peterborough Lumber Co.
" "	2 " "		14,810 00	4,400 00	" "	" "	Bennett Construction Co.

" "	4 " "		61,884 00	7,200 00	" "	" "	" "	Austin A. Phinex.
" "	1 " "		15,471 00	1,825 00	" "	" "	" "	W. Kimmerly.
" "	1 " "		15,471 00	2,000 00	" "	" "	" "	F. F. Welsh.
" "	3 Manufacturing Buildings		62,716 00	20,000 00	" "	" "	" "	Ideal Steel Products
" "	1 " "		19,425 00	1,300 00	" "	" "	" "	Peter Egenhoffer.
" "	1 Storage Buildings		3,609 00	3,937 75	" "	" "	" "	Russell D. Humphrey.
" "	1 " "		4,024 00	3,300 00	" "	" "	" "	Roman Catholic Episcopal Corporation.
" "	5 " "		182,601 00	3,800 00	" "	" "	" "	S. Jackson.
" "	2 " "			1,975 00	" "	" "	" "	W. J. Wallace.
" "	21 Dormitory Buildings		694,022 00	2,220 00*	" "	" "	" "	Starar Dunbeck Ltd.
				1,600 00*	" "	" "	" "	W. Kimmerly.
				400 00†	" "	" "	" "	Port Perry Hospital.
				1,800 00†	" "	" "	" "	J. Wetzke.
				1,115 00‡	" "	" "	" "	Sam Jackson.
" "	1 Warehouse		38,360 00	10,000 00	" "	" "	" "	Pye (Canada) Ltd.
" "	2 Manufacturing Buildings		74,357 00	25,217 25	" "	" "	" "	Anders & Graham.
" "	1 " "		46,688 00	22,850 00	" "	" "	" "	Cambric Manufacturing Co.
" "	1 " "		26,679 00	16,950 00	" "	" "	" "	Atlas Tag Co. of Canada Ltd.
" "	1 " "		2,575 00	750 00	" "	" "	" "	W. Conkwright.
Deep River, Ont.	Shopping Centre	423,090 70						
" "	Community Hall	318,458 89						
Brownsburg, P.Q.	Vacant Land	37,208 08						
De Salabury, P.Q.	" "	16,882 18						
Dorval, P.Q.	" "	25,000 00						
St. Laurent, P.Q.	" "	393,351 49						
Ajax, Ontario	" "	397,316 00						
Kingston, Ontario	" "	34,918 24						
Ottawa, Ontario	" "	161,529 97						
Waterloo, Ont.	" "		8,158 36	8,850 78	" "	" "	" "	City of Kitchener.
New Westminster, B.C.	" "	12,854 35						
Saanich, B.C.	" "	6,658 13						
Montreal, P.Q.	Office Building	58,715 86						
Ajax, Ontario	Marketeria Building	19,492 00						
Pickering, Ont.	Community Hall	13,916 32						
Parry Sound, Ont.	Club House	816 47						
Malton, Ont.	Community Hall	12,332 37						
		4,151,113 05	1,390,558 36	188,720 78				

* 2 Buildings. † 1 Building. ‡ 3 Buildings.

APPENDIX C

PUBLIC WORKS DEPARTMENT

PROPERTIES OWNED BY THE CROWN AND USED FOR COMMERCIAL PURPOSES

ARCHITECTURAL BRANCH

Under this Branch there are not properties operated by the Department commercially.

Properties leased

The following is a list of properties acquired for the purpose of providing sites for the construction of public projects but which, pending their use for this purpose, are leased to private tenants and are being used commercially,—

Ottawa	*Tenant*
200 Wellington Street	Jos. Dolan and Sons (Coal Merchants)
202 " "	Ed. Sackley (Restaurant)
204 " "	Thompson & Scott (Real Estate)
206 " "	Gerald Preston (Haberdasher)
346 " "	A. S. Karaw (Lunch)
354–365 " "	J. Skinner (Druggist)
360–364 " "	H. J. Sykes (Sausage Mfg.)
366–376 " "	Thos. Lawson (Foundry)
396–404 " "	Vails Laundry
432 " "	Fleck Foundry
446 " "	Robinsons Heating
451 " "	O'Keefes Brewery
471 " "	Spartan Air Services
475 " "	Canada Gift & Novelty
345 Sparks Street	Stewart Sutherland (Mfg. Agent)
355 " "	Graves Construction Company
361 " "	A. Thompson (Store)
363 " "	G. H. Wood & Company
377 " "	Timm Jersey Creamery
429 " "	Wilson & Keith (Tea Merchants)
Elgin Street Site	Lord Elgin Hotel
Elmdale Avenue	Albert Quesnel (Lumber)
Gainsboro Avenue	Harold Taggart (Storage)
80 Lyon Street	Cabledu Motors
88 Lyon Street	Gordon Distributors
90 Lyon Street	Colonial Coach Lines
Toronto	
24 Adelaide Street	Callow Bros. (Stationery Store)
24 " "	Canadian Law List
24 " "	Nott & Merrill (Photo Studio)
24 " "	Messrs. Clarke and Till
26 " "	E. Hardy (Store)
28 Adelaide Street, E.	R. Bolk (Store)
28–½ Adelaide Street E.	A. J. Laugher (Workshop)

	Tenant
Toronto—con.	
28–½ " " "	Regent Jewellery Company
28–½ " " "	E. G. Hottinger
30 " "	Johnson and Peters (Restaurant)
32 " "	J. Wade
32 " "	J. McMullen
32 " "	R. Thornhill
32 " "	Jas. Thomson
32 " "	E. Hahn
32 " "	Manson & Collins
32 " "	L. H. Newnham
34 " "	G. A. Milne (Studio)
15 Lombard Street	Redfern Construction (garage)
59 Victoria Street	Lowe Martin (Store)
59–61 " "	Messrs. J. A. MacVicar & C. A. Frank (Law Office)
61 Victoria Street	Melville Travel Service
67 " "	F. D. Howie Construction Company
69 " "	J. Lund (Store)
63 " "	R. C. Dollach (Store)
Hull P.Q.	
Laurier Avenue	Supertest Petroleum Company (Service Station)
Montreal, P.Q.	
4529 Papineau Ave.	H. Hopkins (Store)
4531 Papineau Ave.	Messrs. Leo Ltd. (Dry Cleaners)
Fredericton, N.B.	
Portion of Customs Site	Titus Lunch
Winnipeg, Man.	
230 Garry St.	Standard Heating & Plumbing
230 " "	Robinson Agencies
238 " "	Snap-on-Tool Co.
270–2 Graham St.	Graham Furniture Exchange
274 " "	Make Right Furniture Co.
271 St. Mary's Ave.	J. H. Lesko (Watch Repairs)
275 " " "	R. Miller (Warehouse)
199 Smith St.	J. Cunningham (Grocery)
205 " "	H. J. Nairne (Barber)
Lot 11, Main St.	Deluxe Motors
Lot 12 " "	David Szajocha (Second hand Machinery)
Lot 13 " "	Nathan Peters
Regina	
Lots 1, 2, 2 Block 284	B.A. Oil Co.
Calgary	
Northern Electric Bldg.	Goodyear Tire & Rubber Co.
Vancouver, B.C.	
Cor Keefer & Gore St.	Home Oil Distributors
429 Burrard St.	B.C. Interim Sales
429 " "	General Sales Syndicate
429 " "	H. A. Roberts
1003 West Pender St.	J. F. Carveth (Warehouse)

Vancouver, B.C.—con.	*Tenant*
300 Dunsmuir St.	S. Diakow (Cleaners)
689 Hamilton St.	Canada Nut Co.
604 Homer St.	Penfold Roofing Co.
606 " "	Vermin Chemical Co.
606–606½ Homer St.	Ryans Carriers Ltd.
622 " "	Smith Marking Devices
622 " "	B.C. Electric
622 " "	Cornell & Burroughs
624 " "	Western Greyhound Lines
678 " "	Stores Transfer
684 " "	Mott Electric Co.
375 West Georgia St.	Hop Signs Co. Ltd.
Victoria, B.C.	
801 Gov't Street	Period Arts
1244 " "	Victoria Shoe Repairs
606 Humbolt St.	Victoria Tug Co.
1213 Langley St.	Messrs. Diggen & Hibben Ltd. (Storeroom)

Other Properties

The following list covers properties which have been expropriated for the purpose of providing sites for Public Works projects but for which negotiations regarding compensation have not yet been completed. While many of these have been and are still being used commercially the type of occupancy, except in the cases shown, is not on record.

Charlottetown, P.E.I.

Area bounded by Queen, Richmond, Pownal & Sydney Streets, expropriated March 4, 1949.

Chatham, Ontario

Pt. of Block XLVI, registered plan 14, expropriated January 12, 1950.

Cowansville, P.Q.

Lots 106-1, 106-2-3 & 106-4, Site Public Works Project. Albert Bedard, Undertaker, Notice of Expropriation filed August, 1949.

Douglas, B.C.

Notice of Expropriation filed May 25, 1948.

Fredericton, N.B.

Pt. Lot 1, Queen Street, Budovitch Jack, restaurant.
Pt. Lot 1, Regent Street, Imperial Oil, gasolene service station.
Pt. Lot 1, Regent Street.
MacGibbon, R. M., dentist.
Pt. Lot 3, Queen Street.
Super Service Stations Limited, gasolene service station.
Expropriation July 19, 1948.

Hull, P.Q.

Notice of Expropriation filed March 19, 1947, on area to provide site new Public Works project.

Hull, P.Q.

Woods Manufacturing Company.

Joliette, P.Q.

Lot 304, expropriated July, 1947.

Kingsgate, B.C.

Notice of Expropriation properties purchased during 1949 to provide site Dept. National Revenue project. Building demolished.

Leduc, Alta.

Notice of Expropriation filed October 12, 1949, against properties comprising site new Public Works project.

Montreal, P.Q.

Lots 1345-31, 1345-32, and 1346, University Street, acquired as site new Public Works project. Kearns & Co., Auctioneers, Oxford Hotel.

Montreal, P.Q.

Properties in block bounded by St. Antoine, Windsor, St. James Streets—site new Public Works project.

North Portal, Sask.

Site Public Works project.

Ottawa, Ontario

Site new Public Works project—Carling, Rochester and Booth Streets.

Ottawa, Ontario

Tunney's Pasture—Parkdale Avenue Area; site new Public Works project.
Canal Lumber Company.
Buprgess Tools Company, Limited.
Tessier & Schryer.
Twin Pin Company.
J. A. Cronier Company.
Rupert S. McLelland.
Copeland Manufacturing Company.

Oakville, Ontario

2 Thomas Street—garage.

Port Arthur, Ontario

Property in block bounded by Lincoln, Court, and Park Streets—Notice of Expropriation filed March 4, 1949.
Doneti, Charles—restaurant.
Imperial Oil—gasolene station.
T. E. Eaton—parking lot.
Vigliarolo, Nick—shoe repair shop.

Sherbrooke, P.Q.

Notice of Expropriation May 2, 1947.
Bretton, Phillipe—second-hand store.
Montigny, Amie—garage.

Smith Falls, Ontario

South halves of Lots 208 and 207, William Street—formerly warehouse Frost & Wood Company, expropriated October 27, 1949.

Tecumseh, Ontario

Pt. of Lot 1, 2nd concession Town of Tecumseh—formerly gas station. Expropriated October 5, 1949.

Toronto, Ontario

Corner Northumberland and Dovercourt Streets—Kelly Feed & Seed Company.

Vancouver, B.C.

Site new Public Works project in area bounded by Georgia, Homer, Dunsmuir and Hamilton Streets. Notice of Expropriation filed February 25, 1949.

Vancouver, B.C.

Property corner Burrard and Hastings Streets—site new Public Works project.

Victoria, B.C.

Site Public Works project. Diggen-Hibben Co. Ltd., stationers.

White Rock, B.C.

Lots 16 and 17, Block 9—site new Public Works project.

Winnipeg, Man.

Area bounded by Graham Ave., Smith Street, St. Mary's Ave., and Garry Street—site new Public Works project. Notice of expropriation filed June, 1948.

Winnipeg, Man.

Lots 11, 12 and Pt. 13, Block 1, St. John Plan 129, site new Public Works project. Consolidated Motors Limited—parking lot.

PUBLIC WORKS DEPARTMENT

PROPERTIES OWNED BY THE CROWN AND USED FOR COMMERCIAL PURPOSES

ENGINEERING BRANCH

The only properties under this Branch which are actually operated commercially by this Department are the following:—

Levis, Que.

Champlain and Lorne Graving Docks (Revenue approximately $174,537 per annum)

Esquimalt, B.C.

Graving Dock (Revenue approximately $102,406.49 per annum)

Selkirk, Man.

Repair slip (Revenue approximately $5,971.32)

New Westminster, B.C.

Railway Bridge. Taken over from B.C. Government in 1939, all revenues from trains held in special Trust Account surplus to maintenance and operation to be returned to the B.C. Government with the exception of a reserve sufficient to pay ultimate cost of removal of bridge.

Leased Properties

The following properties are leased by the Government and are being used commercially by the lessees,—

ONTARIO

Kingston

Dry Dock—Leased to Kingston Shipbuilding Co. Ltd.

Kenora

Wharf—Parts of the wharf leased by Transport Dept. for commercial purposes and used largely as a commercial aeroplane base.

Port Credit

Lakefront lands—3 lots rented to Herbert M. Jones for Boat Livery. A survey is now underway to subdivide the balance of the land into 48 lots to be rented for commercial purposes. In addition to the above the Dept. owns 3 lakefront areas East of the harbour comprising 2·04, 2·38 and 2·94 acres respectively. Rental of these awaits the construction of a proposed deep draft harbour.

Jackson's Point

The Dept. acquired in 1937 from the C.N.R., property comprising the site of a wharf. The C.N.R. have now advised that they formerly rented a portion of this property to the Grew Bros. Ltd. for the site of a boathouse and that that firm's successors, Bonnie Boats Ltd. wish to renew the arrangement. This matter is now being investigated.

Gore Bay

Water lot in front of land lot No. 20 rented to Ivan Purvis and used for a net shed.

Latchford

Water lot containing 1·5 acres in front of land lots 235, 236 and 237 is rented to the A. B. Gordon and Son Lumber Co.

Kensington

Water lot opposite land No. 42 is used by the Northern Development Co. as a ferry terminal.

Haileybury

A part of lot 10, in the 5th Concession of the Township of Buck with an area of 2·07 acres is leased to John Burns.

MANITOBA

Georges Island, Lake Winnipeg

Departmental property of 22·3 acres wholly available for commercial purposes. 0·25 acres of this property was leased to Gimli Fisheries Ltd., on March 31, 1922, and renewed to Armstrong-Gimli Fisheries Oct. 5, 1932.

Gimli

Departmental land, in conjunction with harbour facilities, comprises 3·74 acres of which 2·6 acres has been leased to Armstrong-Gimli Fisheries and 0·08 acres to Independent Fisheries Ltd.

QUEBEC

Cap Chat

Part of water lot 65-88 next to Govt. wharf leased to James Richardson Ltd.

Guigues

Part of Lot 27, Con. 2, Township of Guigues, farm property having an area of 17·1 acres leased to Emile Malo.

Notre Dame du Nord

Part of water lot No. 69 in the Township of Guigues 0·48 acres near Quinze River leased to Adrien Lalonde.

Black River

Portion of Government Reserve leased to the Pembroke Electric Light Co. Ltd.

NOVA SCOTIA

Digby

Main Pier of Digby Pier. Leased by Dept. of Transport to C.P.R.

NEW BRUNSWICK

Bathurst

Warehouse. Leased to Bathurst Power and Paper Co.

Warehouses are leased by the Dept. of Transport at the following places: Fredericton, St. Andrews, Wilson's Beach, North Head, Shippigan, Lameque, Campbellton, Grand Harbour and Moncton.

BRITISH COLUMBIA

Esquimalt

Part of Dry Dock property leased to Manning Timber Products, Ltd.

NEWFOUNDLAND

Curling

Wharf and shed leased to Dumpty Ltd. Curling.

Lark Harbour

Shed on wharf leased to Maritime Packers (Newfoundland)

St. John's

Kings wharf—special agreement with Marine Agencies Ltd.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 22

MONDAY, JUNE 12, 1950

WITNESSES:

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

Mr. R. A. Gibson, Director, Development Services Branch, Department of Resources and Development.

Mr. H. R. Malley, President and General Manager, Crown Assets Disposal Corporation.

Mr. V. W. Scully, Deputy Minister (Taxation) and Mr. C. Gavsie, Assistant Deputy Minister, Department of National Revenue.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

64441—1

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

Chairman: L. Philippe Picard, Esq.

Vice-Chairman: David Croll, Esq.

Messrs.

Anderson
Ashbourne
Balcer
Beaudry
Benidickson
Blue
Boisvert
Boivin
Brisson
Browne (*St. John's West*)
Cauchon
Cavers
Cleaver
Cloutier
Cruickshank
Denis
Diefenbaker
Drew
Fleming
Fournier (*Maisonneuve-Rosemont*)
Fulford
Fraser
Gauthier (*Portneuf*)
Hansell
Helme
Homuth
Johnston
Kirk (*Antigonish-Guysborough*)
Kirk (*Digby-Yarmouth*)
Langlois (*Gaspé*)
Larson
Macdonnell
Major
Maybank
Pinard
Prudham
Richard (*Gloucester*)
Richard (*Ottawa East*)
Riley
Robinson
Sinclair
Stewart (*Winnipeg North*)
Thatcher
Thomas
Warren
White (*Hastings-Peterborough*)
Winkler
Wright

Clerk: A. L. Burgess.

MINUTES OF PROCEEDINGS

MONDAY, June 12, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Boisvert, Cauchon, Cavers, Drew, Fleming, Fulford, Fraser, Hansell, Helme, Johnston, Langlois (*Gaspe*), Larson, Macdonnell, Major, Picard, Prudham, Richard (*Ottawa East*), Riley, Robinson, Thatcher, Thomas, Warren.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General; Mr. R. A. Gibson, Director, Development Services Branch, Department of Resources and Development; Mr. H. R. Malley, President and General Manager, Crown Assets Disposal Corporation; Mr. V. W. Scully, Deputy Minister (Taxation) and Mr. C. Gavsie, Assistant Deputy Minister, Department of National Revenue.

The Chairman tabled a letter dated June 12, 1950, addressed to the Clerk of the Committee by Mr. E. O. Landry, Treasury Board, regarding properties held by the National Research Council and the Department of Resources and Development, which is printed as *Appendix A* to this day's minutes of proceedings and evidence.

The Chairman also tabled a memorandum from Mr. R. B. Bryce, Assistant Deputy Minister of Finance, regarding the number of employees of the government of Canada as at March 31, 1950, which is printed as *Appendix B* to this day's minutes of proceedings and evidence.

The Committee resumed consideration of the Auditor General's Report for the fiscal year 1948-49.

Examination of Messrs. Sellar and Gibson on paragraphs 71, 72 and 157 to 161, inclusive, of the Report was concluded, and the witnesses retired.

The Committee proceeded to an examination of the accounts of War Assets Corporation.

Messrs. Malley, Scully and Gavsie were called and questioned.

Mr. Malley tabled the following documents which are included in this day's minutes of evidence:

Copies of Orders in Council P.C. 242, dated January 21, 1947, and P.C. 930, dated March 13, 1947.

Copy of Agreement dated September 15, 1946, between His Majesty the King in right of Canada and Canadair Limited.

Copy of Agreement dated September 1, 1949, between His Majesty the King in right of Canada and Canadair Limited.

Copy of Order in Council P.C. 6567, dated January 10, 1950.

Copy of Agreement dated October 1, 1949, between His Majesty the King in right of Canada and Canadair Limited.

At 6 o'clock p.m. the Committee adjourned until Tuesday, June 13, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

64441—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Monday, June 12, 1950.

The Standing Committee on Public Accounts met this date at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, I see a quorum.

Before we start I would like to report that we have received a further memorandum concerning properties of the crown which would come within the meaning of the question asked some time ago by Mr. Drew. These will appear in our report of proceedings for today as appendix "A":

Mr. FLEMING: Might I ask you, Mr. Chairman, what those are?

The CHAIRMAN: Do you want me to read the letter?

Mr. DREW: I presume it is in addition to what has already been supplied to me?

The CHAIRMAN: Yes, it is in addition to what you have received up to now and it is from the National Research Council. There are, also, copies of a statement from the Department of Resources and Development regarding land disposal and tenure in the Yukon and Northwest Territories. This material will be printed at the end of the proceedings today. (See Appendix "A").

Then I have received a memorandum from Mr. Bryce in response to a question asking for a statement as to the number of employees in the government service. That will appear as appendix "B" to today's proceedings.

Before we ask Mr. Gibson to take the stand I see in the report of proceedings of the last meeting there is part of a letter which I sent to the members. So that there may be no question about the matter I would ask the clerk to see that the whole letter appears at this point in the report of today's proceedings.

HOUSE OF COMMONS, CANADA

L.-PHILIPPE PICARD, K.C., M.P.,
Member for Bellechasse.

OTTAWA, May 31, 1950.

At the last meeting of the Sub-Committee on agenda and procedure of the Public Accounts Committee it was suggested that members would consider the best way of approach to the study of Public Accounts once we have finished the order of business at present before the Committee.

Assuming that members of the Committee would wish to perform their work in connection with the Public Accounts with a view to obtain practical results and not with any so-called political or publicity-seeking motives, I think that it would expedite our work if we could obtain from members of the Committee their suggestions as to how we could work efficiently having regard to the possible number of meetings to be held before the last week of the session.

It has been suggested to me by some members that we might first try to reach an agreement on a subject or on part of the administration of a department we feel we might be able to cover in eight meetings or thereabout. This, of course, would not preclude our taking subsequently another subject or pursue further the one we have selected should the session be prolonged.

I, therefore, am taking upon myself to send you this note asking that you give consideration to the possible subject matters liable to be covered in eight meetings or thereabout and that you communicate in writing your suggestions to myself or to the Clerk of the Committee on Thursday, June 8, before 6 p.m. These suggestions would then be brought before the sub-committee of agenda and procedure on Monday evening next when they could be examined and co-ordinated if possible.

Throwing open for discussion the whole public accounts for any member to call any item or page would necessarily confuse the proceedings and hamper instead of help our work. On the other hand, we might have time to perform valuable work should we agree on a subject which we might reasonably hope to cover in a tentatively set number of meetings so as to make a report to Parliament on the matter, should we feel it advisable to do so.

With many thanks for the co-operation you will give me as Chairman of the Committee in this regard, I am,

Yours very truly,

P.S.: Last on the order of business of the Committee at the moment is the examination of officials of the War Assets Corporation. They will appear before the Committee on Monday, June 12, and every day thereafter, if needed, to complete their evidence. The suggestions I am asking for in the present letter is for the work to be performed after we have finished with the War Assets witnesses completing thereby the second part of our work, that of reviewing the report of the Auditor General.

My intention in writing the letter was that when the answers were received they would facilitate the work of the committee in selecting its new order of business. I do not think there is anything in the letter which should lead to any misinterpretation, but just to be sure I will ask that the whole letter be included in today's report.

Now, gentlemen, we have with us again Mr. R. A. Gibson, Director of the Development Services Branch, Department of Resources and Development. He will deal specifically with items 71 and 72 of the report of the Auditor General, which are the only items in the main volume of the report which have not been covered. Following that the same gentleman will be available to answer questions with respect to items 157 to 161 inclusive relating to the Yukon Territories, and as soon as we have finished with that we will go on with War Assets.

Mr. R. A. Gibson, Director, Development Services Branch, Department of Resources and Development, recalled:

The CHAIRMAN: Now, gentlemen, are there any questions you wish to ask Mr. Gibson concerning items 71 and 72 of the Auditor General's report. I think the subject matter has been fairly well covered up to now. Are there any further questions on item 71? Mr. Thatcher?

By Mr. Thatcher:

Q. Mr. Chairman, I was going to ask Mr. Gibson if it is the general practice to let contracts of this kind on a cost plus basis?—A. Yes.

Q. Would it not be possible to call for tenders?—A. Mr. Chairman, that is what we would like to do. Unfortunately we have not had sufficient engineering staff to get out the detailed information that would enable us to call for tenders on a unit price basis. Our work expanded very rapidly during the late war

years. We were getting an appropriation of about $1 million a year for the parks and the appropriation suddenly jumped to the order of 8 to 10 million a year. We had a lot of work to do in getting our roads in better shape and the only way we could get the work done was by going to contractors who had the equipment. For a long time we did the work on a day labour basis but we found the contractors had equipment available when we needed it, and they also had the trained staff with which to undertake this work, so we had to go out and hire them on the best terms we could. During the late war years it had been the custom to pay a fixed fee ranging around 10 per cent, we managed to get this down to around 5 per cent.

Q. You did try to call for tenders for that?—A. We did not have the engineering information that would enable us to give these contractors the data they needed to quote on a unit price basis so we had to call on a cost plus a fixed fee basis.

Q. Have you the facilities today on this road work that will enable you to call for tenders?—A. If our supplementary estimates are accepted—they are now before Treasury Board—we hope to have the staff this year with which to do the engineering work which will enable us to call for tenders next year on a unit price basis.

Q. Well, how do you do it; do you just go to the contractors and give them the job?—A. We put it up for competition among contractors known. to be able to do it. Where we are not able to do the work we get hold of people who are able to do it, who have the machinery and don't have to go to the United States to buy it, who have it already, and we turn the work over to them. We asked for prices and we accepted the lowest price.

By Mr. Johnston:

Q. Is it not a fact that there have been roads let on a cost plus contract?—A. They are all let on cost plus a fixed fee.

Q. All contracts are on cost plus?—A. That is, all that have been placed since the war have been on a cost plus fixed fee basis.

Q. Would it not be better for you to let those out on a straight tender basis than it would be to do it this way? Is not that the way the provinces do that?—A. Yes, they have a sufficient engineering staff to estimate just what their contracts will be, to give the contractors who compete for that kind of work sufficient information so that they could quote intelligently.

Q. And you say you haven't got the facilities to do that?—A. We haven't up to now but our staff is improving and we hope to get down to that basis this year and provide that service ourselves.

Mr. JOHNSTON: Mr. Chairman, the witness has some information he was going to give the committee. I wonder if he could give that to us now.

The CHAIRMAN: Is that on item 71?

Mr. JOHNSTON: Yes.

The WITNESS: Mr. Chairman, possibly I didn't make it sufficiently clear when I was here on the previous occasion that we insist on our contractors paying for services the rates of wages that are approved by the provincial authorities for the type of work that is being done. In this case the prevailing rate was $3 an hour for a 5 cubic yard dump truck; and that includes not only the rental of the equipment but the wages of the operator, the gasoline, the oil, the repairs, in fact all running expenses. We pay that $3 an hour for the length of time that the machine is actually hauling dirt. We don't pay anything for going to or from the job or for coming to the place where the contract is to be done. In this case the contractor hired the trucks for $2.75 an hour and we asked him why he didn't pay the $3 an hour which was the minimum rate for that class of service.

He said that he was actually losing money on these truckers because he had to supply them with certain services; first of all, he had to pay them $2.75 an hour while they stood by waiting for any shovel that was broken down, or the time coming to the job and returning, and for the length of time that they had to travel to the job in some instances in order to get them. He figured that for the year in question he actually spent in nonproductive time the sum of $15,149.75. His loss on gasoline which he supplied to these truckers was $1,598.50; his loss in supplying garage facilities—that is the amount that he could not recover from them when they brought in their trucks to install a new part, he charged a very small service charge—his loss under that heading was $6,186.42; his loss in providing housing accommodation for these truck drivers was $800; that amounted to a total loss of $23,734.17. The 25 cent differential which he got to offset that was $14,470.50 and he lost on the contract on this account $9,263.67.

Mr. FLEMING: Mr. Chairman, before we go on from there—

The CHAIRMAN: Excuse me, Mr. Fleming; does that complete the answer to your question, Mr. Johnston?

Mr. JOHNSTON: No.

Mr. FLEMING: I had a question relating to the subject we are discussing, just for information. I think you misunderstood me.

The CHAIRMAN: If you don't mind, I suggest that we should clear up this question of Mr. Johnston's relating to national parks; otherwise the evidence will be all criss-cross. What is on your mind, Mr. Johnston?

By Mr. Johnston:

Q. I want to speak about this subletting of contracts. As far as I am concerned I am not quite prepared to accept that at its face value. I just wonder if Mr. Gibson could tell us whether or not that financial loss to which he referred was verified by competent authority?—A. That statement has been checked by our engineers and by our financial advisor and they say it is substantially correct.

Q. But do the auditors say it is correct?—A. I do not think this point has ever been put up to our auditors yet, but it will be.

Q. Did you have this statement before you in the committee the other day?—A. I didn't have this statement, no—

Q. Did you have it on file in your departmental office, was it on file?—A. When we were talking about this the other day I had a pretty good idea what it amounted to but I was not prepared to say what it was and I did not want to forecast what it would be until I got the figures.

Q. Where did you get that information?

The CHAIRMAN: I think that is a personal question. Where a departmental officer gets his information I suggest is his business. I do not think that is a fair question to ask an officer of a department. It is a matter which comes under his responsibility and when he says: I have such and such information; it is up to you to accept it or not as you like. I do not think you can go further than that.

Mr. JOHNSTON: Wait a minute now, Mr. Chairman. Can the witness say whether that statement which he has read is correct or not?

The WITNESS: I cannot say to the cent, but I will say that it is substantially correct.

By Mr. Johnston:

Q. Do you say it is absolutely correct?—A. I say it is substantially correct. I cannot say to the cent. I haven't audited it myself.

Q. And on the same basis you would get the amount of profit that was included in that $14,470.50.—A. There is no profit included in that, I will say that definitely.

Mr. THATCHER: But the effect of what Mr. Gibson is telling us is that the contractor lost money or suffered by reason of this. You don't mean that that loss actually came out of the $33,760. Was it not stipulated, as the Auditor General pointed out, that any profit should be credited to the government? Is that not audited at all?

The WITNESS: That is audited on the job by the Finance Department.

Mr. THATCHER: It seems to me Mr. Chairman that it amounts simply to this, that the best way to do this kind of work is through calling for tenders.

The CHAIRMAN: That may be quite true, but today we have a witness before us. We are going to discuss that matter in the course of considering our report. While we have the witness here why not ask him questions if you want to?

Mr. THATCHER: All right, I will. But I am not satisfied with this.

The CHAIRMAN: That is a personal statement, we can expect. What do you want to ask the witness?

Mr. THATCHER: Would it not be better to let work of this kind by tender?

The WITNESS: I am quite prepared to admit the unit price basis is a much better basis than this, but this was the only way in which we could get our work done quickly. When you have people kicking about the roads and visitors kicking about the park roads you are going to do anything you can to improve them. Every time they come in there and see us building a new road in the park it encourages them to come back to our parks, and to come in droves.

The CHAIRMAN: I might suggest that bringing tourists into our parks is really good policy even if this statement of mine is also out of order.

By Mr. Johnston:

Q. The witness said there was a certain loss on gasoline. Would that not be entered as a cost?—A. No.

Q. It would not? Why not?—A. That is his business, not ours.

Q. How would that tremendous loss occur in gasoline?—A. I do not know. All I know is that anybody who handles gasoline entails a loss especially on a job that size.

Q. I have handled considerable of it but on a project of that size for that period of time I would think that would be an exceptionally heavy loss.—A. I do not want to accuse anybody of anything but the contractor had to pursue some of these people in the courts because they stole his gasoline.

Q. Of course, that would be pure negligence on his part.

The CHAIRMAN: Well, that is a gratuitous statement, Mr. Johnston. Someone may steal something from you without your being negligent.

By Mr. Johnston:

Q. Let us come back to this $2.75 an hour that the contractor was paying those private truckers. Was it not so that in that $2.75 it included cost of fuel, repairs and services of operator, etc?—A. There were some things that I say that he could not charge, and these are the things that I read. The other things he could charge and he did.

Q. That is, if there were any repair services they paid for them did they not?—A. They paid for the part and a minimum fee for the service.

Q. For the service? That is for the man handing it out?—A. That is right. The contractor had to pay a larger amount than he received and consequently lost money.

Q. I understood you to say in your evidence the other day that he had to pay this man out of his own pocket, the man who handled the parts?—A. Certainly; he had to hire him, he had to hire him all the year around.

Q. Yes, but it was charged up to the man who got the repairs.—A. Less than it cost the contractor, that is the point of the whole thing.

Q. It is pretty difficult to ascertain what that difference would be but in any event these truckers who were hired paid for that service, so the contractor was not out anything on that.—A. They did not.

By Mr. Prudham:

Q. I understood you to say there was a treasury officer on the job all the time checking these accounts as the accounts accumulated.—A. That is right.

Q. Then the treasury officer had a check on that at the time?—A. Exactly.

Mr. JOHNSTON: The Auditor General, Mr. Sellar, in the evidence given on June 8, at page F-2, said: "The treasury cost report on the project discloses that the contractor rented from others a number of trucks on the basis of $2.75 per operating hour, which included fuel, repairs, services of operator, etc." Now, all those services were included in that $2.75 which he paid.

Mr. PRUDHAM: He says they were not.

Mr. JOHNSTON: The Auditor General says they were.

The CHAIRMAN: Let Mr. Gibson answer the question first, and then we will have Mr. Sellar give us his views.

The WITNESS: The point of this whole thing is that the contractor could not charge up to the operator all his expenses. That is what I read here.

Mr. JOHNSTON: Then, you would dispute the statement made by the Auditor General?

The WITNESS: I do not think that Mr. Sellar means that all the costs were included; that is why Mr. Sellar qualified this statement later on in his evidence, as I recall it, to the effect that he did not know definitely.

The CHAIRMAN: Mr. Sellar, would you care to enlighten us now with your views on this?

Mr. SELLAR: Mr. Chairman—

Mr. JOHNSTON: Just a minute—

The CHAIRMAN: You are putting a statement in the mouth of the Auditor General, who is here, and who can speak for himself.

Mr. JOHNSTON: I am reading from the evidence right here, and I want Mr. Gibson's reaction in regard to it. Page F-2 of the evidence of June 8th reads as follows:

> Mr. SELLAR: My reasons are set out there. I refer to the treasury cost report in these words: "The Treasury Cost Report on the project discloses that the contractor rented from others a number of trucks on the basis of $2.75 per operating hour which included fuel, repairs, services of operator, etc."

Now, I am asking Mr. Gibson if all these services were not charged into that $2.75 so that the contractor in effect did not have to pay out these extra services at all, the truck owner paid those—that is, any extra services which he got, he paid for them?

Mr. LANGLOIS: Let him answer that now.

The WITNESS: Take the one item of non-productive time. I have explained that we only paid those trucks while they were actually hauling dirt. The contractor, however, paid the trucks when they were going to and from work and also while they were standing by in case there was any machinery breakdown. The loss on this non-productive time amounted to $15,149.75, which in itself is more than the 25 cents an hour differential we are talking about.

By Mr. Johnston:

Q. You think then he was quite—A. We satisfied ourselves, Mr. Chairman, as to that before we dropped our argument with the contractor. When we got those letters from the trucking outfits, we said: "Now, look, you must pay these people the minimum rate of the province", and he said: "I am paying them more than that". So we told him then to "show our man that you are", and he did.

Q. I do not know what you mean or what is entailed in that loss. Would you go over it again?—A. We pay for a truck while it is actually hauling dirt. The contractor pays for the truck not only when it is hauling dirt but when it is going from the base camp to the job and back again, he also—

Q. How far would that base camp be from the job?—A. Sometimes it is several miles. As I say, we pay for trucks while they are actually hauling dirt and the contractor has to pay for the trucks from the time the man leaves the base camp until he gets back to the base camp. He must also pay the trucks while they are standing by awaiting shovel repairs and that sort of thing.

Q. Is that not a common practice, though?—A. That is a practice at this particular place, and I dare say they have to abide by that to keep trucks on the job.

Q. But that is a common practice, so you are not telling us something which is not common to almost any contract.

The CHAIRMAN: Mr. Johnston, you are asking for an explanation as to why they did not collect the $14,000. The witness is telling you that the contractor gave them evidence that he had lost money on that through certain conditions and that it exceeded the amount that the department would have had a right according to the contract to claim—the sum of $14,000—and he said this is the reason why they did not press for their claim of $14,000. Now it is up to the committee to evaluate this, to approve or disapprove of it.

Mr. JOHNSTON: Any contractor could cover up a profit in that way.

Mr. LANGLOIS: That is another statement.

Mr. JOHNSTON: I am pointing out to you that those things the witness has told us about are quite ordinary in this type of work.

Mr. LANGLOIS: That is your own judgment. That is not the statement of the witness.

Mr. JOHNSTON: And that the sum of $3.00 per hour would cover all these losses; that is why the price is $3.00 an hour.

The CHAIRMAN: May I point out, Mr. Johnston, that the witness has stated definitely and on three occasions that the $3.00 is only for the hours where the trucks are actually employed in moving earth. Well, that is the basis, and he is supposed to pay $3.00 for that. He paid $2.75 an hour to truckers not only for that number of hours but for the other hours involved while they were standing idle or when they had left the camp to come to the place of operations so the $2.75 per hour and the $3.00 per hour are not on the same basis.

Mr. JOHNSTON: My contention, Mr. Chairman, is that it is, and that loss of time which you are describing as being a loss of time is calculated in the price—

Mr. PRUDHAM: What price?

Mr. JOHNSTON: And therefore, there would not necessarily be any loss.

The CHAIRMAN: The witness says that the $3.00 is paid for the actual time spent in moving earth, so you cannot compare the two numbers of hours.

Mr. JOHNSTON: But he also went on to point out that there was a certain loss of time going from the camp to the job.

The CHAIRMAN: That is the time that the contractor pays to the truckers but, as you have heard, the government does not pay that to the contractor. They are entirely different sets of hours.

Mr. JOHNSTON: We all know that when jobs are sublet there is a profit on the subletting.

The Chairman: Yes, but here is a case where there was no profit.

Mr. JOHNSTON: What we are trying to ascertain and what the Auditor General was trying to ascertain is what was the amount of profit in the $14,000?

The CHAIRMAN: Mr. Sellar, would you mind giving your views on the whole aspect of the question?

Mr. SELLAR: Mr. Chairman, I will just repeat really what I gave the other day. In paragraph 71, I said:

> The Treasury Cost Audit Report on the project discloses that the contractor rented from others a number of trucks on the basis of $2.75 per operating hour, which included fuel, repairs, services of operators, etc.

Now, then the Treasury Cost Auditor is an officer of the Comptroller of the Treasury who makes reports and, as Mr. Gibson has told you, is actually on the job. We get copies of his report. The material report concerning this is as follows; I will quote from his report:

> The trucks numbered 111 to 171, inclusive, were hired from outside parties on the basis of $2.75 per operating hour and included fuel, repairs, operator, etc.
>
> It may be noted that these trucks have been claimed at the rate of $3.00 per hour, which is a difference of 25 cents per hour on a total of 57,882 hours, or $14,470.50.

That is the report of the Treasury Cost Accountant. On the basis of that report we examined the records of the department and not finding any explanation of why the department ignored or over-ruled the Treasury Cost Accountant, because the department is not bound by the Treasury Cost Accountant's report—they can accept, reject it, or vary it—but the records did not show that any action had been taken, therefore I thought it my duty to draw the attention of this committee to it. Beyond that I cannot say that this full $14,000, as some members have felt, is a profit. I think that there is an intervening point some place there representing the contractor's extra costs. Then, to come to the question as to what part of these extra costs are overhead and chargeable to his fee, those are the questions I cannot answer, sir.

Mr. JOHNSTON: Are you in a position yet to ascertain what portion of that $14,470.50 is profit?

Mr. SELLAR: No, sir.

Mr. JOHNSTON: And you have never been given sufficient information to make that decision.

Mr. SELLAR: These figures that have been quoted today are new to me. We would look to the Treasury Cost Accountant to review those figures. Had I known about them before I wrote this report I would have had them checked.

Mr. JOHNSTON: Still you are not in a position to ascertain if there is any profit, or if any portion of it is profit?

Mr. SELLAR: No.

Mr. JOHNSTON: So with these figures you were given today you are no wiser than you were before?

Mr. SELLAR: Except that I have this additional information to work on.

By Mr. Langlois:

Q. I have a few questions to ask. First, could we be told whether or not the contractor put in a claim for this extra time of the trucks travelling to and from the place where the trucks were actually working?—A. No, Mr. Chairman, he filed no claim to that effect.

Q. According to the wording of the contract between you and the contractor, could such a claim have been made?—A. Well, our engineers had a definite understanding with the contractor that he would be paid only for the hours he was hauling dirt with those trucks.

Q. Was this understanding in the contract itself?—A. I am not just sure whether it is in there in so many words, but it was well understood.

Q. It was well understood that he could not claim for this extra time?—A. He could only claim for the time the trucks were hauling dirt.

Q. Now, according to your experience when tenders are called for unit prices do contractors not take account of such losses when they set their unit prices?—A. The management fee which was paid in this case—I think it was about four per cent of the total amount, a very low fee for management—could not be held to be sufficient to cover such matters as the loss of time of operation of trucks on standby and that sort of thing. The only chance he has to recoup himself a little for the loss of time on the trucks is that he is also renting equipment to us, and what he loses on the trucks he might possibly make up on some other item of equipment that he was renting to us himself.

Q. But on this rental you fixed the rates?—A. That is fixed by public competition.

Mr. PRUDHAM: How could he possibly make it up if his rates were all fixed by public competition?

The WITNESS: I said, if you should wonder why he did not make up this amount out of his management fee, the management fee was not sufficient for that.

By Mr. Langlois:

Q. You received competitive offers in this case?—A. Yes.

Q. How many did you receive, do you recall?—A. I think I have that information here. Tenders were received from Poole Construction Company Limited; Crown Paving and Construction Company; Western Construction and Lumber Company, Limited; Fred Mannix and Company, Limited; General Construction Company, Limited; Assiniboia Engineering Company, Limited; Standard Gravel and Surfacing Company, Limited; Bond Construction Company, Limited.

Q. Why was this contractor given the contract?—A. Because he made the lowest tender.

Q. Now, did the contract provide for subcontracts?—A. As a matter of fact we took it for granted that the contractor would supply practically all his machinery himself and in the case of this contractor he told us quite definitely that he was prepared to put his own trucks on the job, but so many truckers came to him and asked him for work that he gave them work.

Q. Were there any subcontracts, do you know?—A. Trucking was the only subcontract.

Q. Now, when you give a contract like that, on a cost plus fixed fee, the contractor assumes the financing of the operation, the responsibility, and does he make a depsoit on top of that?—A. Yes, when he signs the contract.

Q. What is this deposit and on what basis is it made?—A. I do not think I have that figure here, but it is a substantial fee so the man cannot back away from the contract.

Q. Do you make any holdbacks? When you make progress payments is there any percentage of those payments retained and paid to the contractor when he has completed the contract?—A. Under our system we always lag a little in payment under any contract—it takes so long to go through the paper work.

Q. So you have another method there?—A. Yes.

Q. Is the contractor required to provide insurance to cover his responsibility as a contractor?—A. Yes.

Q. You said you have no engineering staff to prepare tenders for a unit price. Have you figured out what it would have cost you to call for tenders had you had the staff to do it?—A. Our engineers advise us that in comparison with work done under similar conditions elsewhere we are getting very satisfactory results with the cost plus system.

Q. How does it work out with respect to other contracts on a unit price basis?—A. That is what I meant to convey.

Q. It compares favourably?—A. Yes sir.

By Mr. Fraser:

Q. I would like to ask how much the government paid the contractor for the use of this equipment? I understand it was a 5 per cent payment on the estimated cost of the equipment?—A. I do not think I have a copy of the contract here but I will tell you.

Q. The final payment would show that?—A. The construction equipment was supplied at a rental rate of approximately 5 per cent of the replacement value per month of 200 hours, plus operating costs.

Q. That would mean that if a bulldozer costs $30,000 you would take 5 per cent of that per month?—A. Yes, if he operated it for 200 hours.

Q. Yes. Well, then he was not losing much on the trucks.

The CHAIRMAN: The trucks were not his.

By Mr. Prudham:

Q. I would like to ask Mr. Gibson whether they were flexible rates or were these rates competitive?—A. All rates were competitive.

Q. Why do you say it is 5 per cent—because it worked out that way?—A. I said that unfortunately I did not have the figure and I tried to give it as near as I could.

Q. Were those rates competitive on the individual machines, and lower than the other tenders?—A. Exactly.

The CHAIRMAN: The word "exactly" is not an answer to the question Mr. Prudham asked. Were the rates lower than asked by other competitors?

The WITNESS: The price for management and for the rental of the equipment were both lower than those in other tenders.

Mr. FRASER: Could I have the figure of what was paid for the 5 per cent on equipment—not now but at another time?

The CHAIRMAN: We will ask the witness for that information.

By Mr. Fulford:

Q. I would like to ask the witness if he is the Mr. Gibson who looks after the St. Lawrence Island national parks?—A. Yes, sir.

Q. I want to tell this committee that there is no other government official that watches pennies any closer than this gentleman does.

Mr. DREW: Have you tried to do something that he would not permit?

Mr. FULFORD: I would not dare.

The CHAIRMAN: If we are through with items 71 and 72, we shall proceed with the Auditor General's report, items 157 to 161. Are there any questions?

Well, gentlemen, I assume that we have finished our work in connection with the review of the Auditor General's report. We have with us today the officials of the War Assets Corporation or Crown Assets Disposal Corporation.

Mr. FRASER: Mr. Gibson will table the other information?

The CHAIRMAN: He will forward a further report in writing. I would like to thank the witness for his co-operation.

The WITNESS: Thank you, Mr. Chairman.

Mr. H. R. Malley, President and General Manager, Crown Assets Disposal Corporation, called:

By Mr. Drew:

Q. Just as a matter of record, the present name is Crown Assets Disposal Corporation?—A. Yes.

Q. On what date was the name changed from War Assets Corporation? —A. January 1, of this year.

Q. So that in any discussions which involve the name Crown Assets Disposal Corporation or War Assets Corporation we can regard them as interchangeable names for the purposes of this inquiry?—A. Exactly.

Q. Mr. Malley, how long have you been the president of the Crown Assets Disposal Corporation and the same organization under the name of War Assets Corporation?—A. Since August 1, 1949.

Q. Who was the president before then?—A. Mr. J. H. Berry, although I was acting president from November of 1947.

Q. From November of 1947?—A. Yes, I think that is right.

Q. Were you connected with the organization in an official capacity prior to November of 1947?—A. Yes.

Q. In what capacity?—A. Vice-president in charge of supply. My duty was to prepare all of the surplus declarations we had given to us for sale purposes.

Q. When you speak of surplus declarations you mean that when any property in possession of the government agencies or departments was declared war surplus, that notification came to you?—A. It came to us.

Q. And in your official capacity you dealt with that particular problem? —A. That is right.

Q. From what time did you occupy that position?—A. August 15, 1945—right after the Japanese surrendered.

Q. Yes, I am simply placing the date.—A. I remember it well.

Q. So then from August 15, 1945 you have been continuously associated with the War Assets Corporation, and that same corporation under the name Crown Assets Disposal Corporation, up until the present time, in some official capacity?—A. Yes, sir.

Q. Well, to deal with a particular property just to trace this through, do you know the details of the disposal of the Emerald mine to Canadian Exploration Limited?—A. Only what I have read in the files, because that was really before I had anything to do with that part of the business—that is the sale of properties. I believe that particular property was sold by Metals, or at least they made the negotiation.

Q. That was sold by Metals?—A. It was sold by our corporation but the negotiations were made by Wartime Metals—that was a part of the Department of Munitions and Supply.

Q. That property was declared to be war surplus?—A. Yes.

Q. And that declaration would come to you in your official capacity at that time?—A. No, not that type of property because there was really no

preparation needed in the way of the sale. Most of the preparations we had to do were on commodity sales—more than with real estate. Real estate sales really went through not our department but through the sales department.

Q. Of War Assets Corporation?—A. Yes.

Q. Who would be in charge at that time?—A. Mr. Berry.

Q. Is Mr. Berry available now?—A. No.

By the Chairman:

Q. Is Mr. Berry still connected with your Department?—A. No, nor with the government.

By Mr. Drew:

Q. Who, among the officials of Crown Assets Disposal Corporation, would be in a position to speak with knowledge of the details of these negotiations and the subsequent transactions?—A. I do not think there is anyone left in the corporation who knows anything more about it. However, I may be able to answer some of your questions.

Q. You may correct me if I do not state the position accurately, because I am simply reviewing the information in my possession. I think I can bring it to the point of asking a direct question by indicating what my understanding is. As I understand it, the Emerald Mine is a mine on the Salmon River in British Columbia. I understand that it was a mine that had been worked on for some years, and was then taken over by the Wartime Metals Corporation, during the war for the purpose of obtaining certain required metals.—A. Tungsten.

Q. Tungsten particularly; otherwise it would have been a lead and zinc mine. —A. That is right.

Q. It was taken over by Wartime Metals Corporation; and then this property was declared to be war surplus. Can you tell me the date on which it was declared war surplus?—A. No. I am sorry. I have not anything before the date of the agreement.

The CHAIRMAN: We have agreed to supply some information in the committee. There was given to us an idea of two particular items with which we were to deal. I anticipated that we would have a witness here today from your department who might be able to answer detailed questions for Mr. Drew. In fact, I personally undertook to have that done.

Mr. DREW: I recognize the fact that if this information is not available today, it can be prepared and that we can pass on to something else. Perhaps we can obtain such information as is possible from Mr. Malley today.

The CHAIRMAN: I thought an effort had been made to have a witness available today.

Mr. THATCHER: Are all War Assets Corporation activities since the end of the war open today for discussion, or just the last year?

The CHAIRMAN: The purpose, of course, of the committee in dealing with this question is to have the record absolutely clear as to one question raised here by Mr. Drew, namely, the disposal of certain government properties. Normally our authority is to deal only with what is in the public accounts for the year ending March 31, 1949. But I have taken it upon myself to extend the authority that we have in order to deal with the questions proposed by Mr. Drew, to deal with the disposal of certain properties by War Assets. Our order of reference, of course, limits us to this year. But in order to follow certain properties, for example, the one at Cartierville, we were not in a position to answer Mr. Drew satisfactorily with the public accounts of this year. I think some witness stated that the last time it was in public accounts was 1946 and that it has been

disposed of since War Assets had published its last report, last June, and that the disposal would appear in the next year's report of War Assets. But in order not to leave the record of this committee blank or questions unanswered, we agreed to let this inquiry proceed along this broader basis. I do not think we have parliamentary authority to do more but we have done many other things which might not have been within the authority of the committee. I am not accepting responsibility to go into all the details of War Assets down the years, nevertheless there are two questions which we want to clear up: this mine, and Canadair. Strictly speaking, we are limited to what is in the public accounts this year. I do not think the committee could extend its investigation to the whole list of properties that may have been disposed of, let us say, six years or ten years ago. But since I have given an undertaking to the committee, I think I must allow a little more leeway even if the question relates to a deal which may not have been recorded in this year's public accounts.

Mr. RICHARD: Mr. Chairman, does this matter not come in because certain payments are still due on the Emerald Mine?

The CHAIRMAN: It could, but it is not mentioned in the public accounts of this year.

Mr. DREW: Mr. Chairman, I do not want to disturb a perfectly satisfactory assurance. But I think in view of what has just been said, I would not want any impression to be left that this inquiry is being based upon any extension of the proper functions of this committee. What has just been said explains why this or anything of a similar basis would be before us.

In the case of the Emerald Mine and in the case of some other properties as well, in the list which we have, there are payments made during the year covered by public accounts; and if we are to understand the reason for those payments, whether the payments were in accordance with the terms of the contract, for example, or whether the Treasury had been collecting what it should, and whether there is any balance owing which should be recovered, the only thing we can do is to go back and find what arrangements preceded this particular entry.

The CHAIRMAN: That is why I said we ought to carry on with this, and I had given an undertaking to do so. To go into the whole question of the disposal of properties of War Assets after we have finished with Emerald Mine and Canadair will be for the committee to decide.

Mr. DREW: I feel this comes up properly under the present public accounts because there were payments made during the year covered by those accounts.

The CHAIRMAN: It would be better for the sake of orderly procedure if the page on which they are recorded were referred to as we go along.

By Mr. Drew:

Q. I shall proceed, then, in view of the explanation you have given. Now, Mr. Malley, I understand that you have not with you today the date of the declaration declaring this property to be war surplus?—A. No. I do not recall having had any notice at all to get information on this particular mine; otherwise I would have had more information about it.

Q. I am not raising the question at the moment.

The CHAIRMAN: That is a further question which we want to have answered.

Mr. DREW: I suggest, Mr. Malley, that you bring with you to the next meeting whatever files are necessary to answer any questions in connection with this property, including correspondence or otherwise relating to the negotiations in connection with it.

Mr. LARSON: The witness is prepared, I take it, to go on with Cartierville today?

By the Chairman:

Q. Are you prepared to go on with the Canadair Cartierville property?—A. Yes.

By Mr. Drew:

Q. In so far as the information which you have today is concerned, I understand that the first incident in relating to the transaction of which you have knowledge is the agreement which was made. Would you give us the terms of that agreement in a simple outline, and explain to whom the property was sold?—A. It was sold to Canadian Exploration Limited. The date of the agreement was January 15, 1947. The purchase price was $950,000, payable $50,000 upon execution of the contract, and the balance, 50 per cent of the net profits per year.

Q. When you say "the balance, 50 per cent of the net profits per year", when would the amount become payable if there were no net profits?—A. There would not be any payment.

Q. You mean that the agreement was that the mine was sold for $50,000 firm, and that there was a further balance of $900,000 payable on the basis of 50 per cent of the net profits?—A. That is right.

Q. Am I correct then, that if there were no net profits, there would be no way in which a claim could be made in relation to the remaining $900,000?—A. No, I do not think so. I might say that they have paid $367,818.17 up to May 31 of this year.

By Mr. Langlois:

Q. How much does that represent per year?—A. The last payment was around $50,000 to $60,000.

By Mr. Thatcher:

Q. Does that include any interest charge?—A. You have got me there. I have no note of what the interest charge was.

By Mr. Drew:

Q. My other questions were not put in order to determine whether or not an additional amount had been paid. I wanted to understand the nature of the contract itself. I do not want to interrupt any subsequent questions being asked, but as I understand it, it was $950,000; that $50,000 was in cash, and that a further $900,000 was to be paid if and when there were net profits, on a basis of 50 per cent per year of the net profits, if any.—A. That is correct.

Q. Was there any default clause which provided that if within any particular period the $900,000 had not been paid, the title was to revert to the Crown?—A. I do not recall it.

Q. You would have a copy of that agreement?—A. Oh, yes.

Q. We could get it.—A. Yes.

Q. With whom were these negotiations carried out, so far as you were concerned?—A. They were carried out by the Wartime Metals Corporation on behalf of our corporation, because of their experience in this class of work.

Q. Do you know who was handling it on behalf of Wartime Metals?—A. No, I do not; but I think our files would show it.

Q. Do you know any of the details as to the advertising of this property?—A. No. I have not any information on that at all. You mean as to whether it was advertised before?

Q. Yes, and the nature of the advertisement and the date.—A. No.

Q. Would you be able to obtain any information on that?—A. Whatever is in our file is available. I would have to look the file over.

By the Chairman:

Q. May I suggest that the witness bring to the next meeting the files in order to permit him to give the answers as quickly as possible?—A. Yes.

Q. I agreed at the other meeting that the files would be brought here.

Mr. DREW: I am not suggesting that the questioning should stop, but so far as I am concerned, I have no further questions until the files are here.

The CHAIRMAN: That is quite fair. Shall we proceed then with the next order of business, the Canadair? We have other witnesses present. We have with us Mr. Scully, Mr. Gavsie, and former officials of the Department of Munitions and Supply. Would you kindly step up to the table, gentlemen?

We have with us, as I have said, Mr. Scully, who is the present deputy minister of taxation. He was formerly deputy minister of Reconstruction and Supply. With him is Mr. Gavsie, who was general counsel of Reconstruction and Supply. They are here in addition to Mr. Malley who is here for the same purpose.

By Mr. Drew:

Q. I shall first ask some questions of Mr. Malley in order to establish the relationship with War Assets Corporation; and then at such point that he feels it is more convenient to have the others answer the questions, I would suggest that he so indicate the fact when I ask a question which suggests it. Now, Mr. Malley, the War Assets Corporation was directed to take certain action in connection with Crown property at Cartierville, which had originally been operated under a management contract with Vickers Limited. On what date was it declared to be war surplus?—A. The date of the declaration was January 27, 1947.

Q. January 27, 1947; well, then, Mr. Malley, did the War Assets Corporation conduct negotiations in regard to the sale of this property, or were those negotiations actually completed prior to the time it was declared war surplus? —A. The declaration came to us after the agreement was made.

Q. Will you explain the reason for that? I ask you for this purpose: as I understand it, whatever was declared war surplus was then placed, in the ordinary course of events, under War Assets Corporation for disposal.—A. Yes.

Q. It would seem that this was different procedure than would ordinarily have been followed?—A. I suggest that Mr. Scully had better answer your questions.

Mr. GAVSIE: Mr. Chairman, perhaps I might answer. Under the Munitions and Supply Act the minister had authority both to acquire and dispose of munitions and supplies and defence projects, or as later defined, projects. Under the Surplus Crown Assets Act the minister of Reconstruction was the minister to whom surplus crown assets were declared by government agencies and departments as being surplus.

Then the Department of Munitions and Supply and the department of Reconstruction were amalgamated and became the Department of Reconstruction and Supply with the one miniser; so that what you had in effect was a minister declaring items to be surplus to himself. Now, that procedure was followed even though it was the Minister of Reconstruction and Supply declaring items surplus to the Minister of Reconstruction and Supply. Under the Surplus Crown Assets Act it was the minister who had authority to dispose of it with the approval of the Governor in Council.

War Assets Corporation was merely an agency or a servant or an instrument of the minister to carry out such of the functions as the minister required the corporation to carry out. It was entirely the responsibility of the minister to

deal with it. So that when it is said that the declaration of surplus is dated January 27, 1947, that is a mere formality because, as I say, the minister declared it to be surplus to the minister, in short, to himself.

Mr. DREW: If that is so, what necessity was there for the minister to declare this property as war surplus in view of the fact, that, as you have already said, he had authority both to acquire and to dispose of property of that kind without any such intermediate procedure?

Mr. GAVSIE: It was to put it within the machinery that had been set up by the Surplus Crown Assets Act.

Mr. DREW: What advantage was gained by that? What was the necessity?

Mr. GAVSIE: Just to tie it in with existing procedure. There was no advantage gained by actually doing it.

Mr. DREW: If I make a statement it is not for the purpose of giving a statement as evidence, but for the purpose of presenting a basis for the question. As I understand it, those things which were declared war surplus in the ordinary course of events were what we have come to describe as expendable assets. That is right?

Mr. GAVSIE: Yes, that is right.

Mr. DREW: Such things as army trucks, surplus military jackets, and various things which found their way into the hands of those various agencies for disposal to the public, things described as expendable?

Mr. GAVSIE: That is right. In the year 1946 the War Expenditure and Economies Committee held 41 sessions at which the procedure for dealing with war surplus was fully gone into. Perhaps that is my own statement. A report was made to the House of Commons with certain recommendations, some of which, I think, were implemented. I think, Mr. Chairman, that you are familiar with the War Expenditures Committee meetings.

The CHAIRMAN: That is right.

Mr. GAVSIE: I just made inquiry this afternoon and I learned that there were 41 sittings of that committee in 1946. And in addition, in 1945 the procedure in connection with War Assets up to that time were also dealt with by the War Expenditures Committee.

Mr. DREW: The report to which you refer was presented in the spring of 1946 in the House of Commons, was it not?

Mr. GAVSIE: I would think it would be the fall. We are dealing with the general procedure of the War Assets Corporation and I offer that explanation.

The CHAIRMAN: You asked about expendables and disposals. I think it is fair to let the witness build his own background as you have built yours for your questions.

Mr. DREW: I think it is not only fair but highly desirable; and if I have on a couple of occasions seemed to be about to ask a question, it was not to interrupt. I think it is very useful information. I would point out that there was a considerable amount of discussion in 1946 in regard to the procedure to be followed, and I was only making comments for the purpose of trying to clarify, both in my mind and in yours, the basis upon which I was going to ask subsequent questions. I mentioned that in the ordinary course of events these things which were declared war surplus were expendable and we agreed on that. It would seem that this property would be entirely outside of the ordinary description; and for that reason and in relation to the explanation you have given, would you let me have a copy of any memorandum or instructions used by War Assets which described the procedure to be followed in cases of property of this kind which was being handled?

Mr. GAVSIE: I think that memorandum pretty well covered the procedures which were followed in 1946.

Mr. DREW: You mean what was tabled in that report was accepted by War Assets Corporation as the basis—

Mr. GAVSIE: I think the witnesses were from War Assets and they indicated the procedures that were being followed at that time.

Mr. DREW: Yes. Now, in regard to this particular property, it was not a property which at any time became inoperative, was it?

Mr. GAVSIE: No. I think that if I were permitted to refer to the statement that was made by the minister (Right Hon. Mr. Howe) on March 20, 1947, as it appears in *Hansard*, that might give you the complete answer to the question.

Mr. DREW: I have that, it is at page 1540 of *Hansard* of March 20, 1947.

Mr. GAVSIE: March 20, 1947, that was the date. Now, I cannot do any better than refer to that statement as to the reasons why this plant was disposed of.

The CHAIRMAN: Would you care to summarize for the clarity of the report of this committee?

Mr. GAVSIE: I do not want to be too long about it.

Mr. DREW: I think we can afford to take plenty of time on this subject.

Mr. GAVSIE: Might I read?

The CHAIRMAN: I was the one who asked for it, so I think we are in agreement on that point.

Mr. GAVSIE: Might I read the whole statement?

The CHAIRMAN: I think that definitely would be advisable.

Mr. GAVSIE: This is Mr. Howe speaking:

> The aircraft plant at Cartierville, P.Q., was constructed by the dominion government in 1942, for the production of P.B.Y. (Catalina) and P.B.Y. (Canso "A") types of amphibian aircraft, in response to an urgent demand for aircraft of this type from the R.C.A.F. and from the air Services of the United States, it being represented that important operational assignments made the procurement of these planes imperative. A total of 340 P.B.Y. aircraft were produced at the plant between September, 1943 and March, 1945, and in addition, 29 P.B.Y. aircraft were assembled, at St. Hubert, from parts built at Cartierville. A further 119 hulls and 172 centre sections were built at Cartierville and shipped as components to the United States. The first aircraft were delivered within nine months of the start of production. This was a remarkable feat for a group of working men and women who had little or no experience in aircraft manufacture. It will be seen from the production schedule, which I will ask to have printed in Hansard, that the aircraft were produced at a satisfactory rate, and that substantially more than half of the production was purchased by the U.S. government.
>
> The total cost of the facilities at Cartierville, including land, buildings, plant, machinery and tooling, amounts to $21,825,777.33.
>
> Early in 1944, it became apparent that additional orders for P.B.Y. types would not be forthcoming. It was imperative that plans be made either for closing the plant and laying off some 8,000 skilled workers then in employment, or alternatively that another type of airplane should be undertaken. Requirements for fighter planes for the R.C.A.F. were well in hand, but both R.C.A.F. and Trans-Canada Air Lines had substantial requirements for lang range transport planes. The stated requirement of R.C.A.F. for long range transport was then a minimum of 50 aircraft, and for T.C.A., a minimum of 25 aircraft. At that time, practically all

four-engine long range transport planes were being built in the U.S., and, of these, the Douglas C-54 was generally considered to be the best. An extensive study was made by Canadian engineers, in collaboration with Douglas and Rolls Royce, to determine the type of plane best suited to Canadian requirement. The conclusion was that the commercial adaption of the Douglas C-54 known as the DC-2, powered with Rolls Royce engines, would be the aircraft peculiarly well adapted to Canadian service and commercial air line requirements.

The government therefore negotiated with the Douglas Aircraft Company, and secured a licence agreement under which Douglas undertook to furnish plans of its DC-4 type, as well its DC-6 type then being designed, and to assist in the Development, redesign and construction in Canada of an aircraft based on Douglas design and fitted with Rolls Royce power plants. In this arrangement, the Rolls Royce Company co-operated fully. The negotiations were completed in the fall of 1944.

The Cartierville plant had been built and managed for the crown, under a management agreement, by Canadian Vickers Limited, who had additional aircraft facilities at St. Hubert. Later, in 1944, the Canadian Vickers Company was engaged in an extensive shipbuilding programme for the allied navies and the merchant service, which involved heavy financial commitments. It was considered advisable to ask Canadian Vickers to divest itself of its management responsibilities related to the Cartierville plant, and to devote its full resources to shipbuilding. The government then entered into a management contract with a group of men who were at that time in charge, for Canadian Vickers, of the management of the Cartierville plant. These men formed a corporation, under the name of Canadair Limited, as a privately-owned management company, charged with the exclusive duty of operating the Cartierville plant as agents of the crown for the production of transport aircraft, as well as to carry out further commitments such as sub-contracts for the U.S. Navy for the production of P.B.Y. hulls and centre sections. These latter orders engaged the facilities at Cartierville until March, 1945. During the same period, engineering and tooling for the Canadian transport plane was advanced as rapidly as possible, having regard to the fact that Canadair, Douglas and Rolls Royce were then filling important war commitments.

After the end of the European war in May 1945, U.S. sub-contracts were terminated. Employment at Cartierville was then maintained by accepting contracts from commercial air lines in Canada, the U.S., South America, and Europe to meet a desperate peacetime need for transport equipment. Engineering and tooling for our four-engine plane had not reached the point where facilities at the plant could be fully employed, and therefore orders were accepted from more than 16 commercial operators for the conversion of U.S. Army Dakota type transports to the commercial DC-3 type. The work involved stripping down army planes and practically rebuilding them into transport types, almost the equivalent of building a new airplane. This work commenced in the early summer of 1945 and is still in progress. Up to the middle of September 1946, 87 DC-3 aircraft had been delivered, and this work is still continuing. The integration of these various programmes enabled a high level of employment to be maintained at Cartierville, and also enabled the plant to retain the services of trained personnel for the production, in due course, of a programme of four-engine transport planes.

The first four-engine transport plane, named the NORTH STAR, left the assembly line in June 1946, less than two years after the program was initiated. This prototype has performed satisfactorily, and

has fulfilled the expectations of the group that planned the new plane. A total of seven finished aircraft have been produced to date, and it is expected that T.C.A. will operate six of these planes in its regular Trans-Atlantic service on or about April 1, 1947.

Out of several long range transport planes planned by manufacturers in U.S. and U.K. at about the same time, some of them earlier, only one is in operation to date, namely the Locheed CONSTELLATION. Operational experience with that plane has not been altogether satisfactory, resulting in its being grounded for periods on two occasions. The Canadian plane being the second post-war transport plane, it was felt that exhaustive tests under all conditions of weather should be made before the plane was put in operation. These have been conducted during the winter months, and minor modifications have resulted. It is worthy of note that ours is the second post-war plane to go into operation. Not a bad record for Canada.

Total value of all production at the Cartierville plant up to September 14, 1946, which is the date of transfer of the management to Electric Boat Company, was as follows:—

U.S. Government contracts and sub-contracts	$ 54,780,000 00
R.C.A.F. contracts for P.B.Y.'s	27,340,000 00
Trans-Canada Air Lines for DC-3 conversions	2,730,000 00
Foreign customers for DC-3 conversions	10,480,000 00
Inventory on hand at September 14, 1946	9,750,000 00
Total	$105,080,000 00

Employees at Canadair Limited at December 31, 1946, totalled 7,383 persons.

During 1946, the Electric Boat Company, a substantial American corporation, became interested in the Cartierville project. This company, with large financial resources, had examined carefully into Canadian economic conditions, and became convinced that it could wisely and profitably engage some of its liquid capital in Canada. After extensive negotiations, Electric Boat Company acquired substantially all of the stock of Canadair Limited, and has entered into an agreement with the Canadian Government, effective as of September 14, 1946, covering the Crown facilities, contracts, etc., at Cartierville. The main features of the agreement are as follows:—

(*a*) Electric Boat Company to provide Canadair Limited with $2,000,000 working capital forthwith;

(*b*) Canadair Limited to waive all claim or right to fees or profits from the beginning of its operations to and including September 14th, 1946;

(*c*) Canadair Limited to buy at book value the assets of the project, as at September 14th, 1946, exclusive of plant, tools and automotive equipment, and to assume the liabilities as set out on the balance sheet of the project prepared as of that date;

(*d*) Canadair Limited to buy such automotive equipment as it might require, at prices to be agreed upon with War Assets Corporation;

(*e*) Canadair Limited and the Government to enter into a 15-year lease-option agreement covering the plant facilities and tools, under which the Company will pay a fixed annual rental of $200,000, and will have an option to acquire all of the facilities, including the tools, at an inclusive price ranging from $4,000,000 in the first year to $2,511,961 in the 15th year;

(*f*) Of the assets to be purchased by the Company, a balance of $3,886,821.10 to be paid for in equal quarterly instalments from June 30th, 1947 to December 31st, 1948, with interest on the unpaid balance at the rate of 3½ per cent per annum;

(*g*) The Government to assign to Canadair Limited its licence agreement with the Douglas Aircraft Company;

(*h*) Canadair to agree to sell to the Government and Trans-Canada Air Lines 24 R.C.A.F. type and 20 T.C.A. type aircraft at negotiated fixed prices of $630,000 and $660,000 each respectively, sales tax extra.

Before entering into this agreement, the Department of Reconstruction and Supply satisfied itself that this company is able to provide capable and experienced management for the plant. Mr. W. Oliver West, an early officer of TCA, who had since become manager of operations of the Boeing plant at Seattle, and had been in responsible charge of the gigantic war production of Boeing, was designated as President of Canadair. The Government is satisfied that the present Canadair Company is providing expert and experienced management for the Cartierville property.

Shortly after the war ended, requirements of both the R.C.A.F. and TCA were revised downward. The present requirement of R.C.A.F. is for 24 airplanes and for TCA, 20 airplanes. This reduction in requirements has of course added to the cost of each individual plane, although the cost of the planes is still well below the cost of purchasing and importing into Canada planes of competitive type.

I will now table a statement showing airplanes produced each month from the Cartierville plant, together with a list of purchasers of DC-3 conversions. I would ask that these tables be printed in Hansard.

I believe that this statement answers all questions regarding this matter now standing on the Order Paper.

And in addition to that I might mention that I think it was on the 16th of April, 1947, that the minister tabled the contracts and documents relating to the transaction with the Canadair people.

Mr. PRUDHAM: There is a summary besides that as well, is there not? In fact are there not two summaries? Would it not be possible to have them put in the record, Mr. Chairman?

Mr. GAVSIE: It is a pretty complicated table to read.

The CHAIRMAN: It need not be read, but it will be printed.

Mr. PRUDHAM: I mean the rest of the statement in Hansard.

Mr. LANGLOIS: You mean print it, not read it.

Mr. DREW: May I take it, in connection with these statements, that you are in a position to speak with some knowledge of the details of this statement?

Mr. GAVSIE: Mr. Scully and I are familiar with the details. I want to make it quite clear that the matter of deciding on whether the sale should be made or not, the policy matters, are matters for the minister and the Governor in Council, and not for a civil servant to discuss.

Mr. DREW: I will not ask you to interpret policy, whether or not this should have been done; no, I am simply going to ask you facts in regard to the deal.

Mr. GAVSIE: Could I make just one more statement, Mr. Drew? There are two orders-in-council; each approved the carrying out of these transactions. I think, Mr. Chairman, that Mr. Drew requested the Privy Council office to let him have copies some time ago, and I understand—

The CHAIRMAN: Those might be printed in this report as appendices.

Mr. PRUDHAM: I think we should complete that *Hansard* statement before going on with anything else. I think this full statement should be recorded here instead of just part of it.

The CHAIRMAN: What do you mean?

Mr. GAVSIE: The two schedules. I would like to be excused from reading them.

Mr. PRUDHAM: No, the balance of *Hansard*—

The CHAIRMAN: It will be included in the report as this point, but the witness wants to be excused from reading it; it is quite lengthy.

SUMMARY OF AIRCRAFT AND MAJOR COMPONENTS BUILT, CONVERTED, AND OVERHAULED AND REPAIRED AT CARTIERVILLE CROWN PLANT FROM JANUARY, 1943 (COMMENCEMENT) TO 14TH SEPTEMBER, 1946

Date	P.B.Y. Aircraft	Hulls	P.B.Y. Centre Section	North Star Aircraft	Conversion and Overhaul of Douglas C-47 and DC-53 Aircraft
1943					
September	3				
October	9				
November	13				
December	11				
1944					
January	16				
February	16				
March	25				
April	26				
May	27				
June	16				
July	25				
August	22				
September	1				
October	20				
November	26				
December	30	6	6		
1945					
January	30	1	1		
February	22	4	16		
March	2	12	28		
April	.....	15	26		
May	.....	21	22		
June	.....	24	32	.....	1
July	.....	20	24	.....	4
August	.....	16	18	.....	2
September	.....	.....	.....	.....	5
October	.....	.....	.....	.....	6
November	.....	.....	.....	.....	5
December	.....	.....	.....	.....	7
1946					
January	.....	.....	.....	.....	2
February	.....	.....	.....	.....	5
March	.....	.....	.....	.....	8
April	.....	.....	.....	.....	7
May	.....	.....	.....	.....	6
June	.....	.....	.....	.....	8
July	.....	.....	.....	1	10
August	.....	.....	.....	.....	5
September (1st-14th)	.....	.....	.....	.....	6
	340	119	172	1	87

N.B.—During the period February to August, 1943, an additional 29 P.B.Y. aircraft were produced at Cartierville for final assembly at St. Hubert.

SUMMARY OF CONVERSION JOBS BY PURCHASERS

JUNE, 1945 (COMMENCEMENT) TO 14TH SEPTEMBER, 1946

Purchaser	Nature of Job	Quantity
A.B. Aerotransport (Sweden)	C-47 to DC-3	3
Aviquipo—Mozambique	C-47 to DC-3	3
Aviquipo—Portugal	C-53 to DC-3	4
Aviquipo—Spain	C-53 Special	1
Colonial Airlines Inc., U.S.A.	C-47 to DC-3	3
Eldorado Mining & Refining (1944) Ltd.	C-47 Special	1
Doris—Yellowknife	C-47 Special	1
Eastern Airlines, Inc., U.S.A.	C-53 to DC-3	15
French Air Mission	C-53 to DC-3	5
Linea Aeropostal Venezolana	C-47 to DC-3	3
Netherlands Purchasing Commission	C-47 Overhaul	12
Norseman Air Transport U.S.A.	C-47 Special	1
Northeast Airlines Inc., U.S.A.	C-47 Overhaul	1
Royal Norwegian Purchasing Commission	C-53 and C-47 to DC-3	5
SABENA Belgium	C-49 and C-47 to DC-3	7
T.C.A.	C-47 to DC-3	20
USCAN Engineering Ltd., Canada	C-47 Special	1
ZONA Argentina	C-47 to DC-3	1
TOTAL		87

Mr. PRUDHAM: Mr. Chairman, it is not the two schedules I am referring to; it is the balance of the *Hansard* statement—

Mr. LANGLOIS: Not included in the press release?

Mr. PRUDHAM: —that was not included in the press release.

The CHAIRMAN: Would you kindly indicate the page number?

Mr. PRUDHAM: Page 1543 of *Hansard*.

Mr. DREW: Mr. Chairman, I think the witness has read everything down to the point at which Mr. Howe tabled the figures, and what follows that is a summary of aircraft and major components built, converted, and overhauled.

Mr. PRUDHAM: That is what I would like to have on the record.

The CHAIRMAN: That it what the witness wanted to be excused from reading because of the difficulty of reading the columnar information.

Mr. Prudham moves that the balance of the report, as printed in *Hansard*, be printed at this point in the evidence. I think it is acceptable to members of the committee. Is it agreed?

Agreed.

The orders-in-council will be published as appendices to these proceedings.

Mr. DREW: Would you just give the numbers?

Mr. GAVSIE: P.C. 242, January 21, 1947, and P.C. 930, of March 13, 1947.

Mr. WARREN: Read them out.

Mr. FLEMING: Mr. Chairman, would it not be more convenient to have these orders-in-council printed in the text rather than as an appendix. If they are printed in the text we will have a running story then.

The CHAIRMAN: It is immaterial. They will be included in the text.

Mr. DREW: As I understand it, the orders-in-council to which you have referred, and which will now appear in the text at this point—

Mr. GAVSIE: Mr. Chairman, I suppose I have the protection of the committee in procuring an order-in-council that I happen to have in my possession. I hope I am not transgressing any law.

The CHAIRMAN: It is a matter of public information, and you told us that Mr. Drew had copies.

Mr. GAVSIE: They are not officially in my custody.

The CHAIRMAN: Copies of orders-in-council can be produced. They will be printed in the evidence here.

MD/9

P.C. 242

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 21st January, 1947.

The Committee of the Privy Council have had before them a report, dated 21st January, 1947, from the Minister of Reconstruction and Supply, representing:

1. That discussions have taken place between officers of the Department of Reconstruction and Supply and Electric Boat Company, a New Jersey Corporation, with reference to the take-over of the Crown plant and operation at Cartierville, Quebec, presently being managed by Canadair Limited for and on behalf of His Majesty;

2. That Electric Boat Company has arranged to acquire substantially all the capital stock of Canadair Limited, and arrangements for such take-over have been made on the following basis;

(*a*) Electric Boat Company will provide Canadair Limited with $2,000,000.00 working capital forthwith;

(*b*) The management-fee agreement authorized by Order in Council P.C. 8991 of November 28, 1944, as amended by authority of Order in Council P.C. 4060 of June 7, 1945, shall be deemed to have been terminated as of September 14, 1946, except with respect to the production of the 44 aircraft and spare parts hereinafter referred to. The provisions of the said agreement relating to the payment of fees or profits to Canadair Limited shall be deemed to be cancelled *ab initio* and Canadair Limited shall not have any claim for right to fees or profits whatsoever for the period up to September 14, 1946;

(*c*) On the instructions of the Minister of Reconstruction and Supply, a balance sheet of the project as at September 14, 1946, has been prepared by Clarkson, Gordon & Company, Chartered Accountants, and has been accepted by the parties as disclosing the true state of affairs as at the said date;

(*d*) His Majesty through War Assets Corporation will enter into a 15-year lease option with Canadair Limited with respect to the plant, equipment and tooling on substantially the following terms:

(i) The basic value of the plant will be fixed at $3,500,000.00;

(ii) The annual rent will be $175,000.00, payable monthly, commencing September 15, 1946;

(iii) Canadair Limited will have the option of purchasing the plant for $3,500,000.00, less depreciation recovered by the Government as part of the rent;

(*e*) His Majesty, or Trans-Canada Air Lines, as the case may be, will enter into firm price contracts with Canadair Limited for the completion of the 44 North Star aircraft and spare parts, presently being built at the plant, such fixed price to be negotiated as soon as possible. Provision will be made in the fixed price contracts for progress payments based on the degree of completion of the contracts. Pending the determination of a fixed price, progress payments shall be made semi-monthly, or at such other periods as may be agreed upon, on the

estimated total cost incurred by Canadair Limited in respect of such production based upon claims prepared and certified by the proper officers of Canadair Limited. As at September 14, 1946, the amount so claimable is $5,859,138.74;

(*f*) The Douglas licence agreement and any and all rights of His Majesty in the development of the North Star Aircraft will be assigned to Canadair Limited and any royalties heretofore paid to Douglas in respect of the Aircraft will be taken into account in settling the price for such Aircraft. The provisions in the said licence agreement waiving withholding taxes on payments to Douglas thereunder will be applicable to any payments to be made by Canadair to Douglas thereunder. Provision will be made for the reassigning of the licence agreement to His Majesty in the event of the termination of the lease option agreement prior to the exercise of the option to purchase;

(*g*) Canadair Limited will be given the first opportunity to lease or purchase the additional plant, presently being used by it and known as the Noorduyn Plant, should His Majesty desire to lease or sell the plant to another;

(*h*) Canadair Limited will purchase the current assets (less liabilities) and the inventories at the value thereof shown on the balance sheet referred to in paragraph (*c*) above;

(*i*) Canadair Limited will take over the operation as of September 14, 1946, and all debits and credits will be adjusted as of the said date;

The Minister considers the arrangements to be fair and reasonable and in the public interest and he therefore recommends that he be authorized to conclude arrangements with Electric Boat Company and Canadair Limited on the foregoing basis and upon such other terms and conditions, not inconsistent therewith, as he may consider necessary or advisable and to execute such agreements and documents and do such other acts or things as may be required to give effect thereto.

The Committee concur in the foregoing recommendation and submit the same for approval.

Clerk of the Privy Council.

P.C. 930

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 13th March, 1947.

The Committee of the Privy Council have had before them a report dated March 12, 1947 from the Minister of Reconstruction and Supply, representing:

That by Order in Council P.C. 242 of January 21, 1947, authority was granted to enter into an agreement with Electric Boat Company and Canadair Limited for the takeover by Canadair Limited (hereinafter called "The Company"), as and from September 14, 1946, of the plant and operation carried on by it at Cartierville, Quebec, on behalf of His Majesty;

That the said agreement provides that His Majesty or Trans-Canada Air Lines, as the case may be, will enter into firm price contracts as soon as possible with Canadair Limited for the completion of the 44 North Star aircraft presently being built at the plant;

That the lease option with the Company for the plant, equipment and tooling provides for rental of the tooling in the plant as at September 14, 1946 and that tooling subsequently acquired would be charged as a cost of the contract. This will result in a division of ownership between the Crown and the lessee and will result in no recovery to the Crown for the tooling so to be provided. In similar cases it has been the practice of the Department to provide the tooling as a separate item and retain ownership thereof;

That it is advisable and in the public interest that the tooling manufactured or acquired by the Company from September 15, 1946, to March 31, 1947, for the production of the said 44 aircraft should be paid for separately and title thereto should vest in the Crown; it is estimated that the cost of such tooling for such period will not exceed $3,000,000.00, and funds for the payment of such cost are available out of Vote 605 of the Estimtaes for the fiscal year ending March 31, 1947;

That the said agreement further provides that the Douglas License Agreement will be assigned to the Company subject to the written consent of the Douglas Aircraft Company Inc. (hereinafter called "Douglas");

That Douglas has agreed to consent to the assignment of the Douglas License Agreement provided the Canadian Government will remain liable for the payment of the royalties on the 44 aircraft or will pay such royalties now; it is advisable and in the public interest that such royalties should now be paid to the Company to be held in escrow for the account of Douglas, and funds for such purpose are available out of the said Vote 605;

That it is proposed to amend the terms of the 15-year lease option with the Company relating to the plant, equipment and tooling to include the tooling to be provided as above mentioned, and to increase the basic value of the plant and the option price to $4,000,000.00 and to increase the annual rent to $200,000.00;

That it is proposed that the basic price for the 20 aircraft for Trans-Canada Air Lines will be $660,000.00 each and the basic price for the 24 aircraft for the Royal Canadian Air Force will be $630,000.00 each, sales tax, if any, extra; and

That the Minister considers the proposed prices to be fair and reasonable.

The Committee, therefore, on the recommendation of the Minister of Reconstruction and Supply advise that the foregoing be approved and that authority be granted for the execution of such contracts and other documents as may be necessary to give effect thereto.

Clerk of the Privy Council.

Mr. DREW: Then, the orders in council to which you are referring are orders in council that covered the first agreement with the Electric Boat Company and the supplementary agreement completed in March of 1947?

Mr. GAVSIE: It authorized all the transactions that took place in 1947.

Mr. DREW: Then, that transaction can be summarized in this way, that it was an agreement under which the Electric Boat Company had an option to purchase for $4 million a Crown property under consideration with the proviso that with each succeeding year the amount would become less. That is correct, is it not?

Mr. GAVSIE: That, roughly, is correct. The agreement speaks for itself.

Mr. DREW: Well, in any event it was an agreement under which they had an option to rent the property at an annual rental of $200,000?

Mr. GAVSIE: There was an annual rental with an option to purchase the property.

Mr. DREW: An option to purchase the property until such time as they should choose to exercise that for a period of fifteen years and, as I understand it, that option was exercised last year?

Mr. GAVSIE: I think perhaps Mr. Malley should answer that.

The WITNESS: There was an amendment to the lease option dated September 15, 1949. This amendment allowed for additional land around the existing property due to their requirements for a building to go across the property and they needed this extra land to square out their arrangements. That additional property was estimated at about $2 million and Canadair considered it inexpedient to reduce its working capital by cash payments.

I am perhaps getting a little ahead of my story there, but the increase in the land was allowed and the time for payment was increased to twenty-five years from 1946, and the additional land was at the same cost per acre as the original land. That was on September 15, 1949.

On October 1—they only operated for two weeks on that basis—they came along and exercised their option to purchase the property and the price they paid was in accordance with the schedule appearing in the amended agreement which was $3,760,745.

By Mr. Drew:

Q. And what did they pay in addition for the extra land?—A. $8,017.

Q. So that the land that was valued at $2 million— —A. No, the land was only valued at $47,000.

Q. I thought you said a moment ago it was valued at $2 million?—A. No, this was the property which they were going to build—$2 million.

Q. The land was valued at what?—A. The original area was $47,000 and the additional was $8,017.

Mr. SCULLY: They divided the $47,000 by the original acreage.

The WITNESS: And we got the same price per acre.

By Mr. Drew:

Q. What was the additional?—A. 6·89 acres.

Q. For $8,017?—A. Yes.

Q. Is that included in the $3,760,745?—A. Yes.

Q. So that that was the total purchase price of the property that they took over with this additional land? Then, have you a copy of the two orders in council?—A. There was only one order in council.

Q. There were two agreements?—A. Yes, and one order in council.

Q. Have you got a copy of both agreements?—A. Yes, I have a copy of both agreements. That is the amended agreement; that is the lease purchase agreement and there will be one—there will be the sales agreement.

Q. Have you got the sales agreement there, too?—A. Yes, here is the sales agreement.

The CHAIRMAN: In order that there will be no misinterpretation, I think we had better have them in the course of the evidence rather than at the end.

Mr. DREW: Yes, and I wonder if the secretary could arrange to have them in the proper time sequence?

The CHAIRMAN: Yes.

File 14-C-274-1
P.C. 242/47

This Agreement made as of the 15th day of September, 1946.

Between:

His Majesty the King in right of Canada (hereinafter called "His Majesty") herein represented by the Honourable the Minister of Reconstruction and Supply (hereinafter called "the Minister") herein acting through War Assets Corporation (hereinafter called "the Corporation") of the First Part

AND

CANADAIR LIMITED, a corporation organized and existing under the laws of the Dominion of Canada with its principal place of business in the Parish of St. Laurent, Province of Quebec (hereinafter called "Canadair") of the Second Part.

Whereas His Majesty is the owner of certain lands, buildings, machinery, jigs, dies, gauges, tools, furnishings, fixtures and equipment constituting an aircraft manufacturing plant (hereinafter called "the plant") located in the Parish of St. Laurent, in the Province of Quebec and is the owner of an airport adjacent thereto known as the "Cartierville Airport";

And whereas Canadair until September 14th, 1946, has heretofore operated the plant for and on behalf of His Majesty as His agent, at His expense, under His supervision and under His control;

And whereas His Majesty has agreed to grant to Canadair a lease of and option to purchase the said lands, buildings, machinery, jigs, dies, gauges, tools, furnishings, fixtures and equipment, including all jigs, tools, dies, gauges, expendable small tools, and fixtures manufactured or otherwise acquired for the production of North Star aircraft;

And whereas His Majesty was the holder of a license to manufacture and sell airplanes and spare parts under an agreement made as of the 12th day of November, 1946, between His Majesty and Douglas Aircraft Company, Inc., of Santa Monica, California (hereinafter called "Douglas"), as amended by letted dated November 19th, 1946, from Douglas to the Minister approved by the Minister under date of December 7th, 1946 (hereinafter called the "Douglas contract"), which Douglas Contract has been assigned by His Majesty to Canadair, with the consent of Douglas.

NOW, THEREFORE, these presents witnesseth:

THAT the parties covenant and agree as follows:

1. *Leased Premises.*

His Majesty hereby leases unto Canadair the following and Canadair accepts such lease:

(*a*) The land forming part of the plant to be set forth in the description and outlined in a sketch plan to be signed by the parties hereto and identified as forming part of this agreement and which shall be attached hereto as Schedule "A" to form part hereof (the said land being hereinafter called "the land");

(*b*) The buildings erected and presently situated on the said land, together with all things immovable attached thereto or forming part thereof for a permanency (all of which are hereinafter collectively called "the buildings");

(*c*) All of the machinery, furnishings, fixtures and equipment located at the plant and the Noorduyn Plant so-called presently held under lease by Canadair, to be listed in an inventory which shall be signed by the parties hereto and identified as forming part of this agreement and which shall be attached hereto as Schedule "B" to form part hereof, and also all jigs, tools, dies, gauges and expendable small tools (except the special tooling to which reference is made in paragraph (*d*) of this Section 1) located at the plant and at the Noorduyn plant (hereinafter collectively called "the leased equipment");

(*d*) All jigs, tools, dies, gauges and fixtures manufactured or otherwise acquired up to March 31st, 1947, for the manufacture of North Star aircraft (hereinafter called "the special tooling");

All of which lands, buildings, leased equipment and special tooling are hereinafter sometimes collectively called "the leased premises".

2. *Term.*

The term of the lease shall be 15 years from the 15th day of September, 1946, until September 14, 1961, unless terminated by His Majesty as hereinafter provided.

3. *Rent.*

(*a*) Canadair shall pay to His Majesty (the Corporation being hereby designated until further notice as the agent of His Majesty to receive payment) an annual rent of $200,000.00 payable in equal monthly installments, of $16,666.66 in advance, all of such installments unpaid from the 15th day of September, 1946, to the date of execution of this lease option to become due and payable concurrently with the execution hereof and each future installment to become due and payable on the 15th of each month in advance;

(*b*) The rent shall be deemed to accrue from day to day;

(*c*) Canadair's obligation to pay the rent herein stipulated shall not be subject to abatement or diminution by virtue of loss of or damage to the leased premises or any part thereof.

4. *Maintenance and Repair.*

(*a*) Canadair agrees to accept the leased premises in their present condition and, unless the option to purchase for which provision is hereinafter contained be exercised, agrees, subject to the next following sentence, to deliver up the buildings and leased equipment to His Majesty at the termination of the lease, in as good condition as the same were at the commencement of the lease. Canadair shall return the plant in as good operating condition as at the commencement of the lease, substantially with the same productive capacity as at the commencement of the lease, and for that purpose shall make such replacement or substitution of machines, machine tools and equipment which have become worn out or obsolete as may be necessary to retain such productive capacity.

(*b*) Unless and until the option to purchase for which provision is hereinafter made be exercised, Canadair shall at all times during the term of the lease, at its own expense, maintain the buildings and leased equipment in proper order and condition and shall make thereto such repairs, (whether lessor's repairs or lessee's repairs) and replacements as may from time to time be necessary for such purpose.

(*c*) It is further understood that title to repairs, replacements or substitution expressly made to retain the productive capacity as aforesaid shall vest in His Majesty as part of the leased premises but that title to all other acquisitions, purchases and substitutions shall vest in Canadair.

(*d*) Canadair may make such additions, alterations and changes as it may desire in the leased premises provided that no alteration of a substantial nature in the buildings shall be made without prior approval of the Minister; Canadair shall not be required to render a detailed accounting of the special tooling but shall deal with it in bulk. Canadair for its more efficient operation shall be entitled to alter the form of such special tooling and to make any and all changes, revisions and alterations whatsoever in the form and nature thereof without any accounting to or approval by His Majesty, and shall only be under the obligation at the termination of the lease to deliver to His Majesty the special tooling in whatsoever form, shape or condition it may then be. Canadair if it desires at any time or from time to time to dispose of any portion or portions of the special tooling may declare the same as surplus to its requirements and shall thereafter be released from any responsibility with respect to such portion or portions so declared surplus.

(*e*) Subject to the foregoing His Majesty hereby waives the presumption set forth in Section 1629 of the Civil Code of Lower Canada.

(*f*) His Majesty and His duly authorized representative shall have the right, at all reasonable times, to enter the leased premises for the purpose of inspecting the same.

(*g*) His Majesty agrees to subrogate and make available to Canadair any and all the rights and claims which His Majesty now has or may hereafter have against the architects and builders of the buildings on the leased premises (either directly or indirectly or by assignment from Canadian Vickers Limited) in respect of defects arising out of the designs, plans, specifications, workmanship, materials or construction thereof.

(*h*) Canadair shall be entitled in replacing or substituting any of the leased equipment in accordance with its obligation hereunto, to trade in and take credit for the trade in allowance for the leased equipment being replaced or substituted.

5. *Insurance.*

(*a*) Unless and until the option to purchase for which provision is hereinafter contained be exercised, Canadair shall at all times, at its own expense, cause the buildings and leased equipment to be insured and to do all things necessary to keep the same insured against risks usually covered under a standard fire insurance policy bearing as an endorsement the standard supplemental contract approved by the Canadian Underwriters Association to a minimum aggregate amount at all pertinent times of the basic value of the buildings and leased equipment as set out in Section 7 hereof;

(*b*) Canadair shall also, at its own expense, carry boiler insurance on any pressure vessels in or about the plant having a pressure of 15 lbs. or more per square inch. Such boiler insurance shall be effected with an Insurance Company providing a good inspection service, and shall cover such risks and limits as are now in effect in respect of pressure vessels in the plant;

(*c*) The proceeds of such insurance shall be made payable to His Majesty and Canadair as their interests may appear and Canadair shall from time to time, upon request, furnish to His Majesty copies of the relevant insurance policies and renewal certificates evidencing the fact that such insurance is in effect;

(*d*) Should Canadair fail to insure as required in this Section 5, His Majesty may insure and charge the cost thereof to Canadair, which Canadair undertakes and agrees to pay to His Majesty upon demand;

(*e*) Any and all amounts which may from time to time become payable by the insurers to His Majesty and Canadair under such policies by reason of damage to the buildings or the leased equipment shall, notwithstanding any other provisions to the contrary herein contained and failing any other arrangements between the parties hereto, be applied towards remedying any damage to the buildings or the leased equipment by reason of which such amount so became payable under such insurance policies and when such repairs have been effected, the repaired buildings and leased equipment shall continue to be the property of His Majesty provided, however, that if after the occurrence of any such damage and prior to the remedying thereof, the option to purchase for which provision is hereinafter contained be exercised, any proceeds of such policies otherwise paid or payable to His Majesty or assigned by His Majesty as the case may be to Canadair and provided further that any insurance proceeds not required to effect the repairs as aforesaid shall belong to Canadair.

6. *Canadair to pay taxes*

Canadair shall pay all municipal and school taxes and other rates and charges which may from time to time be levied upon the leased premises or any part thereof with respect to the use and occupancy thereof by Canadair.

7. *Basic value of leased premises.*

The basic value of the leased premises as at September 14, 1946, is $4,000,000.00, apportioned as follows:

(*a*) Land	$ 47,000 00
(*b*) Buildings	2,162,129 00
(*c*) Leased Equipment, except special tooling	1,790,870 00
(*d*) Special tooling	1 00
	$4,000,000 00

The basic value of the leased premises shall be successively reduced on the 15th day of September, 1947, and on the 15th day of September in each subsequent year during the term hereof to the respective amounts specified as the option price in Section 9 hereof.

8. *Use of runways and airfield.*

(*a*) Canadair shall at all times during the term of the lease be entitled in common with others to make use of the runways and airfield adjacent to the plant and forming part of the property of His Majesty presently known as the Cartierville Airport for the purpose of test flying or flying incidental to the operation of the plant in the manufacture or repair of aircraft upon terms similar to those presently in effect. His Majesty will cause such Airport to be properly maintained and operated;

(*b*) Should Canadair exercise the option to purchase for which provision is made in Section 9 hereof, Canadair shall be entitled in common with others to make use of the Cartierville Airport for ninety-nine years upon such terms as shall then be mutually agreed upon by the parties.

(*c*) His Majesty will arrange for the use, at any time and from time to time when required by Canadair, of the Dorval Airport upon such terms as may be mutually agreed upon between the parties.

9. *Option to purchase leased permises.*

(*a*) His Majesty hereby gives and grants unto Canadair irrevocably the sole and exclusive right and option, at any time during the term of the lease, to purchase the leased premises as they then exist in whole but not in part for a price in each as follows during the fiscal years commencing with the following dates:

September 15, 1946	$4,000,000 00
" " 1947	3,920,000 00
" " 1948	3,837,600 00
" " 1949	3,752,728 00
" " 1950	3,665,310 00
" " 1951	3,575,269 00
" " 1952	3,482,527 00
" " 1953	3,387,003 00
" " 1954	3,288,613 00
" " 1955	3,187,272 00
" " 1956	3,082,890 00
" " 1957	2,974,377 00
" " 1958	2,863,608 00
" " 1959	2,749,516 00
" " 1960	2,632,001 00

(*b*) Canadair shall exercise the option to purchase herein granted by registered mail written notice to His Majesty and shall make payment in full of the option price against receipt of proper documents transferring title to the leased premises, free and clear of any and all liens and encumbrances. All rent shall cease to accrue or become payable hereunder on the date of the mailing of such notice and an adjustment shall be made in the purchase price for any prepaid rent.

(*c*) His Majesty represents and warrants that He is the owner of good and marketable title to the leased premises, free and clear of any and all liens and encumbrances.

10. *Default and Right to terminate.*

Without prejudice to any other right which His Majesty may have, in the event of any default on the part of Canadair to fulfill and perform each and every one of its obligations under this lease as and when they become due and that any such default continues for a period of 60 days, then His Majesty may thereafter notify Canadair in writing of such default and in the event of the failure of Canadair to remedy any such default within 30 days from the date of the receipt of such written notice by Canadair from His Majesty, His Majesty may by notice in writing and without any other formality whatsoever terminate the lease and Canadair shall thereupon deliver up and surrender possession of the leased premises to His Majesty and pay to His Majesty the total aggregate amount of the rent theretofore accrued and remaining unpaid, if any, and fulfill and perform any and all other obligations theretofore accrued and remaining outstanding.

11. *Rights in connection with North Star aircraft.*

(*a*) His Majesty hereby assigns exclusively to Canadair for the term of the lease, or if the option to purchase is exercised, His Majesty hereby assigns exclusively to Canadair, forever, all of His right, title and interest in and to the development, engineering, licences, patents, patentable inventions and all other matters pertaining to or in connection with the North Star type aircraft, also known as the DC-4M and C54-GM, as developed by His Majesty and Canadair, and Canadair, in the event it exercises the option to purchase, shall be entitled to retain as its exclusive property all drawings, blue-prints, plans, sketches and other material in connection with such aircraft and to patent in its own name and right all patentable elements thereof.

(*b*) His Majesty having, prior to the execution hereof, assigned to Canadair the Douglas contract, in the event that the option to purchose is not exercised, Canadair shall, upon the expiration of the term of the lease, reassign the Douglas contract to His Majesty upon the condition that His Majesty shall assume and agree to satisfy and discharge all of the obligations of Canadair thereafter accruing under the Douglas Contract, the whole subject to such consent of Douglas Aircraft Company, Inc., as may be required in accordance with the Douglas Contract.

12. *Right of His Majesty to purchase capital additions.*

In the event that Canadair does not exercise the option to purchase, Canadair shall upon the expiration of the term of the lease or any renewal thereof give to His Majesty the first opportunity to purchase any capital additions to the leased premises made and owned by Canadair.

