



# REFERENCE PAPERS

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### CANADA'S WAR ASSETS CORPORATION

The disposal of Crown-owned war surplus property and material in Canada began in April, 1944, under the direction of War Assets Corporation Limited, a Crown company established by Order-in-Council in November, 1943. The original organization was succeeded in July, 1944, by the present War Assets Corporation, set up by Parliament in June, 1944. Lands, buildings, ships, machinery, vehicles and other equipment and goods of many types and in huge quantities, located not only in Canada, but also in Great Britain, the United States, Newfoundland and the various countries of Europe, have been turned over to the Corporation for disposal. The scope of the operations were greatly increased with the ending of war, as indicated in the following figures of total receipts to date from the sales of surplus war properties and materials by War Assets Corporation:

Fiscal Year 1944-45.....	\$ 9,507,128
Fiscal Year 1945-46.....	124,878,368
Fiscal Year 1946-47.....	219,205,532
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Total	\$ 353,591,028
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Headquarters of the Corporation are in Montreal, and branch offices have been located across Canada and in Newfoundland, with representatives in Washington, D.C., and in London, England. It is headed by a Board of Directors, appointed as representative of a cross section of the country's economic interests and geographical areas. The annual report of the Corporation is tabled in Parliament by the Minister of Reconstruction and Supply, under whose direction the Corporation operates.

#### Surplus Disposal Policy

The responsible Minister, in 1944, summarized the basic policy to be followed by War Assets Corporation in the disposal of surplus assets. This has been reduced to nine main points, as follows:

- (1) To sell all saleable surpluses at going market prices but within ceilings set by the Wartime Prices and Trade Board.
- (2) To control the flow of such surpluses so as to create the least possible disturbance to the economy of the nation.
- (3) At all times to make every effort to control the price to the user and to reach the user by the shortest feasible route through normal channels of distribution.
- (4) To keep out of unfair competition with established business.

- (5) To seek expert advice from industry on price levels and marketing methods, but not to act on such advice at the expense of the public interest.
- (6) To distribute sales uniformly across Canada.
- (7) To sell abroad in harmony with other governments everything that becomes available abroad and that can be sold there.
- (8) To keep out the speculator.
- (9) To recover for the taxpayers, the original investors in these goods, the largest possible cash return upon their investment without interfering with the eight other points mentioned.

Experience gained by War Assets Corporation has proved the necessity of a certain flexibility in the interpretation of this basic policy. Specific policies on a number of types of commodities have been formulated. In spite of the unusual nature of the Corporation's task, good relations with industry in Canada have been maintained, and the principle of disposing of war surpluses with a minimum of interference with the normal economy of the country has won popular approval.

The task of the Corporation was unique for a number of reasons:

- a) It involved the disposal of large quantities of a wide variety of materials, many of which had been produced exclusively for war purposes;
- b) There were no precedents to guide in the matters of policy and procedure;
- c) The Corporation could sell only what was declared surplus and when it was handed over by the declaring agents to it for disposal;
- d) Because much of the goods to be sold had been produced under wartime conditions and because they were frequently located in out-of-the way places, and also because a large percentage of them had been used to varying degrees, original costs were seldom a dependable guide to selling prices.

The Corporation, however, aimed at securing as near a market price as possible on all goods sold; as a trustee, it could neither give them away or sell them at a sacrifice; and in spite of extraordinary demands for some items in short supply, it was obliged to sell them within established price ceilings.

In most instances, wholesale outlets provided the shortest feasible route to the general public. Retail outlets were also used, and certain classes of goods went through the manufacturers in order to comply with safety regulations and to permit of overhaul before being put on the market. Where practice normally called for direct sales to the end user, as in the case of real estate, ships airplanes and certain production equipment, the normal practice was followed by the Corporation. The branch outlets permitted a broad decentralization of marketing activity.

### Marketing

To expedite disposal and to keep transportation charges to the minimum, surpluses are offered first to the areas in which they originate. When large quantities of any particular commodity are

concentrated in one area, national distribution is arranged if considered economically advisable. Similarly, when supply in a region exceeds demand, efforts are made to dispose of unsold surpluses in other regions. After domestic requirements have been taken care of, surpluses are offered for export sale.

Three priorities are observed:

- (1) Federal Government departments and agencies;
- (2) Provincial Governments;
- (3) Municipal Governments and public organizations, such as hospitals, schools.

The Corporation continues to operate on the principles that speedy disposal is desirable, that domestic preference must be maintained where possible, (even at lower prices than obtaining for export), and that uniformity of procedure is necessary in the branches scattered across Canada.

Close liaison is maintained with Canadian universities and Provincial Departments of Education with a view to making available to non-profit educational institutions, on a basis of indefinite loan, certain equipment and material which have been declared commercially non-saleable, but have educational value.

#### Organization

War Assets Corporation has five principal departments:

1. Supply Department
2. Merchandising Department
3. Lands and Buildings Department
4. Organization and Personnel
5. Comptroller's Department

#### Supply Department

The Supply Department receives surplus Crown-owned property from the Crown Assets Allocation Committee and from contractors of the Department of Reconstruction and Supply. Property is inspected, classified and categorized for the Merchandising Department. When necessary, it is re-worked to put it into saleable form. It is protected and stored, and shipped as directed by the Merchandising Department. The Supply Department has seven main divisions:

- (1) Procurement Division: receives transfers of surplus property covering reports of surplus from Government departments and foreign governments.
- (2) Plant Clearance Division: receives declarations of surpluses and accept custody of them; inspects all surpluses, classifies and categorizes them and reports to Merchandising Department, and when necessary removes them to warehouses.
- (3) Warehousing Division: accounts for all surpluses shipped into warehouses; maintains accurate records of incoming shipments, outgoing shipments and inventory balances; provides adequate storage security and prompt shipment of surpluses sold.
- (4) Reclamation Division: salvages all surplus clothing, bedding and personal equipment, excluding mattresses and pillows; removes military buttons and insignia, dyes and repairs uniforms, salvages blankets, sheets, boots, etc. Salvage operations are carried out at Reclamation Depot No. 1 at Valleyfield.

- (5) Traffic Division: handles transportation arrangements for shipment of goods and materials in the custody of War Assets Corporation; determines best and most economical method to make individual shipments.
- (6) Security Division: responsible for the protection of safeguarding against fire, theft or the admittance of unauthorized persons to property, buildings and declared surpluses taken over by the Corporation.
- (7) Surplus Property Division: determines whether surplus plants and buildings are to be made available to Warehouse Division or handed over to the Lands and Buildings Department for sale; if necessary, arranges for winterization, maintenance and protection, and arranges with Security Division for adequate guarding; looks after all service contracts such as power in plants held by the Corporation.

Special units of the Supply Department were created to meet unusual situations: special branches looked after the surpluses declared at Prince Rupert and on the Alaska Highway and Northwest Staging Route by the U.S. Army. In March, 1946, all American surpluses in Canada were purchased by the Canadian Government and the need for the special divisions disappeared