13. *Lease or sale of Noorduyn plant.*

In the event that His Majesty proposes to lease or sell the Noorduyn plant so called (presently under lease to Canadair), His Majesty shall, so long as this lease remains in effect or if Canadair has exercised its option to purchase, give

to Canadair the first opportunity, during the period of not more than 30 days after written notice to Canadair, to lease or purchase (as the case may be) such Noorduyn plant.

14. *Water mains, sewers, sidings.*

In the event that Canadair shall exercise its option to purchase, His Majesty shall assign and transfer to Canadair any right which His Majesty then may have in and to any water mains, sewers, railway sidings or other similar or related services, servicing the plant.

15. *Accounts.*

Canadair shall keep proper accounts and records satisfactory to the Minister reasonably required for or incidental to this agreement. Such accounts and records shall at all reasonable times be open to audit and inspection by the authorized representatives of the Minister (who may make copies thereof and take extracts therefrom) and Canadair shall afford all reasonable facilities for such audits and inspections and shall furnish to the Minister and his authorized representatives with all such reasonable information as he or they may from time to time require with reference to such accounts and records.

16. *Releases of surplus items.*

Canadair shall be entitled at any time or from time to time to declare as surplus to its requirements any item or items of the leased premises, provided, however, that such declaration shall not affffect the option price or the rent provided for hereunder or the obligations of Canadair under Section 4 hereof. Canadair after fourteen days' written notice to the Corporation shall no longer be responsible in any manner for the items declared as surplus including any obligation for the care, maintenance, insurance or accounting with respect thereto, and the Corporation shall promptly remove the same from the leased premises or make such arrangement with Canadair with respect thereto as may be mutually agreed upon.

17. *Notices.*

Any notices to be given hereunder to His Majesty or the Minister shall be in writing sent by registered mail, return receipt requested, and shall be addressed to War Assets Corporation at P.O. Box 6099, Montreal, Quebec.

Any notices to be given hereunder to Canadair shall be in writing sent by registered mail return receipt requested, and shall be addressed to Canadair Limited, P.O. 6087, Montreal, Quebec.

Except as herein expressly stated to the contrary, any notice to be given hereunder shall be deemed given when received.

Either party may by written notice to the other party change the name or address to which notices hereunder may be sent.

18. *House of Commons Clause.*

No member of the House of Commons of Canada shall be admitted to any share or part of this agreement or to any benefit to arise therefrom.

19. *Assignment.*

This agreement shall not be assignable in whole or in part by Canadair without the prior written approval of the Minister in writing.

20. *Further Documents and Assurances.*

The parties agree to execute and deliver any and all further documents and assurances necessary to effectuate this Agreement.

21. *Laws.*

This agreement shall in all respects be subject to and interpreted in accordance with the laws of the Province of Quebec.

22. *Negotiations Superseded.*

All previous communications, negotiations and agreements with respect to the subject matter hereof are hereby superseded and cancelled.

In Witness Whereof this agreement has been executed on behalf of His Majesty the King in Right of Canada by War Assets Corporation under its corporate seal and the hands of its duly authorized officers, and by Canadair Limited under its corporate seal and the hands of its duly authorized officers.

Signed, Sealed and Delivered in manner aforesaid on behalf of His Majesty the King in Right of Canada in the presence of:

"G. W. McDONALD,
Witness

WAR ASSETS CORPORATION

"J. H. BERRY"
C/S
President

" ? "
Assistant Secretary

Signed, Sealed and Delivered in the presence of:

"HENRY M. MARX"
Witness

CANADAIR LIMITED

" ? "
C/S
President

" ? "
Secretary

I hereby certify that the within is a true copy of an original Agreement dated the 15th day of September 1946, made between His Majesty the King in Right of Canada and Canadair Limited.

I. McDONALD,
Supervisor of Dittoed Contracts
Main Pool

WAR ASSETS CORPORATION

AGREEMENT BETWEEN HIS MAJESTY THE KING IN RIGHT OF CANADA
and
CANADAIR LIMITED

(Amending Lease-Option Agreement)
(dated the 15th of September 1946)

Date: 1st September, 1949. File: LB 14614

This agreement made the 1st day of September, 1949, between His Majesty The King in right of Canada, (hereinafter called "His Majesty") herein represented by the Minister of Trade and Commerce (hereinafter called "the Minister") herein acting through War Assets Corporation (hereinafter called "the Corporation") of the First Part; and Canadair Limited a Corporation organized and existing under the laws of the Dominion of Canada with its principal place of business in the Parish of St. Laurent, in the Province of Quebec, (hereinafter called "Canadair") of the Second Part.

Whereas by Agreement made as of the 15th day of September, 1946, between His Majesty and Canadair (such Agreement being hereinafter called the "Lease-Option Agreement"), His Majesty leased unto Canadair certain land, buildings,

equipment and special tooling all of which are described in the said Lease-Option Agreement as the leased premises and granted unto Canadair an option to purchase such leased premises; and

Whereas His Majesty and Canadair have executed an Agreement (hereinafter called the "Production Agreement") bearing even date herewith in substance providing for the manufacture by Canadair and the purchase by His Majesty of one hundred (100) Model F186A airplanes; and

Whereas Canadair proposes, for the purpose of the performance of the work under the Production Agreement, to construct as a capital addition an extension to the buildings on the land forming part of the leased premises under the Lease-Option Agreement at an estimated cost of approximately Two Million Dollars ($2,000,000); and

Whereas sub-paragraph (*d*) of paragraph 4 of the Lease-Option Agreement provides in part that Canadair may make such additions, alterations and changes at it may desire in the leased premises provided that no alterations of a substantial nature in the buildings shall be made without prior approval of the Minister; and

Whereas it is expedient to provide for Canadair reasonable and proper protection for its investment in the proposed extension to the buildings; and

Whereas it is also expedient to extend the area of the land forming part of the leased premises under the Lease-Option Agreement.

Now, therefore, the Parties hereto, for and in consideration of the mutual covenants and agreements herein contained, mutually covenant and agree as follows:

1. His Majesty hereby gives his approval to the construction of an extension by Canadair as a capital addition to the buildings on the land forming part of the leased premises under the Lease-Option Agreement as hereby amended and to the making of such alterations and changes to such buildings forming part of such leased premises as may be necessary or useful to provide for the construction and use of such extension to such buildings.

2. The land forming part of the leased premises under the Lease-Option Agreement is hereby extended so as to include the land described in Schedule 1 and outlined in red on Schedule 2 hereto attached to form part hereof and duly initialled by the Parties hereto for the purposes of identification and the description and sketch plan constituting Schedule "A" to the Lease-Option Agreement are hereby amended in such manner as to give effect to this Agreement and to Schedules 1 and 2 respectively to this Agreement.

3. The term of the lease under the Lease-Option Agreement is hereby extended by a period of ten (10) years to be calculated from and exclusive of the 14th day of September, 1961 and the provisions of Paragraph 2 of the Lease-Option Agreement are hereby amended in such manner as to give effect to the foregoing provisions of this Paragraph 3 hereof with the result that the term of the lease under the Lease-Option Agreement as hereby extended shall be twenty-five (25) years from the 15th day of September, 1946, until the 14th day of September, 1971, unless terminated by His Majesty as in the Lease-Option Agreement provided.

4. Effective as of the 15th day of September, 1949, the annual rental provided for in paragraph 3 of the Lease-Option Agreement is hereby increased to $200,400.00, which shall be payable in equal monthly instalments of $16,700.00.

5. The basic value of the leased premises to which reference is made in Paragraph 7 of the Lease-Option Agreement shall, effective as of the 15th day of September, 1949, be increased by the sum of Eight Thousand and Seventeen Dollars ($8,017.00) so as to include the value of the land described in Schedule 1 and outlined on Schedule 2 hereto.

6. Sub-paragraph (*a*) of Paragraph 9 of the Lease-Option Agreement is hereby amended by deleting therefrom the list of dates, years and amounts therein set forth and replacing the some by the following:

September 15, 1946	$4,000,000
" 15, 1947	3,920,000
" 15, 1948	3,837,600
" 15, 1949	3,760,745
" 15, 1950	3,673,167
" 15, 1951	3,582,962
" 15, 1952	3,490,051
" 15, 1953	3,394,353
" 15, 1954	3,295,783
" 15, 1955	3,194,257
" 15, 1956	3,089,685
" 15, 1957	2,981,975
" 15, 1958	2,871,034
" 15, 1959	2,756,765
" 15, 1960	2,639,068
" 15, 1961	2,517,840
" 15, 1962	2,392,976
" 15, 1963	2,264,365
" 15, 1964	2,131,896
" 15, 1965	1,995,453
" 15, 1966	1,854,916
" 15, 1967	1,710,164
" 15, 1968	1,561,069
" 15, 1969	1,407,501
" 15, 1970	1,249,326

7. (*a*) Canadair shall at all times during the term of the lease under the Lease-Option Agreement at its own expense maintain in proper order and condition those portions of the pipe drains which are shown marked red and blue respectively on Schedule "2" hereto annexed and shall make thereto such repairs (whether Lessor's repairs or Lessee's repairs) and replacements as may from time to time be necessary for such purpose.

(*b*) In the event that Canadair shall exercise its option to purchase the leased premises, Canadair shall, upon demand, grant to His Majesty a servitude, in a form satisfactory to the Minister, to provide for the right in perpetuity to use the aforesaid portions of the said pipe drains for the purpose of draining the lands of His Majesty presently forming part of the Cartierville airport and to provide that Canadair and every subsequent proprietor of the lands affected by the said servitude shall, at its or his own expense, maintain the aforesaid portions of the said pipe drains in proper order and condition and shall make thereto such repairs and replacements as may from time to time be necessary for such purpose.

8. The Lease-Option Agreement as hereby amended shall continue to be and remain in full force and effect in accordance with the provisions thereof.

9. This Agreement shall in all respects be subject to and interpreted in accordance with the laws of the Province of Quebec.

In Witness Whereof this Agreement has been executed on behalf of His Majesty the King in Right of Canada by War Assets Corporation under its corporate seal and the hands of its duly authorized officers and by Canadair Limited under its corporate seal and the hands of its duly authorized officers.

Signed and sealed in the manner aforesaid on behalf of His Majesty the King in Right of Canada in the presence of:

EDITH L. JARVIS
Witness

WAR ASSETS CORPORATION
H. R. MALLEY
President
[Seal]
R. P. SAUNDERS
Secretary

Signed and sealed in the manner aforesaid by Canadair in the presence of:

D. H. MACFARLANE
Witness

CANADAIR LIMITED
[Seal]
Q. O. WEST
President

WAR ASSETS CORPORATION

Approved as to form by Legal Department.

E. F. COUGHLIN

Date 25/8/49

I hereby certify that this a true copy of the original document deposited in the Records Division of the Secretary's Department

LILLIAN M. CORBETT
Records Division

Approved as to terms and price by

This is Schedule 1 to Agreement dated the.....day of.....1949, between His Majesty the King in Right of Canada and Canadair Limited.

Description of Land at Cartierville Airport
Cartierville, P.Q.,

TO BE DECLARED SURPLUS

All and singular that certain parcel of land (hereinafter referred to as "the said land") situate, lying and being in the Parish of St. Laurent, County of Jacques Cartier, Province of Quebec, consisting of parts of Cadastral Lots two hundred and twenty-nine (229), two hundred and twenty-nine dash one (229-1), two hundred and thirty (230) and two hundred and thirty-two dash two (232-2) being comprised in Cartierville Airport (hereinafter referred to as "the said airport") and being more particularly described as follows:

Commencing at the intersection of the centre line of Runway 6-24 with the southwesterly limit of Montee St. Laurent Road, so-called; thence South forty-eight degrees twenty-three minutes East (S. 48° 23′ E.) along the said southwesterly limit, being in common with the northeasterly Airport Property Boundary Fence in part, a distance of five hundred and fifty-two and five tenths (552·5) feet more or less to a point, distant one hundred and fifty and five tenths (150·5) feet northwesterly from an iron pin planted thereon, the said point being henceforth designated as the point of beginning for the said parcel of land hereinafter described; thence continuing from the Point of Beginning, so determined, South forty-eight degrees twenty-three minutes East (S. 48° 23′ E.)

along the aforesaid limit and fence, a distance of one hundred and fifty and five tenths (150·5) feet more or less to the said iron pin planted thereon and designating an Airport Property Boundary Fence corner; thence South forty-six degrees four minutes West (S. 46° 04′ W.) along the said boundary fence, a distance of eight hundred and ninety-three (893·0) feet to a point; thence South forty-nine degrees nine minutes East (S. 49° 09′ E.) along a line paralleling the centre line of Runway 15-33 and designating the unfenced Airport Property Boundary in part, a distance of seventeen hundred and ninety-two and nine tenths (1792·9) feet to a point designating an Airport Property Boundary angle; thence South eighty-six degrees forty-nine minutes West (S. 86° 49′ W.) along a line paralleling the centre line of Runway 10-28, a distance of one hundred and forty-three and eighty-six hundredths (143·86) feet to a point, perpendicularly distant one hundred (100·0) feet southwesterly from the aforesaid unfenced Airport Property Boundary; thence North forty-nine degrees nine minutes West (N. 49° 09′ W.) along a line paralleling the centre line of the aforesaid Runway 15-33, a distance of fifteen hundred and twenty-two and twenty-five hundredths (1522·25) feet more or less to the intersection with the southeasterly prolongation of the northeasterly edge of a Taxi Strip connecting the Parking Area with Runway 6-24; thence North twenty-four degrees twenty-eight minutes West (N. 24° 28′ W.) along the said northeasterly edge and southeasterly prolongation thereof, a distance of three hundred and forty-six and six tenths (346·6) feet more or less to a point thereon being perpendicularly distant five hundred and fifty (550·0) feet southeasterly from the centre line of Runway 6-24; thence North forty-six degrees six minutes East (N. 46° 06′ E.) along a line paralleling the said centre line, a distance of eight hundred and fifty and nine tenths (850·9) feet more or less to the aforesaid Point of Beginning.

The said land as described comprising an area of six and eighty-nine hundredths (6·89) acres, more or less margined red on Dwg. No. P-Q-11-4, dated Ottawa, August 9th, 1949, hereto annexed. Together with improvements thereon.

Bearings shown on annexed plan and referred to in the above description are astronomic.

Ottawa, Ontario,
August 9th, 1949.
JVL/CL

Plan produced and on file with the committee. Omitted due to difficulty of reproducing in printed form.

P.C. 6567

Privy Council

SEAL

Canada

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 10 January 1950.

The Committee of the Privy Council have had before them a report from the Minister of Trade and Commerce, representing:

That pursuant to the authority granted by Order in Council P.C. 242 of 21st January 1947, the Crown, acting through War Assets Corporation entered into an agreement (hereinafter called "the Lease-Option Agreement") with Canadair Limited, whereby the Crown-owned property at Cartierville, Quebec, consisting of the land, buildings, machinery, furnishings, fixtures and equipment, theretofore operated on behalf of the Crown by the said Company, was leased to the said Company for a term of fifteen years from September 15, 1946 at a rental of $200,000.00 per annum, and the Company was given the option of purchasing the said property at a price calculated on a basic value of $4,000,000.00 less depreciation recovered by the Crown as part of the rent;

That in order to facilitate the construction by Canadair of an extension to the said plant required for the production of F-86A airplanes for the Crown, the said Lease-Option Agreement was amended as of September 1, 1949, to include in the leased premises an additional area of 6·89 acres of land, to increase the basic value of the property by $8,017.00 and to extend the term of the lease to September 14, 1971;

That Canadair Limited has represented that the construction of the said extension will involve an expenditure by the Company of approximately $2,000,000.00 and that it desires to purchase the said Crown-owned property at the price fixed by the Lease-Option Agreement, but that it would be inexpedient to further reduce its working capital by payment of the purchase price in cash as required by the said Agreement;

That, subject to the approval of the Governor in Council, an Agreement has been negotiated with the said Company whereby the Crown, acting through War Assets Corporation, will sell the said property to the said Company on substantially the following terms:

(1) The purchase price will be $3,760,745.00, being the price fixed by the Lease-Option Agreement for the purchase of the property during the year commencing September 15, 1949;

(2) The said purchase price will be payable in twenty-two equal annual instalments, the first of which will be payable on October 1, 1950, the amount of the purchase price from time to time unpaid to bear interest at the rate of 3 per cent per annum payable annually on the first of October, and the said purchase price and interest to be secured by a first hypothec on the immovable portion of the property including the extension hereinabove referred to.

(3) (*a*) Instead of Canadair being entitled to the use in common with others of the Cartierville Airport for a period of ninety-nine years and to the use of the Dorval Airport when required from time to time (on terms to be muturally agreed upon) as provided by the Lease-Option Agreement, the said Company will be entitled in common with others to the use of the said Cartierville Airport until September 15, 1971 and for such further period, if any, during which the said airport is owned and operated as an airport by His Majesty, and His Majesty will arrange for the use by

Canadair of the Dorval Airport at any time when required by Canadair so long as such airport is operated by His Majesty as a public airport, the whole upon the terms presently in effect or upon such other terms as may from time to time be mutually agreed upon;

(*b*) His Majesty will, at his own expense, during the period up to September 15, 1971 properly maintain and operate such Cartierville Airport or cause the same to be so maintained and operated;

(*c*) His Majesty will not, during such period, sell, exchange or otherwise alienate the Cartierville Airport; and, in the event that His Majesty, at any time within 90 days after September 15, 1971, proposes to do so His Majesty will first offer the same to Canadair at a price and on terms and conditions not more onerous to Canadair than His Majesty would be willing to accept from any third party and Canadair will be allowed a period of 60 days after the making of such offer to accept or reject the same.

(4) Canadair will grant to His Majesty a servitude on that part of the property in which certain pipe drains serving the property and the Cartierville Airport are located and the deed creating the said servitude will provide for the maintenance of the said pipe drains by Canadair or any subsequent owner of the lands subject to the said servitude;

(5) The Agreement will contain provisions similar to those contained in the Lease-Option Agreement to the effect that

(*a*) His Majesty warrants that the property is held under good and marketable title, free and clear of encumbrances;

(*b*) Any and all rights of His Majesty in and to the development of North Star type aircraft are assigned to Canadair and any right which His Majesty might have to a re-assignment of the licence agreement known as the Douglas contract is waived;

(*c*) Canadair will be given the first opportunity to lease or purchase the plant known as the Noorduyn Plant (presently leased to Canadair) should His Majesty desire to lease or sell the said plant.

That the Minister considers the proposed sale to be in the public interest and the terms of the proposed agreement to be fair and reasonable;

The Committee, therefore, on the recommendation of the Minister of Trade and Commerce, advise that Your Exellency may be pleased to approve the sale of the said property to Canadair Limited as aforesaid and that Letters Patent conveying the said immovable property to the said Company do issue accordingly.

N. A. ROBERTSON,
Clerk of the Privy Council.

I hereby certify that this is a true copy of the original document deposited in the Records Division of the Secretary's Department.

LILLIAN M. CORBETT,
Records Division.

THIS AGREEMENT made as of the First day of October, 1949, between His Majesty The King in Right of Canada, (hereinafter called "His Majesty") herein represented by the Minister of Trade and Commerce, (hereinafter called "the Minister") herein acting through War Assets Corporation, (hereinafter called "the Corporation") of the First Part; and Canadair Limited, a Corporation organized and existing under the laws of the Dominion of Canada with its principal place of business in the Parish of St. Laurent, in the Province of Quebec, (hereinafter called "Canadair") of the Second Part.

Witnesseth that: Whereas by an Agreement made as of the 15th day of September, 1946, between His Majesty and Canadair and amended by an Agreement dated the 1st day of September, 1949, (such Agreement made as of the 15th day of September, 1946, including the Schedules thereto as so amended being hereinafter called "the Lease-option Agreement"), His Majesty leased unto Canadair for a period beginning on the 15th day of September, 1946, and terminating on the 14th day of September, 1971 certain land, buildings, equipment and special tooling, all of which are described in the said Lease-option Agreement as and are hereinafter sometimes called "the leased premises", and granted unto Canadair an option to purchase such leased premises; and

WHEREAS the Lease-option Agreement provided for certain of the terms and conditions hereinafter contained upon the purchase of the leased premises by Canadair; and

WHEREAS Canadair desires to purchase the leased premises but represents that, since a capital addition by Canadair to the buildings forming part of the leased premises and presently in course of construction will involve the expenditure by Canadair of approximately Two Million Dollars ($2,000,000.00), it would be inexpedient to further reduce its working capital by payment in cash of the purchase price of the leased premises;

NOW, THEREFORE, it is agreed and declared by and between the Parties hereto as follows:

1. Subject to the covenants, terms and conditions hereinafter set forth, His Majesty hereby sells to Canadair with legal warranty and free and clear of any and all liens and encumbrances and Canadair hereby purchases from His Majesty for the sum specified in the Lease-Option Agreement as the purchase price on and after the 15th day of September, 1949, being the sum of Three Million, Seven Hundred and Sixty Thousand, Seven Hundred and Forty-five Dollars ($3,760,745.00), payable as hereinafter provided, all the right, title and interest of His Majesty in and to the following:

(*a*) an immovable property situate in the Parish of St. Laurent in the County of Jacques Cartier in the Province of Quebec, and composed of:

(i) the land described in Schedule "A" to the Lease-Option Agreement; and

(ii) the buildings erected and presently situated on the said land, together with all things immovable placed thereon, attached thereto or incorporated therewith for a permanency and all rights, members and appurtenances;

(*b*) all of the machinery, furnishings, fixtures, equipment, jigs, tools, dies, gauges and expandable small tools and special tooling which are included in the leased premises as defined in the Lease-Option Agreement.

2. (*a*) Canadair covenants and agrees to pay to His Majesty (the Corporation being hereby designated until further notice as the agent of His Majesty to receive payment hereunder) the said sum of Three Million, Seven Hundred and Sixty Thousand, Seven Hundred and Forty-five Dollars ($3,760,745.00) in twenty-two (22) equal annual instalments of One Hundred and Seventy Thousand, Nine Hundred and Forty-two Dollars and Ninety-six Cents ($170,942.96) each (plus interest as hereinafter provided), the first of such instalments to fall due and be payable on October 1, 1950, and subsequent instalments to become due on the first day of October in each following year, His Majesty, however, hereby acknowledging to have received from Canadair at or prior to the execution hereof the sum of Fifteen Thousand, Eight Hundred and Sixty-three Dollars and Sixty Cents ($15,863.60) on account of the first of such instalments, such prepayment arising to the extent of an amount of Eight Thousand, Three Hundred and Fifty Dollars (8,350.00) out of an adjustment in rental prepaid by Canadair under the Lease-Option Agreement and to

the extent of an amount of Seven Thousand, Five Hundred and Thirteen Dollars and Sixty Cents ($7,513.60) out of settlement of the balance of moneys due by His Majesty to Canadair on account of replacement of boilers forming part of the leased premises heretofore effected by Canadair for the account of His Majesty.

(*b*) Interest at the rate of three per cent (3%) per annum on the amount of the purchase price from time to time unpaid shall be calculated from the date hereof and shall be paid annually on the first day of October in each year.

(*c*) Canadair may at any time prepay to His Majesty the whole or any part of the purchase price.

(*d*) If Canadair makes default in payment of any part of the purchase price or interest payable hereunder as and when the same become due and payable and if Canadair fails to remedy such default within thirty (30) days after receipt of notice from His Majesty specifying such default and requesting that the same be remedied, the whole of the balance of the purchase price may, at the option of His Majesty to be exercised by notice in writing from His Majesty to Canadair, forthwith be declared by His Majesty to be and thereupon shall become due and payable.

3. His Majesty hereby agrees to issue, with all reasonable despatch, Letters Patent conveying to Canadair all the right, title and interest of His Majesty in the immovable property hereby agreed to be sold as aforesaid.

4. Concurrently with the delivery of such Letters Patent, Canadair agrees to execute, before a Notary chosen by His Majesty and satisfactory to Canadair:

(*a*) a Deed of Hypothec in favour of His Majesty, in the form and terms of the draft Deed of Hypothec hereto attached as Schedule "A" and initialed by the Parties hereto for the purposes of identification, to secure the due payment of the aforesaid sum of Three Million, Seven Hundred and Sixty Thousand, Seven Hundred and Forty-Five Dollars ($3,760,745.00) (less any amounts theretofore prepaid by Canadair on account of such purchase price) and interest as herein provided and the fulfilment by Canadair of all of its obligations hereunder; and

(*b*) a Deed of Servitude in favour of His Majesty, in the form and terms of the draft Deed of Servitude hereto attached as Schedule "B" and initialled by the Parties hereto for the purposes of identification, to provide for the right of His Majesty to use in common with Canadair and its assigns portions of certain pipe drains for the purpose of draining the lands presently forming part of the Cartierville Airport and to provide for the maintenance of such portions of the said pipe drains;

the cost of such Deeds and of their registration to be paid by Canadair.

5. Canadair undertakes and agrees that, until such time as it shall have completely paid and satisfied the whole of the purchase price and interest as provided herein, Canadair shall not, without the approval of the Minister, remove or allow to be removed from the buildings forming part of the immovable property hereby sold any moveables which are at the date hereof immovable by destination by reason of having been placed on, attached to or corporated with such buildings for a permanency, provided, however, that nothing herein contained shall prevent Canadair from removing or from making from time to time such replacement or substitution of such moveables which at the date hereof are immoveable by destination which may have become worn out or obsolete or which are no longer required in order to maintain the productive capacity and good operating condition of the property hereby sold, and provided further that, in the event of any such removal without replacement or substitution, the proceeds of the sale of such moveables so removed shall forthwith be

remitted by Canadair to His Majesty and shall be credited by His Majesty to Canadair as a prepayment on account of the purchase price of the property hereby sold.

6. His Majesty represents and warrants that He is the owner of the property hereby sold by good and marketable title and that the said property is free and clear of all liens, charges and encumbrances.

7. Canadair acknowledges that it is in possession of all of the property hereby sold and that it is content and satisfied therewith.

8. Canadair undertakes and agrees that until such time as it shall have completely paid and satisfied the whole of the purchase price and interest as provided herein Canadair shall at all times at its own expense cause the buildings and all moveables which at the date hereof are immoveable by destination by reason of having been placed thereon, attached thereto or incorporated therewith for a permanency to be insured against risks usually covered under a standard fire insurance policy bearing as an endorsement the standard supplemental contract approved by the Canadian Underwriters Association to an aggregate amount equal to not less than the aggregate amount of the balance of the purchase price from time to time payable hereunder by Canadair to His Majesty, the whole upon the condition that such insurance be obtainable by Canadair at normal commercial rates applicable to aircraft plants. In the event that such insurance be not so obtainable, Canadair shall forthwith so notify His Majesty.

Canadair shall from time to time supply to His Majesty copies of the relevant insurance policies and renewal certificates evidencing the fact that such insurance is in effect.

Such insurance shall be placed through the usual insurance brokers of Canadair and with such insurance company or insurance companies as may be satisfactory to the Corporation.

Such insurance shall be made payable to His Majesty and Canadair as their respective interest may from time to time appear.

Any and all amounts which may from time to time become payable by the insurers to His Majesty and Canadair under any policies of insurance by reason of damange to the buildings or to the moveables which at the date hereof are immoveable by destination shall, unless the Parties otherwise agree, be applied towards remedying any such damage to the buildings or to the said moveables which at the date hereof are immoveable by destination and any proceeds of any insurance policies which are not required for the purpose of remedying any such damage shall be and remain the property of Canadair.

9. (*a*) Canadair shall be entitled, in common with others, to make use of the runways and airfield known as the Cartierville Airport for the purpose of flying operations incidental to the operation of its Plant in the manufacture, overhaul, repair and conversion of aircraft, for a period from the date hereof up to and including the fifteenth (15th) day of September, 1971, and for such further period, if any, during which such Cartierville Airport is owned and operated as an airport by His Majesty, the whole upon the terms presently in effect or upon such other terms as may from time to time be mutually agreed upon between the Parties hereto.

(*b*) His Majesty will, at his own expense, during the whole of such period from the date hereof up to and including the fifteenth (15th) day of September, 1971, properly maintain and operate such Cartierville Airport or cause the same to be properly maintained and operated.

(*c*) His Majesty will not, during such period, sell, exchange or otherwise alienate the Cartierville Airport; and, in the event that His Majesty, at any time within ninety (90) days after the fifteenth (15th) day of September, 1971, proposes to do so, His Majesty will first offer the same to Canadair at a price and on terms and conditions not more onerous to Canadair than those which

His Majesty would be willing to accept from any third party, and His Majesty shall allow Canadair a period of sixty (60) days after the making of such offer within which to consider such offer and to accept or reject the same. In the event that any such offer is not accepted or rejected by Canadair within such period of sixty (60) days, His Majesty shall be free to sell, exchange or otherwise alienate the Cartierville Airport to any third party at such price and upon such terms and conditions as may be determined by His Majesty.

(*d*) His Majesty will arrange for the use by Canadair of the Dorval Airport, at any time and from time to time when required by Canadair, so long as such airport is operated by His Majesty as a public airport; the whole upon the terms presently in effect or upon such other terms as may from time to time be mutually agreed upon between the Parties hereto.

10. (*a*) Has Majesty hereby assigns exclusively to Canadair, forever, all of his right, title and interest in and to the development, engineering, licences, patents, patentable inventions and all other matters pertaining to or in connection with the North Star type aircraft, also known as the D.C.-4M and C54-GM, as developed by His Majesty and Canadair, and Canadair shall be entitled to retain as its exclusive property, all drawings, blueprints, plans, sketches and other material in connection with such aircraft and to patent in its own name and right all patentable elements thereof.

(*b*) His Majesty waives, abandons and cancels any right which His Majesty may have or may claim to have to the reassignment of the Douglas Contract to which reference is made in sub-paragraph (*b*) of Paragraph 11 of the Lease-Opion Agreement.

11. His Majesty hereby assigns and transfers to Canadair and subrogates Canadair in and to any and all rights and claims which His Majesty now has or may hereafter have against the architects and builders of the buildings hereby sold either directly or indirectly or by assignment from Canadair Vickers Limited in respect of defects arising out of the design, plans, specifications, workmanship, materials or construction thereof.

12. In the event that His Majesty proposes to lease or sell the plant known as the Noorduyn Plant (presently under lease to Canadair) His Majesty shall give to Canadair the first opportunity, during a period of not more than thirty (30) days after written notice to Canadair, to lease or purchase (as the case may be) such Noorduyn Plant.

13. His Majesty hereby assigns and transfers to Canadair any right which His Majesty may have in and to any water mains (excluding any water mains running along Bois Franc Road in the Parish of St. Laurent, Quebec), sewers, railway sidings or other similar or related services, servicing the immovable property hereby agreed to be sold.

14. No member of the House of Commons of Canada shall be admitted to any share or part of this Agreement or to any benefit to arise therefrom.

15. The Parties agree to execute and deliver any and all further documents and assurances necessary to effectuate this Agreement.

16. Any notices to be given hereunder to His Majesty or to the Minister shall be in writing, sent by registered mail, return receipt requested, and shall be addressed to War Assets Corporation, Ottawa, Ontario.

Any notices to be given hereunder to Canadair shall be in writing, sent by registered mail, return receipt requested, and shall be addressed to Canadair Limited, P.O. Box 6087, Montreal, Quebec.

Except as herein expressly stated to the contrary, any notice to be given hereunder shall be deemed to have been given on the date on which such notice is received.

Either Party may by written notice to the other Party change the address to which notices hereunder may be sent.

17. This Agreement shall in all respects be subject to and interpreted in accordance with the laws of the Province of Quebec.

18. All previous communications, negotiations and agreements with respect to the subject matter hereof are hereby superseded and cancelled.

19. The Lease-option Agreement is hereby terminated as of the 1st day of October, 1949, and the Parties hereto acknowledge that all adjustments for rental of the leased premises under the Lease-option Agreement have been made hereunder as of the 1st day of October, 1949.

In Witness Whereof this Agreement has been executed on behalf of His Majesty the King in Right of Canada by War Assets Corporation under its corporate seal and the hands of its duly authorized officers, and by Canadair Limited under its corporate seal and the hands of its duly authorized officers.

Signed, sealed and delivered in the manner aforesaid on behalf of His Majesty the King in Right of Canada in the presence of:

"LILLIAN M. CORBETT."

WAR ASSETS CORPORATION

"H. R. MALLEY"
President.

(SEAL)

"E. P. COUGHLIN"
Assistant Secretary.

Signed, sealed and delivered in the presence of:

"D. H. MACFARLANE."

CANADAIR LIMITED

"H. O. WEST".

(SEAL)

I hereby certify that this is a true copy of the original document deposited in the Records Division of the Secretary's Department.

LILLIAN M. CORBETT,
Records Division.

Mr. DREW: Now, between the time that the original agreement was entered into and the option exercised in October of last year, what was the total which the Electric Boat Company had paid to the government for any other assets that they took over at the time that they occupied this property?

Perhaps it would be better if I explained what this question is based on. The agreement that was completed in 1947 by order in council was put back to become effective as of September 15, 1946. The balance sheet was prepared as of September 14, 1946, which showed total assets of $32,268,704.07. Of those $32,268,704.07, part of that was made up of land, buildings, plant, tooling and equipment—$18,825,777.66, part was raw materials, work in process—$9,745,-959.84, and then there were other items that brought the total value up to $32,268,704.07.

Now, the question I am asking is: in addition to what was paid for the land, buildings, tooling and equipment, how much was paid for other assets between the date that the Electric Boat Company took over and the date that they exercised the option in October of last year?

The WITNESS: I do not think that that is a question I can answer, Mr. Drew.

Mr. SCULLY: On the assumption that they met their obligations, I think I can tell you.

Mr. DREW: I would prefer it not on any assumption; I would like the actual figure.

Mr. SCULLY: I think Mr. Malley can confirm this, but in the first instance Canadair assumed the liabilities which, according to the balance sheet of the 14th of September, 1946, amounted to $3 million. Then, they undertook to pay in cash and did pay in cash the net difference between the current assets exclusive of the inventories and the current liabilities which was some $647,000. That was paid.

In the statement in front of you, Mr. Drew, the inventories there total $9,745,000, which consisted of two types of inventory—the inventory of the North Stars in terms of raw material and work in process of $5,859,138.74 and the inventory of material in process and in raw state that was not related to the North Star program, which amounted to $3,886,821.10. The latter inventory was purchased from the Crown and contracted to be paid for in quarterly instalments which, I understand, were met.

The WITNESS: Yes, they were met in one or two payments. They did not go their whole time; they paid up fairly quickly.

Mr. SCULLY: So that the payments by the company were the net current assets inclusive of inventory—some $5,859,000 of North Star inventory and $3,886,000 for inventory other than North Star inventory which were covered by progress payments by T.C.A. in respect of their part of the inventory and by the R.C.A.F. in respect of their part of the inventory.

By Mr. Drew:

Q. You mean that the T.C.A. and R.C.A.F. made payments to whom on that?—A. Canadair. Well, in the first instance, to the department. Perhaps if I could explain it this way: during the war the practice was for the Department of Reconstruction and Supply, formerly the Department of Munitions and Supply, to finance construction programs or to advance working capital—Against billings from the projects the services—the air force or the army, as the case may be, made progress payments to the Department of Munitions and Supply thus clearing the advance accounts. The $5,859,138.74 represented the investment at that time in inventory excluding tools and plant and that was reimbursed to the Department of Munitions and Supply by the air force on the one hand and T.C.A. on the other.

Q. So that was not paid direct?—A. No, Canadair did not have to pay that directly. That was work in progress against which they got indirectly progress payments so it never became their property.

Q. Well, how would the division of that be determined because these were given a value of $9,745,000 and that was included in the inventory taken over by the Electric Boat Company? Part of these items were included in aircraft that were actually in the course of construction at that time. How, then, was it possible for this transaction to be carried out in that way with the R.C.A.F. and the T.C.A.?

Mr. SCULLY: The contracts, I think, between the R.C.A.F. on the one hand and Canadair on the other; and the contracts between T.C.A. on the one hand and Canadair on the other show a division of that amount.

Mr. DREW: Then, in so far as the actual payments by Canadair were concerned, they paid $3,886,821.10 for inventory other than what was paid for aircraft under construction at that time?

Mr. SCULLY: They were charged with $5,859,138.74 which was the North Star inventory; that was charged; but it was off-set by progress payments from the R.C.A.F. and T.C.A.

The CHAIRMAN: May I ask a question: you mean the sums which T.C.A. and the R.C.A.F. owed to Canadair were paid to the government for goods delivered by Canadair to the extent of $5 million odd?

Mr. SCULLY: Yes, $5,859,138.74.

Mr. DREW: Part of the arrangement set out in the summary put on the record and in the orders in council which have been filed was that the government undertook to pay the expenses of special tooling that was to be done and that was to be paid by the government.

Mr. SCULLY: $3 million.

Mr. DREW: $3 million. That $3 million, as I understand it, was paid after September 14, 1946?

Mr. SCULLY: That was tooling expenditure between the actual take-over of the plant and the 14th of September 1946, after the 14th of September.

Mr. DREW: Did the option add to the price?

Mr. SCULLY: The option price was increased from $3½ million to $4 million when the requirement of the $3 million tooling became apparent.

Mr. DREW: I am referring to the last arrangement. The last agreement was for $4 millions which was to be paid for the property.

Mr. SCULLY: That is right.

Mr. DREW: Subject to a diminishing amount each year under which they were to receive credit for the rental they had paid Canadair. They paid $3,760,-745 for this property when they exercised their option last year; but between the date when they got possession of this property and this other date, the dominion government spent $3 millions on tooling which they have available for their own use, in addition to any increase contained in this statement of September 14.

Mr. SCULLY: That is referred to on that statement.

Mr. DREW: Whereabouts?

Mr. SCULLY: In the foot-note.

Mr. DREW: That is an amount in addition to the $32,268,704.07?

Mr. SCULLY: That is correct.

Mr. DREW: So that the assets, according to this statement of what the government itself spent in addition to that, would be $32,268,704.07?

Mr. SCULLY: There are the liabilities.

Mr. DREW: The liabilities in that statement are balanced up with other things; that is a net figure, that $32,268,704.07, balancing assets and liabilities, is it not?

Mr. SCULLY: Are you including or not including the $3 million?

Mr. DREW: I am not including it.

Mr. SCULLY: I think the net is $29,263,694.13.

The CHAIRMAN: Well, gentlemen, you will both have time to meditate on these figures as it is now six o'clock and time to adjourn. If it is agreeable, the committee now stands adjourned until tomorrow at 4 p.m., when we shall carry on with the two items now under review. Before that however, I wish to inform you that I have completed the draft of a report on the work performed by the Committee during its fourteen first meetings. I would suggest that we sit Tuesday night at 8 p.m., in camera, to consider the terms of this report.

APPENDIX A

OTTAWA, June 12, 1950.

Mr. A. L. Burgess,
Room 432,
House of Commons,
Ottawa, Ontario.

Dear Mr. BURGESS:

This is to advise that I have just received a letter from the National Research Council to the effect that they have no properties which would come within the interpretation of Mr. Bryce's letter of May 15. You may recall that my previous advice on this matter had only been oral.

I am attaching copies of a statement which I have also just received from the Department of Resources and Development regarding land disposal and tenure in the Yukon and Northwest Territories. You may recall that the schedules submitted by Resources and Development do not include Crown lands in these territories, in view of the fact that only a very small part of the 1,500,000 square miles have been surveyed. Nevertheless, I thought it advisable that the Department should at least let us have a general statement regarding the situation there. The attached is the statement which they have thus furnished.

Yours very truly,
E. C. LANDRY,
Treasury Board Staff.

JUNE 1, 1950

STATEMENT REGARDING LAND DISPOSAL AND TENURE

Yukon Territory

Only lands which have been surveyed may be sold. Surveyed lots in townsites, settlements and subdivisions may be disposed of by private sale or by tender.

Leases:

Leases are issued for land in the Yukon territory for a term of not more than 10 years, with the privilege of renewal at the discretion of the Minister. The types of leases are—Surface, Waterfront, Agricultural, Fur Farms, Grazing and miscellaneous. There were 69 leases and Permissions to Occupy in effect in the Yukon Territory in the fiscal year ending March 31, 1949.

Northwest Territories

The sale of land in the Northwest Territories is subject to the same restriction, that it must be surveyed.

Leases:

Leases are issued under terms similar to those which apply in the Yukon, with the exception of Yellowknife, where the usual term is for 21 years. In some of the settlements a person applying to purchase a surveyed lot is first required to occupy the land for one year under a Permission to Occupy, and disposal by sale is considered after a satisfactory building has been erected. In the fiscal year ending March 31, 1949, there were 775 leases, Permissions to Occupy and other land privileges in effect, principally lots in townsites for residential purposes.

REVENUE

Yukon Territory

Seven parcels of land were sold in the fiscal year ending March 31st, 1949, and these comprise a total area of 1.60 acres. The revenue from these sales totalled $1,055.00, and lease revenue totalled $11,338.

Northwest Territories

Thirty-nine parcels of land were sold during the fiscal year ending March 31st, 1949, and these comprised a total area of 335·02 acres. The revenue derived from these land sales amounted to $2,068.00, and lease revenue totalled $26,834.

Valuation of Crown Land—N.W.T. and Yukon

It would be impractical to appraise the above mentioned lands which have an approximate area of 1,500,000 square miles.

OTTAWA, June 12, 1950.

APPENDIX B

MEMORANDUM TO PUBLIC ACCOUNTS COMMITTEE

In response to a request made by the Committee, asking for the numbers of permanent, temporary, and casual employees of the Government of Canada as at March 31, 1950, I am transmitting the attached table, showing the numbers of permanent and temporary employees by Departments and agencies, as reported to the Dominion Bureau of Statistics and as the Bureau plans to report them in their published series comparable with those for earlier years.

I am also showing, however, numbers reported by Departments and agencies directly to the Department of Finance for the purpose of this report, which include casual employees not normally reported to the Bureau of Statistics, and the 14,065 employees paid through the Financial Branch of the Post Office Department, who are also not normally reported to the Bureau of Statistics.

Various other minor differences between the totals reported to and by the Department of Finance, on the one hand, and those reported to and by the Bureau of Statistics, on the other, are explained in the footnotes to the table.

R. B. BRYCE.

REPORTED NUMBERS OF EMPLOYEES OF THE GOVERNMENT OF CANADA (EXCLUDING MEMBERS OF THE ARMED SERVICES AND THE R.C.M.P.) AS AT MARCH 31, 1950

SHOWING THE NUMBERS IN PERMANENT, TEMPORARY AND CASUAL STATUS

Departments	Numbers Reported by The Dominion Bureau of Statistics			Numbers reported by Departments to Department of Finance for the purpose of this Report			
	Permanent	Temporary	Total	Permanent	Temporary	Casual	Total
Agriculture	2,126	4,541	6,667	2,112	3,365	1,018	6,495
Auditor General	125	44	169	125	44	.....	169
Chief Electoral Officer	9	4	13	10[1]	4	.....	14[1]
Citizenship and Immigration	832	1,825	2,657	818	1,839	142	2,799
Civil Service Commission	202	378	580	205[2]	378	.....	583[2]
External Affairs	401	900	1,301	420	870	12	1,302[3]
Finance	112	533	645	118	511	7	636
Canadian Farm Loan Board	.....	.....	.....	84	39	7	120
Comptroller of the Treasury	1,238	3,062	4,300	1,245	3,017	82	4,344
Royal Canadian Mint	99	123	222	99	123	.....	222
Tariff Board	12	5	17	12	5	.....	17
Wartime Prices and Trade Board	.....	690	690	.....	687	.....	687
Fisheries	418	507	925	343	833[4]	172	1,348[5]
Governor General's Secretary	9	1	10	9	1	.....	10
House of Commons	159	497	656	159	497	.....	656[6]
Insurance	43	29	72	44	28	.....	72
International Joint Commission	4	6	10	4	6	.....	10
Justice (including Penitentiaries)	980	576	1,556	980	577	.....	1,557
Labour	171	474	645	186	511	29	726
Unemployment Insurance Commission	2,727	4,421	7,148	2,727	4,352	1,268	8,347
Library of Parliament	18	13	31	18	13	.....	31
Mines and Technical Surveys	495	1,166	1,661	524	1,244	10	1,778
National Defence—							
Army Services (8)	387	8,731	9,118	352[7]	10,265	2,600	13,217
Naval Services	306	3,716	4,022	270	5,828	633	6,731
Air Services	95	3,612	3,707	148	4,172	308	4,628
National Film Board	13	583	596	13	570	20	603
National Health and Welfare—							
Departmental Administration	87	181	268	87	177	.....	264
Health	331	516	847	332	509	.....	841
Welfare	255	500	755	260	494	25	779
Indian Health Services	94	837	931	94	836	101	1,031
National Research Council	416	1,278	1,694	479	2,347	165	2,991[9]
Atomic Energy Control Board	6	1	7	6	1	.....	7
National Revenue—							
Customs and Excise	4,723	1,363	6,086	4,723	1,363	.....	6,086
Income Tax	5,266	5,363	10,629	5,266	5,363	.....	10,629
Post Office	12,796	6,103	18,899	26,864[10]	6,013	152	33,029[10]
Prime Minister's Office	19	15	34	19	15	.....	34

[1] Includes the Chief Electoral Officer.
[2] Includes 3 Commissioners.
[3] Includes 325 locally engaged employees of which 19 are permanent, 294 are temporary and 12 are casual.
[4] Includes 30 prevailing rate employees designated as permanent for superannuation purposes.
[5] Includes 356 employees of the Fisheries Research Board.
[6] Includes sessional employees.
[7] Includes 23 term employees who are designated as permanent for superannuation purposes.
[8] Includes Administration, Defence Research Board and Army proper.
[9] Includes 1,211 employees of the Atomic Energy Project, Chalk River, Ontario.
[10] Includes 14,065 employees paid through the Financial Branch of the Post Office Department, all of whom are considered as permanent employees. Of these, 2,618 are full-time employees earning $1,980 per annum or more; 11,443 are part-time employees who earn less than $1,980 per annum and are not required to devote their full-time to Post Office Department duties; and 4 are seasonal employees.

REPORTED NUMBERS OF EMPLOYEES OF THE GOVERNMENT OF CANADA (EXCLUDING MEMBERS OF THE ARMED SERVICES AND THE R.C.M.P.) AS AT MARCH 31, 1950

SHOWING THE NUMBERS IN PERMANENT, TEMPORARY AND CASUAL STATUS

(Concluded)

Departments	Numbers Reported by The Dominion Bureau of Statistics			Numbers reported by Departments to Department of Finance for the purpose of this Report			
	Permanent	Temporary	Total	Permanent	Temporary	Casual	Total
Privy Council	24	29	53	24	29	10	63[11]
Federal District Commission	.....	.....	.....	.....	.....	.....	171[12]
Public Archives	35	26	61	36	25	.....	61
Public Printing and Stationery	142	849	991	142	849	.....	991
Public Works	1,551	5,403	6,954	1,551	5,163	914	7,628[13]
Resources and Development	577	993	1,570	584	1,269	424	2,277
Royal Canadian Mounted Police	86	482	568	86	582	.....	668[14]
Secretary of State (including Custodian)	262	346	608	262	346	.....	608
Senate	35	121	156	35	121	.....	156[6]
Trade and Commerce (including Dominion Bureau of Statistics)	829	1,972	2,801	826	1,972	.....	2,798[15]
Board of Grain Commissioners	510	303	813	510	296	.....	806
Canadian Government Elevators	73	64	137	73	64	.....	137
Transport	3,833	5,646	9,479[16]	3,722	6,292	1,955	11,979[16]
Air Transport Board	22	26	48	22	26	.....	48
Board of Transport Commissioners	109	46	155	109	46	.....	155
Veterans Affairs	2,178	11,570	13,748[17]	2,178	11,558	12	13,748[17]
Soldiers Settlement and Veterans Land Act	194	1,140	1,334	194	1,140	.....	1,334
TOTALS	45,416	81,613	127,044	59,509	86,675	10,066	156,421[18]

[11] Includes 10 employees on the staff of the Royal Commission on the Arts, Letters and Sciences.

[12] The Federal District Commission does not classify its employees as permanent, temporary and casual as is the practice under the Civil Service Act. However, 77 of the 171 employees are contributors to the Superannuation Fund.

[13] Does not include 240 Revenue Postmasters recorded under the Post Office Department but who are also employed part-time by the Department of Public Works.

[14] Includes 100 temporary employees under Part VII of the R.C.M.P. Act.

[15] Of the 1,972 employees reported as temporary, 288 are exempt, consisting of employees appointed by Order in Council, locally engaged staffs and prevailing rate staffs.

[16] Includes the staffs of the Canadian Maritime Commission and the Royal Commission on Transportation.

[17] Includes the staffs of the Canadian Pension Commission and the War Veterans Allowance Board.

[18] The final total of the figures supplied by the departments to the Finance Department includes 291 employees of the Canadian Farm Loan Board and the Federal District Commission. Other Corporations, Agencies and Crown Companies do not recognize the distinction between temporary, permanent and casual employees.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 23

TUESDAY, JUNE 13, 1950

WITNESSES:

Mr. H. R. Malley, O.B.E., President and General Manager, Crown Assets Disposal Corporation.

Mr. V. W. Scully, C.M.G., Deputy Minister (Taxation) and Mr. Charles Gavsie, C.B.E., Assistant Deputy Minister, Department of National Revenue.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

64723—1

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

Chairman: L. Philippe Picard, Esq.,
Vice-Chairman: David Croll, Esq.

Messrs.

Anderson
Ashbourne
Balcer
Beaudry
Benidickson
Blue
Boisvert
Boivin
Brisson
Browne (*St. John's West*)
Cauchon
Cavers
Cleaver
Cloutier
Cruickshank
Denis
Diefenbaker
Drew
Fleming
Fournier (*Maisonneuve-Rosemont*)
Fulford
Fraser
Gauthier (*Portneuf*)
Hansell
Helme
Homuth
Johnston
Kirk (*Antigonish-Guysborough*)
Kirk (*Digby-Yarmouth*)
Langlois (*Gaspé*)
Larson
Macdonnell
Major
Maybank
Pinard
Prudham
Richard (*Gloucester*)
Richard (*Ottawa East*)
Riley
Robinson
Sinclair
Stewart (*Winnipeg North*)
Thatcher
Thomas
Warren
White (*Hastings-Peterborough*)
Winkler
Wright

Clerk: A. L. Burgess

MINUTES OF PROCEEDINGS

TUESDAY, June 13, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Blue, Boisvert, Browne (*St. John' West*), Cauchon, Cavers, Croll, Denis, Drew, Fraser, Helme, Johnston, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspe*), Macdonnell, Major, Picard, Richard (*Ottawa East*), Riley, Robinson, Stewart (*Winnipeg-North*), Thatcher, Thomas, Warren.

In attendance: Mr. H. R. Malley, O.B.E., President and General Manager, Crown Assets Disposal Corporation; Mr. V. W. Scully, C.M.G., Deputy Minister (Taxation) and Mr. Charles Gavsie, C.B.E., Assistant Deputy Minister, Department of National Revenue.

The Chairman tabled the following documents which are printed as appendices to this day's minutes of proceedings and evidence:

Appendix A: Statement furnished by Mr. K. W. Taylor, Assistant Deputy Minister of Finance, showing gross value of purchases, commission paid, etc., by Commodity Prices Stabilization Corporation Ltd.

Appendix B: Statement furnished by Mr. J. M. Wardle, Chairman, Northwest Power Commission, showing undeveloped water powers of 1,000 horsepower and over from river drainages of Great Slave Lake.

The Committee resumed consideration of the accounts of War Assets Corporation.

Examination of Messrs. Malley, Scully and Gavsie was continued.

Mr. Gavsie tabled copy of Sessional Paper No. 216A of April 11, 1947, and of Sessional Paper No. 216B of April 16, 1947, which are printed as *Appendices C and D* to this day's minutes of proceedings and evidence.

At 6 o'clock p.m., the Committee adjourned until 8 o'clock p.m. this day.

EVENING SITTING

The Committee resumed, in camera, at 8 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Ashbourne, Benidickson, Boisvert, Cauchon, Cavers, Croll, Drew, Fleming, Fulford, Fraser, Hansell, Helme, Kirk (*Digby-Yarmouth*), Langlois (*Gaspe*), Larson, Macdonnell, Major, Picard, Prudham, Richard (*Ottawa East*), Robinson, Sinclair, Stewart (*Winnipeg North*), Thomas.

The Chairman submitted a draft of a second report to the House.

Mr. Thatcher moved that the report, as drafted, be amended by deleting the first paragraph and substituting therefor the following:

> Your Committee is of the opinion that the work of the Public Accounts Committee would be facilitated in coming years if it first studied the Public Accounts.

64723—1½

After discussion, and the question having been put on the said motion, it was negatived.

Mr. Drew moved that all the words in paragraph 8 of the report as drafted be struck out and the following substituted therefor:

> Your Committee is of the opinion that the examination of public accounts can be performed more effectively if the following changes are made in the presentation of the estimates.

After discussion, and the question having been put on the said motion, it was negatived.

On motion of Mr. Fleming, it was agreed that paragraph 9 of the report as drafted be deleted and the following substituted therefor:

> Your Committee does not concur in the suggestion of the Auditor General that the number of items in the estimates be substantially reduced.

Mr. Stewart moved that the draft report be referred to the sub-committee on procedure and agenda before being presented to this Committee.

And the question having been put on the said motion, and the voices being equal, the Chairman voted *Nay* and declared the motion negatived.

M. Stewart moved that the following words be inserted between the words departmental heads and and officials in the second line of paragraph 12: That they be asked to convey the results of such results to the

After discussion, and the question having been put on the said motion, it was negatived.

On motion of Mr. Fleming, it was agreed that the following paragraph be inserted immediately after paragraph 15 of the report as drafted:

> Your Committee is of the opinion that the information conveyed to the House in the estimates should include all available information on expenditures and estimated expenditures in the previous fiscal year.

On motion of Mr. Fleming, it was agreed that paragraphs 17, 18 and 19 of the report as drafted be deleted and the following substituted therefor:

> As in the case for the summary supplied at present, this second summary would not constitute something that the House would vote on, but your Committee is of the opinion that such a summary would give valuable information to the House and suggests that the Government should explore the practicability of supplying the House with such a summary by functional classification.

On motion of Mr. Langlois, it was agreed that paragraph 22 be deleted and the following substituted therefor:

> In order to do away with such practice, if hitherto carried on over a number of years for a particular purpose, your Committee recommends that appropriate legislation be enacted.

At 11.10 o'clock p.m. the Committee adjourned until Wednesday, June 14, at 10.00 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

TUESDAY, June 13, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum. You will notice I have changed the seating arrangement. I have seated the witnesses on my left. For doing that I do not want to be accused of being a leftist. Yesterday the hearing developed into being a conversation piece between the witnesses and Mr. Drew and no other member could understand what was going on. Now that the seating arrangement has been changed I think it will give every member an opportunity to hear everything.

Gentlemen, we have again with us today Mr. Malley, Mr. Scully and Mr. Gavsie. Before we proceed I want to table a report of the Prices Stabilization Board in answer to a question asked by Mr. Fleming on May 30th. It will be printed as Appendix A of today's proceedings. (See Appendix "A"). I also wish to table a report from Mr. Wardle, Chairman of the Northwest Territories Power Commission. This is in answer to a question by Mr. Drew; it is a statement on the potential hydro-electric power of rivers flowing into Great Slave Lake. (See Appendix "B")

Now, any questions?

Mr. V. W. Scully, C.M.G., Deputy Minister (Taxation), Department of National Revenue, called:

By Mr. Drew:

Q. At the point that we adjourned at last night we were discussing a statement which had been prepared as of September 14, 1947, and that statement has at the bottom a notation reading as follows: "In addition the government is committed to pay the costs of certain capital expenditures to the maximum of $3 million incurred before March 31, 1947."

Now, I do not know who is in a position to answer this, but the question I am asking is in relation to this notation at the foot of the page. My question is this: Was the whole of that expenditure made between September 14, 1946 and March 31, 1947?—A. Yes, sir.

Q. So that the tooling and work for this item, which was not included in the balance sheet, was completed as of September 14, 1947?—A. That is correct.

Q. Therefore, in view of the fact that the government was committed to spend up to $3 million before March 31, 1947, and, according to what you said yesterday, did spend that sum, the property therefore receives the advantage of an additional expenditure of $3 million over and above the amount included in the balance sheet?—A. Correct.

Q. So there would be an additional asset of $3 million?—A. Well, there were additional expenditures on tooling of $3 million. Whether that was represented by an asset or not is another thing. Tooling expenditure does not necessarily produce tangible assets.

Q. What do you mean by that?—A. Well, I mean the tooling in this case; if I may include all of the tooling in that, it includes the tooling of the North Star aircraft which commenced in 1944. Now, tools—

Q. I do not want to interrupt you—

The CHAIRMAN: Let the witness complete what he is saying.

Mr. DREW: So that the record will be clear. You explained a few minutes ago that this $3 million was all spent between the date of September 14, 1946, and March 31, 1947.

The CHAIRMAN: I am sorry to interrupt you, Mr. Drew. The witness is explaining the word "tooling" in general so we should let him complete his answer.

The WITNESS: I want first, Mr. Chairman, to draw the distinction between tooling as it is used in this sense and machine tools. The tooling for the aircraft that is referred to here and included in this $3 million are expenditures that appear among the capital assets was the cost of making the jigs, the dies, and the patterns and what are to a large extent the consumable tools used in press machines, in lathes, and all the other equipment in the plant. After September 15, tooling costs went on; they never stop, because tools wear out, tools have to be thrown away, they are broken, become obsolete, and have to be replaced. It is a constant expense in a manufacturing operation. As a matter of fact, in the income tax regulations we allow 50 per cent depreciation on tools. During the period from the 14th of September, 1946, to March 31, 1947, there was an expenditure on account of tooling of $3 million which was absorbed by the government.

By Mr. Drew:

Q. A few minutes ago you mentioned the date 1944. I assume you were referring to the date— —A. Of the initiation of the North Star program.

Q. The initiation of the North Star program. What was that date?—A. Some time in 1944, Mr. Chairman, I am not sure I know the exact date.

Q. That followed the arrangement under which the government took over this property from Vickers Limited, did it not?—A. About the same time.

Q. Yes; and have you the figures of the total amount spent by the government on tooling from that date in 1944 until September 14, 1946?—A. Yes.

Q. What is the figure?—A. That is, excluding the $3 million?

Q. Yes.—A. $10,836,668.33.

Q. Are you in a position to say how much of the figure of land, buildings, plant, tooling and equipment in that statement of September 14, 1946, which amounted to $18,825,777.62, is made up of tooling?—A. That figure I just gave you.

Q. Well, it is written in at this figure.—A. If you are referring to that $18 million odd, it includes $10,836,668.33 for tooling.

Q. As of September 14, 1946, you did record that as a capital asset, to the exact dollar, of the amount which had been spent on tooling?—A. I said it was an accumulated cost of tooling. I did not say there was a tangible asset at that time worth that amount of money. That was the accumulated cost of the tooling of the aircraft.

Q. I am, of course, merely quoting from the balance sheet presented to the House of Commons on April 14, 1947, which showed assets as of September 14, 1946, of $18 million odd, as I have mentioned, of which you say $10,836,668.33 is tooling. I can only point out that it is not a case of my interpretation, it is a case that this is described in that statement as an asset?—A. Correct, but not necessarily a tangible asset.

Q. What distinction do you draw between a tangible asset and another asset shown in this statement of September 14, 1946?—A. I do not know that I am prepared to draw any distinction. I am simply saying that in the balance sheet under the heading Land, Buildings, Plant, Tools and Equipment, there is a figure of some $18 million and included in that is the accumulated cost of tooling the North Star.

Q. There is no difficulty about the question or about our understanding each other's words. You see, this started by my pointing out that $3 million had been spent on tooling between September 14, 1946, and March 20, 1947, and I asked if that would not be an additional asset and you said that you did not think it would and then I pointed out to you that in the balance sheet prepared as of September 14, 1946, the tooling up to that date was described as an asset. What distinction do you draw between the two?—A. Between what two?

Q. Between the $3 million spent between September 14, 1946, and March 31, 1947, and the $10,836,668.33 spent prior to that?—A. I understood you to ask me in connection with the $3 million if there were an asset on hand.

Q. I used the term asset.—A. To the amount of $3 million. Now, what I am trying to explain is that there was a cost of $3 million during the period from September 14, 1946, to March 31, 1947, which was added to the accumulated cost on the 14th of September, 1946, and whether it was represented by phyiscal tools I do not know. It was the actual cost of the tools.

Q. Well, you see, I am not seeking to give any interpretation to the word "assets" other than to use the exact word that is used in the balance sheet prepared by the government for presentation to the House and it gives assets as of September 14, 1946, of $18 million of which you have explained $10,836,668.33 is for tooling. Now, my question relates to the expenditure of $3 million and I imagine that you will agree with me that if the $10,836,668.33 were correctly described as an asset in the statement of September 14, 1946, that the $3 million spent between that date and March 31, 1947, would be correctly described if it was described as an asset.—A. I think that is correct.

Q. What was the asset total in 1944 when this property was taken over by the government from the Vickers Company? Was a balance sheet prepared as of that date?

Mr. GAVSIE: Mr. Chairman, the property was never taken over from the Vickers Company by the government. The government provided the funds for Vickers to build the plant. It is not a proper statement to say that the government did take over the plant. The amount spent by the government on the plant is reflected in the balance sheet. Furthermore, the $3 million we have been discussing is referred to in order-in-council P.C. 930 of the 13th of March, 1947, which we have tabled, and as a result of that further expenditure an amount of $500,000 was added to the option price. That is set forth in the order-in-council. We tabled the orders in council. They were not read, but if it is necessary we can read them.

Mr. DREW: I would just as soon, Mr. Gavsie that you did not engage in argument. I was questioning the witness in relation to the statement which he had made just prior to adjournment yesterday, and at the time of adjournment yesterday I pointed out that we had a statement which showed the assets of this property as having a value of $32,668,000. I referred to the statement of the government down below and he explained about the $3 million, and I pointed out that if that was spent that would increase the assets by $3 million, and the witness said on the contrary that it would decrease them. I feel sure that that was the statement he made; in fact, in going over this statement—

The WITNESS (Mr. Scully): I made no such statement.

Mr. DREW: You will find confirmation of that in the press reports. The press reports I have here carry that statement.

The CHAIRMAN: We cannot accept press reports in place of our own minutes of evidence, anyway the witness has just denied it.

Mr. DREW: Let's not indulge in a banging contest, Mr. Chairman.

The CHAIRMAN: Never mind about that. It is my job to keep order and while I am chairman I will speak when I feel it necessary and you will not tell me how I am to run this job.

Mr. DREW: And I will not be closed off by you hammering your gavel.

The CHAIRMAN: And I won't be stopped by you either.

Mr. DREW: I will say that he said that to us yesterday.

The CHAIRMAN: I have decided on that. I have also decided that we have these three witnesses here and any one of them can answer any question which is put. There is nothing wrong in Mr. Gavsie answering questions.

Mr. STEWART: There is a question which is not clear in my mind. When a company incorporates it has certain incorporation expenses which are capital items, and I assume that expenditures of that kind would appear in your balance sheet.

The WITNESS: Yes. There is no doubt about the fact that expenditures were made. Whether at the present time there are in existence physical pieces of material included in that expenditure is very problematical. I think it is fair to say that it was an expenditure of a capital character which amounted to the figure Mr. Drew mentioned between the 14th of September and the 31st of March, 1947.

Mr. CROLL: Might I ask Mr. Scully a question. Have you any figures available showing in summary form the total amount spent by the government and what was realized by the government?

Mr. STEWART: Before we go into that might I ask just one further question along that line?

The CHAIRMAN: Is that agreeable to you, Mr. Croll? Do you mind letting him finish?

Mr. CROLL: All right, I don't care.

Mr. STEWART: Assuming that you have a specific special plant being incorporated, is it not possible to make it clear in the overhead that there is included say an item of $10,000 for patterns; and would there not be anything made to cover an item of that kind—are there not also certain amounts which are classified as intangibles?

The WITNESS: Everything used in the construction of the North Star aircraft, and others, was accounted for.

Mr. CROLL: Do you mind now answering my question? If you have the details, will you give them to us, please?

The WITNESS: Mr. Chairman, I have worked from the balance sheet which was presented yesterday to the committee. You will notice that the total assets of the project were $32,268,704.07. There was added in 1949, at the time of the sale of the assets to the company an amount for land of $8,017; making a revised total of $32,276,721.07. There was deducted an amount appearing in the balance sheet as $48,807.49 for automotive equipment which was not sold or included in the lease-option agreement, bringing a new total of $32,227,913.58; and then there was added to that amount for additional tooling, which appears in the footnote to the balance sheet, an amount of $3 million, making a grand total of assets of $35,227,913.58. Those assets were settled for as follows: Paid in cash and by the assumption of current liabilities, $13,394,118.92; covered by the lease-option agreement and subsequently purchased, $4,008,017, making a net recovery of $17,402,135.92. Now, I want to make reference to the $4 million odd. The sale price under the option which was exercised in 1949 amounted to $3,760.745; but during the three immediately preceding years there was a rent of $600,000 paid, and of the $600,000 there was interest of $352,728, leaving a payment on capital account of $247,272; which, added to the $3,760,745 makes a total consideration under the lease option, for the sale price of the plant, of $4,008,017. I should also like to add this, repeating what I said a

moment ago, that included in the $35 million of assets was an item of $13,836,668.33 for tools; that is the tooling for the aircraft as distinct from the machine tools and equipment.

Mr. CROLL: Elaborate on that for the record. It is not enough to nod your head. Just elaborate on that for those of us who do not understand about all this.

A member of the Committee: Including you, sir?

Mr. CROLL: Yes, including myself.

The WITNESS: Well, for those members of the committee—some of them must know more about this than I do—who do not fully understand it may I say this; in a manufacturing plant it is necessary to have tools. Tooling consists of jigs and dies and patterns; and, of course, it also includes the engineering cost of designing them and making them. There are the dies that are used in these large hydraulic presses, cutting tools that go on the lathes, and machine tools; and perhaps one of the largest items is the jigs. The jigs hold the components while they are being assembled. These are designed especially for a job and when that job is finished it may be possible if there is another job of that same character some of them can be used again but most of them I think experience has shown had to be scrapped and reduced back to raw metal form and reprocessed again. At the 14th of September, 1946, a large part of the manufacturing operation on the North Star had been completed and the bits and pieces, the small parts that go to make up the aircraft had to a very large extent been manufactured, and the tools that were used in making those parts were valueless, unless further orders developed for a plane of the same character. Secondly, many of the tools wore out in use, such as those used in the rubber presses for example, soft metal had to be used otherwise the press would suffer, and they have a relatively short life. I should like to repeat that figure again which was included in the tooling which was $13,836,668.33; so, net assets, exclusive of tooling, were $21,391,245.25. And I should like to express the view for what it is worth that that was the $21 million in respect of which the crown recovered $17 million, not the larger amount.

By Mr. Macdonnell:

Q. Would you break down that figure of $13 million odd to show what was obligation and what was not obligation?—A. The total amount of the current assets appearing in the balance sheet is $13,394,000. The obligations consisted of sales tax, Receiver General, $661,000; Employee's Victory Loan Funds $175,000, and other commitments $2,167,000—totalling $3 million current liabilities.

Q. And then the balance of $10 million was paid in cash?—A. Yes sir.

By Mr. Drew:

Q. Now, Mr. Scully, in regard to what you said in answer to Mr. Croll; you gave a statement of the assets and Mr. Croll asked you what the total amount spent by the government on this plant was up to the time you took it over. Have you got that?—A. You mean when they took it over from whom?

Q. When they started operating it again as a government plant. A. It was always operated as a government plant.

Q. Well again, when they started operating it under a management agreement with Canadair.—A. I haven't got that information with me.

Q. Let me get the sequence of events. As you know, this property was government property operated under the management of Vickers Limited until 1944, then in 1944, according to the statement read into the record yesterday by Mr. Gavsie the government in view of the commitments of the Vickers Company in connection with the building of ships decided to place it under other management

and at that time a new management contract was entered into. It was during that period that the program was undertaken which was carried forward by the company to whom this property was leased as of September 14th, 1946; and I do not know what Mr. Croll asked for, he asked for what the government had spent, and I would assume that you would have figures of what the government has spent on this property from the time it was started.

Mr. GAVSIE: Are you referring to the real estate plus the machinery and the tooling or are you referring to all the inventories that may have passed through? In the statement yesterday you noticed that there was over $105 million worth of work. This statement discloses what the government spent on plant, machinery and tools from the time the plant was constructed. Now, if you have reference to the amount of working capital that flowed through that plant, that is an entirely different proposition and will require considerable study because that will involve an analysis of that $105 million that flowed through the plant.

Mr. THATCHER: May I ask you there, what would be the investment?

Mr. GAVSIE: That is on the balance sheet.

Mr. THATCHER: Oh, that is the $35 million.

Mr. DREW: I did not think the working capital would be included in the amount expended on it. I do not know whether your answer is satisfactory to Mr. Croll or not.

Mr. CROLL: I am satisfied with it, and happy about it.

Mr. DREW: Then, I will put the question in my own way.

By Mr. Drew:

Q. From the time the government entered into the management contract after the management of the plant passed from Vickers Limited in 1944, how much was spent by the government on that plant in the way of capital investment?—A. I cannot answer that from the information I have here; in other words, you want the capital figure as it was in 1944?

Q. Yes, the question which I thought perhaps Mr. Croll had asked but apparently did not and I am now asking it. From the time that this plant started in the new period in 1944 when the new program was undertaken under new management up until September 14th, 1946, how much money was spent in the way of capital investment by the government on this plant?—A. I haven't got that but I think we can get it for you. May I just make sure I understand your question?

Q. Yes.—A. You want to know the expenditures on capital account from this date in 1944 up to the execution of this agreement?

Q.. Yes. I want to know the total amount spent by the government in connection with the operation together with anything that was paid for production in that plant. In other words, I am including in that what the government paid for anything produced during that period. I am simply asking for the figure of what the government actually spent on that plant during that period.

Mr. THATCHER: Mr. Chairman, I am not clear on it. Does he want to know the investment the government has in the plant? Is that it?

By Mr. Drew:

Q. No, give us the total investment—of course, if you regard that expenditure as an investment—the total amount the plant got from the beginning. The question I am now asking is one directed to the period from the time when the management agreement with Vickers Limited terminated and the new management agreement came into effect. Then, when you are getting that figure will you also get the figure for the total amount spent by the government on this

plant and its equipment, including tooling from the beginning of that plant up till the time the management contract with Vickers terminated.—A. All of the tooling would have occurred since that date in 1944, all of the $14 million would have occurred in 1944 to 1947. There is not much plant expenditure because the buildings for example existed before 1944. But I can get that information for you.

Q. Yes, and in that figure you might include the cost of tooling, machinery, and all capital investment in that plant.

Mr. GAVSIE: Mr. Chairman, perhaps this might help the committee on this capital figure and give you some idea. This plant was substantially complete and a great part of the $8 million of investment in buildings and machinery, apart from tools, was made during the management of the Vickers regime, so that there would be a relatively small amount added after the Canadair took over the management of the plant, apart from tools. I am talking about the $8 million as distinct from the $18 million.

Mr. DREW: Of course, I have asked for the figures covering the two periods. You will be able to obtain them. We will be able to see how much Vickers got. I want the complete figures for which I have asked for the two periods. Now, in regard to the explanation which was given as to this total amount for tooling and your suggestion that this should not be recorded under any of the assets because of the fact that the tooling would cease to have particular asset value when this particular program or project came to an end I would point out, Mr. Scully, that we are dealing with transactions under which this operation passed to private hands as of September 14th, 1946, and that all this tooling and everything else included in the figure of assets is included in those things which were purchased when the option was exercised in October of last year. I think you will agree with me that it is the practice of private companies carrying on their business and in preparing their statements and in charging what they do for the things that they sell to charge a depreciation figure which in the accounts is estimated to balance the actual loss in value of whatever assets are used in that way.

The WITNESS: It is sound, I would say, to do that.

Mr. DREW: That is exactly what I am getting at; and, therefore, when this passed into private operation it would naturally be dealt with by an item of that kind in their accounts so that they would benefit to the fullest extent because they would in the computation of their cost necessarily include whatever depreciation figure they thought appropriate to include. That would be your own experience in a private company's operation statement, would it not?

The WITNESS: That is assuming that we were able to use the tools.

Mr. DREW: You know what they did.

The WITNESS: I don't know the amount they spent—on what do you mean?

Mr. DREW: Well, on the North Star.

The WITNESS: As I told you a moment ago the manufacture of the North Stars was virtually completed, finished up to the assembly line at the time they took over the plant.

Q. What was the $3 million spent on?—A. That was for the tooling between the 14th of September and the 31st of March and I think that after March there was an additional expenditure for tooling.

Q. Were you directly acquainted with this operation?—A. Up to the end of March, 1947.

Q. At what point was it that they started tooling for the later models?—A. Later than that.

Q. Later than that; and it was later than that that the change was made to the pressurized cabins?—A. No. The first ones were pressurized for TCA.

Q. The general production of pressurized aircraft came after that?—A. Yes, sir; but a lot of manufacturing had been done at that time.

Q. What was this tooling for?—A. Some of it was replacement of tools worn out; they were constantly changing them as they kept on changing that aircraft.

Q. As Mr. Gavsie pointed out yesterday, in so far as it may be a matter of fact or record, can you explain why, in view of the fact that this was being taken over as a private operation, this provision was made for expenditure by the government of $3 million on tooling instead of it being undertaken by the company itself?—A. The only orders for aircraft at that time were government orders.

Q. Yes; but they were arranging to sell to the government.—A. They did agree to sell.

Q. And they carried forward contracts already entered into with the previous management?—A. No. There were new contracts in respect to both.

Mr. GAVSIE: And those contracts were tabled on April 16, 1947. I think Mr. Fraser has them there. They were fixed price contracts for the air force and fixed price contracts for the TCA; and I think it was $630,000 per aircraft for the R.C.A.F. and $660,000 for the TCA, which were pressurized.

The CHAIRMAN: When you hand us these reports, I think they should be tabled as appendix C to our proceedings.

Mr. GAVSIE: What is that, please, sir?

The CHAIRMAN: When you supply them to us after the meeting, I think they should be printed as appendix C. They are public documents.

(See Appendix C)

Mr. FRASER: This is returned in my name, dated April 16, 1947. It is Sessional Paper No. 216-B, and I think that the Clerk of the House had some copies made.

The CHAIRMAN: We shall have copies added as an appendix.

(See Appendix D)

Mr. MCILRAITH: I am not aware of anyone having copies of this document made for someone. If he did, I would be delighted to know, but it is news to me. I tried to get the original documents last week but they were not in the Sessional Papers office and I could not get them until Monday noon. I had them in the Chamber for about three minutes to see what the contents were; but I am not aware of copies being made.

Mr. FRASER: I gave them to the Clerk of the House at 10 o'clock. I was at his office at 9 o'clock and I gave them to him by messenger at 10 o'clock, to have them typed.

The CHAIRMAN: We would like to have a copy made so we could add it as an appendix.

Mr. FRASER: There would be also the balance sheet, Sessional Paper 216-A, of April 14, tabled in my name, which shows the balance sheet as of September 14, 1946.

Mr. CROLL: Have you cleared that up, Mr. Chairman? I am interested and I would like to ask a question.

The CHAIRMAN: Very well, Mr. Croll.

By Mr. Croll:

Q. Do I understand Mr. Scully, that from the evidence, or from some of the answers—and you will correct me if this is not a correct impression—that after they had agreed to sell the plant, and there was an agreement to buy it,

the government made a further expenditure of $3 million for tool equipment? Is that correct?—A. That is correct, during the period that the negotiations were going on.

Q. Let us get it right. Had an agreement been reached, or were there negotiations?—A. Negotiations.

Q. And during negotiations, while the plant was being kept in operation, a further expenditure of $3 million was made?—A. That is correct.

Q. Were negotiations finally concluded?—A. Yes.

Q. When did they start and when did they finish, approximately?—A. Oh, approximately, between September and March.

Q. Between the 14th of September, 1946 and the 31st of March, 1947?—A. That is right.

Q. That was the negotiating period?—A. That is correct.

Q. And during that time, this expenditure was made?—A. That is correct.

Q. Because, as you say, the government was the North Star customer and it needed them, and they thought it was necessary?—A. That is correct.

By Mr. Langlois:

Q. That was an increase in the contract price which was made afterwards?—A. That is right. There was $500,000 added to the option price.

By Mr. Fraser:

Q. Might I ask Mr. Sculy this: The cost of these airplanes, these North Stars, was $630,000; and there would be an additional cost to the government on their portion of the $2,500,000. Is that right?—A. I think so, yes.

Q. That would have to be added to the cost of the plant?

Mr. GAVSIE: The practice of the government was to charge these items to capital. I think there is no need to speculate. It is in the order in council. We have talked around the subject, so perhaps I had better read what the order in council says.

This is order in council P.C. 930 of March 13, 1947,

P.C. 930, March 13, 1947.

The Committee of the Privy Council have had before them a report dated March 12, 1947, from the Minister of Reconstruction and Supply representing:

That by order in council P.C. 242 of January 21st, 1947, authority was granted to enter into an agreement with Electric Boat Company and Canadair Limited for the take-over by Canadair Limited (hereinafter caled "The Company"), as and from September 14, 1946, of the plant and operation carried on by it at Cartierville, Quebec, on behalf of His Majesty;

That the said agreement provides that His Majesty or Trans-Canada Air Lines, as the case may be, will enter into firm price contracts as soon as possible with Canadair Limited for the completion of the 44 North Star aircraft presently being built at the plant;

That the lease option with the Company for the plant, equipment and tooling provides for rental of the tooling in the plant as at September 14, 1946 and that tooling subsequently acquired would be charged as a cost of the contract. This will result in a division of ownership between the Crown and the lessee and will result in no recovery to the Crown for the tooling so to be provided. In similar cases it has been the practice of the Department to provide the tooling as a separate item and retain ownership thereof;

That it is advisable and in the public interest that the tooling manufactured or acquired by the Company from September 15, 1946 to March 31, 1947, for the production of the said 44 aircraft should be paid for separately and title thereto should vest in the Crown. It is estimated that the cost of such tooling for such period will not exceed $3,000,000.00, and funds for the payment of such cost are available out of Vote 605 of the Estimates for the fiscal year ending March 31, 1947;

That the said agreement further provides that the Douglas Licence Agreement will be assigned to the Company subject to the written consent of the Douglas Aircraft Company Inc. (hereinafter called "Douglas");

That Douglas has agreed to consent to the assignment of the Douglas Licence Agreement provided the Canadian Government will remain liable for the payment of the royalties on 44 aircraft or will pay such royalties now; it is advisable and in the public interest that such royalties should now be paid to the Company to be held in escrow for the account of Douglas, and funds for such purpose are available out of said Vote 605;

That it is proposed to amend the terms of the 15-year lease option with the Company relating to the plant, equipment and tooling to include the tooling to be provided as above mentioned, and to increase the basic value of the plant and the option price to $4,000,000.00 and to increase the annual rent to $200,000.00;

That it is proposed that the basic price for the 20 aircraft for Trans-Canada Air Lines will be $660,000.00 each and the basic price for the 24 aircraft for the Royal Canadian Air Force will be $640,000.00 each. sales tax, if any, extra; and

That the Minister considers the proposed prices to be fair and reasonable.

The Committee, therefore, on the recommendation of the Minister of Reconstruction and Supply advise that the foregoing be approved and that authority be granted for the execution of such contracts and other documents as may be necessary to give effect thereto.

By Mr. Langlois:

Q. As to the price of these aircraft built after the extra tooling was done and paid for by the Crown, when those prices were fixed was account taken of the fact that the government was paying for the tooling?—A. Yes.

Q. And the price was therefore reduced?—A. Certainly.

Mr. DREW: Of course, they made a good profit out of it.

The CHAIRMAN: That is a matter of opinion.

Mr. DREW: No. It is a matter of public record.

The CHAIRMAN: I would like this record to be given to us.

By Mr. Langlois:

Q. How did the price compare with the price paid before?—A. I do not think you or anyone knows the answer to that.

Mr. DREW: Oh, yes. It is a matter of record; and if you look up the public statements in regard to it, you will find that to be the case.

The CHAIRMAN: That again is a matter of opinion.

By Mr. Langlois:

Q. How did the prices paid for these aircraft compare with the prices paid for them before under the management of the Crown?—A. There were none delivered.

Q. There were none delivered before?

Mr. FRASER: Mr. Howe would not tell us what the cost was before. I asked him for it a number of times but he would not tell.

Mr. LANGLOIS: I think he said they were in incomplete form.

Mr. MACDONNELL: As I understand the order in council and the other explanations, there was a double transaction whereby the government was getting rid of this plant on the one hand, and on the other hand it was buying aircraft. I think you said in answer to my friend that this $3 million was spent for tooling and it was in effect an additional price for the aircraft.

Mr. GAVSIE: I did not say that. I read the order in council to show that this money was paid out of the vote and added to the capital cost. It is reflected in the balance sheet as part of the capital expenditures. It has been the practice, as cited in the order in council, for the Crown to provide tooling as a separate item and to retain the ownership and in this case it was disposed of as part of the capital spent by the government on the plant. Whether you want to build up a price for the aircraft by figuring the items spent on capital is a matter of opinion.

Mr. MACDONNELL: This surely was a very different transaction from the government's getting rid of the property. I want to return to my question to show that it is not as stupid as you would seem to indicate that it was.

Mr. GAVSIE: If you got that impression, let me say that it was not my desire.

Mr. MACDONNELL: My understanding is that at the time this transaction took place what in fact happened was that the government paid so much for the aircraft and also paid this $3 million for tooling. Is that right?

Mr. GAVSIE: Oh, yes.

Mr. MACDONNELL: In view of the fact that they were getting rid of the title to the property, was it not in effect an addition to the price of the aircraft they were buying, because they were no longer going to have the title? That is what I mean by saying: was there not in effect an addition of $3 million to the purchase? If the government had not paid out that $3 million for those tools, the company would have had to do so itself?

Mr. LANGLOIS: It would have to pay more for the aircraft.

Mr. MACDONNELL: Therefore I ask if that is correct, and if the change, if any, in the price of the aircraft to the government was made by reason of that fact? That is a thing I am not clear about.

Mr. MAJOR: Did they not just keep the facilities of the company in operation?

The WITNESS: I think that is right, Mr. Macdonnell. I think negotiations with these people were begun at a stage in the manufacture of these aircraft where the aircraft were nearly finished; seven of them, if I remember correctly, had been completed; and all of the cost of the aircraft exclusive of the capital costs, which included tooling, was paid for by Canadair and charged back to the government when they delivered the aircraft, that is, when they supplied and delivered the aircraft. But no part of the tooling incurred prior to March 31, 1947, was included in the price that Canadair charged to the government for the aircraft.

By Mr. Macdonnell:

Q. It still seems to me, if I am correct in the statement which I made, that this sum of $3 million was in fact an addition to the price. I should have thought that the price quoted would have been reduced in order to give effect to it?—A. Yes, it was. When it was paid by the government, the price would have been reduced.

Q. Then what was the original price and what was the reduction?

Mr. CROLL: Does it not appear in the order in council?

Mr. GAVSIE: Yes. The price was negotiated having regard to the situation as it then existed. The prices were $630,000 and $660,000 for the pressurized; and they were arrived at having regard to the fact that these items had been provided by the government as capital expenditure.

By Mr. Macdonnell:

Q. Is there anything we can compare it with such as a price which had been paid for some previous delivery of the same type of plane?

Mr. GAVSIE: Not in Canada.

The WITNESS: Compare that with $1¼ million in the United States.

Mr. MACDONNELL: Had there been any price prior to the time that this whole transaction went through? It was understood that the $3 million paid would be an addition. Had any price been discussed until then?

Mr. GAVSIE: Canadair was merely operating as managers. I said the price was fixed having regard to the fact that the government had made these capital expenditures.

Mr. MACDONNELL: It was fixed having regard to this $3 million which the government was chipping in?

The CHAIRMAN: The $3 million does not increase the price.

Mr. LANGLOIS: Was not most of the tooling covered by this $3 million item in the year before the transfer occurred?

Mr. GAVSIE: Yes. Negotiations ran on from September to March; and by the time they were finalized and all the details worked out this money had been spent, and it had to be provided.

Mr. CROLL: In order to keep the plant in operation?

Mr. GAVSIE: Yes, to keep the plant in operation.

By Mr. Major:

Q. I think Mr. Scully said that a comparable plane had been made in the States?—A. There was no aircraft comparable to this one available under $1 million at that time. But it is very hard to compare prices because aircraft are built to special specifications for radio, finish, engines and so on, and they determine the final selling price of the aircraft.

By Mr. Drew:

Q. Do you know the price at which Constellations were offered to the Canadian government?

Mr. CROLL: It is a much inferior plane to the North Star.

Mr. DREW: We are not talking about a plane, we are talking about a particular offer or contract that was given. I do not know which official is the one who was in touch with this.

The WITNESS: That would be Trans-Canada Air Lines.

Mr. DREW: No consideration was given to the price of these machines by the government because they were buying them for the R.C.A.F.?

The CHAIRMAN: Was that while administration was carried on by Vickers or subsequently?

Mr. DREW: No. This was in a subsequent period because machines of that kind were not being sold for passengers during the war.

When you speak of negotiations, are you in a position to speak of your own knowledge of the time when negotiations began?

Mr. GAVSIE: Yes, in so far as the details of this contract are concerned.

Mr. DREW: Without qualification are you in a position to state when the negotiations began?

Mr. GAVSIE: On the drafting of this item?

Mr. DREW: No.

Mr. GAVSIE: Well naturally these people would first discuss the matter with Mr. Howe.

Mr. DREW: So you are not in a position to say when the negotiations began?

Mr. GAVSIE: No, I can only speak of the time when I began to do the things I was instructed to do.

The CHAIRMAN: That means the drafting of the agreement?

Mr. GAVSIE: Yes.

Mr. CAUCHON: But up until that time these matters were in the hands of the minister?

Mr. DREW: So far as these proceedings were concerned, Mr. Chairman, is it Mr. Gavsie or Mr. Scully who knows what took place at that time?

The WITNESS: At what time?

By Mr. Drew:

Q. During the time the negotiations were going on between the Electric Boat Company and the government.—A. Between September and March both Mr. Gavsie and I were aware of what was going on.

Q. Then what was the first contact, Mr. Scully, you had with this transaction? Were you informed that negotiations were under way with the Electric Boat Company?—A. Yes.

Q. By whom?—A. By the minister.

Q. What information had been given to you at that time on which you proceeded to act?

The CHAIRMAN: I think that is going into departmental administration, and that a civil servant is not forced to reveal his private conversations with a minister of the Crown.

By Mr. Drew:

Q. Were you informed that arrangements had been made in regard to this and that you were to carry these transactions forward?—A. Yes.

Q. So when the matter came to you in September the arrangement had been made?—A. What do you mean by the arrangement, the details of the scheme?

Q. As I understand the negotiations had reached the point where it was decided to proceed and you worked out the details, is that not the situation?—A. I do not recall it happening that way.

Q. How did it happen, as you recall?—A. I recall being instructed to go ahead and complete the negotiations with these people.

Q. You were instructed in September to go ahead and complete the negotiations with the Electric Boat Company?—A. Yes.

The CHAIRMAN: Instead of nodding, Mr. Scully, speak; it is for the record.

By Mr. Drew:

Q. Did you carry on the negotiations then directly with the Electric Boat Company?—A. Yes.

Q. Were they represented by legal representatives here in Canada or by an official of the company?—A. Officials of the company.

Q. And who was that official?—A. Pardon me, I did not get the last question.

Q. Who were the officials?—A. Mr. Hopkins, Mr. Marx, and Mr. Oliver West.

Q. Was Mr. Franklin a party to these negotiations?—A. No.

Q. Then, had you anything to do with Mr. Franklin at any time or have discussions with Mr. Franklin in regard to this transaction?—A. I may have had some discussions with Mr. Franklin; I met Mr. Franklin several times before I went to Ottawa but I do not remember any discussions relating to this transaction with Mr. Franklin at any time.

Q. The reason I mention that is just to refresh your memory, or perhaps it is perfectly fresh in your memory. The Canadair Company was a management company which had no assets in the property in question. The total valuation given to its outstanding stock at that time was $10,000, and at the time, however, that the negotiations reached the stage of completion, the Canadair Company, which was Mr. Franklin's company, was a party to a general transaction and in fact in the records that are available it appears that the government had been informed that the Canadair Company was under the control or would be placed under the control of the Electric Boat Company. You were aware of those discussions were you not?—A. Some of them, yes.

Q. Well, you were aware, were you, of the fact that part of the general transaction was to be that the Electric Boat Company was to acquire the controlling interest in Canadair?—A. It is specified right in one of these agreements.

Q. That is so, and I am simply trying to get all the information you had during these transactions in regard to the position of Canadair and the Electric Boat Company. At what stage were you aware that the acquisition of the stock of Canadair by the Electric Boat Company was a part of this general transaction?—A. The very first time the negotiation started, as far as I was concerned.

Q. Back in September of 1946?—A. Yes.

Q. So that when this matter came to you, when you received instructions to proceed with the negotiations with the Electric Boat Company, it was with the advice or with the knowledge that there was also an arrangement whereby the Electric Boat Company was to acquire the control of Canadair, is that right?—A. Correct.

By Mr. Croll:

Q. Mr. Scully, there was a very good reason for that, was there not, for the Electric Boat Company to acquire control of Canadair?—A. I think there were several good reasons.

Q. Let us have some of them.

Mr. DREW: Mr. Chairman, I do not want to interfere but if the witness is going to give his opinion as to reasons, then I do not want any limitation placed upon his knowledge of reasons for other things.

By Mr. Croll:

Q. Let me ask you this question: The government had taken this enterprise out of the hands of the Vickers company had they not?—A. Yes.

Q. The Vickers Company, in the main, have a fine reputation but the government felt they were not qualified to handle this particular business?—A. That is outside my knowledge.

Q. Let me put it this way, that the Electric Boat Company had the know-how and the brains to do that particular job.—A. Well, they were well-known operators of large businesses in the United States.

Q. Of a similar nature?—A. No, they had never been in the aircraft business to my knowledge.

Q. What business had they been in?—A. Submarines and launches of larger sizes.

Q. But in their own line they had been successful?—A. Very.

Q. Very successful and here you required managerial ability?

Mr. MACDONNELL: Know-how.

The WITNESS: Definitely.

By Mr. Croll:

Q. And that was the purpose of this deal?—A. I think Mr. Howe referred to that in his statement, Mr. Chairman.

Q. When was the statement made?

Mr. GAVSIE: I read the statement into the record yesterday.

The CHAIRMAN: We are getting back to a question of a matter of policy, Mr. Croll, and the statement was read into the record as to Mr. Howe's reasons. I do not think the witness should be asked to give his opinion.

Mr. CROLL: I will pass that.

Mr. LANGLOIS: I think the reason given yesterday as to why the management was withdrawn from Vickers was because the shipping program was increasing, and Vickers being well-known shipbuilders, we wanted Vickers to devote themselves to shipbuilding.

Mr. DREW: Since that has been referred to I would like a comment from Mr. Scully as to why the management was withdrawn from Vickers because they were a shipbuilding concern and put into the hands of another corporation which was in the same line of business, a shipbuilding concern, which had no previous knowledge whatever of aircraft at all. Is that not correct, Mr. Scully?

The CHAIRMAN: That is also referred to in Mr. Howe's statement.

By Mr. Drew:

Q. Is that not so, Mr. Scully?—A. It is obvious.

Q. And that is the situation?—A. They contracted to provide management and they did.

Q. And as you know they obtained a manager for this who had not previously been with them until those negotiations were undertaken. That is right, is it not?—A. That is correct.

Mr. LANGLOIS: That did not prevent them from building a good aircraft just the same, afterwards.

Mr. DREW: There have been a lot of very good aircraft builders.

Mr. RICHARD *(Ottawa East)*: Mr. Chairman, everybody has had their say and I think the discussion has reached an end.

The CHAIRMAN: Is anybody on the committee aware as to whether the Vickers Company are protesting against the deal they got at the time, or is anybody intimating that Vickers has been victimized in any way?

Mr. DREW: I made no suggestion of that but my friend had just emphasized the fact that Vickers had been divested of their responsibility because they were a shipbuilding organization, and I said that another company having a different type of shipbuilding program acquired the responsibility.

The CHAIRMAN: May I point out Mr. Drew's slip of tongue when he just said "Victor" instead of "Vickers".

Mr. GAVSIE: Two years had elapsed, as well, and the European war had come to an end in the interval.

Mr. DREW: In what interval?

Mr. GAVSIE: Between 1944 when Canadair was set up and 1946 when negotiations started with the Electric Boat Company.

Mr. DREW: Oh, yes, the sale of submarines was decidedly declining, you are quite right.

Mr. LANGLOIS: I think it was put in the record yesterday also that even though Vickers was divested of the management that most of the personnel was retained after Vickers gave up. Is that not a fact?

The WITNESS: That is right.

The CHAIRMAN: Any further questions?

Mr. CROLL: Have we finished with that?

The CHAIRMAN: I do not know. We are in the hands of the committee.

The only thing I agreed to is that at 5.30 we will adjourn because representatives of the press gallery have asked me to adjourn at 5.30 so that the members can come to their reception. We have ten more minutes.

Mr. DREW: Mr. Scully, I do not know whether you or Mr. Gavsie can answer this question best. As you know, in connection with the operations there were certain statements prepared in connection with Canadair and certain statements prepared in connection with the previous company.

The CHAIRMAN: Order, gentlemen, order. I am not banging the gavel at you this time, Mr. Drew. I want to have silence so you can be heard.

Mr. DREW: I recognized the difference in tempo of your gavel pounding, Mr. Chairman.

By Mr. Drew:

Q. As of September 14, 1946, a balance sheet was prepared, which we have been discussing, which showed assets having a value of $32,268,000 and a commitment to spend a further $3 million on tooling. Now, as of the same date a balance sheet was prepared by the Canadair Limited. Have you a copy of that statement showing the balance sheet of Canadair Limited as of the 14th of September 1946 after acquisition by the Crown?—A. No, sir, I do not think so; the only one I have here is the one we discussed yesterday.

Q. Then, if you have not got it, I will not ask you a question in regard to it. Mr. Scully, in view of the fact that the option to purchase was not taken up until October of 1949, or was not exercised until October of 1949, the government had a continuing interest in the property and the activities in connection with the property. It is only as a matter of record that I am asking the question, but did you obtain the annual statement issued by the Electric Boat Company during that period?—A. I have seen the financial statements issued by the Electric Boat Company for the last two years but I have never seen a statement by Canadair.

Q. I was going to ask you a question in regard to that. You made a remark a short time ago which rather struck me and I thought I would like to know what you had in mind. You said, you did not know whether Canadair did make any money on this. Why did you make that statement?—A. I may say that this is my own opinion, based on what I saw. In the Electric Boat statement it would be impossible to say what they made on these aircraft.

Q. You are basing that on the fact that you have examined the statement of the Electric Boat Company?—A. Yes, with great interest.

Q. Did you not see in the statement of the Electric Boat Company that the greater part of their profit came from Canadair?—A. Not for these aircraft.

Q. What other aircraft are they selling?—A. They had several conversations under way, for example, at the end of 1946.

Q. Do you think that those conversions amounted to something substantial? —A. There was an incident in Europe that helped them considerably, that was the Berlin airlift; a market that did not exist for the inventory of spare parts suddenly developed.

Q. Mr. Chairman, I realize that all of the witnesses are here to help each other but I would like the evidence to be given by the witness under examination.

The CHAIRMAN: The two of them are better acquainted with the facts.

Mr. DREW: I think it will be more convenient if Mr. Gavsie gives the information, if he gives it directly rather than secondhand.

The CHAIRMAN: That is a matter for them to decide. They are both here officially and can use their own discretion as to who answers any question. Will you proceed, Mr. Scully.

The WITNESS: I am finished. I merely said that a market suddenly developed quite unexpectedly for spare parts for C-54's and I should think they made a very considerable amount of money on the sale of them.

Q. But you are aware of the statement in the report of the Electric Boat Company that the greater part of their profits was what they made in Canadair. —A. That was the last one, is it not?

Q. But you remember the statement.—A. I remember a statement was made in one year but I do not remember which.

Q. During the period that the government had a continuing interest in Canadair, rather in that property because it had not yet been sold, did you obtain statements from Canadair in regard to their annual operations which showed their profit and loss?—A. No, sir.

Q. Do you know whether such statements are available?—A. I suppose Canadair have them. I have never seen them.

Q. Do you know if they are available to anyone as separate statements?—A. I do not know.

Q. Perhaps Mr. Gavsie could answer that. Do you know, Mr. Gavsie?

Mr. GAVSIE: No, there is nothing in the contract which entitles the government to get any statement from them. I presume they are in the Income Tax Department.

Mr. CROLL: How do we get that in the Income Tax Department? Both of you are here. Tell us.

Mr. DREW: I am not seeking any indirect information. In your legal capacity, Mr. Gavsie, you were fully in touch with this?

Mr. GAVSIE: Yes.

Mr. DREW: And you are aware that the Electric Boat Company arranged at the time that Canadair was to apply for supplementary letters patent to become a private company, and a private company would not file reports?

Mr. GAVSIE: I am not surprised that they did so.

Mr. DREW: Do you know if they did?

Mr. GAVSIE: I do not know personally that they did it; that was not part of my work. When the transaction was completed I did not have any further interest in the matter.

Mr. DREW: Were you aware or were you not, up to the moment I asked the question, that this is a private company?

Mr. GAVSIE: No.

Mr. DREW: If you do not know I do not want you to give that answer. But you would agree from your knowledge of corporate structures that if it were a private company its statements would not be available in the ordinary course of events?

Mr. GAVSIE: I believe that to be a provision of the company Act.

Mr. DREW: Now, just at this point, as a matter of information, I would like to have someone from the Department of the Secretary of State who can come toworrow and explain the present status of that company and give full information as to the sequence of events by which this company had supplementary letters patent issued to it and any changes that were made.

The CHAIRMAN: But the fact that the company is not forced to provide reports is a normal thing under the companies Act.

Mr. DREW: I am simply pointing out, Mr. Chairman, that this company did not exercise its option to purchase until October of last year and I think it would be a matter of some interest for this committee to know whether during that period Canadair did or did not become a private company which, of course, changed its responsibility with regard to filing annual statements.

The CHAIRMAN: At 8:00 o'clock tonight there will be a meeting in camera to study the interim report on the first fourteen meetings.

We will meet tomorrow at 10:00 o'clock.

The committee adjourned.

Appendix A

COMMODITY PRICES STABILIZATION CORPORATION LTD.

The following statement shows, by fiscal years, the F.O.B. value of purchases, gross commissions earned, expenses on behalf of Commodity Prices Stabilization Corporation Ltd., refunds to Commodity Prices Stabilization Corporation Ltd., under the profit control agreement, net commission paid, total cost to Commodity Prices Stabilization Corporation Ltd., and percentage of cost to F.O.B. value of purchases, with respect to goods handled by Harrisons & Crosfield (Canada) Ltd., as managing agents of the Bulk Purchasing Division of Commodity Prices Stabilization Corporation Ltd.

—	I F.O.B. Value of Purchases	II Gross Commissions Earned	III Expenses on behalf of C.P.S.C.	IV Refunds to C.P.S.C. under profit control agreement	V Net Commission Paid	VI Total Cost to C.P.S.C.	VII Percentage of Cost to F.O.B. Value of Purchases
	$	$	$	$	$	$	
Year ending March 31, 1943	28,827,697	350,926.76	81,326.22	142,046.84	127,553.70	208,879.92	0·725
Year ending March 31, 1944	49,034,034	846,361.54	177,307.05	577,794.37	91,260.12	268,567.17	0·548
Year ending March 31, 1945	69,986,054	1,153,841.93	194,583.27	885,459.10	73,799.56	268,382.83	0.383
Year ending March 31, 1946	71,113,790	1,091,204.94	201,746.77	871,435.72	18,022.45	219,769.22	0·309
Year ending March 31, 1947	84,548,161	1,136,715.05	199,784.67	888,007.16	48,923.22	248,707.89	0·294
Year ending March 31, 1948	46,824,437	583,159.07	211,807.11	321,351.96	50,000.00	261,807.11	0·559
Year ending March 31, 1949	16,621,781	240,091.86	156,119.91	*321.49*	84,293.44	240,413.35	1·446
Inception to March 31, 1949	366,955,954	5,402,301.15	1,222,675.00	3,685,773.66	493,852.49	1,716,527.49	0·468

Appendix B

NORTHWEST TERRITORIES POWER COMMISSION

MAIN OFFICE: OTTAWA, ONTARIO

Room 310, Motor Building,
Ottawa, June 8th, 1950.

Dear Mr. Burgess: Following the request of Mr. Drew to Mr. Croll, Chairman of the meeting of the Committee on the morning of the 6th instant, I am forwarding herewith (in duplicate) a statement of the potential hydro-electric power on the rivers flowing into Great Slave Lake, and which includes water-power possibilities in the Yellowknife area.

Yours very truly,

J. M. WARDLE,
Chairman.

Mr. A. L. BURGESS,
Secretary,
Public Accounts Committee,
Room 432,
House of Commons,
Ottawa, Ontario.

Undeveloped Water Powers of 1000 Horse-Power and over from River Drainages of Great Slave Lake

(1) Yellowknife District (Within radius of 180 miles of Yellowknife).

River	Tributary of	Estimated Capacity in Horse-Power at ordinary minimum flow.	at ordinary 6 mos. flow.
Snare River	Great Slave Lake	*21,650	Regulated
Yellowknife River	Great Slave Lake	3,850	5,700
Beaulieu River	Great Slave Lake	2,420	2,700
Lockhart River	Great Slave Lake	104,300	156,200
Total		132,200	186,250

* 8,350 Horse-Power already installed.

(2) Remaining portion from River Drainages—(Not within Yellowknife district).

River	Tributary of	Estimated Capacity in Horse-Power at ordinary minimum flow.	at ordinary 6 mos. flow.
Slave River	Great Slave Lake	222,500	506,000
Hay River	Great Slave Lake	5,200	26,000
Snowdrift River	Great Slave Lake	12,000	18,000
Taltson River	Great Slave Lake	62,970	157,880
Tazin River	Taltson River	3,760	9,400
Total		306,430	717,280

June 8th, 1950.

Appendix C

SESSIONAL PAPER No. 216A—MONDAY APRIL 14, 1947

Mover: Mr. FRASER, M.P.

QUESTION:—A copy of balance sheet of the Canadair Limited as mentioned in Section C, page 1583, Hansard of March 20, 1947.

The attached information has been received by the Secretary of State of Canada from the Department of Reconstruction and Supply.

ANSWER OF DEPARTMENT OF RECONSTRUCTION AND SUPPLY
CROWN AIRCRAFT PROJECT AT CARTIERVILLE, P.Q.,
UNDER MANAGEMENT OF CANADAIR LIMITED

BALAECE SHEET
As at September 14th, 1946

Assets

Cash on hand and in Bank		$ 500,236 48	
Acounts Receivable	$ 2,941,371 09		
Employees Victory Loan Funds (Contra)	175,331 14		
Sundry Prepaid, etc	31,220 37		
		3,147,922 70	
Inventories:			
Raw Materials, Work-in-Proces, etc		9,745,959 84	
			$ 13,394,118 92
*Land Buildings, Plant, Tooling and Equipment		18,825,777 66	
Automobile Equipment		48,807 49	
			18,874,585 15
			$ 32,268,704 07

Liabilities

Accounts Payable and Accrued:		
Receiver General for Duty and Sales Taxes	$ 661,892 93	
Employees Victory Loan Funds (Contra)	175,331 14	
Trade Accounts, Accrued Wages, Etc	2,167,785 87	
		$ 3,005,009 94
Government Advances:		
*Capital Assets	18,874,585 15	
Working Capital	10,389,108 98	
		$ 29,263,694 13
		$ 32,268,704 07

* In addition, the Government is committed to pay the cost of certain Capital Expenditures, to a maximum of $3,000,000.00, incurred before March 31st, 1947.

Appendix D

SESSIONAL PAPER No. 216 B

WEDNESDAY, April 16, 1947
April 15, 1947

On March 26th last in answer to an inquiry from the Honourable Member for Peterborough West, as reported on Page 1807 of *Hansard*, I indicated that I would table certain documents with regard to the sale to Canadair Limited. I now beg to table:

(*a*) Letter dated January 20th, 1947 to Electric Boat Company.
(*b*) Letter dated March 17th, 1947 to Electric Boat Company.

(*c*) Agreement made as of September 15, 1946 between His Majesty the King in Right of Canada (acting through War Assets Corporation) and Canadair Limited.
(*d*) Agreement made March 31, 1947 between His Majesty the King in Right of Canada and Canadair Limited.
(*e*) Agreement made March 31, 1947 between Canadair Limited and Trans-Canada Air Lines.

File No. 14-8-274-1

OFFICE OF

THE MINISTER OF RECONSTRUCTION AND SUPPLY

OTTAWA, CANADA

JANUARY 20th, 1947

ELECTRIC BOAT COMPANY,
33 Pine Street,
New York, N.Y.

Attention; Mr. John J. Hopkins,
Vice President

Gentlemen: Following the discussions which have taken place between officers of this Department and your Corporation, with reference to the take-over of the Crown plant and operation at Cartierville, Quebec, I am setting out below a digest of the agreement reached.

1. I understand that your Corporation has arranged to acquire substantially all of the capital stock of Canadair Limited and will retain ownership of at least 90% of such stock. Your Corporation has agreed to provide Canadair Limited with $2,000,000.00 working capital forthwith. If such working capital or any part thereof is advanced to Canadair Limited by way of loan it shall be an express condition of such loan that the repayment thereof to your Corporation shall not be made unless and until the amounts herein provided to be paid to His Majesty have been paid in full.

2. The Agreement of November 11, 1944, as amended May 1, 1945, between His Majesty and Canadair Limited, shall be deemed to have been terminated as of September 14, 1946, in all respects except in respect of the production of the 44 aircraft and spare parts referred to in Paragraph 5 hereof. The provisions of the said Agreement relating to the payment of fees or profits to Canadair Limited shall be deemed to be cancelled *ab initio* and Canadair Limited shall not have any claim or right to fees or profits whatsoever for the period up to September 14, 1946.

3. The Balance Sheet attached hereto as schedule "A" prepared by Clarkson, Gordon and Company, is accepted by the parties as disclosing the true state of affairs as at September 14, 1946, subject to such adjustment as may be made by mutual consent of the parties to correct minor discrepancies therein. If it is established that there existed any liability undisclosed as at September 14, 1946, which if it had been disclosed at such last mentioned date would have been allowable as "cost" under the Agreement of November 11, 1944, as amended, His Majesty, through War Assets Corporation, shall assume the payment of such liability but the amount to be paid by Canadair Limited for the "Inventories" as provided for by Paragraph 8 hereof shall be increased by 25% of the amount of such liability.

4. His Majesty, through War Assets Corporation (or as the Minister may direct), shall enter into a 15-year lease option with Canadair Limited with respect to the Cartierville Plant, the equipment therein, and any equipment in

the Noorduyn Plant, substantially as digested in Schedule "B" annexed hereto.

The North Star tooling, including the tooling which is part of the so-called Chicago purchase, shall be subject to the lease option.

Canadair Limited shall be entitled, in common with others, to make use of the Cartierville Airport during the term of the lease on the same terms as at present and, if the option is exercised, in perpetuity under such terms and provisions as may then be mutually agreed upon. In any event, His Majesty will continue to cause said Airport to be properly maintained and operated. Arrangements will be made by His Majesty for the use at any time of the Dorval Airport when required by Canadair Limited upon such terms and provisions as may be mutually agreed upon.

Any capital costs incurred or payable after September 14, 1946, not included under "liabilities" on the Balance Sheet attached hereto as Schedule "A", shall be for the account of Canadair Limited and if any part thereof has been paid out of funds provided by His Majesty, the same shall be reimbursed by Canadair Limited to His Majesty.

5. Electric Boat Company shall cause Canadair Limited to be properly managed so that the operations of Canadair Limited will be carried on in an efficient, businesslike and economical manner. His Majesty and Trans-Canada Air Lines Limited, as the case may be, will enter into firm contracts with Canadair Limited for the completion and sale of 44 DC-4M and C-54GM type aircraft (North Star) (20 for Trans-Canada Air Lines Limited and 24 for the Royal Canadian Air Force), and spare parts therefor, for a fixed price for aircraft and spare parts to be negotiated as soon as possible. Such contracts shall contain provisions for progress payments based on the degree of completion of the contracts. Such degree of completion shall in each instance be certified by a duly authorized representative of Trans-Canada Air Lines Limited or of the Royal Canadian Air Force, as the case may be. There will be no provision for termination at the option or convenience of the purchaser and since such contracts will be dated after September 2, 1945, they will not be subject to renegotiation under the provisions of the Department of Reconstruction and Supply Act. Pending the determination of a fixed price for the aircraft and spare parts, or until March 31, 1947, whichever date is the earlier, or until such extended date as I may fix, progress payments shall be made on the estimated total cost incurred by Canadair Limited in respect of the said contracts based upon claims prepared and certified by the proper officers of Canadair Limited, namely, the President and Comptroller, or such other officers as may be satisfactory to me. As at September 14, 1946, the amount so claimable is $5,859,138.74.

Prior to establishing the fixed price, final specifications shall be furnished to Canadair Limited by Trans-Canada Air Lines Limited and the Royal Canadian Air Force which shall then be frozen as the final specifications for the purpose of establishing a fixed price. No modifications shall be made therein unless simultaneously therewith a written agreement is entered into with respect to the change, if any, in price and time of delivery.

6. His Majesty shall, subject to the prior written approval of Douglas Aircraft Company, Inc., transfer to Canadair Limited the Douglas license (as extended under date of November 19, 1946) and the rights and benefits accruing to His Majesty thereunder, and any and all rights of His Majesty in and to the development of the DC-4M and C-54GM aircraft. Such assignment shall be subject to retransfer to His Majesty in the event of termination of the lease option agreement mentioned in Paragraph 4 prior to the exercise of the option to purchase. To the extent His Majesty shall have already paid royalties to Douglas in respect of aircraft for His Majesty, the price with respect to such aircraft shall be adjusted accordingly. The provisions in the said license waiving the withholding of taxes on payments to Douglas thereunder will be applicable to any payments made by Canadair Limited to Douglas thereunder.

7. So long as the lease option agreement mentioned in Paragraph 4 remains in effect, or if Canadair Limited has exercised its option to purchase thereunder, His Majesty shall, if He proposes to lease or to sell the Noorduyn Plant, give Canadair Limited the first opportunity during a period of not more than 30 days to lease or to purchase the same as the case may be.

8. Canadair Limited shall purchase for cash as shown on Schedule "A" attached hereto:

(*a*) the current assets ($3,648,159.08) less the liabilities ($3,005,009.94) to be assumed by Canadair Limited for $643,149.14, the payment of $487,300.00 to be deferred until the item entitled "Income and Excess Profit Taxes Recoverable" has been collected from the Crown; and

(*b*) the automotive equipment or such part thereof as Canadair Limited may require at prices to be agreed upon with War Assets Corporation, which shall in no event exceed Canadian ceiling prices;

His Majesty shall convey and sell to Canadair Limited and Canadair Limited shall take title to and purchase the "inventories" shown on the said Schedule "A" as amounting to $9,745,959.84, against which there shall be paid or applied all progress payments (as provided for in Paragraph 5) payable to September 14, 1946, namely $5,859,138.74; Canadair Limited shall pay the balance of $3,886,821.10 in quarterly payments beginning June 30, 1947, and ending December 31, 1948, with interest from January 15, 1947, on the unpaid balance from time to time outstanding at the rate of 3½ per cent per annum. Canadair Limited shall have the right to prepay the whole or any part of such balance and such liability shall be evidenced by notes of Canadair Limited.

9. Canadair Limited shall sell to His Majesty or any agent, in reasonable quantities, as required, items of the so-called Oklahoma Inventory at cost plus a reasonable profit to be mutually agreed upon; provided, however, that existing contracts as of the date hereof for the sale of items of such inventory shall not be affected hereby.

10. Canadair Limited shall be deemed to have taken over the operation of the plant as at the close of business on September 14, 1946, and all operations since the said date shall be deemed to be for its account. All outstanding commitments with respect to the operation since the said date shall be assumed by Canadair Limited to the exoneration of His Majesty. All advances made by His Majesty to Canadair Limited since September 14, 1946, shall be repaid or accounted for by Canadair Limited to His Majesty.

11. In connection with this agreement you should be advised:

(*a*) The North Star type aircraft has been formally accepted by Trans-Canada Air Lines Limited and delivery of at least one aircraft has been completed.

(*b*) All customs duty liabilities of Canadair Limited as at September 14, 1946, have been settled and Canadair Limited has no liability customs duties as of such date except as shown on the attached Balance Sheet, Schedule "A" hereto.

(*c*) Steps are being taken to request Parliament to amend the present laws of the Dominion of Canada so as to permit the importation of used aircraft of the transport type for overhaul and conversion.

12. Electric Boat Company undertakes to cause Canadair Limited to pass the necessary resolutions and execute the necessary documents to give effect to the foregoing.

If the foregoing is acceptable, please execute the form of acceptance contained in the enclosed copy hereof and return the same to the undersigned so that this letter will constitute a firm agreement between us. Upon your accept-

ance, title to the inventories, supplies and other assets to be sold to Canadair Limited hereunder shall vest in Canadair Limited and all rights contemplated by this letter shall also forthwith vest in Canadair Limited; the basic documents such as the lease option and contracts for aircraft are to be prepared and executed by the parties as promptly as possible and shall be in confirmation of this agreement.

Very truly yours,

C. D. HOWE,
Minister of Reconstruction and Supply.

ACCEPTED: January 25, 1947, 3.25 p.m.
ELECTRIC BOAT COMPANY
By JOHN JAY HOPKINS,
Vice-President.

We consent to the foregoing
CANADAIR LIMITED
By B. W. FRANKLIN,
President,

By B. W. FRANKLIN,
B. W. Franklin, Individually.

CERTIFIED RESOLUTION OF THE BOARD OF DIRECTORS OF ELECTRIC BOAT COMPANY

The undersigned, Secretary of Electric Boat Company, a New Jersey Corporation, does hereby certify that the following is a true copy of a resolution unanimously adopted by the Board of Directors at a meeting duly held on January 16, 1947 at which a quorum was at all times present and acting, and that the said resolution is in full force and effect:

RESOLVED:

That the proper officers of the Company be and hereby are authorized and directed to take all actions, to execute all documents, and to make all payments necessary to put into effect the proposed agreements with the Government of Canada and Mr. B. W. Franklin with respect to the acquisition of a controlling interest in Canadair Limited, in general accordance with the terms discussed, with such changes and modifications as may be found by them to be necessary or advisable; all in accordance with the advice of counsel as to form and procedure.

Witness my hand and the seal of Electric Boat Company this 23rd day of January, 1947.

Chas. P. HART, *Secretary.*
CHAS. P. HART

I hereby certify that JOHN J. HOPKINS is one of the proper officers of the Company hereinabove referred to.

HENRY M. MARX.

January 25, 1947.

OFFICE OF
THE MINISTER OF RECONSTRUCTION AND SUPPLY
OTTAWA, CANADA

MARCH 17th, 1947.

THE ELECTRIC BOAT COMPANY,
33 Pine Street,
New York, N.Y.

Attention: Mr. John J. Hopkins, Vice President.

Gentlemen: With reference to my letter to you dated January 20th, 1947, dealing with the take-over of the Crown plant and operations at Cartierville, Quebec, and in accordance with discussions between representatives of this Department and your Company, I am setting out below a *digest of the agreement* reached supplementing or amending the aforesaid letter agreement:

1. His Majesty will pay all costs properly incurred by Canadair Limited in respect of tooling for the North Star type aircraft from September 14th, 1946, to March 31st, 1947, up to but not exceeding $3,000,000.00. His Majesty will make accountable advances against the cost of such tooling upon presentation of a claim showing the costs incurred in respect thereof, executed by its President and Internal Auditor. Canadair Limited shall as soon as possible after March 31st, 1947, present a final claim executed as aforesaid showing the actual costs incurred in respect of such tooling, which shall be subject to such verification and audit as the undersigned may deem advisable. The amount so payable for such costs shall be adjusted, determined and finally settled in accordance with the said final claim as verified or audited. The title to all such tooling shall vest in His Majesty, and shall be included in the Lease Option referred to in the said letter agreement, but the provisions providing for the lease option shall be amended so as to provide for an option price at a present *basic value* of $4,000,000.00 and an annual rental of $200,000.00. Annexed hereto as Schedule "A" is a breakdown of the said basic value and a schedule of the option price as the same shall be reduced per year.

2. His Majesty will forthwith pay over to Canadair Limited the amount of royalties payable to Douglas Aircraft Company Inc. in respect of the 44 North Star Aircraft being produced by Canadair Limited (less the amounts heretofore paid directly by His Majesty to Douglas Aircraft Company Inc. in respect of royalties) namely, the sum of $840,000.00, U.S. funds. Canadair Limited shall deduct from the said sum the sum of $110,000.00, being the amount of royalties recently paid by Canadair Limited to Douglas Aircraft Company Inc., and Canadair Limited shall deposit the balance of the said moneys, namely $730,000.00, in a special account in a chartered bank in Canada so that the said moneys will be held in escrow for the sole purpose of paying to Douglas Aircraft Company Inc. the royalties payable in respect of the 44 aircraft as the same become due. Canadair Limited shall release such royalties in such amounts and at such times as the same may from time to time be due to Douglas Aircraft Company Inc., and if for any reason whatsoever the whole of the said moneys

is not paid to Douglas Aircraft Company Inc. in respect of such aircraft then the balance remaining in such account shall be dealt with in such manner as His Majesty may direct.

3. The fixed price for the North Star type aircraft has been established as follows:

DC-4M2	$660,000.00 per aircraft
C-54GM	$630,000.00 " "

Sales Tax, if any, extra.

"H.M."

The said prices for such aircraft are based upon the design and specifications as at February 17, 1947, as agreed to by Trans Canada Air Lines and the Royal Canadian Air Force, respectively, and any changes therein ordered or made in the aircraft as so specified shall be the subject of change orders.

If the foregoing is acceptable, please execute the form of acceptance contained in the enclosed copy hereof and return same to the undersigned, so that this letter will constitute an agreement between us.

Yours sincerely,

C. D. Howe.

Accepted, March 18, 1947.
ELECTRIC BOAT COMPANY

By John J. Hopkins,
Vice-President.

We agree to the foregoing:
CANADAIR LIMITED

By ?

President.

I hereby certify that the within is a true copy of an Original Letter dated March 17th, 1947 to The Electric Boat Company, signed by the Minister of the Department of Reconstruction and Supply.

"M.F."

"I. McDONALD"
Supervisor of Dittoed Contracts,
Main Pool.

SCHEDULE "A"

Basic Value

Land	$ 47,000.00
Buildings	2,162,129.00
Leased Equipment (Except special tooling)	1,790,870.00
Special Tooling	1.00
	$4,000,000.00

SCHEDULE "B"

Option Price	
September 15, 1946	$4,000,000.00
" " 1947	3,920,000.00
" " 1948	3,837,600.00
" " 1949	3,752,728.00
" " 1950	3,665,310.00
" " 1951	3,575,269.00
" " 1952	3,482,527.00
" " 1953	3,387,003.00
" " 1954	3,288,613.00
" " 1955	3,187,272.00
" " 1956	3,028,890.00
" " 1957	2,974,377.00
" " 1958	2,863,608.00
" " 1959	2,749,516.00
" " 1960	2,632,001.00

File 14-C-274-1
P.C. 242-47

This Agreement made as of the 15th day of September, 1946.

Between: His Majesty the King in Right of Canada (hereinafter called "His Majesty") herein represented by the Honourable the Minister of Reconstruction and Supply (hereinafter called "the Minister") herein acting through War Assets Corporation (hereinafter called "the Corporation") of the first part; and Canadair Limited, a corporation organized and existing under the laws of the Dominion of Canada with its principal place of business in the Parish of St. Laurent, Province of Quebec (hereinafter called "Canadair") of the second part.

Whereas His Majesty is the owner of certain lands, buildings, machinery, jigs, dies, gauges, tools, furnishings, fixtures and equipment constituting an aircraft manufacturing plant (hereinafter called "the plant") located in the Parish of St. Laurent, in the Province of Quebec and is the owner of an airport adjacent thereto known at the "Cartierville Airport";

And Whereas Canadair until September 14, 1946, has heretofore operated the plant for and on behalf of His Majesty as His agent, at His expense, under His supervision and under His control;

And Whereas His Majesty has agreed to grant to Canadair a lease of and option to purchase the said lands, buildings, machinery, jigs, dies, gauges, tools, furnishings, fixtures and equipment, including all jigs, tools, dies, gauges, expendable small tools, and fixtures manufactured or otherwise acquired for the production of North Star aircraft;

And Whereas His Majesty was the holder of a licence to manufacture and sell airplanes and spare parts under an agreement made as of the 12th day of November, 1946, between His Majesty and Douglas Aircraft Company, Inc., of Santa Monica, California (hereinafter called "Douglas"), as amended by letter dated November 19, 1946, from Douglas to the Minister approved by the Minister under date of December 7, 1946 (hereinafter called the "Douglas contract"), which Douglas Contract has been assigned by His Majesty to Canadair, with the consent of Douglas.

Now, Therefore, these presents witnesseth:

That the parties covenant and agree as follows:

1. *Leased Premises.*

His Majesty hereby leases unto Canadair the following and Canadair accepts such lease:

(*a*) The land forming part of the plant to be set forth in the description and outlined in a sketch plan to be signed by the parties hereto and identified as forming part of this agreement and which shall be attached hereto as Schedule "A" to form part hereof (the said land being hereinafter called "the land");

(*b*) The buildings erected and presently situated on the said land, together with all things immovable attached thereto or forming part thereof for a permanency (all of which are hereinafter collectively called "the buildings");

(*c*) All of the machinery, furnishings, fixtures and equipment located at the plant and the Noorduyn Plant so-called presently held under lease by Canadair, to be listed in an inventory which shall be signed by the parties hereto and identified as forming part of this agreement and which shall be attached hereto as Schedule "B" to form part hereof, and also all jigs, tools, dies, gauges and expendable small tools (except the special tooling to which reference is made in paragraph (*d*) of this Section 1) located at the plant and at the Noorduyn plant (hereinafter collectively called "the leased equipment");

(*d*) All jigs, tools, dies, gauges and fixtures manufactured or otherwise acquired up to March 31, 1947, for the manufacture of North Star aircraft (hereinafter called "the special tooling");

All of which lands, buildings, leased equipment and special tooling are hereinafter sometimes collectively called "the leased premises".

2. *Term.*

The terms of the lease shall be 15 years from the 15th day of September, 1946, until September 14, 1961, unless terminated by His Majesty as hereinafter provided.

3. *Rent.*

(*a*) Canadair shall pay to His Majesty (the Corporation being hereby designated until further notice as the agent of His Majesty to receive payment) an annual rent of $200,000.00 payable in equal monthly instalments of $16,666.66 in advance, all of such instalments unpaid from the 15th day of September, 1946, to the date of execution of this lease option to become due and payable concurrently with the execution hereof and each future instalment to become due and payable on the 15th of each month in advance;

(*b*) The rent shall be deemed to accrue from day to day;

(*c*) Canadair's obligation to pay the rent herein stipulated shall not be subject to abatement of diminution by virtue of loss of or damage to the leased premises or any part thereof.

4. *Maintenance and Repair.*

(*a*) Canadair agrees to accept the leased premises in their present condition and, unless the option to purchase for which provision is hereinafter contained be exercised, agrees, subject to the next following sentence, to deliver up the buildings and leased equipment to His Majesty to the

termination of the lease, in as good condition as the same were at the commencement of the lease. Canadair shall return the plant in as good operating condition as at the commencement of the lease, substantially with the same productive capacity as at the commencement of the lease, and for that purpose shall make such replacement or substitution of machines, machine tools and equipment which have become worn out or obsolete as may be necessary to retain such productive capacity.

(*b*) Unless and until the option to purchase for which provision is hereinafter made be exercised, Canadair shall at all times during the term of the lease, at its own expense, maintain the buildings and leased equipment in proper order and condition and shall make thereto such repairs, (whether lessor's repairs or lessee's repairs) and replacements as may from time to time be necessary for such purpose.

(*c*) It is further understood that title to repairs, replacements or substitution expressly made to retain the productive capacity as aforesaid shall vest in His Majesty as part of the leased premises but that title to all other acquisitions, purchases and substitutions shall vest in Canadair.

(*d*) Canadair may make such additions, alterations and changes as it may desire in the leased premises provided that no alteration of a substantial nature in the buildings shall be made without prior approval of the Minister; Canadair shall not be required to render a detailed accounting of the special tooling but shall deal with it in bulk. Canadair for its more efficient operation shall be entitled to alter the form of such special tooling and to make any and all changes, revisions and alterations whatsoever in the form and nature thereof without any accounting to or approval by His Majesty, and shall only be under the obligation at the termination of the lease to deliver to His Majesty the special tooling in whatsoever form, shape or condition it may then be. Canadair if it desires at any time or from time to time to dispose of any portion or portions of the special tooling may declare the same as surplus to its requirements and shall thereafter be released from any responsibility with respect to such portion or portions so declared surplus.

(*e*) Subject to the foregoing His Majesty hereby waives the presumption set forth in Section 1629 of the Civil Code of Lower Canada.

(*f*) His Majesty and His duly authorized representative shall have the right, at all reasonable times, to enter the leased premises for the purpose of inspecting the same.

(*g*) His Majesty agrees to subrogate and make available to Canadair any and all the rights and claims which His Majesty now has or may hereafter have against the architects and builders of the buildings on the leased premises (either directly or indirectly or by assignment from Canadian Vickers Limited) in respect of defects arising out of the designs, plans, specifications, workmanship, materials or construction thereof.

(*h*) Canadair shall be entitled in replacing or substituting any of the leased equipment in accordance with its obligation hereunto, to trade in and take credit for the trade in allowance for the leased equipment being replaced or substituted.

5. *Insurance.*

(*a*) Unless and until the option to purchase for which provision is hereinafter contained be exercised, Canadair shall at all times, at its own expense, cause the buildings and leased equipment to be insured and to do all things necessary to keep the same insured against risks usually

covered under a standard fire insurance policy bearing as an endorsement the standard supplemental contract approved by the Canadian Underwriters Association to a minimum aggregate amount at all pertinent times of the basic value of the buildings and leased equipment as set out in Section 7 hereof;

(*b*) Canadair shall also, at its own expense, carry boiler insurance on any pressure vessels in or about the plant having a pressure of 15 lbs. or more per square inch. Such boiler insurance shall be effected with an Insurance Company providing a good inspection service, and shall cover such risks and limits as are now in effect in respect of pressure vessels in the plant;

(*c*) The proceeds of such insurance shall be made payable to His Majesty and Canadair as their interests may appear and Canadair shall from time to time, upon request, furnish to His Majesty copies of the relevant insurance policies and renewal certificates evidencing the fact that such insurance is in effect;

(*d*) Should Canadair fail to insure as required in this Section 5, His Majesty may insure and charge the cost thereof to Canadair, which Canadair undertakes and agrees to pay to His Majesty upon demand;

(*e*) Any and all amounts which may from time to time become payable by the insurers to His Majesty and Canadair under such policies by reason of damage to the buildings or the leased equipment shall, notwithstanding any other provisions to the contrary herein contained and failing any other arrangements between the parties hereto, be applied towards remedying any damage to the buildings or the leased equipment by reason of which such amount so became payable under such insurance policies and when such repairs have been effected, the repaired buildings and leased equipment shall continue to be the property of His Majesty provided, however, that if after the occurrence of any such damage and prior to the remedying thereof, the option to purchase for which provision is hereinafter contained be exercised, any proceeds of such policies otherwise paid or payable to His Majesty shall be paid by His Majesty or assigned by His Majesty as the case may be to Canadair and provided further that any insurance proceeds not required to effect the repairs as aforesaid shall belong to Canadair.

6. *Canadair to Pay Taxes.*

Canadair shall pay all municipal and school taxes and other rates and charges which may from time to time be levied upon the leased premises or any part thereof with respect to the use and occupancy thereof by Canadair.

7. *Basic Value of Leased Premises.*

The basic value of the leased premises as at September 14, 1946, is $4,000,000.00, apportioned as follows:

(*a*) Land	$ 47,000.00
(*b*) Buildings	2,162,129.00
(*c*) Leased Equipment, except special tooling	1,790,870.00
(*d*) Special tooling	1.00
	$4,000,000.00

The basic value of the leased premises shall be successively reduced on the 15th day of September, 1947, and on the 15th day of September in each subsequent year during the term hereof to the respective amounts specified as the option price in Section 9 hereof.

8. *Use of Runways and Airfield.*

(*a*) Canadair shall at all times during the term of the lease be entitled in common with others to make use of the runways and airfield adjacent to the plant and forming part of the property of His Majesty presently known as the Cartierville Airport for the purpose of test flying or flying incidental to the operation of the plant in the manufacture or repair of aircraft upon terms similar to those presently in effect. His Majesty will cause such Airport to be properly maintained and operated;

(*b*) Should Canadair exercise the option to purchase for which provision is made in Section 9 thereof, Canadair shall be entitled in common with others to make use of the Cartierville Airport for ninety-nine years upon such terms as shall then be mutually agreed upon by the parties.

(*c*) His Majesty will arrange for the use, at any time and from time to time when required by Canadair, of The Dorval Airport upon such terms as may be mutually agreed upon between the parties.

9. *Option to Purchase Leased Premises.*

(*a*) His Majesty hereby gives and grants unto Canadair irrevocably the sole and exclusive right and option, at any time during the term of the lease, to purchase the leased premises as they then exist in whole but not in part for a price in cash as follows during the fiscal years commencing with the following dates:

September 15, 1946	$4,000,000.00
" 15, 1947	3,920,000.00
" 15, 1948	3,837,600.00
" 15, 1949	3,752,728.00
" 15, 1950	3,665,310.00
" 15, 1951	3,575,269.00
" 15, 1952	3,482,527.00
" 15, 1953	3,387,003.00
" 15, 1954	3,288,613.00
" 15, 1955	3,187,272.00
" 15, 1956	3,082,890.00
" 15, 1957	2,974,377.00
" 15, 1958	2,863,608.00
" 15, 1959	2,749,516.00
" 15, 1960	2,632,001.00

(*b*) Canadair shall exercise the option to purchase herein granted by registered mail written notice to his Majesty and shall make payment in full of the option price against receipt of proper documents transferring title to the leased premises, free and clear of any and all liens and encumbrances. All rent shall cease to accrue or become payable hereunder on the date of the mailing of such notice and an adjustment shall be made in the purchase price for any prepaid rent.

(*c*) His Majesty represents and warrants that He is the owner of good and marketable title to the leased premises, free and clear of any and all liens and encumbrances.

10. *Default and Right to Terminate.*

Without prejudice to any other right which His Majesty may have, in the event of any default on the part of Canadair to fulfill and perform each and

every one of its obligations under this lease as and when they become due and that any such default continues for a period of 60 days, then His Majesty may thereafter notify Canadair in writing of such default and in the event of the failure of Canadair to remedy any such default within 30 days from the date of the receipt of such written notice by Canadair from His Majesty, His Majesty may by notice in writing and without any other formality whatsoever terminate the lease and Canadair shall thereupon deliver up and surrender possession of the leased premises to His Majesty and pay to His Majesty the total aggregate amount of the rent theretofore accrued and remaining unpaid, if any, and fulfill and perform any and all other obligations theretofore accrued and remaining outstanding.

11. *Rights in Connection with North Star Aircraft.*

(*a*) His Majesty hereby assigns exclusively to Canadair for the term of the lease, or if the option to purchase is exercised, His Majesty hereby assigns exclusively to Canadair, forever, all of His right, title and interest in and to the development, engineering, licenses, patents, patentable inventions and all other matters pertaining to or in connection with the North Star type aircraft, also known as the DC-4M and C54GM, as developed by His Majesty and Canadair, and Canadair, in the event it exercises the option to purchase, shall be entitled to retain as its exclusive property all drawings, blueprints, plans, sketches and other material in connection with such aircraft and to patent in its own name and right all patentable elements thereof.

(*b*) His Majesty having, prior to the execution hereof, assigned to Canadair the Douglas contract, in the event that the option to purchase is not exercised, Canadair shall, upon the expiration of the term of the lease, reassign the Douglas contract to His Majesty upon the condition that His Majesty shall assume and agree to satisfy and discharge all of the obligations of Canadair thereafter accruing under the Douglas Contract, the whole subject to such consent of Douglas Aircraft Company, Inc., as may be required in accordance with the Douglas Contract.

12. *Right of His Majesty to Purchase Capital Additions.*

In the event that Canadair does not exercise the option to purchase, Canadair shall upon the expiration of the term of the lease or any renewal hereof give to His Majesty the first opportunity to purchase any capital additions to the leased premises made and owned by Canadair.

13. *Lease or Sale of Noorduyn Plant.*

In the event that His Majesty proposes to lease or sell the Noorduyn plant so called (presently under lease to Canadair,) His Majesty shall, so long as this lease remains in effect or if Canadair has exercised its option to purchase, give to Canadair the first opportunity, during the period of not more than 30 days after written notice to Canadair, to lease or purchase (as the case may be) such Noorduyn plant.

14. *Water Mains. Sewers. Sidings.*

In the event that Canadair shall exercise its option to purchase, His Majesty shall assign and transfer to Canadair any right which His Majesty then may have in and to any water mains, sewers, railway sidings or other similar or related services, servicing the plant.

15. *Accounts.*

Canadair shall keep proper accounts and records satisfactory to the Minister reasonably required for or incidental to this agreement. Such accounts and records shall at all reasonable times be open to audit and inspection by the authorized representatives of the Minister (who may make copies thereof and take extracts therefrom) and Canadair shall afford all reasonable facilities for such audits and inspections and shall furnish to the Minister and his authorized representatives with all such reasonable information as he or they may from time to time require with reference to such accounts and records.

16. *Releases or Surplus Items.*

Canadair shall be entitled at any time or from time to time to declare as surplus to its requirements any item or items of the leased premises, provided, however, that such declaration shall not affect the option price or the rent provided for hereunder or the obligations of Canadair under Section 4 hereof. Canadair after fourteen days' written notice to the Corporation shall no longer be responsible in any manner for the items declared as surplus including any obligation for the care, maintenance, insurance or accounting with respect thereto, and the Corporation shall promptly remove the same from the leased premises or make such arrangements with Canadair with respect thereto as may be mutually agreed upon.

17. *Notices.*

Any notices to be given hereunder to His Majesty or the Minister shall be in writing sent by registered mail, return receipt requested, and shall be addressed to War Assets Corporation at P.O. Box 6099, Montreal, Quebec.

Any notices to be given hereunder to Canadair shall be in writing sent by registered mail, return receipt requested, and shall be addressed to Canadair Limited, P.O. Box 6087, Montreal, Quebec.

Except as herein expressly stated to the contrary, any notice to be given hereunder shall be deemed given when received.

Either party may by written notice to the other party change the name or address to which notices hereunder may be sent.

18. *House of Commons Clause.*

No member of the House of Commons of Canada shall be admitted to any share or part of this agreement or to any benefit to arise therefrom.

19. *Assignment.*

This agreement shall not be assignable in whole or in part by Canadair without the prior written approval of the Minister in writing.

20. *Further Documents and Assurances.*

The parties agree to execute and deliver any and all further documents and assurances necessary to effectuate this Agreement.

21. *Laws.*

This agreement shall in all respects be subject to and interpreted in accordance with the laws of the Province of Quebec.

22. *Negotiations Superseded.*

All previous communications, negotiations and agreements with respect to the subject matter hereof are hereby superseded and cancelled.

In Witness Whereof this agreement has been executed on behalf of His Majesty the King in Right of Canada by War Assets Corporation under its corporate seal and the hands of its duly authorized officers, and by Canadair Limited under its corporate seal and the hands of its duly authorized officers.

Signed, Sealed and Delivered in manner aforesaid on behalf of His Majesty the King in Right of Canada in the presence of:

G. W. MacDONALD,
Witness.

WAR ASSETS CORPORATION
J. H. BERRY,
C/S
President.
Assistant Secretary.

Signed, Sealed and Delivered in the presence of:

HENRY M. MARX,
Witness.

CANADAIR LIMITED
C/S
President.
Secretary.

I hereby certify that the within is a true copy of an original Agreement dated the 15th day of September, 1946, made between His Majesty The King in right of Canada and Canadair Limited.

I. McDONALD
Supervisor of Dittoed Contracts
Main Pool

File No. 14-C.274-1

This Agreement made the 31st day of March, 1947; Between: His Majesty The King in Right of Canada (hereinafter called "His Majesty") herein acting and represented by the Right Honourable The Minister of Reconstruction and Supply of Canada (hereinafter called "the Minister") of the first part and Canadair Limited, a corporation organized and existing under the laws of the Dominion of Canada with its head office and principal place of business in the Parish of St. Laurent, Province of Quebec, Canada (hereinafter called "Canadair") of the second part. Witnesseth that:

ARTICLE 1. *Contract Documents and Interpretation*

1. The specifications referred to in Article 2 hereof shall be read herewith and shall be applicable to and form part of this Agreement, subject as herein expressly provided. In the event of any inconsistency, the provisions of this Agreement shall prevail over the specifications.

2. The term "Inspector" as used herein means Chief Aeronautical Inspector, Department of National Defence, and shall extend to any of the officers or representatives of the Department of National Defence acting under instructions of the said Chief Aeronautical Inspector; provided that until acted upon all instructions and directions or certificates given or decisions made by anyone acting for the said Chief Aeronautical Inspector shall be subject to his approval, and prior to such approval may be cancelled, altered, modified and changed as the said Chief Aeronautical Inspector may see fit.

ARTICLE 2.

Canadair shall manufacture, sell and deliver to His Majesty, free from all claims, liens, charges and encumbrances and His Majesty shall purchase from Canadair the following:

(*a*) Twenty-three (23) North Star C-54GM Douglas type Aircraft (hereinafter called "aircraft"), in accordance with the detail specification dated February 17, 1947, entitled "Department of National Defence Specification, Air-19-3, Issue 3 (hereinafter called "Detail Specification");

(*b*) Spare parts for the aircraft on the following basis, namely:
On or before the 31st day of May, 1947, Canadair shall furnish, to His Majesty, a list of items for the aircraft recommended for purchase as spare parts, setting forth a general description of each item and the price thereof. His Majesty shall co-operate with and assist Canadair in the preparation of such list and as soon as practicable thereafter, but in any event not later than thirty (30) days after the receipt by His Majesty of such list, His Majesty shall place an order for such spare parts as He desires to purchase.

ARTICLE 3. *Delivery of Aircraft*

(*a*) Each aircraft shall be delivered to His Majesty, assembled complete, airworthy in every respect, and ready for flight, at the airport adjacent to Canadair's plant in the Parish of St. Laurent, Province of Quebec, Canada. The aircraft shall be serviced for delivery with a minimum of 400 gallons of gasoline and adequately supplied with oil, coolant and alcohol. The aircraft shall be delivered as follows:—

1. His Majesty acknowledges that he has already received, or is about to receive, delivery of six (6) of the aircraft, such aircraft having been delivered, or being about to be delivered to Trans-Canada Air Lines pursuant to the direction and consent of His Majesty as follows:

Registration Number		
CF	—	TEM
CF	—	TEO
CF	—	TEP
CF	—	TEQ
CF	—	TEK
CF	—	TEL

His Majesty acknowledges such aircraft as aircraft covered hereby. Canadair shall provide His Majesty with a detailed description of the deviations made by Canadair in the said aircraft at the time of delivery from the Detail Specification.

2. The remaining seventeen (17) aircraft shall be delivered during the year 1947.

(*b*) Each of the spare parts shall be delivered to His Majesty f.o.b. Canadair's plant in the Parish of St. Laurent, Province of Quebec, with cost of transportation, preparation for shipment and crating to be paid by His Majesty from Canadair's plant, or as to purchase parts, if any, from the point of purchase.

ARTICLE 4. *Price of Aircraft*

His Majesty agrees to pay to Canadair for each of the said aircraft manufactured, delivered and accepted in accordance with the provisions of this Agreement, upon acceptance thereof by His Majesty, the sum of six Hundred and Thirty Thousand Dollars ($630,000.00) plus any Dominion of Canada Sales Tax payable by Canadair in respect of the sale of the said aircraft to His Majesty.

ARTICLE 5. *Price of Spare Parts*

The price of each spare part shall be reasonable.

ARTICLE 6. *Progress Payments*

1. Canadair acknowledges having received progress payments on account of the price of the aircraft, and agrees to credit the price of each aircraft with the appropriate proportion of such progress payments.

2. *Spare Parts*

Each spare part shall be billed by Canadair upon acceptance and shall be paid for by His Majesty promptly.

ARTICLE 7. *Acceptance*

Final acceptance by the Inspector of any of the aircraft and spare parts shall be deemed to be delivery of and acceptance by His Majesty of the aircraft and spare parts so accepted and such final acceptance by the Inspector shall be a condition precedent to delivery hereunder. His Majesty shall accept the aircraft with due diligence.

ARTICLE 8. *Warranty*

Notwithstanding prior acceptance of the aircraft and spare parts by the Inspector, Canadair shall at its own expense repair or replace any of the aircraft or spare parts or any part or parts thereof (not including any Government-furnished equipment) which at any time within three months from delivery thereof (and provided that the same are returned to Canadair's plant) become defective as a result of faulty or inefficient manufacture, materials or workmanship except purchased equipment which is provided for in Article 10. It is expressly agreed that Canadair shall in no event be liable to consequential damages.

ARTICLE 9. *Indemnity Against Patent Infringement*

(*a*) Canadair hereby agrees to indemnify, protect and save harmless His Majesty against all claims, demands, proceedings, suits and actions and all liabilities, expenses, recoveries and cost (excluding any damages, costs, expenses, liabilities and loss of profits in respect and as a result of loss of use) resulting from any actual or alleged infringement of any one or more letters patent or applications for letters patent issued or to be issued under the laws of the Dominion of Canada, but no other patent or rights; provided, however, that the foregoing agreement by Canadair to indemnify, protect and save harmless His Majesty shall not apply to accessories, equipment or parts which are not manufactured by Canadair or pursuant to Canadair's detailed design, or which are incorporated in such aircraft at His Majesty's request in place of or in addition to those proposed by Canadair, or which are furnished by His Majesty;

(b) Canadair's liability hereunder with respect to any actual or alleged infringement is conditioned upon commencement of suit against His Majesty or His Majesty's receipt of a written charge of such infringement, and upon notice by His Majesty to Canadair not later than ten (10) days after the receipt by His Majesty of actual notice of the institution of such suit, or twenty (20) days after its receipt of such written charge, as the case may be. Canadair shall have the option at any time to conduct negotiations with the party or parties charging infringement and may intervene in such suit commenced. Whether or not Canadair intervenes in any suit brought for the infringement of letters patent, it shall be entitled at any stage of the proceeding to assume, conduct or control the defence thereof without prejudice to the position and rights of His Majesty and other indemnifiers of His Majesty;

(c) Canadair's liability hereunder with respect to any actual or alleged infringement is also conditioned upon His Majesty promptly furnishing to Canadair all the data, papers, records and other assistance within His Majesty's control, material to resistance or defence against any such claim or suit for infringement, and (except as to amounts payable under a judgment) upon Canadair's prior approval of His Majesty's payment or assumption of any expenses, damages, cost or royalties for which Canadair is asked to respond.

ARTICLE 10. *Indemnity Against Infringement and Warranties from Other Manufacturers*

Canadair shall make reasonable efforts to obtain from licensors and from the manufacturers of accessories, equipment and parts installed on aircraft hereunder, but not embraced within Canadair's warranty, an indemnification against patent infringement, reasonably adequate warranties and agreements of indemnification against patent infringement running to His Majesty either specifically or as a purchaser from Canadair of aircraft upon which such accessories, equipment and parts are installed. Insofar as reasonably practicable, Canadair shall advise His Majesty, upon the latter's request, as to the character and extent of protection afforded His Majesty by such warranties and agreements of indemnity.

ARTICLE 11. *Excusable Delay*

Time shall be deemed to be material and of the essence of the contract; provided that if conditions or events in the nature of *force majeure* or any other cause reasonably beyond the control of Canadair shall delay the completion and production for inspection of any of the aircraft or spare parts the time hereby fixed for so completing and producing the aircraft or spare parts in respect of which such delay shall have occurred shall be extended by a period of time equal to the length of the delay so caused. Provided that the right of Canadair to any such extension shall be conditional upon Canadair having given prompt written notice to the Minister of the occurrence causing the delay. Without in any way limiting the generality of the foregoing it is understood and agreed that delays in transit in the delivery of materials or parts on the part of transportation companies, delays in the delivery of any items comprised in any Government-furnished equipment to be supplied by His Majesty in accordance with the provisions of the contract, delays resulting from any laws or regulations (whether Canadian or otherwise) delays not resulting from the negligence of Canadair in the delivery of materials required for the work and delays caused by strikes or sabotage or time occupied in obtaining any approval by the Minister or the Inspector required under the contract shall be regarded as cause beyond the control of Canadair within the meaning of this clause and the time hereby fixed for completing and

producing the aircraft and spare parts in respect of which such delays shall have occurred shall be extended by a period of time equal to the length of such delay.

ARTICLE 12. *Change Orders*

The Detail Specification and the other terms and conditions of this Agreement may be amended from time to time by Change Orders in writing, which shall set forth in detail (1) the particular specifications involved (2) the terms or conditions involved, (3) the changes to be made therein, (4) the effect, if any, of such changes on design, performance, weight, balance, time of delivery, (5) the change, if any, in the foregoing, (6) the change in basic price of the aircraft, and (7) such other details as are necessary or advisable. Change Orders shall not be binding on either party unless in writing and until executed by Canadair and His Majesty; upon being so executed, Change Orders shall constitute amendments to this Agreement.

ARTICLE 13. *Government-Furnished Equipment*

(*a*) His Majesty shall furnish to Canadair at times to be designated reasonably in advance by Canadair, and Canadair shall without additional charge make appropriate provisions for the installation of, and shall install as provided in the Detail Specification, the equipment (hereinafter called "Government-furnished equipment") specified in the Detail Specification to be furnished by His Majesty;

(*b*) Any delay in furnishing the Government-furnished equipment to the extent that such delay shall in turn delay the performance of any act to be performed hereunder by Canadair, extend the date by which such act is to be performed by Canadair hereunder; provided, however, that notwithstanding anything herein to the contrary if any aircraft is ready for delivery except for the installation of such Government-furnished equipment and the delivery of such Government-furnished equipment is delayed for an unreasonable time, Canadair shall, if His Majesty does not make arrangement for the storage of such aircraft, be entitled to receive from His Majesty its costs in maintaining such aircraft until the Government-furnished equipment is delivered.

ARTICLE 14. *Services. Instructions and Data.*

(*a*) Canadair shall from time to time against purchase orders received from His Majesty, furnish to His Majesty at Canadair's standard charges, which shall be reasonable, copies of all drawings used by Canadair in the construction of the aircraft purchased hereunder, to the extent that such drawings are not included in other documents furnished pursuant to the Detail Specification;

(*b*) None of the data described in this Article 14 or furnished pursuant to the Detail Specification shall be reproduced by His Majesty. Unless Canadair's written consent is first obtained, none of the data or information described in this Article 14, or furnished pursuant to the Detail Specification, nor any copies or duplicates thereof, shall be permitted out of His Majesty's possession, nor shall the contents thereof be divulged to any other person, form or corporation, except for the purpose of enabling His Majesty to make, subsequent to delivery, any installation or alteration in any aircraft delivered hereunder.

ARTICLE 15. *Demonstration and Test Flights.*

(*a*) Test flights, as provided in the Detail Specification, shall be conducted as soon as practicable, upon completion of the respective aircraft and prior to delivery thereof, and His Majesty shall be given reasonable advance notice of the time and place of such test flights. Canadair shall have complete control of

such test flights conducted hereunder, bear all costs and expenses incident thereto, and fully protect and indemnify His Majesty against all liability on account of injuries to or deaths of persons and damage to or destruction of property arising out of or in connection with the operation of the respective aircraft during all such flights prior to delivery, except liability on account of injuries to or deaths of His Majesty's representatives occurring during any such test flight. His Majesty shall fully protect and indemnify Canadair against all liability on account of injuries to or deaths of His Majesty's representatives during each such test flight;

(*b*) In the event that any aircraft to be purchased hereunder shall be destroyed in the course of any such test flight, at the option of Canadair, exercisable by written notice to His Majesty within fifteen (15) days after such destruction, the number of aircraft subject to this Agreement shall correspondingly be reduced and the obligation of Canadair and His Majesty to sell and to purchase respectively such aircraft so destroyed shall be cancelled, and Canadair shall return to His Majesty any payments made on account of such aircraft.

ARTICLE 16. *Title to Property and Risks.*

(*a*) *Aircraft.*—Upon any payment being made to Canadair in respect of on account of the work in process and/or materials acquired by Canadair for the manufacture of the aircraft, either by way of progress payments or accountable advances or otherwise, then title in and to such materials and/or such work in process shall vest and remain in His Majesty, both before and after completion of the aircraft. Risk of loss of or damage to each aircraft shall pass from Canadair to His Majesty upon acceptance thereof;

(*b*) *Spare Parts.*—Title to and risk of loss of or damage to each spare part shall pass from Canadair to His Majesty upon delivery thereof to His Majesty or to a common carrier for shipment to His Majesty.

ARTICLE 17. *Restrictions on Sale or Transfer.*

His Majesty shall not, as to any aircraft which has not been operated for 5,000 hours or 24 months whichever is the lesser, without the prior written consent of Canadair, resell, lease, or otherwise transfer any aircraft or agree so to do. His Majesty represents that the aircraft are being purchased for military purposes.

ARTICLE 18. *Access to and Tests of the Work.*

(*a*) The Minister and the Inspector shall have access at all times to the work and to the plant and premises where any part of the work is being carried on and may make such tests of the work and of the aircraft and of parts, materials and/or work in process as the Minister or the Inspector may think fit. Canadair shall provide all assistance and facilities, test pieces and samples which the Minister or the Inspector may require for the carrying out of any such tests as aforesaid, and shall also provide the Minister or the Inspector with all assistance and facilities which they may require for the exercise of the other rights and powers conferred upon them hereunder;

(*b*) His Majesty shall fully protect and indemnify Canadair against any and all liabilities on account of claim of representatives of His Majesty against Canadair arising out of any injuries or other matters occurring in connection with their presence at Canadair's plant.

ARTICLE 19. *Assignments.*

This Agreement shall inure to the benefit of and be binding upon each of the parties hereto and their respective successors and assigns, but it may not be voluntarily assigned, in whole or in part, by either party without prior written consent of the other party.

ARTICLE 20. *Members of Parliament.*

No member of the House of Commons of Canada shall be admitted to any share or part of this Agreement or to any benefit to arise therefrom.

ARTICLE 21. *Notices.*

Any notice by either party to this Agreement to the other shall be sufficiently given if sent by registered letter or telegram, with postage prepaid or charges prepaid as the case may be, addressed as follows:

In the case of notice to His Majesty or the Minister, to

The Deputy Minister of
Reconstruction and Supply,
375 Wellington Street,
Ottawa, Ontario.

In the case of notice to Canadair, to

Canadair Limited,
P.O. Box 6087,
Montreal, Quebec.

Any notice so given shall be deemed to have been received at the time when in the ordinary course the letter or telegram should have reached its destination.

ARTICLE 22. *Miscellaneous.*

(*a*) The articles and paragraph headings herein contained are for convenience in reference and are not intended to define a limit to the scope of any provision in this Agreement;

(*b*) This Agreement shall be interpreted and construed under the laws of the Province of Quebec, Canada.

IN WITNESS WHEREOF this Agreement has been executed and sealed on behalf of His Majesty the King in right of Canada by the Deputy Minister of Reconstruction and Supply and the Secretary of the Department of Reconstruction and Supply and has been executed on behalf of Canadair Limited under its corporate seal duly affixed thereto by its officers authorized in that behalf.

Signed, Sealed and Delivered
in the manner aforesaid on
behalf of His Majesty the King
in right of Canada in the
presence of:

LUELLA G. HOWDEN,
Witness.

V. W. SCULLY,
Deputy Minister.

F. F. WADDELL,
Secretary.

Signed, Sealed and Delivered
by Canadair Limited in the
presence of:

HENRY M. MARX,
Witness.

CANADAIR LIMITED

H. O. WEST,
President.

D. H. MACFARLANE,
Secretary.

I hereby certify that the within is a true copy of an original Agreement dated the 31st day of March, 1947, made within HIS MAJESTY THE KING in right of Canada and CANADAIR LIMITED.

M. F.

I. McDONALD,
Supervisor of Dittoed Contracts
Main Pool

PURCHASE AGREEMENT

This Agreement entered into this 31st day of March, 1947, by and between Canadair Limited, a corporation organized and existing under the laws of the Dominion of Canada, with its principal office in the Parish of St. Laurent, in the Province of Quebec (hereinafter called Canadair and Trans-Canada Air Lines, a corporation, with its principal office at the City of Montreal in the Province of Quebec (hereinafter called the Buyer)); Witnesseth:

ARTICLE 1. *Subject Matter of Sale*

Aircraft

(1) Canadair shall manufacture, sell and deliver to the Buyer, and the Buyer shall purchase from Canadair twenty (20) North Star Model DC-4M-2 Aircraft (hereinafter called Aircraft), more fully described in the detailed specification entitled "RD 2-109 Detailed Type Specification Canadair Four Engined Transport Model DC-4M-2" dated February 17, 1947, as amended by amendment Number 1 thereto dated March 25, 1947, (hereinafter called the Detail Specification) annexed hereto and hereby made a part hereof as Exhibit "A".

Spare Parts

(2) Within sixty (60) days from the date hereof Canadair shall furnish the Buyer a list of items for the Aircraft recommended for purchase as Spare Parts, setting forth a general description of each item. The Buyer shall cooperate with and assist Canadair in the preparation of such list. As soon as practicable thereafter, but in any event not later than thirty (30) days after receipt of such list (hereinafter called Spare Parts List) from Canadair with the prices quoted for each item thereon, the Buyer shall place its order for such Spare Parts as it desires to purchase and Canadair shall sell and deliver the same as hereinafter provided.

(3) Canadair shall perform its obligations under paragraphs (1) and (2) above in accordance with the terms of this Agreement and in accordance with the Detail Specification.

ARTICLE 2. *Delivery of Aircraft*

(1) Each Aircraft shall be delivered to the Buyer assembled and completed ready for flyaway at a suitable airport at or near Montreal to be selected by Canadair.

(2) The Aircraft shall be presented for acceptance as follows:

(a) the first in July, 1947;

(b) two (2) per month in August, September and October; and

(c) at least two (2) per month thereafter provided, however, Canadair shall give Buyer at least thirty (30) days prior written notice before presenting for acceptance in excess of two (2) Aircraft in any month.

ARTICLE 3. *Delivery of Spare Parts*

Each of the Spare Parts shall be delivered to Buyer F.O.B. Canadair's plant in the Parish of St. Laurent, Province of Quebec, with cost of transportation, preparation for shipment and crating to be paid by Buyers, from Canadair's plant, or as to purchased parts, if any, from the point of purchase.

ARTICLE 4. *Price of Aircraft*

The price of each Aircraft sold and delivered hereunder shall be SIX HUNDRED AND SIXTY THOUSAND DOLLARS ($660,000.00). The price shall be subject to increase or decrease on account of price changes specified in any change orders executed in accordance with Article 12 hereof.

ARTICLE 5. *Price of Spare Parts*

The price of each Spare Part shall be reasonable and shall be truly comparable under the circumstances with the prices of Spare Parts charged by Douglas Aircraft Company Inc. having due regard to duties, sales and excise taxes and transportation costs.

ARTICLE 6. *Sales Taxes*

(1) In addition to the purchase price of the Aircraft and Spare Parts, the Buyer shall pay to Canadair any sales tax or taxes of like character which Canadair is required to pay in connection with any act or service performed under this Agreement.

(2) If any such tax appears to be due, Canadair shall promptly notify the Buyer. If reasonably requested by the Buyer in writing, Canadair shall, at the Buyer's expense, take such action as the Buyer may reasonably direct in writing with respect to such asserted liability, and shall not pay such tax except under protest, if protest is necessary. If payment be made, Canadair shall, at the Buyer's expense, take such action as the Buyer may reasonably direct in writing to recover such payment and shall, if requested, permit the Buyer in Canadair's name to file claim or commence an action to recover such payment.

ARTICLE 7. *Progress Payments*

Canadair shall be entitled to progress payments for each four weeks period commencing with the one ending April 23rd, 1947, and ending with one ending October 8th, 1947, upon rendering to Buyer a progress claim certifying the estimated net total expenditures of Canadair in respect of this contract and the contract with His Majesty dated even date hereof for 23 North Star Aircraft and Spare Parts during the four weeks period covered by such claim, provided that the progress payment for any four weeks period shall not exceed $2,700,000.00 or a total of $10,560,000.00 for the whole period from April 23rd, 1947, to October 8th, 1947. Such claims shall be certified by the President and Comptroller or Internal Auditor of Canadair and if any question shall arise in connection therewith such question shall be referred to Mr. V. W. Scully, now Deputy Minister of Reconstruction and Supply, whose decision shall be final, and all such claims shall be paid within 15 days. The purchase price of any Aircraft delivered before October 8th, 1947, or before the notice hereinafter mentioned has been given or before the total progress payments total or reach the total of $10,560,000.00 shall be applied in reduction of prior progress payments. No further progress payments shall be made after the progress payments for the four weeks period ending October 8th, 1947, or after the total progress payments have reached $10,560,000.00 or if Canadair has given written notice to Buyer before October 8th, 1947, advising that no further progress claims will be made whichever first occurs and upon the happening of any of the foregoing events the amount of progress payments (after deducting the purchase price of any

Aircraft theretofore delivered) shall be divided by the number of Aircraft then remaining undelivered and the quotient shall be deemed to be the amount paid on account of the purchase price of each Aircraft remaining to be delivered and the balance of the purchase price of each Aircraft shall be paid upon acceptance thereof. It is understood and agreed that if there is any serious interruption in the production of the Aircraft the provisions hereinbefore set forth for the making of progress payments shall be subject to review.

ARTICLE 8. *Warranty*

(1) Canadair agrees, represents and warrants that each Aircraft and Spare Part delivered under this Agreement shall, at the time of delivery hereof to the Buyer conform with the Detail Specification and be free from defects in material and workmanship. Such warranty shall not apply to Customer-Furnished Equipment or to accessories, equipment or parts purchased by Canadair unless they are manufactured pursuant to Canadair's detailed design, but shall apply to the workmanship incorporated in the installation of such items in the completed Aircraft. Canadair shall as to such items hereafter purchased by it use its best efforts to secure agreements enforceable by the Buyer from the manufacturers or vendors of such items not warranted by Canadair (other than Customer-Furnished Equipment) warranting that such items conform to applicable specifications and are free from defects in material and workmanship and are free from defects in design; provided, however, that such warranties by such manufacturers or vendors may be made subject to limitations corresponding to those made by Canadair set forth herein.

(2) Canadair agrees, represents and warrants that each North Star Model DC-4M-2 Aircraft will be certificated by the Department of Transport prior to delivery thereof with an appropriate Airworthiness Certificate at gross weight for landing, gross weight for take off and maximum gross weight with zero fuel as set forth in Sections 204-1, 204-2 and 204-3 of the Detail Specification, notwithstanding anything in the Detail Specification to the contrary

(3) None of the representations or warranties made by Canadair herein with respect to any Aircraft or Spare Part shall survive acceptance by the Buyer of delivery thereof except to the extent only and upon the conditions herein specifically set forth in Paragraphs (4) to (9), inclusive, of this Article 8.

(4) Canadair's obligations under said warranty with respect to any defect is conditioned upon the approval by Canadair of the selection and installation by or for the Buyer on each Aircraft after the delivery thereof of any accessory, equipment or part of a type not originally installed therein and not selected or manufactured by Canadair or to Canadair's detailed design or specification for the type of Aircraft to be purchased hereunder, unless the Buyer shall submit reasonable proof that such defect was not caused by the installation of any such accessory, equipment or part not so approved.

(5) Canadair's obligation under said warranty is conditioned upon the return of the defective Aircraft or accessory, equipment or part with all shipping charges prepaid either to Canadair's factory in the vicinity of Montreal aforesaid or to some other place within the Dominion of Canada mutually agreeable to Canadair and the Buyer, and the submission of reasonable proof to Canadair that the defect is due to a matter embraced within Canadair's warranty hereunder. In case of defects in material or workmanship any such defect must have become apparent and the Buyer must have notified Canadair thereof within six (6) months or one thousand (1,000) flying hours, whichever shall first expire, after delivery of the Aircraft or Spare Part to the Buyer hereunder and the Buyer shall as soon as practicable thereafter return such defective Aircraft or accessory, equipment, or part as aforesaid.

(6) Said warranty shall not apply to any Aircraft or to any accessory, equipment or part installed in such Aircraft if such Aircraft shall not have been operated in accordance with the Air Regulations issued by the Department of Transport or if such Aircraft shall have been repaired or altered or modified contrary to any instructions issued by Canadair or operated with an accessory, equipment or part not authorized for use therein under Paragraph (4) hereof, of if such Aircraft shall have been operated subsequent to it's involvement in an accident, unless the Buyer shall submit reasonable proof that such improper operation, maintenance, repair, alteration or modification, or such accident, was not the cause of such defect; provided, however, that the foregoing limitation of warranty insofar as it relates to repairs, alterations or modifications shall not be applicable to routine repairs, alterations or modifications which normally occur in the operation of aircraft, if such repairs, alterations or modifications are made with suitable material and workmanship and according to standard practice in engineering, provided, further, that the foregoing limitation of warranty insofar as it relates to accidents shall not be applicable to minor accidents.

(7) The extent of Canadair's liability under said warranty as to defects in material or workmanship is further limited to the repair or replacement of any defective accessory, equipment or part with a similar item free from defect. The extent of Canadair's liability under said warranty as to defects or faults in design is further limited to the correction in all aircraft delivered hereunder of any such defect becoming apparent in one of the Aircraft within a period of six (6) months or one thousand (1,000) flying hours, whichever shall first expire after the delivery thereof. Canadair shall make all such repairs, replacements and corrections with reasonable care and dispatch in order that the Aircraft involved may not be kept out of service longer than necessary.

(8) With respect to matters made the subject of Canadair's approval under Paragraph (4) above, Canadair's approval or disapproval thereof shall be delivered in writing to the Buyer within sixty (60) days after the Buyer's written request for approval is received by Canadair. Canadair shall not unreasonably disapprove, and any statement of disapproval shall set forth the reasons therefor. Canadair's failure to deliver to the Buyer a written statement of approval or disapproval within such sixty-day period shall irrevocably and conclusively constitute approval by Canadair of the subject matter of the particular request involved.

(9) Said warranty, as conditioned and limited as aforesaid, is in lieu of all other warranties, express or implied, arising in law or otherwise, and shall not be extended, altered or varied except by a written instrument signed by Canadair and the Buyer subsequent to the execution of this agreement.

(10) Canadair shall in no event be or become liable for consequential damages.

ARTICLE 9. *Indemnity against patent infringement.*

(1) Canadair hereby agrees to indemnify, protect and save harmless the Buyer, its successors and assigns, from and against all claims, demands proceedings, suits and actions and all liabilities expenses, recoveries and costs (excluding any damages, costs, expenses, liabilities and loss of profits resulting from loss of use) resulting from any actual or alleged infringement of any one or more letters patent issued under the laws of the Dominion of Canada; provided, however, that the foregoing agreement by Canadair to indemnify, protest and save harmless the Buyer shall not apply to accessories, equipment or parts which are not manufactured by Canadair or pursuant to Canadair's

detailed design or which are incorporated in such Aircraft at the Buyer's request in place of or in addition to those proposed by Canadair, or which are furnished by the Buyer.

(2) Canadair's liability hereunder with respect to any actual or alleged infringement is conditioned upon commencement of suit against the Buyer or the Buyer's receipt of written charge of such infringement, and upon notice by the Buyer to Canadair within ten (10) days after institution of such suit or twenty (20) days after receipt of such charge. Canadair shall have the option at any time to conduct negociations with the party or parties charging infringement, and may intervene in any suit commenced. Whether or not Canadair intervenes in any such suit, it shall be entitled to assume, conduct, or control the defence thereof, or the settlement thereof.

(3) Canadair's liability hereunder with respect to any actual or alleged infringement is also conditioned upon diligent efforts by the Buyer, in full co-operation with Canadair, to reduce (otherwise than by non-use of the article respecting which infringement is claimed) the royalties, damages, costs or expenses involved; upon Buyer's promptly furnishing to Canadair all the data, papers, records, and other assistance within the knowledge or possession of the Buyer material to resistance or defence against any such claim or suit for infringement; and (except as to amounts payable under a judgment) upon Canadair's prior approval of the Buyer's payment or assumption of any expenses, damages, costs or royalties for which Canadair is asked to indemnify.

(4) Canadair agrees to make fully available to and enforce in behalf of Buyer any and all patent indemnifications and to indemnify Buyer against any and all patent claims against the Buyer to the extent and only to the extent that Canadair has or secures such indemnifications from Douglas Aircraft Company Inc. or from any Licensors and Vendors of equipment and accessories, whether with respect to Canadian, United States or other patents. Upon written request of Buyer, Canadair agrees to execute such further and other assurances as may be necessary to effectuate the foregoing. Rights to indemnification are hereunder conditioned as above set forth in paragraphs (2) and (3) of this Article.

ARTICLE 10. *Indemnity against patent infringement and warranties from other manufacturers.*

Canadair shall make reasonable efforts to obtain from licensors and from the manufacturers of accessories, equipment and parts installed on Aircraft hereunder, but not embraced within Canadair's warranty, an indemnification against patent infringement, reasonably adequate warranties and agreements of indemnification against patent infringement running to the Buyer either specifically or as a purchaser from Canadair of Aircraft upon which such accessories, equipment and parts are installed. In so far as reasonably practicable, Canadair shall advise the Buyer, upon the latter's request, as to the character and extent of protection afforded the Buyer by such warranties and agreements of indemnity.

ARTICLE 11. *Excusable delay.*

(1) Canadair shall not be responsible nor be deemed to be in default on account of delays in the performance of this Agreement due to causes beyond Canadair's control and not occasioned by its fault or negligence, including, but not by way of limitation, acts of God or the King's or the public enemy; civil war, insurrections or riots; fires, floods, explosions, earthquakes or other catastrophies or serious accidents; epidemics or quarantine restrictions; any act of Government, governmental priorities, allocation regulations or orders affecting materials, facilities or completed aircraft; failure of transportation; strikes, labor troubles causing cessation, slow-down or interruption of work;

inability to procure materials in the open market; failure of a sub-contractor or vendor to furnish materials or parts due to any of the foregoing causes; provided, however, that the existence of any one or more of the foregoing causes shall not excuse Canadair for the delay resulting therefrom unless Canadair shall have given to the Buyer notice in writing within thirty (30) days after the occurrence thereof.

(2) In the event acceptance of any Aircraft shall be delayed by reason of any one or more of the foregoing causes for a period of more than one (1) year after the end of the calendar month in which delivery is otherwise required hereunder, either party shall have the option to terminate this Agreement. Such termination shall discharge all obligations and liabilities of the parties hereunder with respect to undelivered Aircraft and Spare Parts.

ARTICLE 12. *Change Orders.*

(1) The Detail Specification and the other terms and conditions of this Agreement may be amended from time to time by Change Orders in writing, which shall set forth in detail the particular specifications, terms or conditions involved, the changes to be made therein, and the effect, if any, of such changes on design, performance, weight, balance, time of delivery and/or price of the Aircraft or Spare Parts.

(2) Change Orders shall not be binding on either party and shall not be carried out unless and until executed by persons respectively duly authorized in writing by Canadair and the Buyer. No charges for changes shall be allowed or be collectible from the Buyer unless authorized by a Change Order executed as aforesaid.

(3) In cases where the Detail Specification specifies the kind, type or source of any material, part, accessory or equipment, Canadair shall not substitute therefor any other material, part, accessory or equipment without first obtaining the written consent of Buyer. Canadair's substitution of items pursuant to such consent may be effected without Change Orders; provided, however, that in no instance shall any such substitution without a Change Order increase the price of any Aircraft or affect Canadair's obligations under this Agreement or under the Detail Specification.

(4) Canadair may also, without Change Order but with consent in writing of Buyer's plant representative, make particular minor deviations from the Detail Specification or substitutions for items in short supply; provided that such deviations and substitutions shall not adversely affect the price, time of delivery, functional characteristics or performance of any Aircraft to be purchased hereunder or the interchangeability or replaceability of parts therefor, or appreciably affect the design, weight or balance of any such Aircraft, notwithstanding that such consent in writing has been given.

ARTICLE 13. *Spare Parts.*

(1) During a period commencing with the date hereof and continuing for three (3) years, Canadair shall maintain a reasonable stock of Spare Parts or the facilities to manufacture the same and will furnish suitable Spare Parts reasonably calculated to meet the needs for repairs and replacements upon the Aircraft delivered hereunder, such parts to be sold and delivered with reasonable promptness upon Canadair's receipt of orders at prices to be determined pursuant to Article 5 hereof.

Upon the expiration of such three (3) year period, Canadair agrees that it will give Buyer sixty (60) days' written notice prior to disposing of any of the tooling or special raw stock materials required for the fabrication of any Spare

Parts and Buyer shall be entitled during such sixty (60) day period to order such further or additional Spare Parts as may be required by it prior to such disposition of such tooling or special raw stock materials.

(2) In consideration of Canadair's obligations under Paragraph (1) above, the Buyer agrees that it will purchase its said needs for such Spare Parts from Canadair during the period stated in said Paragraph (1); provided, however, that the Buyer, without being obligated to pay any royalty or license fees to Canadair, may purchase from any source whatsoever, redesign or have redesigned for it, manufacture or have manufactured for it as designed or as redesigned, any such Spare Parts, in any of the following events:

(*a*) After the expiration of the period stated in said Paragraph (1);

(*b*) At any time that Canadair fails to fulfill its obligations with respect to any such Spare Parts pursuant to said Paragraph (1);

(*c*) At any time that parts are needed to effect emergency repairs upon any Aircraft purchased hereunder provided that the Buyer, by such purchase from others or by such manufacture, is able to obtain such parts in a shorter time than Canadair is able to furnish them, and provided further, that the Buyer will not stock any such Spare Parts manufactured by or for it for emergency repairs; or

(*d*) If the Buyer has notified Canadair in writing that any part manufactured by Canadair or to Canadair's detailed design and specification is defective or unsatisfactory in use and if within a reasonable period thereafter Canadair has not made a satisfactory redesigned part available for sale to the Buyer.

(3) Notwithstanding anything herein contained, Canadair shall not be obligated to maintain a stock of, or supply to the Buyer, Spare Parts of types and kinds not manufactured by Canadair or pursuant to its detailed design and the Buyer may without Canadair's consent at any time purchase from any source whatsoever, or manufacture or have manufactured for it, such Spare Parts if, and to the extent, Canadair does not stock the same.

ARTICLE 14. *Services, Instructions and Data.*

(1) During a period of twelve (12) months after delivery of the first Aircraft to the Buyer hereunder, Canadair shall, upon the request of the Buyer furnish without additional charge, reasonable services by, not in excess of four (4), service engineers to act in an advisory capacity to the Buyer on maintenance and operation problems with respect to the Aircraft and to assist in any training programs conducted by the Buyer for maintenance or operating personnel. Buyer shall reimburse Canadair for services of such engineers at their regular wages and for their out-of-pocket expenses while they are rendering services to Buyer away from Canadair's plant.

(2) For a period of three (3) years after delivery of the first Aircraft, Canadair shall, upon the request of the Buyer, and to the extent qualified personnel are available for the preparation thereof, furnish service bulletins or pamphlets to the Buyer covering changes in the type of Aircraft to be furnished hereunder. The Buyer shall compensate Canadair for the reasonable cost of such bulletins or pamphlets.

(3) Canadair shall without additional charge furnish to the Buyer handbooks, manuals, blue-prints and engineering data as provided by the specification attached and marked Exhibit "A" hereto.

(4) Canadair shall from time to time, against purchase orders received from the Buyer, furnish to the Buyer, if available, additional copies or revisions of the instructions and data referred to in the above paragraphs of this Article 14

and other engineering data pertinent to the Aircraft. The Buyer shall compensate Canadair for such copies at Canadair's standard charges which shall be reasonable.

(5) None of the data described in this Article, or furnished pursuant to the Detail Specification shall be reproduced by Buyer. Unless Canadair's written consent is first obtained, none of the data or information described in this Article, or furnished pursuant to the Detail Specification, nor any copies or duplicates thereof, shall be permitted out of Buyer's possession, nor shall the contents thereof be divulged to any other person, firm, or corporation, except (i) for the purpose of enabling Buyer to make, subsequent to delivery, any installation or alteration in any Aircraft delivered hereunder, or (ii) for transmittal to a purchaser, lessee or other transferee (permitted under Article 21) of any Aircraft delivered hereunder, in which case Buyer shall obtain from such purchaser, lessee or other transferee an express written agreement, to hold and use data and information subject to the limitations imposed upon Buyer by this Article.

ARTICLE 15. *Title to Property and Risks*

(1) Title to and risk of loss of or damage to each Aircraft shall pass from Canadair to the Buyer upon delivery thereof. Title to and risk of loss of or damage to each Spare Part shall pass from Canadiar to Buyer upon delivery thereof to Buyer or to a common carrier for shipment to Buyer.

(2) Upon the delivery of and the payment for each Aircraft, Canadair shall deliver to the Buyer a bill of sale duly vesting in the Buyer good title to such Aircraft free and clear of all liens, claims, charges and encumbrances of every kind whatsoever, and such other appropriate documents of title with respect thereto as the Buyer may reasonably require.

ARTICLE 16. *Plant Representatives of the Buyer*

Canadair's construction of Aircraft and Spare Parts pursuant to this Agreement, and all materials and parts obtained by Canadair therefore, shall at all reasonable times during business hours be open to inspection by any duly authorized representative or representatives of the Buyer but not in excess of five (5) persons. Commencing with the date of this Agreement and until the acceptance of the last Aircraft, Canadair shall furnish, without additional charge, suitable office space and equipment in, or conveniently located with respect to, its plant for the accommodation of personnel of the Buyer (not in excess of five (5) persons). All inspections and examinations by the Buyer and its representatives shall be performed in such manner as not unduly to delay or hinder the manufacture, construction or performance by Canadair.

Buyer shall fully protect and indemnify Canadair against any and all liabilities on account of claims of representatives of Buyer against Canadair arising from any injuries or other matters occurring in connection with the foregoing.

ARTICLE 17. *Flight Tests*

(1) Before offering acceptance to the Buyer, Canadair shall conduct test flights on each Aircraft sufficient to assure proper operation of the Aircraft. Acceptance test flights not exceeding ten (10) hours for the first Aircraft and three (3) hours for each subsequent Aircraft shall then be conducted with the Buyer's representatives aboard to demonstrate to the Buyer that the Aircraft complies with the requirements of this Agreement, including the Detail Specification. Buyer's representatives on such test flights shall be limited to five (5) persons but no person other than representatives of Buyer, Canadair and the Department of Transport shall be permitted on such flights. The acceptance

by the buyer will be contingent upon such satisfactory demonstration. Canadair shall have complete control of all such flight tests conducted hereunder, bear all costs and expenses incident thereto, and fully protect and indemnify Buyer against all liability on account of injuries to or deaths of persons and damage to or destruction of property arising out of or in connection with the operation of the respective Aircraft during all such flights prior to delivery, except on account of injuries to or deaths of Buyer's representatives occurring during any such flight. Buyer shall fully protect and indemnify Canadair against all liability on account of injuries to or death of Buyer's representatives during each such flight.

(2) Canadair shall furnish in duplicate on presentation of the first Aircraft for acceptance a performance report showing actual performance of the Aircraft. This report shall be based on the test flights and shall include data on all items of performance. The performance data shall be reduced to standard atmospheric conditions.

(3) Two clear days' notice in advance of the acceptance test flight date (to the Buyer's local representative) shall be considered adequate notice.

(4) In the event that any Aircraft to be purchased hereunder shall be destroyed in the course of any such flight test, the number of Aircraft subject to this Agreement shall, at the option of Canadair, exercisable by written notice to Buyer within fifteen (15) days of such destruction, be correspondingly reduced and the obligations of Canadair and Buyer to sell and to purchase respectively such Aircraft so destroyed shall be cancelled.

ARTICLE 18. *Cancellation For Insolvency*

Either Canadair or the Buyer at its option may cancel this Agreement with respect to any or all of the Aircraft, Spare Parts, services, data and items to be furnished hereunder which are undelivered or not furnished on the effective date of such cancellation, by giving the other party written notice as hereinafter provided at any time after the other files a voluntary petition in bankruptcy, or proceedings in bankruptcy are instituted against the other and it is thereafter adjudicated bankrupt pursuant to such proceedings, or the other is adjudged insolvent, or a receiver of the other's assets is appointed on account of insolvency and is not discharged within a period of ninety (90) days thereafter, or an execution is issued against the other and is not withdrawn or satisfied within a period of ninety (90) days thereafter, or the other makes a general assignment for the benefit of its creditors. Such notice of cancellation shall be given thirty (30) days prior to the effective date of cancellation, except that in the case of filing of a voluntary petition in bankruptcy or a voluntary general assignment for the benefit of creditors, such notice need not precede the effective date of cancellaiton. In the event of such cancellation, all obligations, duties and liabilities of both parties hereto as to the items respecting which this agreement is so cancelled shall thereupon cease.

ARTICLE 19. *Modifications Beyond the Control of the Parties*

Notwithstanding anything contained in this Agreement, if any law or governmental regulation or interpretation thereof by a governmental agency, shall require any change, addition or modification in any Aircraft to be purchased hereunder in order to obtain a Certificate of Air Worthiness from the Department of Transport as provided herein, the required time for acceptance of the Aircraft involved shall be extended for such time as will allow Canadair to effect such changes, additions or modifications with reasonable promptness, and the cost of making the same shall be borne by Buyer. All such changes, additions and modifications shall be covered by Change Orders, and, in the event Buyer shall not consent to any such Change Order, it shall not be entitled to such certification and shall be obliged to accept the Aircraft without such changes, additions or modifications and without such certification.

ARTICLE 20. *Customer-Furnished Equipment*

(1) Buyer shall furnish to Canadair at times to be designated reasonably in advance by Canadair, and Canadair shall, without additional charge, make appropriate provisions for the installation of, and shall install as provided in the Detail Specification, the equipment (herein called Customer-Furnished Equipment) specified in the Detail Specification to be furnished by Buyer. At the request of Canadair, Buyer shall, within thirty (30) days after receipt of such request, provide Canadair with a written detailed description of the dimensions and weight of such equipment and information necessary for the installation and operation thereof. Such dimensions and weight shall not thereafter be revised unless authorized by a Change Order.

(2) Buyer warrants that the Customer-Furnished Equipment shall comply with applicable Department of Transport Regulations and shall be suitable for installation and use in the Aircraft. Buyer shall be responsible for adjusting or calibrating such equipment to the extent necessary to obtain Department of Transport approval thereof and shall bear or reimburse Canadair, as the case may be, for any expense incurred in connection therewith. Any delay in providing the foregoing information or in furnishing the Customer-Furnished Equipment or in obtaining approval of such equipment under Department of Transport Regulations shall, to the extent that such delay shall in turn delay the performance of any act to be performed hereunder by Canadair, extend the date by which such act is to be performed by Canadair hereunder; provided, however, that if delivery or approval of the Customer Furnished Equipment is delayed for fifteen (15) days after written request therefor by Canadair, Buyer shall accept the Aircraft involved without the installation of such Customer-Furnished Equipment and Canadair shall thereupon be relieved of all liability for installation of such equipment.

ARTICLE 21. *Resale or Lease: Territorial Restrictions*

(1) Buyer may not, without first obtaining Canadair's written consent, resell, lease or otherwise transfer any Aircraft, or agree to do so, until such Aircraft shall have flown at least five thousand (5,000) flying hours or until the expiration of twenty-four (24) months after its acceptance hereunder, whichever occurs first. Buyer shall, subject to the restrictions and limitations of this Agreement, be entitled to transfer Aircraft to a wholly owned subsidiary or subsidiaries of Buyer without such written consent. In the event of the resale or lease or transfer of any Aircraft as so permitted all rights and benefits conferred by this Agreement upon Buyer with respect to such Aircraft shall inure to the benefit of such transferee subject, however, to the condition that Buyer shall obtain or cause to be obtained from such transferee for the benefit of Canadair an express agreement, in writing, to abide by all applicable terms, conditions and limitations imposed by this Agreement upon Buyer.

(2) Until each Aircraft has been operated for five thousand (5,000) hours or for a period of twenty-four (24) months from the date of the acceptance thereof (whichever first shall occur). Buyer shall not use any Aircraft except in operations wholly within the Dominion of Canada or in international operations primarily originating in and based upon the Dominion of Canada. Operations shall not be deemed primarily to originate in and be based on the Dominion of Canada unless the Aircraft in question returns to the Dominion of Canada at reasonable intervals in the course of its regular flight schedules.

ARTICLE 22. *Investigation of gross weight*

(1) Canadair agrees, without cost to Buyer, to undertake immediately and to complete as promptly as possible an investigation of the structure (but without static test) necessary to increase to 80,000 pounds the permissible gross weight for take-off of the Aircraft. Upon the completion of such investigation

Canadair shall promptly make a change order proposal to Buyer quoting the cost to Buyer of any structural changes and work required to cause such permissible gross weight for take-off. If Buyer elects, Canadair shall enter into a Change Order to effect the foregoing at the said price.

(2) In the event of the said Change Order having been entered into the work having been completed and flight test having demonstrated the suitability of the Aircraft at 80,000 pounds permissible gross weight for take-off, Canadair shall, at the request of the Buyer, submit all necessary evidence to the Department of Transport to obtain revision of the Certificate of Airworthiness at the higher permissible gross weight for take-off.

ARTICLE 23. *Exhaust system and noise level*

(1) Notwithstanding the provisions in the Detail Specification both parties agree that it is necessary to improve the exhaust system in order to obtain an exhaust noise level satisfactory for competitive scheduled commercial airline operations. Canadair will co-operate with the power plant manufacturer to develop such satisfactory exhaust system and Buyer will pay (as an addition to the price of Aircraft purchased hereunder) one half of all increased costs to Canadair by reason either of increased prices paid by Canadair to the power plant manufacturer by reason of the change in the exhaust system, or by reason of any change required thereby in the structure of the Aircraft.

(2) For the purposes of sub-paragraph (1) of this Article 23, costs to Canadair of any structural changes in the Aircraft will if Buyer so requests in writing, be determined in accordance with costing memorandum form M. & S. 433 referred to in Order in Council P.C. 6284, dated July 20, 1942, copy of which is attached hereto and market Exhibit "B" to this Agreement; provided that such costs shall in no event include any costs incurred by Canadair before the date of this Agreement.

(3) Canadair agrees, represents and warrants that each Aircraft will have an exhaust noise level satisfactory for competitive scheduled commercial airline operations.

ARTICLE 24. *Assignments*

This agreement shall inure to the benefit of and be binding upon each of the parties hereto and their respective successors and assigns, but it may not be voluntarily assigned, in whole or in part, by either party without prior consent in writing of the other party, except that (1) either party's interest shall be assignable without such written consent through merger, consolidation or reorganization or voluntary sale or transfer of substantially all of its assets, provided that there is not any essential change in the management of the operations of the party making such assignment; (2) Canadair, upon prior written notice to Buyer, may assign any of its fixed or contingent rights to receive money hereunder; and (3) Buyer may assign any of its rights hereunder to the extent hereinbefore expressly provided.

ARTICLE 25. *Notices and Requests*

All notices and requests required or authorized hereunder shall be given in writing either by personal delivery to an Officer of the party to whom the same is given, or by registered mail, return receipt requested, or by telegraph, and the date upon which any such notice or request is so personally delivered, or if such notice or request is given by registered mail or by telegraph, the date upon which it is sent shall be deemed to be the effective date of such notice or request, irrespective of any date appearing therein. Canadair shall be addressed to The President at P. O. Box 6087, Montreal, Province of Quebec, Canada, and Buyer shall be addressed to the Secretary at 360 McGill Street, Montreal, Province of Quebec, Canada, unless either party notifies the other in writing as aforesaid of a change of address.

ARTICLE 26. *Miscellaneous*

(1) Buyer shall give reasonable assistance to Canadair in obtaining the consent of the appropriate Dominion of Canada Agencies to the manufacture, sale and certification of the Aircraft hereunder.

(2) The term "Department of Transport" as used in this Agreement shall be deemed to refer to any other authority that shall be designated to perform the duties corresponding to the duties now performed by said Department of Transport.

(3) In the event the use of Air Worthiness Certificates is discontinued during the performance of this Agreement, thereafter such terms shall be deemed to refer to any other corresponding certificate or instrument issued by the Department of Transport, or, in the event there should not be any such other corresponding certificate or instrument, then Canadair shall for the purposes of this Agreement be deemed to have obtained such certificate hereunder at the times herein provided, upon demonstrating that each Aircraft complies with the performance guarantees set forth in the Detail Specification.

(4) This Agreement supersedes all understandings or agreements heretofore made between the parties hereto and shall not be altered except in writing signed by both parties.

(5) The paragraph headings herein contained are for convenience in reference and are not intended to define or limit the scope of any provisions in this Agreement.

(6) This Agreement shall be interpreted and construed under the laws of the Province of Quebec, Canada.

(7) All payments to be made by Buyer to Canadair or by Canadair to Buyer hereunder shall be made in Canadian funds at Montreal.

(8) Within ten (10) days after the date hereof Buyer shall notify Canadair and Canadair shall notify Buyer in writing of their representatives duly authorized to make certification, give notices, execute Change Orders and in any other respect to act under the terms of this Agreement.

(9) In the event of any discrepancies or variations between this Agreement and the Detail Specification, the provisions of this Agreement shall control.

IN WITNESS WHEREOF this Agreement has been executed on behalf of the parties hereto and their respective seals have been hereunto affixed, all by their officers thereunto duly authorized.

CANADAIR LIMITED

Attest: By

D. H. MACFARLANE,
Secretary.

H. O. WEST,
President. C/S

TRANS-CANADA AIR LINES

Attest: By

W. H. HOBBS,
Secretary.

H. J. SYMINGTON,
President. C/S

I hereby certify that the within is a true copy of an Original Agreement dated the 31st day of March, 1947, made between Canadair Limited and Trans-Canada Lines, save and except that there has been omitted therefrom Costing Memorandum M. & S. 433 (Exhibit "B").

I. MCDONALD,
Supervisor of Dittoed Contracts,
Main Pool.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 24

WEDNESDAY, JUNE 14, 1950

WITNESSES:

Mr. H. R. Malley, O.B.E., President and General Manager, Crown Assets Disposal Corporation.

Mr. V. W. Scully, C.M.G., Deputy Minister (Taxation) and Mr. Charles Gavsie, C.B.E., Assistant Deputy Minister, Department of National Revenue.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

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Richard (*Ottawa East*)
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Stewart (*Winnipeg North*)
Thatcher
Thomas
Warren
White (*Hastings-Peterborough*)
Winkler
Wright

Clerk: A. L. Burgess

MINUTES OF PROCEEDINGS

WEDNESDAY, June 14, 1950.

The Standing Committee on Public Accounts met at 10.00 o'clock a.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Blue, Browne (*St. John's West*), Cauchon, Cavers, Croll, Cruickshank, Drew, Fulford, Fraser, Helme, Kirk (*Digby-Yarmouth*), Johnston, Larson, Major, Picard, Pinard, Prudham, Richard (*Ottawa East*), Robinson, Sinclair, Thatcher, Thomas, Warren, Winkler.

In attendance: Mr. H. R. Malley, O.B.E., President and General Manager, Crown Assets Disposal Corporation; Mr. V. W. Scully, C.M.G., Deputy Minister (Taxation) and Mr. Charles Gavsie, C.B.E., Assistant Deputy Minister, Department of National Revenue.

The Committee resumed consideration of the accounts of War Assets Corporation.

Examination of Messrs. Malley, Scully and Gavsie was continued.

Mr. Gavsie tabled copy of "management" agreement dated November 11, 1944, between His Majesty the King in right of Canada and Canadair Limited, together with copies of the following related documents, which are printed as *Appendix A* to this day's minutes of proceedings and evidence:

1. Agreement between His Majesty the King in right of Canada and Canadian Vickers Limited dated November 11, 1944;
2. Agreement between His Majesty the King in right of Canada and Canadian Vickers Limited dated January 25, 1944;
3. Order in Council P.C. 8991, dated November 28, 1944;
4. Order in Council P.C. 8992, dated November 28, 1944;
5. Agreement between His Majesty the King in right of Canada and Canadian Vickers Limited and Canadair Limited dated January 31, 1946;
6. Agreement between His Majesty the King in right of Canada and Canadair Limited, dated November 11, 1944;
7. Agreement between His Majesty the King in right of Canada and Canadair Limited, dated May 1, 1945; and
8. Order in Council P.C. 4060, dated June 7, 1945.

Mr. Drew moved that Mr. B. W. Franklin of Montreal, P.Q., former president of Canadair Limited, be called before the Committee as a witness.

Discussion followed.

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At 11 o'clock a.m. the Committee adjourned until 11.30 o'clock a.m. this day.

The Committee resumed at 11.40 o'clock a.m.

After further discussion on the motion of Mr. Drew, and the question having been put thereon, it was negatived.

Examination of the witnesses was continued.

At 1 o'clock p.m. the Committee adjourned until Thursday, June 15, at 10 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Wednesday, June 14, 1950.

The Standing Committee on Public Accounts met this day at 10 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, order.

We have the same witnesses as we had yesterday in connection with Canadair and War Assets.

Mr. V. W. Scully C.M.G., Deputy Minister of Taxation, recalled:

The WITNESS: Mr. Chairman, may I start by saying that we have not yet got the figures requested yesterday but I hope to have them here this morning.

The CHAIRMAN: What figures do you mean?

The WITNESS: On the capital expenditures from 1944 to 1946.

The CHAIRMAN: Oh yes.

By Mr. Drew:

Q. Well now, Mr. Scully, just as a matter of record, because it is in the various papers available, and to remove some of the difficulty that must be encountered in understanding some of these rather large figures of assuming the debts and also taking over credits and so on, I would just like to ask about the statement so that it goes on this record. You know of the details of the transaction under which this property was sold and the value that was set for the purposes of sale including credits, obligations, inventories and so on; and so that it may be in this record—if you would prefer I would ask you if this is the same, or vice versa, whichever you prefer. I am asking now about that statement which gives the basic value of this deal as of September 14, 1946. Have you that figure in front of you?—A. Yes.

Q. It is actually subparagraph 7 of the agreement. Have you it in sequence? —A. No, I haven't it in sequence.

Q. Would it be agreeable to you if I read them and ask if you recognize them as being the basic value as of September 14, 1946, the total amount being $4 million, made up as follows: (*a*) land, $47,000; (*b*) buildings, $2,162,129; (*c*) list of equipment, except special tooling, $1,790,870; and (*d*) special tooling, $1 million; making a total of $4 million.

Mr. GAVSIE: No, not $1 million, $1; special tooling, $1, making a total of $4 million.

Mr. DREW: Yes, coming to a total of this figure of $4 million.

By Mr. Drew:

Q. You have those figures?—A. Yes.

Q. And that is a correct statement as of that date of the land, building, equipment and tools exclusive of inventories and the assumption of obligations

and taking over all the credits and so on; that was the price that was put on the property for the purpose of sale under the agreement?—A. That is correct.

Q. So that quite apart from these other figures $4 million was the sale price of the land, building, leased equipment and special tools?—A. Yes, sir.

Q. Now I had intended to tie that in with your statement with regard to the actual cost, but you will have that later in the day, the actual cost?—A. The actual cost is shown in the balance sheet.

Q. No, I think you will find that is not correct.—A. Plus the $3 million that is shown there.

Q. Is that the accumulated total of costs?—A. Yes sir.

Q. So that you mean the figure that you would set off covering the items for which the $4 million was to be paid is land, buildings, plant, tooling and equipment $18,825,776.66?—A. Plus the $3 million.

Q. Plus the $3 million, so that with that you have a total of $21,825,776.66?—A. Correct.

Q. I am simply trying to put all these figures together so that we can get away from some of the confusion that must be in all our minds when we deal with all the composite elements of the sale. Before the option was exercised $4 million was to be paid for the land, buildings, plant, tooling and equipment as set out in the balance sheet prepared as of September 14, 1946, plus a further $3 million, making a total of $21,825,776.66.—A. Correct.

Q. Now, in the prepared balance sheet of September 14, 1946 there is a list there of inventories and work in process. How many of the North Star aircraft had actually been completed as of September 14, 1946, if any?—A. My recollection is that none had been completed to the delivery stage.

Q. So that the inventory in so far as it relates to work in process etc. relates to such part of the 44 North Stars as have been contracted for by the dominion government and were in course of construction?—A. Yes sir.

Q. And in the evidence already taken you have divided that into two figures, one figure being the figure that related to the actual aircraft in course of construction and the other to the general inventory which I assume would be the parts, the parts of various kinds that go into that construction. These two figures, just to get this in sequence—I think they are already on the record—what are they?—A. In respect of the first mentioned, $5,659,138.74.

Q. Yes.—A. That as you may recall were North Stars.

Q. Yes.—A. The second item is $3,886,821.10.

Q. And that is what you would call general inventory?—A. It is all inventory other than North Star.

Q. And then in regard to that inventory figure that included such things as aluminum for the construction of the aircraft, stamped parts and things of that kind?—A. Parts and raw materials.

Q. Yes, well now these aircraft generally described as North Stars are also described from the point of view of the negotiations and otherwise as the D.C. 4F, is that not so?—A. Yes.

Q. Yes, the D.C. 4F.—A. I think there are other designations, Mr. Chairman; D.C. 4M, D.C. 4F, D.C. 1M, D.C. 2 and so on.

Q. Yes, as changes were made it worked out to the D.C. 4M, which meant the D.C. 4 modified?—A. Yes.

Q. And for the reasons that we indicated by that name in itself a great many parts were parts that were interchangeable or would be similar to the parts made for the D.C. 4 in the United States, would they not?—A. I would think so but I have no technical knowledge of that.

Q. There is a reason why I would like to have someone answer that question. Mr. Gavsie, is there anything you know about that?—A. No, there is not.

Q. Is there anything you know about it Mr. Malley?

Mr. MALLEY: No.

By Mr. Drew:

Q. Now, in connection with the inventories of parts, you are aware I assume, Mr. Scully, that a considerable variety of inventory had been accumulated through purchases which were described as the Chicago and the Oklahoma purchases?—A. Yes sir.

Q. Will you describe just what was in that Chicago purchase?—A. I do not know I can describe it any more clearly than to say that it was a lot of component parts bought by the company some time during 1944 or 1945, or it may have been 1946.

Q. And those parts included various essential requirements of the D.C. 4, such as plates for the body and wings and other structures of the D.C. 4, did they not?—A. I do not know exactly what it included in the way of components. It did include some components and tools.

Q. And those components were used in the construction of the North Star, were they not?—A. Some of them.

Q. Well, when you say some of them, do you know of any that were not?—A. At the time the plant was taken over Canadair had a very large inventory of Chicago material which could not be used in the North Star.

Q. Have you any figures which would give a breaddown between components, parts and material which were actually incorporated in the construction of the North Star aircraft and which were not? Who could answer that question?—A. I doubt if that question could be answered.

Q. The next question—well, I can wait, I think it has some importance. You are aware of the source from which these parts were obtained, are you not?—A. I know they were purchased from the U.S. war surplus.

Q. That is right, they were bought as war surplus, and I think you will recall that they were bought at a certain price per pound rather than as fabricated parts?—A. No sir, not all of them.

Q. Can you indicate what was paid per pound for them?—A. No.

Q. Without going into the question further at the moment, let us take first the material and parts that were bought as war surplus from the U.S. war surplus organization in Chicago; do you know the price at which they were bought, do you know the cents per pound?—A. I don't know. I have been told but I am not sure and I would be just guessing, it was very small.

Q. I do not want to suggest a figure if you do not know it yourself.—A. No, I do not know the figure. I would just be guessing.

Q. Would you care to indicate what it might have been?—A. Somewhere around 10 cents per pound.

Q. You will be able to check up on that for us?—A. I am not sure of that. We are finding some difficulty in getting information of that kind for our own use.

Q. You see why I think that is interesting is so that we may have an opportunity to examine the nature of the inventory which was taken over and its original cost in view of the fact that actually a considerable part of the material that was used in the construction of the early North Stars was, as you have indicated, made up of parts that were bought from the war surplus organization in Chicago. I would like to have the figure at which they were bought. I know that you can obtain it. I think the figure you have indicated may be close but it is not exact. Now, Mr. Scully before I ask my next question I would just like to clear the record on this point so it will be understood. Canadair at that time was not a company which had any ownership interest, nothing but a managerial interest in the plant; that is, prior to September 14, 1946; it was simply an incorporated management company which gave operating management and its only interest was in plant management; that was the situation, wasn't it?—A. Yes.

Q. So that anything bought would be bought for a public enterprise. Can you tell us who made the actual purchase, who was the actual purchaser of the war surplus stock in Chicago, who bought it?—A. You mean as far as Canadair is concerned?

Q. It was Canadair which bought it?—A. Yes.

Q. So that the figure you are giving us is the figure at which Canadair secured these war surplus parts; what they owed the government; is that it?—A. What they paid for them.

Q. I want to be quite clear on that.—A. We were very clear about that too. It is a most important point and was at the time the negotiations were going on, and any parts sold to the government for any aircraft or spare parts were sold at cost.

Q. Well, in a case of that kind what steps would you have to take to examine a procedure of that kind? Would Mr. Franklin of Canadair produce for your examination the sale slips from the war surplus organization in Chicago or anything?—A. We had our cost accountants right there in the plant during the period of its operation.

Q. The reason I am asking this, Mr. Scully, is that you are doubtless aware from examination of the Canadair accounts that although it was only a management company its operating record shows that it was making a profit on certain transactions it was carrying out. Here we have a company which is strictly a management corporation with a purely nominal capital structure of $10,000, yet they are in a position to make a profit from transactions other than management of the amount of that claim. Do you know of the arrangement under which that was done?—A. I do not think the management made any profits.

Q. Did you see their balance sheets during the time they were under this management contract?—A. They were entitled to a fee from the crown for management purposes and that was waived.

Q. That was what?—A. That was waived.

Q. At what time?

Mr. GAVSIE: The agreement provided—if you will look at the letter of January 20, 1947, which forms a part of the documents which were tabled and are going to be printed as an appendix, if you will refer to the second paragraph of the letter of January 20, 1947, you will see that it reads as follows:

> 2. The agreement of November 11, 1944, as amended May 1, 1945, between His Majesty and Canadair Limited, shall be deemed to have been terminated as of September 14, 1946, in all respects except in respect of the production of the 44 aircraft and spare parts referred to in paragraph 5 hereof. The provisions of the said agreement relating to the payment of fees or profits to Canadair Limited shall be deemed to be cancelled *ab initio* and Canadair Limited shall not have any claim or right to fees or profits whatsoever for the period up to September 14, 1946.

Mr. DREW: Well, I have before me, for instance, a statement issued to the directors of Canadair under date of the 15th of May, 1946, showing the balance sheet as of the 31st of October, 1945, and giving a statement of profits on the operations from the 1st of November, 1944, to the 31st of October, 1945; and, remembering that this is simply a management company and capitalized at a purely nominal amount of $10,000, there is shown there a profit in respect to their administration amounting to $712,723.94.

Mr. GAVSIE: That is one of the items that during the course of these negotiations the company agreed to give up claim to. These provisions were terminated *ab initio*. That is one of the considerations which appears in the agreement.

Mr. DREW: Yes, but quite apart from what they may have agreed to give up—here you have this balance sheet of Canadair showing a profit for that year of their operations amounting to $712,723.94, despite the fact that this was purely a managerial company, managing the business on behalf of the government after it was taken over from Vickers Limited.

Mr. GAVSIE: There is also the stipulation which appears in paragraph 1 of a letter to which I just referred which reads as follows:

> 1. I understand that your corporation has arranged to acquire substantially all the capital stock of Canadair Limited and will retain ownership of at least 90 per cent of such stock. Your corporation has agreed to provide Canadair Limited with $2 million working capital forthwith. If such working capital or any part thereof is advanced to Canadair Limited by way of loan it shall be an express condition of such loan that the repayment thereof to your corporation shall not be made unless and until the amounts herein provided to be paid to His Majesty have been paid in full.

Mr. DREW: That is perfectly so. What I am pointing out is that this was a statement that was made in relation to the actual operations of this mangement company which was a company that was operating a government-owned plant. Canadair didn't own the plant, the government owned the plant and it was just as though the government had engaged William Smith to be manager; instead of engaging Mr. Franklin as manager they arranged to have a company incorporated for a nominal capital of $10,000, 10,000 shares, and it was strictly a management company in the form of a corporation instead of an individual. What I am talking about is the arrangement by which such a management corporation as this could accumulate profits to the extent of $712,723.94.

Mr. GAVSIE: If that was so, very simply it would be the contract of November 11, 1944, that is referred to there. Under the terms of the agreement in 1947 the company agreed to wipe out all profits to which it was entitled under that earlier contract.

Mr. DREW: You are referring now to the contract of 1946?

Mr. GAVSIE: No, I am talking about the agreement of 1944.

Mr. DREW: Yes.

Mr. GAVSIE: Which was the agreement that Canadair made at the time it commenced to be the manager of the plant you were describing; that that agreement provided for the payment of the profit, and by the agreement made in 1947, that is one of the conditions, one of the terms of that agreement made at that time, that Canadair for Electric Boat which at that time had effective control, agreed to forego and waive *ab initio* any claim to fees or profits for all the work that Canadair had done from November of 1944 up to this date in 1946.

Mr. DREW: Yes, that is right, when it applies to 1946, to the time when this admitted waiver took place. What I am pointing out is that in their opinion, as expressed in this audited statement here, in accounts receivable were shown as profits due from the Dominion government in respect of contracts administered by the company up to that date, and that covers the period from November 11, 1944, to the 31st of October, 1945; and what I am asking is what contracts there would be in addition to the ordinary management arrangement which could reap that total, because from the figures here it is apparent that Mr. Franklin was paid $20,518.07 during that same period, so that he was paid for his services in a managerial capacity; so, what were the contract administered by Canadair in respect of which profits of $712,723.94 were claimed.

The WITNESS: I do not think there was any such profit. There were many contracts other than the contracts between Canadair and the crown. That was

set out in the papers that were tabled in the House and showed the contracts for the conversion of the Dakotas and of the D.C. 3's.

By Mr. Drew:

Q. Now, Mr. Scully, may I remind you again that these are not profits due from outsiders, these are profits due from the Dominion government in respect of a contract administered by the company as agent. What I am saying to you is: what were these contracts in respect to which the Dominion government owed $712,000 over and above the ordinary management obligations in connection with Crown property at Cartierville?—A. I do not know.

Q. Can you get that information?—A. No, I cannot. I do not think that government officials should be expected to explain the financial statements of private companies prepared by their own auditors.

Q. This is an obligation of the Dominion government?—A. That is what they say.

Q. Very well. Mr. Chairman, in that case since this comes up, and since the officials dealing with this point of view of the Dominion government say this is only their statement, obviously we have to go to the other end. Therefore, I would ask that Mr. B. W. Franklin be brought here as a witness to explain the details of this statement.

Mr. CROLL: Details of his own company's statement?

Mr. DREW: The statement which sets out the profits made by this company upon contracts administered for the Dominion by the management company set up by them for the purpose of administering this property at Cartierville.

Mr. CROLL: What Mr. Drew is asking for is the calling of a witness of a private corporation in whose statement appears a notation that the government owed them that sum of money. What has that to do with us?

Mr. DREW: I do not think it was a private corporation at that time, was it?

Mr. CROLL: It must have been.

The CHAIRMAN: We can find that out when we get the officials from the State Department.

Mr. GAVSIE: I think the shares were owned by individuals, and that the government was not interested in the corporation as such. Technically I think it may have been a private corporation, but we do not know.

Mr. DREW: But you do know that the Canadair Company was set up under an arrangement with the Dominion government in a special form in 1944 for the purpose of continuing the management of Crown property which up to that date had been managed by Vickers Limited, and that the arrangements which were made were all tied in with the incorporation of this very special company which had, I think, the smallest capital I have ever seen except in the case of a non-profit company—ten thousand shares with a nominal value of $10,000.

Mr. GAVSIE: That is not a statement of the situation as I understand it. For instance, during the war the General Electric Company operated a plant on behalf of the government. I think the name was Genelco. It was in Peterboro. That company was set up by the General Electric Company. It had nominal share holdings and it operated in exactly the same way as Canadair did. There were other instances of it.

The CHAIRMAN: In connection with Polymer, were there any American companies incorporated on that basis?

Mr. GAVSIE: Yes; there were several operating companies. I have forgotten the names of them at the moment; but they had management fee arrangements.

They were all regarded as privately owned companies and the government was not interested in the corporate structure of those particular companies and in the shareholdings of those companies.

The CHAIRMAN: I know that Dow came in and incorporated a small company for management purposes because they had the rights to the patents; and that came out during the investigation of the War Expenditures Committee.

Mr. GAVSIE: That is right.

Mr. DREW: The situation is not parallel. What you describe was a situation which was quite common. That was where existing corporations were doing wartime work.

The CHAIRMAN: Management!

Mr. DREW: Management work, and they incorporated—mark you, I say "they"—they incorporated special companies. In this particular case you have referred to Genelco which was a management company specially created by the General Electric Company. That was an entirely different thing. Canadair was not created by anyone.

Mr. GAVSIE: Oh, yes.

Mr. DREW: Canadair was not created by anyone except the man who was carried forward in a management capacity, Mr. B. W. Franklin, the General Manager of this same government-owned property prior to the time that Vickers Limited ceased to exercise management control, and he was in a management position as an individual.

Mr. GAVSIE: On behalf of Vickers.

Mr. DREW: And at the time the Dominion government made arrangement to transfer management from Canadian Vickers Limited, Mr. Franklin remained as manager. But instead of being continued under a personal management contract in order to give some name to this physical entity—

The CHAIRMAN: That is your interpretation, Mr. Drew. Why not ask the witness who was there to give his own statement?

Mr. DREW: All right. I shall leave that part out. At that time instead of giving the management contract to Mr. Franklin, Mr. Franklin incorporated this management company which was known as Canadair with a stated capital of $10,000, with ten thousand shares; and the management contract then was continued with the same man, Mr. Franklin, through this corporate entity. That was the situation. So it is not in any way parallel to the Genelco situation.

Mr. GAVSIE: It is parallel in the sense that Mr. Franklin, as you say, caused Canadair Limited to be incorporated. He or his nominees or others owned the shares. The government had no shares or interest in Canadair as a corporate entity. The government made a contract with Canadair Limited, a corporate entity, to manage this plant.

Mr. CROLL: Was it a Dominion or a Provincial incorporation?

Mr. DREW: A Dominion.

By Mr. Larsen:

Q. Who supplied the working capital to pay for these parts which in turn were transferred to TCA? Did the government?—A. Yes.

Q. Is Mr. Drew satisfied that this $700,000 odd was never paid to these people?

Mr. DREW: This is a statement of profits shown as from the 11th of November 1944 to the 31st October, 1945, and either this statement is absolutely inaccurate or there is a government department which can explain what the contracts were

in respect to which the dominion government was obligated to Canadair to pay them $712,000 in profits on contracts administered by them other than the management contract for Canadair?

The WITNESS: There was no profit or fee of any kind paid by the government to Canadair up to 14th September 1946 regardless of what the company's statement purports to say.

Mr. DREW: This is a statement of the company that was operating as the manager of this plant which, according to this statement here, cost over $20 million.

The CHAIRMAN: What is the date of the statement which you are reading?

By Mr. Drew:

Q. This particular one is a statement covering the period from the 11th of November 1944 to the 31st of October 1945. Perhaps for the purpose of clearing the record on that point, can you say whether the 11th of November 1944 was the date on which Canadair began its management operations?—A. I can. The 11th of November.

Q. Because yesterday we did not have the exact date. So the 11th of November 1944 was the date on which Canadair began its management of the Crown property at Cartierville?

Mr. MAJOR: With respect to the amount stated, was it a payment due to, or a claim by Canadair? I would like to be clear on that.

Mr. DREW: I shall read it again. All I was trying to do was to interpret an audited statement.

The CHAIRMAN: It is a private company. Nobody connected with the government issued that report. It is a report of a private company, a management company or an owning company, but it is a private company.

Mr. LARSON: There is nothing to stop them from doing business for the government and claiming that the government owed them a certain sum. I think the whole point is this: did the government ever pay them?

Mr. DREW: Mr. Chairman, I submit that is not the whole point. The point is that either this statement is correct or it is not correct. Let us not pretend that this is some distant unknown company that was particularly incorporated for the purpose of providing corporate management in which Mr. Franklin was still the man in charge, instead of having Mr. Franklin as an individual managing the plant as he had done while Vickers was in nominal charge.

The CHAIRMAN: For which we were no more responsible than we were for Vicker's management. If Mr. Victor Drury or anybody else had made a mistake, the government would not be responsible for a statement like that. Now it is another private company.

Mr. DREW: I was trying to reply in answer to a question asked by Mr. Major. I simply read out what it is. This is an audited statement of Canadair as to the period covering the 11th of November 1944 to the 31st of October, 1945; and in that statement appears "accounts receivable the Dominion Government"; and then the statement follows: "Profits due from the Dominion Government in respect of contracts administered by the company as agents". And I am pointing out that what I have asked is: what were those contracts with the Dominion government? It seems to me that it is a simple, clear and very pertinent question.

Mr. MAJOR: Does it say what the accounts receivable were?

Mr. DREW: $712,723.94.

The CHAIRMAN: We have had the contracts supplied. They are on record now. They speak for themselves. If the official contracts do not mention it, then the statement is a free statement.

Mr. DREW: If they do not mention it, and if this statement is not correct, then Canadair was making profits it was not entitled to. Either these were management arrangements covered by the contract or they were not; and if they were not, then Canadair had no right to receive it.

The CHAIRMAN: Have we evidence that they received it? Why not ask the officials?

Mr. DREW: I have asked the official and it was because the official said that he could not say that I moved that Mr. B. W. Franklin who is available should be called to give evidence in regard to this statement.

Mr. FULFORD: Mr. Chairman, I think it has been pointed out that they did not get any of that money. Mr. Franklin was simply a Canadair officer. He was not a government employee.

The CHAIRMAN: The bell is now ringing so we shall have to adjourn. We shall carry on at 11.30.

On resuming—

Mr. DREW: Mr. Chairman, I just came up from the House. We have not reached orders of the day yet and I think you will find from the record that the committee was not to resume until after orders of the day had been reached. It was definitely understood that the committee would not resume until after orders of the day had been disposed of.

The CHAIRMAN: As soon as we have enough members we can start.

Mr. DREW: This committee was adjourned on my motion until after orders of the day.

The CHAIRMAN: Any time we have sufficient members we can resume our sitting.

Mr. DREW: Yes, Mr. Chairman, but my motion was that the committee would not meet until after orders of the day had been disposed of. I do not see how anybody could possibly be expected to be here, and at the close of our sitting yesterday it was understood that we would not sit until 12 o'clock.

The CHAIRMAN: I shall wait the usual fifteen minutes and then if we have not a quorum we will adjourn. When the committee rose it was understood that we would resume at 11:30, so we will sit here until a quarter to twelve and if we do not get a quorum by that time we will adjourn. That is the rule usually followed, to wait fifteen minutes for a quorum.

Mr. DREW: May I ask that the record of my remarks at adjournment be read back. Have we a quorum now?

The CHAIRMAN: Yes, there is a sufficient number of members here. Order, gentlemen.

At your request, Mr. Drew, I will ask the reporter to read the last part of the evidence pertaining to the point you raised.

Mr. DREW: That would be in the very last part of it, the reference to my motion at adjournment. That would be at the very end.

The CHAIRMAN: The reporter who took that part of the record is not present at the moment. We will have him called to read what you ask for. In the meantime, are there any further questions for these witnesses?

Mr. DREW: I have made a motion, Mr. Chairman, that Mr. B. W. Franklin be called and I had started to explain why I thought that the motion should be supported by this committee. There can be no question whatever about the authority of the committee under the terms of its reference being such that it has power to call anyone and to call for the production of such papers and records as may be required. In this particular case the point arises in relation to one item but is in no way limited to that item. Now, the reason for suggesting

the appropriateness of calling Mr. Franklin as a witness is that the property we are discussing is an item in the public accounts; is not a property owned by Canadair at the time in question; is a property owned by the people of Canada in the name of the crown, and that property had been placed in position for the production of aircraft entirely at the expense of the people of this country. It had been operated first under a management contract with Vickers Limited and then as of November 11th, 1944 for reasons that were read into the record by Mr. Gavsie yesterday and which can be summarized as being that in view of its commitments under the shipping program by Vickers Limited it was considered advisable that they should cease to exercise the management responsibility and it was decided to transfer management to new hands. During the latter part of the time that Vickers Limited had been in the position of management in relation to this property of the crown at Cartierville, Mr. Franklin being the man actually doing the managing, he was continued in that position and instead of merely placing Mr. Franklin in charge of the property—it was not done in the form of a crown corporation like Polymer or any corporation of that kind simply owned by the government—a management company was formed so that there could be a corporation. The arrangement was that a company was incorporated under a company named Canadair Limited with a director and nominal share capital. In view of the fact that it owned nothing in connection with the plant, it was simply a body corporate created for purposes of management and it continued in the management of the plant until the crown property was sold to the Electric Boat Company under terms completed in March of 1947 but with an effective date as of September 14, 1946. Coincident with the sale by the government of that plant for $4 million there was an arrangement which forms part of the general transaction approved by the government under which the Canadair Company passes into the control of the Electric Boat Company and the Electric Boat Company in turn gave them the management responsibility of the plant they had, but at that point both the ownership of the property and the ownership of the management company itself passed to the Electric Boat Company under arrangements which were fully approved by the documents which have been placed on the record by Mr. Gavsie. I review this picture in this way for the reason that Canadair was not some remote company newly come into the deal, Canadair was a company which was part of a general sequence of management arrangements approved by the government and later brought about by the government, and therefore the activities of Canadair are matters of very direct concern to this committee in dealing with this item and various items related to it in the public accounts. One of the entries referred to in the discussion this morning is an entry in what I assume responsibility for saying is an audited statement presented to the shareholders of the affairs of Canadair.

The CHAIRMAN: Would you mind giving us, I mean the committee, the date on which this statement was made public? I think you said that this amount of estimated profits of $700,000 odd was for the year 1944/45. What is the date of the report itself?

Mr. DREW: I will get that information for you. This was a statement sent to all the shareholders, or rather to the directors of Canadair Limited, Montreal, Quebec, by Haskell, Elderkin & Company, chartered accountants, Royal Bank Building, Montreal, on the 13th of May, 1946.

Mr. CRUICKSHANK: Who were the directors?

Mr. CROLL: Now, just a minute, George; the chairman has asked the date on which the statement was published. I don't think you have answered that, Mr. Drew.

Mr. DREW: This was made public to the extent that it was published to the directors as of that time.

The CHAIRMAN: It has never been a public document, the company never issued that as a financial statement?

Mr. DREW: This was not.

The CHAIRMAN: What I am getting at is, it was never published.

Mr. DREW: This is not a company whose shares were being traded in on the exchange.

The CHAIRMAN: So it is just a private document to a private company.

Mr. DREW: It is a private document to an incorporated company.

The CHAIRMAN: But that was a private company.

Mr. DREW: I am not prepared to say that it was a private company.

The CHAIRMAN: While it may have been operating a government owned plant it was just the same a private company.

Mr. DREW: But, Mr. Chairman, it was a company that was organized with the knowledge of and was part of the general transactions with the government. As Mr. Gavsie has told us, it was organized for one purpose and one purpose alone and that was to exercise management authority over the crown property at Cartierville.

The CHAIRMAN: But the crown had nothing to say in connection with the company in the way of control of shares or management of that particular company. If the government had any shares in that company I would like to know it.

Mr. DREW: Mr. Chairman, lets not start playing with words.

The CHAIRMAN: I am not the one doing that.

Mr. DREW: The government was not putting the management of a property that had cost approximately $22 million under the management of a company about which it knew nothing; of course it knew, and of course it knew perfectly well at the time it placed the management in the hands of Canadair on November 11, 1944 who the company was, otherwise it would have been remiss in its responsibilities.

The CHAIRMAN: Of course they knew, but at the same time this was still a private company and this is a statement which was issued to the directors of that private company as of the 15th of May, 1946.

Mr. CRUICKSHANK: It was a private company so what about it.

Mr. DREW: I was, of course, asking a question, and if the question is not to be answered, that is quite satisfactory to me. The principal reason why I suggested the calling of Mr. Franklin was because this was a company in which Franklin was related, the individual concerned with the corporate arrangement, and I think that Mr. Franklin should be here. For these reasons I am now speaking to my motion before the committee. Mr. Scully has indicated quite clearly that he knows something of the intimate details of this whole transaction. He knows all about the inventory, and I think we should know what part of the inventory was not manufactured and made up at Cartierville and what part of the inventory acquired from war assests in Chicago was manufactured parts.

Mr. MAJOR: Mr. Chairman, I would point out that there is a motion before the committee. I think Mr. Drew had made a motion that we call this man.

The CHAIRMAN: Yes, a motion was made that we call him as a witness.

Mr. DREW: Yes, I made the motion, Mr. Major. The situation is this: we are dealing here with property that is crown property that enters into these public accounts. We are not dealing with some remote private company. Canadair did not own this property at the time it was covered by the public accounts.

Mr. CROLL: You are dealing now with war assets that were entered in the public accounts?

Mr. DREW: We are dealing now with transactions that should be understood in connection with this whole matter. Now, the inventory to which I referred was made up in part, and I suggest in very considerable part, of material in actual fabricated form and had been acquired at Chicago from the United States War Surplus Commission.

The CHAIRMAN: I am sorry to interrupt, just a moment. In order to clear the matter up the inventory which you referred to—was that the figure shown in the assets of the company at $18 million?

Mr. CROLL: I think it was $1,790,000.

Mr. DREW: No, $3 million.

The CHAIRMAN: I mean, that is a matter of considerable importance.

Mr. DREW: Mr. Scully gave us that.

The CHAIRMAN: That is all I wanted to know, and that inventory we are speaking about related to 1945.

Mr. DREW: That is the figure, $3,886,821.10, which was given to us this morning by Mr. Scully; but of course I would point out that in relation to the whole transaction there was a considerable part of the material in the North Star partially completed items which were placed at a figure of $5,859,138.74 on which some of the parts to which I have referred might have been used. Now, what I am pointing out is this, that these fabricated parts were not aluminum in bulk, were not metal in bulk of any kind, they were fabricated wing structures, they were fabricated body structures, and, according to Mr. Scully, they were acquired from the United States war assets organization.

The CHAIRMAN: Just a moment, please, excuse me; how would that materially alter the situation or justify the calling of Mr. Franklin? I am trying to relate your request to the facts.

Mr. DREW: I am speaking to the motion, if you will just let me follow through.

The CHAIRMAN: That is what I have been doing for a long time.

Mr. DREW: And I may be some little time longer. We are dealing with a matter of $20 million out of the $24 million of unpaid accounts at the time it was transferred to War Assets. The point I am trying to make is this, that these were not purchased at the ordinary retail price, not as pieces or parts or anything of that kind; but, as Mr. Scully has pointed out to the committee, they were obtained in one lot at a price per pound which he thinks was in the close vicinity of 10 cents per pound. Now, there is no one here who has any knowledge at all, and it is common knowledge that the price of 10 cents per pound is only an infinitely small fraction of what the cost of these pieces would be from the point of view of an ordinary industrial process; and, of course, one is naturally interested in the disposal of war assets, and I have asked what the arrangements were under which this was bought. I have referred to the item in the statement presented to the directors where a profit of $712,000 is shown as payable from the dominion government in relation to the contract. And one thing I want to know is whether in addition to the fee earned, the management company, Canadair—which was really Mr. Franklin in corporate form—the company was making some deal in connection with this; and whether Mr. Franklin bought this material at 10 cents a pound in Chicago, or whether he bought it at a lower figure and resold it at a profit to Canadair.

Mr. CROLL: On that point, Mr. Scully very positively said there was no increase, it was sold at cost.

Mr. DREW: Mr. Scully, do you say that from your own knowledge the price paid—and listen to my question carefully—do you say from your own knowledge that the price paid to the United States War Assets Corporation in Chicago

was the exact price charged to the Canadian government for that war surplus, for these war surplus parts of D.C. 4's which were brought to Cartierville?

The WITNESS: Yes.

Mr. DREW: You know that from your own knowledge? You can from your own knowledge give us the exact payment per pound paid for this material?

The WITNESS: I can get that for you.

Mr. DREW: Yes, you can get it, because if you know the one you would know the other.

The CHAIRMAN: I would like to point out that these gentlemen have said that many of these documents are stored away and they have been trying since yesterday to get documents and data going back to 1944.

The WITNESS: I wonder if Mr. Drew would permit me to add something on this point which might help clear up the question he raised. At the time, this was the 11th of November, 1944, there were in process at this plant large orders from the United States government, from the Canadian Air Force and from Consolidated Vultee for P.B.Y.'s, and for P.B.Y. components that were built into them. This is the work they were doing. The contracts were carried on up until I think it was August of 1945, and Canadair as manager of the plant was entitled under the terms of its contract to a profit, in common with other management companies, or the same as any other company that worked for the government that way. Under the arrangement the company was required to compute what it believed its profits to be, but those profits were never determined until a cost audit had been completed. Our investigations started in September, 1946, and negotiations were completed to wind up as of September 14, 1946, and at that time the company waived its rights to management fee or profit arising out of such contracts, regardless of whether they had done any work under such an agreement prior to that date, or of the date when they earned the fee. I cannot see anything very seriously wrong with the fact that the company could compute at one point of its program its estimate of what it was entitled to and that the government would have no record on the other hand of what the company might be entitled to.

Mr. DREW: I am just trying to get the facts, but when you talk about Canadair waiving their claims to certain profits, there are good reasons why they might waive their claim. This is a company which was formed with a nominal capital of $10,000 and when these negotiations began the Electric Boat Company, prior to the time this deal was completed, exercised its option and issued supplementary letters patent increasing the shares of Canadair, the management company, from 10,000 shares to 2 million shares; and the Electric Boat Company paid a very substantial figure for those shares; and naturally they had every reason to waive such profits because this was all part of one transaction. Do you know what the Electric Boat Company did pay for the shares of Canadair?

Then, if you do not, you see, you do not know the balancing figure which was a very substantial figure as announced in the press; it would have a very important bearing on what they were prepared to waive. Can you tell me this: this is a new angle; Canadair instead of a single man was managing Crown property, of which every stick and pencil was owned by the government. This corporation was Mr. Franklin. Do you mean to say that that man, as manager, was in a position where he or his corporate entity could make profits out of contracts that were made for the rehabilitation or reconstruction of P.B.Y's or Catalinas, and other ships of that kind?

The CHAIRMAN: The same as Vickers would have done, when they were managing the property.

By Mr. Drew:

Q. No, no. All the contracts have been produced, the contracts between Canadair and the American principals who made the arrangements for the rehabilitation of these aircraft.—A. Contracts between Canadair and the government.

Q. So you say that this manager who, according to these figures, was receiving something in the neighbourhood of $20,000 a year was, in addition to that, out of property entirely owned by the government, in a position to make a profit on any arrangements he made for the rehabilitation of aircraft for the United States or for other governments, or for private individuals.

The CHAIRMAN: His company, not himself; Canadair Limited.

By Mr. Drew:

Q. That is right, this company with $10,000 capital. But remember that every piece of that property was owned by the Canadian government. They did not own anything. Yet you tell me that that management company was is a position where, with the property of the Canadian people, given a book value at that time of $22 million, they were able to make a profit on things which they repaired for other people in that time?—A. The contracts show that very clearly.

Q. Do you know what the profits were? So that the situation is this: that the government made a contract arrangement to put a man in charge of the plant with a book value in the public accounts of $22 million, and let him go ahead and make these details with outside people, without any knowledge of what profits he made?—A. The profits to which this company would be entitled could not be computed until the cost data were completed. When the arrangement was made to dispose of the plant the company agreed to waive its right to profits, and it became unnecessary to compute what the profits were which they would have been entitled to.

Q. Those were all parts of the transaction. We are dealing now of course with only what the net charges were. The figure I mentioned of $722,000 does not relate to one cent of profit in any contracts with any of these outside people. That is a claim for work done for the Canadian government.?

By Mr. Croll:

Q. Let me see if I can clarify it. When the United States government wanted work done during the war, how did it go about it?—A. They placed orders through the Canadian government.

Q. You say they placed orders through the Canadian government. I see. So the sum which Mr. Drew had reference to may well represent a claim against the American government for profits or for certain profits due to them for work done by them?—A. If it includes any profits in respect to the American contract, yes.

Q. You say it may include them?—A. I do not know what it does include.

Q. I appreciate that. Let us make clear for the committee's consideration the fact that any contract given to Canadair came through one or other of the governmental sources?—A. Yes.

Q. And the United States placed its orders through the Canadian government?—A. There was a Canadian crown company in Washington for the purpose of processing these things.

By Mr. Drew:

Q. For whom are the processing the DC-3's.—A. I was referring to the P.B.Y's.

Q. You referred to a number of aircraft.—A. No, excuse me. I referred to the contracts in process at the 11th of November 1944 for P.B.Y's and parts of P.B.Y's being made for the American government and the R.C.A.F. and Consolidated Vultee.

Q. There were other contracts in addition. I think you stated that one of the things which increased their business was the fact that as a result of the Berlin airlift, it became necessary to rehabilitate a large number of machines, and this brought them a very profitable business.—A. That was after arrangements had been made and the plant was disposed of on lease. All the contracts were tabled in the House.

Q. These contracts for the rehabilitation of machines were not tabled in the House.—A. I think they were, not the contracts themselves, but the list of the rehabilitations.

Q. It gives a summary of the machines dealt with but it does not give a word of the contract. It just says so many P.B.Y's or machines of other types, and when we come to DC-3's being rehabilitated you are aware I have no doubt that in that case the company was not using new material to a great extent which it had fabricated, but that it was using things acquired through the Oklahoma purchase.—A. Yes.

Q. Could you give us some details?—A. I am afraid I cannot say anything more about it than I had to say about the Chicago purchase. It was of the same character, a bulk purchase at a bulk price of surplus material owned by the United States Assets Corporation.

Q. Please correct me if I am wrong, but it is correct, is it not, that the Canadian government purchased through agents, whoever they were, war surplus parts of DC-3's at the Oklahoma branch of the United States War Surplus organization. Is that right?—A. Yes.

Q. And those parts were such things as wing structures, general body structures, and so on, incidental struts and other pieces that go into the construction of DC-3's; and they were fabricated in the form of aluminum as is the ordinary case?—A. I would think so.

Q. You know they were in fabricated form?—A. They were parts.

Q. They were not bought as they would be bought from the Douglas Company at so much per part. Rather, they were bought by weight?—A. I think so.

Q. But do you not know?—A. I am not positive of the Oklahoma purchase, but I think it was a somewhat similar arrangement.

Q. You can check up on it, can you not?—A. Yes.

Q. Do you remember the price per pound paid for these parts in the Oklahoma purchase?—A. I think it was the same as the other, but I would have to check both of them.

Q. You have had enough contact with this to know, Mr. Scully. Take for instance a wing structure, an aluminum brace wing structure. If that structure were bought at 10 cents a pound, it would only be an infinitesimally small fraction of the cost of that wing structure if fabricated as part of an internal industrial proposition, or if bought direct from the plant manufacturing or assembling it. It would be a very small fraction?—A. Yes.

Q. And those were parts going into the construction, substantially in the case of the Chicago purchase of the DC-4's or the North Stars. That is right? —A. I would not say "substantially" in case of the North Stars.

Q. Are you in a position to determine to what extent?—A. No.

Q. Who could give you that information?—A. I do not think that information could be got. I do not know who could give it.

Q. It has a very direct bearing on it because if, for instance, up to a certain point all the structural material of the DC-4-M's or North Stars was made up of parts bought at 10 cents a pound as war surplus in the United States, then the cost of that aircraft would be only a very very small fraction of the cost of an aircraft fabricated within the plant with the ordinary procedures, or

through purchase of fabricated parts from the parent plant. Is not that so? —A. I am not enough of an engineer to answer your question. I would think that the designation of the DC-4-M's would indicate that a large part of the structural parts could not be used. I think the DC-4-M was a modified form of DC-4 and that it had an entirely different wing structure.

Q. To the extent there were certain changes in the forward structure to accommodate the Merlin engine instead of the Pratt and Whitney.—A. It was a different wing. It had to be to take the Rolls engine.

Q. If you have visited the plant you have seen those wing segments fabricated for that purpose.—A. Some of them, yes.

Q. It is not a case of being an engineer. You have quite frankly and very properly stated that wing structures and other parts of that kind bought from War Surplus at 10 cents a pound would cost only an infinitesimally small fraction of what those same things would have cost if bought from Douglas, or fabricated in the plant by ordinary industrial process. I think you stated that quite clearly.—A. I think so.

Q. All I point out is that for that very reason, inasmuch as those war surplus parts were employed in the construction of the DC-4-M's to the extent that those parts were included, they would only be a fraction of the cost of parts put in in the ordinary industrial process.—A. I think so.

Mr. ASHBOURNE: Would it not depend on the amount of cheap parts used in the construction of the aircraft? If you bought so much scrap at a cheap price, that does not mean to say that all that scrap would go into the airplane. And if you had to use higher priced stuff, it would serve to put up the price of the plane.

By Mr. Drew:

Q. I want to know exactly how much was bought in the Oklahoma purchase and how much was bought in the Chicago purchase. The break-down should be a very simple thing, giving so many wing structures, and so many parts of various kinds. Could you not obtain that from your records?—A. I doubt it. I doubt it very much.

Q. Then how could your cost accountants check the cost of this material as government property?—A. All this happened over six years ago.

Q. Yes, but accounts are kept for six years.—A. I do not know. You are talking about records of the plant. I do not know whether or not those records are available. If they are there, they are. But if they are not, they are not.

Q. It was a government operation, not a private operation. Canadair did not own this property.

The CHAIRMAN: Canadair at the time was owned by private interests.

Mr. DREW: I repeat, Canadair did not own this property. This work was being done in government property and the government was paying for these aircraft. The cost of the aircraft can only be determined by knowing what was paid for the parts which went into them. I am perfectly certain that the books would not have been destroyed or removed from ready access within a period of five years. We are not talking of six years. This whole program only got under way on November 11, 1944. You do not suggest really that these books of government transactions would not be fully available.—A. I do not know.

Q. Would you find out?—A. I shall be glad to. I would like to say, however, that these purchases were bulk purchases. You suggest there may be a list of hundreds of thousands of items bought by the carload. I doubt very much if such a list ever existed or if it exists now.

Q. I have sufficient confidence in the accountants of the Civil Service to be perfectly certain that they insisted upon sorting those things. In fact, I saw them actually in different groups. And I do not believe for one moment that there was not a list of them because how would anybody know what parts were available to complete an aircraft unless they did sort them?

By Mr. Croll:

Q. That is not what Mr. Scully said, as I understood it. And what Mr. Drew has said about seeing them sorted would be quite right. At the same time, they would have to know what they had. You said that both the Chicago and the Oklahoma deals were bulk purchases in the same manner as we sold war assets, on a take it or leave it basis. There it is.—A. That is right.

Q. Sometimes you take it at a profit and sometimes you take it and suffer a loss.

Q. And there was a considerable amount of it.—A. Carloads of it.

Q. Carloads of it; and what you said was that the items were not identified, but were taken in bulk. Mr. Drew suggests that theye were identified at a later date. That may be quite right.—A. I do not know about that.

Q. Have you ever seen the books of Canadair?—A. No, sir.

Q. And during the time that Canadair was operating, did you have a man in there to ascertain for your purposes the cost of aircraft to you?—A. Yes.

Q. I have one more question. If I had come along at that time, or any one, and offered a contract to Canadair for aircraft of any kind, a contract to improve them or assemble them, would they have been in a position to take it?—A. I am not sure.

Q. I am given to understand that they were limited to taking governmental jobs.

Mr. GAVSIE: No. They could take outside work. That was all part of the operation of the plant; and they were entitled to a reasonable fee for the work that they did. All of this was to be determined. Now, the profits on the sales were part of the operation and were all accounted for; and when the time came to determine what part of the profits of the operation the company was entitled to, the agreement was that the company waive its rights to any profits that it was entitled to notwithstanding the fact that in 1944 when they went in as managers, and the agreement was made, it was stated that they would be entitled to a fair and reasonable profit for the work they did.

Mr. DREW: Have you got a copy of the management contract between Canadair and the government?

Mr. GAVSIE: Yes.

Mr. DREW: Would you please supply a copy for the record? I suggest that it be entered at this point, and Mr. Gavsie can bring it up on the next occasion.

See Appendix "A"

Mr. MAJOR: When bulk purchases were made, I take it that in those purchases there would be material which would be useful as well as material which would not be useful.

Mr. DREW: This naturally grew out of certain things which followed by remarks in regard to my motion. I would point out that since Mr. Scully is not in a position to say what was purchased, that it indicates all the more why Mr. Franklin is the man who can give information on the point because this information goes right up to the most recent transaction. One of the items handed over was some $3 million odd of general inventory which includes some part, whatever it was, of those things that were bought either in the Chicago or in the Oklahoma purchase or both; also North Stars in the course of construction, which, by the evidence given, would clearly incorporate as well some of these parts. That being so, and in view of the fact that this transaction was a transaction relating to future construction by a new company, the Electric Boat Company, through its agency, with the Canadian government, I think it is important to know exactly what this inventory was. I think we should know how much went into these 44 aircraft contracted for and how much went into the actual material bought as war surplus and which was not material made

in the plant at all. It has a bearing on the price; and when you take that price of $660,000 it is important to know how much of what went into that was from material bought at 10 cents a pound, a ridiculously low figure. I am satisfied that the committee should have information as to what the inventory was that made up these two figures because it certainly must have been reduced to some exact form. If they handed it over to the Electric Boat Company you can depend upon it that an inventory was taken and on an exact basis when these figures were entered. And I think it is quite clear that the only man who can give us that information is Mr. Franklin. He is available, and I have moved that he be called before this committee with all the records which relate to the aircraft and to the matters we have under discussion in this transaction.

The CHAIRMAN: Are you through with your statement, Mr. Drew?

Mr. DREW: Yes.

The CHAIRMAN: Does any other member of the committee wish to speak to Mr. Drew's motion?

By Mr. Prudham:

Q. Could we have the dates of those bulk purchases, the Chicago and the Oklahoma purchases?—A. I have not got them here, but I could get them.

Mr. CROLL: I think we have to review the situation in order to get some things in mind other than what Mr. Drew has in mind. What seems to be concerning Mr. Drew is the fact that bulk purchases were made at what we might term a real bargain. Everyone agrees. He may suspect—I do not know whether or not he does—that there was some hoisting of the price in between the time it was sold by the United States War Surplus and the time it reached Canadair. I do not know anything about that. In any event, what we find here is that Mr. Drew has an audited statement undoubtedly given to him by one of the directors of Canadair some time about the 15th of May or thereabouts in 1946. It has nothing at all to do with us. It is a statement by a private corporation to which Mr. Drew has a perfect right, but it has nothing to do with the witness, and it has nothing to do with the government. The company may have had some dealings with the government but there are thousands of companies which have dealings with the government about whose financial statements we have no concern at all and we should not even be troubled with them under any circumstances.

Mr. Drew suggests that we call a man who is now, for all purposes, a corporate body, and he suggests that we should delve into the business of a private company. I think the committee should consider for a moment just how far that carries us because it is open to the widest sort of abuse and I think it is a very dangerous precedent for us to establish. Here we have a statement in a balance sheet made for a purpose and under circumstances we know very little about. It may have been made by Canadair in view of the probable negotiations with the Electric Boat Company in connection with their assets. It may have been made for the purpose of obtaining credit. Or it may have been made for any one of a dozen purposes. But it certainly does not concern us. We do know that what happened was that the government finally looked at that balance sheet, the $712,000, as though it had never even appeared there; and Mr. Gavsie used the term "*ab initio*". Here we are in a position of dealing with something which does not concern us in the slightest. We are looking for a little man who really is not there because when we come to face up to it, it does not concern us.

Mr. DREW: That little man was there.

Mr. CROLL: No. The minute we look at him in daylight, the little man disappears as if he never existed. And the contract is a closed contract and it says so. Now, are we not now dealing with something that we never paid, something that we had no intention of paying, something we knew wasn't there. Mr. Drew says it was there. I don't doubt his statement at all. But how does it concern us; and, Mr. Chairman, I can only say that if we call this man or any other man in similar circumstances it is not a matter of the committee sitting a great length of time because the committee can sit as long as it is necessary, but there is no stop; you are then going about as far afield as you can possibly go. I think it would be a very serious mistake, particularly since all that we will be doing in the circumstances will be fishing and fishing, in the mere hope that in muddied waters something may be caught. I am satisfied, as I say, because Mr. Scully has said definitely that we paid for these surplus war assets exactly what it cost Canadair and there was no individual made any profit and there was no hoisting of the price.

The CHAIRMAN: And we know, because they were all audited.

Mr. CROLL: That is what he said. They paid the price at which they were purchased, and under those circumstances I think we would be setting up a dangerous precedent in dealing with related private corporations, and I do not know where it would end at all.

Mr. LARSON: Mr. Chairman, in view of the fact that the accounts of this corporation have been audited, and also in view of the fact that Mr. Sellar did not attract the attention of the committee to anything arising out of his audit of the activities of this corporation, I cannot understand the necessity of calling Mr. Franklin, nor can I see the necessity for going into the operations of private corporations of this kind whose assets were entirely taken over by the present operating company.

Mr. DREW: But Mr. Sellar didn't audit this.

Mr. FRASER: But, Mr. Chairman, there is a matter of principle involved in this. This was a government plant.

The CHAIRMAN: I know; the plant was owned by the government but the company operating it was a private company and the statement to which Mr. Drew has referred was never given to the government or the public of Canada, it was merely a statement by the company's auditors given to a few members, directors attending a directors' meeting dealing with the operations of the company. Under the agreement which Mr. Scully mentioned, they would have been entitled to certain fees for work they have done for other interests and they were entitled to estimate the amount of profit they considered was coming to them on account of such work. There is nothing wrong in that.

Mr. FRASER: But this was a government company and it is of interest and concern to the Canadian taxpayers.

The CHAIRMAN: But I do not think it usual or compulsory to give the operating figures of a private company to the taxpayers, to the general public. This was a private company managing a government operation.

Mr. FRASER: But it is a different proposition entirely.

The CHAIRMAN: Not at all.

Mr. FULFORD: I think a very important principle is involved here. If you are going to bring in one man you will have to bring in the whole board of directors—there would be no limit to the number of people who could be brought in.

Mr. JOHNSTON: Just while listening to this argument—and I am very interested because it involves a large amount of money—from an impartial point

of view I cannot see anything wrong in delving into every angle of interest in it and ascertaining exactly what amount of money was spent on these contracts.

The CHAIRMAN: We know the exact amount. It has been given to us.

Mr. JOHNSTON: This company was a management company managing a property which was owned by the Canadian government and it seems to me that it is proper to go into every phase of that work which they were managing for the government. Approaching this matter from an impartial viewpoint I cannot see anything wrong in calling this man. I think if he is called here and if he starts to go into matters which are not directly concerned with these contracts the committee will see to it that he does not go too far afield. That is a matter which can be judged at that time, and until that witness does appear here I do not feel that we are in a position to make a competent decision as to what really happened and I think we should not leave anything undone. That is my view. If there is any doubt about the matter at all I would like to see it cleared up once and for all and have the matter settled to the complete satisfaction of all members of this committee.

Mr. LARSON: Does Mr. Sellar have access to the government part of these transactions?

The WITNESS: Mr. Sellar is the Auditor General.

Mr. LARSON: And Mr. Sellar picks out a little item of $14,000 to bring to our attention out of this whole immense transaction involving upwards of $20 million. Apparently Mr. Sellar found that it had been operated satisfactorily, and in view of that situation I do not see how it can be questioned.

Mr. DREW: Is Mr. Sellar here?

The CHAIRMAN: No.

Mr. DREW: He could answer for himself whether he audits these accounts or not.

The CHAIRMAN: Nobody would suggest that he audited the books of Canadair. He would be concerned with the government's investment in the plant and with the government assets, that is where his audit would apply.

Mr. THATCHER: May I make a statement, Mr. Chairman? I think if there is any doubt at all this man should be brought down here. I think the government would be making a mistake if they did not let him come.

The CHAIRMAN: It is not for the government to decide but for the committee itself to decide what it wants to do.

Mr. THATCHER: Well then not the government, the members of the committee. After all, this is a private corporation.

The CHAIRMAN: Are there any other comments?

Speaking as a member of the committee, I think that the request rests directly on the point of whether this audited statement circulated to the directors of the company, containing the item in question, $712,000 odd, expressed merely the estimation of expected profit for management.

Mr. DREW: That is not what it says, it says profit due from the dominion government.

The CHAIRMAN: But that claim to estimated profits was waived at the time of the new agreement.

Mr. DREW: They have not been audited.

The CHAIRMAN: We have the evidence of Mr. Gavsie as to that.

Mr. DREW: That is what is in the statement here. I am reading from the auditors' statement.

The CHAIRMAN: I mean, that was never accepted by the Canadian government; the government had never assessed these estimated profits at all. The

company figured that that was the amount due to them as a result of carrying out certain contracts. We have had the evidence of witnesses that when the deal was finally put through this estimate of profit was waived and that amount was not paid by the government. That is all supported by the evidence of competent witnesses. Personally I do not see any reason for us to delay our work in order to get Mr. Franklin's views on that particular situation.

Mr. JOHNSTON: But in that statement supplied to the directors of Canadair by their auditors there is an item of $700,000 profit.

The CHAIRMAN: But that was merely a statement which the auditors of the company sent to the directors of the company as being according to those auditors the amount estimated to be owed by the Canadian government to the company, but it has never been recognized as being owed by the government at all.

Mr. JOHNSTON: All right, you say, and the government officials say, that that was never paid.

The CHAIRMAN: No, that was never paid. That was all explained by Mr. Gavsie.

Mr. GAVSIE: It is not a question of the interpretation of the statement, the agreement speaks for itself and shows what was done.

Mr. DREW: Yes, it has been waived as a part of the general transaction, as pointed out, but they sold their stock for a very big figure.

Mr. JOHNSTON: My point is this: while the government never paid the amount it is shown as a profit claim in their auditors' statement, and I think our concern arises out of the fact that it is in their published statement.

The CHAIRMAN: It is in their private statement to the company—

Mr. JOHNSTON: Just a minute now, just the fact that it is in that statement makes it important for us to hear Mr. Franklin. He would be the one who would be in a position to tell us all about it both from his own and the public point of view, as to whether they received that money directly or in some other way.

The CHAIRMAN: It was never received by them. May I ask a question too: Is there anything in what has been said this morning which indicates or proves that this estimated amount had been paid by the government?

Mr. JOHNSTON: No. We have had the contract produced here, and it was also officially produced and tabled in the House long ago, which shows that any profit the company might have had a right to claim had been waived. That is a definite and positive statement.

Mr. CRUICKSHANK: I think your remark there is wrong, Mr. Johnston; it is not the government dealing with this, it is the committee.

Mr. JOHNSTON: Oh well, they are doing it on behalf of the government.

The CHAIRMAN: No they are not. They are here as competent witnesses, able civil servants, and they have given us clear positive answers.

Mr. JOHNSTON: Well, I am not going to argue about it. But I will say this, that I think we would be remiss if we failed to have Mr. Franklin here to give his side of the proposition the same as we have had the other side.

The CHAIRMAN: That brings up another point. In other circumstances are we going to bring private citizens here to comment on statements which have been made by government officials? Furthermore, what is the value in bringing this man Franklin here when we know the government has not paid this amount. And, in addition to that, this is not an official document, it is a private document.

Mr. JOHNSTON: I am not satisfied with the way the thing stands now.

Mr. PRUDHAM: Mr. Chairman, there has been a lot of argument about this auditors' statement and the amount of profit in it which we are told has never been paid to that company. Mr. Drew says he has it. Are we interested in that?

The CHAIRMAN: Of course, the document would have to be produced.

Mr. DREW: I am suggesting a way in which you can have the statement brought before you and proved, and that is by bringing Mr. Franklin here.

Mr. PRUDHAM: Well then, why not produce it.

Mr. DREW: You are just trying to cover up in this thing.

The CHAIRMAN: That is another of those wild statements that you on occasion make. They have been weighed by the people of Canada who have given them due consideration and aptly did not believe them.

Mr. DREW: I have this auditors' statement here. All you have to do is to have Mr. Franklin here and Mr. Franklin can be here in twenty-four hours.

The CHAIRMAN: We do not know that it is an auditors' statement. The witnesses said the government never paid this amount which this company assumes was owed to them. We have had evidence from the witnesses that it was never paid.

Mr. THATCHER: What are you arguing about now?

The CHAIRMAN: I am not arguing about anything.

Mr. PRUDHAM: Mr. Chairman, a statement has been made that we are trying to cover up. I request that that statement be withdrawn.

Mr. DREW: I will not withdraw it unless you support this motion.

Some Hon. MEMBERS: Oh!

Mr. CRUICKSHANK: That is one of the reasons why I shall vote against your motion.

The CHAIRMAN: That is the kind of statements one has come to expect from Mr. Drew and when they go out in that form fortunately few people believe them as was shown a year ago.

Mr. DREW: That is the kind of a remark that keeps this committee in an uproar.

The CHAIRMAN: It is the kind of remark that you make all the time.

Mr. DREW: Well, get this quite clearly, we are dealing here with the statement of the auditors and we are dealing with this big inventory of articles that were purchased from the U.S. war assets sales at Chicago and Oklahoma, and Mr. Scully has told us, Mr. Gavsie also, that they haven't got the detail of it; and the man who could tell you all about that, something involving millions of dollars, with full details of the transaction, is Mr. Franklin. All you have to do is to bring him here to explain the operations of this company.

Mr. CROLL: But we have Mr. Scully's word for it that no profit was made on the deal.

Mr. DREW: But he says he does not know.

Mr. CROLL: Just one minute. Mr. Scully said this, that he got the parts for the same price that they paid War Assets Corporation. That is what Mr. Scully said. Is there any doubt about it in this committee? What is the purpose of the suggestion that there may have been something underhanded when Mr. Scully said that his cost auditors on the job definitely know what was paid for these articles and state they were charged in at exactly the same price, that there was no profit involved. There is no doubt about that.

Mr. DREW: All right, you have asked the question. Now, with regard to your suggestion that there has been any suggestion of anything underhanded, if you will take the time carefully to read the record you will find that there was no such suggestion.

Mr. CROLL: All right.

Mr. DREW: What I said was this: Mr. Scully was very clear in saying that this was all bought as war surplus and according to his recollection the figure paid at Chicago—he is going to check up on this for us—was 10 cents a pound; and, as anyone knows, that price would be only a small fraction of what these parts would cost produced in the ordinary industrial manner; and what I am urging is that it is important for us to know what these parts were that were included in this inventory and to what extent those parts were made up out of the war surplus material for which we paid 10 cents a pound.

Mr. PRUDHAM: Do parliamentary rules apply to this committee?

The CHAIRMAN: What do you mean?

Mr. PRUDHAM: Do they?

The CHAIRMAN: Generally, yes.

Mr. PRUDHAM: Then that remark of Mr. Drew's is not parliamentary and I would ask that it be withdrawn.

Mr. DREW: To what remark of mine are you referring?

Mr. PRUDHAM: About that covering up.

The CHAIRMAN: I know we cannot expect him to do that but I personally attach no importance to it. Now, gentlemen, the question is on the motion by Mr. Drew. I haven't got his motion in writing—

Mr. DREW: I will be very happy to write it out.

The CHAIRMAN: But it is, in general terms, that the committee call as a witness Mr. B. W. Franklin. All those in favour of the motion kindly indicate in the usual manner?

Those opposed?

I declare the motion lost.

Are there any further questions from these witnesses?

Mr. DREW: Yes.

By Mr. Drew:

Q. Mr. Scully, you have in your possession records, have you—first of all the documents in connection with Canadair, they are all available to you, are they? That is they are in the possession of the government?—A. What do you mean by all documents?

Q. All documents that are in the possession of the government in connection with Canadair.—A. I would have access to whatever documents there are.

Q. Well then, will you produce the first letter that was written, or the first exchange of correspondence or the first memorandum which indicates the opening of negotiations between the minister, perhaps I had better say Mr. Howe, or any other minister with the Electric Boat Company?

The CHAIRMAN: I doubt very much if a civil servant would have access to or could produce a document which is the property of a minister of the crown. I doubt that he would have authority to do so.

Mr. DREW: Unless it is confidential it would be in the department.

The CHAIRMAN: What he knows about departmental correspondence would be quite all right, but when it comes to personal correspondence with a minister of the Crown, if there is any, I doubt very much whether this witness would be in a position to produce such material.

By Mr. Drew:

Q. I would point out, Mr. Chairman, that this was public property and therefore, except to such extent as there might be confidential correspondence of a personal nature, all correspondence and related material is public property.

—A. The first communication I have is the one which was placed on the record, the letter of January 20.

Q. That was not the beginning of the negotiations.—A. It was the beginning of the written negotiations.

Q. Mr. Scully, you indicated that it was in September of 1946 that you were instructed to proceed with these negotiations which had already been going on with the minister, is that not right?—A. Yes.

Q. I am asking you to find out if there are available to you any records which are ordinary departmental records indicating the earlier negotiations in regard to the disposal of the government property at Cartierville to the Electric Boat Company.—A. We will check up the file.

Q. Now then, Mr. Scully, do you know whether any published advertisement ever appeared indicating that this property was for sale.—A. To my knowledge, no.

Q. Would you go farther and say that you know that there was not? —A. I would think that is right, sir, I do not remember. I think there was no published advertisement that this plant was for sale.

Q. Then, subject to your examination of that point and your checking of the records, your answer stands that there was no published advertisements to indicate that this property was for sale?—A. That is right.

Q. Do you know whether any notification was sent to any other aircraft company or to any other companies indicating that this property was for sale? —A. Not to my recollection, no. I would not necessarily know the answer to that.

Q. But you could check the files and find out, could you not?—A. Yes.

Q. In other words, what I am indicating to you is this: that there are occasions where for one reason or another there may be no published notification but a notification may go out to a selected list of those who by the very nature of their activities might be interested in an operation of this kind?

By Mr. Croll:

Q. What other aircraft companies were then doing business?—A. In Canada?

Q. Yes.—A. I know of three.

Q. Can you give us the names?—A. The A. V. Roe Plant at Malton; De Havilland at Toronto; Canada Car at Montreal, and a small one, Fleet, at Fort Erie, but I think it was about out of business at that time. And to my knowledge I think that was about all there were.

By Mr. Drew:

Q. Was there not a plant at Fort William?—A. Not then. That plant was building buses at that time.

Mr. CROLL: The Fort William plant would have got notice.

Mr. CRUICKSHANK: Mr. Chairman, I do not think I have taken up much time in this committee. I think I have only spoken twice. I do not believe that one member should have the monopoly. There was one remark which I heard which I do not like. It was: "government witness". We have civil servants before us answering questions to the best of their knowledge and ability, giving honest answers to questions asked by members of the committee. I want to emphasize particularly that I do not know any of the gentlemen before us, but I do believe that they are giving answers to the questions asked to the best of their knowledge and ability and in an honest and fair manner.

Mr. JOHNSTON: They are giving evidence on behalf of the government.

Mr. CRUICKSHANK: No. They are civil servants.

Mr. JOHNSTON: You do not need to get excited over it.

Mr. CRUICKSHANK: I am not getting excited.

Mr. JOHNSTON: This is the first time you have been at the committee.

Mr. CRUICKSHANK: No. I was on the committee before you were elected.

Mr. JOHNSTON: Then you must have been here for a long time, because you are going back a long way.

The CHAIRMAN: Are there any further questions?

By Mr. Drew:

Q. Perhaps you, Mr. Scully, or Mr. Gavsie can answer my question. Have you in your possession a copy of any instructions given to Mr. Franklin authorizing him to carry on negotiations for the sale of the government property at Cartierville?—A. No, sir.

Q. Will you make a search of the records and see what you can find in that respect?

The CHAIRMAN: You said a moment ago that Mr. Franklin was the company, that he was Canadair itself.

Mr. DREW: That is right.

The CHAIRMAN: Now, Canadair is the one which bought it. He would not have been instructed to negotiate with himself?

By Mr. Drew:

Q. No. Canadair did not buy it. The Electric Boat Company bought it.

Mr. CROLL: From Canadair.

By Mr. Drew:

Q. No. The Electric Boat Company did not buy this property from Canadair. Canadair did not own one stick of this property. The Electric Boat Company bought the government plant.—A. No, sir.

Mr. GAVSIE: If you are going to be technical about it, that is not correct. Canadair bought it, according to the agreement which was read by us; and Electric Boat Company acquired 100 per cent control of Canadair Limited. And having acquired control, and having agreed to put up $2 million by way of working capital, an arrangement was made with Canadair Limited and the Electric Boat Company to give them a lease-option of the plant. They took over inventories at cost and they waived fees and profits that Canadair were entitled to under the terms of the management agreement that they had from the government to the time that that agreement was dissolved, because they became the lessees of the plant and the manufacturers at the plant.

Mr. DREW: That is not a correct statement and it should not be allowed to remain on the record in that way. I now ask Mr. Gavsie to listen carefully as to whether this is not the sequence of events.

The government, according to Mr. Scully, had opened negotiations with the Electric Boat Company; and in September of 1946 he was instructed to continue negotiations from preliminary negotiations up to that point with the Electric Boat Company. Communications between Mr. Howe, as representative of the government in regard to this property, were with the Electric Boat Company. Mr. Scully yesterday in answer to a question of mine stated that the negotiations were all conducted by a representative of the Electric Boat Company and he gave his name. It was Mr. Hopkins.

The WITNESS: He was also an officer of Canadair.

By Mr. Drew:

Q. Afterwards, yes.—A. No, at that time.

Q. Mr. Hopkins carried on negotiations in regard to the acquisition of this property. As part of this general transaction, negotiations were carried on by the Electric Boat Company for the acquisition of the controlling stock of Canadair. That is right, is it not?—A. Yes.

Q. And the actual agreement for sale which was subsequently implemented was an agreement covered by order in council PC 930 of March 13, 1947.

The CHAIRMAN: That is a document which we have on the record.

Mr. DREW: That is the document, and that document is one in which the Electric Boat Company make the arrangements. Is not that right?

Mr. GAVSIE: Oh, yes, through Canadair Limited. The agreements are with Canadair; the over-all arrangement was made with the Electric Boat Company who were acting on the basis that they had full control of Canadair Limited. But the actual lease-option which has been produced is made with Canadair Limited.

Mr. DREW: Yes?

Mr. GAVSIE: Yes.

Mr. FRASER: Was not Mr. Hopkins the vice-president of the Electric Boat Company?

Mr. GAVSIE: There is no use in arguing about it. Could we have the copy of the lease-option agreement which has been produced?

Mr. DREW: Certainly. You have the agreement.

Mr. CROLL: Mr. Chairman, it appears to me now there is perhaps an explanation as to why there was this item of $712,000. It could be that Franklin was trying to sell something to somebody else and was trying to puff it a little.

Mr. JOHNSTON: And all the more reason why we should have Mr. Franklin here.

Mr. GAVSIE: I would like to refer either to page 54 or 9-5 of the evidence where this agreement appears. It starts with:

> File 14-C-274-1
>
> PC 242/47
>
> This Agreement made as of the 15th day of September, 1946.
> Between: His Majesty the King in right of Canada (hereinafter called "His Majesty") herein represented by the Honourable the Minister of Reconstruction and Supply (hereinafter call "the minister") herein acting through War Assets Corporation (hereinafter called "the corporation").
> Of the First Part and Canadair Limited, a corporation organized and existing under the laws of the Dominion of Canada with its principal place of business in the Parish of St. Laurent, Province of Quebec, (hereinafter called "Canadair").

Mr. DREW: What is the date of that agreement?

Mr. GAVSIE: The agreement is made as of the 15th day of September 1946. It is the agreement you referred to this morning when you referred to clause 7, and the basic price.

Mr. DREW: These transactions were all with the Electrical Boat Company, the sale to the Electric Boat Company. I think the Electric Boat Company would certainly be surprised to hear that they were not the purchasers. I think it would be helpful if I put on the record the printed Annual Report of the Electric Boat Company; and I would like to quote into the record a certain statement from it.

The CHAIRMAN: That is the statement of 1948?

Mr. DREW: This is the statement of 1948. As you will realize they did not complete the transaction whereby they went into the property until the spring of 1947. The deal was closed effective September 14, 1946, but it was not until March 1947 that the second order in council was passed completing the agreement between the Electric Boat Company and the Government of Canada and also an agreement with Canadair which had been acquired by the Electric Boat Company; and it then became a subsidiary of the Electric Boat Company. That was a general agreement presented to the government to carry on the manufacture of these machines for the government.

Mr. RICHARD: Is this a question asked of the witness or is it evidence, Mr. Chairman?

Mr. DREW: I was dealing with a statement made by the chairman.

The CHAIRMAN: I would like to get clear which of these documents was signed by the government and which was signed by the Electric Boat Company for the sake of the evidence. The document which we have here is with Canadair and not with the Electric Boat Company.

Mr. DREW: May I refer to it specifically? The document states:

> His Majesty, through War Assets Corporation (or as the minister may direct), shall enter into a fifteen year lease-option with Canadair Limited with respect to the Cartierville plant, the equipment therein, and any equipment in the Noorduyin plant substantially as digested in schedule B annexed hereto.

And it goes on, and this is covered by a letter sent to Mr. John J. Hopkins, of 33 Pine Street, New York, N.Y., Vice-President of the Electric Boat Company; and the agreement is signed by C. D. Howe, Minister of Reconstruction and Supply, and it says:

> We consent to the foregoing Canadair Limited by B. W. Franklin, President.

Mr. CROLL: What is the date?

Mr. DREW: January 25, 1947.

Mr. FRASER: In clause 12 it says:

> Electric Boat Company undertakes to cause Canadair Limited to pass the necessary resolutions and execute the necessary documents to give effect to the foregoing.

By Mr. Croll:

Q. When did the Electric Boat Company acquire Canadair?—A. Control of it?

Q. Yes, control?—A. Actually, I do not know.

Q. Could you find out?—A. I think it would be very difficult to find that out.

By Mr. Drew:

Q. Mr. Franklin could tell us, of course.

By Mr. Croll:

Q. It is a private transaction, you say; and you do not know?—A. No, sir. I have no knowledge of that at all. All I know is that they contracted to acquire control of 90 per cent of the stock of Canadair.

Q. And on what date?

Mr. GAVSIE: The letter Mr. Drew referred to is dated Januray 20, 1947.

Mr. FRASER: No. It is dated January 25, 1947.

Mr. GAVSIE: Well, the one which I have is dated January 20. I read the first paragraph of this one this morning. This is Mr. Howe writing to Mr. Hopkins.

Mr. JOHNSTON: Who is Mr. Hopkins?

Mr. GAVSIE: Mr. Hopkins is one of the officials of the Electric Boat Company and one of the officials of Canadair Limited.

Mr. FRASER: He was vice-president of the Electric Boat Company according to the letter.

Mr. CROLL: All right. Let us get on with it. We know that he was not Harry Hopkins.

Mr. GAVSIE: Item 1 reads:

> I understand that your corporation has arranged to acquire substantially all of the capital stock of Canadair Limited and will retain ownership of at least 90 per cent of such stock.

That is one of the documents produced.

Mr. CROLL: That was on the 20th of January and the agreement is dated the 25th of January. Is that correct?

Mr. GAVSIE: It is dated as of the 14th of September 1946, but it obviously was not entered into on that date. It was effective as of that date.

Mr. FRASER: Executed on January 25?

Mr. Gavsie:

> Your corporation has agreed to provide Canadair Limited with $2,000,000 working capital forthwith.

Mr. PRUDHAM: I think that is only ordinary, good, sound business procedure. When the government is selling a $22 million plant to a company with very limited assets, it requires the parent company to come on the agreement. It is only ordinary sound business procedure.

The CHAIRMAN: It being 1 o'clock the committee stands adjourned till 10 a.m. tomorrow.

—The committee adjourned.

Appendix A

File No. 11-C-3573
P.C. 8991

22/11/44

Agreement made as of the 11th day of November, 1944.

BY AND BETWEEN: His Majesty the King in Right of Canada (hereinafter called "His Majesty") herein acting and represented by the Minister of Munitions and Supply (hereinafter called the "Minister") Of The First Part and Canadair Limited, Montreal, Quebec, (hereinafter called "Canadair")

Of The Second Part.

Whereas His Majesty is the owner of an aircraft manufacturing plant (hereinafter called the "plant") located at Cartierville in the Province of Quebec, which, up to the date hereof, has been operated by Canadian Vickers Limited (hereinafter called "Vickers") as a separate and distinct unit of its general enterprise and known as its "Cartierville Aircraft Division" and Vickers has, up to the date hereof, produced therein airplanes and airplane parts and components and has overhauled, repaired and serviced the same under agreements with and letters of authority and orders from His Majesty and the Minister and third parties; and

Whereas by Agreement made between His Majesty and Vickers bearing even date herewith (hereinafter called the "Vickers Agreement"), a copy of which Agreement is hereto attached to form part hereof, duly initialled by the parties hereto for the purposes of identification, it has been agreed between His Majesty and Vickers, amongst other things:

(*a*) that Vickers shall cease to operate the said plant;

(*b*) that Vickers shall surrender and deliver up full and complete possession, use, enjoyment, control and operation of its entire Cartierville Aircraft Division as a going concern to His Majesty;

(*c*) that Vickers shall cease the performance of any work in the said plant under any and all agreements, letters of authority and orders requiring or intended to be performed in the said plant and now remaining uncompleted;

(*d*) that Vickers shall be relieved and discharged by His Majesty from any and all further responsibility and liability with respect to or in connection with the operation of the said plant and the performance of the said work so remaining uncompleted;

the whole subject to the reservations and upon the terms and conditions set forth in the said Vickers Agreement; and

Whereas the parties hereto are presently negotiating an Agreement which will bear even date herewith (hereinafter called the "Lease and Option Agreement") whereby His Majesty will lease and option to Canadair the land, buildings, machinery, furnishing, fixtures, equipment and accoutrements constituting the plant, the whole as more specifically described in the Lease and Option Agreement and subject to the exceptions therein to be set forth, and its proposed that, effective as at midnight on this 11th day of November, 1944, as Canadair shall, for and on behalf of His Majesty, as his agent, at his expense and under his supervision and control, carry out and perform all of the obligations of His Majesty under the Vickers Agreement, except in so far as the Vickers Agreement concerns the obligations of His Majesty to pay moneys to Vickers.

Now, Therefore, These Presents Witnesseth:

That, the parties hereto convenant and agree as follows, that is to say:

1. *Contract Documents and Interpretations*

A. The following documents shall be read herewith and shall be applicable to and form part of this contract, subject as herein expressly provided:

(i) General Conditions, Form M. & S. 1206 (Revised Form 196B) hereto attached.

(ii) The Costing Memorandum, Form M. & S. 433 referred to in Order in Council P.C. 6284.

(iii) The Labour Conditions, Form M. & S. 154 (Revised) hereto attached.

(iv) The clauses headed "Patent Claims and Royalties", Form M. & S. 1658 hereto attached which shall be deemed to be part of the General Conditions.

(v) Any and all agreements, documents and schedules referred to herein and stated to form part hereof.

B. The term "Inspector" as used herein means such person or persons as the Minister may from time to time designate for such purpose.

2. *Agency*

Canadair, in the performance of this contract and of all work hereunder, shall, in all respects act for and on behalf of His Majesty, as his Agent, at his expense and under his supervision and control, and His Majesty shall indemnify Canadair against and hold it harmless from any and all expenditures, claims and liabilities of any nature whatsoever arising out of the performance of this contract and of all work hereunder in accordance with the terms hereof, except in case of gross negligence or wilful default on the part of Canadair.

3. *Subject matter*

Canadair having taken possession of the plant subject to the provisions of the Lease and Option Agreement to be executed and delivered, shall for and on behalf of His Majesty, as his agent, at his expense and under his supervision and control, take possession hereunder of all other assets forming part of the Cartierville Aircraft Division surrendered, delivered, transferred and assigned by Vickers to His Majesty under the Vickers Agreement and shall for and on behalf of His Majesty, as his agent, at his expense and under his supervision and control, carry out and perform all of the obligations of His Majesty under the Vickers Agreement as expeditiously as possible, the whole except in so far as the Vickers Agreement concerns the obligations of His Majesty to pay monies to Vickers.

4. *Additional Work*

If and when Canadair is requested by His Majesty to perform work in addition to that for which provision is hereinbefore contained in Section 3 hereof, *such work shall be performed by Canadair under and in accordance with the terms of this contract unless otherwise specifically provided by His Majesty* with respect to any such additional work, but this contract shall not apply with respect to any work which Canadair may hereafter undertake to perform for third parties under any agreements which His Majesty has not undertaken to fulfill and perform under the terms of the Vickers Agreement except as may hereafter be mutually arranged between the parties hereto.

5. *Cost to be Reimbursed to Canadair*

(*a*) His Majesty shall pay or reimburse Canadair for the reasonable and proper cost to Canadair of the performance of this contract and of all work hereunder;

(*b*) The term "cost" or "cost of the work" as used herein shall mean the cost determined in accordance with the provisions of Clause 13 of the General Conditions as hereby amended.

6. *Payment*

(*a*) Subject as herein provided, payment by His Majesty to Canadair in respect of the cost of the work shall be made through the operation of a *bank account* hereinafter referred to as the "Special Account" to be carried in the name of Canadair with The Canadian Bank of Commerce, 265 St. James Street West, Montreal, or such other bank as may be mutually agreeable to the parties hereto (hereinafter referred to as the "Bank") in accordance with the provisions hereinafter set out.

(*b*) The amounts from time to time required by Canadair for the purposes of the operations hereby provided for (in excess of any amounts which have been or may be from time to time advanced to Canadair by the Minister by deposits in the Special Account or other monies received by Canadair in the course of or as a result of such operations) shall be obtained by Canadair by means of borrowings from the Bank, to be made by Canadair for and on behalf of and upon the guarantee of His Majesty, by way of overdraft on the Special Account. All amounts from time to time obtained by Canadair as aforesaid shall be used only for the purpose of making the payments authorized to be made out of the Special Account under the terms hereof.

(*c*) Canadair shall comply with any and all directions which may at any time or from time to time be given to it by the Minister in writing with respect to the maximum amount to be obtained by Canadair from the Bank from time to time by way of overdraft on the Special Account or otherwise in respect of the operation of the said account. Without limiting the foregoing the Minister may at any time and from time to time direct Canadair to pay or transfer to the credit of the Receiver General of Canada all or any part of any funds for the time being in the Special Account and any such direction shall be promptly complied with by Canadair.

(*d*) On or before the 20th day of each calendar month, Canadair shall submit to the Minister a statement or statements, in such form and detail and verified in such manner and accompanied by such supporting documents as the Minister may from time to time specify, showing all disbursements made out of the Special Account during the preceding calendar month, together with a certified copy of the Bank's monthly statement showing the amount by which the Special Account was overdrawn as of the last day of such preceding calendar month, and an estimate of the amount required to be provided for the purposes of the work (including the amount required for payment of fees to Canadair as hereinafter provided) during the succeeding calendar month and such further information and particulars as the Minister may from time to time require. Upon receipt of the foregoing statements and other documents, and subject to approval of the same by the Minister, His Majesty will pay or cause to be paid to the Bank the amount of the said overdraft (including interest) as at the end of the month for which such statements and other documents are furnished as aforesaid. Provided that by arrangement between the Minister and the Bank, settlement as between His Majesty and the Bank may be made at other than monthly intervals.

(*e*) His Majesty agrees to indemnify and save harmless Canadair from and against any and all liability (including costs and expense) of Canadair to the Bank for or in respect of any amounts from time to time obtained by Canadair from the Bank by way of overdraft in respect of the Special Account up to but not exceeding the amount (if any) from time to time specified or approved by the Minister as the maximum amount to be obtained by Canadair from the Bank by way of such overdraft at any one time, plus interest thereon, which maximum amount, subject to the specification or approval of a different maximum amount from time to time by the Minister, is fixed at the amount of Four Million Dollars ($4,000,000) provided that nothing in this subsection (*e*) shall relieve Canadair from its responsibilities with respect to the disbursements and expenditures from time to time made by it through the operation of the Special Account.

(*f*) Canadair shall cause to be passed by its Board of Directors such resolution or resolutions as may from time to time be required by the Minister providing for the operation of the Special Account in the manner provided in this Section 6, and any such resolution or resolutions shall be submitted to and shall be subject to the approval of the Minister.

(*g*) All funds in the Special Account from time to time shall at all times be the property of His Majesty.

7. *Fees*

A. His Majesty, as full compensation for the services to be performed and rendered by Canadair under this contract shall pay to Canadair:

(*a*) with respect to the work to which the Vickers Agreement refers and which presently remains uncompleted, the amount, if any, by which the total aggregate amount of the fees, bonuses and profits payable by His Majesty under the provisions of paragraphs B, C, D, E, F, H, I, J and K of Section 8 of the Vickers Agreement, together with the profits already made by Vickers under the special orders with third parties heretofore completed and listed in Schedule "C" annexed to the Vickers Agreement to form part thereof exceeds the sum of $2,500,000;

(*b*) with respect to the work to be performed by Canadair on DC-4 airplanes in accordance with the letter of authority from the Minister to Vickers dated March 11th, 1944, and any contract or contracts which may replace the same, such fees as may be agreed upon between His Majesty and Canadair;

provided, however, that any municipal or school taxes on real estate or with respect to the use and occupancy thereof payable by Canadair and allocable to the cost of the work hereinbefore mentioned in subparagraph (*a*) and subparagraph (*b*) of paragraph A of this Section 7, shall not be considered as part of the cost of the work for the purpose only of calculating the fees, bonuses and profits for which such subparagraph (*a*) and subparagraph (*b*) provide;

(*c*) with respect to the additional work, if any, which Canadair may hereafter be requested to perform hereunder for His Majesty in accordance with the provisions of Section 4 hereof, such fees as may from time to time be agreed upon between His Majesty and Canadair.

B. The fees to which reference is made in subparagraph (*a*) of paragraph A of this Section 7 shall be payable by His Majesty to Canadair as soon as such fees have been determined.

C. The fees to which reference is made in subparagraphs (*b*) and (*c*) of paragraph A of this Section 7 shall be payable by His Majesty to Canadair at such time or times as may be determined by the contracts covering the work mentioned in such subparagraphs.

D. The fees to which reference is made in paragraph A of this Section 7 shall be paid to Canadair out of the Special Account as and when they become due and payable and Canadair is hereby authorized to make such payment.

8. *Term*

This contract shall remain in effect from the date hereof and until completion by Canadair of all work contemplated hereunder, including the work which Canadair may hereafter be requested to perform hereunder for His Majesty in accordance with the provisions of Section 4 hereof.

9. *Notices*

Any notices to be given hereunder to His Majesty or the Minister shall be in writing and shall be addressed to the Deputy Minister of Munitions and Supply, Ottawa, Ontario.

Any notices to be given hereunder to Canadair shall be in writing and shall be addressed to Canadair Limited, P.O. Box 6087, Montreal, Quebec.

Either party may by notice to the other party change the name or address to which notices hereunder may be sent.

10. *Supplementary Acts and Things*

The parties hereto shall do and perform any and all such acts and things and shall sign, seal, execute and deliver any and all such deeds, documents, instruments and writings as may be necessary, useful or desirable in order more fully to evidence and/or to render effective the provisions of this contrat and/or to give effect thereto.

11. *Amendments to General Conditions*

The General Conditions, Form M. & S. 1206 (Revised, Form 196B) hereto attached are amended as follows:

(*a*) By replacing the word "Contractor" wherever it appears by the word "Canadair".

(*b*) By deleting Clause 13 and replacing the same by the following:

Subject to the provisions of the Agreement, the term "cost" or "cost of the work" as used herein shall be determined in accordance with the provisions of the Costing Memorandum Form M. & S. 433.

(*c*) By deleting Clause 14.

(*d*) By adding to Clause 17 the following:

provided, however, that Canadair shall carry such insurance as the Minister may from time to time authorize or direct.

(*e*) By deleting Clause 24.

(*f*) By deleting sub-clause (i) of sub-clause (*b*) of Section 26 and replacing the same by the following:

(i) Canadair shall immediately cease work hereunder (including the manufacturing and/or procuring of materials and parts in accordance with such notice) and shall deliver up possession of that portion of the plant and all other assets being the property of His Majesty which are not under lease to Canadair under the Lease and Option Agreement to such person, firm or corporation as the Minister may designate in writing and shall execute and deliver to and in favour of the Minister all such deeds, documents, instruments and writings and shall do all such acts and things as the Minister may reasonably require for the purpose of fully vesting in His Majesty the rights and benefits of Canadair under all obligations and commitments theretofore undertaken or incurred hereunder by Canadair in connection with

the work and for the purpose of evidencing more fully the title of His Majesty in and to all materials, parts, equipment and/or work in process acquired or used in or for the purpose of the work hereunder except as specified in the Lease and Option Agreement.

(*g*) By inserting after the word "fees" in the first line of sub-clause (ii) of sub-clause (*b*) of Section 26 the following words:

including an amount representing a fair aid reasonable profit on work in process.

(*h*) By deleting Clause 28 and replacing the same by the following:

Canadair shall not assign this contract or sublet the whole of the work without the prior written consent of the Minister and any assignment or subletting made without such consent shall be of no effect. Before placing any subcontracts for any part of the work involving a total expenditure in excess of Five thousand dollars ($5,000) or such other amount as the Minister may from time to time determine or before purchasing raw materials or supplies in excess of an estimated three months future requirements, Canadair shall obtain the approval of the Minister with respect thereto. No assignment or subletting shall relieve Canadair of any of its obligations hereunder or impose any liability upon His Majesty to an assignee or subcontractor. Canadair shall cause any assignees and subcontractors to comply with all the stipulations and conditions of this contract in so far as the same may be applicable.

12. *Amendments to Costing Memorandum.*

Costing Memorandum, Form M. & S. 433 hereto attached is amended by deleting therefrom the words "costs shall be credited with the fair market value of all scrap produced from materials charged to the contract, either in manufacturing processes, rejects due to design changes, or from any other cause", and replacing the same by the following: "costs shall be credited with the amount realized on all scrap produced from materials charged to the contract, either in manufacturing processes, rejects due to design changes or from any other cause".

13. *Laws.*

This contract shall be in all respects subject to and interpreted in accordance with the laws of the Province of Quebec.

In witness whereof this agreement has been executed and sealed on behalf of His Majesty the King in Right of Canada by the Deputy Minister of Munitions and Supply and by the Secretary of the Department of Munitions and Supply, and has been executed by Canadair under its corporate seal duly affixed thereto by its officers authorized in that behalf.

Signed, sealed and delivered in manner aforesaid on behalf of His Majesty the King in right of Canada in the presence of:

E. YOUNG,
Witness.

CHARLES GAVSIE,
29/11/44

G. K. SHEILS,
Deputy Minister.

R. T. DONALD, D/S
Secretary.

Signed, sealed and delivered in the presence of:

M. A. B. MITCHELL,

CANADAIR LIMITED,
B. W. FRANKLIN,
President.

Approved 29th Nov., 1944.
F. H. BROWN.

I hereby certify that the within is a true copy of an Original Agreement dated the 11th day of November, 1944, made between His Majesty the King in Right of Canada and Canadair Limited, save and except that there have been omitted therefrom the following: General Conditions M. & S. 1206, Labour Conditions M. & S. 154 Revised, P.C. 7679 and Patent Claims and Royalties M. & S. 1658.

P. E. NICHOLS,
Supervisor of Dittoed Contracts
Main Pool.

File 18-38-1376, P.C. 8992, P.C. 8991

Agreement made as of the 11th day of November, 1944. Between: His Majesty The King in right of Canada, (hereinafter called "His Majesty") herein acting and represented by the Honourable the Minister of Munitions and Supply (hereinafter called the "Minister") of the first part and Canadian Vickers Limited, Montreal, Quebec (hereinafter called "Vickers") of the second part.

Whereas His Majesty is the owner of land, buildings, machinery, jigs, tools, dies, furnishings, fixtures, equipment and accoutrements constituting an aircraft manufacturing plant (hereinafter called the "Plant") located at Cartierville in the Province of Quebec, which, up to the date hereof, has been operated by Vickers as a separate and distinct unit of its general enterprise and known as its "Cartierville Aircraft Division", and Vickers has produced and is producing therein airplanes and airplane parts and components and overhauling, repairing and servicing the same under agreements with and letters of authority and orders from His Majesty and the Minister and third parties, which said agreements and letters of authority and orders include the following:

(*a*) An agreement with His Majesty dated July 25, 1941 (as amended January 20, 1942) for the production of 39 Canso Amphibian aircraft, File Number B.18-38-113, P.C. 7083.

(*b*) An agreement with His Majesty dated August 13, 1941 (as amended October 1, 1942) for the production of spare parts for Canso Amphibian aircraft, File Number B.18-26CD-1, P.C. 4248.

(*c*) An agreement with His Majesty dated December 2, 1941 (as amended October 1, 1942) for the production of 50 Canso Amphibian aircraft and also for spare parts for Canso Amphibian aircraft, File Number B.18-38-1376, P.C. 10867 and File Number B.18-26HK-27, P.C. 10867.

(*d*) Letter of authority from the Minister dated May 7, 1942 (as amended by letters dated November 24, 1942, October 1, 1943, November 9, 1943 and December 21, 1943) for the production of 50 Canso Amphibian aircraft, File Number B.18-38-1376, P.C. 3816.

(*e*) Letter of authority from the Minister dated October 5, 1942, for the production of spare parts for Canso Amphibian aircraft, File Number B.18-26HK-27, P.C. 10722.

(*f*) An agreement with His Majesty dated January 25, 1944, for the production of 230 Canso "A" aircraft and spare parts therefor, File Number WSL 72-348, P.C. 628.

(*g*) Letter of authority from the Minister dated March 11, 1944, for the production of DC-4 airplanes.

(*h*) Certain other miscellaneous agreements with and orders from His Majesty and third parties hereinafter mentioned.

Whereas it is intended that, effective as at midnight on this 11th day of November, 1944:

(*a*) Vickers shall cease to operate the said plant;

(*b*) Vickers shall surrender and deliver up full and complete possession, use, enjoyment, control and operation of its entire Cartierville Aircraft Division as a going concern to His Majesty;

(*c*) Vickers shall cease the performance of any work in the said plant under any and all agreements, letters of authority and orders requiring or intended to be performed in the said plant and now remaining uncompleted;

(*d*) Vickers shall be relieved and discharged by His Majesty from any and all further responsibility and liability with respect to or in connection with the operation of the said plant and the performance of the said work so remaining uncompleted;

the whole subject to the reservations and upon the terms and conditions hereinafter stated.

Now, therefore, these presents witnesseth that the parties hereto covenant and agree as follows, that is to say:

1. *Contract Documents and Interpretations*

A. The following documents shall be read herewith and shall be applicable to and form part of this contract, subject as herein expressly provided:

(i) General Conditions Form M. & S. 1306 referred to in Order in Council P.C. 6284;

(ii) Costing Memorandum Form M. & S. 433 referred to in Order in Council P.C. 6284;

(iii) Labour Conditions Form M. & S. 154, (revised) annexed hereto;

(iv) The Specifications referred to in Section 7 (*d*) hereof;

(v) Any and all Schedules referred to herein and stated to form part hereof.

B. The term "Inspector" as used herein means the Air Member for Aeronautical Engineering, Department of National Defence for Air, and shall extend to any of the officers or representatives of the Department of National Defence for Air acting under the Air Member for Aeronautical Engineering; provided that all instructions and directions or certificates given or decisions made by anyone acting for the said Air Member for Aeronautical Engineering shall be subject to his approval.

2. *Surrender of Plant by Vickers*

Vickers covenants and agrees with His Majesty to cease all operation of the said plant as at midnight on this 11th day of November, 1944, and hereby waives and abandons to and in favour of His Majesty any and all right, title, interest or claim which Vickers may have or may claim to have in or to the said plant and the possession, use, enjoyment and control and operation thereof.

3. *Cessation of Work by Vickers*

Vickers covenants and agrees with His Majesty that as at midnight on this 11th day of November, 1944, it shall cease the performance of any and all work in the said plant under any and all agreements, letters of authority and orders whether with or from His Majesty or with or from third parties requiring or intended to be performed in or about the said plant and remaining uncompleted,

excluding only the work required to be performed by Vickers in its Maisonneuve plant under orders heretofore placed by the Cartierville Aircraft Division of Vickers.

4. *Surrender of Operations by Vickers*

Vickers covenants and agrees with His Majesty to surrender, deliver, transfer and assign to His Majesty, as at midnight on this 11th day of November, 1944, full and complete possession, use, enjoyment, control and operation of its Cartierville Aircraft Division as a going concern, including but without in any way limiting or restricting the generality of the foregoing:

(*a*) the said plant;

(*b*) any and all contracts, agreements, letters of authority, orders and acceptances of tender pertaining to the said plant or in connection with the possession, use, enjoyment, control and operation thereof or requiring or intended to be performed therein, including sales contracts, purchase contracts, service contracts, insurance contracts, employment contracts, construction contracts, (with the execution only of the employment contract of the Comptroller, L. A. Brooks, whose services Vickers desires to retain), permits and licenses;

(*c*) any and all inventories of finished aircraft, aircraft components and aircraft parts, work in process, materials and supplies;

(*d*) the benefit of any and all prepaid expenses and any and all accounts receivable;

(*e*) any and all books of account, records, statements, documents, instruments, writings, plans, specifications, drawings, blueprints, data, details and information;

(*f*) generally any and all other assets and rights forming part of Cartierville Aircraft Division or pertaining thereto.

5. *Acceptance of Transfer and Assumption of Liabilities by His Majesty*

His Majesty covenants and agrees to accept from Vickers the surrender, delivery, transfer and assignment as at midnight on this 11th day of November, 1944, of the full and complete possession, use, enjoyment, control and operation of the Cartierville Aircraft Division as a going concern for which provision is hereinbefore contained in paragraph 4 hereof, and further covenants and agrees to complete, fulfill, execute, satisfy and discharge any and all obligations and liabilities of Vickers outstanding as at midnight on this 11th day of November, 1944, with respect to or in connection with the possession, use, enjoyment, control and operation of the Cartierville Aircraft Division including construction contracts, except:

(*a*) any and all of such obligations and liabilities incurred by Vickers for income taxes or excess profits taxes;

(*b*) any and all of such obligations and liabilities incurred by Vickers under any and all agreements, letters of authority, orders and acceptances of tender between His Majesty and Vickers and which obligations and liabilities constitute items of cost which are or will be disallowed by His Majesty under the Costing Memorandum, Form M. & S. 433 forming part of this contract;

(*c*) any and all of such obligations and liabilities incurred by Vickers which are not presently disclosed in the books of account and records of Vickers Aircraft Division;

(*d*) any and all of such obligations and liabilities incurred by Vickers under any warranties given by Vickers with respect to work completed by Vickers under any and all agreements, letters of authority, orders

and acceptances of tender between His Majesty and Vickers or between third parties and Vickers;

(*e*) any and all of such obligations and liabilities incurred by Vickers with respect to machinery and equipment which are the property of His Majesty and which were originally acquired by Vickers for use in the said plant with capital assistance supplied to Vickers by His Majesty and which are not located in the said plant as at midnight on this 11th day of November, 1944;

for all of which obligations and liabilities so excluded Vickers shall remain responsible.

6. *Release by Vickers*

Vickers hereby releases and forever discharges His Majesty of and from any and all claims of any name, nature or description whatsoever arising in favour of Vickers with respect to or in connection with the possession, use, enjoyment, control and operation of its Cartierville Aircraft Division and with respect to or in connection with any and all agreements, letters of authority, orders and acceptances of tender between His Majesty and Vickers, requiring or intended to be performed by the Cartierville Aircraft Division in the said plant, the whole except as herein specifically provided.

7. *Production contracts*

Vickers and His Majesty confirm that Vickers has heretofore undertaken to manufacture, sell, supply and deliver to His Majesty

(*a*) 39 Canso Amphibian airplanes all in accordance with the hereinbefore recited agreement dated July 25, 1941, as amended January 20, 1942;

(*b*) Spare parts for Canso Amphibian airplanes, all in accordance with the hereinbefore recited agreement dated August 13, 1941 (as amended October 1, 1942);

(*c*) 50 Canso Amphibian airplanes and spare parts for Canso Amphibian airplanes, all in accordance with the hereinbefore recited agreement dated December 2, 1941 (as amended October 1, 1942);

(*d*) 50 Canso "A" airplanes in accordance with Royal Canadian Air Force Specification AIR-18-17, Issue 3, dated November 6, 1943 (as the same may be amended or modified from time to time);

(*e*) Spare parts for Canso "A" airplanes in accordance with lists furnished or to be furnished by the Minister to Vickers pursuant to the original letter of authority from the Deputy Minister of Munitions and Supply to Vickers dated October 5, 1942;

(*f*) 230 Model Canso "A" airplanes and spare parts therefor all in accordance with the hereinbefore recited agreement dated January 25, 1944;

(*g*) DC-4 airplanes in accordance with letter of authority from the Minister dated March 11, 1944.

8. *Price*

A. His Majesty will pay to Vickers for each of the airplanes delivered under the said agreement dated July 25, 1941 for the production of 39 Canso Amphibian airplanes and under the agreement dated December 2, 1941 (as amended October 1, 1942), insofar as the said agreement relates to the production of 50 Canso Amphibian airplanes, the prices specified in the said two agreements, subject, however, to the provisions of the agreement between the parties dated February 19, 1943.

B. His Majesty will pay to Vickers for each of the 50 airplanes to which reference is made in paragraph (*d*) of Section 7 hereof:

(i) the cost (determined in accordance with the Costing Memorandum, Form M. & S. 433) reasonably and properly incurred by Vickers in the production of the said airplanes (including the cost of jigs and tools);

(ii) a fee of $4,500.;

(iii) the bonus, if any, for which provision is hereinafter contained in paragraph D of this Section 8.

C. His Majesty will pay to Vickers for each of the 230 airplanes to which reference is made in paragraph (f) of Section 7 hereof the price stipulated in paragraph A of Section 1 of the agreement bearing even date herewith between the parties hereto with respect to the said 230 airplanes, and His Majesty will also pay to Vickers the costs and profit for which provision is made in paragraphs B and D of Section 1 of the said Agreement bearing even date herewith.

D. If the average of the combined cost of production of the said 50 airplanes to which reference is made in paragraph (*d*) of Section 7 hereof and of the said 230 airplanes to which reference is made in paragraph (*f*) of Section 7 hereof, less the cost of jigs and tools, is less than $150,000 each, His Majesty will pay to Vickers a bonus equal to twenty-five percent (25%) of the difference between the average of the combined cost of production and $150,000.

E. His Majesty will pay to Vickers for the spare parts to which reference is made in the agreements and letters of authority listed on Schedule "A" annexed hereto to form part hereof (which list includes the spare sparts referred to in paragraphs (*b*), (*c*), (*e*) and (*f*) of Section 7 hereof:

(i) the cost (in accordance with the Costing Memorandum, Form M. & S. 433) reasonably and properly incurred by Vickers in the production thereof;

(ii) a fee of $350,000.

F. His Majesty will pay to Vickers for all work done (whether heretofore done by Vickers or hereafter done by or on behalf of His Majesty) under the miscellaneous orders and acceptances of tender listed on Schedule "B" annexed hereto to form part hereof the respective prices stipulated in such miscellaneous orders and acceptances of tender, provided, however, that the total aggregate amount payable hereunder to Vickers shall not exceed the laid-down cost (in accordance with the Costing Memorandum, Form M. & S. 433) reasonably and properly incurred by Vickers in the production thereof, plus Five per centum (5%) of the total aggregate cost of such work (whether heretofore done by Vickers or hereafter done by or on behalf of His Majesty) by way of profit;

G. His Majesty will pay to Vickers its cost (determined in accordance with the Costing Memorandum, Form M. & S. 433) reasonably and properly incurred by Vickers in respect of all plant expense orders outstanding on the books of the Cartierville Aircraft Division as at midnight on this 11th day of November, 1944.

H. His Majesty will pay to Vickers its cost (determined in accordance with the Costing Memorandum, Form M. & S. 433) reasonably and properly incurred by Vickers in respect of the production of DC-4 airplanes, including the cost of jigs and tools made at the Vickers Maisonneuve plant, work in process at the Cartierville Aircraft Division and also the proper travelling expenses and salary of technicians and others engaged on this project in England, the United States and Canada plus a profit equal to Five Percent (5%) of such cost.

I. His Majesty will pay to Vickers for all work done by Vickers under the special orders listed on Schedule "C" annexed hereto to form part hereof, the

cost determined in accordance with the Costing Memorandum, M. & S. 433, reasonably and properly incurred by Vickers in the production thereof plus such profit as shall accrue under the said orders when completed.

J. His Majesty will pay to Vickers for all work done by Vickers at the Cartierville Aircraft Division or now in process as at midnight on this 11th day of November, 1944, at the Cartierville Aircraft Division under the Overhaul and Repair Contract between His Majesty and Vickers dated April 1st, 1941 (as amended) P.C. 3852, the costs incurred by Vickers in accordance with the terms of the Overhaul and Repair Contract and profit determined in accordance with the provisions of Order-in-Council P.C. 1575 of March 1st, 1943.

K. It is understood and agreed by and between the parties hereto that any fees, bonuses or profits hereinbefore set out as being payable to Vickers under this agreement and under the agreement between the parties hereto bearing even date herewith in respect of the 230 airplanes to which reference is made in paragraph (*f*) of Section 7 hereof shall be paid to Vickers whether the work in respect of which such fees, bonuses or profits are payable is completed before or after the surrender of the said Cartierville Aircraft Division by Vickers at midnight, on this 11th day of November, 1944.

L. Notwithstanding anything to the contrary herein contained, it is understood and agreed by and between the parties hereto that in no event shall the total aggregate amount of the fees, bonuses and profits to which Vickers shall be entitled under the provisions of paragraphs B, C, D, E, F, G, H, I, J, and K of this Section 8 together with the profits already made by Vickers under the special orders with third parties heretofore completed and listed in Schedule "C" hereto annexed to form part hereof, exceed the sum of Two million, five hundred thousand dollars ($2,500,000).

9. *Sale of Equipment and Machinery by Vickers to His Majesty*

Vickers hereby sells, transfers, makes over and assigns unto His Majesty all equipment and machinery owned by Vickers presently located on or about the said plant as listed in Schedule "D" hereto annexed to form part hereof for and in consideration of the sum of One hundred thousand, eight hundred dollars ($100,800) which His Majesty covenants and agrees to pay.

10. *Settlement*

Settlement of any and all amounts which may be or become due under the provisions of this contract by His Majesty to Vickers shall be effected as follows:

A. On or before December 15, 1944, His Majesty will pay to Vickers a sum equal to the amount which shall be determined from the books of the Cartierville Aircraft Division as at the close of business on the 11th day of November, 1944, as being the excess of the following assets:

(*a*) any and all inventories of finished aircraft, aircraft components and aircraft parts, work in process, stores, materials and supplies, as adjusted on or before the said 15th day of December, 1944, to provide for such shortages and overages, if any, in such inventories of stores, materials and supplies as may be determined upon the completion of the physical check which is now in progress;

(*b*) any and all accounts receivable;

(*c*) any and all prepaid expenses normally chargeable to future operations and which have not yet been absorbed;

over the following liabilities and prepayments;

(*d*) accounts payable, accrued charges, accrued wages and salaries and accrued taxes;

(*e*) any and all amounts heretofore paid by His Majesty or third parties to Vickers with respect to the inventories hereinbefore mentioned in subparagraph (*a*) of this Section 10.

provided, however, that there shall be excluded from the foregoing calculation any and all amounts appearing in the said books at the said time as work in process under the agreements to which reference is made in paragraph A of Section 8 hereof, and any and all progress payments actually received by Vickers from His Majesty under such agreements.

B. His Majesty will pay to Vickers the amount to which Vickers may be entitled under the provisions of paragraph A of Section 8 hereof as soon as the prices therein mentioned have been finally determined under the provisions of the agreements to which the said paragraph A of Section 8 hereof refers, less any and all amounts theretofore paid by His Majesty to Vickers under the said agreements.

C. His Majesty will pay to Vickers:

(*a*) the fee for which provision is made in subparagraph (ii) of paragraph B of Section 8 hereof upon the execution and delivery of this contract;

(*b*) the bonus, if any, for which provision is made in subparagraph (iii) of paragraph B of Section 8 hereof as soon as the amount of such bonus, if any, has been determined.

D. His Majesty will pay to Vickers the amount for which provision is made in paragraph C of Section 8 hereof at the time specified in the agreement bearing even date herewith between the parties hereto with respect to the airplanes therein mentioned in subparagraph C of Section 8 hereof.

E. His Majesty will pay to Vickers the fee for which provision is made in subparagraph (ii) of paragraph E of Section 8 hereof upon the execution and delivery of this contract.

F. His Majesty will pay to Vickers the profits for which provision is made in paragraphs F, H, I and J of Section 8 hereof as soon as such profits have been determined.

G. His Majesty will pay to Vickers upon the execution and delivery of this contract the amount for which provision is made in Section 9 of this contract.

H. The parties hereto acknowledge that the foregoing paragraphs A, B, C, D, E, F, and G of this Section 10 provide for the payment to Vickers of any and all amounts to which Vickers may be entitled under this contract and the other agreements, contracts and orders referred to herein, including but without in any way limiting or restricting the generality of the foregoing, any and all amounts to which Vickers may be entitled under paragraphs B, C, E, F, G, H, I and J of Section 8 hereof for the reimbursement of costs, provision for the payment of such costs being included under paragraph A of this Section 10.

I. Notwithstanding anything to the contrary hereinbefore contained, it is agreed between the parties hereto:

(*a*) that if, on or before the time of the adjustment and final settlement for which provision is hereinafter contained, His Majesty deems any of the accounts receivable to which reference is made in subparagraph (*b*) of paragraph A of this Section 10, to be uncollectible, such accounts receivable shall be retransferred by His Majesty to Vickers and Vickers shall reimburse His Majesty for the amount of the same.

(*b*) that the right is reserved to His Majesty to disallow, in accordance with the Costing Memorandum, Form M. & S. 433, any costs and

expenses for which provision is hereinbefore contained and that Vickers shall reimburse His Majesty for the amount of any such costs and expenses so disallowed.

J. As soon as reasonably possible after all the work contemplated by this contract has been completed and all of the costs, fees, bonuses and profits reative thereto have been determined, an adjustment and final settlement shall be made between the parties hereto.

11. *Access to books and records by Vickers*

His Majesty agrees that until the adjustment and final settlement for which provision is hereinbefore contained in paragraph J of Section 10 hereof has been made, His Majesty shall make available to Vickers at the Cartierville Aircraft Division, the books and records of the Cartierville Aircraft Division relating to the operations forming the subject matter of this contract and suitable office space and facilities requisite for the attendance of its representatives for the examination of such books and records, without cost to Vickers.

12. *Amendments to General Conditions*

The following changes in and additions to the General Conditions are agreed to by the parties:

(*a*) the word "Contractor" wherever it appears therein shall be replaced by the word "Vickers";

(*b*) Clause 9 is deleted;

(*c*) Clause 13 is deleted and the following substituted therefor:

(i) Except as provided in sub-clause (ii) and (iv) of this Clause 13, His Majesty will not pay the cost of any Insurance carried by Vickers on any property (including Government issue), the title to which is vested in His Majesty. Vickers shall, however, take reasonable and proper care of all such property and shall be responsible for loss thereof or damage thereto resulting from its failure to do so, save and except any loss or damage to such property caused by fire, sabotage or riot.

(ii) Notwithstanding the provisions of subclause (i) of this Clause 13, loss of and damage to materials and parts supplied by Vickers, and work in process performed by Vickers, whether or not the title thereto is vested in whole or in part in His Majesty, shall be at the risk of Vickers until final acceptance thereof on behalf of His Majesty; but with respect to work for which a price other than a fixed price is payable, the cost reasonably and properly incurred by Vickers in insuring such materials, parts and work in process against loss or damage prior to final acceptance of the completed aircraft and/or parts on behalf of His Majesty, including test flight insurance and reasonable insurance upon Vickers' test pilots and crews, and the proper proportion of the cost of insurance placed by Vickers on that part of its plant, buildings, machinery and equipment which is used in connection with the work to be performed under this contract, shall be chargeable to His Majesty as part of the cost of such aircraft and/or parts. It is hereby understood and agreed that the proceeds of test flight and ground risk insurance placed by Vickers under the provisions of this subclause (ii) shall be paid first to Vickers as its interest may appear and the balance to His Majesty, and that any loss sustained for which full indemnity is not recoverable by reason of the operation of any 'deductible clauses' to which such insurance may be subject shall be borne by His Majesty.

(iii) His Majesty shall indemnify and save harmless Vickers from and against loss of or damage to materials, parts and work in process caused by uninsurable risks of loss or damage resulting other than from fault of Vickers. His Majesty shall also indemnify and save harmless Vickers from and against any and all claims by third parties for injuries, including injuries resulting in death, and for loss of or damage to property which may be caused by or result from or be suffered in connection with the test flying by Vickers of the aircraft to be manufactured under this contract save and except any claims for injuries, including injuries resulting in death, suffered by any occupant of such aircraft while being test flown by Vickers.

(iv) Notwithstanding the provisions of sub-clause (ii) of this Clause 13, loss of and damage, to aircraft manufactured under this contract shall, unless covered by the terms of any insurance policy that Vickers may have in force, be at the risk of His Majesty while being test flown by the Inspector, his agents or representatives.

(v) His Majesty shall pay to Vickers the cost of boiler explosion insurance carried by the latter upon, or in respect of, pressure vessels on which the safety valve is set to relieve or which operate at a pressure of 15 pounds per square inch or more which are located in buildings owned by His Majesty or owned by Vickers and in which it is carrying on work for His Majesty at the cost of the latter. Such insurance shall be carried with a Company which provides a thorough inspection service. The cost of boiler explosion insurance other than as provided in this sub-clause (v) shall not be chargeable to His Majesty as part of the cost of the work to be performed under this contract.

(*d*) Clause 17 is deleted and the following substituted therefor:

(i) His Majesty shall indemnify Vickers against claims, actions or proceedings for the infringement of any patent based upon the use of any invention protected by such patent in carrying out this contract in respect of anything the model, plan or design of which shall have been supplied by or on behalf of His Majesty to Vickers, but this indemnity shall apply to this contract only.

(ii) Save and except as set forth in sub-clause (i) of this clause and subject as hereinafter provided, Vickers shall indemnify His Majesty against claims, actions or proceedings for the infringement of any patent based upon the use of any invention protected by such patent in carrying out this contract.

(iii) Except with the consent in writing of the Minister and subject to such conditions as the Minister may impose, Vickers shall not pay and shall direct its sub-contractors not to pay any royalties, licence fees or other amounts for or in respect of the use of any invention protected by any patent in carrying out this contract.

(iv) Vickers shall forthwith supply to the Minister a statement showing all royalties, licence fees or other amounts which Vickers or any of its sub-contractors will or may be obligated to pay or proposes to pay for or in respect of the use of any invention protected by any patent in carrying out this contract and the basis thereof and the parties to whom the same are payable and shall from time to time promptly advise the Minister of any and all claims or arrangements made or proposed which would or might result in payments or further or different payments being made by Vickers or any of its sub-contractors by way of royalties, licence fees or otherwise, as aforesaid.

(v) Subject to compliance by Vickers with the provisions of sub-clause (iii) and (iv) of this clause, His Majesty shall indemnify Vickers against claims, actions or proceedings made or instituted for

the recovery of any royalties, license fees or other payments referred to in any statement furnished by Vickers as provided in sub-clause (iv) of this clause which Vickers is legally bound to pay and which shall not have been approved by or on behalf of the Minister and against infringement of any patent protecting the invention for the use of which Vickers is legally bound to pay such royalities, license fees or other payments, and against which His Majesty shall have indemnified Vickers as provided in this sub-clause (v).

(vi) The amount payable to Vickers under this contract shall be reduced by the amount of royalties, license fees and other payments included in the contract price, against which His Majesty shall have indemnified Vickers as provided in sub-clause (v) of this clause.

(*e*) Clause 18 is deleted and the following substituted therefor:

In supplement of and not by way of substitution for any term of the specifications or any warranty stipulated or implied by law and notwithstanding prior acceptance of the work by the Inspector, His Majesty may, at Vickers' expense (provided that such expense shall not exceed the equivalent of the cost of performing such work at the Cartierville Aircraft Division) replace any of the Articles or any part or parts thereof (not including any Government issue) which at any time within three months of the delivery thereof (and provided that the same are then within Canada) become defective as the result of faulty or inefficient manufacture, materials or workmanship.

13. The parties hereto shall do and perform any and all such acts and things and shall sign, seal, execute and deliver all such deeds, documents, instruments and writings as may be necessary or useful in order more fully to evidence and/or to render effective the provisions of this contract and/or to give effect thereto.

14. *Effective Date of Contract*

Notwithstanding that this contract may be executed and delivered subsequent to the 11th day of November, 1944, it shall for all purposes hereof be and become effective as at midnight on the said 11th day of November, 1944, and any operations or transactions by Vickers with respect to or in connection with the Cartierville Aircraft Division between that time and the time when this contract is actually executed and delivered shall be for the account of His Majesty and all adjustments shall be made accordingly.

15. Save and except as herein otherwise expressly provided, all previous communications, negotiations and agreements with respect to the subject matter hereof are hereby superseded and cancelled.

In Witness Whereof this contract has been executed and sealed on behalf of His Majesty the King in right of Canada by the Deputy Minister of Munitions and Supply and by the Secretary of the Department of Munitions and Supply and has been executed by Vickers under its corporate seal duly affixed thereto by its officers authorized in that behalf.

Signed, Sealed and Delivered in manner aforesaid on behalf of His Majesty the King in right of Canada in the presence of:

G. K. SHEILS,
Deputy Minister.

D/S

E. YOUNG,
Witness.

R. T. DONALD,
Secretary.

Signed, Sealed and Delivered in the presence of:

MARJORIE E. BOWMAN,
Witness.

CANADIAN VICKERS LIMITED

Per

J. EDOUARD LABELLE,
President.

C/S

Per

J. W. SAVIDANT,
Secretary.

Approved 29th Nov. 1944.

F. H. BROWN

CHARLES GAVSIE
29/11/44

This is Schedule "A" to which reference is made in Paragraphs (*b*), (*c*), (*e*), and (*f*), of Section 7 of the Contract between His Majesty the King in the Right of Canada, and Canadian Vickers Limited, made as of the 11th day of November 1944.

CONTRACTS AND ACCEPTANCES OF TENDER FOR SPARE PARTS

C.V. Job	*Contracts*	*Details*
1001	B.18-38-113/CD.1533 FE.9151/PC.4248	Spares for 39 Aircraft RCAF
1002	B.18-26HK-27/CD.1860 FE.19474/PC.10867	Spares for 50 Aircraft RCAF
1003	B.18-26HK-27/CD.1860 FE.18954/PC.10722 Go ahead letter	Spares for 50 Aircraft RCAF
1004-5-6	WSL.72-348 USN-NOa(S) 296	Spares for 230 Aircraft USN (U.S.A.A.F.)
1007	WSL.72-348 USN-NOa(S) 296 Amend. #1	U.S. Navy Open End Contract Emergency Spares
1010	B.18-26HK-80/CD.TP 11018/FE.26727 Go ahead letter	RCAF Spares
13209	B.18-26HK 12 Serial #2-178330	Canso Spares
13436	B.18-26HK-22/CD.AB.39 F.E.9628	Canso Spares
13436	B.18-26HK-22/CD.AB.39 F.E.9628	Canso Spares
13444	B.18-26HK-24 Serial #2 B 2736	Canso Spares
20216	B.18-26HK-22/CD.AB.39 F.E.9628	Canso Spares
13455	B.18-26AJ-23/CD.1458 F.E.14759	Canso Spares
13548	B.18-26HK-42/CD.6311 FE.21450	Canso Spares
13578	B.18-26HK-23/CD.6237 FE.19322	Canso Spares
20093	B.18-26HK-26/CD.6267 FE.19424	Canso Spares
20250	B.18-26HK-32/CD.AB.39 FE.9628	Canso Spares
20371	B.18-26HK-61/CD.10015 FE.22828	Canso Spares
20373	B.18-26HK-67/CD.AB.39 FE.9628	Canso Spares
21909	B.18-26HK-78/CD.10062 FE.23534	Canso Spares
22169	B.18-26HK-79/CD.11000 FE.25756	Canso Spares

CONTRACTS AND ACCEPTANCES OF TENDER FOR SPARE PARTS—*Conc.*

C.V. Job	*Contracts*	*Details*
21100 21300 21600 21900 22200 22500 22800 22920 23100 23500 23523	B.18-26HK-54/CD.6351 FE.22468	RCAF Open Contract Emergency Spares

Also Acceptances of Tender Serial ‡2B9146, 2B10097, 2B10656, 2B11513, 2B12099 comprising 89 Jobs on Open Contract.

This is Schedule "B" to which Reference is made in Paragraph (F) of Section 8 of the Contract between His Majesty the King in the Right of Canada, and Canadian Vickers Limited, made as of the 11th day of November 1944.

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER

Job Number	*Customer*	*Description*
13251	Fairchild Aircraft	Spraying Parts
13264	Fairchild Aircraft	670 off Jettison Valves 3379 off Pulleys
13325	British Aero. Eng.	Pegasus Airscoops
13329	Federal Aircraft	Pulleys
13332	Federal Aircraft	Pulleys
13338	Boeing Aircraft	Cost Machining Parts
13353	Federal Aircraft	Pulleys
13356	De Havilland Aircraft	Vickers Cocks
13396	Fairchild Aircraft	Jettison Valves and Pulleys
13397	Boeing Aircraft	PBY Parts
13446	Boeing Aircraft	Hydro-Press Parts
13447	Clark Ruse Aircraft	Sill Inspection Door
13449	Clark Ruse Aircraft	Assy. Bearing & Nose Wheel Door Lock Mech. Hydro System
13458	Clark Ruse Aircraft	Step Cap Plate and Stiffener
13459	Boeing Aircraft	Parts
13460	Clark Ruse Aircraft	Parts
13461	D.N.D.	Arm Assy. Control Yoke
13464	Clark Ruse Aircraft	Cover 28B5248L
13465	D.N.D.	Cable Assy. & Cable constant speed control
13467	Clark Ruse Aircraft	Cross beam
13472	Clark Ruse Aircraft	Rudder Cables Outboard and Inboard
13474	Clark Ruse Aircraft	Jack sequence valve assy.
13480	Boeing Aircraft	Drop Hammers Parts
13483	Clark Ruse Aircraft	Cables
13484	Clark Ruse Aircraft	Bolts, nuts, washers
13487	Clark Ruse Aircraft	Parts
13489	Clark Ruse Aircraft	Clamps and Washers
13491	R.A.F. Ferry Command	Parts
13495	Clark Ruse Aircraft	Washers
13497	Clark Ruse Aircraft	Mixture Control Cable
13499	Boeing Aircraft	Channel
13511	Br. Airplane Eng.	Airscoops for pegasus
13520	Victory Aircraft	Pulleys
13523	Victory Aircraft	Pulleys
13526	Fairchild Aircraft	Repairs Jettison Valves
13527	Federal Aircraft	Pulleys
13529	Fairchild Aircraft	2 off Jettison Valves rep. 1 off Pulley rep.
13531	Br. Airplane Eng.	Spring, valves, airscoops split taper pin

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

Job Number	*Customer*	*Description*
13532	Victory Aircraft	Pulleys
13535	Br. Airplane Eng.	70 off Mercury Air Intakes
13536	Fairchild Aircraft	Jettison Valves
13537	Fairchild Aircraft	Jettison Valves
13539	Can. Car & Foundry	Pulleys
13542	Canadian Pacific Air Lines	Inboard Former L & R
13545	Boeing Aircraft	Cable Assy.
13579	Fairchild Aircraft	Rolling Skins
13582	National Research Council	1000 Alum Trays
13590	Can. Car & Foundry	Pulleys
13593	Fairchild Aircraft	Rolling Skin
13597	Clark Ruse Aircraft	Complete Nose Wheel Door Install. L & R
13598	Can. Pratt Whitney	Repairs to 4 bladed Wooden test clubs
13598	Canadian Vickers Ltd.	Cost Anodizing Bolingbroke Oleo legs
13600	Canadian Vickers Ltd.	Cost making corvette Name Plates
13601	R.A.F. Ferry Command	Rivets heat treated and packed in Dry Ice
13605	Nat. Research Council	Cost reducing dia. Graphite Bar
13608	Br. Aero Eng. Ltd.	Repairs to Airscoops Ser. 476-574-578
13611	Can. Gen. Electric Co.	Work on Electric Furnace
20001	Boeing Aircraft	Sheet Metal Parts
20007	Br. Aero. Eng. Ltd.	Mercury Airscoops
20016	Central Aircraft	Pulleys
20017	Can. Wright Ltd.	Repair to Propellor
20018	Clark Ruse Aircraft	Towing Cables c/w shackles and Clevis bolts
20026	Boeing Aircraft	Costings (Machined) Springs drop hammer sheet
20028	Fairchild Aircraft	Rolling Skin
20029	Fairchild Aircraft	Rolling Skin
20030	Fairchild Aircraft	Repair leaking Jettison Valves
20033	Boeing Aircraft	External Fittings for bomb rack
20041	Br. Aero. Eng.	Cost Rework Test Prop.
20060	J. Millen & Son	Pulleys
20063	Boeing Aircraft	Springs
20081	Clark Ruse Aircraft	Sill Inspection Door
20086	Nat. Research Council	Die for production alum trays
20091	D.N.D.	Glass pilot's enclosure sliding window
20092	D.N.D.	Motor Elect. for Float retraction
20097	Fairchild Aircraft	Rolling skin
20100	Fairchild Aircraft	Rolling skin
20116	Fairchild Aircraft	Rolling skin
20125	Can. Car & Foundry	PBY Parts
20138	Fairchild Aircraft	Rolling skin
20167	Fairchild Aircraft	Rolling skin
20212	Fairchild Aircraft	Rolling skin
20218	Can. Car & Foundry	Nose wheel axle, channel strip, retainer, etc.
20241	Canadian Car & Foundry	Bomb Aimer's window assy.
20247	Fairchild Aircraft	Rolling skin
20264	Fairchild Aircraft	Rolling skin
20268	Can. Pacific Air Lines	Spare Parts
20269	Can. Pacific Air Lines	Spare Parts
20270	Can. Pacific Air Lines	Spare Parts
20300	R.A.F. Ferry Command	Tail Cone
20309	Can. Pacific Air Lines	Belt frame, bulkheads stiffeners, Chine angle
20313	Cresswell-Pomeroy	Test Plieces Dural and Alclad
20325	Clark Ruse Aircraft	Nose Wheel Door and Control mech. Install. Complete

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

Job Number	*Customer*	*Description*
20362	Can. Car & Foundry	Channel Float Retracting mech. Link
20372	Can. Pacific Air Lines	Nose wheel Covers
20388	Central Aircraft	Vickers Fuel Cocks
20403	Canadian Car & Foundry	Pulleys
20415	Can. Pacific Air Lines	Complete Rotating Windows
20437	Canadian Vickers Ltd.	Repairing Housing for Pneumatic Drills
20440	D.N.D.	Metal Bomb Panel
20460	Victory Aircraft	Pulleys
20491	Can. Pacific Air Lines	Hull Stringers and Support Pilot's Floor and Seat
20506	Br. Aero. Eng.	Repair Mercury XX Prop.
20527	Victory Aircraft	Fuel Cocks
20546	D.N.D.	Antenna Wright Assy.
20587	Br. Aero. Eng.	Repair Mercury XX Prop.
20626	D.N.D.	Door Assy.
20633	Central Aircraft	Fuel Cocks
20634	Comm. Ins. Agency	Repairs Nose A/C 11010
20637	D.N.D.	Panel Assy.
20638	Can. Pacific Air Lines	2" Conduit
20644	Canadian Vickers Ltd.	Pulley Parts
20645	Canadian Vickers Ltd.	Pulley Parts
20646	Canadian Vickers Ltd.	Pulley Parts
20647	Canadian Vickers Ltd.	Pulley Parts
20651	Can. Pacific Air Lines	Variable Pitch Control
20668	Can. Pacific Air Lines	Housing for Torque shaft, etc.
20671	Can. Pacific Air Lines	L & R Twin Reels, Brass Member at Bulkhead, etc.
20730	Victory Aircraft	Pulleys
20734	D.N.D.	20 sets Weights
20756	Central Aircraft	Fuel Cocks
20771	Aircraft Repair Ltd.	Pulleys
20784	Central Aircraft	Covers, pulleys and guards
20799	Can. Pacific Air Lines	Throttle cable prop. control etc.
20800	Can. Pacific Air Lines	Bomb Control cables cable emergency
20801	Can. Pacific Air Lines	Bomb control cable emergency
20802	Can. Pacific Air Lines	Bomb control cable emergency
20803	Can. Pacific Air Lines	Rudders and elevators
20804	Can. Pacific Air Lines	Elevator Aileron Tabs
20805	Can. Pacific Air Lines	Elevator Tabs, rudder tabs
20806	Canadian Pacific Air Lines	Aileron and Rudders
20839	Boeing Aircraft	Cost of Vickers Mobile repair crew
20850	Comm. Ins. Agency	Repairing Aircraft 11026
20867	Can. Pacific Air Lines	Bearing anchor rul, crankshaft aft.
20906	R.A.F. Ferry Command	Bolts
20936	Comm. Ins. Agency	Repairs Aircraft 11026
20955	Can. Car & Foundry	Pulleys
20965	Fairchild Aircraft	Rolling skin
20985	Fairchild Aircraft	Jettison Valves
21006	Aircraft	Rolling skin
21109	Clark Ruse Aircraft	Bracket, cable fittings
21180	Br. Aero Eng.	Recondition Test Prop.
21195	Nat. Research Council	Cable assy. and Shear Pins
21209	Cresswell Pomeroy	Std. Tensil Spec.
21218	Central Aircraft	Pulley and Separators
21261	Peerless Elct	Normalizing Parts
21268	R.A.F. Ferry Comm.	Cable assy.
21270	Canadian Pacific Air Lines	Clamps
21296	Can. Car & Foundry	Cable assy. to be swaged
21312	Boeing Aircraft	Washers
21321	Alum. Co. of Canada	Cost of packing of components loaned to Alum. Co.
21352	Ottawa Car & Aircraft	Skin Assy. & Landing Gear Fairings
21370	Art Metal Corpn.	Rework 2 c section trailing edges

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

Job Number	*Customer*	*Description*
21410	Clark Ruse Aircraft	Cushion Assy. Nov-Radio Operators Chair
21412	Majestic Metal Prod.	Cost of Parts shipped
21413	Art Metal Corpn.	Cost of Detail Parts shipped
21434	Dept. National Def.	Anodizing 1 batch "U" section channel
21446	R.A.F. Ferry Command	PBY Parts
21509	Ottawa Car & Foundry	Skin assy. landing gear fairing
21535	Nat. Research Council	Drill Template Kirksite Blank Die.
21632	Aircraft Supply & Equip.	Swaging of Fittings
21755	Fairchild Aircraft	Mfg. wooden Mock-up Jigs
21757	R.A.F. Ferry Comm.	Kielson Extruded Section etc.
21831	Can. Power Boat Co.	Normalizing Parts
21862	Clark Ruse Aircraft	Screws, Washers spares
21864	Clark Ruse Aircraft	Clips and Straps
21956	Can. Pacific Air Lines	Strap and Buckle End etc.
22021	Can. Wright Ltd.	Balance Propellor
22213	D.N.D.	Pulleys
22241	Noorduyn Aviation	Glued samples Test Pulled
22258	Hayes Steel Prod.	Bushings
22326	Can. Car & Foundry	Swaging Cable Assy. Cowl Flap Control
22332	Br. Aeroplane Eng.	Test Propellor #990
22359	J. Millen & Son	Pulleys
22360	Hayes Steel Prod.	Bushings
22386	Victory Aircraft	Pulleys
22396	Can. Wright Co.	Test Prop. #8446
22410	Can. Car & Foundry	Swaging Cable. Assy. Cowl Flap Control
22456	Can. Car & Foundry	Swaging Cables
22457	Can. Car & Foundry	Swaging Cable Assy.
22465	D.M. & S. (N. A/C Factory)	32 Sets PBY Outer Wing Panels
22467	Can. Airways	Swaging Fittings on Control Cables
22486	Noorduyn Aviation	Pull Testing Samples
22496	De Havilland Aircraft	Recondition and Refinish 2 wooden props.
22557	Cresswell-Pomeroy	Tensile Test Pieces
22589	Raymond McDonnell	Cost Repairs Post Indicator #13
22629	Fairchild Aircraft	Swaging Fittings on cables
22666	Consolidated Vultee A/C	Cost shipping and packing 10 PBY 5 AMC Hulls
22667	Aeroquipment Co.	Anodizing Washers
22676	Can. Car & Foundry	Aileron Inboard cables etc.
22684	Br. Aeroplane Eng.	Merlin Prop. #990
22718	Can. Car & Foundry	Swaging
22753	Canadian Car & Foundry	Swaging
22808	Labrador Mining & Explr	Cost of Beaching, Launching, etc.
22815	Fairchild Aircraft	Swaging Cable Assy.
22816	Derham Custom Body	Zinc Chromate Tape
22826	Ottawa Car & A/C	Blank and pierce dies
22864	Can. Car & Foundry	Swaging
22867	Nat. Research Council	Machining Graphite Bars
22916	Aeroquipment Ltd.	Anodizing 3,000 washers
22956	Consolidated Vultee A/C	Packing and Shipping PBY Hulls
22972	Fairchild Aircraft	Roll to contour
22996	R.A.F. Ferry Command	Control Cable Assy.
23000	Fairchild Aircraft	Roll to contour
23001	Fairchild Aircraft	Roll to contour
23084	Fairchild Aircraft	Roll to contour
23015	Canadian Vickers Ltd.	Operator's Wages and Cost of Fuel Oil
23110	Aeroquipment Ltd.	Anodizing washers
23183	Fairchild Aircraft	Roll to contour
23228	Nat. Research Council	Bracket #91A
23280	Nat. Research Council	Anodizing Tubes

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

Job Number	*Customer*	*Description*
23327	Sperry Gyroscope Co.	Removal and Replacement of Sperry Gyro Equipment
23331	Fairchild Aircraft	Roll to contour
23387	Can. Car & Foundry	Machining C.R. Steel
23449	Consolidated Vultee A	Rudder Pedal Levers
23467	Can. Car & Foundry	To Supply and Anneal Dural
23475	D.N.D.	Repairing Gas Tank Leaks
23477	D.N.D.	Mods. to heating system
23479	Can. Car & Foundry	Swaging
26000	De Havilland A/C	Setting up tooling
26010	De Havilland A/C	Ailerons L & R
26011	De Havilland A/C	Ailerons L & R
26012	De Havilland A/C	Ailerons L & R
26013	De Havilland A/C	Ailerons L & R
26014	De Havilland A/C	Ailerons L & R
26015	De Havilland A/C	Ailerons L & R
26016	De Havilland A/C	Ailerons L & R
26030	De Havilland A/C	Aileron Detail Parts
26031	De Havilland A/C	Aileron Detail Parts
26032	De Havilland A/C	Aileron Detail Parts
26050	De Havilland A/C	Aileron Trim Tabs
26099	De Havilland A/C	Engineering and Drawing Office Exp.
13234	D.M. & S.	37 sets Parts for Mod. Stranraer
13341	"	180 sets Leak Stoppers
13347	"	86 off Link
13350	"	Merlin Test Props.
13372	"	Vickers 2 Way Cocks
13373	"	Mercury Airscoops
13384	"	Fuel Cocks and Non-return Valves
13388	"	Fuel Cocks and Non-return Valves
13414	"	Redesign Flooring Lockers, Panels, etc.
13421	"	Installing Spec. Br. Radio
13427	"	Standardization of Alum Tube on PBY
13437	"	30 sets Installation Fuel Pump
13448	"	144 sets Leak Stoppers
13456	"	Brace for Nose Section and Stiffener for Keelson
13457	"	44 off Nose Wheels to be modified
13476	"	Cable Assy. Elevator Control
13477	"	41 off Cooking Stoves
13478	"	Elevator Trimmer Tab Cables
13482	"	D.O. Tech. shop etc. exps. reinstall. sig. pistol mount
13485	"	Retracting Link c/w fittings
13494	"	5 sets Cabin Heating System for Catalina
13521	"	Wooden Oxford props.
13524	"	Locking tabs for fuel cock and non-return valves
13525	"	Fuel cocks and non-return valves
13528	"	44 off Fuel Cocks
13530	"	1 off Pump repaired
13534	"	1 off Pump repaired
13538	"	Repairs H. Pressure Pump
13540	"	Repairs PBY Leading Edges and De-Icer Boot
13577	"	Repairs Oxford Wooden Props.
13585	"	50 sets Reinforcement of Aileron
13588	"	VGS Bolts 342-2
13589	"	2 off Repair to Stranraer Propellers
13591	"	27 sets Canso recognition light flares

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

Job Number	*Customer*	*Description*
13596	D.M. & S.	Pulleys
13602	"	2 off Stranraer Propellers 1 off 3 Bladed Shark
13603	"	Repairs Stranraer Propellers
20012	"	Repairs Wooden Oxford Propellers
20021	"	Repair H. Pressure Pumps
20023	"	Mod. Canso fuel Jettison arrangements
20032	"	¾" B.S.P. Plug cock
20039	"	Jettison Valves
20040	"	Repairs Props. Ser. No. F505-648
20042	"	No. 23053 Sht. 16 Collar
20045	"	Cylinder L/H Lock
20050	"	Canso Spare Parts
20051	"	Mod. sets for reinforcement Ailerons
20065	"	Jettison Valves
20066	"	Airspeed indicator tags
20080	"	Expense re-install, heat anti-icer
20104	"	Install, Install, Hollo Control Wheel Shaft
20115	"	Elimination of Elect. conduit
20120	"	Stringer—Hull Bottom
20194	"	Nose Strut and Fork assy. repairs
20195	"	Repairing hand pump
20199	"	29 sets Airspeed indicator tag
20202	"	Stainless Steel Locking Wire
20203	"	Parker Elbow Bracket
20205	"	Panel Assy. Cowl R.H.
20223	"	Mod. install. solar type flame
20230	"	L. & R. Belt frame
20251	"	Spec. adaptor to repair Vickers H-Pressure pump
20256	"	Generator bracket assy. c/w nut bolts, etc.
20265	"	Tail Exhaust Pipe
20289	"	Cables, Turnbuckles
20291	"	Support Tunnel Gun Hitch Camera
20304	"	Spacer
20308	"	PBY Parts
20312	"	Pulleys
20333	"	Repairs Wooden Oxford Propeller
20336	"	Stranraer Spare Parts
20337	"	Vacuum Control Cock
20341	"	Tee Piece
20356	"	Handles Adjustable Pilot's Seat
20364	"	To cover cost of Drawing Office Engineering Exp. et.
20370	"	Repairs Wooden Tiger Propeller
20383	"	Bomber Circuit and Time Delay Circuit Install.
20393	"	Repairs Oxford Wooden Propellers
20398	"	Engine Cover and Prop. hub and Anti-Icer Cover
20405	"	Vacuum Control Cock
20407	"	Aileron Tab Control Pin Float Strut, etc.
20408	"	Reinforcement for Ailerons

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

Job Number	*Customer*	*Description*
20428	D.M. & S.	Gear Box Assy. Aileron Flap Control
20434	"	Repair Prop. Serial No. F227
20451	"	Mod. Nose Wheel Down Lock Spring
20459	"	Assy. Aileron Tab Control Gear Box
20493	"	Cable Assy. Pendant
20500	"	Canso Airframe Spares
20606	"	Clamping Ring, etc.
20649	"	Platforms forward of front strut and under motors
20657	"	Bolts
20674	"	Repairs PBY A/C 33961
20684	"	Pulleys
20686	"	Mod. install. Fire Extinguisher System
20687	"	Repairs to Propeller
20688	"	Repairs Wooden Propeller
20694	"	Bolt Assy. pin assy. Bracket, etc.
20698	"	Spec. Wireless equipment
20729	"	Sea Drogue assy. and Fittings
20752	"	Install Radio Altimeter
20754	"	Mod. radio install.
20785	"	Cylinder Nose Wheel Retracting
20838	"	Parts for main cylinder and brake hydro system
20845	"	Washers
20846	"	Gasket, fairing door assy., etc.
20856	"	Repairs Collar assy. N.L.G.
20868	"	Valves, hose, wheel assy., etc.
20886	"	Pump hyd. hand etc.
20887	"	Fairings, cables, brackets, etc.
20943	"	Canso Airframe spares
20965	"	Rolling skin
20993	"	Conduit Flex
21004	"	Feed Cup Assy.
21015	"	Sealing Strips
21048	"	Bunk, Rest and Back assy.
21051	"	Wooden Oxford Propellers
21056	"	Flex Conduit c/w End Fitting
21059	"	Oil Dilution System
21061	"	Wheel Well Cover Assy.
21067	"	PBY Parts
21068	"	PBY Cables
21125	"	12 sets Mod. Parts for Reinforcing Canso Ailerons
21291	"	Triling Edges
21354	"	Sets Extension Lines
21360	"	Sets of install, fuel Pump Direct Valve
21386	"	12 sets Mod. Install. Hollow Wheel shaft in Canso
21393	"	Anodizing Relay boxes and covers
21396	"	To cover cost of repairs to Aircraft No. 11051
21706	"	Brackets 'Ventura Modification
21789	"	Stranraer Metal Prop.
21800	"	Links (Ventura Aircraft)
21824	"	Aerial Wright assy. Sets
21837	"	Rebuild Scrap Storage shed
21866	"	15 sets Flame Dampner Mod.
21877	"	3 lbs. Powdered Neoprene
21901	"	Scissors in cylinder valves, etc.
21971	"	Cost rewiring MI 22 Boxes

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

Job Number	*Customer*	*Description*
22051	D.M. & S.	Repairing Wing Trailing Edges
22080	"	Cable Assy. to be swaged
22094	"	Castors to be repaired
22170	"	Cost cancelled Purchase Orders
22191	"	Tech. Expense & Cost 1 set sample parts
22204	"	Vickers Type 2 Way Fuel Cock
22208	"	Trailing edge Inner L.H. and R.H.
22226	"	Expenses Re-revision of technical data
22309	"	Plugs
22400	"	Attaching Brackets
22468	"	Navigators Seat Assy. etc.
22488	"	Condenser Bracket
22498	"	Hoisting Sling, etc.
22558	"	Cost of Engineering etc.
22559	"	Cost of Engineering etc.
22577	"	Panel Assy.
22578	"	Scoop Generator Cooling
22579	"	Blast Tubes
22617	"	Cost Details & Install. Elect. Mods. A/C 33968-33982
22618	"	Cost of making details Instrumend Mod.
22700	"	Reinforcement of Hull Bottom
22716	"	Mod. Parts
22737	"	Cable Assy.
22755	"	Anchor Cable Assy.
22776	"	Pulley Engine Control etc.
22812	"	100 Sets Parts for Mod. Hull
22830	"	PBY Parts
22868	"	Brake valve debooster, etc.
22870	"	Tooling O.W. Panels
22912	"	Bolts Scissors
22926	"	PBY Parts
22966	"	Swage Fitting etc.
22967	"	Glass Waist gunner's turret
23013	"	Snummer Assy. etc.
23096	"	Rudder Horn, etc.
23097	"	Upper Fin Struct. assy.
23098	"	Clamp Assy.
23137	"	Ladder Assy.
23171	"	Engineering Tooling Exp.
23196	"	Inhibiting of Engines
23253	"	Install. Stowage Furns, N.L.G.
23299	"	Strap & End
23323	"	Cover Assy. Sponge Rubber
23325	"	Linear Packing
23369	"	Flec Conduit Tech
23373	"	Support Hull Front Gunner's Floor
23374	"	Support Hull Front Gunner's Floor
23390	"	Support Hull Front Gunner's Floor
23481	"	Busses, Elect Switch Panel

This is Schedule "C" to which reference is made in Paragraph (I) of Section 8 of the Contract between His Majesty the King in the Right of Canada, and Canadian Vickers Limited, made as of the 11th day of November, 1944.

"Special Orders"

Job. No.	Customer	Description	Amount
22017	Consolidated Vultee Aircraft	20 Wing Spars	$ 24,640.00
22665	Consolidated Vultee Aircraft	10 Hulls	321,750.00
22955	Consolidated Vultee Aircraft	10 Hulls	289,575.00
23040	Consolidated Vultee Aircraft	5 Gun Rings	2,640.00
23140		10 Gun Rings	
17672	Trans-Canada Air Lines	Modifications	Cost plus 10%
21894	Dorval	and Repair	

SCHEDULE "D"

CANADIAN VICKERS LIMITED

EQUIPMENT AND MACHINERY TRANSFERRED TO CARTIERVILLE

Transfer No.	*Description*
1	Peerless Power Hack Saw-Model 5-K-224-A-4
2	Wheeling Machine
3	Wheeling Machine
8	Brown-Boggs #188, Foot Gap Squaring and Slitting Shears
9	Ice-Box for Dry Ice
13	1—only S-975 Driver Shaper and 1-BB, 10S Motor
19	1—Vickers Hand Crimper
21	Brown-Boggs Hand Roll
24	Beverley #3 Hand Shear
25	Vickers Crimper
26	Vickers Crimper
27	Circular Saw
29	Surface Block
30	Dimpler built from Squeeze Riveter
33	Vickers Bull Dozer
35	Hand Wiping Machine (Vickers) w/Bench
37	Brown-Boggs No. 2 Beading Machine
38	B-2 Beverley Hand Shear
39	Niagara Hand Beading Machine
41	Four Steel Erection Scaffolds
42	1—Perkins Crimson Beauty Power Press w/Motor
43	Vickers Stringer Rack No. 482, 96″ high, 12″ wide, 40′ length
44	Vickers Stringer Rack No. 483, 72″ high, 46″ wide, 14″ length
45	Vickers Stringer Rack No. 484, 93″ high, 36″ wide, 144″ length
46	Vickers Material Rack No. 485, 74″ high, 28″ wide, 100″ length
47	Vickers Material Rack No. 486, 74″ high, 28″ wide, 100″ length
48	Two Drawer Desk Table 31″ high, 36″ wide, 84″ length
50	Stanley Unishear and Table
51	1—Bull Dozer (Air Press) Vickers
54	1—Delta No. 1601, Cut-off machine w/Motor
63	Corona Spindle Drill, Hand Feed $\frac{5}{8}$″ dia. w/Motor
64	Ice-Box dry ice
68	Can. Buffalo Drilling Machine, Single Spindle, Serial #4168
69	Sunlight Twin Grinder, Serial #55007
70	Drilling Machine, Single Spindle Bench Type Chicago Mfg. Co.
71	One only Verson Junior 4′ press brake #1062 with motor
72	1—Acton Blow Press w/Motor
73	1—Acton Blow Press w/Motor
74	#3 Acton Blow Press, 35 ton Vicker's No. 14
77	One Rack 72″ high, 13″ wide, 100″ long, Vickers No. 497
78	One Rack 50″ high, 36″ wide, 144″ long, Vickers No. 498
79	Desk Table w/one drawer, 32″ high, 30″ wide, 60″ long, Vickers made
80	Cupboard, 66″ high, 15″ wide, 36″ long, Vickers made
92	Beverley #B-3 Throatless Shear, Vickers No. 44
102	Vickers Blanking Die Rack
103	Vickers Blanking Die Rack
104	Vickers Blanking Die Rack
105	Vickers Blanking Die Rack
106	Vickers Routing Template Rack
108	2—Power Vane 301-2000 Rotary angle drills/w/hose fittings
115	One 14″ used Buzz Planer
117	Die Rack—Vickers
118	Blow Press Table—Vickers
119	Blow Press Table—Vickers
120	Hydro Block Rack—Vickers
121	Hydro Table
122	Hydro Block Bench Table—Vickers #509
123	Verson Die Rack Iron—Vickers
136	Vickers Hand Rolls—45″ x 43″ x 16″

SCHEDULE "D"—*Con.*

Transfer No.	*Description*
137	Vickers Ladder
138	Vickers Ladder
139	Vickers Double Rack Bin Type
140	Hand Crimper (Stand)
141	Ice Box—Vickers
142	Surface Block
143	Ice Box—Vickers
144	Desk—Vickers 31″ x 32″ x 50″
145	Table—Vickers
146	Cupboard—Vickers
147	Sunlight Twin Grinder
148	Extrusion Rack—Vickers
167	One Delta No. 1552, 14″ four spindle drill Press w/motor
168	One Delta No. 1542, 14″ two spindle drill Press w/motor
172	Rockwell motorized Hardness tester-model 3-QR w/equipment
173	Rockwell motorized Hardness tester-model 3-QR w/equipment
174	Do-all saw size ML, Serial 2938742
175	Delta No. 1601, cut-off Machine w/motor
176	#15 Can. Buffalo Bench Type drill, single spindle
177	#15 Can. Buffalo Bench Type drill, single spindle
178	#15 Can. Buffalo Bench Type drill, single spindle
179	#2 Universal Miller—Kemp Smith
181	Alba Shaper Type 3-S, 17″ Stroke
182	One ⅓ HP. Hoover Electric grinder
184	Master Card Files
185	Tool Master Card Files
186	Table
188	Shop Table Desk 30″ high, 31″ wide, 60″ length
189	Table
190	Bench
191	Bench
192	Spray Painting Booth, 35′ x 25′ x 15′ high Exhaust Fans and 1-HP motors
193	Peerless Power Saw 1½ HP, 550 volts, 60 cycles Serial HU-4025
194	Niagara 4′ Power Shear, 440 volts, 3 HP
195	Black and Decker Pneu. Screw Driver and Wrench machine, type BR. Serial 1741986
196	14′ Aluminum Straight edge
197	9′ Aluminum Straight edge
198	6′ Aluminum Straight edge
199	Walker and Turner Disc. Grinder, Serial 7-SN-6390
200	Table
201	Table
203	Power King 6″ Table Saw w/motor and extension table
204	Cupboard
205	Hoover Grinder
206	Can. Buffalo Press drill, bench type w/table
207	86 Thor #210 Rotary Air Drills, 3/16 capacity w/std. equipment
209	30 C.P. 301-2000 Power Vane Angle drills
212	Chair (Vickers)
213	Peerless Hacksaw (Power)
227	#1542—14″ two spindle Delta Drilling Machine Ser. No. 94066
229	Do-all Saw Serial 401296
230	Hoover twin grinder with stand
231	F. J. Edwards Hand Press
232	Office Desk
233	Office Chair
234	Shop Chair
235	Shop Chair
236	Table
237	Table
238	Cupboard
239	Office Chair
240	Office Chair
241	Office Desk
243	Inspection Table 36″ x 30″ x 47½″ made by C.V.
244	Inspection Table 31″ x 36″ x 30″ made by C.V.
248	6—Desoutter Drills (owned by C.V.)

SCHEDULE "D"—*Con.*

Transfer No.	*Description*
251	10—#210 Thor Rotary Air Drills, 3/16 cap. w/std. equipment
254	58—Ingersoll-Rand Air Drills (owned by C.V.)
255	412—#301-2000 "Power Vane" Rotary Air Drills (owned by C.V.)
259	Can. Buffalo Drilling Machine, Single Spindle #15 c/w stand
260	Can. Buffalo Drilling Machine, Single Spindle #15 c/w stand and motor
261	Can. Buffalo Drilling Machine, Single Spindle #15 c/w stand
263	Can. Buffalo Single Spindle #15 drilling machine
264	Can. Buffalo Single Spindle #15 drilling machine
265	Can. Buffalo Single Spindle #15 drilling machine c/w stand
267	Can. Buffalo Single Spindle #15 drilling machine serial 4163
268	Can. Buffalo Single Spindle #15 drilling machine c/w stand
269	Vickers Crimper
270	Black & Decker Twin Grinder, Type A, 110V, ¼ H.P., Serial 36392
271	Super Arc Electric Welding Machine Mod. A., Serial B.
274	Surface Table
277	Tumbler Machine (Vickers)
279	Pexto Foot Shear #O.C.52, Serial 4488-70
280	Vickers Bench Type Hand Brake
281	Vickers Bench Type Hand Brake
282	Beasley Grinder #205—18"
283	Sebastien Engine Lathe 16" x 7'
285	2—Vickers Tables
286	Vickers Table
287	Perkins Crimson Beauty Press
288	Black & Decker Flexible Disc. Sander H.D., Serial 679962-W. Motor
290	Hoover Twin Grinder c/w stand serial 274767
289	Zoermen Table Lathe (Clarke Mfg. Co.) 9" x 24" x 32"
291	Hand Press 34" x 12" x 24" (Vickers)
292	#B-3 Beverley Shear
293	Two Drawer Office Table
294	One Drawer Office Table
295	One Drawer Office Table
299	Crescent #307, 18" double end Disc. Sander, c/w motor, Starter and O'Load. prot.
300	F. J. Edwards #4 Hand Fly Press c/w stand
301	Sunlight Twin Grinder, Model 5007 c/w stand
302	*Used* 24" Pony Planer w/counter-shaft (Purchased from Bournival & Cie.)
304	"71 Tilting Saw Table w-drivebelt and 12" Power King circular saw
306	Hoover Twin Grinder, Serial 297811, H.5, Type SBE
307	Hoover Twin Grinder, Bench Type, Serial 288623
308	Canedy-OH. Drilling Machine
309	Delta Disc. Sander Serial 9-4142
310	Walker-Turner Band Saw, Serial 7-BS, 6390
311	Brown-Boggs Hand Press Serial 1288
312	Clarke-Junior Twin Grinder, Serial 56367 c/w stand
313	Office Chair
314	Office Chair
315	Office Chair
316	Vickers Foot Punch machine
317	Two-drawer table
318	Two-drawer table
319	Vickers Hand Rolls 16" x 8" x 11"
324	12-CP 2-X Riveting Guns
325	2-CP 2X Riveting Hammers
326	12-CP 2X Riveting Guns
327	12-CP 2X Riveting Guns
328	54-CP 2X Riveting Guns
332	Cutting Table 35½" x 90" x 360" (Vickers)
334	Electric Fan
335	Cutting Table 31" x 48" x 240" (Vickers)
336	Can. Buffalo Single Spindle #15 Drilling Machine Serial 11172-1 c/w stand
337	Bench 36" x 35" x 120" (Vickers)
338	Bench 36" x 35" x 120" (Vickers)
339	Bench 36" x 35" x 120" (Vickers)
340	Bench 36" x 35" x 120" (Vickers)

SCHEDULE "D"—*Con.*

Transfer No.	*Description*
341	Can. Buffalo Single Spindle #15 Bench type drilling machine
342	Can. Buffalo Single Spindle #15 c/w stand drilling machine, serial 213568.
343	Hoover twin grinder c/w stand Serial 213309
344	Inspection table (Vickers)
345	Surface Table (Vickers)
347	Vickers hand crimper c/w stand
348	Can. Buffalo Single Spindle #15 Drilling Machine c/w stand, serial 208599
353	Sunlight Twin Grinder Model 55007
354	Vickers Wheel Cutting Machine
355	Hoover Twin Grinder c/w stand, serial 278235
357	Can. Buffalo Single Spindle #15 Drilling Machine c/w stand, serial 3630
360	6—Ingersoll-Rand A.V.11 Air Guns
361	6—Ingersoll-Rand A.V.11 Air Guns
362	C.P. 5X Air Guns, Serial E-76210
366	Thomson-Gibb, Model G.18-35KVA Electric Welding machine, serial 10173
368	C.P. Safety Balance Type 2004, serial B-13902
369	Do-all Metal Saw Job Selector, Model M.L. Serial 424676
370	Singer Sewing Machine, Serial W-59271
371	Singer Sewing Machine, Serial F-723790
372	Singer Sewing Machine, Serial AF-325781
373	Singer Sewing Machine, Serial W-759629
374	4-C.P. #625 Compressors
385	Pneumatic Rivet Squeeze and Stand (Vickers)
387	4-C.P. 4X Air Guns
388	2—Ingersoll-Rand A.V.11 Air Guns, serials A-4488—A-4761
389	12-C.P. #201 Air Guns
390	Siren
392	Chair
393	Desk
394	Tube, Oiling Machine—Paralketone type
396	Surface Table
397	Material Rack
398	Demagnetizer
407	Office Table
408	Office Table
414	11 C.P., 351 Air Guns
415	14 Corner Rivet Hammers
416	Propeller Balancer
418	Van Dorn Vacuum Cleaner, serial 30640
419	Drying Oven (Vickers)
420A	Iron Rivet Rack (Vickers)
421	Iron Rivet Rack (Vickers)
422	Iron Rivet Rack (Vickers)
423	Salt Tempering Bath 2′ x 4′ x 30″ c/w cover and heating elements
424	Rinsing Tank (Vickers) Bristol Potentiometer, Model 427-CLH. w/thermo-couple and leads
425	Metal Die Cupboard for Press (Vickers) 62″ x 25½″
427	Portable Drilling Machine holder 19″ L. x 17″ w. x 12″1 Vickers
428	Riveter Tool Cupboard (Vickers) 72″ x 36″ x 26″
429	Hand Crimper (Vickers)
430	Hand Crimper (Vickers) 46″ x 28″ x 38″
431	Hand Riveter Squeeze (Vickers) 66″ x 24″ x 30″
432	Hand Rivet Squeeze (Vickers) 56″ x 16″ x 36″
441	Pexto Hand-folding Machine
435	Sunlight Twin Grinder #6
436	Chicago Heights Drilling Machine
437	Pneumatic Rivet Squeeze and Stand
438	C.P. 1000 Compression Rivetter
439	Brown-Boggs Foot Shear—16 Ga. cap.
440	Rockwell Superficial Hardness Testing Machine c/w equipment
442	Hand Rolls Machine (Vickers) 54″ x 88″ x 36″
443	Beverley Shear, Sand and Table
445	Surface Table 9″ x 24″ x 120″
446	Can. Buffalo #15 S.S. Drilling Machine
447	C.P. 1000 Compression Riveter

SCHEDULE "D"—*Con.*

Transfer No.	*Description*
448	Can. Buffalo #15 S.S. Drilling Machine
449	Can. Buffalo #15 S.S. Drilling Machine
450	Can. Buffalo #15 S.S. Drilling Machine
452	Sunlight Twin Grinder and Stand
454	Van Dorn 6" Twin Grinder with drill Grinding Jig
455	Hoover Twin Grinder
456	Hoover Twin Grinder w/stand
458	Bench Table (Vickers)
459	31—Vises 6-#5, 25-#6
461	Can. Buffalo S.S. Drilling Machine
462	Can. Buffalo S.S. Drilling Machine
464	2-AXM. 8' Top Outlet Spray Booths, c/w equipment
466	Office Chair
467	Desk
468	Desk
469	Can. Buffalo S.S. Drilling Machine Stand. Model 71633-K.H.
470	Foot Press—Sta-Kon Bench tool
471	Can. Buffalo S.S. Drilling Machine—forge—stand Model 7-F, 633-C
472	Can. Buffalo S.S. Drilling Machine—serial #8108
473	Can. Buffalo S.S. Drilling Machine—serial #212631-F
474	Hand Crimper (Vickers)
475	Can. Buffalo S.S. Drilling Machine—Stand., Serial #209822
476	Can. Buffalo S.S. Drilling Machine—Stand., Serial #208571
477	Can. Buffalo #15 Drilling Machine—Stand., Serial #4159
478	3—Anodic Tanks—Cold Water, Hot Water and Cleaning (Vickers)
481	2—Stenographer's Swivel Chairs
482	4—Drawer Legal size File Cabinet
483	Ten—16 drawer Kardex Cabinets
484	Two—Lino Flat Top Desks
485	Two—Wood Flat Top Desks
486	Six—3 x 5 File Cabinets—2 drawer
487	Stenographer's Desks
488	Two Coat Racks
489	Two Hat Racks
490	Seven 16-Tray Kardex Cabinets
491	Three Steno's Chairs
492	Three Filing Cabinets
493	Electric Refrigerator "Artic Trunk" (Jewett)
495	Hoover Twin Grinder Serial 277167
496	Sunlight Electric Twin Grinder Model S-4322
497	Table 11'
498	8 Waste Paper Baskets
499	Wire Waste paper baskets
500	3—Book Cases (shop made)
501	4—Kardex 20-tray cabinets
502	3—8" x 5" Card Cases
503	Tilter Chair
504	5—Waste paper baskets
505	Swivel Arm Chair
506	12—Kardex 20-tray cabinets
507	Small Flat top desk
508	Leonard Flaring Machine, Serial 31
509	Power King Metal Shaw
510	Sunlight Twin Grinder Model S-4322
512	Can. Blower & Forge Drilling Machine S.S. Bench type
513	Scale for Proof Loading Machine
514	Can. Buffalo S.S. Drilling Machine Bench Type
515	Can. Buffalo S.S. Drilling Machine Bench Type
516	Two Pneumatic Wood Tool Tables
517	Pneumatic Steel Tool Table
518	Tool Cupboard
519	Two Hand Press Riveters
520	Two Steel Metal Lockers
521	Steel Metal Locker
522	Two Wood Tool Bins
523	Can. Buffalo S.S. Drilling Machine, Serial #208566
524	South Bend Horizontal M-D Bench Lathe, Serial #278675

SCHEDULE "D"—*Con.*

Transfer No.	*Description*
525	C.P. ♯350 Rivet Squeeze Stand
526	Ohio Twin Grinder, Serial ♯465913
527	Office Desk
528	Two Office Desks
529	Two Office Chairs
530	Swivel Chair
531	Typewriter Desk
533	Small Washroom Receptacle
538	Skilsaw Twin Grinder, Serial 630969
540	Small Washroom Receptacle
541	Electric Fan
542	Hand Rivet Squeeze (Vickers)
546	Gorton Pantagraphing Machine, Serial 13093
551	Office Desk and Swivel Chair
552	Metal Kardex Cabinet—5 tray
553	2 Drawing Office Trestles and Foot Stool
554	Foot Stool Drawing Office
555	Royal Typewriter Serial X.57-97-47
556	Proof Loading Machine (Vickers)
557	Ideal Simplex Wire Stripper Model 10
558	Brown-Boggs Hand Roll
559	Parker Tube Bender Model G-♯824
564	Office Desk and Swivel Chair
565	Walker-Turner Driver, Serial ♯708140
566	DeBergue Hydraulic Riveting Unit, and Riveting Snaps for unit
567	Can. Buffalo S.S. Drilling Machine, Serial 212502
568	Can. Buffalo S.S. Drilling Machine, Serial 4167
569	Jackson-Cochrane 14″ Buzz Planer (used)
570	Crescent Band Saw (Used)
571	Chicago Pneumatic Balancer (for DeBergue Riveter)
572	Acid Tank (Vickers) 61″ high, 50″ wide, 153″ long
573	Acid Tank (Vickers) in two units, 48″ high, 36″ wide, 420″ long
574	Acid Tank (Vickers) in two units, 72″ high, 50″ wide, 144″ long
575	Small Washroom Receptacle
577	Three Office Chairs
578	2—Rinsing Tanks, 36″ high, 24″ wide, 54″ long
579	Water Wash Spray Booth
581	Pangborn Blast Cleaning Cabinet
582	Can. Buffalo Drilling Machine
583	Can. Buffalo Drilling Machine
584	Can. Buffalo Drilling Machine
585	Can. Buffalo Drilling Machine
586	Can. Buffalo Drilling Machine
587	Can. Buffalo Drilling Machine
588	Can. Buffalo Drilling Machine
589	Can. Buffalo Drilling Machine
590	Can. Buffalo Drilling Machine
592	Hoover Double Grinder ♯213401
593	Hoover Double Grinder ♯213401
596	MacDougall Drilling Machine
597	Shop Table (Wooden)
598	Metal Card Cabinet
599	Large Wooden Rack 60′L, 12′H, 3′W.
600	Hoover Double Grinder (Stand)
601	Hoover Double Grinder (Bench)
602	Sunlight Double Grinder
603	Hoover Double Grinder (Bench type)
604	West'House Electric Fan (12″ dia.)
605	Gould's water-test electric pump and motor
606	Vickers Crimper
607	Hand Crimper
608	Can. Buffalo Drilling Machine ♯4142
609	Brown-Boggs Hand Roll Machine
611	Hoover Double Grinder—Serial ♯298378
615	Campbell 6″ Nibbler-Converted from old Nibbling Mach.
616	Power King Metal Saw
618	Tube Facer—Vickers

SCHEDULE "D"—*Conc.*

Transfer No.	*Description*
620	Pexto Steel Cutting Machine on legs
621	Singer Sewing Machine
625	Beverley Hand Shear B-3
627	Can. Buffalo Drill ♯4147
628	Can. Buffalo Drill ♯4236
629	Can. Buffalo Drill ♯4192
631	Can. Buffalo Drill ♯4161
632	Can. Buffalo Drill
633	Can. Buffalo Drill ♯4148
634	Can. Buffalo Drill
636	Wasp. Electric Welding Mach.
637	Black and Decker 6″ Grinder ♯363894
638	Hoover Double Grinder ♯1153
640	Black and Decker Power Grind Stone ♯503730
641	Gardner Vertical Compressor
642	Wasp Welding Machine—Electric
644	Brown Boggs Hand Beading Machine
646	Large Beverley Hand Shear B.3
647	Ice-Box C.V. Make
652	Brown Boggs Hand Shear
653	Strand Portable Grinder
654	Canadian Drilling Machine ♯N.H.-4235
655	Stanley Midget Unishear
656	Salt Bath
658	Canadian Drilling Machine ♯4156
662	Power King Circular Saw
663	Hand Operated Bend Rolls
664	Model 77 Skilsaw Metal Cutting Machine
666	Hoover double grinder
667	Portable Air Compressor (Vickers)
670	Hydraulic Test Unit
673	Hydraulic Test Unit
676	Hand Operated Pump
677	Hand Crimper
	1—¾ ton Ford Truck

P.C. 8992
WSL 72-348

This agreement made as of the 11th day of November, 1944. Between: His Majesty The King in right of Canada (hereinafter called "His Majesty") herein acting and represented by the Honourable the Minister of Munitions and Supply (hereinafter called "the Minister") of the first part and Canadian Vickers Limited, Montreal, Quebec, (hereinafter called "the Contractor") of the second part.

Whereas by agreement dated the 25th day of January, 1944, the Contractor agreed to manufacture, sell and supply to His Majesty 230 Model "Canso A" airplanes and spare parts therefor to the value of approximately Forty per cent (40%) of the value of the said airplanes and also certain manuals, publications and other technical data in respect of the said airplanes;

And whereas Section 6 of the said agreement provided that the prices to be paid to the Contractor under the said agreement should be determined as soon as possible after the first Fifty-one (51) airplanes had been produced by the Contractor;

And whereas the Contractor has now produced more than 51 airplanes under the said agreement;

And whereas the said airplanes and spare parts were being produced by the Contractor in a plant at Cartierville, Quebec, owned by His Majesty and operated by the Contractor and the Contractor has been and is producing in the said plant certain other airplanes and airplane components of the same type as that produced under the said recited agreement;

And whereas airplanes and spare parts of the same type as those being produced under the said agreement of January 25, 1944, were being produced under other contracts, agreements or authorities from His Majesty concurrently with those produced under the said first-mentioned agreement and it has been agreed that the basis of the price of the said 230 airplanes under the said agreement and of the 50 airplanes being produced concurrently with the said 230 airplanes under the authority of a letter from the Deputy Minister of Munitions and Supply dated May 7, 1942, and amending letters dated November 24, 1942, October 1, 1943, November 9, 1943 and December 21, 1943 should be the same;

And Whereas the price basis for the said 280 planes has been agreed upon on the same basis as hereinafter appears;

And whereas it has been agreed that the price for all spare parts of the type to be produced under the said agreement of January 25, 1944, and under the agreement between the parties dated August 13, 1941 (as amended October 1, 1942), agreement dated December 2, 1941 (as amended October 1, 1942) and under a letter of authority from the Deputy Minister of Munitions and Supply dated October 5, 1942, shall be on the basis of reimbursement to the Contractor for the costs of production thereof (determined in accordance with the Department of Munitions and Supply Costing Memorandum, Form M. & S. 433) plus a fixed fee of $350,000.00 and the portion of the said fee payable under the said agreement of January 25, 1944, will be on the same proportionate basis as the cost of production of the spare parts under the said agreement bears to the total cost of production of all spare parts produced under the authorities hereinbefore recited;

And whereas by agreement bearing even date herewith the parties have agreed that the said plant at Cartierville shall be delivered up by the said Contractor to His Majesty and the operations of the said plant and the completion of all contracts presently existing shall be completed by or on behalf of His Majesty and not by the Contractor and the proportion of the prices hereinafter specified as being payable to the Contractor under this agreement which shall be retained by His Majesty shall be as determined in the said agreement bearing even date herewith.

And whereas Section 9 of the said Agreement of January 25, 1944, provides for reimbursement to the Contractor of its cost in respect of the producton of 150 PBV-1A airplanes, which were subsequently cancelled, and for payment to the Contractor of such profit as the Minister should deem to be fair and reasonable and such profit has now been agreed upon at a sum equal to Five per cent (5%) of the costs incurred by the Contractor.

Now therefore this agreement witnesseth that the parties hereto agree as follows:

1. A. The price to be paid by His Majesty under Section 6 of the said Agreement of January 25, 1944, shall be as follows:

(*a*) His Majesty will pay to the Contractor for each of the said 230 airplanes:

(i) the laid-down cost (determined in accordance with the Costing Memorandum, Form M. & S. 433) reasonably and properly incurred by the Contractor in the production of the said airplanes (including the cost of jigs and tools);

(ii) a fee of $4,500.00;

(iii) if the average of the combined cost of production of the said 230 airplanes produced under the said agreement of January 25, 1944, and the 50 airplanes produced under letter of authority dated May 7, 1942 (as amended) less the cost of jigs and tools, is less

than $150,000.00 each, a bonus of Twenty-five per cent (25%) of the difference between the average of the combined cost of production and $150,000.00.

(*b*) His Majesty will pay to the Contractor for all the spare parts:

(i) The laid-down cost (determined in accordance with the Costing Memorandum Form M & S. 433) reasonably and properly incurred by the Contractor in the production thereof; and

(ii) an apportionate part of the sum of $350,000.00 in the same proportion as the toatl amount of the laid-down cost under paragraph (i) bears to the total cost of spare parts produced under the said agreement of January 25, 1944, under the agreement dated August 13, 1941 (as amended October 1, 1942), under the agreement dated December 2, 1941 (as amended October 1, 1942) and under letter of authority from the Deputy Minister of Munitions and Supply dated October 5, 1942.

B. In addition to the foregoing, His Majesty will pay to the Contractor in respect of the work performed by the Contractor in carrying out the modifications to the said airplanes which the Contractor was directed to introduce therein by letter from the Aircraft Controller of the Department of Munitions and Supply dated August 25, 1944 (a copy whereof is annexed hereto, marked Schedule "A") the costs (determined in accordance with the Costing Memorandum, Form M. & S. 433) reasonably and properly incurred by the Contractor in respect thereof plus a profit equal to Five per cent (5%) of such costs.

C. It is understood and agreed by the parties hereto that the costs incurred by the Contractor under Paragraph B hereof shall not be considered part of the costs of production in determining the bonus payable under the provisions of Paragraph A, sub-paragraph (*a*) (iii) hereof.

D. His Majesty will pay to the Contractor:

(i) the costs incurred by Vickers in respect of 150 PBV-1A airplanes as set out in Section 9 of the said agreement dated January 25, 1944;

(ii) a profit in respect thereof equal to Five per cent (5%) of such costs.

E. It is understood and agreed by and between the parties hereto that the costs referred to in clause (i) of sub-paragraph (*a*) of Paragraph A, clause (i) of sub-paragraph (*b*) of Paragraph A and clause (i) of Paragraph D all of this Section 1 have been reimbursed to the Contractor under the provisions of Paragraph A of Section 10 of an Agreement bearing even date herewith between the same parties but such costs shall, for accounting purposes, be kept separate and distinct from all other costs of the Contractor.

F. (*a*) The fee for which provision is made in clause (ii) of sub-paragraph (a) of Paragraph A shall be payable upon the delivery of each airplane and it is understood and agreed that in the case of airplanes requiring modifications, as set out in Paragraph B hereof, such airplanes shall be deemed to be delivered for the purpose of payment of such fee when such airplanes have been delivered to the apron complete in all other respects except as to such modifications and any test flights required under the terms of the said agreement of January 25, 1944.

(*b*) It is understood and agreed that the fee for which provision is made in clause (ii) of sub-paragraph (*b*) of Paragraph A hereof will be included in the payment to the Contractor provided for in clause (ii) of Paragraph E of Section 8 of the agreement between the same parties bearing even date herewith and shall be payable on the execution of such agreement as provided in paragraph E of Section 10 of such agreement.

(c) The bonus for which provision is made in clause (iii) of sub-paragraph (*a*) of Paragraph A and the profit for which provision is made in clause (ii) of Paragraph D shall be payable so soon as final costs are available and such bonus and profit respectively are finally determined.

2. This agreement may be referred to as Amendment No. 1 to the said agreement dated January 25, 1944, and, except to the extent that the same shall be varied by Section 1 hereof, the said agreement is hereby confirmed.

In witness whereof this agreement has been executed and sealed on behalf of His Majesty the King in right of Canada by the Deputy Minister of Munitions and Supply and by the Secretary of the Department of Munitions and Supply and has been executed by the Contractor under its corporate seal duly affixed thereto by its officers authorized in that behalf.

Signed, sealed and delivered in the manner aforesaid on behalf of His Majesty the King in right of Canada in the presence of:

E. YOUNG
Witness

G. K. SHEILS
Deputy Minister

D/S

R. T. DONALD
Secretary

Signed, sealed and delivered in the manner aforesaid on behalf of Canadian Vickers Limited, in the presence of:

MARJORIE E. BOWMAN
Witness

J. E. LABELLE
President

C/S

CHARLES GAVSIE
29/11/44

J. W. SAVIDANT
Secretary

Approved 29th Nov. 1944
F. H. BROWN

I hereby certify that the within is a true copy of an Original Agreement dated the 11th day of November, 1944, made between His Majesty the King in right of Canada and Canadian Vickers Limited.

C. E. NICHOLS
Supervisor of Dittoed Contracts
Main Pool

SCHEDULE "A"

Office of the Aircraft Controller

When replying refer to File WSL 72-348

DEPARTMENT OF MUNITIONS AND SUPPLY
Ottawa, Canada

CANADIAN VICKERS LIMITED,
Aircraft Division,
P. O. Box 6087,
Montreal, Quebec.

August 25th, 1944.

Dear Sirs:

Re: Contract NOa (s) 296—Model OA-10A Aircraft—Modifications in Radio Equipment and Electrical, Radar and Hull Stringer Installations.

I refer you to the 230 Canso "A" (OA-10A) airplanes being produced by your Company under contract with this Department.

You are hereby authorized and instructed to introduce in the foregoing airplanes, at such point of time as will not delay the production thereof, the

modifications requested by the Bureau of Aeronautics of the United States Navy Department, as indicated in the annexed copy of letter, Serial #139301, dated August 10, 1944, and the United States Army Air Forces' letter of July 21, 1944, and the memorandum report of June 22nd, 1944, attached thereto.

Please advise me of the amount of any cancellation charges which may be incurred on account of purchased equipment or material as a result of these modifications.

Information concerning any change in the unit cost of the airplanes involved, together with the effect on weight, balance and performance, and the effectivity of these modifications, should be forwarded to Mr. R. W. Howe, Production Engineering Group, P.C.U., Aircraft Production Branch of this Department, as soon as the information is available.

Yours very truly,

GEO. W. MacDONALD,

for the Aircraft Controller.

File No. WSL 72-348
P.C. 628

This agreement made in duplicate this 25th day of January, 1944. To take effect as of the 12th day of November, 1943. Between: His Majesty the King in the right of Canada (hereinafter called "His Majesty") herein acting and represented by the Honourable the Minister of Munitions and Supply of Canada (hereinafter called "the Minister") of the first part and Canadian Vickers Limited, Montreal, Quebec (hereinafter called "the Contractor") of the second part.

Witnesseth that the parties hereto agree as follows:

1. *Contract Documents and Interpretation*

A. The following documents shall be read herewith and shall be applicable to and form part of this contract, subject as herein expressly provided:

(i) General Conditions Form M. & S. 1306 referred to in Order-in-Council P.C. 6284;

(ii) Costing Memorandum Form M. & S. 433 referred to in Order-in-Council P.C. 6284;

(iii) Labour Conditions Form M. & S. 154 (revised) annexed hereto;

(iv) The Specifications referred to in Section 2 hereof.

B. The term "Inspector as used herein means the Air Member for Aeronautical Engineering, Department of National Defence for Air, and shall extend to any of the officers or representatives of the Department of National Defence for Air acting under the Air Member for Aeronautical Engineering; provided that all instructions and directions or certificates given or decisions made by anyone acting for the said Air Member for Aeronautical Engineering shall be subject to his approval and prior to such approval may be cancelled, altered, modified and changed as to the said Air Member for Aeronautical Engineering may seem fit.

2. *Subject Matter*

The contractor agrees to manufacture, sell, supply and deliver to His Majesty

(*a*) 230 Model Canso "A" Airplanes in accordance with Royal Canadian Air Force Specification No. Air-18-17 (or modifications thereof as hereinafter provided);

(*b*) Spare parts for the said 230 airplanes to the value of approximately 40 per cent of the value of said 230 airplanes. Said spare parts shall be furnished in accordance with Appendix A annexed hereto.

(*c*) All manuals and other publications required for similar airplanes delivered to the Royal Canadian Air Force.

3. *Drawings and Specifications*

A. The airplanes specified in paragraph 2 hereof are to be constructed in accordance with Department of National Defence Specification Air-18-17 Issue 3, dated November 6th, 1943, except that: (1) the airplanes are to be marked with United States Army Air Force insignia, serial numbers and model designation before delivery; (2) carburetor settings and fuel systems placards will be changed to accommodate 100 octane fuel; (3) ARN-1 Radio Altimeter will be installed during production of such of the said airplanes as are produced after approximately February 1st, 1944.

B. The contractor will introduce, at such point or points of time in the production of the said airplanes and spare parts, as will not delay the production thereof, said modifications as the Aircraft Controller (Department of Munitions and Supply) may from time to time by notice to the contractor, require. Without limiting the generality of the foregoing, it is anticipated that the said modification will be the same as those required by the Department of National Defence for Air (Royal Canadian Air Force).

4. *Warranties and Correction of Defects*

The contractor warrants that the airplanes and spare parts delivered under this agreement will conform to the specifications specified in Section 3 A hereof and will be free from all defects of material and workmanship. This warranty shall remain in force as to each airplane and spare part for six months after final acceptance of the particular airplane or spare part.

Material, parts and the necessary services for the correction of defects in material, construction or installation are to be furnished by the contractor without cost to His Majesty, f.o.b. the Contractor's plant; provided that the Minister shall notify the contractor of such defects not later than six months after the final acceptance of the particular airplane or spare part.

5. *Delivery*

Subject to the provisions of clause 16 of the General Conditions, deliveries shall be made as follows:

(*a*) Each of the airplanes shall be delivered, set up, properly serviced with gasoline and oil, airworthy in every respect and ready for flight at or near the plant operated by the Contractor at Cartierville, Quebec, in accordance with the following delivery schedule:

In the year 1943—During December, 4 airplanes.
In the year 1944—During January, 9 airplanes.
During February, 9 airplanes.
During March, 10 airplanes.
During April, 13 airplanes.
During May, 12 airplanes.
During June, 16 airplanes.
During July, 30 airplanes.
During August, 30 airplanes.
During September, 30 airplanes.
During October, 30 airplanes.
During November, 30 airplanes.
During December, 7 airplanes.

(b) The spare parts shall be delivered in accordance with Appendix A annexed hereto.

6. Price

A. His Majesty will pay to the contractor for each of the said airplanes and for the said spare parts such price as shall be agreed upon between the Minister and the contractor. Such price shall be fixed as soon as possible after the delivery of the first fifty-one airplanes to be produced by the contractor under this agreement.

B. If His Majesty and the contractor are unable to agree upon a price under the provisions of paragraph A of this Section 6, the contractor shall be paid his costs plus such amount by way of profit as the Minister considers fair and reasonable.

C. It is hereby agreed that the costs reasonably and properly incurred by the contractor for materials procured for the purposes of the contact and which are in excess of the actual requirements will—if and to the extent such overpurchasing shall be reasonable and proper and in accordance with good manufacturing practice in the provisioning of materials—be treated as an item of cost of the said aircraft. If the parties are unable to agree upon the extent to which such overpurchasing is reasonable, the matter shall be referred to arbitrators under the provisions of clause 34 of the General Conditions.

7. *Progress Payments*

A. His Majesty agrees to make progress payments to the contractor semi-monthly to reimburse the contractor for:

(*a*) The laid-down cost reasonably and properly incurred by the contractor for materials and parts procured for the performance of this contract (including the cost of jigs and tools), provided said cost has been paid by and such materials and parts have been delivered to the contractor;

(*b*) The cost of productive labour used and paid for by the contractor and properly chargeable to the contract;

(*c*) An amount for overhead fixed for the purposes of such progress payments only at such percentage of the cost of productive labour referred to in subparagraph (*b*) as shall be specified, from time to time, by the Chief Cost Accountant for the Department of Munitions and Supply after consultation with the contractor.

Provided that the total amount payable by way of progress payments under the provisions of (*a*), (*b*) and (*c*) of this clause shall not exceed in the aggregate the sum of Sixty-one million one hundred eighty thousand dollars ($61,180,000.00).

B. The claims for progress payments provided for herein shall be made in accordance with such instructions as the Chief Cost Accountant of the Department of Munitions and Supply may from time to time give and said claims are to be accompanied by a certificate of the Inspector stating that in his opinion the materials for which payment is claimed are suitable for the purpose of the work and have been received and that the labour for which payment is claimed is properly chargeable to the contract and has been properly performed. The issuance of such certificate by the Inspector shall be a condition precedent to the right of the contractor to receive progress payment.

C. It is distinctly understood and agreed that all progress payments hereunder made to the contractor shall be deemed to be interim only and without prejudice to His Majesty's right to make a comprehensive audit and

to have a full accounting after completion of the work. As soon as is reasonably possible after completion of the work, an adjustment and final settlement shall be made between the parties hereto. It is understood and agreed that in the event that it is found that the total payments made to the contractor are in excess of the total amount to which the contractor is entitled under this agreement, the amount of such excess shall be refunded promptly by contractor, or at the option of His Majesty may be retained from any amounts payable or to become payable to the contractor by His Majesty under any contract between the parties hereto.

8. *Interchangeability*

The contractor shall use in the manufacture of the airplanes and spare parts to be delivered under this contract suitable jigs, fixtures and/or other devices and appliances in all processes necessary to insure interchangeability and uniformity of the airplanes and spare parts manufactured by the contractor.

9.

A. The contractor will furnish to the Minister, as soon as possible, a list of all materials, parts and equipment which the contractor has ordered (except orders heretofore concelled), acquired or constructed under the authority of the letter from the Minister dated February 19th, 1943, authorizing the production of 150 Model PBV-1A airplanes. The said lists shall show actual or estimated costs to the contractor of the items listed, determined in accordance with the provisions of the Costing Memorandum, Form M. & S. 433. The contractor will also furnish a similar list of jigs, tools, dies, gauges, standards and fixtures peculiar to Model PBV-1A airplanes and not useful in the manufacture of Model Canso "A" airplanes ordered (except orders heretofore cancelled), acquired or constructed by the contractor together with a statement of the amount of the actual cost or estimated cost thereof to the contractor. His Majesty will pay to the contractor the amount of all the aforesaid costs, and such amount by way of profit as the Minister deems to be fair and reasonable.

B. The contractor will cancel any/or all such orders and/or dispose of any such materials, parts, equipment, jigs, tools, dies, gauges, standards, fixtures in such manner as may be directed or approved by the Minister, and all proceeds of sales thereof shall be deducted from the amounts payable by His Majesty to the contractor under paragraph A of this Section 9.

10. *Changes in General Conditions*

The following changes in and/or additions to the General Conditions are agreed to by the parties:

(*a*) The following paragraph is to be added at the end of Clause 7:

(*e*) The Contractor may make such tests and such flight tests as may be considered necessary or advisable and will make at least one flight test of each airplane prior to its delivery and acceptance, and such flight tests or test shall be of not less than two hours duration in total, for the purpose of securing and checking proper alignment and satisfactory functioning in the air.

(*b*) At the end of Clause 8, add the following sentence:

"The decision of the inspector, however, will not affect the liabilities or obligations of the Contractor under paragraph 4 of this contract."

(*c*) The following is to be added to Clause 10:

"The contractor shall conduct such inspections, demonstrations and trials as the inspector may request."

(*d*) Clause 13 is deleted and the following substituted therefor:

(i) Except as provided in sub-clause (ii) and (iv) of this Clause 13, His Majesty will not pay the cost of any Insurance carried by the Contractor on any property (including Government issue), the title to which is vested in His Majesty. The Contractor shall, however, take reasonable and proper care of all such property and shall be responsible for loss thereof or damage thereto resulting from its failure to do so, save and except any loss or damage to such property caused by fire, sabotage or riot.

(ii) Notwithstanding the provisions of sub-clause (i) of this Clause 13, loss of and damage to materials and parts supplied by the Contractor, and work in process performed by the Contractor, whether or not the title thereto is vested in whole or in part in His Majesty, shall be at the risk of the Contractor until final acceptance thereof on behalf of His Majesty; but with respect to work for which a price other plan a fixed price is payable, the cost reasonably and properly incurred by the Contractor in insuring such materials, parts and work in process against loss or damage prior to final acceptance of the completed aircraft and/or parts on behalf of His Majesty, including test flight insurance and reasonable insurance upon the Contractor's test pilots and crews, and the proper proportion of the cost of insurance placed by the Contractor on that part of its plant, buildings, machinery and equipment which is used in connection with the work to be performed under this contract, shall be chargeable to His Majesty as part of the cost of such aircraft and/or parts. It is hereby understood and agreed that the proceeds of test flight and ground risk insurance placed by the Contractor under the provisions of this sub-clause (ii) shall be paid first to the Contractor as its interest may appear and the balance to His Majesty, and that any loss sustained for which full indemnity is not recoverable by reason of the operation of any "deductible clauses" to which such insurance may be subject shall be borne by His Majesty.

(iii) His Majesty shall indemnify and save harmless the Contractor from and against loss of or damage to materials, parts and work in process caused by uninsurable risks of loss or damage resulting other than from fault of the Contractor. His Majesty shall also indemnify and save harmless the Contractor from and against any and all claims by third parties for injuries, including injuries resulting in death, and for loss of or damage to property which may be caused by or result from or be suffered in connection with the test flying by the Contractor of the aircraft to be manufactured under this contract save and except any claims for injuries, including injuries resulting in death, suffered by any occupant of such aircraft while being test flown by the Contractor.

(iv) Notwithstanding the provisions of sub-clause (ii) of this Clause 13, loss of and damage to aircraft manufactured under this contract shall, unless covered by the terms of any insurance policy that the Contractor may have in force, to at the risk of His Majesty while being test flown by the Inspector, his agents or representatives.

(v) His Majesty shall pay to the Contractor the cost of boiler explosion insurance carried by the latter upon, or in respect of, pressure vessels on which the safety valve is set to relieve or which operate at a pressure of 15 pounds per square inch or more which are located in buildings owned by His Majesty or owned by the Contractor and in which it is carrying on work for His Majesty at the cost of the latter. Such insurance shall be carried with a Company which provides a thorough inspection service. The cost of boiler explosion insurance

other than as provided in this sub-clause (v) shall not be chargeable to His Majesty as part of the cost of the work to be performed under this contract.

(*e*) Clause 17 is deleted and the following substituted therefor:

(i) His Majesty shall indemnify the contractor against claims, actions or proceedings for the infringement of any patent based upon the use of any invention protected by such patent in carrying out this contract in respect of anything the model, plan or design of which shall have been supplied by or on behalf of His Majesty to the Contractor, but this indemnity shall apply to this contract only.

(ii) Save and except as set forth in sub-clause (i) of this clause and subject as hereinafter provided, the contractor shall indemnify His Majesty against claims, actions or proceedings for the infringement of any patent based upon the use of any invention protected by such patent in carrying out this contract.

(iii) Except with the consent in writing of the Minister and subject to such conditions as the Minister may impose, the Contractor shall not pay and shall direct its sub-contractors not to pay any royalties, licence fees or other amounts for or in respect of the sue of any invention protected by any patent in carrying out this contract.

(iv) The Contractor shall forthwith supply to the Minister a statement showing all royalties, license fees or other amounts which the contractor or any of its sub-contractors will or may be obligated to pay or proposes to pay for or in respect of the use of any invention protected by any patent in carrying out this contract and the basis thereof and the parties to whom the same are payable and shall from time to time promptly advise the Minister of any and all claims or arrangements made or proposed which would or might result in payments or further or different payments being made by the contractor or any of its sub-contractors by way of royalties, license fees or otherwise, as aforesaid.

(v) Subject to compliance by the contractor with the provisions of sub-clauses (iii) and (iv) of this clause, His Majesty shall indemnify the contractor against claims, actions or proceedings made or instituted for the recovery of any royalties, license fees or other payments referred to in any statement furnished by the contractor as provided in sub-clause (iv) of this clause which the contractor is legally bound to pay and which shall not have been approved by or on behalf of the Minister, and against infringement of any patent protecting the invention for the use of which the contractor is legally bound to pay such royalties, license fees or other payments, and against which His Majesty shall have indemnified the contractor as provided in this sub-clause (v).

(vi) The amount payable to the contractor under this contract shall be reduced by the amount of royalties, license fees and other payments included in the contract price, against which His Majesty shall have indemnified the contractor as provided in sub-clause (v) of this clause.

(*f*) Clause 18 is deleted.

11. *Previous Authorization Superseded*

Save and except as herein otherwise expressly provided, all previous communications addressed to the Contractor by or on behalf of the Minister with respect to the production of the foregoing airplanes are superseded by this agreement, it being agreed that all work done and/or payments made pursuant to such previous communications shall be deemed to have been done and/or made under this contract.

In witness whereof this agreement has been executed and sealed on behalf of His Majesty the King in right of Canada by the Deputy Minister of

Munitions and Supply and by the Secretary of the Department of Munitions and Supply and has been executed by the Contractor under its corporate seal duly affixed thereto by its officers authorized in that behalf.

Signed, sealed and delivered in manner aforesaid on behalf of His Majesty the King in right of Canada in the presence of:

M. A. McGILP
Witness

G. K. SHEILS
Deputy Minister D/S

R. T. DONALD
Secretary

Signed, sealed and delivered in the presence of:

JAS. B. HATCHER
4468 Harvard Ave., *Witness*
Montreal, P.Q.

Canadian Vickers Limited

per "J. EDOUARD LABELLE"
President C/S

per "J. W. SAVIDANT"
Secretary

"C.G." 16/12/43
CHARLIE GAVSIE
4/2/44
F. T. SMYE
Dec. 23/43

I hereby certify that the within is a true copy of an Original Agreement dated the 25th day of January, 1944, made between His Majesty the King in the right of Canada and Canadian Vickers Limited, save and except that there have been omitted therefrom the following:

Labour Conditions, M. & S. 154 (Revised) P.C. 7679

M. NOBLE,
Supervisor of Dittoed Contracts
Main Pool.

APPENDIX A

SPARE (MAINTENANCE) PARTS PROVISIONING PROCEDURE

Purpose and Application

1. This Appendix prescribes, among other things, the procedure to be followed by the contractor, His Majesty and the Government in determining the spare parts to be furnished under the contract and the manner in which they will be packed and shipped. This procedure is intended to enable the contractor to deliver concurrently with the airplanes the spare parts appearing on his initial selection, which will constitute in normal cases most of the spare parts of the Spare Parts Order as finally determined.

2. Army-Navy Aeronautical Specification AN-M-9, dated November 24, 1942, applies to and shall be used in connection with this Appendix. Where any of the terms or provisions of that specification conflict with the terms or provisions of this Appendix, this Appendix shall govern.

PART I—*Determination of the Spare Parts to be Furnished*

1. (*a*) His Majesty furnishes to the contractor as Schedule 2 hereto a standard operational quota list as a guide to determining and establishing the items and quantities of spare parts to be furnished in the Operational Quotas described in Part V hereof.

2. *Production pending settlement of Prices.*—When the approval of the Bureau of Aeronautics and of His Majesty is endorsed upon the Production List of Spare Parts heretofore furnished by the contractor, the contractor shall be obligated to proceed with the manufacture and delivery of the spare parts on such section, as necessary to accomplish concurrent delivery of the spare parts thereon, and His Majesty shall be obligated to accept the spare parts so furnished subject to the approval of prices or estimated costs thereof as shown on the Spare Parts Order when established as hereinafter provided.

PART II—*The Spare Parts Order*

1. *Submission and Approval*

(*a*) As early as possible, but not later than thirty (30) days after delivery of the first production airplane, the contractor shall submit to His Majesty for transmittal to the Navy Department, Bureau of Aeronautics, Procurement Branch, Washington, D.C., one (1) reproducible and three (3) non-reproducible copies of a complete Maintenance Parts Breakdown compiled in accordance with Army-Navy Aeronautical Specification AN-M-9, dated November 24, 1942.

(*b*) The four copies of that part of the Maintenance Parts Breakdown set forth on Form ASC-229 (or equivalent) shall be a compilation of all sections of the Production List with necessary changes and revisions to date. The copies shall be labelled "Spare Parts Order to Contract No. W.S.L. 72-348, P.C. 1184 (NOa(s)) 296".

(*c*) Upon approval by the Bureau of Aeronautics and His Majesty of the prices or estimated costs set forth therein, as they may be revised by agreement, the copy on Form ASC-229 labelled "Spare Parts Order to Contract No. W.S.L. 72-348, P.C. 1184 (NOa(s)) 296" shall become the Spare Parts Order of the contract, and the contract price or estimated cost and fixed fee shall be amended in accordance with the total price or estimated cost of the Spare Parts Order.

PART III—*Delivery*

1. *Production List.*—The spare parts set forth in the Production List shall be delivered concurrently.

2. *Additional Parts.*—The Government may within 30 days after delivery of the first production airplane, request additional spare parts or quantities above and beyond the Production List. The contractor shall make every effort to deliver concurrently any such additional parts or quantities. In any event, delivery of such additional parts or quantities shall be completed not later than sixty (60) days after delivery of the last airplane.

3. *Concurrent Delivery Defined.*—Concurrent delivery means that the total quantity of spare parts to be furnished shall be delivered prior to or concurrently with and in proportion to the quantity of airplanes delivered in each month provided the parts (and quantities thereof) are defined in sufficient time. When a fractional portion of more than one-half ($\frac{1}{2}$) of a spare part is involved in this arrangement, a complete part shall be delivered.

4. *Point of Delivery.*—All spare parts shall be delivered f.o.b. the plant of manufacture or such other place as may be agreed upon by the Inspector of Naval Aircraft and the contractor.

5. *Increase or Decrease.*—Deliveries varying not more than ten per cent (10%) from the quantities called for will be accepted as complying with the contract if approved by the Bureau of Aeronautics and by His Majesty, in which event payments will be adjusted accordingly.

PART IV.—*Changes in Production Design*

1. *Determination of Effect on Spare Parts*

(*a*) The contractor shall determine the effect on spare parts (material, prices and deliveries, as well as items and quantities) of all design changes incorporated in the airplanes involved, whether such design changes are made at the request of His Majesty or are initiated by the contractor. If as a result of such design changes, the old and new parts are interchangeable, the contractor shall to the extent practicable, delete or reduce the quantity of items so rendered obsolete.

(*b*) If the old and the new parts are not interchangeable, the old part shall be reduced in quantity to the extent that the contractor's schedules, ordering, procurement and fabrication will permit, but in any event the quantity of the old part to be furnished shall be not less than an amount which bears the same proportion to the original total quantity of the part as the number of airplanes in which the change is not to be incorporated in the production line bears to the total number of airplanes covered by the contract.

(*c*) Whether the old and new parts are interchangeable or not, the quantity of the new part to be furnished shall be an amount which bears the same proportion to the original quantity of the part as the number of airplanes in which the change is incorporated in the production line bears to the total number of airplanes covered by the contract.

(*d*) Delivery of the new part shall be concurrent with delivery of the airplanes affected.

2. *Retroactive Changes.*—Insofar as design changes are made retroactive to airplanes in service and the contractor is to furnish the necessary parts to accomplish such retroactive modification, the contractor shall also furnish the necessary parts to accomplish the change retroactively in the spare parts which may have been delivery, and such parts as to which the contractor shall be entitled to receive payment shall be included in the revised pages submitted under paragraph 3 below.

3. *Revision of Spare Parts Order*

(*a*) The contractor shall advise the Bureau of Aeronautics and His Majesty as to the effect on spare parts of such design changes and for this purpose, shall periodically submit necessary amendments to the Maintenance Parts Breakdown and the Spare Parts Order in accordance with Specification AN-M-9, dated November 24, 1942 in the form of revised pages thereto.

(*b*) The revised pages to the Spare Parts Order shall be submitted to the Inspector of Naval Aircraft at the contractor's plant for his written approval. Before the Inspector of Naval Aircraft endorses his approval on such revised pages to the Spare Parts Order, the Contractor shall deliver to the Inspector of Naval Aircraft a statement of the net effect which the changes contained in the revised pages will have on the aggregate price or estimated cost of the spare parts called for in the Spare Parts Order. That statement shall be in the form of a letter addressed to the Bureau of Aeronautics and to His Majesty, and shall be forwarded by the Inspector of Naval Aircraft, via His Majesty, to the Navy Department, Bureau of Aeronautics, Procurement Branch, Washington, D.C., along with the copies of the revised pages to the Maintenance Parts Breakdown and the Spare Parts Order, as required by Specification AN-M-9, dated November 24, 1942.

(c) Upon such written approval, endorsed upon the revised pages of the Spare Parts Order, and after preliminary approval by His Majesty, the contractor shall be obligated to furnish the spare parts listed thereon and, if the contract is a fixed price contract, the contractor upon delivery of spare parts listed on such revised pages, shall be paid therefor at the prices shown thereon; provided, however, that the prices or estimated costs of such spare parts shall be subject to review by His Majesty and in the event of any revision appropriate adjustments shall be made.

(d) In addition to the copies referred to above, the contractor shall deliver one (1) non-reproducible copy of each such revised sheet of the Spare Parts Order, so approved by the Inspector of Naval Aircraft and preliminarily approved by His Majesty, to the Inspector of Naval Aircraft, which shall be retained by the Inspector of Naval Aircraft.

(e) Any necessary or appropriate changes to the contract shall be made from time to time as agreed upon by the contractor and His Majesty.

PART V.—*Packing and Shipping*

1. Operational Quotas

(a) *Number*—There shall be twenty-three (23) Operational Quotas.

(b) *Contents*—An Operational Quota shall contain such items and quantities of spare parts as are deemed necessary to maintain ten (10) airplanes for a period of approximately ninety (90) days. The contents of the Operational Quotas shall, with the approval of His Majesty, be determined by agreement between the Bureau of Aeronautics and the contractor, guided by Schedule 2 hereto, and such determination shall be made not later than thirty (30) days before delivery of the first production airplane.

(c) *Packing*—The Operational Quotas (except as limited below) shall be packed in suitable export containers. The export containers shall be marked with the airplane model number, the letters "OP" and the quota number. The contents of each container shall be listed on a packing sheet, one copy of which shall be placed within the container and one affixed to the outside of the container. Operational Quota spare parts which are of a size, weight or bulk to prohibit their being transported by air shall be packed for export by surface carrier only. Spare parts shall be considered unsuitable for transport by air if they cannot be packed in containers of the following maximum dimensions: Containers 100″ or less in length will not exceed 36″ in width and 60″ in height; containers over 100″ in length will not exceed 150″ in length and will be limited to 29″ in width and 50″ in height.

2. *All Other Spare Parts*

(a) The balance of all the spare parts of the Spare Parts Order may be shipped as bulk material, but for purposes of scheduling deliveries, "B" and "C" lists shall be established by the Bureau of Aeronautics.

(b) Such spare parts allocated to overseas destinations shall be packed for export shipment, and those parts allocated to points within the continental limits of the United States shall be packed for domestic shipment. Spare parts which may be required to be shipped by air carrier shall be packed in suitable air cargo containers. Packing cases for such spare parts shall be marked with the airplane model number, the letter "B" or "C" as appropriate, and the box number.

3. *Shipping and Destination*

(*a*) All spare parts shall be shipped on Government Bills of Lading to destinations contained in shipping instructions which shall be given to the contractor by the Inspector of Naval Aircraft at the contractor's plant not later than thirty (30) days prior to delivery of the first production airplane.

(*b*) Changes in shipping or packing instructions may be made by the Bureau of Aeronautics upon reasonable notice prior to delivery; provided, however, that the Operational Quotas as set forth in paragraph I of this Part V shall be revised only by agreement between the contractor and His Majesty, at the request or with the approval of the Bureau of Aeronautics.

4. *Navy Packing Specifications.*—Unless otherwise specifically provided herein, the prevailing U.S. Navy specifications regarding packing will be applicable and shall be complied with.

5. *Identification of Spare Parts.*—All spare parts are to be suitable stamped or tagged so as to permit ready identification by part number and nomenclature. Nomenclature will be in sufficient detail to identify the part and where it assembles on the airplane (for example: Bracket—Ailerons static balance weight).

PART VI—*Progress Reports*

1. *Monthly Report.*—The contractor shall furnish the Inspector of Naval Aircraft a monthly report of the status of deliveries of the spare parts as of the last day of each month, beginning with the first month in which any spare parts are delivered or the month in which the first production airplane is delivered, whichever is earlier.

2. *Form.*—Such report shall be in the form attached hereto as Schedule 3 and shall be delivered in twelve (12) copies.

3. *Delinquent Deliveries.*—If such report shows that the contractor is delinquent on deliveries of any spare parts, the contractor shall also submit, on or before the fifteenth day of the month following the month covered by such report, an itemized statement of spare parts as to the delivery of which the contractor is delinquent. The statement shall include the contract item number, part number, nomenclature, quantity delinquent, and name of supplier for each such part, a statement of the reasons for such delinquency and an estimate of when such spare parts will be delivered.

PART VII—*Supplementary Supplies of Spare Parts*

1. *Separate Contracts.*—Supplementary supplies of spare parts shall be procured under separate contracts. Selection of supplementary supplies of spare parts shall be made by His Majesty. The prices of such spare parts and the terms of contracts in respect thereof shall be negotiated at the time orders therefor are placed, and shall not be governed by the prices and terms of the airplane supply contract to which this Appendix is attached.

2. *Design Changes.*—If production design changes affect supplementary supplies of spare parts covered by separate contracts, His Majesty and the contractor shall promptly negotiate any changes in such contract which may be required or desirable.

Schedule 3 to Appendix A
to Contract W.S.L. 72-348,
P.C. 1134 (N a(s) 296).

SPARE (MAINTENANCE) PARTS DELIVERY REPORT

Contractor:..... Contract No.....

Model:..... Month Ending.....

1. No. Airplanes on Contract
2. No. Airplanes Delivered
3. % Airplanes Delivered
4. No. Spares Items on Contract
5. No. Items Meeting Concurrent Delivery
6. No. Items Delinquent
7. % Items Meeting Delivery

	Deliveries
8. No. Items 100% Delivered	
9. No. Items 90% to 99% Delivered	
10. No. Items 80% to 89% Delivered	
11. No. Items 70% to 79% Delivered	
12. No. Items 60% to 69% Delivered	
13. No. Items 50% to 59% Delivered	
14. No. Items 40% to 49% Delivered	
15. No. Items 30% to 39% Delivered	
16. No. Items 20% to 29% Delivered	
17. No. Items 10% to 19% Delivered	
18. No. Items 1% to 9% Delivered	
19. No. Items NONE Delivered	

P.C. 8991

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General in Council on the 28th November, 1944.

The Committee of the Privy Council have had before them a report, dated 28th November 1944, from the Minister of Munitions and Supply, representing:

1. That the Canadian Government is the owner of an aircraft manufacturing plant located at Cartierville, Quebec, which is being used by Canadian Vickers Limited (hereinafter called "Vickers") for the purpose of producing airplanes, airplane parts and components and overhauling, repairing and servicing the same, under agreements with and letters of authority and orders from the Canadian Government and third parties;

2. That the contracts placed with Vickers related principally to Canso Amphibian aircraft and these contracts have been substantially completed;

3. That in March, 1944, Vickers were instructed to proceed with the production of DC-4 airplanes and it is now anticipated that the production of these airplanes will form the major part of the work in the plant;

4. That arrangements have been made, subject to the approval of Your Excellency in Council, whereby, effective as at midnight November 11, 1944, Vickers shall surrender and deliver up the possession and control of its entire Cartierville aircraft plant as a going concern to the Canadian Government and shall cease the performance of any work in the said plant under all outstanding contracts and orders, all of which shall be transferred to the Canadian Government;

5. That it is proposed that as from midnight November 11, 1944, the said plant shall be operated by Canadair Limited (hereinafter called "Canadair") as hereinafter set forth;

6. That the arrangements with Vickers and Canadair will provide:

(*a*) The Government will take over the Cartierville Aircraft Division as a going concern and will assume all outstanding obligations and liabilities of Vickers in respect thereof, other than liabilities for income taxes, excess profits taxes and liabilities not related to the continued operation of the plant;

(*b*) The Government will make payment on all production contracts for Canso Amphibian airplanes, spare parts and components, in accordance with the terms of such contracts;

(*c*) The Government will make payment on all miscellaneous orders and acceptances of tender placed by it with Vickers on the basis of cost plus a profit of 5 per cent;

(*d*) The Government will make payment on all outstanding plant expense orders on the basis of actual cost;

(*e*) The Government will make payment to Vickers of the costs incurred in respect of the production of DC-4 airplanes, including the cost of jigs and tools made at the Vickers Maisonneuve plant, work in process in the Cartierville Aircraft Division and also the proper travelling expenses and salaries of technicians and others engaged on this project, plus a profit equal to 5 per cent;

(*f*) The Government will pay the profits received by it in connection with orders placed by others with Vickers (hereinafter referred to as "special orders") which were uncompleted at the time of takeover;

(*g*) The Government will pay Vickers for all overhaul and repair work done pursuant to the contract between His Majesty and Vickers, the proper costs incurred by Vickers under the said contract, plus a profit determined in accordance with the provisions of Order in Council P.C. 1575 of March 1, 1943;

(*h*) The Government will purchase from Vickers the machinery and equipment owned by Vickers and presently located in or about the said plant for the sum of $100,800;

(*i*) The Government will pay Vickers for all inventories at cost and all prepaid expenses less all accounts payable, accrued charges, wages, salaries and taxes and all amounts heretofore paid to Vickers on account thereof;

(*j*) The fee, bonuses and profits under items (*b*), (excluding the first 89 airplanes), (*c*), (*e*), (*f*) and (*g*), shall be payable to the extent of $2,500,000 to Vickers and the balance, if any, to Canadair;

7. That the contract with Canadair will provide:

(*a*) That Canadair will take possession of the plant and will, for and on behalf of the Government, carry out and perform the obligations of the Government under the agreemnt to be entered into with Vickers to give effect to the foregoing arrangements, except insofar as the said agreement concerns the obligations of the Government to pay moneys to Vickers;

(*b*) That Canadair will perform any additional work which the Government may request it to perform in the plant;

(*c*) That the Government will pay or reimburse Canadair for the reasonable and proper cost of performing all work under the contract, the

funds therefor to be provided by way of a guarantee by the Government of a bank overdraft, in accordance with the provisions of Order in Council P.C. 3542 of May 4, 1943;

(*d*) That the fees payable to Canadair shall be:

(i) with respect to the work remaining to be completed under the contracts and orders placed with Vickers as set forth in paragraph 6 hereof, the amount, if any, referred to in subparagraph (*j*) of paragraph 6 hereof;

(ii) with respect to the work to be performed by Canadair on DC-4 airplanes, such fees as may be agreed upon between the Government and Canadair;

(iii) with respect to additional work, if any, which Canadair may hereafter be requested to perform by the Government under this contract, such fees as may be agreed upon between the Government and Canadair;

(*e*) That the contract with Canadair shall remain in effect from November 11, 1944, until completion by Canadair of all work contemplated hereunder;

8. That the proposed arrangements are considered to be fair and reasonable and in the public interest.

The Committee, therefore, on the recommendation of the Minister of Munitions and Supply, advise that the proposed arrangements be approved and that the Minister of Munitions and Supply be authorized to execute such contracts as may be necessary to give effect thereto.

A. D. P. HEENEY,
Clerk of the Privy Council.

P.C. 8992

PRIVY COUNCIL CANADA

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 28 November 1944

The Committee of the Privy Council have had before them a report, dated 28th November, 1944, from the Minister of Munitions and Supply, representing:

1. That pursuant to the authority granted by Order in Council P.C. 3816 (1942) Canadian Vickers Limited (hereinafter called "the Company") was authorized to proceed with the production of 264 Canso Amphibian airplanes, payment therefor to be on the basis of a price to be agreed upon;

2. That the quantity of airplanes to be produced has subsequently been reduced to 50, the said airplanes being required to fulfil Department of National Defence for Air Contract Demand T.P. 1793;

3. That pursuant to the authority granted by Order in Council P.C. 628 (1944) a contract was entered into, dated January 25th 1944, with the Company for the production of 230 Canso Amphibian airplanes, at a price to be agreed upon between the Minister of Munitions and Supply and the Company as soon as possible after the delivery of the first 51 airplanes under the contract, the said airplanes being required for delivery to the United States Navy Department;

4. That the said 51 airplanes have now been produced and it is proposed, subject to the approval of Your Excellency in Council, to pay the Company for the airplanes referred to in paragraphs 2 and 3 hereof, the following:

(*a*) the laid down cost incurred in the production of the airplanes, including the cost of jigs and tools;

(*b*) a fee of $4,500 per airplane;
(*c*) if the cost of production (less the cost of jigs and tools) is less than $150,000 per airplane, a bonus of 25 per cent of the difference between the cost of production and $150,000;
(*d*) the cost of modifications to the said airplanes ordered by the Aircraft Controller of the Department of Munitions and Supply, plus 5 per cent;

5. That the said contract of January 25th 1944 provided for the reimbursement to the Company of its costs in respect of the production of 150 PBV-1A airplanes, which were subsequently cancelled, and a profit to be agreed upon between the Minister of Munitions and Supply and the Company and it is therefore proposed, subject to the approval of Your Excellency in Council, to fix the said profit at 5 per cent of the costs incurred by the Company in respect of such production;

6. That from time to time the following orders for spare parts for Canso Amphibian airplanes have been placed, amongst others, with his Company:

P.C. 4248 (1941)—spares for 39 aircraft for R.C.A.F.
P.C. 10867 (1942)—spares for 50 aircraft for R.C.A.F.
P.C. 10722 (1942)—spares for 50 aircraft for R.C.A.F.
P.C. 628 (1944)—spares for 230 aircraft for United States Navy;

7. That the estimated value of the spare parts is $7,100,000 and it is proposed, subject to the approval of Your Excellency in Council, to pay the Company the cost thereof plus a fixed fee of $350,000; and

8. That the proposed arrangements are considered to be fair and reasonable.

The Committee, therefore, on the recommendation of the Minister of Munitions and Supply, advise that the proposed arrangements be approved and that the Minister of Munitions and Supply be authorized to execute such contracts as may be necessary to give effect thereto.

A. D. P. HEENEY,
Clerk of the Privy Council.

AGREEMENT BETWEEN HIS MAJESTY THE KING AND CANADIAN VICKERS LIMITED AND CANADAIR LIMITED

File No. 11-C-3573
P.C. 8991 (1944)

This agreement made in triplicate as of the 31st day of January, 1946. Between: His Majesty the King in right of Canada (hereinafter called "His Majesty") herein acting and represented by the Honourable the Minister of Reconstruction and Supply of Canada (hereinafter called "the Minister") of the first part and Canadian Vickers Limited, Montreal, Quebec, (hereinafter called "Vickers") of the second part and Canadair Limited, Montreal, Quebec, (hereinafter called "Canadair") of the third part.

Whereas, by an agreement made as of the 11th day of November, 1944 between His Majesty and Vickers, Vickers agreed to surrender and deliver up full and complete posssesion, use, enjoyment, control and operation of its entire Cartierville Aircraft Division as a going concern to His Majesty (said agreement being hereinafter referred to as "the Vickers Agreement"); and
an agreement made as of the 11th day of November, 1944 between His Majesty and Canadair, whereby provision was made for the operation of the said Cartierville Aircraft Division by Canadair for and on behalf of His Majesty (said agreement being hereinafter referred to as "the Canadair Agreement"); and

Whereas His Majesty and Vickers have agreed that Schedules "A", "B" and "C" annexed hereto shall be substituted for Schedules "A", "B" and "C" annexed to the Vickers agreement;

Now, therefore, this agreement witnesseth:—

1. It is hereby agreed by and between His Majesty and Vickers that Schedules "A", "B" and "C" hereto annexed are hereby substituted for Schedules "A", "B" and "C" annexed to the Vickers agreement.

2. It is hereby agreed by and between His Majesty and Canadair that the copy of Vickers agreement annexed to and forming part of the Canadair Agreement is hereby revised to conform with the Vickers agreement as amended by Clause 1 hereof.

In witness whereof this agreement has been executed and sealed on behalf of His Majesty the King in right of Canada by the Deputy Minister of Reconstruction and Supply and by the Secretary of the Department of Reconstruction and Supply and has been executed by Vickers and Canadair under their respective corporate seals duly affixed thereto by their respective officers authorized in that behalf.

Signed, sealed and delivered in manner aforesaid on behalf of His Majesty the King in right of Canada in the presence of:

LILIAS JESSIMAN
Witness

V. W. SCULLY
Deputy Minister D/S

R. W. MACLEAN
Secretary

Signed, sealed and delivered in the presence of:

JAS. B. HATCHER
Witness

CANADIAN VICKERS LIMITED
Per J. EDOUARD LABELL
President C/S

Signed, sealed and delivered in the presence of:

"?"
Witness

Per N. H. SAVIDANT
Sec'y. Treas.
CANADAIR LIMITED

Department of Reconstruction and Supply
Approved as to form by
G. W. MACDONALD
1-3-46

Per B. A. FRANKLIN
President C/S

Per M. OGDEN HASKELL
Sec'y. Treas

FEDERAL AIRCRAFT LTD.
Approved as to form by legal counsel.
G. H. Montgomery, Jr.
Date 28 Feb./46
Approved as to drawings, specifications, quantity, terms and price by
D. A. DEWEY
Date Feb. 28/46

I hereby certify that the within is a true copy of an Original Agreement dated the 31st day of January, 1946 made between His Majesty the King in right of Canada, and Canadian Vickers Limited, and Canadair Limited.

M. ANDERSON
Supervisor of Dittoed Contracts
Main Pool

SCHEDULE "A" TO WHICH REFERENCE IS MADE IN PARAGRAPH E OF SECTION 8 OF THE CONTRACT BETWEEN HIS MAJESTY THE KING IN THE RIGHT OF CANADA AND CAN. VICKERS LTD., MADE AS OF THE 11th DAY OF NOVEMBER, 1944

CONTRACTS AND ACCEPTANCES OF TENDERS FOR SPARE PARTS

C.V. Job No.	*Contracts*	*Details*
1001	B. 18-38-113/CD. 1533 F.E. 9151/PC 4248	Spares for 39 Aircraft R.C.A.F.
1002	B. 18-26HK-27/CD. 1860 F.E. 19474/PC. 10867	Spares for 50 Aircraft R.C.A.F.
1003	B. 18-26HK-27/CD. 1860 F.E. 18954/PC. 10722—Go ahead letter	Spares for 50 Aircraft R.C.A.F.
1004-5-6	W.S.L. 72-348 U.S.N. No. a (S) 296	Spares for 230 Aircraft U.S.N.
1007	W.S.L. 72-348 U.S.A.A.F. No. a(S) 296 Amend No. 1	U.S. Navy Open End Contract Emergency Spares
1008-9	W.S.L. 72-348 U.S.N. No. a (S) 296 Amend No. 1	Amendments to U.S.N. Spares Orders Job 1004
1010	B. 18-26HK-80/CD. TP. 11018/FE. 26727—Go ahead letter.	R.C.A.F. Spares
13209	B. 18-26HK-12 Serial No. 2-178330	Canso Spares
13431	B. 18-26HK-22/CD. AB. 39 F.E. 9628	Canso Spares
13436	B. 18-26HK-22/CD. AB. 39 F.E. 9628	Canso Spares
13444	B. 18-26HK-24 Serial No. 2-B-2736	Canso Spares
13455	B. 18-26AJ-23/CD. 1458 F.E. 14759	Canso Spares
13548	B. 18-26HK-42/CD. 6311 F.E. 21450	Canso Spares
13578	B. 18-26HK-42/CD. 6311 F.E. 21450	Canso Spares
20093	B. 18-26HK-26/CD. 6267 F.E. 19424	Canso Spares
20103	B. 18-26HK-54/CD. 6351 F.E. 22468	Hydraulic Tubing and Clips
20120	"	Stringer Hull Bottom
20202	"	Stainless Steel Locking Wire
20203	"	Parker Elbow Bracket
20205	"	Panel Assembly Cowl R.H.
20216	B. 18-26HK-22/CD. AB. 39 F.E. 9628	Canso Spares
20225	B. 18-26HK-54/CD. 6351 F.E. 22468	Oil Dilution System
20250	B. 18-26HK-32/CD. AB. 39 F.E. 9628	Canso Spares
20265	B. 18-26HK-54/CD. 6351 F.E. 22468	Tail Exhaust Pipe
20266	"	Hydraulic Tubing
20274	"	Flex Tube nose Assembly
20281	"	Cover Rudder Lower Hinge
20289	"	Cables, Turnbuckles
20291	"	Support Tunnel Gun Hitch Camera
20304	"	Spacer
20328	"	Base Tail Drift Sight

CONTRACTS AND ACCEPTANCES OF TENDER—*Con.*

C.V. Job No.	*Contracts*	*Details*
20341	B. 18-26F/AIR CD. 1564 F.E. 14670/PC 5285	Tee Piece
20356	B. 18-26F/CD. 1565 F.E. 14670/PC 5285	Handles Adjustable Pilot's Set
20371	B. 18-26HK-61/CD. 10015 F.E. 22828	Canso Spares
20373	B. 18-26HK-67/CD. AB. 39 F.E. 9628	Canso Spares
20423	B. 18-26HK-32/CD. 6351 F.E. 22468	Wheel Keel Thrust Bearing
20428	"	Gear Box Assembly Aileron Flap Control
20459	"	Assembly Aileron Tab Control Gear Box
20465	"	Exhaust Tail Pipe
20493	"	Cable, Assembly Pendant
20626	"	Door Assembly
20694	B. 18-26HK-54/CD. 6351 F.E. 22468	Bolt Assembly, Pin Assembly Bracket etc.
20789	B. 18-26HK-32/CD. 6351 F.E. 22468	Door Assembly Nocelle Cowl etc.
20811	"	Hull Step
20838	B. 18-26HK-54/CD. 6351 F.E. 22468	Parts for Main Cylinder and Brake Hydro System
20844	"	Fabric Covered Sponge Rubber
20845	"	Washers
20846	"	Gasket, Fairing Door Assembly, etc.
20868	"	Valves, Hose Wheel Assembly, etc.
20873	"	Installation First Aid Kit
20880	"	Aileron Tab Belt Frame etc.
20886	"	Pump Hyd. Hand etc.
20887	"	Fairings, Cables Brackets, etc.
20928	"	Adapter
20958	"	Adapter
20975	"	Patch Plate
20979	"	Bunk Safety Belt
20987	"	Tube Assembly
20993	"	Conduit Flex
20994	"	Conduit Flex
21003	"	Bracket N.L.G. Bowlock Indicator
21004	"	Feed Cup Assembly
21015	"	Sealing Strips
21018	"	Aileron Bracket
21048	"	Bunk Rest and Back Assembly
21056	"	Flex Conduit C/W End Fitting
21059	"	Oil Dilution System
21061	"	Wheel Well Cover Assembly
21067	"	PBY Parts
21068	"	PBY Cables
21076	"	Hydraulic Jack
21082	"	Rib Wing Trailing Edge, etc.
21083	"	Spacers

CONTRACTS AND ACCEPTANCES OF TENDER—*Con.*

C.V. Job No.	*Contracts*	*Details*
	B. 18-26HK-54/CD. 6351 F.E. 22468	
21084	"	Sea Anchor Storage
21090	"	Shield and Knobs
21091	"	Shield and Knobs
21100	"	R.C.A.F. Open Contract Emergency Spares
21300	"	"
21600	"	"
21900	"	"
22169	B. 18-26HK-79/CD. 11000 F.E. 25756	Canso Spares
22200	B. 18-26HK-54/CD. 6351 F.E. 22468	R.C.A.F. Open Contract Emergency Spares
22500	B. 18-26HK-54/CD. 6351 F.E. 22468	R.C.A.F. Open Contract Emergency Spares
22800	"	"
23100	"	"
23500	"	"
23523 (Cacelled)	"	"

SCHEDULE "B" TO WHICH REFERENCE IS MADE IN PARAGRAPH (F) OF SECTION 8 OF THE CONTRACT BETWEEN HIS MAJESTY THE KING IN THE RIGHT OF CANADA AND CANADIAN VICKERS LIMITED, MADE AS OF THE 11th DAY OF NOVEMBER, 1944

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER

C.V. Job No.	*Customer*	*Description*
13058	Noorduyn Aviation	Cost of handling Norseman
13101	D.N.D.	Spur Gear for Starting Magneto
13107	D.M. & S.	Stranraer Spares
13109	D.M. & S.	Modification of Oxford Parts
13111	D.M. & S.	Repairs to PBY Z-2139
13161	D.M. & S.	Ground Equipment PBY
13177	British Aero Engines	Manufacture Test Propellers
13207	D.M. & S.	Cost of Sample Parts PBY
13239	Boeing Aircraft	Support Lever Bombers Door, etc.
13251	Fairchild Aircraft	Spraying Parts
13264	Fairchild Aircraft	670 Jettison Valves 3379 Pulleys
13270	D.M. & S.	Hoisting Gear
13308	D.M. & S.	10 Sets Link Assembly
13309	D.M. & S.	Oxford Parts for Repairs
13312	Can. Car & Foundry	V.G.S. Pulleys
13323	D.M. & S.	Locking Block
13325	British Aero Engines	Pegasus Airscoops
13329	Federal Aircraft	Pulleys
13332	Federal Aircraft	Pulleys
13338	Boeing Aircraft	Cost Machining Parts
13341	D.M. & S.	180 Sets Leak Stoppers
13347	D.M. & S.	86 Off Link
13348	C.P. Airlines	Spindle Control Knobs
13354	Can. Wright Ltd.	Cylinders to be Sandblasted
13356	De Havilland Aircraft	Vickers Cocks
13372	D.M. & S.	Vickers 2 Way Cocks
13373	D.M. & S.	Mercury Airscoops
13384	D.M. & S.	Fuel Cocks and Non-Return Valves
13388	D.M. & S.	Fuel Cocks and Non-Return Valves
13397	Boeing Aircraft	PBY Parts
13404	D.M. & S.	Fittings and Hull Mooring and Towing
13414	D.M. & S.	Re-design Flooring Lockers, Panels, etc.

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

C.V. Job No.	*Customer*	*Description*
13421	D.M. & S.	Install. Spec. Br. Radio
13427	D.M. & S.	Standardization of Alum. Tube
13437	D.M. & S.	30 Sets Installation Fuel Pumps
13438	D.M. & S.	D.O. Exp. re Sub Rolled Sec. Extruded Section
13439	D.M. & S.	Cylinders to be modified
13442	R.A.F.F.C.	Loop Aerial
13446	Boeing Aircraft	Hydro Press Parts
13447	Clark Ruse Aircraft	Sill Inspection Door
13448	D.M. & S.	144 Sets Leak Stoppers
13449	Clark Ruse Aircraft	Bearing and Nose Wheel Door Lock Mech. Hydro System
13453	Devilbies Company	Install. Spray Both Equip.
13456	D.M. & S.	Brace for Nose Section and Stiffener for Keelson.
13458	Clark Ruse Aircraft	Step Cap Plate and Stiffener
13459	Boeing Aircraft	Parts
13460	Clarke Ruse Aircraft	Parts
13461	D.N.D.	Arm Assy. Control Yoke
13462	C.R.A. Ltd.	Aircraft Parts
13463	Clark Ruse Aircraft	Patch Plate and Arm Hull Nose Door
13464	Clark Ruse Aircraft	Cover 28B5248L
13465	D.N.D.	Cable Assy. and Cable Constant Speed Control
13466	Clark Ruse Aircraft	Gusset Plate
13467	Clark Ruse Aircraft	Cross Beam
13468	D.N.D.	Patch Plate, Keelson Strip, etc.
13472	Clarke Ruse Aircraft	Rudder Cables Outboard and Inboard
13473	Clark Ruse Aircraft	Aileron Hinges
13474	Clark Ruse Aircraft	Jack Sequence Valve Assy.
13475	Clark Ruse Aircraft	Patch Plate and Keelson Angle
13476	D.M. & S.	Cable Assy. Elevator Control
13477	D.M. & S.	41 Off Cooking Stoves
13478	D.M. & S.	Elevator Trimmer Tab Cables
13479	Clark Ruse Aircraft	Plate Cover
13480	Boeing Aircraft	Drop Hammer Parts
13482	D.M. & S.	D.O. Tech. Shop etc., exps. Reinstall. Signal Pistol Mount
13483	Clark Ruse Aircraft	Cables
13484	Clark Ruse Aircraft	Bolts, Nuts, Washers
13485	D.M. & S.	Retracting Link C/W Fittings
13487	Clark Ruse Aircraft	Parts
13488	Clark Ruse Aircraft	Casting
13489	Clark Ruse Aircraft	Clamps and Washers
13491	R.A.F.F.C.	Parts
13492	Boering Aircraft	Brackets
13493	Boering Aircraft	Parts
13495	Clark Ruse Aircraft	Washers
13496	General Motors Corp	Straightening Forgings
13497	Clark Ruse Aircraft	Mixture Control Cable
13498	Clark Ruse Aircraft	Bolts
13499	Boering Aircraft	Channel
13503	Fairchild Aircraft	Casting Ring
13504	British Aero Engines	Balancing Test Propellors
13509	Fairchild Aircraft	Repairs to Jettison Valves
13510	Fairchild Aircraft	V.G.S. Pulleys
13511	British Aero Engines	Pegasus Airscoops
13512	Fairchild Aircraft	Repairs to Jettison Valves
13521	D.M. & S.	Wooden Oxford Props.
13524	D.M. & S.	Locking Tags for Fuel Cock and Non Return Valves
13525	D.M. &. S.	Fuel Cocks and Non Return Valves

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Conc.*

C.V. Job No.	*Customer*	*Description*
13526	Fairchild Aircraft	Repairs Jettison Valves
13531	British Aero Engines	Spring Valves, Airscoops Split Taper Pin
13534	D.M. & S.	1 Off Pump Repaired
13535	British Aero Engines	70 Mercury Air Intakes
13536	Fairchild Aircraft	Jettison Valves
13537	Fairchild Aircraft	Jettison Valves
13538	D.M. & S.	Repairs H Pressure Pump
13540	D.M. & S.	Repairs PBY Leading Edge & De-Icer Boot
13541	D.M. & S.	Base Plate
13542	C.P. Airlines	Inboard Former L & R.
13543	Clark Ruse Aircraft	Parts
13545	Boeing Aircraft	Cable Assy.
13546	Boeing Aircraft	Bumper
13577	D.M. & S.	Repairs Oxford Wooden Props.
13580	R.A.F.F.C.	Arm for Shimmy Damper
13581	Boeing Aircraft	Food Locker Box
13582	National Research Council	1000 Alum. Trays
13585	D.M. & S.	50 Sets Reinforcement of Aileron
13591	D.M. & S.	27 sets Canso Recognition Light Flares
13597	Clarke Ruse Aircraft	Complete Nose Wheel Door Install L. & R.
13599	Can. Vickers Ltd.	Cost of Anodizing Bolingbroke Oleo Legs
13600	Canadian Vickers Ltd.	Cost Making Name Plates
13601	R.A.F.F.C.	Rivets Heat Treated and Packed in Dry Ice
13602	D.M. & S.	2 Off Stranrear Propellers 1 Off 3 Blade Shark
13603	D.M. & S.	Repairs Stranrear
13604	D.M. & S.	Hand Pumps
13605	National Research Council	Cost reducing Dia. Graphite Bar
13606	D.M. & S.	Repairs to Props.
13608	British Aero Engines	Repairs to Airscoops 476-574-578
13011	Can. Gen. Elec. Co.	Work on Elec. Furnace
20004	D.M. & S.	Mod. Install Hollow Control Shaft
20005	D.M. & S.	High Pressure Hand Pump
20006	Fairchild Aircraft	Roll Skins
20007	British Aero Engines	Mercury Airscoops
20012	D.M. & S.	Repairs Wooden Oxford Propellers
20013	Victory Aircraft	Pulleys
20017	Can. Wright Ltd.	Repairs to Propeller
20020	Cresswell Pomeroy	Annealing Aluminum Sheets
20021	D.M. & S.	Repairs H Pressure Pumps
20023	D.M. & S.	Mod. Canso Fuel Jettison Arrangement
20026	Boeing Aircraft	Castings Machined, Springs
20030	Fairchild Aircraft	Repairs Jettison Valves
20032	D.M. & S.	¾" B.S.P. Plug Cock
20033	Boeing Aircraft	External Fittings for Bomb Rack
20039	D.M. & S.	Jettison Valves
20040	D.M. & S.	Repairs Props. Serial No. F505-648
20041	British Aero Engines	Cost Rework Test Prop.
20042	D.M. & S.	No. 23053 Sht. 16 Collar
20045	D.M. & S.	Cylinder L/H Lock
20050	D.M. & S.	Canso Spare Parts
20051	D.M. & S.	Mod. Sets for Reinforcement Ailerons
20057	C.P. Airlines	Detail Parts
20063	Boeing Aircraft	Springs
20065	D.M. & S.	Jettison Valves
20066	D.M. & S.	Airspeed Indicator Tags
20071	Clark Ruse Aircraft	Bomber Window Frame Assy.
20078	D.M. & S.	Venturi Vents Dipstick Assy.
20079	Clark Ruse Aircraft	Cross Beam Hull Bulkhead No. 1

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

C.V. Job No.	*Customer*	*Description*
20080	D.M. & S.	Expense Re-Install Heat Anti-Icer
20081	Clark Ruse Aircraft	Sill Inspection Door
20086	National Research Council	Die for Producing Alum. Trays.
20090	Clark Ruse Aircraft	Link Float Retracting Mach.
20091	D.N.D.	Glass Pilot's Enclosure Sliding Window
20092	D.N.D.	Motor Elec. for Float Retraction
20098	Fairchild Aircraft	Roll Skins
20099	Fairchild Aircraft	Roll Skins
20104	D.M. & S.	Install Hollow Control Wheel Shaft
20115	D.M. & S.	Elimination of Elec. Conduit
20125	Can. Car. & Foundry	PBY Parts
20140	Boeing Aircraft	Drop Hammer Parts
20143	Can. Car. & Foundry	Trailing Edge for Rudder
20155	D.N.D.	Line Hydraulic Nut Sleeve
20157	D.N.D.	Step Assy.
20164	Cresswell Pomercy	Tensile Test Pieces
20168	Fairchild Aircraft	Roll Skins
20174	De Havilland Aircraft	Fuel Cocks
20179	Can. Car & Foundry	Detail Parts
20184	Hayes Steel Products	Rough Forgings
20186	C.P. Airlines	Bulkhead
20194	D.M. & S.	Nose Strut & Fork Assy. Repairs
20195	D.M. & S.	Repairing Hand Pump
20196	C.P. Airlines	Bracket Assy. for Generator
20199	D.M. & S.	29 Sets Airspeed Indicator Tags
20201	D.M. & S.	Fuel Cock
20207	C.P. Airlines	Belt Frame
20218	Can. Car & Foundry	Nose Wheel Axle, Channel Strip, Retainer, etc.
20223	D.M. & S.	Mod. Install. Solar Type Flare
20230	D.M. & S.	L & R Belt Frame
20237	D.M. & S.	4 Propellers Repaired
20241	Can. Car & Foundry	Bomb Aimer's Window Assy.
20251	D.M. & S.	Spec. Adaptor to Repair Vicker's H. Pressure Pump
20256	D.M. & S.	Generator Bracket Assy. C/W Nuts & Bolts
20268	C.P. Airlines	Spare Parts
20269	C.P. Airlines	Spare Parts
20270	C.P. Airlines	Spare Parts
20271	C.P. Airlines	Hull Bottom Stringers
20272	C.P. Airlines	Hull Bottom Stringers
20300	R.A.F.F.C.	Tail Cone
20307	C.P. Airlines	1 Complete Bulkhead
20308	D.M. & S.	PBY Parts
20309	C.P. Airlines	Belt Frame, Bulkheads, etc.
20310	C.P. Airlines	Detail Parts
20313	Cresswell Pomeroy	Test Pieces Dural & Alclad
20317	D.M. & S.	Cost of Modifying Jigs
20322	Can. Car & Foundry	Pins, Switch & Nose Wheel Latch
20325	Clark Ruse Aircraft	Nose Wheel Door & Control Mech. Install. Complete
20333	D.M. & S.	Repairs Wooden Oxford Propeller
20334	D.M. & S.	Repairs Wooden Oxford Propeller
20336	D.M. & S.	Stranraer Spare Parts
20362	Can. Car & Foundry	Channel Float Retracting Mech. Link
20364	D.M. & S.	To cover Cost of Drawing Office Eng. Expenses
20370	D.M. & S.	Repairs Wooden Tiger Propeller
20372	C.P. Airlines	Nose Wheel Covers
20374	Clark Ruse Aircraft	Supports Engine Cowls
20376	Fairchild Aircraft	Roll Skins
20379	Can. Wright Ltd.	1 Piece of Alum. Sheet
20381	R.A.F.F.C.	Detail Parts

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

C.V. Job No.	*Customer*	*Description*
20383	D.M. & S.	Bomber Circuit & Time Delay Circuit
20385	Fairchild Aircraft	Roll Skins
20388	Central Aircraft	Vickers Fuel Cocks
20393	D.M. & S.	Repairs Oxford Wooden Propellers
20398	D.M. & S.	Engine Cover & Prop. Hub & Anti-Icer Cover
20402	Clark Ruse Aircraft	Patch Plate
20405	D.M. & S.	Vacuum Control Cock
20406	Fairchild Aircraft	Roll Skins
20407	D.M. & S.	Aileron Tab Control Pin Float Strut, etc.
20408	D.M. & S.	Reinforcement of Ailerons
20415	C.P. Airlines	Complete Rotating Windows
20416	C.P. Airlines	Anchor Box Assy. & Scissors
20424	C.P. Airlines	Frame Control Yoke
20426	F.A.F.F.C.	Duct Assy. Oil Cooler
20431	D.M. & S.	Chine Angle
20432	R.A.F.F.C.	Skin Sheet Hulls
20434	D.M. & S.	Repair Prop. Serial No. F227
20437	Canadian Vickers Ltd.	Repair Housing Pneumatic Drills
20440	D.N.D.	Metal Bomb Panel
20443	C.P. Airlines	Door Frame, Nose Skin
20451	D.M. & S.	Mod. Nose Wheel Down Lock Spring
20464	Clark Ruse Aircraft	Handle
20469	Clark Ruse Aircraft	Strut Rear & Parts
20474	Cockshutt Plow	Brackets
20475	Boeing Aircraft	Machined Castings
20477	C.P. Airlines	Antenna Weight, Pilot Lamp, etc.
20479	C.P. Airlines	Clamping Ring
20482	C.P. Airlines	Belt Frame and Bracket
20491	C.P. Airlines	Hull Stringers and Support Pilot's Floor and Seat
20495	D.N.D.	Chine Angle
20500	D.M. & S.	Canso Air Frame Spares
20506	British Aero Engines	Repair Mercury XX Prop.
20527	Central Aircraft	Fuel Cocks
20529	C.P. Airlines	Cross Beam Assy.
20531	R.A.F.F.C.	Skin Sheet
20534	Clark Ruse Aircraft	Lugs
20546	D.N.D.	Antenna Weight Assy.
20555	R.A.F.F.C.	Detail Parts
20570	National Research Council	Cost of Pressing Aluminum Discs
20575	C.P. Airlines	Watertight Corner Cups
20579	D.M. & S.	Tubing Hydraulic System
20580	Boeing Aircraft	Nuts, Machined Castings
20587	British Aero Engines	Repair Mercury XX Prop.
20595	Cresswell Pomeroy	Standard Tensile Pieces
20596	D.N.D.	Fuse Panel Holder
20599	Clark Ruse Aircraft	Firewall Ext. Line etc.
20606	D.M. & S.	Clamping Ring etc.
20627	D.N.D.	Hull Waist Gun Entrance
20632	Clark Ruse Aircraft	Canso Airframe Tool Kit
20633	Central Aircraft	Fuel Cocks
20634	Commercial Ins. Agency	Repairs A/C 11010
20637	D.N.D.	Panel Assy.
20638	C.P. Airlines	2" Conduit
20641	D.M. & S.	Controls Automatic Gyro Sperry
20644	Canadian Vickers Ltd.	Pulley Parts
20645	Canadian Vickers Ltd.	Pulley Parts
20646	Canadian Vickers Ltd.	Pulley Parts
20647	Canadian Vickers Ltd.	Pulley Parts
20649	D.M. & S.	Platforms Forward of Front Strut and Under Motors
20651	C.P. Airlines	Variable Pitch Control
20567	D.M. & S.	Bolts

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

C.V. Job No.	*Customer*	*Description*
20666	C.P. Airlines	Bracket Assy. etc.
20668	C.P. Airlines	Housing for Torque Shaft, etc.
20670	C.P. Airlines	Compass Guard Assy.
20671	C.P. Airlines	L & R Twin Reels, Brass Member at Bulkhead, etc.
20674	D.M. & S.	Repairs PBY Aircraft 33961
20683	Boeing Aircraft	Heat Anti-Icing Equipment
20686	D.M. & S.	Mod. Install Fire Extinguisher System
20687	D.M. & S.	Repairs to Propeller
20688	D.M. & S.	Repairs to Wooden Propeller
20698	D.M. & S.	Spec. Wireless Equipment
20707	Clark Ruse Aircraft	Hinge Pin and Nut
20722	Fairchild Aircraft	Roll Skins
20729	D.M. & S.	Sea Drogue Assy. and Fittings
20734	D.N.D.	20 Sets Weights
20752	D.M. & S.	Install Radio Altimeter
20754	D.M. & S.	Mod. Radio Install.
20756	Central Aircraft	Fuel Cocks
20771	Aircraft Repair Ltd.	Pulleys
20781	Cresswell Pomeroy	Tensile Pieces
20785	D.M. & S.	Cylinder Nose Wheel Retracting
20788	Fairchild Aircraft	Roll Skins
20797	D.M. & S.	Belt, Step Plate and Fastener
20798	D.H. & S.	Washers
20799	C.P. Air Lines	Throttle Cable Prop. Control, etc.
20800	C.P. Air Lines	Bomb Control Cable Emergency
20801	C.P. Air Lines	Bomb Control Cable Emergency
20802	C.P. Air Lines	Bomb Control Cable Emergency
20803	C.P. Air Lines	Rudders and Elevators
20804	C.P. Air Lines	Elevator Aileron Tabs
20805	C.P. Airlines	Elevator Tabs, Rudder Tabs
20806	C.P. Airlines	Ailerons and Rudders
20827	Clark Ruse Aircraft	Drawing for Canso
20839	Boeing Aircraft	Cost of C.V.L. Mobile Repair Crew
20843	Fairchild Aircraft	Roll Skins
20850	Commercial Ins. Agency	Repairs A/C 11026
20856	D.M. & S.	Repairs Collar Assy. N.L.G.
20863	C.P. Airlines	Brackets Power Plant, etc.
20867	C.P. Airlines	Bearing Anchor Reel Crankshaft Aft.
20872	Boeing Aircraft	Bracket Control Yoke
20899	Hayes Steel Products	Bushings
20906	R.A.F.F.C.	Bolts
20914	Kellett Aircraft	Surplus Engine Mount Parts
20927	C.P. Airlines	Bell Crank—Hull Main Wheel Control, etc.
20936	Commercial Ins. Agency	Repairs A/C 11026
20937	Boeing Aircraft	Machined Castings
20943	D.M. & S.	Canso Airframe Spares
20969	Kellett Aircraft	Bushings
20985	Fairchild Aircraft	Jettison Valves
20992	D.M. & S.	Water Tanks
21005	Fairchild Aircraft	Roll Skins
21007	Fairchild Aircraft	Roll Skins
21025	C.P. Airlines	Stud Tail Hinge Bearing
21045	D.N.D.	High Pressure Schrader, etc.
21051	D.M. & S.	Wooden Oxford Propellors
21109	Clark Ruse Aircraft	Bracket, Cable Fittings
21125	D.M. & S.	12 Sets Mod. Parts for Reinforcing Canso Ailerons
21126	D.M. & S.	Electric Cooking Stoves
21168	Derham Custom Body	Cover Hull Wheel Well
21180	British Aero Engines	Recondition Test Prop.
21188	Kellett Aircraft	Bushings
21189	Kellett Aircraft	Bushings
21190	Kellett Aircraft	Bushings

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

C.V. Job No.	*Customer*	*Description*
21195	National Research Council	Cable Assy. and Shear Pins
21209	Cresswell Pomeroy	Standard Tensile Spec.
21219	D.N.D.	Antenna Weights
21242	McDonald Bros. Aircraft	Fuel Cocks
21261	Peerless Elec.	Normalizing Parts
21268	R.A.F.F.C.	Cable Assy.
21270	C. P. Airlines	Clamps
21291	D.M. & S.	Trailing Edges
21296	Can. Car & Foundry	Cable Assy. to be Swaged
21312	Boeing Aircraft	Washers
21325	R.A.F.F.C.	PBY Parts
21352	Ottawa Car & Aircraft	Skin Assy. and Landing Gear Fairings
21354	D.M. & S.	Sets Extension Lines
21357	Kellett Aircraft	Chrome Moly Bushings
21360	D.M. & S.	Sets of Install. Fuel Pump Direct Valve
21370	Art Metal Corp'n.	Rework 2 Centre Section Trailing Edges
21386	D.M. & S.	12 Sets Mod. Install. Hollow Wheel Shaft Canso
21393	D.M. & S.	Anodizing Relay Boxes and Covers
21396	D.M. & S.	To cover Cost of Repairs to A/C # 11051
21410	Clark Ruse Aircraft	Cushion Assy.—Navigator's Chair
21411	R.A.F. Atlantic Command	Wing Float Strut Attachment
21412	Majestic Metal Prod.	Cost of Parts Shipped
21413	Art Metal Corp'n.	Cost of Detail Parts Shipped
21434	D.N.D.	Anodizing "U" Section Channel
21446	R.A.F.F.C.	PBY Parts
21462	Fairchild Aircraft	Roll Skins
21509	Ottawa Car & Aircraft	Skin Assy. Landing Gear Fairing
21535	National Research Council	Drill Template Kirksite Blank Die
21556	Clark Ruse Aircraft	Selector Valve
21559	C.P. Airlines	Stabilizer, Fittings & Clips
21583	Clark Ruse Aircraft	Cables Complete with Fittings Assy.
21588	Clark Ruse Aircraft	Skin Sheet Hull Bottom
21596	Hayes Steel Products	Bushings
21632	Aircraft Supply & Equip.	Swaging of Fittings
21686	R.A.F.F.C.	Keelson Extruded Section
21706	D.M. & S.	Brackets Ventura Mod.
21746	D.M. & S.	Sub Assy. Antenna Install.
21755	Fairchild Aircraft	Mfg. Wooden Mock Up Jigs
21757	R.A.F.F.C.	Keelson Extruded Section etc.
21789	D.M. & S.	Stranraer Metal Prop.
21800	D.M. & S.	Links—Ventura
21824	D.M. & S.	Aerial Weights Assy. Sets
21831	Can. Power Boat Co.	Normalizing Parts
21837	D.M. & S.	Rebuild Scrap Storage Shed
21847	Boeing Aircraft	Hook Hull Pilot's Enclosure
21860	Clark Ruse Aircraft	Strap Assy. Clips
21861	Clark Ruse Aircraft	Cable & Cable Fittings
21862	Clark Ruse Aircraft	Screws, Washers
21864	Clark Ruse Aircraft	Clips & Straps
21866	D.M. & S.	15 Sets Flame Dampener Mod.
21877	D.M. & S.	3 lbs. Powdered Neoprene
21901	D.M. & S.	Scissors in Cylinder Valves
21910	Boeing Aircraft	Machining Casting
21956	C.P. Airlines	Strap & Buckle End, etc.
21971	D.M. & S.	Cost Rewiring MI 22 Boxes
21996	Can. Car & Foundry	Swaging
22000	C.V.L. Employees	Miscellaneous Sales
22021	Can. Wright Ltd.	Balance Propellor
22051	D.M. & S.	Repair Wing Trailing Edges
22080	D.M. & S.	Cable Assy. Swaged
22081	R.A.F.F.C.	Anchor and Cable Assy.
22093	R.A.F.F.C.	Sea Droques & Ground Anchors
22094	D.M. & S.	Castors to be repaired
22127	Fairchild Aircraft	Roll Skin

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

C.V. Job No.	*Customer*	*Description*
22131	British Aero Engines	Repair Propellor
22139	D.N.D.	Neoprene Washers
22159	Can. Car & Foundry	Washers
22170	D.M. & S.	Cost Cancelled Purchase Orders
22186	Clark Ruse Aircraft	Spacers
22191	D.M. & S.	Tech. Exp. & Cost 1 Set Sample Parts
22202	British Aero Engines	Repair Propellor
22203	Can. Wright Ltd.	Repair Propellor
22206	D.N.D.	Angles
22208	D.M. & S.	Trailing Edge Inner L.H. and R.H.
22226	D.M. & S.	Exp. Revision Tech. Data
22228	Boeing Aircraft	Redundant PBY Parts
22241	Noorduyn Aviation	Glued Samples Test Pulled
22253	D.N.D.	Angles
22258	Hayes Steel prod.	Bushings
22291	National Research Council	Brackets
22303	D.M. & S.	Plugs
22312	D.M. & S.	Repair Propellor
22314	C.P. Airlines	Bolts
22326	Can. Car & Foundry	Swaging Cable Assy. Cowl Flap Control
22332	British Aero Engines	Test Propellor No. 990
22360	Hayes Steel Prod.	Bushings
22386	Victory Aircraft	Pulleys
22396	Can. Wright Co.	Test Prop. No. 8446
22400	D.M. & S.	Attaching Brackets
22410	Can. Car & Foundry	Swaging Cable Assy. Cowl Flap Control
22423	Noorduyn Aviation	Test Pull Wood Samples
22456	Can. Car & Foundry	Swaging Cables
22457	Can. Car & Foundry	Swaging Cable Assy.
22465	D.M. & S. (N A/C Factory)	32 Sets PBY Outer Wing Panels
22467	Canadian Airways	Swaging Fittings on Control Cables
22468	D.M. & S.	Navigator's Seat Assy.
22470	D.M. & S.	Scissor Fitting N.L.G.
22471	Noorduyn Aviation	Pull Testing
22486	Noorduyn Aviation	Pull Testing Samples
22488	D.M. & S.	Condenser Bracket
22496	De Havilland Aircraft	Recondition 2 Wooden Props.
22498	D.M. & S.	Hoisting Sling, etc.
22499	Can. Car & Foundry	Swaging
22543	Can. Car & Foundry	Turnbuckle Sleeve
22545	D.M. & S.	PBY Parts
22547	D.M. & S.	Arm Assy. Control Yoke
22548	D.M. & S.	Cowl Flap Assy. etc.
22557	Crosswell Pomeroy	Tensile Test Pieces
22558	D.M. & S.	Cost of Engineering etc.
22559	D.M. & S.	Cost of Engineering etc.
22577	D.M. & S.	Panel Assy.
22578	D.M. & S.	Scoop Generator Cooling
22579	D.M. & S.	Blast Tubes
22589	Raymond McDonnell	Repairs Post Indicator #13
22592	D.M. & S.	Tooling Cost re Radio Elec. Mod.
22598	D.N.D.	Elec. Cooking Stoves
22617	D.M. & S.	Cost Details and Install Elec. Mods. 33968-33982
22618	D.M. & S.	Cost Mfg. Details Instrument Mods.
22629	Fairchild Aircraft	Swaging Fittings on Cables
22667	Aeroquipment Co.	Anodizing Washers
22676	Can. Car & Foundry	Aileron Inboard Cables
22684	British Aero Engines	Merlin Prop. #990
22687	Kellett Aircraft	Bomb Loading Platform Parts
22700	D.M. & S.	Reinforcement Hull Bottom
22715	D.M. & S.	Anodizing Scoops and Tubes
22716	D.M. & S.	Mod. Parts
22717	D.M. & S.	Cost of Installing Glass
22718	Can. Car & Foundry	Swaging
22736	D.M. & S.	Cable Assemblies

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

C.V. Job No.	*Customer*	*Description*
22737	D.M. & S.	Cable Assy.
22750	Kellett Aircraft	Bushings
22753	Can. Car & Foundry	Swaging
22754	R.A.F.F.C.	Scissor Fitting N.L.G.
22755	D.M. & S.	Anchor Cable Assy.
22776	D.M. & S.	Pulley Engine Control etc.
22777	Boeing Aircraft	Adjustments Over and Short
22780	Can. Car & Foundry	Swaging
22783	C.P. Airlines	Straps
22784	C.P. Airlines	Terminal Strap and Buckle
22785	N. D. Johnson Ltd.	End Tips
22786	Clark Ruse Aircraft	Tips
22788	Canadian Vickers Ltd.	Shimmy Samples
22799	Federal Aircraft	Roll Skins
22808	Labrador Mining & Exploration	Beaching, Launching, etc.
22812	D.M. & S.	100 Sets Parts for Mod. Hull
22815	Fairchild Aircraft	Swaging Cable Assy.
22816	Derham Custom Body	Zinc Chromate Tape
22826	Ottawa Car & Aircraft	Blank and Pierce Dies
22830	D.M. & S.	PBY Parts
22843	R.A.F.F.C.	Mooring Platforms
22850	De Havilland Aircraft	Tooling Expense re Ailerons
22855	R.C.A.F.	Radio Drawings
22860	C.P. Airlines	Strap Tips
22864	Can. Car & Foundry	Swaging
22867	National Research Council	Machining Graphite Bars
22868	D.M. & S.	Brake Valve Debooster, etc.
22870	D.M. & S.	Tooling O.W. Panels
22876	D.M. & S.	PBY Parts
22901	British Aeroplane Engine	Fit Spacer and Balance Test Prop.
22909	Aeroquipment Ltd.	Anodizing Alum. Washers
22912	D.M. & S.	Bolts Scissors
22916	Aeroquipment Ltd.	Anodizing 3000 Washers
22925	D.M. & S.	PBY Parts
22928	# 45 Atlantic Transport	Bombers Window Assy.
22929	Can. Car & Foundry	Cable Fitting
22939	N. D. Johnston Ltd.	End Tips
22945	D.M. & S.	Engine Stand Wheel Assy.
22957	C.P. Airlines	Rib Spacer Anti Chaffing Straps
22966	D.M. & S.	Swage Fittings, etc.
22967	D.M. & S.	Glass Waist Gunner's Turret
22972	Fairchild Aircraft	Roll to Contour
22996	R.A.F.F.C.	Control Cable Assy.
23000	Fairchild Aircraft	Roll to Contour
23001	Fairchild Aircraft	Roll to Contour
23013	D.M. & S.	Snubber Assy.
23074	C.P. Airlines	Strap Cable
23075	C.P. Airlines	Screws
23082	Hayes Steel Products	Bushings
23083	Fairchild Aircraft	Roll Skins to Contour
23084	Fairchild Aircraft	Roll to Contour
23096	D.M. & S.	Rudder Horn, etc.
23097	D.M. & S.	Upper Fin Struct Assy.
23098	D.M. & S.	Clamp Assy.
23105	Canadian Vickers Ltd.	Operators Wages & Fuel Oil
23110	Aeroquipment Ltd.	Anodizing Washers
23137	D.M. & S.	Ladder Assy.
23161	D.M. & S.	Ladder Assy.
23162	D.M. & S.	Ladder Assy.
23163	D.M. & S.	Ladder Assy.
23171	D.M. & S.	Engineering Tooling Exp.
23183	Fairchild Aircraft	Roll to Contour
23189	D.M. & S.	Elect. Cooking Range
23192	D.M. & S.	Latch Plate N.L.G. Tow Bar, etc.
23196	D.M. & S.	Inhibiting of Engines
23204	D.M. & S.	Sliding Window Washer

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

C.V. Job No.	*Customer*	*Description*
23206	D.M. & S.	Install. N.W. Sequence Valve
23211	C.P. Airlines	Screws, Bushings, etc.
23212	D.M. & S.	Plate Assy. Bombers Window Hull Nose
23213	D.M. & S.	Plate Assy. Bombers Window Hull Nose
23228	National Research Council	Bracket # 91A
23233	D.M. & S.	Tee Fuel System
23237	D.M. & S.	Coupling Hose Manifold, etc.
23253	D.M. & S.	Install. Stowage Furns. N.L.G.
23260	D.M. & S.	Gasket Neoprene Valve Unloading
23261	D.M. & S.	Cross Feed Valve Control
23262	D.N.D.	Insulator
23280	National Research Council	Anodizing Tubes
23299	D.M. & S.	Strap and End
23300	C.P. Airlines	Washers
23301	C.P. Airlines	Strap and Buckle Assy.
23302	C.P. Airlines	Bushings
23303	C.P. Airlines	Bushings, Clips, Screws, etc.
23304	C.P. Airlines	Strap and End
23305	C.P. Airlines	Strap and End, etc.
23306	Fairchild Aircraft	Rolling Skin
23311	C.P. Airlines	Washers, Conduit Clamps, Clips, etc.
23312	D.M. & S.	Clip 1-1½" dim. Spec.
23323	D.M. & S.	Cover Assy. Sponge Rubber
23325	D.M. & S.	Linear Packing
23327	Sperry Gyroscope Co.	Removal & Replacement of Sperry Equip.
23330	Fairchild Aircraft	Rolling Skin
23331	Fairchild Aircraft	Roll to Contour
23341	D.M. & S.	Handling & Mod. 100 A/C Sets
23355	National Research Council	Brackets
23360	Bell Niagara Mod. Center	Elbow Oil Tank Outlet
23367	D.M. & S.	Air Ducts, Box Switch etc.
23369	D.M. & S.	Flex Conduit Tech.
23373	D.M. & S.	Support Hull Front Gunner's Floor
23374	D.M. & S.	Support Hull Front Gunner's Floor
23375	D.M. & S.	Repair Gyro Regulator
23376	T.C.A.	Supply & Anodize Dural Tubing
23377	D.M. & S.	Pilot's Window, Hose Vacuum etc.
23387	Can. Car & Foundry	Machining C. R. Steel
23389	D.M. & S.	Stewart Warner Heating Assy.
23390	D.M. & S.	Support Hull Front Gunner's Floor
23399	D.M. & S.	Coupling Hose Man. Fuse Cells
23400	D.M. & S.	Coupling Hose Man. Fuse Cells
23404	D.M. & S.	Exhaust Collector Assy.
23405	D.M. & S.	Mod. Sets Drain Reservoir
23407	No. 45 Atlantic Transport	Cost of Landing PBY at Maisonneuve
23408	No. 45 Atlantic Transport	Cost of Landing PBY at Maisonneuve
23411	Fairchild Aircraft	Rolling Skin
23416	D.M. & S.	Air Duct, Box Switch etc.
23417	D.M. & S.	Exhaust Collector Assy.
23419	Cresswell Pomeroy	Test Blanks
23428	No. 45 Atlantic Transport	Keelson Rubbing Strip
23441	D.M. & S.	Name Plate, Bonding Cable etc.
23449	Consolidated Vultee	Rubber Pedal Levers
23450	D.M. & S.	Install. Brake Debooster etc.
23457	D.M. & S.	Floor Walk Away
23459	D.M. & S.	Bag Assy. Corrosion Inhibitor
23460	D.M. & S.	Belt Assy. Backrest, etc.
23467	Can. Car & Foundry	Supply & Anneal Dural
23470	D.M. & S.	Brake Assy. N.L.G.
23475	D.N.D.	Repair Gas Tank Leaks
23477	D.N.D.	Mods. to Heating System
23478	D.M. & S.	Install. Radio Altimeter Type

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

C.V. Job No.	*Customer*	*Description*
23479	Can. Car & Foundry	Swaging
23481	D.M. & S.	Busses Elect. Switch Panel
23482	D.M. & S.	Tubes
23483	D.M. & S.	Socket N.L.G. Lever
23484	D.M. & S.	Bushing N.L.G.
23485	D.M. & S.	Bushing N.L.G.
23486	D.M. & S.	Bushing N.L.G.
23529	Can. Car & Foundry	Supply and Anneal
23540	D.M. & S.	Beam Nose Wheel Door
23548	D.M. & S.	Flap Assy.
23551	Boeing Aircraft	Fitting Wing Spar C-Section
23552	D.M. & S.	Washers
23556	D.M. & S.	Packing Outer Wing Panels
23560	D.M. & S.	Door Hull Main Wheel Well
23568	N. D. Johnston Ltd.	Buckles
23575	D.M. & S.	Belt Frame
23582	Can. Car. & Foundry	Swaging
23596	Can. Wright Ltd.	Repair Tank Engine Propellor
23599	D.M. & S.	Belt Frame
23600	Noorduyn Aviation	Heat Treating
23604	D.M. & S.	Bearing & Nose Wheel Door Lock Mech. Assy.
23605	Boeing Aircraft	Oil Tank Filler
23607	D.M. & S.	Handle Assy.
23608	D.M. & S.	Snubber Assy.
23609	D.M. & S.	Step Assy.
23611	Fairchild Aircraft	Roll Skins
23612	Fairchild Aircraft	Roll Skin
23615	N.D. Johnston Ltd.	Buckles
23616	Can. Car & Foundry	PBY Parts
23617	D.M. & S.	Connector Plug Assy.
23638	D.M. & S.	Nipples
23639	D.M. & S.	Relays
23642	D.M. & S.	Install. Comb. Heaters
23650	D.N.D.	Midget Relay
23655	Fairchild Aircraft	Roll Skin
23656	Can. Car & Foundry	Swaging
23666	Northern Star Mfg.	Swaging
23671	No. 45 Atlantic Transport	Engine Cowl
23673	Boeing Aircraft	Phenolic Parts
23696	Fairchild Aircraft	Roll Skin
23700	Linha-Aerea Trans. Cont. Brasileira	Install. Radio Sets
23702	Boeing Aircraft	Supports Eng. Cowl Flap
23703	Can. Car & Foundry	Swaging, etc.
23712	D.M. & S.	Strap Assy.
23713	D.M. & S.	Strap Assy.
23714	D.M. & S.	Strap Assy.
23715	D.M. & S.	Retainer, Packing Jack
23729	D.N.D.	Silica
23743	No. 45 Atlantic Transport	Scoop Nose Cowl Assy.
23745	Fairchild Aircraft	Roll Skins
23753	N.D. Johnston Ltd.	End Tips
23761	Firestone Tire	Plate Wing Float Brace
23762	Firestone Tire	Fairing Wing Float Brace Attach.
23776	Ross Smith Co. Ltd.	Zippers
23790	D.N.D.	Tube, Clamp Assy.
23806	Fairchild Aircraft	Roll Skins
23807	Fairchild Aircraft	Roll Skins
23819	N.D. Johnston Ltd.	Tips, Buckles, etc.
23842	West Aeronautical Devices	Bolts
25035	Trans Canada Airlines	No. 623 Edwards Push Buttons
25036	Trans Canada Airlines	Hollman Tachometer Generator
26000	De Havilland	Setting up Tools
26001	De Havilland	New Tools Jigs, etc.
26002	De Havilland	New Main Sub Assy. Fixtures
26003	De Havilland	Engineering & Design Time

MISCELLANEOUS ORDERS AND ACCEPTANCES OF TENDER—*Con.*

C.V. Job No.	*Customer*	*Description*
26004	De Havilland	Travelling Expense
26010	De Havilland	Ailerons L. & R.
26011	De Havilland	Ailerons L. & R.
26012	De Havilland	Ailerons L. & R.
26013	De Havilland	Ailerons L. & R.
26014	De Havilland	Ailerons L. & R.
26015	De Havilland	Ailerons L. & R.
26016	De Havilland	Ailerons L. & R.
26017	De Havilland	Ailerons L. & R.
26018	De Havilland	Ailerons L. & R.
26019	De Havilland	Ailerons L. & R.
26020	De Havilland	Ailerons L. & R.
26021	De Havilland	Ailerons L. & R.
26030	De Havilland	Aileron Detail Parts
26031	De Havilland	Aileron Detail Parts
26032	De Havilland	Aileron Detail Parts
26033	De Havilland	Shims
26034	De Havilland	Channels
26035	De Havilland	Support Assy. for Spares
26036	De Havilland	Skin and Guard for Spares
26037	De Havilland	Spars for Spares
26038	De Havilland	Spars for Spares
26039	De Havilland	Ailerons and Guards
26040	De Havilland	Stiffener Parts
26041	De Havilland	Skin and Strip Parts for Spares
26050	De Havilland	Aileron Trim Tabs
26051	De Havilland	Aileron Trim Tabs
26052	De Havilland	Aileron Trim Tabs
26053	De Havilland	Aileron Trim Tabs
26054	De Havilland	Aileron Trim Tabs
26055	De Havilland	Aileron Trim Tabs
26099	De Havilland	Engineering and Drawing Exp.
30038	D.M. & S.	Repair Hudson Aircraft BW 769
30039	D.M. & S.	Repair Dakota Aircraft KG 713

SCHEDULE "C" TO WHICH REFERENCE IS MADE IN PARAGRAPH I OF SECTION 8 OF THE CONTRACT BETWEEN HIS MAJESTY IN THE RIGHT OF CANADA AND CANADIAN VICKERS LIMITED MADE AS OF NOVEMBER 11, 1944

SPECIAL ORDERS

C.V. Job. No.	*Customer*	*Description*	*Amount*
17672	Trans-Canada Air Lines, Dorval	Modification and Repairs..	Cost Plus
20640	Consolidated Vultee Aircraft	Finished Forgings.....	$ 3,480.00
21894	Trans-Canada Air Lines, Dorval	Modifications and Repairs..	Cost Plus
22017	Consolidated Vultee Aircraft	20 Wing Spars.....	24,640.00
22665	Consolidated Vultee Aircraft	10 Hulls.	321,750.00
22666	Consolidated Vultee Aircraft	Packing and Shipping..... 10 Hulls	10,120.00
22955	Consolidated Vultee Aircraft	10 Hulls.	289,575.00
22956	Consolidated Vultee Aircraft	Packing and Shipping..... 10 Hulls	10,120.00
23040	Consolidated Vultee Aircraft	5 Gun Rings.....	2,640.00
23140	Consolidated Vultee Aircraft	10 Gun Rings
23725	Consolidated Vultee Aircraft	Track Assembly..... Hull Bow Gun	880.00

This agreement made as of the 11th day of November, 1944. Between: His Majesty The King in right of Canada (hereinafter called "His Majesty") herein acting and represented by the Minister of Munitions and Supply (hereinafter called "the Minister") of the first part and Canadair Limited, Montreal, Quebec, (hereinafter called "Canadair") of the second part.

Whereas His Majesty is the owner of certain land, buildings, machinery, jigs, dies, gauges, expendable small tools, furnishings, fixtures, equipment and accoutrements constituting an aircraft manufacturing plant (hereinafter called the "plant"), located in the Parish of St. Laurent in the Province of Quebec; and

Where Canadair is operating the plant for and on behalf of His Majesty, as His agent, at His expense and under His supervision and control; and

Whereas His Majesty has agreed to grant to Canadair a lease of and option to purchase the said land, buildings, machinery, furnishings, fixtures, equipment and accoutrements, exclusive of all machinery and equipment useful only for the manufacture of Canso and PBY Type airplanes and also exclusive of all jigs, tools, dies, gauges and expendable small tools, such lease and option to become effective on or before the first day of May 1945, when, if and provided that Canadair shall have a paid-up capital of not less than Two million five hundred thousand dollars ($2,500,000.00); and

Whereas His Majesty is the holder of a licence to manufacture and sell airplanes and spare parts under an agreement made as of the 24th day of February 1944, between His Majesty and Douglas Aircraft Company Inc. of Santa Monica, California, as amended by agreement dated as of the 30th day of September 1944, (hereinafter called the "Douglas Contract"); and

Whereas His Majesty has agreed to grant to Canadair the right to obtain the transfer and assignment of the Douglas Contract subject to the approval of Douglas Aircraft Company Inc., and upon such terms and conditions as may be agreed upon between the parties hereto, such right to become effective as and when the lease of the plant becomes effective.

Now, Therefore, these presents witnesseth:

That the parties hereto covenant and agree as follows:

1. *Agreement for Lease*

His Majesty hereby agrees to lease to Canadair the property hereinafter described, such lease to become effective on or before the first day of May 1945, when, if and provided that Canadair shall have a paid-up capital of not less than Two million five hundred thousand dollars ($2,500,000.00) and such lease to continue up to and including March 31st, 1978, said property being described as follows:

(*a*) The land forming part of the plant set out in the description and outlined in the sketch plan attached hereto as Schedule "A" to form part hereof (the said land being herein called "the land");

(*b*) The buildings erected and presently in the course of erection on the said land, together with all things immoveable attached hereto or forming part thereof for a permanency (all of which are hereinafter collectively called "the buildings");

(*c*) All of the machinery, furnishings, fixtures, equipment and accoutrements, exclusive of all machinery and equipment useful only for the manufacture of Canso and PBY Type airplanes and also exclusive of all jigs, tools, dies, gauges and expendable small tools, presently located in the plant, which shall be listed in an inventory or inventories

to be made as soon as practicable by the parties hereto subsequent to the execution and delivery of this agreement and which inventory or inventories when signed by the parties hereto and identified as forming part of this agreement shall then be hereto attached as Schedule "B" to form part hereof (the said machinery, furnishings, fixtures, equipment and accoutrements so to be listed and leased being hereinafter collectively called the "leased equipment").

All of which land, buildings and leased equipment are hereinafter sometimes collectively called the "leased premises".

2. *Rent*

A. Canadair shall pay to His Majesty during the term of the lease, a monthly rent (hereinafter called "the basic monthly rent") determined as follows:

(*g*) If the term begins on December 1st, 1944, the rent shall be a sum equal to one-half of one per cent (·5%) of the basic value of the leased premises as hereinafter defined, the said rent declining thereafter by decimal nought nought nought six two five per cent (·000625%) of the said basic value, for each and every subsequent month of the term.

(*b*) If the term begins after December 31st 1944, the rent for the first month of the lease shall be a sum equal to one-half of one per cent (·5%) of the said basic value, less a sum equal to decimal nought nought nought six two five per cent (·000625%) of the said basic value multiplied by the number of months which will have elapsed between December 1st 1944 and the time of commencement of the lease and the rent shall decline thereafter by decimal nought nought nought six two five per cent (·000625%) of the said basic value, for each and every subsequent month of the term.

B. The payment of the basic monthly rent for which provision is made in sub-section A of this Section 2 shall be subject to deferment or prepayment on the following basis, viz.:

(*a*) In the event that the total number of man hours of direct labour expended in the leased premises during the applicable four-week period (as hereinafter defined) shall be less than 384,000 man hours, the rent due by Canadair for the subject month (including the waived rent hereinafter mentioned) shall be an amount equal to that proportion of the basic monthly rent which the total number of man hours of direct labour expended in the leased premises during such applicable four-week period bears to 384,000 man hours, but any difference between the basic monthly rent and the amount of the rent due for such period (excluding the waived rent) shall not be deemed to be forgiven by His Majesty but the payment thereof only shall be deferred and the same shall become payable as hereinafter provided in sub-section F of this Section 2 (the said rent so deferred being hereinafter called "the deferred rent") provided that the rent payable by Canadair to His Majesty for any one month (including the waived rent) shall in no event be less than Five thousand dollars ($5,000);

(*b*) In the event that the total number of man hours of direct labour expended in the leased premises during the applicable four-week period is more than 384,000 man hours, the amount of rent due by Canadair for the subject month (including the waived rent) shall be increased in the same proportion as the excess in the said total number of man hours of direct labour expended bears to 384,000 man hours; (the said increase in the rent so due being hereinafter called "the prepaid rent");

(*c*) An adjustment shall be made as of October 31st next following the beginning of the term as hereinbefore provided and annually thereafter as of October 31st in each year of the monthly calculations of the deferred, prepaid and waived rent to an annual basis (except in the case of the first period ending October 31st next following the beginning of the term which shall be adjusted according to the total number of months in such period). The said adjustment of deferred and prepaid rent shall be calculated on the basis of the total number of man hours of direct labour expended in the leased premises during the year compared to an annual total of 4,992,000 man hours (or in the case of the first period 416,000 man hours multiplied by the number of months in such period). Such adjustment shall be completed on or before the first day of December immediately following the date as of which the adjustment is made.

(*d*) No rent shall be paid by Canadair to His Majesty in respect of the use of the leased premises on the work contemplated by the agreements, letters of authority and orders which are presently in effect and to which reference is specifically made in the operating agreement entered into between the parties hereto bearing even date herewith. The total man hours of direct labour expended in the leased premises on such work shall be included in the calculations to be made as provided in paragraphs (*a*), (*b*) and (*c*) of this sub-section B of this Section 2 and a proportionate part of the applicable basic monthly rent shall be waived and cancelled in the proportion that the total number of such man hours bears to the total number of man hours expended on direct labour in the leased premises during such period (the amount of rent so waived and cancelled being herein called "the waived rent");

(*e*) For the purpose of the provisions of this agreement (i) "man hours of direct labour" shall be determined in accordance with the formula agreed upon between the parties and annexed hereto as Schedule "C" to form part hereof; and (ii) "applicable four-week period" shall mean, in respect of any month, the four consecutive calendar weeks ending with the last Saturday in such month;

(*f*) If the adjustment on the annual basis to be made as provided for in paragraph (*c*) of this sub-section B discloses that the payment of part of the basic monthly rent for such period is to be deferred, the amount of such rent so to be deferred shall bear interest at the rate of 3 per cent per annum, compounded annually, calculated from the date as of which such adjustment is made until payment. If such adjustment discloses that there is prepaid rent for such period, the same shall be applied in payment of any outstanding deferred rent and interest thereon and the balance, if any, of such prepaid rent, shall bear interest at the rate of 3 per cent per annum, compounded annually, calculated from the date as of which such adjustment is made until the date of payment or other disposition of the said prepaid rent as provided for in this agreement, provided that no interest shall be calculated or allowed on any waived rent included in the prepaid rent. In making the adjustment on the annual basis, any outstanding prepaid rent and interest thereon shall be applied in payment of any deferred rent.

C. The rent shall be deemed to accrue from day to day and shall be payable on the first day of each succeeding month, commencing with the first day of the month following the date of the commencement of the lease.

D. Notwithstanding anything herein contained, the deferred rent at any time outstanding shall not exceed 9 per cent of the basic value of the leased

premises. If the deferred rent at any time outstanding exceeds 9 per cent of the basic value of the leased premises, Canadair shall be deemed to be in default within the meaning of Section 9 of this agreement, which default can then be remedied only by payment in full of such outstanding deferred rent and interest thereon as hereinbefore provided within the delays mentioned in Section 9.

E. In the event that at any time during the term of this agreement Canadair shall have paid to His Majesty a total aggregate amount of rent (including the waived rent) equal to the basic monthly rent for the whole term, then Canadair shall cease to pay rent hereunder to His Majesty.

F. In the event that at the completion of the term of the lease or upon the exercise of the option to purchase for which provision is hereinafter made, or upon the termination of the lease, whichever shall first occur, there is outstanding deferred rent, the amount of such deferred rent and interest thereon as hereinbefore provided shall immediately thereupon become payable by Canadair to His Majesty.

G. In the event that upon the exercise of the option to purchase, for which provision is hereinafter contained, or upon the termination of this agreement, whichever shall first occur, there is outstanding prepaid rent, the amount of such prepaid rent and interest thereon as hereinbefore provided shall be credited against the purchase price payable pursuant to the exercise of the option by Canadair against the amounts payable by Canadair by reason of such termination, but His Majesty shall not otherwise be obliged to refund to Canadair such prepaid rent and interest thereon.

H. Canadair's obligation to pay the rent herein stipulated shall not be subject to abatement or diminution by virtue of Canadair's loss of the use and enjoyment of the leased premises or any part thereof.

3. *Basic Value of Leased Premises*

The term "basic value of the leased premises" as used herein shall mean the sum of the following:

(*a*) 60 per cent of the actual cost to His Majesty of the land (hereinafter called the "basic value of the land");

(*b*) 60 per cent of the actual cost to His Majesty of the buildings (hereinafter called the "basic value of the buildings");

(*c*) 60 per cent of the actual cost to His Majesty of each item of the leased equipment (hereinafter called the "basic value of the leased equipment"), including freight, duties, taxes and installation costs,

the intention being that the amount of the basic value of the leased premises shall vary from time to time as the buildings presently in the course of erection shall be completed and made available to Canadair; the basic value of such buildings presently in the course of erection to be included in the basic value of the leased premises as of the first day of the month immediately following the month in which such buildings are completed and become available to Canadair.

The basic value of the land shall be determined as soon as practicable by the parties hereto and set forth in a Schedule or Schedules which, when signed by the parties hereto and identified as forming part hereof, shall be hereto attached to form part hereof.

The basic value of the buildings and the basic value of the leased equipment respectively, shall be determined from time to time by the parties hereto and set forth in a Schedule or Schedules which when signed by the parties hereto and identified as forming part hereof shall be hereto attached to form part hereof.

4. *Terms and Conditions of Lease*

The said lease shall be subject to the following terms and conditions:

(*a*) Canadair agrees to accept the leased premises in their condition at the time of commencement of the lease and unless the option to purchase for which provision is hereinafter contained be exercised, agrees to deliver up the leased premises to His Majesty at the termination of the lease in as good condition as the same were at the commencement of the lease. Canadair shall not make any structural changes or additions to the leased buildings without the prior written consent of the duly authorized representative of His Majesty.

(*b*) Unless and until the option to purchase for which provision is hereinafter made be exercised, Canadair shall at all times during the term of the lease, at its own expense, maintain the leased premises in good order and condition and shall make thereto such repairs (whether lessor's repairs or lessee's repairs) and replacements as may from time to time become necessary in order that the leased premises may be and remain in good order and condition. Canadair shall maintain the plant in good operating condition to the satisfaction of the Minister as a going concern of substantially the same productive capacity as at the commencement of the lease and shall make such replacement or substitution of machines, machine tools and equipment which become worn out or obsolete as may be necessary for that purpose. All such repairs and replacements shall become and be the property of His Majesty and shall form part of the leased premises.

His Majesty agrees to subrogate and make available to Canadair any and all the rights and claims which His Majesty now has or may hereafter have against the architects and builders of the buildings (either directly or by assignment from Canadair Vickers Limited) in respect of defects arising out of the designs, plans, specifications, workmanship, materials or construction thereof.

(*c*) His Majesty shall have the right, at any time, to enter the leased premises for the purpose of inspecting the same or for removing any equipment owned by His Majesty and not forming part of the leased premises.

(*d*) Unless and until the option to purchase for which provision is hereinafter contained be exercised, Canadair shall at all times at its own expense cause the buildings and leased equipment to be insured and to do all things necessary to keep the same insured against the risks usually covered under a standard fire insurance policy bearing as an endorsement the standard supplemental contract approved by the Canadian Underwriters Association to a minimum aggregate amount at all pertinent times determined by multiplying the sum of the then basic value of the buildings and the then basic value of the leased equipment by the applicable percentage set forth in Section 5 hereof.

Canadair shall also, at its own expense, carry boiler insurance on any pressure vessels in or about the plant having a pressure of 15 lbs., or more per square inch. Such boiler insurance shall be effected with an insurance company providing a good inspection service, and shall cover such risks and limits as are now in effect in respect of pressure vessels in the plant.

The proceeds of such insurance shall be made payable to His Majesty and Canadair as their interests may appear and Canadair shall from time to time, upon request, furnish to His Majesty copies of the relevant insurance policies and renewal certificate evidencing the fact that such insurance is in effect.

Should Canadair fail to insure as required in this subsection (*d*), His Majesty may insure and charge the cost thereof to Canadair, which Canadair undertakes and agrees to pay to His Majesty upon demand.

Any and all amounts which may from time to time become payable by the insurers to His Majesty and Canadair under such policies by reason of damage to the buildings or the leased equipment shall, notwithstanding any other provisions to the contrary herein contained and failing any other arrangements between the parties hereto, be applied towards remedying any damage to the buildings or the leased equipment by reason of which such amount so became payable under such insurance policies and when such repairs have been effected the repaired buildings and leased equipment shall continue to be the property of His Majesty, provided, however, that if after the occurrence of any such damage and prior to the remedying thereof, the option to purchase for which provision is hereinafter contained be exercised, any proceeds of such policies otherwise paid or payable to His Majesty shall be paid by His Majesty or assigned by His Majesty, as the case may be, to Canadair.

It is distinctly understood and agreed that, should the insurance moneys be insufficient to effect the necessary repairs, Canadair shall be and remain obligated to complete such repairs in accordance with the provisions of sub-sections (*a*) and (*b*) of this Section 4.

(*e*) Canadair shall pay all municipal and school taxes and other rates and charges which may from time to time be lawfully levied upon the leased premises or any part thereof or with respect to the use and occupancy thereof by Canadair.

5. *Option to Purchase Leased Premises*

At any time during the term of the lease above mentioned, Canadair shall have the sole and exclusive right to purchase the leased premises as they may then exist, in whole but not in part, for a price in cash calculated on the basis of the applicable percentage of the basic value of the leased premises at the time of the exercise of such right and option as follows:

If the option to purchase is exercised before December 31, 1944, the applicable percentage shall be one hundred per cent (100%). If the option is exercised after December 31, 1944, the applicable percentage shall be one hundred per cent (100%) less one-fourth of one per cent (·25%) for each month which will have elapsed between December 1, 1944 and the time of the exercise of such option.

6. *Allowance of Rent as Expense for Tax Purposes*

The full amount of any and all rent from time to time paid by Canadair to His Majesty under the provisions of this agreement (excluding the waived rent) shall be treated and considered by His Majesty, any law or regulation for the time being or from time to time in effect to the contrary notwithstanding, as operating costs or expenses of Canadair and as such deductible from and in respect of Canadair's revenues for the purposes of calculating and determining Canadair's taxable income and profits from year to year and the amount of taxes, if any, from time to time payable to His Majesty by Canadair upon or in respect of its income or profits.

7. *Right to acquire Douglas Contract*

A. If and when so requested at any time by Canadair during the term of the lease and subject to the prior written consent of Douglas Aircraft Company, Inc., and to mutually satisfactory terms and conditions being agreed upon

between the parties hereto His Majesty will transfer and assign to Canadair exclusively all of the rights and benefits accruing to His Majesty under the Douglas Contract and pending such transfer and assignment His Majesty shall not grant any sub-license thereunder to any third person without the prior consent of Canadair in writing.

B. If the rights and benefits under the Douglas Contract have been assigned by His Majesty to Canadair in accordance with tthe provisions of the preceding paragraph A, Canadair shall, in the event of the termination of the lease prior to the exercise of the option to purchase hereinafter mentioned, retransfer and reassign to His Majesty all of the rights and benefits accruing under the Douglas Contract upon the condition that His Majesty shall assume and agree to satisfy and discharge all of the obligations of Canadair thereafter accruing under the Douglas Contract, the whole subject to such consent of Douglas Aircraft Company, Inc., as may be required in accordance with the Douglas Contract.

8. *Use of Runways and Airfield*

Canadair shall at all times during the term of the lease be entitled in common with others to make use of the runways and airfield adjacent to the plant and forming part of the property of His Majesty presently known as the Cartierville Airport for the purpose of test flying incidental to the operation of the plant in the manufacture or repair of aircraft, upon such terms and conditions as to maintenance and upkeep as may be mutually agreed to by the parties.

His Majesty may at any time during the term of the lease request Canadair to maintain the said runways and airfield. If such request be made by His Majesty to Canadair, Canadiar shall undertake to maintain the same at cost, such cost to be borne by the parties in such proportion as may be mutually agreed upon.

9. *Default and right to terminate*

Without prejudice to any other right which His Majesty may have, in the event of any default on the part of Canadair to fulfill and perform each and every one of its obligations under the lease as and when they become due and that any such default continues for a period of sixty days, then His Majesty may thereafter notify Canadair of such default and in the event of the failure of Canadair to remedy any such default within thirty (30) days from the date of the receipt of such notice by Canadair from His Majesty, His Majesty may by notice in writing and without any other formality whatsoever terminate the lease and Canadair shall thereupon deliver up and surrender possession of the leased premises to His Majesty and pay to His Majesty the total aggregate amount of the rent theretofore accrued and remaining unpaid and fulfill and perform any and all other obligations theretofore accrued and remaining outstanding.

In the event that at any time after and including the first day of November 1946 and prior to the first day of November 1946, the total number of man hours of direct labour expended in the leased premises during any year (beginning November 1st in any one year and ending on October 31st in the following year) is such that the rent payable by Canadair to His Majesty (including the waived rent) for such year does not exceed Sixty thousand dollars ($60,000.00), then Canadair may at any time during the next succeeding period of six months, by thirty (30) days' prior notice in writing to His Majesty, terminate the lease and in the event of any such terminaiton by Canadair, the latter shall be relieved of any and all further obligations hereunder by delivering up and surrendering possession of the leased premises to His Majesty, paying to His Majesty the total aggregate amount of the rent theretofore accruing and remaining unpaid, fulfilling and performing any and all other obligations theretofore

accrued and remaining outstanding and, subject to the provisions of sub-section G of Section 2 hereof, paying to His Majesty an amount equivalent to the basic monthly rent for the whole period of twelve months next ensuing.

10. *Conditional Assignment of Manufacture Contracts*

A. If any manufacturing or sales contracts are made by Canadair with third parties other than His Majesty prior to the time when the lease and option for which provision is herein contained becomes effective, Canadair shall assign all such contracts to His Majesty upon the condition that such contracts and all benefits derived by His Majesty thereunder shall be re-assigned to Canadair if and when the lease and option for which provision is herein contained becomes effective.

B. If any such contracts are assigned by Canadair to His Majesty and the lease and option for which provision is herein contained does not become effective, to work under the said contracts shall be performed in accordance with the contract made with Canadair pursuant to the authority of Order in Council P.C. 8991 of November 28, 1944, and bearing even date herewith.

11. *Accounts*

Canadair shall keep proper accounts and records satisfactory to the Minister required for or incidental to this Agreement. Such accounts and records shall at all times be open to audit and inspection by the authorized representatives of the Minister (who may make copies thereof and take extracts therefrom) and Canadair shall afford all facilities for such audits and inspections and shall furnish the Minister and his authorized representatives with all such information as he or they may from time to time require with reference to such accounts and records.

12. *Notices*

Any notices to be given hereunder to His Majesty or the Minister shall be in writing and shall be addressed to the Deputy Minister of Munitions and Supply, Ottawa, Ontario.

Any notices to be given hereunder to Canadair shall be in writing and shall be addressed to Canadair Limited, P.O. Box 6087, Montreal, Que.

Either party may by notice to the other party change the name or address to which notices hereunder may be sent.

13. *Negotiations Superseded*

All previous communications, negotiations and agreements with respect to the subject matter hereof are hereby superseded and cancelled.

14. *Assignment*

This agreement or the lease herein referred to, shall not be assignable in whole or in part by Canadair without the prior approval of His Majesty in writing.

15. *Laws*

This agreement shall be in all respects subject and interpreted in accordance with the laws of the Province of Quebec.

16. *House of Commons Clause*

No member of the House of Commons of Canada shall be admitted to any share or part of this contract or to any benefit to arise therefrom.

17. *Agreement to become void if lease not effective May 1st, 1945*

Should Canadair fail to comply with the conditions herein contained so that the lease does not become effective on or before the first day of May 1945 as provided in Section 1 hereof, then, and in such event, all the provisions of this agreement, excepting only the provisions of Section 10 hereof, shall ipso facto become null and void and of no effect as and from said time.

In Witness Whereof this agreement has been executed and sealed on behalf of His Majesty the King in right of Canada by Executive Assistant (General) to the Deputy Minister of Munitions and Supply and by the Secretary of the Department of Munitions and Supply, and has been executed by Canadair under its corporate seal duly affixed thereto by its officers authorized in that behalf.

Signed, Sealed and Delivered
in manner aforesaid on behalf of
His Majesty the King in right of
Canada in the presence of:

E. YOUNG,
Witness

A. J. MARTIN,
Executive Assistant (General)
D/S

R. T. DONALD,
Secretary.

CANADAIR LIMITED

Signed, Sealed and Delivered
in the presence of:
"?"
Witness

B. A. FRANKLIN,
President.
C/S

M. OGDIN HASKELL,
Secretary.

G.W.M.
G.W. MacDonald
22/2/45

Approved as to terms
F. H. BROWN.

I hereby certify that the within is a true copy of an Original Agreement dated the 11th day of November, 1944, made between His Majesty the King in right of Canada and Canadair Limited, save and except that the following has been omitted therefrom: Plan.

M.E.F.
& M. A. M. C.

P. E. NICHOLS,
Supervisor of Dittoed Contracts
Main Pool.

This is Schedule "A" to the agreement between His Majesty the King in right of Canada and Canadair Limited dated as of the 11th day of November 1944.

Description of an area to be purchased by Canadair Limited at Cartierville, P.Q.

A certain area or parcel of land composed of that lot and those parts of lots which are known and designated upon the Official Plan and Book of Reference of the Cadastre of the Parish of St. Laurent, County of Jacques Cartier, as being the following:—

1. An unsubdivided part of lot number two hundred and twenty-nine (229 pt.).

It is bounded upon the North-East by that part of lot subdivision number two of original lot number two hundred and thirty-two (232-2 pt.) which is hereinafter described under paragraph (6); upon the South-East by that part of lot subdivision number one of original lot number two hundred and twenty-

nine (229-1 pt.) which is hereinafter described under paragraph (2); upon the South-West and North-West by the remaining unsubdivided part of this same lot number two hundred and twenty-nine (229 pt.)

It measures one hundred and fifteen feet and six tenths of a foot (115·6′) upon its north-easterly side; three hundred and thirty feet and four tenths of a foot (330·4′) upon its south-easterly side; one hundred and forty-one feet and six tenths of a foot (141·6′) upon its south-westerly side; and three hundred and thirty-three feet and three tenths of a foot (333·3′) upon its north-westerly side. It contains an area of forty-two thousand five hundred and seventy-nine square feet (42,579·0) English Measure, and more or less. This is equivalent to one arpent and thirteen hundredths of an arpent (1·13) French square measure, and more or less.

2. A part of lot subdivision number one of original lot number two hundred and twenty-nine (229-1 pt.);

It is bounded upon the North-East by lot subdivision number one of original lot number two hundred and thirty-two (232-1); upon the South-East by that part of lot number two hundred and thirty (230 pt.) which is hereinafter described under paragraph (3); upon the South-West by the remainder of this same lot subdivision number one of original lot number two hundred and twenty-nine (229-1); upon the North-West by that part of the unsubdivided part of Lot number two hundred and twenty-nine (229 pt.) which is hereinbefore described under paragraph (1).

It measures one hundred and four feet (104·0) upon its north-easterly side; three hundred and twenty-nine feet (329·0) upon its south-easterly side; one hundred and one feet and seven tenths of a foot (101·7′) upon its south-westerly side; and three hundred and thirty feet and four tenths of a foot (330·4′) upon its north-westerly side. It contains an area of thirty-three thousand nine hundred and ten square feet (33,910·0) English Measure and more or less. This is equivalent to ninety-three hundredths of an arpent (0·93) French Measure, and more or less.

3. A part of lot number two hundred and thirty (230 pt.).

It is bounded upon the North-East partly by that part of lot number two hundred and thirty-one (231 pt.) which is hereinafter described under paragraph (4) and partly by the remaining other part of lot number two hundred and thirty-one (231 rem. pt.); upon the South and South-West by the remainder of this same lot number two hundred and thirty (230 rem.); upon the North-West by that part of lot subdivision number one of original lot number two hundred and twenty-nine (229-1 pt.) which is hereinbefore described under paragraph (2).

It measures nineteen hundred and seventy-nine feet and five tenths of a foot (1,979·5′) upon its north-easterly side; four hundred and twenty-five feet and four tenths of a foot (425·4′) upon its southerly side; sixteen hundred and eighty feet (1,680·0) upon its south-westerly side; and three hundred and twenty-nine (329·0) upon its north-westerly side.

It contains an area of five hundred and seventy-seven thousand four hundred and eighty-three square feet (577,483·0) English Measure, and more or less. This is equivalent to fifteen arpents and sixty-nine hundredths of an arpent (15·69) French square Meaure, and more or less.

4. A part of lot number two hundred and thirty-one (231 pt.).

It is bounded upon the North-East by that part of lot number two hundred and thirty-three (233 pt.) which is hereinafter described under paragraph (7); upon the South-East by the remainder of this same lot number two hundred and thirty-one (231 pt.); upon the South-West by that part of lot number

two hundred and thirty (230 pt.) which is hereinbefore described under paragraph number (3); upon the North-West by lot subdivision number one of original lot number two hundred and thirty-two (232-1).

It measures eighteen hundred and fifty-one feet and four tenths of a foot (1,851·4′) upon its north-easterly side; two hundred and twenty-five feet (225·0′) upon its south-easterly side; eighteen hundred and forty-nine feet (1,849·0) upon its south-westerly side; and two hundred and twenty-five feet (225·0) upon its north-westerly side. It contains an area of four hundred and sixteen thousand two hundred and ninety-seven square feet (416,297·0) English Measure, and more or less. This is equivalent to eleven arpents and thirty-two hundredths of an arpent (11·32) French square Measure, and more or less.

5. Lot subdivision number one of original lot number two hundred and thirty-two (232-1).

It is bounded upon the North-East by that public highway which is known as being La Montee St. Laurent; upon the South-East by those parts of lot numbers two hundred and thirty-one, two hundred and thirty-three, and two hundred and thirty-four (231 pt., 233 pt., and 234 pt.) which are described herein; upon the South-West by lot subdivision number one of original lot number two hundred and twenty-nine (229-1); upon the North-West by that part of lot subdivision number two of original lot number two hundred and thirty-two (232-2 pt.) which is hereinafter described under paragraph (6).

It measures one hundred feet (100·0) in breadth upon La Montee St. Laurent; five hundred and fifty-eight feet (558·0) in depth along its south-easterly side; one hundred and four feet (104·0) upon its south-westerly side; and five hundred and fifty-eight feet (558·0) upon its north-westerly side.

It contains an area of fifty-seven thousand four hundred and seventy-four (57,474·0) square feet, English Measure, and more or less. This is equivalent to one arpent and fifty-six hundredths of an arpent (1·56) French square Measure, and more or less.

6. A part of lot subdivision number two of original lot number two hundred and thirty-two (232-2 pt.).

It is bounded towards the North-East by that public highway which is known as La Montee St-Laurent; upon the South-East by lot subdivision number one of original lot number two hundred and thirty-two (232-1); upon the South-West by that part of lot number two hundred and twenty-nine (229 pt.) which is hereinbefore described under paragraph (1); upon the North-West by the remainder of this said lot subdivision number two of original lot number two hundred and thirty-two (232-2 rem.).

It measures seventy-two feet (72.0) upon La Montee St. Laurent; five hundred and fifty-eight feet (558.0) upon its south-easterly side; one hundred and fifteeen feet and six tenths of a foot (115·6′) upon its south-westerly side; and five hundred and fifty-nine feet and seven tenths of a foot (559·7′) upon its north-westerly side. It contains an area of fifty-two thousand three hundred and forty square feet (52,340·0) English Measure, and more or less. This is equivalent to one arpent and forty-three hundredths of an arpent (1·43) French square Measure, and more or less.

7. A part of lot number two hundred and thirty-three (233 pt.).

It is bounded upon the North-East by that part of lot number two hundred and thirty-four (234 pt.) which is hereinafter described; upon the South-East by the remainder of this same lot number two hundred and thirty-three (233 rem.); upon the South-West by that part of lot number two hundred and thirty-one (231 pt.) which is hereinbefore described under paragraph number (4); upon the North-West by lot subdivision number one of original lot number two hundred and thirty-two (232-1).

It measures eighteen hundred and fifty-three feet and eight tenths of a foot (1853·8′) upon its north-easterly side; two hundred and twenty-five feet (225·0) upon its south-easterly side; eighteen hundred and fifty-one feet and four tenths of a foot (1851·4′) upon its south-westerly side; and two hundred and twenty-five feet (225·0) upon its north-westerly side.

It contains an area of four hundred and sixteen thousand eight hundred and forty-two (416,842·0) square feet, English Measure, and more or less. This is equivalent to eleven arpents and thirty-four hundredths of an arpent (11·34) French square Measure, and more or less.

8. A part of lot number two hundred and thirty-four (234 pt.).

It is bounded upon the North-East by that public highway known as La Montee St. Laurent; upon the South-East by the remainder of this same lot number two hundred and thirty-four (234 rem.); upon the South-West by that part of lot number two hundred and thirty-three (233 pt.) which is hereinbefore described under paragraph (7); upon the North-West by lot subdivision number one of original lot number two hundred and thirty-two (232-1).

It measures eighteen hundred and fifty-five feet (1855·0) upon La Montee St. Laurent; one hundred and nine feet and four tenths of a foot (109·4′) upon its south-easterly side; eighteen hundred and fifty-three feet and eight tenths of a foot (1853·8′) upon its south-westerly side; and one hundred and eight feet (108·0) upon its north-westerly side.

It contains an area of two hundred and two thousand square feet (202,000) English Measure, and more or less. This is equivalent to five arpents and forty-eight hundredths of an arpent (5·48) French square Measure, and more or less.

The total area of land contained within the above described parcel is one million, seven hundred and ninety-eight thousand, nine hundred and twenty-five square feet (1,798,925·0) English Measure, and more or less. This is equivalent to forty-eight arpents and eighty-eight hundredths of an arpent (48·88) French square Measure or forty-one acres and thirty hundredths of an acre (41·30) English square Measure, and more or less.

The whole as shown outlined in green upon the accompanying plan.

All distances mentioned are in Standard English feet and decimals thereof. All directions are magnetic.

Given in this City of Montreal, this eleventh day of the month of December, nineteen hundred and forty-four under minute number nineteen thousand six hundred and seventy-five (19,675) of our records.

C. C. LINDSAY,
C. E. & Q.L.S. of
Barclay Incorporated.

SCHEDULE "C" TO THE AGREEMENT BETWEEN HIS MAJESTY THE KING IN RIGHT OF CANADA AND CANADAIR LIMITED DATED AS OF THE 11th DAY OF NOVEMBER 1944

A. For the purpose of this agreement, "Man Hours of Direct Labour" shall mean the sum of:

(1) Direct Labour Man Hours charged in accordance with the accounting practice followed by Canadian Vickers Limited in the Plant in the accounting period ending November 11, 1944.

(2) Direct Labour Man Hours on the following operations, which, for purposes of convenience in accounting, have heretofore been charged in the Plant as Indirect Labour, namely:

Group 1

Punch Press Work
Stamping Machine Work
Hydro Press Work
Power Brake Work
Joggle Press Work
Router Machine Work
Sheet Metal Shear Work
Band Saw Work
Circular Saw Work

or other manufacturing operations of a like nature which may hereafter be used for the purpose of accomplishing the same or substantially the same result as any of the foregoing named operations.

Group 2

Sand Blasting
Painting
Anodic Treatment
Steel Heat Treatment
Aluminum Heat Treatment
Cadmium Plating
Metallizing
Rivet Heat Treatment

or other manufacturing operations of a like nature which may hereafter be used for the purpose of accomplishing the same or substantially the same result as any of the foregoing named operations.

B. There shall be set up on the books of the company a Direct Labour Suspense Account for each of the operations mentioned in Group 1 and the labour expended in each of these operations shall be charged in the Suspense Account set up for such operation in such manner as will record the number of man hours expended. A count shall be kept by Contract of the number of items produced with respect to each such Suspense Account. As of the end of each calendar week, the amount charged and the man hours recorded in each such Suspense Account shall be re-distributed by Contracts in proportion to the number of items produced on each contract.

C. There shall be set up also on the books of the company a Direct Labour Suspense Account for each of the operations mentioned in Group 2 and the labour expended in each of these operations shall be charged in the Suspense Account set up for such operation in such manner as will record the number of man hours expended. At the end of each calendar week, the amount charged and the man hours recorded in each such Suspense Account will be distributed by Contract in the same proportion as the sum of the Direct Labour chargeable to such contract under Paragraph 1 of Section A of this Schedule and the labour chargeable to such contract under Section B of this Schedule bears to the total sum of Direct Labour expended in the Plant under Paragraph 1 of Section A of this Schedule and Section B of this Schedule.

File 11-C-3573
P.C. 4060 (1945)

Agreement made as of the 1st day of May, 1945. By and between His Majesty the King in right of Canada (hereinafter called "His Majesty") herein acting and represented by the Minister of Munitions and Supply (herein-

after called the "Minister") of the first part, and Canadair Limited, Montreal, Quebec, (hereinafter called "Canadair") of the second part.

Whereas the parties have entered into an Agreement dated as of the 11th day of November, 1944, (authorized by Order in Council P.C. 8991 of 1944) according to which Canadair undertook to carry out for and on behalf of His Majesty certain operations at a plant owned by His Majesty at Cartierville, Quebec, (said Agreement being hereinafter referred to as the "Operating Agreement"); and

Whereas the parties have entered into a further Agreement, also dated as of the 11th day of November, 1944, (authorized by Order in Council P.C. 1082 of 1945), under which His Majesty agreed to lease the said plant at Cartierville to Canadair and to give Canadair an option to purchase the said plant, the whole subject to various terms and conditions as therein set forth (said Agreement being hereinafter referred to as the "Lease-Option Agreement"); and

Whereas the Lease-Option Agreement has now become void, as provided in Clause 17 thereof; and

Whereas the parties have now agreed that Canadair will operate the said plant for and on behalf of His Majesty on a management fee basis;

Now therefore this Agreement witnesseth as follows:

1. The Operating Agreement is hereby amended as follows:

(*a*) By deleting Section 3 thereof and by substituting therefor the following:

3. Canadair shall for and on behalf of His Majesty, as his agent, at his expense and under his supervision and control, take possession hereunder of all assets constituting the Cartierville Aircraft Division surrendered, delivered, transferred and assigned by Vickers to His Majesty under the Vickers Agreement and shall for and on behalf of His Majesty, as his agent, at his expense and under his supervision and control, administer, manage and operate all such assets and carry out and perform all of the obligations of His Majesty under the Vickers Agreement as expeditiously as possible, the whole except in so far as the Vickers Agreement concerns the obligations of His Majesty to pay monies to Vickers".

(*b*) By deleting Section 4 and by substituting therefor the following:

4. (*a*) The Overhaul and Repair Contract between His Majesty and Vickers, to which reference is made in Paragraph J of Clause 8 of the Vickers Agreement, shall be terminated as of the 1st day of April, 1945, and the parties hereto shall, as of that date, enter into a new Overhaul and Repair Contract having approximately the same terms.

(*b*) Canadair shall carry out the plant such additional work for the production or conversion of aircraft or aircraft parts as the Minister may, from time to time, direct and may, but only with the permission in writing of the Minister, carry out further or other additional work, as the Minister may from time to time approve. Subject to any special agreement to the Contrary, all work carried out under the terms of this Section shall be deemed to be carried out for and on behalf of His Majesty, and shall be performed under and in accordance with the terms of this Contract".

(*c*) By adding after paragraph (*b*) of Section 6 the following new paragraph:

(*bb*) All monies received by Canadair in connection with any work carried out under the terms of this Contract shall be deposited in the Special Account, with the exception only of such monies as may have been paid to Canadair by His Majesty as fees under the terms of this Contract".

(*d*) By adding at the end of Section 6 the following new paragraph:

(*h*) Canadair may, with the written consent of the Minister, establish at convenient locations other bank accounts administered as sub-accounts of the Special Account. Such sub-accounts shall bear such designations and shall be operated by such persons as the Company may designate and in such manner as the Minister may from time to time in writing authorize or approve, which written authorizations or approvals shall remain in effect until such time or times as written revocation thereof, signed by the Minister, may be delivered to the Bank in which such sub-accounts may be kept and to Canadair".

(*e*) By deleting Section 7 and by substituting therefor the following:

7. *Fees.*

A. His Majesty, as full compensation for the services to be performed and rendered by Canadair under this Contract shall pay to Canadair:

(*a*) With respect to completion of the work to which the Vickers Agreement refers, with the exception of work to be performed by Canadair on DC-4 airplanes to which reference is made in paragraph (*g*) of Section 7 of the Vickers Agreement, the amount, if any, by which the total aggregate amount of the fees, bonuses and profits payable by His Majesty under the provisions of paragraphs B, C, D, E, F, H, I, J and K of Section 8 of the Vickers Agreement, together with the profits already made by Vickers under the special orders with third parties heretofore completed and listed in Schedule "C" annexed to the Vickers Agreement to form part thereof exceeds the sum of $2,500,000;

(*b*) With respect to the work to be performed by Canadair under the Overhaul and Repair Contract to be made between His Majesty and Canadair as of the 1st day of April, 1945, pursuant to the provisions of paragraph (*a*) of Section 4 hereof, the fees for which such Overhaul and Repair Contract shall provide;

(*c*) With respect to all additional work performed by Canadair under the provisions of paragraph (*b*) of Section 4 hereof:

(i) If such work consist of the production, overhaul, repair or conversion of aircraft or aircraft parts for the use of the Government of Canada for any purpose or for the use of any Allied Government for war purposes, a fee of one per centum (1%) of the estimated cost of such work, as approved by the Minister, exclusive of the cost of jigs and tools, which fee shall, in the event of the actual cost of such work being less than such estimated cost, be increased by five per centum (5%) of the difference between such actual cost and such estimated cost, provided that the said fee shall never exceed one and one-half per centum (1½%) of such estimated cost, and provided further that, should the Minister find that the actual cost has less than such estimated cost because such estimated cost was based on erroneous information furnished by Canadair, the Minister may at his discretion revise such estimated cost and the fee shall then be based upon such revised estimated cost;

(ii) if such work consist of any work other than that to which reference is made in the immediately preceding sub-paragraph (i), a fee equal to sixty-five per centum (65%) of the profit,

if any, on such work after charging for amortization of the cost of the facilities of His Majety used in the performance of such work an amount equal to 8c per man-hour of direct labour expended in the performance of such work at the plant or tree per centum (3%) of the cost of such part of such work as may be performed at the plant, whichever may be the greater, plus such amount as may be agreed upon between the Minister and Canadair covering amortization of the cost of any jigs and tools of His Majesty used in the performance of such work.

B. All spare parts for Canso type aircraft to be produced by Canadair for delivery to the Government of the United States of America shall be deemed to be produced under the terms of the Agreement of January 25th, 1944, to which reference is made in paragraph (*f*) of Section 7 of the Vickers Agreement, and no fees shall be payable by His Majesty to Canadair in respect of such spare parts, save as provided in paragraph C of Section 8 of the Vickers Agreement and paragraph (*a*) of sub-section A of this Section 7.

C. No municipal or school taxes on the plant or with respect to the use and occupancy thereof and allocable to the cost of the work hereinbefore mentioned in paragraph (*a*) of sub-section A and in sub-paragraph (i) of paragraph (*c*) of subsection A of this Section shall be considered as part of the cost of the work for the purpose of calculating the fees payable by His Majesty to Canadair under the provisions thereof, unless included in any estimate for such work.

D. In the event that Canadair shall undertake any work to which reference is made in sub-paragraph (ii) of paragraph (*c*) of sub-section A of this Section 7 on a fixed price basis and the actual cost of the performance of such work, including the charges for amortization to which reference is made in the said sub-paragraph (ii), shall exceed such fixed price, then the amount of any such excess, shall be deducted from any fees payable to Canadair in respect of work performed during the financial period of Canadair on which such excess occurs.

E. As soon as possible after the 31st day of October, 1945, and after the end of each subsequent financial year of Canadair, an audit shall be made by a Cost Accountant appointed or approved by the Minister for the purpose of ascertaining the cost of the work done under this Contract and the amount of the fees payable to Canadair under the provisions hereof, and such fees shall be paid to Canadair as soon as determined; provided that the Minister may, from time to time, at his discretion, make payments in advance on account of such fees.

F. The fees to which Canadair is entitled hereunder shall be paid to Canadair out of the Special Account as and when they have been determined and become due and payable, and Canadair is hereby authorized to make such payment.

(*f*) By deleting Section 8 and by substituting therefor the following:

8. *Canadair's Right to Terminate*

Canadair may at any time following the end of the war in which His Majesty is now engaged terminate this Contract by giving to His Majesty six months notice in writing of its intention to do so.

In the event of such termination by Canadair, settlement shall be effected between the parties hereto in accordance with the provisions of clause 26 of the General Conditions as amended by this Contract."

(*g*) By deleting paragraph (*b*) of Section 11 and by substituting therefor the following:

(*b*) By deleting Clause 13 and replacing the same by the following:

Subject to the provisions of the Agreement, the term "cost" or "cost of the work" as used herein, shall be determined in accordance with the provisions of the Costing Memorandum, Form M. & S. 433; provided that, without prejudice to the express provisions of the agreement, there shall be excluded from such cost (*a*) rental on any buildings or equipment of the Contractor used for the purpose of the work, (*b*) the salaries or other remuneration of the President and of any corporate and executive officers who do not devote their full time to the affairs of Canadair, and (*c*) any amounts paid to any director as such; provided, however, that, notwithstanding anything to the contrary contained in the said Costing Memorandum, costs reasonably and properly incurred by Canadair in procuring orders for work to be performed at the plant, other than orders from His Majesty, shall be allowed as costs under the terms of this agreement.

(*h*) By deleting sub-clause (*f*) of Clause II.

2. This agreement shall be known as Amendment No. 1 to the Operating Agreement.

In witness whereof this agreement has been executed and sealed on behalf of His Majesty the King in right of Canada by the Deputy Minister of Munitions and Supply and by the Secretary of the Department of Munitions and Supply, and has been executed by Canadair under its corporate seal duly affixed thereto by its officers authorized in that behalf.

Signed, sealed and delivered in manner aforesaid on behalf of His Majesty the King in right of Canada in the presence of:

E. YOUNG,
Witness

G. K. SHEILS,
Deputy Minister

D/S

R. T. DONALD
Secretary

Signed, sealed and delivered in the presence of:

" ? "
Witness

CANADAIR LIMITED
" ? "
President

C/S

M. OGDEN HASKELL
Secretary

Federal Aircraft Ltd.
Approved as to form by Legal Counsel
G. H. MONTGOMERY
date May 31, 1945.
Approved as to Terms
D. H. MACFARLANE
date May 31, 1945.
6/6/45
Approved
F. H. BROWN
G. W. MACDONALD
1/6/45
M.O.H.

I hereby certify that the within is a true copy of an Original Agreement dated May 1st, 1945, made between His Majesty the King in Right of Canada and Canadair Limited.

P. E. NICHOLS,
Supervisor of Dittoed Contracts, Main Pool

P.C. 4060

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 7th June, 1945.

The Committee of the Privy Council have had before them a report dated June 7, 1945, from the Acting Minister of Munitions and Supply, representing that, pursuant to the authority granted by Order in Council P.C. 8991 of November 28, 1944, the Minister of Munitions and Supply entered into an agreement with Canadair Limited (hereinafter called "Canadair") under which Canadair undertook to carry out for and on behalf of His Majesty certain operations at a plant owned by His Majesty at Cartierville, Quebec, (said agreement being hereinafter referred to as "the operating agreement");

That, pursuant to Order in Council P.C. 1082 of February 22, 1945, the Minister entered into a further agreement with Canadair under which His Majesty agreed to grant a lease and option to purchase the said plant, to Canadair, the whole subject to various terms and conditions therein set forth and, in accordance with the terms of the said agreement, it has now become void as of the 1st day of May, 1945;

That it is now proposed, subject to the approval of Your Excellency in Council, to enter into a further agreement with Canadair to amend the operating agreement to provide:—

1. That Canadair shall, for and on behalf of His Majesty and as His agent and at His expense and under His supervision and control, take possession of and manage the said plant at Cartierville and carry on therein such work as the Minister of Munitions and Supply may direct or approve;

2. That, for the management of the said plant and the carrying out of the said work, the said agreement will provide that Canadair will be paid the following fees:

(*a*) For the completion of work (with the exception of work to be performed by Canadair on DC-4 airplanes) which was uncompleted by Canadian Vickers Limited at the time that the operating agreement went into effect, the fees provided for in the said operating agreement.

(*b*) With respect to work performed by Canadair under an Overhaul and Repair contract to be made between His Majesty and Canadair, the fees for which such contract shall provide.

(*c*) With respect to all additional work performed by Canadair

(i) if such work consist of the production, overhaul, repair or conversion of aircraft or aircraft parts for the use of the Government of Canada for any purpose or for the use of any Allied Government for war purposes, a fee of one per centum (1%) of the estimated cost of such work, as approved by the Minister, exclusive of the cost of jigs and tools, which fee shall, in the event of the actual cost of such work being less than such estimated cost, be increased by five per centum (5%) of the difference between such actual cost and such estimated cost, provided that the said fee shall never exceed one and one-half per centum (1½%) of such estimated cost, and provided further that, should the Minister find that the actual cost has been less than such estimated cost because such estimated cost was based on erroneous information furnished by Canadair, the Minister may at his discretion revise such estimated cost and the fee shall then be based upon such revised estimated cost;

(ii) if such work consist of any work other than that to which reference is made in the immediately preceding sub-paragraph (i), a fee equal to sixty-five per centum (65%) of the profit, if any, on such work after charging for amortization of the cost of the facilities of His Majesty used in the performance of such work an amount equal to 8¢ per man-hour of direct labour expended in the performance of such work at the plant or three per centum (3%) of the cost of such part of such work as may be performed at the plant, whichever may be the greater, plus such amount as may be agreed upon between the Minister and Canadair covering amortization of the cost of any jigs and tools of His Majesty used in the performance of such work;

(iii) if Canadair shall undertake any work to which reference is made under sub-paragraph (ii) above on a fixed price basis and any loss occurs, such loss shall be deductible from any fees to which Canadair may be entitled during the financial period of Canadair during which such loss occurs;

(*d*) As soon as possible after October 31, 1945, and at the end of each subsequent financial year of Canadair, an audit shall be made by a Cost Accountant appointed or approved by the Minister and the amount of the fees payable to Canadair shall be determined on the basis of such audit; provided that the Minister may from time to time make payments in advance on account of fees;

3. That His Majesty will have the right to terminate the operating agreement at any time and Canadair may at any time following the end of the war terminate the contract by giving His Majesty six months' notice in writing of its intention to do so;

4. That the salaries or other remuneration of the President of Canadair or of any corporate or executive officers who do not devote their full time to the affairs of Canadair will not be allowed as a cost under the agreement;

5. That costs reasonably and properly incurred by Canadair in procuring orders for work to be performed at the plant other than work for His Majesty shall be allowed as costs under the terms of the agreement;

That the funds required for the carrying out of the foregoing shall be provided as in the said operating agreement set forth; and

That the proposed amendment is considered to be fair and reasonable and in the public interest.

The Committee, therefore, on the recommendation of the Acting Minister of Munitions and Supply, advise that the Minister of Munitions and Supply be authorized to enter into the said agreement amending the operating agreement with Canadair Limited accordingly.

A. M. HILL,
Asst. Clerk of the Privy Council.

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 25

THURSDAY, JUNE 15, 1950

FRIDAY, JUNE 16, 1950

WITNESSES:

Mr. H. R. Malley, President and Managing Director, and Mr. K. H. Gray, Legal Officer, Crown Assets Disposal Corporation.

Mr. V. W. Scully, C.M.G., Deputy Minister (Taxation), and Mr. Charles Gavsie, C.B.E., Assistant Deputy Minister, Department of National Revenue.

Mr. W. P. J. O'Meara, K.C., Assistant Under Secretary of State.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

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Vice-Chairman: David Croll, Esq.

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Ashbourne
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Beaudry
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Thatcher
Thomas
Warren
White (*Hastings-Peterborough*)
Winkler
Wright

Clerk: A. L. Burgess

REPORT TO THE HOUSE

FRIDAY, June 16, 1950.

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

SECOND REPORT

Your Committee being of the opinion that the study of Public Accounts can best be pursued by a related consideration of the estimates from which they derive, felt that its work might be facilitated in coming years if it first studied the question of estimates with a view to making certain recommendations that would result in a more thorough study of accounts. It considered that by giving considerable attention to the form of estimates as the source of authority for expenditures over which your Committee has a power of review, it would thereby help to satisfy a demand generally expressed in the House that better facilities be afforded to members to scrutinize the expenditures of public moneys.

Your Committee first asked the Attorney-General, Mr. Watson Sellar, to answer any questions on the report submitted by him to Parliament for the year ending March 31, 1949. Prior to consideration of this report, Mr. Sellar was asked to submit any memorandum he might wish to bring to the attention of the Committee. He did so at our second meeting on April 27.

The principal memorandum of Mr. Sellar dealt with the estimates and was followed by a further memorandum containing, as an illustration of the reforms he suggested, his views as to the presentation of the estimates of the Department of Agriculture.

Four meetings of your Committee were devoted to the examination of Mr. Sellar on estimates and their relation to public accounts.

As the ultimate study of all departmental estimates, before consideration by Treasury Board, is entrusted to certain officials of the Department of Finance, under the direction of Mr. R. B. Bryce, Assistant Deputy Minister of Finance and Acting Secretary of Treasury Board, your Committee considered that this official was the logical person to give them information on which to base an opinion and therefore Mr. Bryce was examined during the course of six meetings. The Deputy Minister of Agriculture, Dr. J. G. Taggart, attended two other meetings together with Mr. Bryce, to answer questions as to his department's views on Mr. Sellar's suggestions concerning the estimates of Agriculture. Mr. B. G. McIntyre, Comptroller of the Treasury, during the course of a meeting, was questioned as to his views concerning Mr. Sellar's memoranda and also gave information to the Committee as to the presentation of estimates prior to the change of procedure effected in 1938, supplementing the information previously given by Mr. Bryce.

Your Committee, therefore, devoted fourteen meetings to the study of the ways in which its work of reviewing public accounts, and the work of the House in reviewing estimates, might best be improved by changes in the form of estimates, and in their presentation to the House, as suggested by the Auditor General.

On this first and important part of its work your Committee wishes to report as follows:

64727—1½

Form of Estimates

Your Committee recognizes that the responsibility of the Executive in regard to public moneys extends from the submission to Parliament of the statement of the financial needs of the administration to the expenditure of such sums as have been voted. However, the Committee considers that the form or arrangement of estimates may well be the subject of its comments and suggestions since they have an important bearing on parliamentary control over expenditures which it is one of the functions of the Committee to safeguard. After careful consideration of the evidence received it is of the opinion that its duties in regard to the examination of Public Accounts might be better performed if certain changes were effected as hereinafter suggested.

Number of Items

Your Committee does not concur in the suggestion of the Auditor General that the number of items in the estimates be substantially reduced.

It considers that, in certain cases, the lumping under one heading of small items of a similar nature might expedite the consideration of estimates; but a substantially smaller number of items would necessarily mean votes of considerably larger size, giving thereby more leaway to the reallocation of amounts within an item without parliamentary control.

Your Committee is of the opinion that the changes introduced in 1938 were commendable inasmuch as they have increased the amount of information given to Parliament.

It suggests however that a constant review of the subject be carried on by departmental heads and officials of the Treasury Board with a view to bringing into practice any changes that may better facilitate the consideration of estimates by Members and increase the control of Parliament over expenditures.

Wording of Estimates

Your Committee is of the opinion that departmental heads should further consult with the permanent officials of Treasury Board to effect a general review of the wording of estimates in order to bring about a more precise and informative description of votes, to clarify the meaning of items that will be part of the Appropriation Bill and to give a better idea to Parliament of the object of each item, thereby more effectively relating items of estimates to those of Public Accounts. Your Committee recommends also the adoption, as far as possible, of similar terms for votes of a similar nature throughout the estimates.

Details of Estimates

Your Committee is of the opinion that next in importance to the clarity of the wording of items that are included in the Appropriation Bill stands the advisability of supplying Parliament with sufficient details to enable it to better grasp the aim, object and urgency of the item. It, therefore, suggests that the wording and form of details to be supplied be scrutinized by departmental heads always with a view to increasing rather than decreasing the amount of information at present supplied to Parliament.

Your Committee suggests that its consideration of Public Accounts would be facilitated by a closer relation in the wording of Estimates and Accounts; it also suggests that details should be supplied on a similar basis for all departments.

Your Committee is of the opinion that the information conveyed to the House in the estimates should include all available information on expenditures and estimated expenditures in the previous fiscal year.

Summary of Estimates

The inclusion at the beginning of the book of estimates, after the summary of expenditures by departments, as supplied at present, of a summary of estimates by functional classification or by main objects of expenditures has been considered by your Committee to which has been supplied as an example a tentative grouping under thirty headings.

As in the case for the summary supplied at present, this second summary would not constitute something that the House would vote on, but your Committee is of the opinion that such a summary would give valuable information to the House and suggests that the Government should explore the practicability of supplying the House with such a summary by functional classification.

Revenue Producing Services

Your Committee agrees with the view expressed by the Auditor General that "Parliament might be in a better position to evaluate the necessity of various estimate items where service income directly associated with expenditures resulting from performing the services". It does not consider, however, that the appropriation, in the case of revenue producing services, should be for the deficiency between cost and income and agrees with the Treasury officials that the difficulty in forecasting revenues for such services, from year to year, might result in a less satisfactory pictures being given to Parliament of the net appropriation needed by a department. Your Committee feels that Parliament can secure a more effective control by voting the gross amount needed by these services; but it is of the opinion that when any given service is revenue producing the revenue figures for the past year might be supplied in the estimate book so that Parliament may have an opportunity to see the net cost of that service for the preceding year.

Vote Texts that legislate

Your Committee is of the opinion that, while it is impossible to do away entirely with the practice of legislating by means of items in the Appropriation Act, such a procedure should be resorted to as rarely as possible and only to meet a temporary emergency.

In order to do away with such practice, if hitherto carried on over a number of years for a particular purpose, your Committee recommends that appropriate legislation be enacted.

Your Committee has also taken note of item 67 of the Estimates of 1950-51 which reads as follows:

> 67. To authorize the use during the fiscal year 1950-51 in payment for the acquisition, improvement or furnishing of properties for Canadian Government offices and residences in foreign countries of inconvertible foreign currencies from deposits of such currencies which may be used only for governmental or other limited purposes in these countries and which have been received by the Government of Canada from other governments in settlement of claims arising out of military operations or war expenditures, $1.

Your Committee has heard evidence on this subject from the Secretary of Treasury Board and the Comptroller of the Treasury, and has been acquainted with the memorandum submitted to the Committee on External Affairs by the Secretary of State for External Affairs. Your Committee is satisfied that in the particular circumstances involved the Department was justified in adopting the method it did to acquaint Parliament with its projects for utilizing in the best possible way funds frozen abroad in foreign currencies; inasmuch as the exact amounts involved were not known and were regulated by the possibility

of collecting them. Your Committee is of the opinion that such a method should be resorted to as rarely as possible but it feels that this question of undeterminate frozen assets constituted an abnormal situation and that through Item 67 Parliament's approval was sought and an opportunity given so that the appropriate explanations could be given by the head of the department involved; and that such a procedure was an advisable expedient suggested by Justice and Treasury officials in these special circumstances.

Committee on Estimates

The sums needed to carry on the administration are made known by the Government to the House in the estimates and under the present system opportunities to examine them are afforded Members in the Committee of Supply. Whether this method of scrutinizing the supply requested by the Government is sufficiently effective has been the concern of Parliamentarians over a number of years and it has been the subject of consideration by the Committee on Public Accounts in 1944 and in 1947. As was to be expected, considerable differences of opinion have prevailed up to this moment on the matter.

In 1944, the Committee concluded that it did "not think it would be advisable to change the present system", while in 1947 the Committee was "of the opinion that the Government should explore the desirability of establishing a Standing Committee on Estimates".

Your Committee has again this year considered ways to make effective as well as practical the scrutiny of estimates by the House. Although witnesses appearing before your Committee have refrained from recommending the establishment of a Committee on Estimates and have even pointed to some of the dangers of doing so, this question has been the object of much attention on the part of your Committee.

The practice followed in this regard at Westminster has been to deal with estimates at the same time in the Committee of Supply and in the Committee on Estimates, the latter mainly considering the estimates with a view to suggesting changes or improvements for the next year, and reporting to the House on certain items, oftentimes after these items have been already approved by the House. This method would not, in the opinion of your Committee substantially improve the system we follow at present. Your Committee further considers that it is of vital importance to our system of responsible government not to take any steps that might contribute to decrease the sense of ministerial responsibility and increase the already too large influence and power of bureaucracy, which might well be the result of generalizing the practice of going down to the civil service for information we have a right to expect from the member of the Cabinet responsible for the administration of a department, or from his Parliamentary Assistant. Your Committee is of the opinion that the ministerial head of a department is the only person accountable for the policies implied in the items of estimates. Whether this person or his Parliamentary Assistant should be accountable to a Committee on Estimates before they are made to appear before the Committee of Supply is debatable but your Committee does not consider that this procedure would materially improve the existing situation. The object to be aimed at is a thorough and practical examination by the House of the policies underlying the estimates of expenditures and as to these policies and the sums necessary to carry them out, your Committee is of the opinion that the proper person to give information is the Minister in charge of the Department or his Parliamentary Assistant.

Your Committee is of the opinion that in order that adequate consideration be given to Supply it would be highly desirable for the Estimates to be studied by the House at a much earlier date in the Session than has heretofore been done. The tabling of the estimates at the very outset of the session as was done this

year is a commendable step in the right direction. Your Committee considers that the possibility of calling the estimates as soon as possible after they are tabled in the first days of a session might be further explored by the Government and that consultation might be held with leaders of opposition parties with a view to reaching an agreement on methods that might expedite the study of estimates. Your Committee suggests that consideration be given to setting aside certain days in each week, immediately after the Address is voted, for the study of estimates by the Committee of Supply.

Public Accounts Committee

The normal way for Parliament to investigate whether the Executive has wisely spent the sums voted in the Estimates is through the Public Accounts Committee. This Committee can provide a check on the expenditures of public moneys if it is made operative each year and avails itself of the authority granted to it by the rules of the House.

Your Committee is of the opinion that the examination of past expenditure is one of the best means of informing the House of Commons how to scrutinize and criticize expenditures proposed in the estimates.

Expenditures are checked by the Comptroller of the Treasury before payment are effected; they are checked by the Auditor General after the moneys are disbursed. Your Committee provides the control by the House over the expenditures reported to it by these two officials and deals with actual ascertained expenditure.

Your Committee possesses no direct power except that of investigation by calling for documents and witnesses, and that of reporting to the House. However it can have a beneficial effect on the control of public expenditure through the publicity which it is able to give to the questions it investigates by the publication of the evidence supplied to it. It is of the opinion that it can render valuable service if it is assembled each year.

Your Committee is therefore of the opinion that, at the start of each session, as soon as the Standing Committees have been selected according to Standing Order 63, the Report of the Auditor General and the Public Accounts of Canada should be expeditiously referred to the Public Accounts Committee.

Your Committee wishes to express its appreciation for the help and co-operation given to it on this part of its work by Messrs. Watson Sellar, C.M.G., Auditor General, R. B. Bryce, Assistant Deputy Minister of Finance, and B. G. McIntyre, Comptroller of the Treasury, and Dr. J. G. Taggart, C. B. E., Deupty Minister of Agriculture.

A copy of the minutes of proceedings and evidence up to and including May 25th is appended hereto.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, June 15, 1950.

The Standing Committee on Public Accounts met at 10 o'clock a.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Benidickson, Blue, Boivin, Cauchon, Croll, Cruickshank, Drew, Fleming, Fournier (*Maisonneuve-Rosemont*), Fulford, Fraser, Gauthier (*Portneuf*), Hansell, Helme, Kirk (*Digby-Yarmouth*), Johnston, Langlois (*Gaspe*), Larson, Major, Picard, Pinard, Prudham, Richard (*Gloucester*), Riley, Thomas, Winkler.

In attendance: Mr. H. R. Malley, O.B.E., President and Managing Director of Crown Assets Disposal Corporation, Mr. K. H. Gray, Legal Officer, Crown Assets Disposal Corporation; Mr. V. W. Scully, C.M.G., Deputy Minister (Taxation), and Mr. Charles Gavsie, C.B.E., Assistant Deputy Minister, Department of National Revenue; Mr. W. P. J. O'Meara, K.C., Assistant Under Secretary of State.

The Chairman tabled a letter dated June 14, 1950, addressed to him by Mr. R. A. Gibson, Director, Development Services Branch, Department of Resources and Development, containing certain information regarding a contract with Western Construction and Lumber Company Limited of Edmonton, which is printed as *Appendix A* to this day's minutes of proceedings and evidence.

The Committee resumed consideration of the accounts of War Assets Corporation.

Examination of Messrs. Malley, Scully and Gavsie was continued.

Messrs. Scully and Gavsie retired.

Mr. O'Meara was called and questioned.

Mr. O'Meara tabled certified copies of the following documents which are printed as appendices to this day's minutes of proceedings and evidence:

Appendix B: Letters Patent incorporating Canadair Limited, dated 3rd October, 1944;

Appendix C: Supplementary Letters Patent to Canadair Limited, confirming By-law 19 of the Company increasing its capital stock, dated 3rd February, 1947;

Appendix D: Financial Statements of Canadair Limited as at 31st October, 1945, and Auditor's Report of Canadair Limited for the period from 31st October, 1945, to 14th September, 1946.

At 11 o'clock a.m. the Committee adjourned until 11.30 o'clock a.m. this day.

The Committee resumed at 11.30 a.m.

Examination of Mr. O'Meara was continued.

Mr. O'Meara tabled certified copies of the following documents which are printed as appendices to this day's minutes of proceedings and evidence:

Appendix E: Supplementary Letters Patent to Canadair Limited in pursuance of Special By-law "A" of the Company amending and varying the provisions of its letters patent, dated 8th May, 1947;

Appendix F: Supplementary Letters Patent to Canadair Limited confirming By-law 29 of the Company altering its capital stock, dated 13th December, 1948.

Mr. O'Meara undertook to furnish certified copies of the following documents which the Committee ordered to be deemed tabled and printed as appendices to this day's minutes of proceedings and evidence, and which he later filed with the Clerk of the Committee, viz:

Appendix G: By-law 16 of Canadair Limited;

Appendix H: Extract from By-law 3, Article 1, of the By-laws of Canadair Limited;

Appendix I: Correspondence between the Department of the Secretary of State and Messrs. Ilsey, Duquet and MacKay re amendment of Letters Patent, Canadair Limited.

Mr. O'Meara retired.

Mr. Gray was called and questioned.

Mr. Malley tabled a copy of an agreement between His Majesty the King in right of Canada and Canadian Exploration Limited, dated January 15, 1947, which is printed as Appendix J to this day's minutes of proceedings and evidence.

Messrs. Malley and Gray retired.

Messrs. Scully and Gavsie were recalled, questioned and retired.

Mr. Drew moved that Mr. H. O. West, President, Canadair Limited, be called before the Committee as a witness.

And the question having been put on the said motion, it was negatived.

At 1 o'clock p.m. the Committee adjourned until 2.30 o'clock p.m. this day.

AFTERNOON SITTING

The Committee resumed, in camera, at 2:30 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Benidickson, Blue, Boisvert, Cauchon, Cavers, Croll, Cruickshank, Denis, Fleming, Fulford, Fraser, Helme, Kirk (*Digby-Yarmouth*), Langlois, (*Gaspé*), Larson, Major, Picard, Prudham, Richard (*Ottawa East*), Robinson, Stewart (*Winnipeg North*), Thatcher, Winkler.

The Committee resumed, from Tuesday, June 13, consideration of a draft of its second report to the House.

Mr. Fleming moved that paragraphs 23 and 24 of the report as drafted, be deleted.

After discussion, and the question having been put on the said motion, it was negatived.

Mr. Fleming moved that the report, as drafted, be amended by deleting the second sentence of paragraph 27, which is as follows:—

> Although witnesses appearing before your Committee have refrained from recommending the establishment of a Committee on Estimates and have even pointed to some of the dangers of doing so, this question has been the object of much attention on the part of your Committee.

After discussion, and the question having been put, on the said motion, it was negatived.

Mr. Fleming moved that paragraph 28 of the report, as drafted, be deleted and the following substituted therefor:—

> Your Committee recommends that the House appoint a Standing Committee on Estimates.

After discussion, and the question having been put on the said motion, it was negatived.

The report, as amended, was adopted and the Chairman ordered to present it to the House forthwith.

The Committee adjourned at 3:17 o'clock p.m. to meet at the call of the Chair.

FRIDAY, June 16, 1950.

The Standing Committee on Public Accounts having been called for 10 o'clock a.m., at 10:16 o'clock a.m. the following members were present: Messrs. Benidickson, Fulford, Fraser, Macdonnell, Picard, Prudham, Richard (*Ottawa East*), Winkler.

There being no quorum present, the Chairman, at the suggestion of Mr. Macdonnell, postponed the meeting until Tuesday, June 20, at 10 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

THURSDAY, June 15, 1950.

The Standing Committee on Public Accounts met this day at 10:00 a.m. The Chairman, Mr. L. Philippe Picard, presided.

Mr. V. W. Scully, Deputy Minister of Taxation, recalled:

The CHAIRMAN: Gentlemen, I see a quorum. Before we start our work, I would like to table a report from Mr. Gibson, Director of the Development Service Branch of the Department of Resources and Development, which he promised to supply to the committee, concerning the contract with the Western Construction Company of Edmonton. I table that report now as appendix A.

(See appendix A)

Are there any questions?

By Mr. Drew:

Q. Mr. Chairman, I think a number of matters came up yesterday concerning which Mr. Scully was going to obtain some information.—A. I am in a position to answer all the questions.

Q. Let us hear what you have. I think that would be the simplest way. —A. Shall I read out what I have?

Q. Yes. That would simplify it.—A. The first question concerned capital expenditures. I got these figures from the Public Accounts. At November 11, 1944, the cost of the plant including buildings and equipment, but excluding tools, was $5,801,208.96. The expenditures during the period November 11, 1944 to September 14, 1946 were $2,187,900.37, making a total cumulative cost as at the 14th of September 1946 of $7,989,109.33. On tooling the total expenditures between November 11, 1944 and September 14, 1946 were $10,836,668.33; and there was expended and included between September 14, 1946 and March 31, 1947 the sum of $3 million.

Q. Yes?—A. The next question concerned the price and the date of purchase of the so-called Oklahoma materials. The laid down cost of the materials was $1,392,000. They were purchased between November 1945 and the middle of 1946. It was estimated that these materials averaged $1.14 per pound laid down in Montreal. The materials were C-47, that is DC-3 parts and tooling.

The Chicago materials laid down cost was $3 million. It was estimated that these materials averaged 20 cents per pound. Included in the Chicago materials were what was estimated as $1 million DC-4 tooling. That $1 million was removed from the inventories and included in the figure, which I quoted a moment ago, for the tooling costs incurred prior to the 14th of September 1946. These materials were C-54 or DC-4 materials.

By Mr. Croll:

Q. What was the date of the Chicago purchase?—A. They were purchased in the early part of 1946.

Q. And the Oklahoma purchase was from November 1945 to the middle of 1946?—A. Yes, the first half of 1946.

Q. Please go on.—A. In respect to the above it is impossible to compute what remained on hand at September 14, 1946. Parts had been sold or scrapped or embodied in work—in-process. The materials had been only partially sorted. That is, usable items had been picked out and had been binned or otherwise classified. So there were large quantities of miscellaneous items on hand which it was impossible to classify at that time.

In the next question I was asked to produce written instructions, if any, regarding negotiations with the Electric Boat Company. I find no written record of instructions regarding negotiations prior to the letter of the minister of January 20, 1947 which has been tabled.

The next question I have read: "Was the property offered for sale to any other aircraft plant?" I can find no record of this property having been offered to any party other than Canadair.

The next question was: "Were there any written instructions to Franklin to arrange a sale of Canadair?" I can find no record of written instructions to Mr. Franklin to arrange a sale of the project to any one. Those are the questions which I have noted down.

By Mr. Drew:

Q. From the time you were given instructions in September of 1946 to carry forward negotiations with the Electric Boat Company in connection with this plant, am I to take it that there were no written communications of any kind up to January 1947?—A. Not so far as I can determine.

Q. It was all done verbally between Hopkins and the department. Could you find any memorandum in regard to the nature of the negotiations which took place?—A. No, sir.

Q. During that period, Mr. Scully, were you brought in touch with Mr. Franklin?—A. Franklin was not involved in the discussion in any way so far as the department was concerned. There were no discussions of any kind with Mr. Franklin.

Q. The reason I ask is that a perfectly simple statement has been made public on different occasions, that he had been seeking purchasers. But so far as you know that was not done at that time?—A. No, not at that time.

Q. At the time you were called upon to carry forward these negotiations from September 1946 on, was it on the basis that this transaction had in fact been arranged, and it was simply a case of your working out the details?

The CHAIRMAN: Are we not getting into relations between a minister and his deputy minister? I do not think that comes within our authority.

By Mr. Drew:

Q. No, Mr. Chairman, I simply asked about the basis under which they proceeded.—A. I think the basis was that the Boat Company had a financial interest in Canadair. That is the position.

Q. It had nothing to do with the ownership of the aircraft plant?—A. No.

Q. What I am really concerned about is the sale of the aircraft plant and that is the reason I asked the question as to the basis on which these negotiations proceeded. Did they proceed at that time—I am putting it on this basis—did they proceed on the basis that you were to carry forward the negotiations and complete arrangements for the sale of the property to Electric Boat Company?—A. You mean Canadair?

Q. No, Electric Boat Company, and I think it was Hopkins of the Electric Boat Company who was dealing with you in regard to the plant?—A. That is right.

Q. That is what I am asking.—A. He also was an officer of Canadair.

Q. Then there is no difficulty on that score. The transaction with the Electric Boat Company was in regard to the property. They were acquiring stock in Canadair at the same time—the management company—and negotiations were going forward for the sale of this plant and property to the Electric Boat Company. The other arrangement was one that was worked out as part of the transaction.

Mr. CROLL: It doesn't say that.

By Mr. Drew:

Q. Mr. Scully, I understood you to say that you were following up the matter. Did you say that from the 10th of September until the transactions were completed that you had no dealings with Mr. Franklin?—A. Correct.

Q. Do you know at what time Mr. Franklin ceased to be president of Canadair?—A. No sir.

Q. Then why do you say that Mr. Hopkins was an official of Canadair at that time?—A. I can't see the relationship between the two things.

Q. You just made the statement and I was interested— —A. I said that Mr. Hopkins probably took over.

The CHAIRMAN: The statement of the witness is clear. He has told you all he knows about this transaction, all that he knows of his own personal knowledge.

By Mr. Drew:

Q. Were you informed, or did the fact have any part in your discussions, that the capital of Canadair would be increased; or, rather, that the number of shares of Canadair were being increased during that period?—A. No sir.

Q. And you were not in any way brought into touch with any of these transactions?—A. No.

Mr. DREW: I might just ask Mr. Gavsie if he was interested.

Mr. GAVSIE: In what transaction?

Mr. DREW: In regard to the change in the amount of the capital.

Mr. GAVSIE: Do you mean as far as Canadair is concerned?

Mr. DREW: Yes.

Mr. GAVSIE: No. We had nothing to do with it directly, it was a private corporation. We had nothing to do with it and would know nothing about the shareholdings of Canadair.

Mr. DREW: I realize that, so you cannot speak of your own knowledge?

Mr. GAVSIE: The only thing we had were the representations made by the Electric Boat Company that they had arranged to acquire one hundred per cent of the shares, or substantially all the capital stock of Canadair Limited. That is in the letter of January 20th which I read yesterday. That is the representation that was made to the minister and passed on to us and is in the minister's letter to the Electric Boat Company. The dealings were with the Electric Boat Company on the basis that they had arranged to acquire Canadair and they were speaking on behalf of Canadair and the Electric Boat Company.

Mr. DREW: Do you know anything about the present set-up of Canadair?

Mr. GAVSIE: No.

Mr. DREW: That did not come into the transaction in any way?

Mr. GAVSIE: No.

Mr. DREW: It was not like a transaction, for instance, in the present set-up where the company is a private company—

Mr. GAVSIE: The only part that we were interested in was that a corporation called the Electric Boat Company agreed to provide Canadair Limited with $2 million working capital forthwith, but we were concerned with the fact that if that working capital was advanced by way of loan to Canadair that proper provision should be made in the contract, it should be an express condition, that the repayment thereof to the Electric Boat Company would not be made unless and until the amount provided to be paid to His Majesty had been paid in full so that there would be no possibility of anyone withdrawing that amount until the claims of His Majesty had been settled.

Mr. DREW: A question was asked a few days ago by someone else and I gathered from the answer you gave it was regarded as desirable that in the continued operation of this government-owned plant that it should be operated by a very large organization having what might be called know-how and skill.

Mr. GAVSIE: I would not attempt to be able to make that decision, but I read it in the statement made by Mr. Howe. That is a matter of policy upon which I have no opinion to express.

Mr. DREW: You will recall that there was an exchange in regard to the importance of industrial know-how and skill. And, for that reason, in view of the fact that the company was not actually purchased until October of 1949 I am interested to know whether the department had any information as to how the business had proceeded, as to whether they had a check on statements of the Electric Boat Company in relation to its activities or not. Do you know of any records of that nature?

Mr. GAVSIE: No. Incidentally, I left the department in February of 1948, so certainly for that period I would not be in a position to give you any information.

Mr. CROLL: When did Mr. Scully leave the department?

The WITNESS: At the same time.

Mr. GAVSIE: January 31st, 1948.

Mr. DREW: You see, one of the reasons I asked that is because I have before me the printed annual report of the Electric Boat Company for 1948 in which it speaks of sales and says, the consolidated net sales for 1948 (this is the Electric Boat Company) reached $54,558,099, of which $41,784,000, or 76·4 per cent was derived from the earnings of Canadair Limited, the Electric Boat Company's Canadian subsidiary. Are you aware that that was the relationship between the scale of business being done by this Canadian subsidiary and the parent company?

Mr. GAVSIE: No. I can only speak from hearsay. I had knowledge in a general way that Canadair had obtained the B.O.A.C. order. I can't tell you the details. I am speaking from what is really hearsay at the moment.

Mr. DREW: I am just pointing out the rather significant fact that over three-quarters of the earnings by Electric Boat Company in 1948 were derived from the operations of what is referred to in their annual report as their Canadair subsidiary, and I want to know whether you knew that that amount of business was carried on this property which had been government property in Cartierville. Well then, Mr. Chairman, in view of the fact that we are not in a position to ask anyone in connection with Canadair in regard to this, because Mr. Franklin obviously would be the man who could tell us that—

The CHAIRMAN: That is a matter of opinion. We have here two witnesses who were involved in those transactions so far as the government is concerned and they are still at your disposal.

Mr. DREW: I am speaking of Canadair, and I would point out again that the annual statement of the operations of Canadair covering the period showed that certain profits were made from contracts they had with the government.

The CHAIRMAN: No, they were estimated in their annual statement.

Mr. CROLL: Yes, they were hoped for, estimated.

The CHAIRMAN: Estimated and hoped for, yes.

Mr. DREW: But that is the way they are set out here in this audited statement of the affairs of that company.

The CHAIRMAN: Well, it seems that we are both giving evidence.

Mr. DREW: I would point out that these are records in the Department of the Secretary of State from which I am reading.

Mr. CROLL: Perhaps the chairman or Mr. Drew could give evidence. Might I ask that that statement be filed?

The CHAIRMAN: Which statement?

Mr. CROLL: The one to which Mr. Drew is referring.

Mr. DREW: This is on file in the Department of the Secretary of State. I would ask, Mr. Chairman, instead of my producing it that the Secretary of State be requested to produce from his records all Canadair documents.

Mr. CROLL: No, no, that can be properly presented now, I suggest.

The CHAIRMAN: Since Canadair is a private company the Secretary of State or his officials could produce it.

Mr. CROLL: That is not what I had reference to. I am speaking about the audited statement. I think there is some form or statement there to which Mr. Drew made reference yesterday, a statement prepared for Canadair which was made up from the books and wording papers of this company. Mr. Drew made reference to that document in his statement yesterday and I am now asking that he produce and file it and then we can deal with it. I do not know whether the Secretary of State has it or not. I know that Mr. Drew has it before him and I think he should produce it.

Mr. DREW: I am pointing out that it can better be obtained from the Department of the Secretary of State. It is a public document and is available to anyone who wishes to go there and refer to the records of the Secretary of State.

Mr. CROLL: No, no, you said that this was sent to the company with a letter, that it was a statement made to the directors of the company.

Mr. DREW: What I said was this: it was a copy of a letter sent to the directors, but the statement is one that is filed in the ordinary course of events by Canadiair and it is on file in the Department of the Secretary of State.

The CHAIRMAN: You mean that letter to the directors?

Mr. DREW: Yes, with the letter to the directors.

Mr. CROLL: But you said it was a signed auditors' statement.

Mr. DREW: Yes, it is an auditors' statement, prepared by Haskell, Elderkin and Company for the board of directors and that is the one which is on file in the Department of the Secretary of State.

Mr. CROLL: Mr. Drew did not say that yesterday, I think; he now says that but he didn't say that yesterday. Yesterday he said that it was a statement which had been prepared for the board of directors of Canadair.

Mr. DREW: I did not. I said this: the chairman asked me if this was signed, and I said it had been sent to the directors and I gave the date and mentioned the company; and that letter is a letter which is on file with the Department of the Secretary of State for a perfectly normal and simple reason and that is

that Canadair at that time was not a private company, it was a public company and it continued to be a public company until this transaction took place with the Electric Boat Company.

Mr. CROLL: You did not say that yesterday.

Mr. DREW: Of course not.

The CHAIRMAN: Well then, gentlemen, we will have an official from the Department of the Secretary of State see if he can find that document and have him appear before the committee to produce it.

Mr. DREW: And I will be very glad to have all the documents they have.

The CHAIRMAN: If it is a public document the Department of the Secretary of State will produce it. We will ask them to produce it.

Mr. CROLL: In the meantime possibly we could have the document referred to filed with the committee so that those of us who are interested may have an opportunity of looking at it. I think in the light of all the questioning that has been going on we should have a look at it at the earliest possible moment.

Mr. DREW: We will get that, of course, from the proper official of the Department of the Secretary of State.

The CHAIRMAN: The main point is about this estimated profit of some $700,000 odd, and that has been answered by the officials now before us who said that that amount was waived and was never paid to the company. However, we will have the officials of the Department of the Secretary of State produce the documents.

Mr. CROLL: The difficulty is that we already have one of those statements, one of the audited statements, read and referred to in the committee by Mr. Drew. I would like to have an opportunity of looking at it just to see what is in it.

The CHAIRMAN: Are you finished with this witness?

Mr. DREW: Yes, that is all I have on this point.

The CHAIRMAN: Mr. Scully has asked that he be released at the earliest possible moment because his departmental administration has of necessity been neglected while he has been here. If you are through with him we will permit him to retire, and before he does so I would like to express our thanks for his co-operation and that of Mr. Gavsie.

Mr. GAVSIE: May I retire also, Mr. Chairman?

The CHAIRMAN: Yes, I think we are through with you for the present. Now we have an official from the Department of the Secretary of State.

Mr. William P. J. O'Meara, K.C., Assistant Under Secretary of State and Advisory Counsel, Department of the Secretary of State, called:

The CHAIRMAN: We have with us, gentlemen, Mr. William P. J. O'Meara, K.C., Assistant Under Secretary of State and Advisory Counsel to the Department of the Secretary of State. He is your witness, Mr. Drew.

By Mr. Drew:

Q. Mr. O'Meara, you have the file of Canadair with you?—A. Yes sir.

Q. And Canadair was incorporated on what date?—A. On the 1st of October, 1944.

Q. With what capital?—A. It was incorporated under part I of the Companies Act and it provides for an authorized capital of 10,000 shares without nominal or par value.

Q. Yes.—A. With a maximum aggregate consideration of $10,000, or such greater amount as the directors may deem expedient and as may be consented to

by the Secretary of State for Canada on payment to the Secretary of State of the proper fees. That is the normal provision with respect to companies of this kind.

Q. Yes. Then at the time the company was to file returns in the ordinary way?—A. Yes.

Q. In other words it was a public company at that time?—A. That is right.

Q. And it continued to be a public company until what time?—A. Supplementary letters patent creating it a private company were issued on the 8th of May, 1947.

Q. Then on the 8th of May, 1947 it became a private company and it was then no longer called upon to file financial statements with the department?—A. That is right.

Q. And for that reason since that time you have no financial statements relating to Canadair?—A. That is right.

Q. But you did receive statements before that date?—A. There were two such statements filed under section 170 of the Companies Act.

Q. Can you produce copies of those statements?—A. I have copies of them here duly certified.

Q. What are the dates of the ones you have?—A. The first was filed as of October 31, 1945 and it was filed with the department on the 12th of July, 1946.

Q. Yes.—A. And the second one covered the period October 31, 1945 to September 14, 1946.

Mr. CROLL: Filed on what date?

The WITNESS: Filed on the 12th of May, 1947.

By Mr. Drew:

Q. And the first one covered the operations of the company for what period? —A. It purports to be as of the 31st of October, 1945.

Q. Is that under the heading of a chartered accountants' firm?—A. It was material submitted with a letter,—I have a copy of the letter here,—from Haskell, Elderkin and Company, dated the 15th of May, 1946.

Q. Yes, and in that letter there is a figure, accounts receivable—dominion government $669,705.87.—A. That is a copy of one of the paragraphs, that is right.

Mr. CROLL: Mr. Chairman, I take objection to the form of the question. I think Mr. O'Meara has to produce the document and the document can speak for itself. I do not think it is for him to interpret or read the document, that that is as far as he can go.

Mr. DREW: I am asking, Mr. Chairman, that a copy be filed with the committee.

Mr. CROLL: Yes, we should have it for the record.

The CHAIRMAN: That will be filed and will appear as appendix "D" to today's proceedings.

By Mr. Drew:

Q. Now, Mr. O'Meara, there was a change in the capital structure of Canadair and in connection with that was a balance sheet filed with your department showing under the heading of Canadair Limited as at the 14th of September, 1946 any classification of crown assets?—A. No, there would be no requirement for them to file a balance sheet in connection with this increase in capital.

Q. No, this was the presentation of a balance sheet prepared by the company.—A. There were only the two, the date of which I mentioned and of which certified copies have been produced.

Q. You have the report of this company for the period from the 31st of October, 1945 to the 14th of September, 1946, have you?—A. Yes, that is included in the material which has been filed.

Mr. LARSON: Has it ever been asked how many thousands of claims such as this were made at the termination of the war?

The CHAIRMAN: No such question has been asked.

Mr. LARSON: The answer would be interesting.

Mr. DREW: I do not mean to pursue the question because the balance sheet I was referring to is amongst the documents now filed.

By Mr. Fleming:

Q. I have one question. It is in connection with the consideration provisions in the Letters patent. Do I take it, Mr. O'Meara there was no increase authorized at any time subsequent to the issue of the Letters patent?—A. Well the capital was increased by supplementary letters patent.

Q. But until the date of the supplementary letters patent was there any?—A. No.

The CHAIRMAN: Have any other members of the committee questions to ask Mr. O'Meara while he is here?

Mr. FRASER: Yesterday the witness said it was a private company when it was taken over.

The CHAIRMAN: No, no, it was a company privately owned, with private capital in it.

Mr. FRASER: Well today it is said that it did not become a private company until May of 1948.

The CHAIRMAN: Within the meaning of the Companies Act it was not a private company. I meant yesterday that the capital employed was not government capital or public money. They operated and managed government property. The property administered belonged to the government.

Mr. DREW: In view of that conversation I want to get it quite clear from Mr. O'Meara, and I am only asking from a strictly departmental point of view, in relation to a company described as a private company in the departmental meaning there is this distinction. Until a company becomes a private company it must file an annual statement showing its annual financial operations and then when it becomes a private company it does not file those returns.

The WITNESS: That is correct. Section 117 of the Companies Act provides in the case of the company not being a private company that the balance sheet and specified documents should be distributed to the shareholders and filed with the department nnot less than fourteen days prior to the annual meeting.

A private company is defined in the Act as one having three attributes.

The CHAIRMAN: What is the exact difference between a private company and a public company?

The WITNESS: A private company is defined as one with respect to which there is some restriction on the right to transfer shares. The nature of the restrictions may vary, in which case it is disclosed in the letters patent. The second thing is that the number of shareholders is limited to fifty, not including employees. The third attribute is that any invitation to the public to subscribe to any shares or debentures of the company is prohibited. Those are the three attributes of a private company.

The CHAIRMAN: And a public company?

The WITNESS: A public company is all the rest.

The CHAIRMAN: A public company is not a company that has public capital or government capital?

The WITNESS: Within the definition of the statute that question does not arise.

By Mr. Drew:

Q. I think perhaps in view of the fact that I did not realize until I examined them that you certified copies, if you have other certified copies available, then it would bring in the record in a simple form what is available only by search. Have you certified copies of the letters patent of October 1944?—A. I have; letters patent dated the 3rd of October 1944.

(See appendix B.)

Q. Then you have handed over the auditor's report to the shareholders under date of October 1st, 1945. Have you a copy of the certification increasing the number of directors?—A. I do not know if I have certified copies. I have the by-laws as filed but I could have copies prepared.

Q. You could have a copy of them made.—A. What particular by-law have you in mind—the one increasing the directors as of what date?

Q. That declaration is made on the 11th day of October 1946?—A. I will make sure it is on file if I may, before you proceed. Yes, by-law 16, filed on the 15th of October, 1946, increased the number of directors from five to six.

Q. By-law number 16 is the one.—A. Yes, sir, I will have it copied.

Q. I do not know whether you have certified copies but you have a record of the by-law and application to provide for increased capital of two million shares?—A. I have a certified copy of the supplementary letters patent dated the 3rd of February, 1947, effecting the increase.

Q. Have you a copy of the certification of by-law increasing the number of directors from six to twelve?—A. I have not a copy with me but I will have one prepared.

Mr. CROLL: It might be interesting for the committee to know what is contained there. I am not asking this of Mr. O'Meara but in this report and the financial statement to which Mr. Drew refers there is a footnote which reads:

> We are informed that at 31st October, 1945, final costs had not been ascertained for any contract, and that the profits have been taken into account on the basis of estimates made by the company. Such profits, however, are subject to the approval of the dominion government upon final audit:

The CHAIRMAN: That is contained in the document which Mr. Drew read?

Mr. CROLL: Yes; that appears in the certified copy of a letter attached to it from Haskell, Elderkin and Company.

Mr. DREW: Well, I was asking what the contracts were and we were not able to obtain that information?

The CHAIRMAN: I would like to get the question correctly.

Mr. DREW: The contract referred to in the statement,—you will recall I was asking Mr. Scully if he was aware of the details in the statement and he obviously was not.

The CHAIRMAN: I do not think it is fair to say that, because Mr. Scully states that at the time when that report was made no profits had been assessed. No figure had been arrived at by the company and the government. This was just an assessment by the company and that is verified by what Mr. Croll says.

Mr. DREW: The record will disclose the situation.

The CHAIRMAN: I will rely on the record myself.

Mr. DREW: Then Mr. O'Meara, you will have certification of the by-law with the papers covering that?

The CHAIRMAN: We cannot hear what you are asking, Mr. Drew.

Mr. DREW: Have you with you, or can you obtain a copy of the auditor's report showing the balance sheet of the company as of December 14, 1946?

The WITNESS: Yes.

The CHAIRMAN: We had better adjourn until 11.30.

Mr. FLEMING: Have the supplementary letters patent gone into the record?

The CHAIRMAN: Yes. We shall adjourn until 11.30 a.m.

Upon resuming:

The CHAIRMAN: Gentlemen, I see a quorum. Are there any more questions to be asked of Mr. O'Meara?

By Mr. Drew:

Q. Mr. O'Meara, have you the by-laws and application for supplementary letters patent changing Canadair from a public to a private company?—A. I have, sir.

Q. Will you file them, please?—A. Very well.

Q. Have you the by-laws and application for supplementary letters patent providing for new share qualifications?—A. I have.

Q. Will you file them as well?—A. Very well.

Q. There are three letters dated December 11, 15, and 17, 1948, an exchange of letters between yourself and the firm of Ilsley, Duquet and MacKay in connection with this re-organization?—A. What are the dates again, please?

Mr. CROLL: December 11, 15, and 17.

By Mr. Drew:

Q. There is a letter addressed to the Companies branch by the firm of Ilsley, Duquet and MacKay dated December 11.—A. 1948?

Q. 1948. There is a letter of December 17?—A. Yes.

Q. And a letter of December 15. The letter of December 15 was one addressed by you to that firm in connection with this transaction.—A. Yes, I have that one of December 17.

Q. That is right.—A. I shall have to procure copies together with copies of the by-laws. I shall do that this afternoon.

The CHAIRMAN: Are there any further questions?

(See appendices E and F)

By Mr. Drew:

Q. Have you copies of those letters on file here now?—A. I have the original letters from Ilsley, Duquet and McKay and the copy of my letter on the departmental file.

Q. Then the letter of December 11 to which I referred explains to the department the new arrangement. That is one of the ones that you will be filing?—A. That is correct, sir.

Q. Would you file also the last report which gives the allocation of these shares?—A. I have the annual summary as of March 31, 1950 which indicates the amount of paid-up capital, not of course the allocation of shares. We have no information as to whom the shares were allocated.

Q. Have you not a summary of March 31, 1949 as well?—A. That is right.

Q. Does that not give the allocation of shares?—A. It indicates the proportion of common shares, on the one hand, and employees' and directors' shares on the other hand, but not those to whom they were allocated, of course.

Q. Have you not a declaration showing to whom they were allocated?—A. No, I do not think that is information which is at the department.

By the Chairman:

Q. Is that information that the department according to the law is bound to have?—A. No. It has never been a requirement of the Company's Act.

By Mr. Drew:

Q. May I see the last one?—A. Here are the annual summaries for 1949 and 1950; which is the latest.

Q. That is all I have.

The CHAIRMAN: Are there any further questions from Mr. O'Meara? The committee appreciates your cooperation, Mr. O'Meara.

The WITNESS: Thank you.

The CHAIRMAN: What is the next item?

Mr. DREW: Mr. Malley.

The CHAIRMAN: With respect to the same matter?

Mr. DREW: Yes.

Mr. H. R. Malley, President and General Manager, Crown Assets Disposal Corporation, called:

By Mr. Drew:

Q. Now, Mr. Malley, you have been sitting here, you have heard the evidence given, and you know about it. You have heard a description of the way the transaction was carried out. You have also heard it explained that this property was declared war surplus, and it then came under the War Assets Corporation for the purpose of the formal arrangements in connection with the disposition of the property. You have also heard evidence given by Mr. Scully that in this case there were no advertisements that the property was for sale, and that there were no notifications to any other aircraft manufacturers or companies of that kind that this property was for sale. I simply want to ask you this question: Who decided at that period as to those cases in which there would be an advertisement and those cases in which there would not be an advertisement of property being disposed of by War Assets Corporation?—A. I imagine it would be the president who would decide.

Q. Have you any memorandum or regulations or any thing of that kind that determines those cases in which there would be an advertisement and those cases in which there would not be an advertisement?—A. No, sir.

Q. Have you any way of indicating the type of property in regard to which advertisements would appear or notification would be given that the property was for sale, and those cases in which there would not be?—A. Well, the usual procedure is that the custodian would have the first opportunity for the purchase of the property which he was operating. That is the rule we usually follow.

Q. When you speak of the custodian, you mean the people who actually had been operating in the property or operating the plant would be offered the first opportunity?—A. Yes.

Q. Then in other cases where property was disposed of, was there any general regulation or any rule which you could give us, even informally, that would govern the case?—A. No, I do not know of one at all.

Q. So you do not recall any agreed procedure which would determine when something would be advertised and when it would not be advertised?—A. No,

I think it was done on the merits; each one would be on its own merits. There are so few cases where we did not advertise. We advertised in nearly every case.

Q. Could you give us examples of other cases in which you did not advertise in the case of the sale of property, perhaps not exactly of the same kind, but property of this nature?—A. I cannot recall them at the moment. There were so few that I do not remember.

Q. Take, for example, the Fleet Aircraft Company; was that advertised? —A. No. That was another custodian sale.

Q. Were there any other aircraft properties which you can recall which were sold without advertising?—A. I do not recall, Mr. Chairman, whether there were; but when those types of properties were being disposed of, I was not handling the sale of them.

By the Chairman:

Q. Were there any other aircraft companies?—A. No.

Q. How many were there?—A. I cannot recall any other aircraft companies as such that were being sold.

By Mr. Drew:

Q. You can recall at least one, the Fleet was disposed of.—A. Yes, we spoke of that.

Q. And the Victory.—A. The Victory, yes. That was transferred to A. V. Roe.

Q. Yes.—A. And that was not advertised.

Q. Were there any others?—A. Well, of certain properties at De Havilland some were advertised and sold, and some were not.

By the Chairman:

Q. You mean aircraft properties?—A. Yes.

By Mr. Croll:

Q. On the De Havilland property?—A. Yes, on the De Havilland property.

Q. And it was your policy always to offer it first to the custodian?—A. Exactly.

Q. And in the case of the Victory, you said it was sold to A. V. Roe?—A. That is right.

Q. Is that adjoining property, by any chance?—A. No. That is the Victory Aircraft property.

Q. Where?—A. At Malton.

Q. Was the Roe property alongside the Victory?—A. No. They took over the Victory.

Q. Did Roe have a plant before they bought the Victory?—A. No.

Q. And the Victory plant became the Roe plant?—A. Exactly.

By Mr. Drew:

Q. Now, Mr. Malley, at the time of the transfer of this property to War Assets Corporation, so that I may know what the procedure is—at the time of the transfer of the Cartierville property to the War Assets Corporation, would all the records be transferred under your control at that time in connection with it?—A. They would not be transferred. They would be available.

The CHAIRMAN: Which records? The records of the Vickers Company or what? We would like to know which records?

Mr. DREW: I mean the records relating to this particular operation.

The CHAIRMAN: They may be government records as to the deal with Vickers, or they may be records of the Vickers Company as to how to operate their plant.

By Mr. Drew:

Q. I quite realize there is a distinction there just as in the case of the Department of the Secretary of State. I am thinking of records in regard to any of the business transactions.—A. No, they were not transferred.

Q. They were not transferred, and they would remain with the department where they were.—A. I would say that the first document we had on that matter was the signed agreement, the lease-sale agreement.

Q. That was the first document?—A. Yes.

Q. In view of that, I have no further questions. I thought I would be able to ask certain questions in connection with it. However, I can come back to it. I thought that in a few minutes I could clear this up with one of the other witnesses. I thought that you, Mr. Malley, would have those records.

The CHAIRMAN: Any records before the sale of the property to Canadair would not come within the authority of the committee. The sale of the Canadair property does because that company, during the period under review by us, still owed a certain amount for rental. So anything prior to 1944 when the sale was made would not come under the authority of our committee.

Mr. DREW: I am not suggesting there would be anything before that time. Now, then, Mr. Malley, I have no further questions on this subject.

The CHAIRMAN: Have you any other witness on the same matter?

Mr. DREW: It wont take a moment. I thought Mr. Malley would have the records. I may have misunderstood. I was going to ask a question which arose out of a statement by Mr. Scully this morning in regard to the price of the acquisition in respect to the Chicago and Oklahoma purchases. But Mr. Malley says he has not got the document of sales so I have no further questions to ask him.

The CHAIRMAN: Mr. Scully could be brought back to give you more details, if you want them, about where he got his information concerning Chicago and so on.

Mr. DREW: It would not take very long. You could reserve that point or I could proceed with Mr. Malley on another matter.

The CHAIRMAN: You mean on the Emerald mine?

Mr. DREW: On the Emerald mine, yes.

Mr. CROLL: Do I understand that it is being reserved on that specific ground, and that we do not open it up again?

Mr. DREW: On the question of the Chicago and Oklahoma purchases it is quite obvious I misunderstood the statement in regard to the transfer of the records. I was going to question Mr. Malley. But he now says that the first one he has is at the time of the sale. And that being clear, I have no thought of taking up any other subject when we recall Mr. Scully. Do you wish to go on with the other part?

The CHAIRMAN: Are there any further questions on the previous matter under review, the deal concerning Canadair? Very well, let us go on with the Emerald mine.

The WITNESS: I have Mr. Kenneth Gray with me, our legal officer.

The CHAIRMAN: Mr. Kenneth Gray, Legal Adviser of the Crown Assets Disposal Corporation.

By Mr. Drew:

Q. Since the subject came up for discussion a few days ago, you, Mr. Malley, have had an opportunity to obtain the records of the transaction in connection with what is known as the Emerald mine?—A. Yes.

Q. So that we can establish the position. The Emerald mine is a property on the Salmon River in British Columbia, is it not?—A. Yes, sir.

Q. What type of mine is it?—A. It was a tungsten mine.

Q. When did developments start there so far as your records are concerned? When did the government first operate it, so far as your records show? When was development first undertaken in regard to this property?—A. I didn't quite get your question.

Q. Let me put it this way. I am just trying to develop the history of this thing. Was this mine that was taken over working before it was taken over?—A. I believe so. You realize, of course, that we did not have anything to do with it until after it was declared surplus to us.

Q. That is the reason I asked.—A. I have been able to get some information on prior operations and so on.

Q. Yes.—A. As a matter of fact there were questions asked in the House and answered which I think deal with this fairly conclusively. I would like if I may to read them, Mr. Chairman. They are as follows:

THURSDAY, MARCH 9, 1944.

SESSIONAL PAPER No. 202

MOVER:—Mr. Esling, M.P.

Question:

1. Has the government, through the Wartimes Metals Corporation or any other department or agency, acquired the Emerald Mine at Salmo, B.C.?
2. If so, what price was paid for the property?
3. In whose name does the title at present rest?
4. Has the original owner been fully paid?
5. What sum has been spent in development?
6. How many tons of concentrate have been produced since the opening of the property?
7. To whom have these concentrates been sold?
8. What sum has been realized from their sale?
9. Has this tonnage been shipped or is it still stored at the mine?
10. When did this property cease to operate?
11. How many employees were on the payroll at that time?
12. For how many of these were new positions found?

The attached information has been received by the Secretary of State of Canada from the Departments of Labour, Munitions and Supply.

Answer of Department of Munitions and Supply:

1. The Government acquired the Emerald Mine by expropriation proceedings filed on November 25th, 1942.
2. The original owner claimed $1,750,000 but after negotiations agreed to accept $424,000 in U.S. funds.
3. The Canadian Government.
4. No. The legal details have not yet been completed.
5. $829,100.60.

6. High grade concentrates:— 132·226 short tons of 71·07 per cent WO_3.
Low grade concentrates:—267·255 short tons of 15·07 per cent WO_3.

7. The low grade concentrates have been sold to the Metals Reserve Company. The High grade concentrates are being retained by the Canadian Government.

8. Payment by Metals Reserve Company will be based upon the final assay of the concentrates but it is estimated that approximately $70,000 will be received for the low grade concentrates so sold to date to Metals Reserve Company.

9. The low grade concentrates have been shipped to Metals Reserve Company. The high grade concentrates are stored at the mine.

10. Mining ceased September 10th, 1943. Milling ceased September 21st, 1943. Operations closed October 15th, 1943.

11. Approximately 140 as at September 10th, 1943.

12. No information.

OTTAWA, March 2, 1944.

Answer of Department of Labour

1. to 11. inclusive.—It is understood these questions are being answered elsewhere.

12. 100 placed in mining industry around Nelson.
20 on transfer to other mines in Province of British Columbia.
20 farmers, who would not leave home, went to bush work close to their homes.

SESSIONAL PAPER No. 226A

MONDAY, APRIL 14, 1947

MOVER:—Mr. Herridge, M.P.

Question:

1. Was the Emerald Mine at Salmo, B.C., purchased by an agency of the Federal Government?
2. If so, when, from whom and at what price?
3. What was total expenditure on development, buildings, machinery, equipment, etc.
4. What was the total value of production shipped from the mine during period of operation?
5. When were operations discontinued and for what reason?
6. Was inventory taken of machinery, tools and equipment on site when operations discontinued. If so, what was value of same?
7. Has the Emerald Mine been sold. If so, to whom and at what price?
8. Was an inventory taken of machinery, tools and camp equipment on site just prior to sale? If so, what was the value of the same?
9. What were the total expenses incurred in taking such inventory?
10. On what dates was inventory taken and what are the names of the employees who took said inventory?

The attached information has been received by the Secretary of State of Canada from the Department of Reconstruction and Supply.

Answer of Department of Reconstruction and Supply

1. Yes, by Wartime Metals Corporation.
2. In May, 1942, from Iron Mountain Limited, for $470,640.
3. $803,055.74 (not including the purchase price in part 2 above).
4. $263,787.98.
5. In September, 1943. The world supply of tungsten and armament development made additional supplies of tungsten unnecessary.
6. Yes, in October, 1943. The inventory contained buildings and services, machinery and equipment, the piping and flume of the mine water supply, telephone and power lines, roads and trails, and the steel and the air and water piping used in underground development. The various items were listed at cost and totalled $829,160.86.
7. Yes, on January 15, 1947 to Canadian Explorations Limited, Vancouver. The selling price was $950,000 less the value of any plant, equipment, stores, etc. which were included in the inventory which have been lost or removed from the property at the time when possession is given to the purchaser, unless the same shall have been replaced with other plant, equipment, stores, etc., of equal value in good condition and satisfactory to the purchaser.
8. Yes. The inventory taken in October, 1943 was checked by representatives of the purchaser, War Assets Corporation and Wartime Metals Corporation. As certain items of equipment had been sold by Wartime Metals Corporation subsequent to October, 1943 and prior to the declaration of the property as a surplus asset, a deficiency list was prepared and is now being valued in order that an adjustment may be made in the sale price as indicated in 7, above.
9. $405.81, insofar as War Assets Corporation was concerned.
10. November 25 to December 12, 1946, by Messrs. O. Solan and W. G. McIntosh, both of War Assets Corporation.

Q. Now, Mr. Malley, from your records there in front of you can you indicate the date on which this property was offered for sale, I mean the date when it was decided to sell this property?—A. That would be the date it was declared surplus to our corporation.

Q. What date was that?—A. November 30, 1945.

Q. Have you a copy of any advertisements that have been prepared?—A. Yes sir. This advertisement appeared in seven publications.

Q. What was the date of that?—A. This order for the advertisement is dated May 2, 1946. It appeared in the Canadian Mining Journal.

By the Chairman:

Q. Kindly give the dates on which it appeared, so as to have the record complete?—A. The dates that were requested were: the Canadian Mining Journal, May 8th to 15th; the Canadian Mining and Metallurgy Bulletin, June 1; the Pre-Cambrian, June 5; the Western Miner, June 10; Canadian Business, June 1; Industrial Canada, June 1; the Northern Miner, May 16th. There, Mr. Chairman, is a cut of the advertisement.

Q. Will you have a copy of that made and filed?—A. Yes, I will.

By Mr. Drew:

Q. Was that under your instruction?—A. Not under my instruction, but under the instruction of previous officers of the corporation.

Q. May I see that?

The CHAIRMAN: It is a private file of the department.

Mr. DREW: I just want to see the notice.

The WITNESS: It is the only one we have.

The CHAIRMAN: You will have it copied?

The WITNESS: Yes.

Mr. FULFORD: Could we not have it read so that we all know what it is?

The WITNESS: Do you want me to read it?

The CHAIRMAN: Yes, please.

The WITNESS:

For Sale Emerald Tungsten Project (Crown-Owned) Salmo, B.C.

Subject to prior sale or withdrawal, War Assets Corporation invites offers for purchase outright of all the right, title and interest of the Crown in the mining claims, mine equipment and mill property and equipment including lands and buildings known as the Emerald Tungsten Project No. 7, located near Salmo, B.C., developed and operated under Wartime Metals Corporation, described as follows:

The property consists of some 46 mineral claims on which a tungsten (scheelite ore body has been developed on two levels. When operations were discontinued, some 298,000 tons of ore averaging 1·17 per cent WO_3 had been outlined underground.

All necessary mining equipment and a complete mill equipped to handle 300 tons of head feed per day are installed on the property.

Complete plans of mine and mill and the production cost records are available for inspection in the office of:

The Deputy Co-ordinator, Resources Development (Mines), Department of Reconstruction and Supply, Room 220, No. 3 Temporary Building, Ottawa, Ontario.

Arrangements can be made for examination of the property.

(All data given in this advertisement are necessarily abbreviated and subject to correction.)

Offers for this project will be considered on three bases:

(1) The property including any land and all mining and milling equipment and buildings as one unit;

(2) The mill buildings and equipment as one unit for removal from site;

(3) All mine buildings and equipment as one unit for removal from site.

The higest or any offer may not necessarily be accepted.

Sale of the property will be subject to the approval of the Governor in Council.

Offers should reach the address given below not later than

WEDNESDAY, July 31, 1946

and are to be directed to:

War Assets Corporation,
c/o The Deputy Co-ordinator
Resources Development (Mines)
Room 220, No. 3 Temporary Bldg.,
Ottawa, Ontario.

Mr. FRASER: May I ask Mr. Malley a question. On the return tabled for Mr. Esling, the price paid by the government was $424,000.

Mr. CROLL: $424,000 in U.S. funds, and what you are referring to is the fact that the other was $470,000.

Mr. FRASER: The one tabled for Mr. Herridge has the price given as $470,000. There is a difference. I just want to know why the difference?

Mr. CROLL: The difference is in the U.S. funds.

Mr. FRASER: Just a moment, Mr. Croll, I am asking Mr. Malley.

Mr. CROLL: I am just adding quickly.

Mr. FRASER: Well I am asking Mr. Malley. Why is there the difference? Why should it be given as $424,000 in one return and in another it is given as $470,000?

The WITNESS: I cannot answer that because I did not make it up.

Mr. FULFORD: That is because of the exchange.

The WITNESS: It may be, but I did not make the return up.

Mr. FRASER: U.S. funds at that time were not at a discount?

The CHAIRMAN: I beg your pardon?

Mr. CROLL: I have two things in my notes: the figure was $424,000 in U.S. funds, and the legal details have not been completed. The next return showed $470,640 and it is obvious—

Mr. FRASER: I just wonder if our money was at a discount at that time? I do not think it was.

Mr. THOMAS: What was the date?

Mr. FRASER: 1943.

Mr. CROLL: Why would it be "in U.S. funds?"

Mr. FULFORD: In 1943 there was a discount of 10 per cent.

Mr. FRASER: The 10 per cent would not make the difference.

The CHAIRMAN: 'Legal arrangements to be completed.'

Mr. FRASER: I just asked the question.

The CHAIRMAN: And you are entitled to an answer, Mr. Fraser, and you are getting it.

By Mr. Drew:

Q. Then, Mr. Malley, did you receive offers as a result of that advertisement? —A. There were no offers received.

Q. That applies to the ultimate purchaser as well as anyone else?—A. That is right.

Q. There were no offers?—A. No offers received at all.

Q. When the date of the actual agreement for sale was what?—A. January 15, 1947. It was preceded by an order in council—P.C. 5281 of December 27, 1946.

Mr. CROLL: Could we have that on file, Mr. Chairman, please.

The CHAIRMAN: Is that the order in council?

The WITNESS: That is the order in council.

The CHAIRMAN: Will you please read it?

The WITNESS:

P.C. 5281

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 27th December 1916.

The Committee of the Privy Council have had before them a report, dated 21st December, 1946, from the Minister of Recontruction and Supply, representing:

That the mine and mill at Salmo, B.C., known as the Emerald Tungsten Project are surplus to the requirements of the Crown;

That the said property, consisting of mineral claims, land, mining and milling plant, buildings, equipment and stores was acquired, developed, constructed and

equipped by the Crown for the production of Tungsten under the supervision of Wartime Metals Corporation, but has been closed down since December, 1943;

That the property was advertised for sale by War Assets Corporation but no acceptable offer was received;

That, subject to the approval of Your Excellency in Council, a sale of the property by War Assets Corporation to Canadian Explorations Limited, Vancouver, B.C., has been negotiated on terms substantially as set out in a copy of a draft of agreement hereto annexed as Schedule "A" and summarized as follows:—

(*a*) The purchase price is $950,000.00 (being an amount equal to the book cost of the property as originally purchased by the Crown plus approximately 60 per cent of book value of buildings, equipment and stores) less the value of any equipment or stores included in Schedule of 31st of October, 1943, which may have since been sold or removed from the property;

(*b*) Payment to be made $50,000.00 on closing and the balance in yearly payments equal to 50 per cent of net profits;

(*c*) Net profits shall be the amount of earnings and income from disposal of products obtained from the property after deducting the cost of mining, milling and marketing, together with income and excess profits taxes payable in respect of such amount, but before deduction or allowance for depreciation or depletion;

(*d*) The right, title and interest of the Crown is to be conveyed to the Purchaser, and it will give a mortgage back and will assume liability for outstanding settlements in respect of certain expropriated land included in the sale;

(*e*) After five years the purchaser may reconvey the property to the Crown and be relieved from further payments or maintenance.

That the sale of the property as aforesaid is considered to be in the public interest and the price fair and reasonable.

The Committee, therefore, on the recommendation of the Minister of Reconstruction and Supply, advise that Your Excellency may be pleased to approve the sale of the property on substantially the terms set out in Schedule "A" hereto annexed with such modifications or variations as the Minister of Reconstruction and Supply may deem advisable and proper; Letters Patent to issue accordingly.

A. D. P. HEENEY,
Clerk of the Privy Council.

The Honourable
the Minister of Reconstruction and Supply.

There is the agreement to be included—

The CHAIRMAN: Does the committee wish it to be published here, or shall it go as an appendix?

As an appendix?

Agreed. (See Appendix "J").

By Mr. Drew:

Q. Then this property is still being operated, so far as you know, by the company mentioned in that agreement at that time?—A. Yes, sir.

Q. You have already explained the partial payments have been made. Now, at the present time, are there any other similar properties under the control of the War Assets Corporation in other parts of the country?

Mr. CROLL: Tungsten mines?

By Mr. Drew:

Q. No, mining properties. Just in order to keep the record straight, it is actually a lead and zinc mine?—A. It is a lead and zinc mine now. They discovered lead and zinc afterwards. If I recall, I think there is the Dominion Magnesium Company which is on much the same basis as that.

Q. Where is it?—A. Up here at Haley's Corners, near Pembroke.

Q. Has that been disposed of?—A. Yes, the sale has been made.

The CHAIRMAN: Before we go into the matter I want to have the authority of the committee. You see, we are now entering other aspects of War Assets.

The WITNESS: I am not prepared to speak about it.

The CHAIRMAN: The agreement was that we would first deal with Canadair and Emerald and if we are to carry on with War Assets we would have to have a decision from the committee. We have requests from other members that after we clear this matter up they want to go into certain others. I would not want to go into another subject at the moment before the committee has the occasion to reach its conclusions as to its next order of business.

Mr. DREW: Well, the committee must of course deal with it. I asked a question and you do not wish it to be dealt with at the moment. Is that it?

The CHAIRMAN: No. The idea is to carry on our investigation. The committee will decide whether we take up war assets in general, or take up the Canadian Commercial Corporation, or Public Health as you have asked at one time, and so on. The agreement of the committee up to now was to hear evidence on Canadair and the Emerald Mine and then to decide. If you are through with the Emerald Mine, we can have Mr. Scully back to ask him some more questions. Have you had enough with this witness?

Mr. DREW: In connection with this particular point, yes.

The CHAIRMAN: After the committee has decided its order of business, we may call Mr. Malley again. Thank you, very much, Mr. Malley.

The WITNESS: Thank you.

Mr. V. W. Scully, Deputy Minister of Taxation, recalled:

The CHAIRMAN: We have Mr. Scully and Mr. Gavsie back on the point raised by Mr. Drew concerning the Chicago sale, and to ascertain where the figures come from which were given to us. Would you mind repeating your question, Mr. Drew?

By Mr. Drew:

Q. Mr. Scully, when you were giving evidence this morning you gave us the result of some inquiries that you made since yesterday. You gave us the figures of the average cost per pound in connection with the Chicago purchase and also the amount involved in that particular transaction. Have you the records from which that information was obtained?—A. I found them in notes in my file that I used during the negotiations with the Electric Boat Company.

Q. How did they come to be in connection with negotiations with the Electric Boat Company?—A. In connection with the cost of the assets involved, which came up in the discussion.

Q. Have you a copy of the actual agreement under which these were sold by the War Assets people in the United States?—A. No, sir.

Q. From what source would this information have to be obtained?—A. Originally from the invoices themselves.

Q. Where would these invoices be?—A. Now?

Q. Yes.—A. If they exist, they would be in Montreal.

By Mr. Croll:

Q. With Canadair?—A. With Canadair.

By Mr. Drew:

Q. But this was a transaction, was it not, where these assets were bought from a branch of the United States War Assets organization on behalf of this agency of the Canadian government; and would you not have a record here of the actual transaction?—A. No, sir.

Q. Do you know the source of the information that was reduced to some memorandum form from which you obtained these figures which you gave us this morning?—A. It was taken from the expenditures by Canadair.

Q. Was there anything in your memorandum to indicate the actual vendor from whom Canadair had purchased?—A. I think not.

The Chairman:

Q. You mean of the items in connection with the Oklahoma and Chicago purchases?—A. Yes.

By Mr. Drew:

Q. The reason I asked that was that I wondered if Mr. Scully had anything to show whether the purchase was made directly by Canadair from the War Assets organization in the United States? You have nothing in your records to indicate the fact?—A. I am not sure that it was purchased directly from War Assets, because War Assets in the United States operated through the custodian, whoever it happened to be, of surplus property. The sale would be made by War Assets Administration, but the materials would be delivered from the point at which they happened to be located.

Q. Yes. So you cannot really go beyond the fact that the figures you have given to us. —A. Are the amounts paid.

Q. The figures which you obtained in some way are in a memorandum which you examined many years before?—A. That is right.

By Mr. Croll:

Q. You are an accountant, Mr. Scully?—A. Yes, sir.

Q. With many years experience?—A. Some.

Q. And the purpose of ascertaining the figures that you gave to Mr. Drew today was in order to fix the prices that would be paid? What was the purpose in ascertaining those figures which you gave to Mr. Drew.—A. You mean originally?

Q. Yes.—A. They were essential in the negotiations with the purchaser of the property.

Q. That is right. You would take particular interest to make sure that those were correct figures at that time?—A. Yes sir.

Q. And your working papers would reflect that?—A. That is correct.

By Mr. Drew:

Q. Do the same remarks apply to the information that you have given us in connection with the Chicago transaction?—A. Yes, sir.

Q. You have no further information in regard to the Oklahama transaction? —A. Yes.

Q. You have no further information on that case?—A. No.

Q. In connection with this consideration, you had no way, apparently, according to what you said this morning, of determining the amount of this material that was in the actual inventory at the time these discussions were taking place?—A. That is right.

Q. So for that reason, how then were you able to determine the relationship it had to the value of the inventory?—A. At the time of the sale?

Q. Yes.—A. The book value?

Q. I know; but you point out that you do not know what part of the inventory was made up of these acquisitions?—A. No, sir.

Q. So how were you in a position to discuss this with them, even though you had the average figure of the original cost?—A. We knew the amount of dollars that were still there. We did not know piece by piece what physical inventory was there. What I said this morning was, and let me repeat it, that in respect to the Oklahoma and Chicago materials, it was impossible to compute what materials were on hand at September 14, 1946. Parts had been sold or scrapped or embodied in work-in-process.

Q. Now, is there anything in your notes to indicate—I am talking now about these notes that you have of the discussions which took place and which relate to the figures you gave this morning—is there anything in those notes which indicates the comparative costs of any of these units? In the ordinary way they would be a straight purchase as of a manufactured product?—A. No, sir. This if not factual because I can only speak from what little experience I have had in relation to the business of manufacturing aircraft parts during the war. Usually they were costed on a poundage basis because of the great volume aand the great difficulty in getting a basis for prices. Prices ranged from the base material cost, which might be 10 cents or 11 cents a pound up to $8 or $10. The more efficient plants were able to manufacture the average component perhaps at $5 or $6 per pound whereas the less efficient plants ran up to $8 or $10 per pound on the average.

When you get into larger components, with more complications and so on, the price per pound might not be that simple.

Q. When you speak of "components" you speak of components of the kind included in this purchase?—A. Yes, sir. There is a distinction between a "part" and a "component". A component may consist of two or more parts; while a part is one individual piece.

By Mr. Croll:

Q. When did you come into the government service?—A. Originally?

Q. No, the last time?—A. I have been working with the government one way or another since 1940.

Q. You spoke of some familiarity with these airplane parts. Have you had any experience in that line?—A. I had a little experience at Malton. I was president of Victory Aircraft for a couple of years.

Q. That was the "little experience" that I was trying to get on the record.

By Mr. Drew:

Q. Apropos of that remark, where components or parts were used which had been acquired in either the Chicago or the Oklahoma purchases, they represented only a fraction of what they would have cost if acquired in the ordinary way?—A. Yes, sir.

By Mr. Prudham:

Q. When you say they would only cost "a fraction of the original cost", are you making allowances for the probable wastage in bulk purchases?—A. It is very difficult to know. Because you pay $3 million for X number of pounds and you use Y pounds, those are the ones which cost $3 million; the rest might or might not be disposed of for what you paid for them. It is very hard to know.

Q. Is it not most probable that in a purchase of that kind there would be a high percentage of waste?—A. I am sure there would be, yes.

By Mr. Croll:

Q. Yesterday when answering a question you did not finish your answer for some reason or other. You were speaking of this purchase and you agreed that it would be a bargain.—A. Yes, sir.

Q. And you said that they got rather a lucky break when the Berlin Airlift started. You said that and then you stopped. Will you please continue from there?—A. Well, I think that was a story which was well known to the public. As a result of the Airlift, this type of aircraft which had been laid aside at the end of the war came back into use; and for a long time virtually the only source of parts was this inventory. What had been scrapped yesterday, became valuable material today.

The CHAIRMAN: Are there any further questions?

By Mr. Fraser:

Q. I think Mr. Scully mentioned this morning, if I understood him correctly, that he was not sure whether the company had bought direct from the War Surplus organization in the States, or whether there had been a middle man. Is that right?—A. No, sir, I did not say that.

Q. You do not know whether or not they bought direct?—A. They had to buy either directly or through an agent. For example, material was left with the Pullman Company in Chicago who were manufacturing components of this character during the war. They were custodians of that material for the United States War Assets Administration, in much the same way as it was handled in this country. Shipment would be made by the Pullman company for the account of the United States War Assets Administraton. There was no intermediary between Canadair and the custodian. That is what I meant.

By Mr. Drew:

Q. Mr. Scully, you have had wide experience in connection with this particular operation, you would be in a position to indicate that this was a very large movement of material, wasn't it?—A. Yes, very large.

Q. And it involved large payments?—A. Yes, very considerable shipments.

Q. You have no way of indicating what the extent of it was?—A. No, but it was very large.

The CHAIRMAN: Are there any further questions for these witnesses? We can let them go again.

Mr. Drew, have you any other witnesses concerning the two first items, Canadair and Emerald?

Mr. DREW: No, I do not think so.

The CHAIRMAN: Then, the committee stands adjourned until tomorrow. We will send out notices.

Mr. DREW: When I say that I want no more witnesses I mean I am qualifying that by the fact that I assume the refusal to call Mr. Franklin applies to any other officials of Canadair.

The CHAIRMAN: Yes. I should not say yes, I am not the committee; but I would assume the same thing would apply. I assume the committee has sufficient to enable it to pass judgment on that. I mean the committee, I do not think that you or I could, but the committee in general.

Mr. DREW: In that case I just want to remove any doubt about it because I had asked for Mr. Franklin to give information about these transactions. I would, therefore, formally ask that Mr. West of Canadair be called.

The CHAIRMAN: I think, personally, the same objections arise.

Mr. DREW: Frankly, I would assume that, but I wanted it quite clear on the record that I am asking for that witness and I want a decision as to whether he will be called.

The CHAIRMAN: By the way, who is this Mr. West?

Mr. DREW: Mr. West is the President and General Manager, I think, of Canadair at the present time.

The CHAIRMAN: Was he connected with the company when the sale was made?

Mr. DREW: Yes, right through.

The CHAIRMAN: He was?

Mr. DREW: Yes.

Mr. CROLL: Mr. Chairman I think it is the same thing. Mr. Drew is talking for the record. I don't think he expects any reply.

Mr. DREW: I am asking for the record. I am not going to repeat the argument because the same argument applies. Mr. West is a man who can speak with knowledge of the records relating to these transactions. I am formally asking that Mr. West be called. I am not going to repeat the argument.

The CHAIRMAN: The motion is that Mr. West, of Canadair Limited, be called to appear before the committee. Those in favour? Those opposed?

I declare the motion lost.

We will meet this afternoon in camera at 2:30.

At our next regular sitting we will deal with the next order of business, and I think it is well that we discuss it in the main committee rather than in the steering committee so that everybody will be here and we can deal with what is to be our next order of business.

Mr. DREW: When will that be?

The CHAIRMAN: Tomorrow morning at 10 o'clock.

Mr. DREW: And then we will deal with the deferred accounts of the War Assets Corporation. I just wanted to ask Mr. Malley a few questions about that; how that was made up.

The CHAIRMAN: If the Committee decides to go into War Assets we can have him back.

The committee stands adjourned.

The committee adjourned.

APPENDIX A

CANADA

Development Services Branch — Office of the Director

DEPARTMENT OF RESOURCES AND DEVELOPMENT

OTTAWA, 14 June, 1950.

Dear Sir,

On Monday, the 12th instant, I promised to furnish you with some further information with regard to the contract with the Western Construction & Lumber Company Limited of Edmonton for the construction of some 30 miles of highway from the town of Jasper to the East Gate of the Park.

The cost of this project is analyzed for the information of your Committee as follows:

Total appropriation for this work	$761,200 48
Contractor's fee	31,230 56
Rental paid Contractor for use of Equipment (this includes fuel, lubricants, repairs and operators' wages)	519,700 11
Materials such as culverts, etc	68,075 50
Labour payroll (Other than equipment operators)	123,051 07
Engineering	19,143 24
Cost of road per mile	25,800 00

Yours very truly,

R. A. GIBSON,
Director.

The Chairman,
Public Accounts Committee,
House of Commons,
Ottawa.

APPENDIX B

LETTERS PATENT

INCORPORATING

CANADAIR LIMITED

Dated 3rd October, 1944.

DEPARTMENT OF THE SECRETARY OF STATE OF CANADA

REGISTRAR'S BRANCH

OTTAWA, 14th June, 1950.

I hereby certify the within to be a true and faithful copy of the record of the original Letters Patent as entered in Liber 388, Folio 182.

H. W. DOYLE,
For Deputy Registrar General of Canada.

[SEAL]

Letters Patent incorporating Canadair Limited, Dated 3rd October, 1944. Recorded 17th October, 1944.

E. H. COLEMAN,
Deputy Registrar General of Canada.

By the Honourable NORMAN ALEXANDER MCLARTY,
Secretary of State of Canada.

To all to whom these presents shall come, or whom the same may in anyway concern, GREETING:

Whereas, in and by Part I of The Companies Act, 1934, it is amongst other things, in effect enacted that the Secretary of State of Canada may by Letters Patent, under his Seal of Office, grant a Charter to any number of persons, not less than three, who having complied with the requirements of the said Act, apply therefor, constituting such persons, and others who thereafter become shareholders of the Company thereby created, a Body Corporate and Politic for any of the purposes or objects to which the Legislative Authority of the Parliament of Canada extends, except the construction and working of railways within Canada or of telegraph or telephone lines within Canada, the business of insurance within the meaning of The Canadian and British Insurance Companies Act, the business of a trust company within the meaning of the Trust Companies Act, the business of a loan company within the meaning of the Loan Companies Act, and the business of banking and the issue of paper money, upon the applicants therefor establishing to the satisfaction of the Secretary of State, due compliance with the several conditions and terms in and by the said Act set forth and thereby made conditions precedent to the granting of such Charter.

And whereas, Yvette Tobin, Mabel Watson and Doris Rafferty, Secretaries, Maura Trainor and Margaret Clacy, Clerks, all of the City of Montreal, in the Province of Quebec, have made application for a Charter under the said Act, constituting them and such others as may become shareholders in the company thereby created, a Body Corporate and Politic, under the name of Canadair Limited for the purposes hereinafter mentioned, and have satisfactorily established the sufficiency of all proceedings required by the said Act, to be taken, and the truth and sufficiency of all facts required to be established previous to the granting of such Letters Patent, and have filed in the Department of the Secretary of State a duplicate of the Memorandum of Agreement executed by the said applicants in conformity with the provisions of the said Act.

Now know ye, that I, the said Norman Alexander McLarty, Secretary of State of Canada, under the authority of the hereinbefore in part recited Act, do, by these Letters Patent, constitute the said Yvette Tobin, Mabel Watson, Doris Rafferty, Maura Trainor and Margaret Clacy, and all others who may become shareholders in the said Company, a Body Corporate and Politic, by the name of Canadair Limited with all the rights and powers given by the said Act, and for the following purposes and objects, namely:—

(*a*) To design, develop, test, manufacture, produce, assemble, buy, sell, exchange, lease, let on hire, overhaul, repair, service, store, warehouse and otherwise deal with and dispose of aircraft, airships, flying machines and aerial conveyances of all kinds and descriptions and all motors, engines, machinery, gear, fuel, propellants, lubricants, materials, parts, fittings, components, tools, appliances, apparatus, implements and accessories of every type and description necessary, useful or incidental thereto or in connection therewith;

(*b*) In connection with the business of the company:

1. To own, purchase, take on lease or option; or otherwise acquire, hold and, subject to the provisions of section 63 of The Companies' Act 1934, to mortgage, pledge and/or hypothecate and to sell, alienate, convey, lease, modify, exchange or otherwise deal with or dispose of property, real, personal, movable of immovable, or any right or interest therein of any name nature, description or kind, present or future;

2. To establish, maintain and conduct or to assist in the establishment, maintenance and conduct of any school, club, group, association or society for the purpose of advancing the study and practice of aviation, aerostatics and aeronautics;

3. To operate aircraft, airships, flying machines and aerial conveyances of all kinds and descriptions, subject to the statutes and regulations applicable to the operation of the same.

The operations of the company to be carried on throughout the Dominion of Canada and elsewhere.

The head office of the company will be situate at the City of Montreal, in the Province of Quebec.

The capital stock of the said company shall consist of ten thousand (10,000) shares without nominal or par value, subject to the increase of such capital stock under the provisions of the said Act, provided, however, that the said shares may be issued for such price or consideration as may from time to time be fixed by the Board of Directors, provided, further, that the aggregate consideration of the said shares shall not exceed in amount the sum of ten thousand dollars ($10,000) or such greater amount as the Board of Directors of the company may deem expedient and as may be consented to by the Secretary of State of Canada, on payment to the Secretary of State of Canada of the requisite fees applicable to such greater amount.

And it is hereby ordained and declared that the company may pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in the capital

stock of the company, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any such shares, and if such shares are of a par value, such commission whether in money or in shares shall not exceed ten per cent. (10%) of the par value of such shares, and if such shares are without nominal or par value, such commission if in the form of money, shall not exceed ten per cent. (10%) of the consideration for which such shares are issued, and if in the form of shares shall not exceed ten per cent. (10%) of the number of shares subscribed for, provided, however, that such commission shall not exceed ten per cent. (10%) of the amount realized therefrom.

And it is further ordained and declared that, if authorized by by-law duly passed by the directors and sanctioned by at least two-thirds of the votes cast at a special general meeting of the shareholders, duly called for considering the by-law, the directors may from time to time:—

(*a*) borrow money upon the credit of the company;
(*b*) limit or increase the amount to be borrowed;
(*c*) issue debentures or other securities of the company;
(*d*) pledge or sell such debentures or other securities for such sums and at such prices as may be deemed expedient;
(*e*) mortgage, hypothecate, charge or pledge all or any of the real and personal property, undertaking and rights of the company to secure any such debentures or other securities or any money borrowed or any other liability of the company;

Any such by-law may provide for the delegation of such powers by the Directors to such officers or Directors of the company to such extent and in such manner as may be set out in such by-law.

Nothing in this clause contained shall limit or restrict the borrowing of money by the company on bills of exchange or promissory notes made, drawn, accepted or endorsed, by or on behalf of the company.

That the said Yvette Tobin, Mabel Watson, Doris Dafferty, Maura Trainor and Margaret Clacy, are to be the first directors of the said company.

Provided always that nothing in these Presents expressed or contained shall be taken to authorize the construction and working of railways within Canada or of telegraph or telephone lines within Canada, the business of insurance within the meaning of The Canadian and British Insurance Companies Act, the business of a loan company within the meaning of the Loan Companies Act, and the business of banking and the issue of paper money.

Given under my hand and Seal of Office, at Ottawa, this third day of October, 1944.

E. H. COLEMAN,
Under Secretary of State.

APPENDIX C

SUPPLEMENTARY LETTERS PATENT

TO

CANADAIR LIMITED

Confirming By-law 19 of the
company increasing its capital stock.

Dated, 3rd February, 1947.

Recorded, 13th February, 1947.

W. P. J. O'MEARA,
Acting Deputy Registrar
General of Canada.

DEPARTMENT OF THE SECRETARY OF STATE
OF CANADA

REGISTRAR'S BRANCH

OTTAWA, 14th June, 1950.

I hereby certify the within to be a true and faithful copy of the record of the original Supplementary Letters Patent as entered in Liber 427, Folio 479.

H. W. DOYLE,
For Deputy Registrar General of Canada.

[Seal]

CANADA

By the Honourable COLIN WILLIAM GEORGE GIBSON,
Secretary of State of Canada.

To all to whom these Presents shall come, or whom the same may in anywise concern, GREETING:

Whereas Canadair Limited is a company duly incorporated under the provisions of Part I of The Companies Act, 1934, as amended, by letters patent dated the third day of October, one thousand nine hundred and forty-four, with a capital stock consisting of ten thousand (10,000) shares without nominal or par value to be issued for such price or consideration as may from time to time be fixed by the Board of Directors, provided, however that the aggregate consideration of the said shares shall not exceed in amount the sum of ten thousand dollars ($10,000) or such greater amount as the Board of Directors of the company may deem expedient and as may be consented to by the Secretary of State of Canada, on payment to the Secretary of State of Canada of the requisite fees applicable to such greater amount;

And whereas the company has applied by Petition to me, the Secretary of State of Canada, for the issue of supplementary letters patent under the pro-

visions of the said Act, confirming By-law 19, enacted by the Directors of the company on the twenty-fifth day of January, one thousand nine hundred and forty-seven, and duly sanctioned by the unanimous vote cast a special general meeting of the shareholders of the company duly called for considering the same and held on the said twenty-fifth day of January, one thousand nine hundred and forty-seven, increasing the capital stock of the company as hereinafter set forth;

And whereas the company has satisfactorily established the sufficiency of all proceedings by the said Act required to be taken, and the truth of all facts by the said Act required to be established previous to the granting of such supplementary letters patent.

Now know ye that I, Colin William George Gibson, Secretary of State of Canada, by virtue of the power vested in me by the said Act, and of any other power or authority whatever in me vested in this behalf, do by these my supplementary letters patent confirm said By-law 19 of the company, duly enacted and sanctioned as aforesaid, increasing the capital stock of the company by the creation of one million nine hundred and ninety thousand (1,990,000) additional shares without nominal or par value, so that the authorized capital of the company shall be as follows:—

> The capital stock of the said company shall consist of two million (2,000,000) shares without nominal or par value, subject to the increase of such capital stock under the provisions of the said Act, provided, however, that the said shares may be issued for such price or consideration as may from time to time be fixed by the Board of Directors, provided, further, that the aggregate consideration for the issue of the said shares shall not exceed the sum or value of three million dollars ($3,000,000) or such greater amount as the Board of Directors of the company may deem expedient and as may be consented to by the Secretary of State of Canada, on payment to the Secretary of State of Canada of the requisite fees applicable to such greater amount.

Given under my hand and seal of office at Ottawa, this third day of February, 1947.

W. P. J. O'MEARA,
Acting Under Secretary of State.

APPENDIX D

DEPARTMENT OF THE SECRETARY OF STATE OF CANADA

I hereby certify the within documents to be true and correct copies of the financial statements of Canadair Limited for the periods from 11th November, 1944, to 31st October, 1945, and from 31st October, 1945, to 14th September, 1946, deposited in the Department of the Secretary of State of Canada on the twelfth day of July, one thousand nine hundred and forty-six, and the twelfth day of May, one thousand nine hundred and forty-seven, respectively.

Given under my hand and seal of office, at Ottawa, this fourteenth day of June, one thousand nine hundred and fifty.

C. STEIN,
Under Secretary of State.

[Seal]

CANADAIR LIMITED FINANCIAL STATEMENTS AS AT 31st OCTOBER 1945

HASKELL, ELDERKIN & CO.

Chartered Accountants, The Royal Bank Building, Montreal

FINANCIAL STATEMENTS

HASKELL, ELDERKIN & COMPANY

Chartered Accountants, The Royal Bank Building, Montreal, Canada

M. Ogden Haskell, C.A.
E. F. O'Brien, C.A.
Donald R. Patton, C.A.
A. Willard Hamilton, C.A.

Cable Address
"Audits" Montreal

Tel. Marquette 8321

15th May, 1946.

The Directors,
Canadair Limited,
Montreal, Que.

Gentlemen:

We have made an examination of the books and accounts of Canadair Limited for the period from 11th November 1944 to 31st October 1945 and have submitted, under this date, the following financial statements of the Company, together with our report to the shareholders.

1. Balance Sheet as at 31st October 1945.

2. Statement of Profit and Loss for the period from 11th November 1944 to 31st October 1945.

In connection with our examination, the following is submitted for your further information.

Accounts Receivable—Dominion Government—$699,705.87

This balance was made up as follows:

Profits due from the Dominion Government in respect of contracts administered by the Company as Agent.....		$712,723 94
Payment in respect of P. F. Anten, Esq., to be charged to contract costs		7,500 00
		$720,223 94
Less the following amounts paid from Government funds and to be refunded by the Company		
Salary of B. W. Franklin, Esq., from 11th November 1944 to 31st October 1945....	$ 17,053 73	
Expenses not allowed as charges to contracts.	3,464 34	20,518 07
		$699,705 87

Bank Loan—$7,500.00

This was the amount borrowed from the Canadian Bank of Commerce for the payment of a similar amount to P. F. Anten, Esq.

Accounts Payable—$600.00

The above provided for the liability of the Company in respect of audit and secretarial services for the period ended 31st October 1945.

Provision for Income and Excess Profits Taxes—$487,300.00

The liability for taxes has been based on estimated Standard Profits of $300,000.00 and cannot be finally established until the Board of Referees has determined the Standard Profits of the Company. We are informed that to date no request has been made to the Minister of National Revenue—Taxation, to have the Standard Profits fixed.

Profit

We are informed that at 31st October 1945 final costs had not beeen as-the basis of estimates made by the Company. Such profits, however, are subject certained for any contract, and that the profits have been taken into account on to the approval of the Dominion Government upon final audit.

Yours very truly,

(Sgd) HASKELL, ELDERKIN & CO.
Chartered Accountants.

HASKELL, ELDERKIN & COMPANY

Chartered Accountants, The Royal Bank Building, Montreal, Canada

M. Ogden Haskell, C.A.
E. F. O'Brien, C.A.
Donald R. Patton, C.A.
A. Willard Hamilton, C.A.

Cable Address
"Audits" Montreal

Tel. Marquette 8321

CANADAIR LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the books and accounts of Canadair Limited for the period from 11th November 1944 to 31st October 1945, and have obtained all the information and explanations which we have required.

The liability for Income and Excess Profits Taxes has been based on estimated Standard Profits of $300,000.00 and is subject to adjustment upon determination of the Standard Profits by the Board of Referees.

The profits on contracts taken into account are subject to the approval of the Dominion Government, subsequent to audit by the Cost Inspection and Audit Division.

Subject to the foregoing we report that, in our opinion, the attached balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

(Sgd) HASKELL, ELDERKIN & CO.
Chartered Accountants.

Montreal, 15th May 1946.

CANADAIR LIMITED

Balance Sheet
31st October 1945

Assets

Cash	$ 893.59
Account Receivable—Dominion Government	699,705.87
Refundable Portion of Excess Profits Taxes	70,200.00
	$770,799.46

Liabilities

Bank Loan		$ 7,500.00
Accounts Payable		600.00
Provision for Income and Excess Profits Taxes		487,300.00
Capital		
Capital Stock		
Authorized—10,000 Shares of No Par Value		
Issued 1,000 Shares	$ 1,000.00	
Deferred Surplus		
Refundable Portion of Excess Profits Taxes	70,200.00	
Surplus		
Net Profit for the period ended 31st October 1945	204,199.46	275,399.46
		$770,799.46

Approved on behalf of the Board

(Sgd) B. W. Franklin, *Director*

(Sgd) D. H. Macfarlane, *Director*

Submitted with our Report of this date.

(Sgd) HASKELL, ELDERKIN & CO.
Chartered Accountants.

Montreal, 15th May 1946.

CANADAIR LIMITED

Statement of Profit and Loss
From 11th November 1944 to 31st October 1945

Profit on Contracts taken over from Canadian Vickers Limited	$331,082.63
Profit on Conversion and Overhaul Contracts	259,765.45
Profit on Other Contracts	121,302.68
Profit on the Sale of Investments	31.25
	712,182.01

Expenses		
Audit Fees	$ 600.00	
Executive Salaries	17,053.73	
Interest—Net	137.66	
Membership Fee	1,600.00	
Sundry Expenses	1,291.16	20,682.55
		691,499.46
Provision for Income and Excess Profits Taxes		487,300.00
Net Profit		$204,199.46

EXHIBIT "A"

CANADAIR LIMITED

AUDITORS' REPORT FOR THE PERIOD FROM 31ST OCTOBER TO 14TH SEPTEMBER 1946

RIDDELL, STEAD, GRAHAM & HUTCHISON

Chartered Accountants

460 St. Francois Xavier St.,
P. O. Box 2398 Place d'Armes
Montreal, 1

17 February 1947.

To the Shareholders,
Canadair Limited,
Cartierville, Que.

Dear Sirs:

We have examined the books and accounts of Canadair Limited for the period from 31st October 1945 to 14th September 1946.

We append balance sheets as at 14th September 1946—

Statement "A"—Prior to Acquisition of Crown Assets
Statement "B"—After Acquisition of Crown Assets

We have not verified the assets or liabilities acquired from the Crown at 14th September 1946; these appear in the balance sheet at cost.

No provision has been made in the accounts for the cost of such part of the Automotive Equipment (presently in use) as the Company may decide to purchase from War Assets Corporation.

Subject to the foregoing we report that we have obtained all the information and explanations we have required and that, in our opinion, the attached balance sheets as at 14th September 1946, before and after acquisition of Crown Assets, are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information and the explanations given to us and as shown by the books of the Company.

Yours faithfully,

(Signed) RIDDELL, STEAD, GRAHAM & HUTCHISON,
Auditors.

CANADAIR LIMITED

BALANCE SHEET AS AT 14th SEPTEMBER 1946
(Prior to acquisition of Crown Assets)

ASSETS

Amount due by Crown		$ 10,000.00

LIABILITIES

Bank Loan	$385,000.00	
Less: Collateral Account	385,000.00	—
Capital Stock		
Authorized and Issued—		
10,000 shares of No Par Value		$ 10,000.00
Earned Surplus		
Balance as at 31st October 1945	204,199.46	
Less: Adjustments in respect of prior period	204,199.66	—
		$ 10,000.00

Approved on behalf of the Board:

.....Director

.....Director

Montreal, 17th February 1947

Submitted with our report of this date.

(Signed) RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants, Auditors.

A general statement of income and expenditure for the financial period ending upon the date of the balance sheet has been omitted as it is inapplicable.

CANADAIR LIMITED

STATEMENT "B"

BALANCE SHEET AS AT 14th SEPTEMBER 1946

(After acquisition of Crown Assets)

ASSETS			LIABILITIES		
Current Assets			*Current Liabilities*		
Cash on Hand and in Bank		$ 500,236.48	Bank Loan	$ 385,000.00	
Accounts Receivable		1,708,864.52	*Less*: Collateral Account	385,000.00	—
Duty and Brockerage Receivable		534,647.82	Accounts Payable and Accrued Liabilities		$ 1,200,586.06
Income and Excess Profits Taxes Recoverable		487,300.00	Accrued and Unclaimed Wages		220,995.27
Owing on completed Conversion Jobs, Spares, etc.	$6,555,937.50		Income Tax and other Deductions from Employees' Earnings		90,754.51
Less: Amount Billed	6,345,378.75	210,558.75	Accrued Sales Tax		567,314.46
			Liabilities for Employees' Dom. of Canada Savings Bonds	175,331.14	
Inventories—			*Less*: Receivable from Employees	175,331.14	
Work in Process—			Deposits, Advance Payments and Billings—		
North Star Aircraft and Spares	1,999,734.86		On North Star Contracts	5,859,138.74	
Conversion and Overhaul (uncompleted Aircraft and Spares)	4,568,997.82		On Conversion and Overhaul Contracts	4,088,874.48	9,948,013.22
Miscellaneous	335,940.50		Due to Crown (Department of Reconstruction and Supply) for Net Quick Assets	643,149.14	
Raw Materials—			Current portion of deferred amount (see below)	1,110,520.32	1,753,669.46
North Star (including Chicago Purchase)	2,454,814.13		*Total Current Liabilities*		13,781,332.98
DC-3 (including Oklahoma Purchase)	1,351,989.65		*Deferred Amount Due to Crown* (Department of Reconstruction and Supply) Payable Quarterly from 30th June 1947 to 31st Dec. 1948 with interest at 3½% per annum from 15th Jan. 1947	3,886,821.10	
Other Purchased Materials	101,798.31		*Less*: Amount due within one year	1,110,520.32	2,776,300.78
Materials in Transit	700,000.00		*Capital Stock*		
Prepayments to Suppliers	739,592.43	12,252,867.70	Authorized and Issued— 10,000 shares of No Par Value		10,000.00
Total Current Assets		15,694,475.27	*Earned Surplus*		
Prepaid and Deferred Items			Balance as at 31st October 1945	204,199.46	
Perishable Tools, Shop Supplies, etc.	791,672.75		*Deduct*: Adjustments in respect of prior period resulting from changes in contracts	204,199.46	—
Deferred Charges and Expense	77,655.85	869,326.60			
Fixed Assets					
Automobile		3,831.89			
		$ 16,567,633.76			$ 16,567,633.76

Approved on Behalf of the Board:

.....Director

.....Director

Montreal, 17th February 1947

Submitted with our report of this date

(Signed) RIDDELL, STEAD, GRAHAM & HUTCHISON

Chartered Accountants, Auditors.

APPENDIX E

SUPPLEMENTARY LETTERS PATENT

TO

CANADAIR LIMITED

In pursuance of Special By-law "A" of the company, amending and varying the provisions of its letters patent.

Dated, 8th May, 1947.

Recorded, 5th June, 1947.

E. H. COLEMAN,
Deputy Registrar General of Canada.

DEPARTMENT OF THE SECRETARY OF STATE OF CANADA

REGISTRAR'S BRANCH

OTTAWA, 14th June, 1950.

I hereby certify the within to be a true and faithful copy of the record of the original Supplementary Letters Patent as entered in Liber 438 Folio 177.

H. W. DOYLE,
FOR *Deputy Registrar General of Canada.*

[SEAL]

CANADA

By the Honourable COLIN WILLIAM GEORGE GIBSON, Secretary of State of Canada. To all to whom these Presents shall come, or whom the same may in anywise concern,

GREETING:

Whereas Canadair Limited is a company duly incorporated under the provisions of Part I of The Companies Act, 1934, as amended, by letters patent dated the third day of October, one thousand nine hundred and forty-four, with a capital stock consisting of ten thousand (10,000) shares without nominal or par value to be issued for such price or consideration as would from time to time be fixed by the Board of Directors, provided, however, that the aggregate consideration of the said shares should not exceed in amount the sum of ten thousand dollars ($10,000) or such greater amount as the Board of Directors of the company would deem expedient and as would be consented to by the Secretary of State of Canada, on payment to the Secretary of State of Canada of the requisite fees applicable to such greater amount;

And whereas by supplementary letters patent dated the third day of February, one thousand nine hundred and forty-seven, the capital stock of the company was increased to two million (2,000,000) shares without nominal or par value to be issued for such price or consideration as may from time to time

be fixed by the Board of Directors, provided, however, that the aggregate consideration for the issue of the said shares shall not exceed the sum or value of three million dollars ($3,000,000) or such greater amount as the Board of Directors of the Company may deem expedient and as may be consented to by the Secretary of State of Canada, on payment to the Secretary of State of Canada, of the requisite fees applicable to such greater amount.

And whereas the company has applied by Petition to me, the Secretary of State of Canada, for the issue of supplementary letters patent under the provisions of the said Act, amending the letters patent and supplementary letters patent of the company in pursuance of Special By-law "A", enacted by the Directors of the company on the first day of May, one thousand nine hundred and forty-seven, and duly sanctioned by the unanimous vote cast at a special general meeting of the shareholders of the Company duly called for considering the same and held on the said first day of May, one thousand nine hundred and forty-seven, as hereinafter set forth;

And whereas the company has satisfactorily established the sufficiency of all proceedings by the said Act required to be taken, and the truth of all facts by the said Act required to be established previous to the granting of such supplementary letters patent.

Now know ye that I, Colin William George Gibson, Secretary of State of Canada, by virtue of the power vested in ME by the said Act, and of any other power or authority whatever in ME vested in this behalf, do by these my supplementary letters patent, in pursuance of said Special By-law "A" of the company, duly enacted and sanctioned as aforesaid, amend and vary the provisions of the letters patent incorporating the company, as amended by supplementary letters patent granted thereto as hereinbefore set forth, by adding thereto the following:—

> And it is further ordained and declared that the company shall be deemed to be a private company under the provisions of the Companies Act, with the following restrictions, viz:—
>
> (i) No shareholder shall, without the express sanction of the directors, to be signified by resolution passed by the Board of Directors, transfer his share or shares;
>
> (ii) The number of shareholders of the Company shall be limited to fifty (50), not including persons who are in the employment of the company and persons, who, having been formerly in the employment of the company, were, while in that employment and have continued after the determination of that employment to be shareholders of the Company, two or more persons holding one or more shares jointly being counted as a single shareholder;
>
> (iii) Any invitation to the public to subscribe for any shares or debentures of the Company shall be prohibited

and thereby converting the company from a public company into a private company.

Given under my hand and seal of office at Ottawa, this eighth day of May, 1947.

E. H. COLEMAN,
Under Secretary of State.

APPENDIX F

SUPPLEMENTARY LETTERS PATENT

TO

CANADAIR LIMITED

Confirming By-law Twenty-nine of the Company altering its capital stock.

Dated, 13th December, 1948.

Recorded, 24th December, 1948.

E. H. COLEMAN,
Deputy Registrar General of Canada.

DEPARTMENT OF THE SECRETARY OF STATE OF CANADA

REGISTRAR'S BRANCH

OTTAWA, 14th June, 1950.

I hereby certify the within to be a true and faithful copy of the record of the original Supplementary Letters Patent as entered in Liber 455 Folio 308.

H. W. DOYLE,
For Deputy Registrar General of Canada.

[Seal]

CANADA

By the Honourable COLIN WILLIAM GEORGE GIBSON, Secretary of State of Canada.

To all to whom these Presents shall come, or whom the same may in anywise concern, GREETING:

Whereas Canadair Limited is a company duly incorporated under the provisions of Part I of The Companies Act, 1934, as amended, by letters patent dated the third day of October, one thousand nine hundred and forty-four, with a capital stock consisting of ten thousand (10,000) shares without nominal or par value;

And Whereas the provisions of the said letters patent have been amended from time to time by the issue of supplementary letters patent dated respectively the third day of February, one thousand nine hundred and forty-seven, and the eighth day of May, one thousand nine hundred and forty-seven, as a consequence of which the presently authorized capital of the Company consists of two million (2,000,000) shares without nominal or par value to be issued for such price or consideration as may from time to time be fixed by the Board of Directors, provided, however, that the aggregate consideration for the issue of the said shares shall not exceed the sum or value of three million dollars ($3,000,000) or such greater amount as the Board of Directors of the Company

may deem expedient and as may be consented to by the Secretary of State of Canada, on payment to the Secretary of State of Canada of the requisite fees applicable to such greater amount;

And Whereas it has been established that there are presently outstanding one million and seventy-five thousand nine hundred and fifty (1,075,950) shares of the capital stock of the Company, of which fifty-eight thousand four hundred and fifty (58,450) shares are registered in the names of shareholders other than Electric Boat Company and one million and seventeen thousand five hundred (1,017,500) shares are registered in the name of Electric Boat Company;

And Whereas the Company has applied by Petition to me, the Secretary of State of Canada, for the issue of supplementary letters patent under the provisions of the said Act confirming By-law Twenty-nine enacted by the Directors of the Company on the sixth day of December, one thousand nine hundred and forty-eight, and duly sanctioned by the unanimous vote cast at a special general meeting of the shareholders of the Company duly called for considering the same and held on the tenth day of December, one thousand nine hundred and forty-eight, altering the capital stock of the Company as hereinafter set forth;

And Whereas the Company has satisfactorily established the sufficiency of all proceedings by the said Act required to be taken, and the truth of all facts by the said Act required to be established previous to the granting of such supplementary letters patent.

Now Know Ye That I, Colin William George Gibson, Secretary of State of Canada, by virtue of the power vested in ME by the said Act, and of any other power or authority whatever in ME vested in this behalf, do by these my supplementary letters patent confirm said By-law Twenty-nine of the Company, duly enacted and sanctioned as aforesaid,—

(1) (i) classifying forty-one thousand five hundred and fifty (41,550) of the presently authorized but unissued shares without nominal or par value of the capital stock of the Company as "Employees and Directors Shares", and

(ii) classifying the said fifty-eight thousand four hundred and fifty (58,450) presently issued and outstanding shares without nominal or par value of the capital stock of the Company registered in the respective names of all the shareholders of the Company with the exception of any shares registered in the name of Electric Boat Company as "Employees and Directors' Shares";

(2) (i) classifying the remaining eight hundred and eighty-two thousand five hundred (882,500) presently authorized but unissued shares without nominal or par value of the capital stock of the Company as "Common Shares", and

(ii) classifying the said one million and seventeen thousand five hundred (1,017,500) presently issued and outstanding shares of the capital stock of the Company registered in the name of Electric Boat Company as "Common Shares";

so that the authorized capital of the Company shall be as follows:—

The capital stock of the said Company shall consist of one hundred thousand (100,000) Employees and Directors Shares and one million nine hundred thousand (1,900,000) Common Shares, all without nominal or par value, subject to the increase of such capital stock under the provisions of the said Act, provided, however, that the said Employees and Directors Shares and the said Common Shares may be issued for such price or consideration as may from time to time be fixed by the Board of Directors' provided, further, that the aggregate consideration for the issue of the said shares shall not exceed the sum or value of three million dollars ($3,000,000) or such greater amount as the Board of Directors

of the Company may deem expedient and as may be authorized by the Secretary of State of Canada upon payment of the requisite fees applicable to such greater amount.

The said Employees and Directors Shares and the said Common Shares, respectively, shall rank equally in all respects subject to the rights, powers, privileges, limitations, conditions and provisions hereinafter stated, that is to say:

(*a*) the holders of the Common Shares shall be entitled to receive notice of and to attend all meetings of shareholders and shall have one (1) vote thereat for each Common Share then held by them respectively;

(*b*) the holders of the Employees and Directors Shares shall be entitled to receive notice of and to attend all meetings of shareholders but shall not as such have any voting rights for the election of Directors or for any other purpose unless and until at any time and from time to time no dividend is paid by the Company on such Employees and Directors Shares during a period of two (2) consecutive calendar years, whereupon and until the payment of a dividend by the Company of such Employees and Directors Shares, the holders of the Employees and Directors Shares at each annual meeting of shareholders held after the expiration of any such period of two (2) consecutive calendar years but prior to the payment of any such dividend shall be entitled to elect one (1) Director of the Company and for such purpose shall be entitled to one (1) vote with respect to each Employees and Directors Shares so held, provided, however, that upon the payment of a dividend by the Company following the expiration of any such period of two (2) consecutive calendar years during which no dividend is paid on the Employees and Directors Shares, such right of the holders of the Employees and Directors Shares to vote shall cease and terminate and any Director who may have been elected by the holders of such Employees and Directors Shares shall automatically cease to be a Director of the Company and the vacancy thus created shall be filled by the remaining Directors of the Company or by the holders of such shares of the share capital of the Company as may be entitled to vote at the next succeeding annual general meeting of shareholders.

Given under my hand and seal of office at Ottawa, this thirteenth day of December, 1948.

E. H. COLEMAN,
Under Secretary of State.

APPENDIX G

DEPARTMENT OF THE SECRETARY OF STATE OF CANADA

I hereby certify the within to be a true and correct copy of a document relating to Canadair Limited filed in the Department of the Secretary of State of Canada on the fifteenth day of October, one thousand nine hundred and forty-six.

Given under my hand and seal of office, at Ottawa, this fifteenth day of June, one thousand nine hundred and fifty.

C. STEIN,
Under Secretary of State.

[SEAL]

CANADAIR LIMITED

CERTIFIED COPY OF BY-LAW SIXTEEN

"By-law Sixteen be it and it is hereby made, passed and enacted:

That By-law Three, Article 1, of the By-laws of the Company be and it is hereby amended by deleting therefrom the word 'five' where it appears and replacing the same by the word 'six". McP

I, the undersigned, D. H. Macfarlane, Vice-President, hereby certify the foregoing to be a true and exact copy of By-law Sixteen of the By-laws of Canadair Limited duly made, passed and enacted by the Board of Directors at a meeting duly held at the City of Montreal on the 2nd day of October, 1946, at which a quorum was present, and subsequently duly sanctioned, approved, ratified and confirmed by at least two-thirds of the votes cast at a Special General Meeting of the Shareholders of the Company duly held for the purpose of considering the said By-law on the 2nd day of October, 1946, at which a quorum was present.

In witness whereof I have hereunto set my hand and affixed the corporate seal of the Company at the City of Montreal this 11th day of October, 1946.

(Sgd.) D. H. MACFARLANE,
Vice-President.

[SEAL]

APPENDIX H

DEPARTMENT OF THE SECRETARY OF STATE OF CANADA

I hereby certify the within to be a true and correct copy of a document relating to Canadair Limited filed in the Department of the Secretary of State of Canada on the third day of February, one thousand nine hundred and forty-seven.

Given under my hand and seal of office, at Ottawa, this fifteenth day of June, one thousand nine hundred and fifty.

C. STEIN,
Under Secretary of State.

[SEAL]

CANADAIR LIMITED

BY-LAW FIXING NUMBER OF DIRECTORS

Extract from By-law 3, Article 1, of the By-laws of Canadair Limited

ARTICLE 1. *Number of Directors.* The Board of Directors shall consist of twelve Directors.

I, the undersigned, Donald H. Macfarlane, Secretary, hereby certify the foregoing to be a true and exact extract from By-law 3, Article 1 of the By-laws of Canadair Limited duly made, passed and enacted by the Board of Directors of the Company at a meeting duly held in the City of Montreal on the 25th day of January, 1947, and subsequently sanctioned, approved, ratified and confirmed by all of the votes cast at a Special General Meeting of the Shareholders duly held for the purpose of considering the said By-law on the 25th day of January, 1947, at which a quorum was present.

In witness whereof I have hereunto set my hand and affixed the corporate seal of the Company at the City of Montreal this 27th day of January, 1947.

(Sgd.) D. H. MACFARLANE,
Secretary.

[SEAL]

APPENDIX I

DEPARTMENT OF THE SECRETARY OF STATE
OF CANADA

I hereby certify the within to be true and correct copies of documents relating to the supplemetary letters patent dated the thirteenth day of December, one thousand nine hundred and forty-eight, issued the CANADAIR LIMITED altering the capital stock of the said company, on file in the Department of the Secretary of State of Canada.

Given under my hand and seal of office, at Ottawa, this fifteenth day of June, one thousand nine hundred and fifty.

C. STEIN,
Under Secretary of State.

[SEAL]

ILSLEY, DUQUET & MacKAY
Barristers & Solicitors
The Royal Bank Building, Montreal, 1

December 11, 1948.

A. ALEX CATTANACH, Esq.,
Companies' Branch,
Department of the Secretary of State,
Ottawa, Ontario.

Re: Canadair Limited—Classification of Shares—Amendment of Letters Patent

Dear Mr. CATTANACH:

Referring to our recent conversation with you over the telephone from New York, I enclose herewith an application for Supplementary Letters Patent together with supporting documents and our cheque payable to the order of the Receiver General of Canada to the amount of $100.00 covering the required fee.

The Company now has an authorized capital of 2,000,000 shares without nominal of par value and it is the intention that these shares be classified as follows:

(*a*) 100,000 as Employees and Directors Shares;

(*b*) 1,900,000 as Common Shares.

It is also desired that the Letters Patent and Supplementary Letters Patent be amended or varied so as to specify particularly the voting rights which are to attach to each of the two respective classes of shareholders.

I would appreciate it very much if you would wire me as soon as you have had an opportunity to examine the enclosure giving me the date as of which the Supplementary Letters Patent will be granted.

Yours very truly,

Encls. (Sgd) JOHN E. L. DUQUET.

O'M:BP
3820:48

OTTAWA, December 15, 1948.

Dear Mr. DUQUET,

This will confirm our conversation this morning by long distance telephone in which it was agreed that you would forward to this Department an affidavit or statutory declaration of a competent officer of CANADAIR LIMITED to establish the number of shares of the capital stock of the petitioner company held respectively by Electric Boat Company and by others. It was also agreed that in the recapitulation of the amended capital stock provisions, the procedure for increasing the aggregate allotment price of the shares without nominal or par value would remain based on the phraseology which was employed in previous letters patent and supplementary letters patent of Canadair Limited.

On this basis, draft letters patent have been prepared, a copy of which I enclose for your information. Upon receipt of your approval of this draft and of the evidence of ownership of shares as above requested, supplementary letters patent will issue dated the 13th instant.

With kind personal regards,

Sincerely yours,

W. P. J. O'MEARA,
Assistant Under Secretary of State.

J. E. L. DUQUET, Esq., K.C.,
Messrs, Ilsley, Duquet and MacKay,
Barristers, etc.,
P.O. Box 1446, Place d'Armes,
Montreal 1, P.Q.

ILSLEY, DUQUET & MacKAY
Barristers & Solicitors
The Royal Bank Building, Montreal, 1

December 17, 1948.

W. P. J. O'MEARA, Esq.,
Assistant Under Secretary of State,
Department of the Secretary of State,
Ottawa, Ontario.

Dear Mr. O'MEARA:

This will acknowledge receipt of your letter of December 15, 1948.

I enclose herewith a statutory declaration of the Secretary of Canadair Limited establishing the number of shares of the capital stock of the Company held respectively by Electric Boat Company and by others.

The draft of the proposed Supplementary Letters Patent to issue under date of December 13, 1948, as enclosed with your letter, appears to me to be quite in order. The Company is satisfied with the terms of the Supplementary Letters Patent in which the procedure for increasing the aggregate allotment price of the shares without nominal or par value remains based on the phraseology which was employed in previous Letters Patent and Supplementary Letters Patent.

Best personal regards,

Yours sincerely,

(Sgd) JOHN E. L. DUQUET.

Encl.

Canada,
Province of Quebec,
County of Hochelaga.

IN THE MATTER OF THE PETITION OF CANADAIR LIMITED FOR SUPPLEMENTARY LETTERS PATENT CONFIRMING BY-LAW TWENTY-NINE OF THE BY-LAWS OF THE COMPANY

AFFIDAVIT

I, The undersigned, Donald H. Macfarlane, Executive, residing and domiciled at Civic No. 461 Mount Pleasant Avenue, in the city of Westmount, in the Province of Quebec, Canada, do solemnly declare:

1. That I am the Secretary of Canadair Limited.

2. That immediately prior to the 13th day of December, 1948, i.e., the date of the proposed issue of Supplementary Letters Patent confirming By-law Twenty-nine of the By-laws of Canadair Limited:

(*a*) the authorized share capital of the Company consisted of 2,000,000 shares without nominal or par value;

(*b*) the outstanding share capital of the Company consisted of 1,075,950 shares without nominal or par value;

(*c*) out of the total number of shares outstanding there were 58,450 shares without nominal or par value of the capital stock of the Company registered in the names of shareholders other than Electric Boat Company;

(*d*) out of the total number of shares outstanding there were 1,017,500 shares without nominal or par value of the capital stock of the Company registered in the name of Electric Boat Company.

And I make this solemn declaration conscientiously believing it to be true and knowing it to be of the same force and effect as if made under oath and by virtue of The Canada Evidence Act.

And I have signed:

(Sgd) D. H. MACFARLANE,

Declared before me at the city of Montreal, this 17th day of December, 1948.

(Sgd) ?

Commissioner of the Superior
Court for the District of Montreal.

APPENDIX J

THE FIRST SCHEDULE

(Copy of Principal Agreement)

File 223-300-799
P.C. 5281 (1946)

This agreement is made as of the 15th day of January A.D. 1947: Between: His Majesty the King in right of Canada, (hereinafter called "His Majesty"), represented by the Right Honourable the Minister of Reconstruction and Supply, (hereinafter called "the Minister") herein acting through War Assets Corporation (hereinafter called "the Corporation"). Of the One Part and Canadian Exploration Limited of 11th Floor Royal Bank Building Vancouver, B.C. (hereinafter called the Purchaser) of the other part.

Whereas His Majesty is the owner of a mine and mill at Salmo, B.C., known as the Emerald Tungsten Project;

And whereas the Purchaser is a company incorporated for mining purposes under the Companies Act of the Province of British Columbia and represents that it wishes to arrange the purchase of the said property either by itself or by another company to be incorporated for that purpose, and not for the purpose of re-sale, and upon such representation His Majesty has agreed to sell the said property upon the terms, covenants and conditions hereinafter set forth.

Now therefore it is agreed and declared by and between the parties hereto as follows:—

1. *Sale and Purchase Price.*—His Majesty agrees to sell to the Purchaser, and the Purchaser agrees to purchase from His Majesty for the sum of Nine Hundred and Fifty Thousand Dollars ($950,000,000) all the right, title and interest of His Majesty in and to the mineral claims, land, mining and milling plant, stores, equipment and buildings constituting the above mentioned mine and mill, and more particularly set out in the Schedule annexed hereto and forming a part hereof (all of which is sometimes hereinafter referred to as "the property"). Provided, however, that the Purchaser shall be given credit against the said purchase price for the value of any plant, equipment, stores, etc., which were included in the Government Schedule of 31st October, 1943, which have been lost or removed from the property at the time when possession is given to the Purchaser unless the same shall have been replaced with other plant, equipment, stores, etc., of equal value in good condition and satisfactory to the Purchaser.

2. *Terms of Payment.*—The Purchaser covenants and agrees to pay the said purchase price to His Majesty (War Assets Corporation being hereby designated, until further notice, as the agent of His Majesty to receive payments herein) at the times and in accordance with terms and conditions as follows:—

(*a*) The sum of Fifty Thousand Dollars (50,000.00) on or before the execution of this agreement.

(*b*) The balance of Nine Hundred Thousand Dollars ($900,000.00) (subject to adjustment as aforesaid in respect of missing plant, equipment, stores, etc.) shall be payable in manner following and not otherwise, namely in yearly payments equal respectively in amount to fifty

per cent (50%) of the net profits, if any, (calculated as hereinafter mentioned) derived from the ores, concentrates, minerals and/or other products obtained from the property during the financial year of the Purchaser immediately preceding such yearly payment, and such yearly payments shall be made within six months after the close of the Purchaser's financial year.

(*c*) The Purchaser may at any time pay to His Majesty the whole or any part of the purchase price at such time unpaid.

3. *Financial Year.*—The financial year of the Purchaser shall be (as it is at present) the twelve months ending the 30th day of April, but this may be altered to another date should the Purchaser see fit and if such alteration is made the expression "the financial year of the Purchaser immediately preceding such payment", as used in Clause 2 hereof, shall apply to that period which has elapsed betwen the 30th day of April last terminating a financial year and the new date adopted by the Purchaser as aforesaid, notwithstanding that such period may be longer or shorter than twelve months, and the payment falling due in respect of that period pursuant to Clause 2 hereof shall be made within six months after the end of that period. It is also understood and agreed that if an operating company is formed as is hereinafter permitted for the purpose of undertaking the purchase and operation of the property such operating company may adopt such date as it may see fit as the end of its financial year.

4. *Net Profits.*—The "net profits" for any financial year shall be the amount of the earnings and income from the sale or other disposal of the ores, concentrates, minerals and/or other products obtained from the property after deducting from such amount the actual cost of mining, milling and marketing such ores, concentrates, minerals and/or other products, together with the income tax and excess profits tax payable in respect of such amount but before deduction or allowance for depreciation, depletion or similar charges. Provided, however, that in determining "net profit" (1) inventories shall be valued in accordance with sound accounting practice and on a consistent and uniform basis from year to year, and no unreasonable write-offs or allowances for inventory losses shall be made, and (2) there shall not be included as expenses the following, namely:—

(*a*) Directors' fees;

(*b*) Interest on borrowed capital;

(*c*) Dividends or other distributions to shareholders; or

(*d*) Salaries or other remunerations to directors, officers or employees (in their capacity as such) who do not ordinarily devote the whole or substantially the whole of their time to the business of the Purchaser other than such part of such salaries or other remuneration as may be properly chargeable to and paid in respect of time spent, work done, or services rendered in connection with the development, equipment or operation of the said property or the sale of the products thereof.

Subject as aforesaid, the "net profits" for any financial year, or the fact that there are no such net profits, shall be determined and certified by the auditors of the Purchaser, who shall be chartered accountants satisfactory to the Minister. Provided, however, that the certificate of the said auditors shall be in such form and detail and shall contain such particulars as may be required by and be satisfactory to the Minister, and an original of the said certificate, together with a copy of the statement of income and expenditure upon which such certificate is based shall be furnished to the Minister and provided further that the Minister may in his discretion have such net profits, if any, determined by representatives of His Majesty, and in the event of any discrepancy between

the amount of such net profits as certified by the auditors of the Purchaser and the net profits as determined by the representatives of His Majesty, the matter shall be referred to the Exchequer Court of Canada.

5. *Possession.*—Possession of the said property shall be given to the Purchaser forthwith after the execution of this agreement and the Purchaser agrees that it will thereupon assume all risks and liabilities of ownership and all obligations in respect of the property to the entire exoneration of His Majesty. The Purchaser also agrees that it accepts the property in its present condition without any warranty of any kind by His Majesty in respect thereof.

6. (a) *Commencement of Operations, etc.*—The Purchaser agrees to commence operations at the property as soon as practicable after being given possession thereof and to operate and maintain the property (or cause the same to be operated and maintained) in accordance with good mining and milling practice, provided, however, that the Purchaser shall at all times and from time to time be fully at liberty to suspend operations on the property, if, in the opinion of the Purchaser such operation is not commercially warranted, or if, in the opinion of the Purchaser, operations are prevented or seriously interfered with by Act of God, fire, flood, weather, accident, strikes, lockouts, or any other cause or circumstances of whatsoever nature beyond the control of the Purchaser.

(b) *Prospecting and development work, etc.*—Prospecting and mine Development work, additions to or replacements of equipment and/or buildings, technical and market research and similar work conductive to the operation and development of the property shall be carried out in accordance with the decision of the Purchaser, which decision shall be based on the future well-being of the property and the operation and development thereof. All costs and expenses incurred in connection with the above shall be charged as capital or operating expenses in accordance with sound accounting practice.

(c) *Working Capital.*—In the event of the operation of the property being carried on by the Purchaser itself, the sum of One Hundred Thousand Dollars ($100,000.00) shall be appropriated and set aside by the Purchaser for such operation, and all accounts and records in respect thereof shall be kept separately and distinct from accounts and records in respect of other operations, activities or interests of the Purchaser. In the event of such operation being carried on by an operating company as hereinafter mentioned, the Purchaser shall cause the operating company to be financed with the sum of One Hundred Thousand Dollars ($100,000.00) as working capital, and such further working capital as may from time to time be required by it, and the operating company shall not engage in any other operation, activity or undertaking.

(d) *Taxes, assessment work, etc.*—The Purchaser shall, (unless otherwise consented or agreed to by His Majesty) keep or cause to be kept in good standing all mineral claims included in the property, whether or not Crown-granted, and shall do all such work, pay all such taxes, assessments or charges and execute and register all such documents or instruments as may be necessary therefor or shall cause the same to be done, paid, executed and registered.

(e) *Insurance.*—The Purchaser shall at all times keep such parts of the said property as are liable to be destroyed or injured by fire insured against loss or damage to the extent that such property is usually insured by companies operating like properties under similar circumstances and will also carry such other insurance (if any) upon the said property as is usually carried by companies operating similar properties under like circumstances, loss under any policies effecting any such above mentioned insurance to be made payable to His Majesty or to the Purchaser as their respective interests may appear, provided that the proceeds of such insurance shall, if so required by the Purchaser, be

immediately made available for the replacement or repair, as the case may be, of any property lost or damaged. The said insurance shall be effected with an insurance company or companies satisfactory to His Majesty, and the Purchaser shall furnish, from time to time, sufficient information that its obligations in respect thereof have been complied with.

7. *Accounts.*—The Purchaser shall keep, or cause to be kept, proper and detailed accounts and records of its earnings and income and of the cost of operation of the property and invoices, receipts and vouchers relating thereto. Such accounts, records, invoices, receipts and vouchers shall at all times be open to audit and inspection by authorized representatives of the Minister (who may make copies thereof and take extracts therefrom) and such authorized representatives of the Minister shall be afforded all facilities for such audits and inspections and shall be furnished all such information as they may from time to time require with reference to such accounts, records, invoices, receipts and vouchers.

8. *Documents of Title, compensation for expropriated land, etc.*—His Majesty agrees to issue or execute or have issued or executed, and concurrently with the delivery of the mortgage hereinafter mentioned, to deliver to the Purchaser such Letters Patent, Conveyances, Bills of Sale and other documents or instruments as may be necessary to convey to and vest in the Purchaser all the right, title and interest of His Majesty in and to the property. It is understood that no settlement has been made or compensation paid in respect of part of the land acquired by His Majesty under the authority of The Expropriation Act (being Chapter 64 of the Revised Statutes of Canada, 1927) by Plan filed in the Land Registry Office at Nelson, B.C., on the 25th day of November, 1942, as Instrument No. D.F. 17083 and the Purchaser agrees to assume all responsibility for all such outstanding settlements or payments and to indemnify and save harmless His Majesty from all claims and obligations in respect thereof; provided that, if so requested by the Purchaser before Letters Patent are issued hereunder, His Majesty will abandon the said land or such portion thereof as is so requested.

His Majesty further agrees to deliver forthwith to the Purchaser the original signed copies of all reports, maps, plans, drawings, mining records, diamond drilling cores and records in His possession relating to the property including, in particular, those listed in Appendix II of the report by J. S. Scott, dated 5th October, 1943, entitled "Geological and Survey Records" (originals), which were delivered to Wartime Metals Corporation at Montreal.

9. *Mortgage to secure payment to His Majesty.*—The Purchaser agrees to execute and deliver or to have executed and delivered to His Majesty a mortgage of the property to secure to His Majesty performance and fulfilment of the terms and conditions to be performed and fulfilled by the Purchaser under this agreement, and payment to His Majesty of such moneys (if any) as may from time to time become payable hereunder, it being understood that such mortgage shall not in any event be deemed to effect or give rise to any acceleration of payment of purchase price, whether on default or otherwise, or to secure or provide for any payment inconsistent with this agreement, or not provided for herein. Subject as aforesaid, such mortgage shall be in a form satisfactory to the Minister and shall contain such covenants and conditions usual in standard commercial long form mortgages as may be applicable in the circumstances, and shall be subject to no charges or encumbrances on the property or any part thereof other than such as are in existence at the present time.

10. (*a*) *Restrictions on transfer, cesser of Purchaser's obligations, etc.*—Until such time as the purchase price shall have been completely paid and satisfied, the property shall not be sold, transferred or otherwise disposed of

except with the consent of the Minister and for valuable consideration not less than the amount of the purchase price at such times unpaid to His Majesty which, upon receipt, shall immediately be turned over to the Corporation (or as the Minister may direct) on account of the purchase price payable hereunder. Upon completion of payment in full of the purchase price of the property all obligations of the Purchaser to His Majesty arising under this agreement shall cease and determine.

(*b*) *Default, breach or bankruptcy of the Purchaser.*—If there should be any default, breach or non-observance by the Purchaser of any of the terms or provisions of this agreement or if the Purchaser should become bankrupt or insolvent or have a receiving order made against it or make an assignment for the benefit of creditors, or take the benefit of any statute for the time being in force relating to bankrupt or insolvent debtors or if an order shall be made or a resolution passed for the winding up of the Purchaser, then and in every such case the whole of the purchase price hereunder shall immediately become due and payable. Provided, however, that excepting in the case of the Purchaser becoming bankrupt, taking the benefit of any statute for the time being in force relating to bankrupt or insolvent debtors or going into liquidation the foregoing provision shall not become effective unless such default, breach or non-observance by the Purchaser shall continue for thirty days after the receipt by the Purchaser of written notice by His Majesty giving particulars of the same.

(*c*) *Debts due to the Crown.*—Nothing herein contained shall be deemed to prohibit or preclude His Majesty from taking advantage of the Act respecting debts due to the Crown, being Chapter 18 of the Statutes of Canada, 1932.

11. *Right to terminate after five years.*—At any time on or after the expiration of five (5) years from the date hereof the Purchaser may terminate this agreement and shall thereupon reconvey or cause to be reconveyed to His Majesty the property to be sold hereunder free of any encumbrance other than such charges or encumbrances on the property or any part or parts thereof as are in existence at the present time, and upon such reconveyance the Purchaser shall be relieved of all responsibility for the further operation and maintenance of the property and from any further payment to His Majesty on account of purchase price other than any such payment or payments that may at that time have already accrued due to His Majesty and remain unpaid, and all the rights of the Purchaser hereunder shall cease, but the Purchaser shall deliver to His Majesty the originals of all reports, maps, plans, drawings, mining records, diamond drilling cores and records in its possession relating to the property. Provided, however, that such right to terminate this agreement shall not arise unless six calendar months notice in writing of intention to terminate as aforesaid shall have been given to His Majesty.

12. *Operating Company.*—The Purchaser shall be at liberty, if it sees fit, to form a new company to be incorporated for the purpose of undertaking the purchase and operation of the property in place of the Purchaser. Such company is hereunder referred to as "the operating company". The Articles of Association of the operating company shall provide that the operating company shall forthwith enter into agreements in such form as may be approved by its directors (with power to agree to any modifications thereof) with His Majesty and with the Purchaser whereby the operating company becomes entitled to all benefits of and undertakes to perform this agreement and to be bound by the terms thereof in every way as if the said operating company were a party to this agreement and bound thereby to His Majesty jointly and severally with the Purchaser. Such agreement shall also provide that the Purchaser shall forthwith supply, or cause to be supplied, to the operating company the sum of One Hundred Thousand Dollars ($100,000.00) for the purpose of providing the working capital referred to in paragraph (c) or Clause Six (6) hereof, and

upon such agreements being executed the said sum of One Hundred Thousand Dollars ($100,000.00) will be supplied by the Purchaser to the operating company.

13. *Notices.*—Any notice required to be given to His Majesty under this agreement may be served by a prepaid registered letter addressed to the Secretary of the War Assets Corporation at the City of Ottawa, Ontario, and any notice required to be given to the Purchaser or to the operating company may be served by a registered letter addressed to the Purchaser or to the operating company as the case may be at its registered office in the City of Vancouver, British Columbia, and any notice so mailed shall be deemed to have been served at the time at which such letter would be delivered in the ordinary course of post.

14. *Members of the House of Commons.*—No member of the House of Commons of Canada shall be admitted to any share or part of this agreement or to any benefit to arise therefrom.

In witness whereof this Agreement has been executed and sealed on behalf of His Majesty by War Assets Corporation under its corporate seal and the hands of its duly authorized officers and by the Purchaser under its common seal and the hands of its duly authorized officers.

Signed, Sealed and Delivered in manner aforsaid in the presence of:

G WILLIAMS,
Witness.

WAR ASSETS CORPORATION,

[L.S.]

(Sig) A. E. McMASTER,
Vice-President & General Manager.

(Sig) R. P. SAUNDERS,
Secretary.

The Common Seal of Canadian Exploration Limited was hereunto affixed in the presence of:

H. L. BATTEN,
Director.

H. A. GOULD,
Secretary.

[L.S.]

THIS IS THE SCHEDULE REFERRED TO IN AGREEMENT DATED 15th JANUARY, A.D. 1947, BETWEEN HIS MAJESTY AND CANADIAN EXPLORATION LIMITED

EMERALD TUNGSTEN PROJECT, SALMO, B.C.

1. *Land*
   - (*a*) Sub-lot 8 of Lot 1244 Plan X54 Kootenay District as shown in Certificate of Title 57321-I (Mine).
   - (*b*) Part of Sub-lot 6 of Lot 1244 Plan X54 Kootenay District as shown in Certificate of Title No. 62733-I (Staff Houses).
   - (*c*) Parts of Sub-lot 36 of Lot 1236 Plan X69 Kootenay District as shown in Certificate of Title No. 61458-I (Mill Site).
   - (*d*) Lot No. 9 of Block 6 of Lot 206-A Plan 622 in Salmo, B.C. as shown in Certificate of Title No. 57322-I.

2. *Mineral Claims, Crown Granted.*

(*a*) Lots Nos. 14881 to 14905, inclusive, 12115 to -7, inclusive, and 12083 to 12087, inclusive, as shown in Certificate of Mineral Title No. 1767.

(*b*) Lots Nos. 9070, 9071, 9072, 9073, 9074, 9075, 9076, 3368 and 3369 as shown in Absolute Fees Book Vol. 34 Folio 211 No. 25837-A.

3. *Mineral Claims, not Crown Granted.*

(*a*) Hal. No. 1, Hal. No. 2, Hal. No. 3 and Hal. Fraction, as shown in Bill of Sale recorded with Mining Recorder at Nelson, B.C., March 27, 1944, in Book 24, Folios 90 and 91.

(*b*) Left Fraction located and recorded by Mr. A. L. Purdy, B.C.L.S., on behalf of His Majesty, but also included in the expropriation plan filed earlier at Nelson, B.C., November 25, 1942, as Instrument No. D.F. 17083.

4. *Other lands, etc.*

All such other lands, mines, mineral claims, rights of way and other interests of whatsoever nature (if any) not specifically mentioned in this Schedule, which have been acquired by His Majesty pursuant to the Expropriation notice mentioned in Clause 8 of this agreement.

5. *Buildings.*

All buildings and structures stituated on the above mentioned lands and mineral claims and a shed to store concentrates situated on C.P.R. lands at railway siding in Salmo, B.C.

6. *Equipment.*

All equipment, machinery, tools, stores and miscellaneous articles situated on, in or about the above mentioned lands, mineral claims and buildings, including aerial tramway.

THE SECOND SCHEDULE

(Description of Real Property and Mineral Claims)

1. *Mine Buildings (Indefeasible Title No. 57321-I)*—All and singular that certain parcel or tract of land situate, lying and being in the Kootenay District of the Province of British Columbia, more particularly known and described as Sublot Eight (8) of Lot 1244, Kootenay District, according to the registered map or plan of the said subdivision deposited in the Land Registry Office at the City of Nelson and numbered X54, subject to the exceptions and reservations in favour of the Nelson and Fort Sheppard Railway Company contained in Deposited Deed No. 54305.

2. *Staff Houses (Indefeasible Title No. 62733-I)*—All and singular that certain parcel or tract of land situate, lying and being in the Kootenay District of the Province of British Columbia, more particularly known and described as that part of Sublot Six (6) of Lot 1244, Kootenay District, according to the registered map or plan of the said subdivision deposited in the Land Registry Office at the City of Nelson and numbered X54, and shown outlined in red on Explanatory Plan No. 62733-I, subject to the exceptions and reservations contained in the conveyance of the said lands from the Nelson and Fort Sheppard Railway Company contained in Deposited Deed No. 1832, subject also to Registered Charge No. 28751-D, in favour of Frank R. Rotter, being a reservation of all merchantable timber, to be removed within two years as specified in Deposited Document No. 62733-I.

3. *Mill Site (Indefeasible Title No. 61458-I)*—All and singular that certain parcel or tract of land situate, lying and being in the Kootenay District of the Province of District Columbia, more particularly known as that part of Sublot Thirty-six (36) of Lot 1236, Kootenay District, according to the registered map or plan of the said subdivision deposited in the Land Registry Office at the City of Nelson and numbered X69, and shown outlined in red on Reference Plan No. 61457-I; subject to the exceptions and reservations contained in the conveyance of the said lands from the Nelson and Fort Sheppard Railway Company as shown in Deposited Deed No. 1832, and also subject to a registered charge No. 25063-D, in favour of the West Kootenay Power and Light Company Limited, being an easement dated 27th January, 1941, for a pole line.

4. *Salmo Office (Indefeasible Title No. 57322-I)*—All and singular that certain parcel or tract of land situate, lying and being in the Municipality of Salmo, in the Province of British Columbia, more particularly known and described as Lot Nine (9) in Block Six (6) of Lot 206-A, Kootenay District, according to the registered map or plan of the said subdivision deposited in the Land Registry Office at the City of Nelson and numbered 622.

Crown Granted Mineral Claims

5. *(Mineral Title No. 1767)*—All and singular those Crown granted mineral claims situate in the Kootenay District of the Province of British Columbia, more particularly known and described as:

(*a*) All minerals precious and base (save coal) in or under Lots 12083, 12084, 12085, 12086, 12087, 12115, 12116, and 12117, respectively known as "Dodger", "Invincible", "Job Trotter", "Empire", "Pickwick", "Royal Canadian", "Last Chance" and "Mark Tapley" Mineral Claims.

(*b*) All minerals precious and base (save coal, petroleum and natural gas) in or under Lots 14881 to 14905, both inclusive, respectively known as "Hillside", "Big Dick", "Sunnyside Fraction", "Slope", "Elk", "Imperial Fraction", "Yukon", "Victor Fraction", "Rex Fraction", "Bruce Fraction", "Butte", "Colonial", "Dublin", "Bonner Fraction", "Fox", "Eagle', "Princess", "Lynx", "Cody Fraction", "Tim", "Dorrit", "Nicholas", "Dickens Fraction", "Copperfield Fraction" and "Dick Fraction" Mineral Claims.

6. *(Absolute Fees Book Vol. 34, Fol. 211, No. 25837-A)*—All and singular those Crown granted mineral claims situate, lying and being in the Kootenay District of the Province of British Columbia, more particularly known and described as:

(*a*) All minerals precious and base (save coal) in or under Lots 3368, 3369, 9070, 9071, 9072, 9074, 9075 and 9076, respectively known as the "King Alfred", "King Solomon", "Jersey", "Gold Standard", "Standard Fractional", "Emerald Fractional", "Morning" and "Sunshine" Mineral Claims, and

(*b*) All minerals precious and base (save coal and petroleum) in or under Lot 9073, being known as the "Emeral" Mineral Claim.

7. *Surveyed and Recorded Mineral Claims*:—The following mineral claims all situate in the Nelson Mining Division in the Province of British Columbia, and recorded in the office of the Mining Recorder at the City of Nelson, namely:—

Record No.	Name of Claim	Date of Location	Location	Date of Recording
108/157	Hal. No. 1	19th June, 1942	Harold Lakes	22nd June, 1942
108/158	Hal. No. 2	"	"	"
108/159	Hal. No. 3	20th June, 1942	"	"
108/156	H. A. L. Fraction	"	"	"
150	Left Fraction	8th Aug., 1944	A. L. Purdy	9th Aug., 1944

SESSION 1950

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 26

TUESDAY, JUNE 20, 1950
WEDNESDAY, JUNE 21, 1950
THURSDAY, JUNE 22, 1950
MONDAY, JUNE 26, 1950
Including Third, Fourth, Fifth and Sixth Reports

WITNESSES:

Mr. H. R. Malley, O.B.E., President and General Manager, and Mr. Louis Richard, Vice-President and Comptroller, Crown Assets Disposal Corporation.

Mr. J. V. Clyne, Chairman, Canadian Maritime Commission.

Mr. J. H. Tilley, General Manager and Secretary, Park Steamship Company, Ltd.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

64828—1

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

Chairman: L. Philippe Picard, Esq.
Vice-Chairman: David Croll, Esq.

Messrs.

Anderson
Ashbourne
Balcer
Beaudry
Benidickson
Blue
Boisvert
Boivin
Brisson
Browne (*St. John's West*)
Cauchon
Cavers
Cleaver
Cloutier
Cruickshank
Denis
Diefenbaker
Drew
Fleming
Fournier (*Maisonneuve-Rosemont*)
Fulford
Fraser
Gauthier (*Portneuf*)
Hansell
Helme
Homuth
Johnston
Kirk (*Antigonish-Guysborough*)
Kirk (*Digby-Yarmouth*)
Langlois (*Gaspé*)
Larson
Macdonnell
Major
Maybank
Pinard
Prudham
Richard (*Gloucester*)
Richard (*Ottawa East*)
Riley
Robinson
Sinclair
Stewart (*Winnipeg North*)
Thatcher
Thomas
Warren
White (*Hastings-Peterborough*)
Winkler
Wright

Clerk: A. L. Burgess.

REPORTS TO THE HOUSE

THURSDAY, June 22, 1950.

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

THIRD REPORT

Your Committee reviewed all the items of the Auditor General's report for the year ending March 31, 1949.

Your Committee, during the course of eight meetings, heard evidence on the whole of this report from Mr. Watson Sellar, Auditor General. Evidence on certain portions of the report relevant to their departments was heard from Mr. R. B. Bryce, Assistant Deputy Minister of Finance, Mr. K. W. Taylor, Assistant Deputy Minister of Finance, Mr. B. J. Roberts, National Harbours Board, Mr. M. W. Mackenzie, C.M.G., Deputy Minister of Trade and Commerce, Major-General J. H. MacQueen, President, Canadian Arsenals Limited, Mr. J. M. Wardle, Chairman, Northwest Territories Power Commission, Mr. W. J. Bennett, President and Managing Director, Eldorado Mining and Refining (1944) Limited, and Mr. R. A. Gibson, Director, Development Services Branch, Department of Resources and Development. Your Committee wishes to express its appreciation to these officials for their help and co-operation.

From the evidence received the following matters have been selected as the subjects of your Committee's recommendations:

Your Committee is of the opinion that the Revenue and Audit Act should be amended to authorize writing off uncollectible debts that have accumulated up to 1940 in the government accounts. It also considers that proper regulations should be drawn for writing off yearly debts that have been considered uncollectible for the previous ten years.

Your Committee is of the opinion that the government should consider the advisability of revising the International Boundary Waters Act C.28, 1911, as amended by C.5, 1914 and particularly with regard to existing limitations as to salaries and office expenses.

Your Committee is of the opinion that the yearly report of every Crown Corporation should be referred for study to a select committee of the House.

The Post Office Guarantee Fund was established in 1898 "to remove the necessity for commercial bonds of indemnity being contracted for by various individuals", and its statutory purpose is to make good losses arising from "the malfeasance, misfeasance, or failure to duly discharge his duties" of a post office employee. The practice has developed of charging the Fund with outlays that have nothing to do with its aims. Your Committee is of the opinion that indemnities and compensation paid as a result of losses occurring in the handling of various classes of mail, settlements for losses by burglary, losses arising from money order forgeries, losses arising from fraudulent savings bank withdrawals and the like should be treated as operating costs of the Post Office Department and not charged to the Guarantee Fund.

The Department of Public Works bears the cost of office accommodation for all departments. Your Committee is of the opinion that departmental heads in co-operation with Treasury Board officials, the Comptroller of the Treasury and the Auditor General should examine the advisability of charging each department in respect of the space which it occupies.

A copy of the minutes of proceedings and evidence of May 2nd, 3rd, 25th, 29th, 30th, June 1st, 6th, 8th is appended hereto.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

64828—1½

TUESDAY, June 27, 1950.

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

FOURTH REPORT

Your Committee has inquired into the sale by War Assets Corporation to Canadair Limited of a property located at Cartierville, P.Q., and devoted four meetings to its inquiry.

Your Committee heard evidence from the two departmental officials most closely connected with the negotiating and the drafting of the lease-option agreement, Messrs. V. W. Scully, C.M.G., former Deputy Minister of Reconstruction and Supply and now Deputy Minister of Taxation and Mr. Charles Gavsie, O.B.E., former general counsel of Reconstruction and Supply and now Assistant Deputy Minister of Taxation. Also heard were Mr. H. R. Malley, President and General Manager, Crown Assets Disposal Corporation, and Mr. Wm. P. J. O'Meara, K.C., Assistant Under Secretary of State.

Your Committee has obtained production of the following documents upon which the principal witnesses were examined:—

1. *Management Agreement* dated November 11, 1944, between His Majesty the King in right of Canada and Canadair Limited and related documents, viz: Agreements between His Majesty the King in right of Canada and Canadian Vickers Limited dated November 11, 1944, and January 25, 1944; Orders in Council P.C. 8991 and 8992, both dated November 28, 1944; Agreement between His Majesty the King in right of Canada and Canadian Vickers Limited and Canadair Limited, dated November 11, 1944, and May 1, 1945; Order in Council P.C. 4060, dated June 7, 1945.
2. *Lease Option Agreement* dated September 15, 1946, between His Majesty the King in right of Canada and Canadair Limited and related documents, viz: Agreement between His Majesty the King in right of Canada and Canadair Limited, dated September 1, 1949, amending agreement of September 15, 1946; Orders in Council P.C. 242 and 930, dated January 21, 1947, and March 13, 1947, respectively;

   Letters from the Department of Reconstruction and Supply to Electric Boat Company, 33 Pine Street, New York, dated January 20, 1947 and March 17, 1947;

   Agreement dated March 31, 1947, between His Majesty the King in right of Canada and Canadair Limited relating to contracts for the purchase of planes;

   Agreement dated March 31, 1947, between Canadair Limited and Trans Canada Airlines relating to contracts for the purchase of planes.
3. *Purchase Agreement* dated October 1, 1949, between His Majesty the King in right of Canada and Canadair Limited.
4. *Balance Sheet of Canadair Limited*, as at March 20, 1947.
5. *Financial Statements of Canadair Limited*, as at 31st October, 1945, and Auditor's Report for the period 31st October, 1945, to 14th September, 1946.
6. *Letters Patent incorporating Canadair Limited*, dated 3rd October, 1944, and Supplementary Letters Patent, dated 3rd February, 1947, 8th May, 1947, and 13th December, 1947;

   Departmental correspondence re amendment of Letters Patent;

   By-law 16 and extract from By-law 3 of Canadair Limited.

The property disposed of was the aircraft, plant constructed in 1942 at Cartierville, P.Q., for the Canadian Government by Canadian Vickers Limited

and operated by them to build aircraft for the Crown until 1944 when operation of the plant was transferred to Canadair Limited, a privately owned management company.

The sale under review resulted from a lease-option agreement effective as at September 15, 1946, entered into by the Canadian Government and Canadair Limited, subsequent to negotiations with Electric Boat Company, an American corporation that had acquired substantially all the stock of Canadair Limited.

The main features of the lease-option agreement were as follows:—

(*a*) Electric Boat Company to provide Canadair Limited with $2,000,000 working capital forthwith;

(*b*) Canadair Limited to waive all claim or right of fees or profits from the beginning of its operations to and including September 14th, 1946;

(*c*) Canadair Limited to buy at book value the assets of the project, as at September 14, 1946, exclusive of plant, tools and automotive equipment, and to assume the liabilities as set out on the balance sheet of the project prepared as of that date;

(*d*) Canadair Limited to buy such automotive equipment as it might require, at prices to be agreed upon with War Assets Corporation;

(*e*) Canadair Limited and the Government to enter into a 15-year lease-option agreement covering the plant facilities and tools, under which the Company will pay a fixed annual rental of $200,000, and will have an option to acquire all of the facilities, including the tools, at an inclusive price ranging from $4,000,000 in the first year to $2,511,961 in the 15th year;

(*f*) Of the assets to be purchased by the Company, a balance of $3,886,821.10 to be paid for in equal quarterly instalments from June 30th, 1947, to December 31st, 1948, with interest on the unpaid balance at the rate of 3½ per cent per annum;

(*g*) The Government to assign Canadair Limited its licence agreement with the Douglas Aircraft Company;

(*h*) Canadair to agree to sell to the Government and Trans-Canada Air Lines 24 R.C.A.F. type and 20 T.C.A. type aircraft at negotiated fixed prices of $630,000 and $660,000 each respectively, sales tax extra.

During the course of the examination of Messrs. Scully and Gavsie, Mr. George A. Drew, a Member of the Committee showed great concern over an excerpt from a statement issued on May 15, 1946, by Haskell, Elderkin & Company, Chartered Accountants, Montreal, to the Directors of Canadair Limited, purporting to establish that the latter Company had claimed as profits due to them by the Dominion Government a sum of $712,723.94 in respect of contracts administered by the Company as agent.

Your Committee investigated the matter thoroughly. The witnesses declared that no profits had ever been paid by the Government, that they were never assessed, and had been waived at the time the agreement was signed.

Subsequently your Committee obtained production by the Assistant Secretary of State of the financial statement of Canadair Limited as at 31st October, 1945, and found in the report of Haskell, Elderkin & Company that the item concerning estimated profits that had given rise to Mr. Drew's concern was the subject, in the very same report from which he had quoted, of the following statement: "We are informed that at 31st October, 1945, final costs had not been ascertained for any contract and that the profits have been taken into account on the basis of estimates made by the Company. Such profits, however, are subject to the approval of the Dominion Government upon final audit".

The fact that the claim for this amount was subsequently waived was corroborated by the terms of the agreement as produced to your Committee.

The evidence received established the figures of the deal as follows:—

The assets as of September 14, 1946, were:—			
Cash on hand and in Bank		$ 500,236.48	
Accounts Receivable	$ 2,941,371.09		
Employees Victory Loan Funds (Contra)	175,331.14		
Sundry Prepaid, etc.	31,220.37		
		3,147,922.60	
Inventories:			
Raw Materials, Work-in Process, etc.		9,745,959.84	
			$ 13.394.118.92
Land, Buildings, Plant, Tooling and Equipment		18,825,777.66	
Automotive Equipment		48,807.49	
			18,874,585.15
			$ 32,268,704.07

To this sum is to be added a further payment by the Canadian Government of $3,000,000 for additional tooling, and $8,017 for land and from it is to be deducted $48,807.49 of automotive equipment not included in the agreement, bringing a new total of $35,227,719.58. In this total were included tooling for aircraft to the extent of $13,863,668.33. Such tooling was described by Mr. Scully as expendable to such an extent that, in the ordinary course, the Income Tax Department would allow an annual write off of 50 per cent for depreciation. It consisted of jigs, dies, patterns and consumable tools used in press machines, lathes and other equipment in the plant.

The marketable assets at the time the agreement was signed amounted therefore to $21,391,251.25.

The net recovery by the Government as a result of the agreement and sale amounted to $17,402,135.92 of which $13,394,118.92 was paid in cash by the Company or by the latter assuming current liabilities and $4,008,017 paid under the lease-option agreement.

Your Committee is of the opinion that the sale of the Cartierville property to Canadair Limited has resulted in the Government recovering over 80 per cent of the value of the marketable assets of the project as at the time of disposal.

Your Committee wishes to express its appreciation to the witnesses who appeared before it for their help and co-operation.

A copy of the Minutes of Proceedings and Evidence of June 12th, 13th, 14th and 15th is appended hereto.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

TUESDAY, June 27, 1950.

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

FIFTH REPORT

Your Committee has inquired into the sale by War Assets Corporation to Canadian Exploration Limited of a property known as Emerald Mine located near Salmo, B.C.

Your Committee heard evidence from Mr. H. R. Malley, former Vice-President and General Manager of War Assets Corporation and now President of Crown Surplus Disposal Corporation, and Mr. Kenneth H. Gray, Legal Adviser of the Crown Assets Disposal Corporation to whom your Committee wishes to express its appreciation for their help and co-operation.

The following documents were produced:—

1. Agreement between His Majesty the King in right of Canada and Canadian Exploration Limited regarding the purchase of the Emerald Tungsten Project by the Company; and related Order in Council P.C. 5281, dated December 27, 1946.

2. Copy of advertisement appearing in various publications in May and June 1946, inviting offers to purchase the "Emerald Tungsten Project" at Salmo, B.C.

Emerald Mine was purchased by Wartime Metals Corporation in May, 1942, from Iron Mountain Limited to increase the production of tungsten as part of Canada's war effort.

Operations were discontinued October 15, 1943, because the world supply of tungsten and armament development made additional supplies of tungsten unnecessary.

On November 30, 1945, the property was declared surplus to War Assets Corporation. It was advertised for sale in seven mining and business publications on different dates between May 8 and June 5, 1946, but no offers were received. On January 15, 1947, an agreement for sale was signed with Canadian Exploration, Limited.

From the evidence received the financial aspects of the deal were established as follows:

The price paid for Emerald Mine by Wartime Metals Corporation was $470,640. The total expenditures on development, buildings, machinery, equipment, were $803,055.74, making a total of $1,273,695.74. The total value of production shipped from the mine during period of operation amounting to $263,787.98.

At the time operations closed in 1943 the value of the physical assets, as established at cost, totalled $829,160.86.

After being closed for more than three years the mine was sold for $950,000 to Canadian Exploration Limited. The terms provided for a payment of $50,000 upon execution of the contract and the balance in instalments of 50 per cent of the net profits per year.

Up to May 31, 1950, the purchasing company has paid $367,818.17.

Your Committee is of the opinion that the sale of Emerald Mine to Canadian Exploration, Limited, will result in the Government's ultimately recovering a vast proportion of the moneys disbursed on the project and even more than the marketable value of the physical inventories as of the date the mine was closed.

A copy of the minutes of proceedings and evidence of June 12th and 15th is appended hereto.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

TUESDAY, June 27, 1950.

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

SIXTH REPORT

The Public Accounts of Canada contain the Balance Sheet of War Assets Corporation. Your Committee's attention was called to an amount of $41,383,046.88 for accounts receivable as at March 21, 1949, and obtained a detailed breakdown of this amount.

As a check on the actual standing of deferred accounts receivable, your Committee decided to investigate those over one million dollars.

Eight of these items totalling $16,595,671.20, or more than one-third of the total amount of accounts receivable, were under review.

Your Committee heard evidence from Mr. J. V. Clyne, Chairman of Canadian Maritime Commission and Park Steamships Limited, Mr. J. H. Tilley, General Manager, Park Steamships Limited, Mr. H. R. Malley, President and General Manager of Crown Assets Disposal Corporation and Mr. Louis Richard, Vice-President and Comptroller of Crown Assets Disposal Corporation, to whom your Committee wishes to express its appreciation for their help and co-operation.

From the evidence received, much of which was already available to Members as contained in parliamentary returns, your Committee came to the same conclusion as expressed by the Chairman of the Canadian Maritime Commission:—

> the sale price of these ships in 1946 compares with the approximate sale price of similar ships which were sold by the United Kingdom Government and by the United States.
>
> these ships were sold at a fafr market price.
>
> the sales which were made were advantageous sales to Canada.

As to the present state of these accounts, your Committee noted that one had been entirely paid, before due date, by the end of the last fiscal year; that over the last year Park Steamships acting as agents for Crown Assets have collected in advance $10,846,453; that three purchasing companies were in arrears in their payments; but that in each of these three cases agreements were entered into, or in the course of being entered into, whereby the companies would:

> assign the total net earnings of their ships to Crown Assets so that it will get all the money those ships will produce.

Your Committee noted with satisfaction the opinion expressed by the Chairman of the Canadian Maritime Commission "that the Government will collect every cent of the money that is outstanding".

A copy of the Minutes of Proceedings and Evidence of June 22 is appended hereto.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, June 20, 1950.

The Standing Committee on Public Accounts met in camera at 10 o'clock a.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Boisvert, Boivin, Brisson, Browne *(St. John's West)*, Croll, Drew, Fleming, Fraser, Kirk *(Digby-Yarmouth)*, Langlois *(Gaspé)*, Larson, Macdonnell, Major, Picard, Pinard, Prudham, Richard *(Ottawa East)*, Robinson, Thatcher, Winkler.

The Chairman explained that, in accordance with the decision reached at the last meeting, the meeting had been called in camera to discuss the Committee's agenda for the remainder of the Session.

Mr. Richard moved that the Committee proceed to an examination of the accounts of the Department of Agriculture.

After discussion, and by leave of the Committee, Mr. Richard's motion was withdrawn.

It was agreed that the next order of business be an examination of the deferred accounts receivable of War Assets Corporation as at March 31, 1949, a statement of which is printed as *Appendix A* to the minutes of proceedings and evidence for Tuesday, June 6. It was also agreed that a detailed examination of individual accounts be limited to those in excess of one million dollars.

At 11 o'clock a.m. the Committee adjourned until Wednesday, June 21, at 2.30 o'clock p.m.

WEDNESDAY, June 21, 1950.

The Standing Committee on Public Accounts met in camera at 2.30 o'clock p.m., the Chairman, Mr. L. Phillipe Picard, presiding.

Members present: Messrs. Anderson, Balcer, Benidickson, Blue, Browne, *(St. John's West)*, Cauchon, Fleming, Fraser, Gauthier *(Portneuf)*, Helme, Johnston, Larson, Macdonnell, Picard, Pinard, Richard *(Ottawa East)*, Stewart *(Winnipeg North)*, Warren, Winkler, Wright.

The Chairman presented a draft of a third report to the House.

Mr. Benidickson moved that the following words be inserted after the words *and the like* in the third sentence of the seventh paragraph of the report as drafted: *when not due to employees' negligence.*

After discussion, and the question having been put on the said motion, it was negatived.

Mr. Fleming moved that the words *for the space it occupies,* at the end of the eighth paragraph of the report as drafted, be deleted and the words *in respect of the space which it occupies* be substituted therefor.

After discussion, and the question having been put on the said motion, it was agreed to.

The report, as amended, was adopted and the Chairman ordered to present it to the House forthwith.

At 3.15 o'clock p.m. the Committee adjourned to the call of the Chair.

THURSDAY, June 22, 1950.

The Standing Committee on Public Accounts was called for 10 o'clock a.m. At 10.20 a.m. the following members were present: Messrs. Ashbourne, Benidickson, Cauchon, Fleming, Fraser, Macdonnell, Picard, Thomas, Winkler.

There being no quorum, the Chairman postponed the meeting until 2.30 o'clock p.m. this day.

The Committee met at 2.30 o'clock p.m., the Chairman, Mr. L. Phillipe Picard, presiding.

Members present: Messrs. Benidickson, Blue, Cauchon, Cavers, Cleaver, Croll, Fleming, Fulford, Fraser, Gauthier *(Portneuf)*, Kirk *(Digby-Yarmouth)*, Johnston, Langlois *(Gaspé)*, Larson, Major, Macdonnell, Picard, Pinard, Prudham, Sinclair, Thatcher, Thomas, Winkler, Wright.

In attendance: Mr. H. R. Malley, O.B.E., President and General Manager, and Mr. Louis Richard, Vice-President and Comptroller, Crown Assets Disposal Corporation; Mr. J. V. Clyne, Chairman, Canadian Maritime Commission; Mr. J. H. Tilley, General Manager and Secretary, Park Steamship Company Limited.

The Committee proceeded to an examination of the deferred accounts receivable of War Assets Corporation as at March 31, 1949.

Messrs. Malley Richard, Clyne and Tilley were called, questioned and retired.

At 4.25 o'clock p.m. the Committee adjourned to the call of the Chair.

MONDAY, June 26, 1950.

The Standing Committee on Public Accounts met in camera at 2.30 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Ashbourne, Benidickson, Brisson, Cleaver, Croll, Drew, Fleming, Fulford, Fraser, Kirk *(Antigonish-Guysborough)*, Langlois *(Gaspé)*, Macdonnell, Major, Maybank, Picard, Pinard, Prudham, Robinson, Sinclair, Winkler.

The Chairman presented a draft of a fourth report to the House.

In the absence of Mr. Drew, consideration of the said report was deferred until later this day.

The Chairman presented a draft of a fifth report to the House.

Mr. Drew moved that the penultimate paragraph of the said report as drafted be deleted.

After discussion, and the question having been put on the said motion, it was negatived.

After further discussion, the said report as drafted was adopted on division, and the Chairman ordered to present it to the House forthwith.

The Chairman presented a draft of a sixth report to the House.

Mr. Drew moved that the following quotations from the evidence of the Chairman of the Canadian Maritime Commission, appearing in the fifth paragraph of the said report, be deleted:

"these ships were sold at a fair market price".

"the sales which were made were advantageous to Canada".

After discussion, and the question having been put on the said motion, it was negatived.

After further discussion, the said report as drafted was adopted on division, and the Chairman ordered to present it to the House forthwith.

The Committee resumed consideration of the draft of the Fourth Report.

Mr. Drew moved that paragraph 14 of the said report as drafted, commencing with the words *The net recovery* and ending *paid under the lease option agreement,* be deleted.

After discussion, and the question having been put on the said motion, it was negatived.

Mr. Drew moved that paragraph 15, commencing with the words *Your Committee* and ending *the project as at the time of disposal,* be deleted.

After discussion, and the question having been put on the said motion, it was negatived.

Mr. Drew moved that paragraphs 7 to 10 inclusive, commencing with the words *During the course of the examination* and ending *as produced to your Committee,* be deleted.

After discussion, and the question having been put on the said motion, it was negatived.

After further discussion, the said report as drafted was adopted on division, and the Chairman ordered to present it to the House forthwith.

At 4.10 o'clock p.m. the Committee adjourned to meet at the call of the Chair.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Thursday, June 22, 1950.

The Standing Committee on Public Accounts met this day at 2.30 p.m. The Chairman, Mr. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, I see a quorum. We have with us today Mr. Malley, President of the Crown Assets Disposal Corporation, and Mr. Richard, the Vice-President of that corporation. We are to deal with the accounts receivable of War Assets Corporation and particularly with certain items of the Deferred Accounts. I think we stated the other day in the committee when we sat in camera that we would deal especially with those items over $1 million so as to be certain to have a chance to cover them in a given number of meetings. If we begin with one item, I would like very much to conclude with that item in connection with the witnesses that we have, before we go on to another item. The witnesses are yours, gentlemen.

Mr. MACDONNELL: Mr. Chairman, the first large item is that of the Acadia Overseas Freighters Limited, in the amount of $4,982,680.61. These figures are of the 31st of March, 1949?

Mr. MALLEY: That is right.

Mr. MACDONNELL: Can you give us the figures indicating the original price and so on?

The CHAIRMAN: I think Mr. Richard would be the one to answer your question.

Mr. MALLEY: Might I make a suggestion, Mr. Chairman?

The CHAIRMAN: The question has been asked as to how these accounts stand. It does not concern any peculiar point about them, but just how they stand and the price paid and so on. I think Mr. Richard has that information in his possession and I would like him to give us the figures.

Mr. RICHARD: Mr. Chairman, the price paid for these vessels was $7,572,906.

Mr. MACDONNELL: How many vessels were there, and what were the prices and the terms of payment?

Mr. RICHARD: There were sixteen vessels involved and the prices were based upon an asking price less depreciation up to the date of delivery, which gave various prices.

Mr. MACDONNELL: Give us the total book value or the total price. I think that would save time, instead of giving us the prices for each ship, unless some one wants them. Tell us what they are stated at on your books and what you got for them.

Mr. RICHARD: We have not got the original cost of the vessels on our books.

Mr. MACDONNELL: How did you carry them, then?

The CHAIRMAN: When were they transferred to War Assets?

Mr. RICHARD: They would be transferred, and they were actually transferred to War Assets at the time they were declared surplus.

The CHAIRMAN: And when would that be?

Mr. RICHARD: That would be around 1946 or 1947.

Mr. FRASER: Are these Park Steamship Boats?

Mr. RICHARD: Yes.

The CHAIRMAN: We have with us today the officials of the Maritime Commission who were with the Park Steamships. So I would now ask Mr. Clyne, the Chairman of the Maritime Commission, to come forward.

Mr. CAUCHON: By whom were they declared surplus?

Mr. RICHARD: By Park Steamships.

The CHAIRMAN: As I was saying, we have with us today Mr. J. V. Clyne, Chairman of the Canadian Maritime Commission and President of the Park Steamship Company, and he is accompanied by Mr. J. H. Tilley, General Manager of the Park Steamship Company. I think these gentlemen will answer certain of the questions with respect to the original prices.

Mr. MACDONNELL: The question I would like to get an answer to is: At what figure were they carried? There must have been some figure which was used and which was in mind when they were sold. There must have been some target at which you were shooting.

The CHAIRMAN: Park Steamships acted as agents for the sale.

Mr. CLYNE: I assume, sir, that the figure you require would be the cost of construction. Those particulars are contained in Sessional Paper 177 which was tabled on March 16, 1949.

Mr. FRASER: Tabled in the name of Mr. MacGregor?

The CHAIRMAN: The name is usually shown at the top of the sessional paper.

Mr. CLYNE: No. Tabled in the name of Mr. Hazen. And in the statement furnished in that answer the cost of construction of each ship individually is given. They started off with the first ship *Frontenac Park*, at $1,675,714.41.

Mr. MACDONNELL: From my point of view I would be satisfied if we could get the total cost of construction if it is available, and then we would know how the sale price related to it, or any other significant figure.

Mr. CLYNE: I have not totalled these figures up. I might give you a rough figure.

Mr. THATCHER: On a point of order, Mr. Chairman, it may be that I do not understand this. But I cannot see why we are going back to 1944, 1945, and 1946 when the Public Accounts that we should be dealing with should be just for the year past.

The CHAIRMAN: No, Mr. Thatcher. We are not going into the details of the sale. But in the Public Accounts of this year there is a balance sheet given and the figure for accounts receivable of some $41 million odd. I think Mr. Drew asked for a break-down of that amount. We got the break-down and we agreed at the last meeting in camera of this committee to give an opportunity to the members to ask questions about these deferred accounts. The figure is there in the books of War Assets, and we are to hear how the sales price compares with the purchase price or the cost price of these boats and any information we may wish to obtain as to the present state of these accounts. We agreed to limit it to the twelve largest figures in this list so that we could actually cover the questions. We cannot go into all the details, because they have been covered by the War Expenditures Committee. But I do not think we can deny to a member who is asking a question the opportunity of obtaining an answer.

Mr. THATCHER: I see.

The CHAIRMAN: We are discussing this year the balance sheet of War Assets in which is included accounts receivable as at March 31, of some $41

million or something like that. Mr. Drew asked for a break-down of it. We now have it and in addition we have the witnesses who can answer questions but not on the whole transaction because it has been covered in the past. The members are entitled to ask what these ships cost and what were the conditions of sale. These figures mean something and we can have answers on them. They relate to the Public Accounts.

Mr. MACDONNELL: Here we have, as the chairman pointed out, a balance.

Mr. CROLL: Mr. Chairman, I think Mr. Clyne was in the middle of giving an answer. Why not let him finish his answer.

The CHAIRMAN: Yes, we can add it up ourselves afterwards.

Mr. CLYNE: The cost of construction of these vessels was $276·9 millions; and the estimated amount of the recoveries is $204·7 millions.

The CHAIRMAN: That is on which ships?

Mr. CLYNE: All the ships under consideration.

The CHAIRMAN: The Acadia Overseas Freighters Limited?

Mr. CLYNE: No, the whole thing.

Mr. MACDONNELL: No, no, no. I am asking about Acadia Overseas Freighters Limited.

Mr. CLYNE: I am very sorry, sir.

Mr. THATCHER: What page are we dealing with?

Mr. CLYNE: 1947, volume 5, at page 4202.

Mr. MACDONNELL: We have certain transactions entered into and we want to see what the present state of them is. So in order to see what the present state is, we must know what the original state was.

Mr. CLYNE: Here are the sale prices: the total account of Acadia Overseas Freighters Limited and Acadia Overseas Freighters Halifax Limited which is included in the one item was $8,996,004.09, and as of the 31st of March, 1949, that account was reduced to what is shown in the statement as $4,982,680.61; and the present amount outstanding is $3,171,541.33.

Mr. MACDONNELL: Are you able to tell us how the sale price of $8·9 million compares with the cost of construction of the vessels involved, how that price compares with the original amount of our investment?

Mr. CLYNE: The figures I have in my department do not show the original cost of these vessels.

Mr. MACDONNELL: I thought you started out to give us the figures of the cost of construction.

Mr. CLYNE: Yes, but I have not got the particular vessels here. They are all contained in the return which I have just mentioned.

Mr. MACDONNELL: Well, I am very disappointed that they are not here because here we are, and we want to get a picture.

The CHAIRMAN: It is only a matter of his finding them among the material he has with him.

Mr. MACDONNELL: Very well.

The CHAIRMAN: Can you locate in that list the ships which Canada sold to Acadia Overseas Freighters in the amount of some $8 million odd? Can you find out how much they cost?

Mr. CROLL: Are they not set out in the agreement?

Mr. CLYNE: Yes.

Mr. CROLL: Well, you can just check it.

Mr. MACDONNELL: What are you reading from?

Mr. CLYNE: I am reading a list of the Park vessels sold as follows: *Fort Astoria, Fort Brisebois, Fort Kaskaskia, Fort Kullyspell, Fort La Baye, Fort Prudhomme, Fort Venango, Fort Wallace, Frontenac Park, Kildonan Park, Lakeview Park, Riverview Park.*

Mr. MACDONNELL: Have you got the cost of construction of these ships?

Mr. CLYNE: I can give you the cost of construction. *Fort Astoria* $1,789,964.95; *Fort Brisebois* $1,503,135.75; *Fort Kaskaskia* $1,693,096.49; *Fort Kullyspell* $1,740,476.60; *Fort La Baye* $1,653,528.36; *Fort Prudhomme* $1,646,952.06; *Fort Venango* $1,660,946.56; *Fort Wallace* $1,525,222.87; *Frontenac Park* $1,675,714.41; *Kildonan Park* $1,705,559.19; *Lakeview Park* $1,704,427.33 and *Riverview Park* $1,490,480.03.

Mr. MACDONNELL: I hope there is someone here who can add better than I can.

Mr. FLEMING: That comes to just twelve; I understand there were fifteen sold.

Mr. CLYNE: I have given you the Acadia Overseas Freighters Limited. I mentioned there were two companies concerned, but they are both shown as Acadia Overseas Freighters Limited; the other is Acadia Overseas Freighters (Halifax) Limited. If you would like to go on to the second company I will do that.

Mr. FLEMING: Does the figure of $4,982,680.61 cover the sixteen vessels, or the twelve?

Mr. CLYNE: That applies to the sixteen.

Mr. FLEMING: We had better have the other four included then.

Mr. CLYNE: The *Fort Wellington*, $1,980,000; the *Fort Mingan*, $1,487,000; the *Fort Mattagami*, $1,803,000; the *Fort Capot River*, $1,705,000; the *Fort Moose*, $1,642,000.

Mr. FLEMING: We are up to sixteen now.

Mr. CLYNE: I am going further than that because actually I think Mr. Richard was dealing with the number of ships which were owned by these companies at the time of March 31, 1949. Those companies actually bought more ships and have sold them but that was the number of ships that they owned as of March 31, 1949.

Mr. MACDONNELL: But how many entered into this Acadia Overseas Freighters Limited item of $4,900,000? That is where we started, and I would like to be clear on that before we go on to anything else.

Mr. CLYNE: As of the 31st of March, 1949, there were sixteen vessels owned.

Mr. FLEMING: It was in respect of those that this $4,900,000 was outstanding?

Mr. CLYNE: Yes.

Mr. FLEMING: Now, you have given us apparently—

The CHAIRMAN: Their original sales price was $8,996,000.

The CHAIRMAN: You have given us seventeen here, should it be seventeen or sixteen?

Mr. CLYNE: Sixteen as of March 31, 1949.

The CHAIRMAN: So which one of these seventeen should we not include in the totals we are making up now? From the list we have in the record already which one is to be subtracted?

Mr. CLYNE: There are three ships to subtract, the *Fort Astoria*—

The CHAIRMAN: I mean the figures that have to be subtracted because we have already made up our additions.

Mr. RICHARD (*Ottawa East*): What is the witness reading from now?

Mr. CLYNE: I am reading from the return, Mr. Chairman.

Mr. RICHARD (*Ottawa East*): Rehashing old returns?

Mr. CAUCHON: We have that already in the record.

Mr. CLYNE: The *Fort Astoria* was $1,789,000; the *Fort Venango*, $1,660,000; and the *Lakeview Park*, $1,704,000. Those are the three ships that were sold.

The CHAIRMAN: Leaving a total of sixteen ships against which there is due the amount which was previously given, $4,982,680. Mr. Macdonnell, I think, wants to get what was the cost of the ships represented in the sale price of $8,996,000. If we could get that then we could make the comparison. That is what you have in mind, Mr. Macdonnell?

Mr. FRASER: I make it, roughly, about $22 million.

The CHAIRMAN: Yes, about that, about $22 million according to such amateur arithmeticians as Mr. Fraser and I are.

Mr. FRASER: Is that not what you make it, about?

The CHAIRMAN: Yes; from which recovery was made of $8,996,000.

Mr. CLYNE: I do not think that is quite correct, Mr. Chairman, if I may say so. Those figures merely refer to the recovery by way of sales; they do not include the recovery which was made by the government out of the operation of the ships.

The CHAIRMAN: Oh, I see.

Mr. CLYNE: And I am afraid that I can only give you that general figure which I have previously given, that out of the general operation and sale of all ships which were managed by the Park Steamship Company, the total recovery was about $200 million.

Mr. MACDONNELL: You mean operation during what years?

Mr. CLYNE: The operations since the vessels were built up until the time they were sold.

Mr. MACDONNELL: That seems to me in one sense to be quite irrelevant so far as the sale price is concerned. Here we have things of a certain value—something around, say, $22 million was the cost of construction—and it might be reasonable to ask you whether you thought the sale at $8 million was a good sale.

The CHAIRMAN: Let us say $9 million.

Mr. MACDONNELL: All right, let us say $9 million. I recognize that when you are selling used goods you have to take a big discount but I would like to ask just what the situation was, what effort was made to get a better deal and could you say whether you thought that deal was a good one? Were you responsible for it?

Mr. CLYNE: No. I have been responsible for the Park Steamship Company since 1948, the beginning of 1948. These sales were made for the most part at the beginning of 1946, but I would be quite willing to answer that question to the best of my ability. These ships were war-built ships, all of a certain type. I think that the sales which were made were advantageous sales to Canada especially in view of my experience endeavouring to sell other vessels subsequently since I took over. We have had fifty-eight ships which were sold at the end of November 1947, and I———

Mr. MACDONNELL: When you say "we," whom do you mean?

Mr. CLYNE: I mean the Park Steamship Company acting as an agent on behalf of Crown Assets Disposal Corporation, and we have had the utmost difficulty in having purchasers complete their payments.

Mr. MACDONNELL: Well, now, another question: Acadia Overseas Freighters Limited—who are the owners of that, I mean who are the parties interested?

Mr. CLYNE: The Acadia Overseas Freighters Limited is a syndicate of ship owners headed by four brothers by the name of Kulukundis.

Mr. MACDONNELL: What part of the world do they live in?

Mr. CLYNE: They live in several parts. I think it would be fair to say that their domicile is in London. The Kulukundis group are quite a well known group of English Greek tramp shipowners.

Mr. MACDONNELL: I am not undertaking to say that to get a price of roughly one-third of the original cost was good or bad, but I want to know if you know of any comparable transaction at that time, to see if this was reasonable.

The CHAIRMAN: Your proportion is not quite right, Mr. Macdonnell, nine is not one-third, of twenty-two.

Mr. MACDONNELL: I said, roughly.

Mr. CLYNE: I would not care to give exact figures, sir, but I can say that the sale price of these ships in 1946 compares with the approximate sale price of similar ships which were sold by the United Kingdom government and by the United States.

Mr. MACDONNELL: Was there any commission paid?

Mr. CLYNE: In respect to the ships that we are discussing here, there were no commissions. There were certain commissions, I believe, in connection with ships which were sold foreign. These ships we are dealing with now are ships sold to domestic purchasers.

Mr. CAUCHON: That is in *Hansard*.

Mr. MACDONNELL: I am quite aware it is in *Hansard*, but either we are talking to people who knew about this transaction or we are not. We are trying, with some difficulty, and I must say the chairman is giving us all the assistance he can, to get this figure and tell us what it means. I think it is relevant to the question to ask if commissions were paid or not, and to whom.

Mr. CLYNE: I am sorry; I was endeavouring to make it clear that there were no commissions paid in respect of the ships that we are dealing with, and sold to the Acadia Overseas Freighters Limited and the Acadia Overseas Freighters (Halifax) Limited. There were no commissions paid.

Mr. FRASER: That was a direct war asset sale to the Acadia company?

Mr. CLYNE: Yes.

Mr. MACDONNELL: The reason I asked it is that I had a recollection that this was so; that there was a question of commission, but you say it did not apply to these ships?

Mr. CLYNE: No. It did not.

Mr. MACDONNELL: Now, the next thing. What are the terms of payment of this $9 million odd? Have the terms of payment been pretty well kept up?

Mr. CLYNE: Yes, they have. We have collected the difference between $4,982,000 and $3,171,541.

The CHAIRMAN: During the past year?

Mr. CLYNE: During the past year.

Mr. MACDONNELL: And the ships are still in operation?

Mr. CLYNE: Yes.

Mr. MACDONNELL: By the same purchaser?

Mr. CLYNE: Yes.

Mr. MACDONNELL: And doing well?

Mr. CLYNE: The remaining ships are. I mentioned that there were nineteen ships of which there were only sixteen left as of March 31, 1949, three having been sold, and during the year four others have been sold, leaving the present number of ships at twelve.

Mr. MACDONNELL: And those ships are being operated?

Mr. CLYNE: Yes.

Mr. MACDONNELL: And do you know the position of the company at this time, I mean have you kept in touch with the position of the company and are you satisfied there is every likelihood of the balance being paid?

Mr. CLYNE: We have kept in touch with these companies very very closely not only as Park steamships but as the Maritime Commission and I am frankly satisfied that the government will collect every cent of the money that is outstanding.

Mr. FRASER: They are insured so that you can recover?

Mr. CLYNE: We are fully insured in respect of all these ships.

Mr. FRASER: Mr. Macdonnell mentioned the fact a few moments ago that the amount received from the sale price was about one-third of the cost and the chairman corrected him. Now, I just wondered. When these ships were sold they were "all found," also, at the same time; everything was on them, more equipment than what the original price was for?

Mr. CLYNE: Yes.

Mr. FRASER: Well, that would bring it to, say, that the sale price would really be about one-third of the cost?

Mr CLYNE: I think that would be a fair statement.

Mr. CHAIRMAN: We will not fight on the difference between one-third and one-half.

Mr. FRASER: I just wanted to be a little technical, Mr. Chairman.

Mr. CLYNE: Of course, I do not know whether this is relevant or not but I still should point out that there was a substantial operating profit made out of these ships before they were delivered to the purchasers, and that the purchasers took them on an "as is where is" basis, so I think that we made a very good recovery actually, having regard to the fact that we were turning them over in a second-hand condition.

Mr. MACDONNELL: Well, that would not have any affect on the price which you then asked, which presumably was on the condition of the market and the state of the ship at that time.

Mr. CAUCHON: It is, of course, interesting to know that they had made a previous profit.

Mr. CLYNE: Yes. I think that it is true that these ships were sold at a fair market price; in fact, I think we may have got a little more.

Mr. MACDONNELL: Was the state of the shipping market weak at that time?

Mr. CLYNE: No, freights were reasonably good but inevitably, the thing that depressed the sale market was the very great number of American 'Liberties'.

Mr. WRIGHT: As this company disposes of the assets does it make a return?

Mr. CLYNE: Park Steamships acts as agents for War Assets. It reports to War Assets. Likewise, Park Steamships makes a return to the government itself. The Canadian Maritime Commission, the commissioners of which are directors of the Park Company, also makes an annual report to the government.

Mr. MACDONNELL: You have the purchasers—a name which I cannot pronounce: you have the Maritime Commisison; and then you have Park Steam-

ships. I can understand the need for the Maritime Commission, but what function does Park Steamships perform between the Maritime Commission and the operators of the ships?

Mr. CLYNE: Park Steamships is really under the management of the commission and in fact the commission operates Park Steamships. Park Steamships is really a skeleton company.

Mr. MACDONNELL: What kind of a skeleton is it? Does it own anything now?

Mr. CLYNE: No.

Mr. MACDONNELL: Does it operate? Does it act as an operating agent?

Mr. CLYNE: Park Steamship Company is now actually winding itself up. It originally operated all those vessels on behalf of the Crown.

Mr. MACDONNELL: On behalf of who?

Mr. CLYNE: The Crown. It acted as agent in the sale of the vessels and in respect of the various operations which occurred previously. It is now winding up its affairs. There are a good many insurance claims and I have found it advisable to keep Park Steamships alive as an entity.

Mr. MACDONNELL: Who are the officials of Park Steamships, are they the officials of the Canadian Maritime Commission?

Mr. CLYNE: The president is myself, and we have two directors who are members of the Commission.

Mr. MACDONNELL: Let me shorten it. All I am getting at is that there are not two parallel groups of men—Park Steamships is really a convenient name to carry out certain duties of the Maritime Commission; is that correct?

Mr. CLYNE: We have kept Park alive as an agent for War Assets. The situation as I found it when I came down here was that Park Steamship Company was operating out of Montreal. At that time it had a staff of 40 or 50 people. I decided that it would be advisable to bring Park Steamship Company to Ottawa. We reduced the staff to about 8, effected a saving of rents, and the net result was a saving of about $75,000 a year.

Mr. MACDONNELL: What is the staff now?

Mr. CLYNE: There are 6 people on the staff.

Mr. FRASER: What do they do—mostly accounting?

Mr. CLYNE: It is practically all accounting and collecting insurance claims, of which, of course, there are naturally a number over the period of operation.

The CHAIRMAN: Are there any further questions on Acadia Overseas Freighters before we deal with another matter?

Mr. MACDONNELL: Andros Shipping Company Limited is perhaps next. Mr. Clyne might answer the same questions.

Mr. CLYNE: The number of vessels purchased were nine; the original obligation was $4,988,891.

Mr. MACDONNELL: Who was the purchaser?

Mr. CLYNE: Andros Shipping Company Limited.

Mr. MACDONNELL: Who are the personnel there?

Mr. CLYNE: The name of the principal shareholder is Goulandris.

Mr. MACDONNELL: Is that another London-Greek shipping company?

Mr. CLYNE: Yes. The amount outstanding at the 31st March, 1949 was $2,744,818.93. The balance of this account at the moment is $1,180,174.72.

Mr. MACDONNELL: Does that mean the payments have been kept up to date?

Mr. CLYNE: Yes. As a matter of fact we are actually collecting mortgage payments in advance. Wherever I see an opportunity of getting money in

advance I have been doing so. As a matter of fact, over the last year if you care to have the figure, we have collected in advance $10,846,458. That may or may not be relevant.

Mr. MACDONNELL: It is interesting.

Mr. CAUCHON: That is good business anywhere.

Mr. FRASER: That is in regard to these Park ships?

Mr. CLYNE: I do want to get this money in as soon as possible, in view of the declining freight market.

Mr. MACDONNELL: I wonder if we could go back to a question I asked a moment ago—was there any commission paid here?

Mr. CLYNE: No.

Mr. MACDONNELL: Well your previous answer seemed to me to indicate what was my recollection of the question some years ago—that while there was no commission paid in respect of these particular ships, there had been commission paid in respect of others.

The CHAIRMAN: We will see about that when we come to the other items. We will clear each item up separately.

Mr. MACDONNELL: You have too logical a mind, Mr. Chairman.

Mr. CLYNE: I can clear up that question very quickly. There have been no commissions paid in respect of any of these ships which are mentioned in the statement we are dealing with.

The CHAIRMAN: That solves the problem.

Mr. CLYNE: If you would like me to run through these very quickly I could do so. G & T Shipping—

Mr. MACDONNELL: The only other question I have there is one Mr. Clyne really answered. This company you consider is in good shape and the balance of the purchase is secure?

Mr. CLYNE: Yes.

Mr. MACDONNELL: What is the time limit? When are the remaining instalments due?

Mr. CLYNE: The ships were sold on the basis of payments over seven years. These ships were sold to Andros in 1946. Payments will all be completed by 1953, but I believe that I can get the thing cleaned up more quickly than that.

Mr. MACDONNELL: You spoke of trying to get payments in because of the weakening state of the shipping market. Have you got any coverance apart from the value of the ships themselves or do you look really to the ships? You have nothing in addition of value?

Mr. CLYNE: No the ships are the security.

The CHAIRMAN: Are there any other questions on Andros Shipping?

Mr. FRASER: Those are all of British registry?

Mr. CLYNE: No, Andros will be permitted to transfer, if it desires to do so, three of those ships to British registry.

Mr. MACDONNELL: The others will remain Canadian?

Mr. CLYNE: So far they have not applied for any more, and I think I can safely say the others will remain under Canadian registry.

Mr. FRASER: And they have to remain under a Canadian registry until they are paid for?

Mr. CLYNE: No, that was the term of the original agreement but, under the situation as it existed last year, it was found necessary to transfer some ships to the United Kingdom registry, while keeping the ownership Canadian.

The CHAIRMAN: Are there any further questions on Andros Shipping? What is the next item you wish to take?

Mr. MACDONNELL: G & T Shipping.

Mr. CLYNE: The number of vessels purchased was 3; the original obligation was $1,582,500; the amount outstanding at March 31, 1949, was $1,201,518.54; and the full amount of the mortgage has been discharged and there is nothing left. That item is now paid in full.

The CHAIRMAN: As of 1950?

Mr. CLYNE: As of today.

Mr. MACDONNELL: In other words, that $1,201,000 has been paid off?

Mr. CLYNE: Yes.

Mr. MACDONNELL: What was the construction cost of those three vessels?

Mr. CLYNE: I can give you the actual figures:

The *Fort Caribou*—$1,554,000; the *Fort Beausejour,* $1,778,000; the *Fort Chesterfield,* $1,540,000.

Mr. MCILRAITH: I wonder if it would save some time if it were stated that all this information appears in Sessional Paper 177—that is the original cost and the sale price?

Mr. MACDONNELL: After all, it only takes a moment to give it here.

The CHAIRMAN: I understand that Mr. McIlraith just wishes you to know where the information is if you want it.

Mr. MACDONNELL: How about the Ivor Shipping Company Limited?

The CHAIRMAN: Are there any more questions on the G & T Shipping Company?

Mr. MACDONNELL: You cannot ask questions when it is all paid off.

The CHAIRMAN: Ivor Shipping Company, Limited.

Mr. CLYNE: $1,582,500 was the amount of the original obligation. The balance outstanding as of March 31st, 1949 was $1,206,602.05. The amount outstanding in respect of those ships is $1,186,875—you will see there has not been much of a reduction.

Mr. MACDONNELL: I missed the purchase price, would you mind giving it again?

Mr. CLYNE: $1,582,500.

Mr. MACDONNELL: Are the payments up to date?

Mr. CLYNE: No, this company is in arrears to the extent of $211,958.14. The company has been unable to secure employment for its ships and the three ships have been laid up for the last eight or nine months. These, by the way, are coal burning vessels. They now propose to invest further money in these ships by way of converting them from coal to oil.

Mr. MACDONNELL: When you say 'they' you mean the owners?

Mr. CLYNE: Yes. That cost of conversion will be somewhere in the neighbourhood of $40,000 or $50,000 per ship and the arrangement which I have made with them is that, if they make that additional investment to convert the ships, they will assign the total net earnings of the ships to Crown Assets so that we will get all of the money that those ships will produce.

Mr. MACDONNELL: And you think there will be prospect of their doing that—or first of all, are you satisfied it is a sound step to take?

Mr. CLYNE: Yes; my other alternative is to seize the ships.

Mr. MACDONNELL: To what?

Mr. CLYNE: Seize the ships. The last sale of a ship of this kind was a British vessel of similar type which produced 72,000 pounds, and I feel this is the most advantageous arrangement, that is to accept the assignment of the net earnings.

Mr. MACDONNELL: You think it is better to let them carry on—do you think they are good managers?

Mr. CLYNE: Yes, they are experienced shipping people and so long as I get the net revenues I will be satisfied.

Mr. FRASER: Where do they generally carry from?

Mr. CLYNE: They are tramp owners.

Mr. FRASER: They will be carrying for independent companies?

Mr. CLYNE: Their ships will be available for charter and the advantage we have here is that under the arrangement which has been made with the United Kingdom government these ships can be transferred to the United Kingdom flag and will be able to earn revenues by participating in the sterling freight market and, under the arrangement made with the British government, the net profits will be permitted to be transferred to Canada in dollars—and we will get them.

Mr. MACDONNELL: But you have hopes that they will again be in operation and earn a profit?

Mr. CLYNE: Yes.

The CHAIRMAN: Next item? P. & T. Steamship Company.

Mr. CLYNE: Three ships; $1,582,500 was the original purchase price under that obligation. These figures are exactly the same as the others. The amount outstanding was $1,208,215.32 as of March 31, 1949; and at the present time the company owes $1,186,875.

Mr. MACDONNELL: That is the same as the others?

Mr. CLYNE: Exactly the same; three ships with precisely the same position.

Mr. MACDONNELL: Are they the same owners?

Mr. CLYNE: No, not the same owners but they have also been laid up. They are exactly the same type of ship as those of the Ivor Shipping Company Limited. The company is not in good financial position and we have had an audit made within the last month and that audit has just been received and is now before the commission for action.

Mr. MACDONNELL: What is the P. & T.?

Mr. CLYNE: My Greek is not as good as it was, but I can tell you that the principal shareholder likewise resides in Montreal.

Mr. MACDONNELL: Is he an experienced operator?

Mr. CLYNE: I would say that he has not the same experience as the other owners with whom we are dealing.

Mr. MACDONNELL: Has he in fact had other steamship experience?

Mr. CLYNE: Yes, he has operated and does operate other steamship companies.

Mr. MACDONNELL: Are you satisfied in his case to leave it in his hands; that is, are there other people whom you consider as having better experience?

Mr. CLYNE: Frankly, is some proper proposal is not made to us within the next month I would consider it advisable to take steps to recover these vessels.

Mr. MACDONNELL: Can that be done expeditiously?

Mr. CLYNE: Yes.

Mr. MACDONNELL: That brings us to Seaboard.

The CHAIRMAN: No, Saguenay terminals.

Mr. CLYNE: The number of ships involved was ten originally and the obligation was $4,529,650.

Mr. MACDONNELL: Have you the original cost figure?

Mr. CLYNE: The original cost of those ships—I will have to return to the sessional paper in order to get that—

Mr. MACDONNELL: I won't press it, just roughly, is it the same proportion?

Mr. CLYNE: Roughly these ships cost a little less—$1,403,000, $1,413,000, $1,386,000—approximately the same as the others.

Mr. MACDONNELL: But will you give us the rest of them? You have given us three and I think you said there were ten.

Mr. CLYNE: $1,088,000, $1,698,000, $1,124,000, $1,702,000, $1,061,000, $1,897,000, $1,753,000.

Mr. MACDONNELL: The proportion is not so very different, it is proportionately the same sale price?

Mr. CLYNE: It is approximately the same price.

Mr. MACDONNELL: Then you have $4,500,000 and I think only $2,200,000—is that up to date?

Mr. CLYNE: No, it is more than up to date—as of March 31, 1949, the balance was $2,256,000 and that has now been reduced as of today to $461,132.

Mr. MACDONNELL: And the company is in good shape?

Mr. CLYNE: And the company is in good shape.

The CHAIRMAN: The next item is Seaboard.

Mr. CLYNE: Seaboard owners, six vessels, the original obligation $3,013,000; and the amount outstanding—

Mr. MACDONNELL: Might I interject this question? Was there more or less a proportion of original cost that you used pretty well across the board?

Mr. CLYNE: All these ships were sold on a sales formula which was identical for the different types of ship.

Mr. MACDONNELL: When you say "sales formula", have you some method of arriving at the sale price in relation to the original cost?

Mr. CLYNE: Yes.

Mr. MACDONNELL: When I interrupted you you were giving us some figures.

Mr. CLYNE: Seaboard owners—the amount outstanding as of March 31, 1949, was $1,614,000; the amount outstanding today is $1,291,540. The shares of this company were sold to the Triton Steamship Company Limited.

Mr. MACDONNELL: Just a moment, were we at seagull?

The CHAIRMAN: No, Seaboard.

Mr. MACDONNELL: Seaboard, yes; is that the one with $461,000?

Mr. CLYNE: No, that is Saguenay terminals.

The CHAIRMAN: Mr. Clyne is speaking about Seaboard.

Mr. MACDONNELL: Would you just give the Seaboard figure again, the amount outstanding now?

Mr. CLYNE: The amount owing now is $1,291,540.

Mr. MACDONNELL: Instead of $1,614,000?

Mr. CLYNE: Yes.

Mr. MACDONNELL: Is that up to date?

Mr. CLYNE: No, they are in arrears by $370,000.

Mr. MACDONNELL: What about that?

Mr. CLYNE: I have done with them the same as I did with the others. They are to assign to us all of their net earnings and we will receive everything that they get out of these ships.

Mr. MACDONNELL: They are operating still?

Mr. CLYNE: They are.

Mr. MACDONNELL: Making an operating profit?

Mr. CLYNE: Yes. You see the difficulty which arose was that after devaluation there was a very rapid drop in the freight market and it was quite impossible for Canadian ships to make any kind of a profit at all, but an arrangement has been made with the United Kingdom to handle these ships under British registry where they can earn a reasonable profit.

Mr. MACDONNELL: Will they still be under the Canadian flag?

Mr. CLYNE: No, under the United Kingdom flag.

Mr. MACDONNELL: Does that apply to all the ships?

Mr. CLYNE: No, Andros is operating an inter-coastal service and will continue to operate under the Canadian flag as well as other companies. These ships of Seaboard Owners Limited are tramp ships and it is quite impossible for them to make any profit under the Canadian flag.

Mr. THOMAS: How many ships are the Seaboard company operating now?

Mr. CLYNE: Seaboard at the moment has two ships laid up pending transfer to the United Kingdom flag.

Mr. THOMAS: What happened there?

Mr. CLYNE: What happened there was this. Seaboard Owners Limited was a company formed by Seaboard Lumber Sales Limited which consisted of a group of mills in British Columbia and the shareholders sold their shares to the Triton group. The company did not transfer its assets.

Mr. THOMAS: The deal just involved the transfer of shares?

Mr. CLYNE: Yes.

Mr. FRASER: You said these ships could not make any money under the Canadian flag while under the British flag they could; is that owing to the fact that there are restrictions against our ships?

Mr. CLYNE: There are, in this way, that our ships must earn dollars in order to meet their expenses which are in dollar expenditures. The dollar freight market is diminishing. You see, Canadian ships do not participate in E.C.A. cargoes which are limited 50 per cent to American bottoms and 50 per cent to bottoms operated by recipient countries; so that if some method is not found for them to participate in the sterling trade market we cannot possibly operate our ships. Cargoes are offering every day with freights payable in sterling.

Mr. FRASER: Then American ships are in a preferred position. They use their own boats.

Mr. CLYNE: No. The thing that is keeping the American fleet operating is the provisions of E.C.A. whereby 50 per cent of those cargoes must be carried in American bottoms; but as far as that goes American ships are being laid up steadily. My latest figure showed about 1,900 ships returned to the government on account of being unable to operate at a profit.

Mr. FRASER: You say they were returned to the American government. Would these be new ships?

Mr. CLYNE: These are ships which the American government owned and which were chartered under favourable conditions.

Mr. LARSON: Were any of these ships of what was known as the Liberty ship type? Can you tell us something about their speed?

Mr. CLYNE: Their speed is 11·5 and 12 knots; of course, they do not always make 11·5 to 12 knots but some of them are still making pretty good time, keeping up a fair speed, especially in some cases of improved propellor design.

Mr. LARSON: Are they new ships?

Mr. CLYNE: These are ships that were all built since 1942. They would be less than eight years old.

Mr. LARSON: They are all Canaidan ships?

Mr. CLYNE: They are all Canadian ships.

The CHAIRMAN: Are there any further questions?

The CHAIRMAN: Triton Steamship Company Limited $1,380,809.40.

Mr. CLYNE: Those ships originally sold for $2,577,000; the amount outstanding at March 31, 1949, was $1,380,000; and the amount which is presently outstanding is $905,000.

Mr. MACDONNELL: You think they are in good shape?

Mr. CLYNE: I have made the same arrangements with that company as with Seabord Owners Limited, and I am taking an assignment of their net earnings.

Mr. MACDONNELL: Is it a Canadian company?

Mr. CLYNE: These are all Canadian companies. The Triton Steamship Company Limited is controlled by the Goulandris Group.

Mr. MACDONNELL: And they operate it?

Mr. CLYNE: Yes, they operate it.

Mr. MACDONNELL: You have had a satisfactory reduction from $1,380,000 to $905,000?

Mr. CLYNE: Yes, and I feel that when we get the transfer to the United Kingdom registry—

Mr. MACDONNELL: Will that not have an effect on conditions of employment of personnel of the ship's companies?

Mr. CLYNE: Yes. The ships will be operated under British articles and presumably at British rates of pay.

Mr. MACDONNELL: Are they manned for the most part by Canadian or by British seamen?

Mr. CLYNE: The ships we are dealing with now have been manned by Canadian seamen; but when transferred, they will be manned by British seamen.

Mr. MACDONNELL: That seems to be the last item of $1 million or over, Mr. Chairman.

The CHAIRMAN: Yes.

Mr. THOMAS: Can you tell us if any one of these companies mentioned here today are owners of these "Lake" ships?

Mr. CLYNE: No. The ships with the "Lake" names are owned by Western Canada Steamships Limited, and Western Canada Steamships Limited has paid its mortgage in full.

Mr. THOMAS: They are apparently dumping the biggest percentage of the ships. Some of them went to Greece.

Mr. CLYNE: They bought twenty and have sold eight ships. Of course when they sell ships they do not get the money. The money goes into a replacement fund.

Mr. THOMAS: I see.

Mr. CLYNE: And that money is held in a replacement fund to the owner's account, and it may be disbursed only with the consent of the commission by way of a replacement.

Mr. MACDONNELL: You mean that they would have the right to sell and replace. But would that not involve the expenditure of extra money on their part?

Mr. CLYNE: They can reduce the number of the fleet.

Mr. MACDONNELL: You mean company A with a fleet of 10 might sell two or three small ones and buy a big one?

Mr. CLYNE: They would probably have to sell two or three big ones to buy another big one.

Mr. MACDONNELL: Subject to your approval?

Mr. CLYNE: Yes.

A MEMBER: Once a ship is paid for, they can do whatever they like?

Mr. CLYNE: No. They can only sell to a foreign owner with the consent of the government.

Mr. THOMAS: Were these ships which Western Canada Steamships has been selling sold to companies of Greek registry or companies of British registry?

Mr. CLYNE: My recollection is that most of the ships were sold to companies of Panamanian registry, but I think that in the majority of cases the purchasers were Greek.

Mr. MACDONNELL: From what you said, my understanding is that these ships, in each case, were sold to a corporation formed for the purpose of owning these ships. In other words, the only asset we have, the only thing which stands behind the contracts into which we have entered is the ship covered by the contract in each case.

Mr. CLYNE: When you are dealing with these particular companies; but I would say that it does not apply to all of them. Saguenay Terminals Limited certainly has considerable assets, and there were ships sold to other owners who have substantial assets. We are of course only dealing with eight companies at the moment, but the total number of companies which have purchased ships is 94. That is the total number of purchasing companies. Some of the other companies are well established companies.

Mr. MACDONNELL: I was referring to those we have had before us here today.

Mr. CLYNE: With the exception of Saguenay Terminals Limited, I think that is correct.

Mr. MACDONNELL: Do you feel that these transactions are in good shape?

Mr. CLYNE: I think they are in good shape and I think I can say that I feel certain that we shall be able to collect all the money that is outstanding in these cases.

Mr. FRASER: Since their sale have any of these ships received any assistance or subsidy from the government?

Mr. CLYNE: None whatsoever. You mean any ship that has been resold?

Mr. FRASER: Yes.

Mr. CLYNE: No.

Mr. FRASER: They have not had any help at all?

Mr. CLYNE: No.

The CHAIRMAN: Does that dispose of the questions?

Mr. MACDONNELL: I have no other questions on this item, Mr. Chairman.

The CHAIRMAN: Does that dispose of the agreement we made to take these test spots, I mean to take all the big amounts as we agreed at the previous meeting?

Mr. MACDONNELL: I cannot answer your question, Mr. Chairman, because I was not at the meeting. I tried to get the record of it.

The CHAIRMAN: It was held in camera, Mr. Macdonnell. Instead of sitting as a steering committee, I brought the matter before the whole committee and it was agreed that when we came to the subject of the $41 million we would limit our questions to items above $1 million.

Mr. MACDONNELL: That was my understanding.

The CHAIRMAN: Is our work on these items finished?

Mr. FRASER: We do not intend to go into these other matters such as the Canadian Car and Foundry Company Limited.

The CHAIRMAN: You do not. You are satisfied, then. I think this clears up this further part of our work and I think I shall call a meeting later on to approve the other reports which are under consideration. That would wind up the work of the committee so far as this year is concerned.

Mr. MACDONNELL: I do not know. I think there was a long list prepared by Mr. Bryce.

The CHAIRMAN: We agreed at this late date of the session, to limit the work we should do to what we could examine thoroughly in a limited number of sittings, not more than three. We have already had two. I think that clears up the work so far as these items are concerned and our work at this advanced stage of the session. I think we shall need at least two more meetings of the committee in camera to consider the reports which I have drafted and which I am re-polishing. That would mean the winding up of the committee about the middle of next week. We can take up our work again next year. I do not know whether I shall be elected as chairman, but if I am, as I have said before, I have agreed that we take up the Public Accounts and determine in the committee which departments we should go into. But so far as this year is concerned, I think that winds up our actual investigation work. I thank you gentlemen for your co-operation in this last public meeting. I shall be meeting you later in our meetings which will be held in camera.

The committee adjourned.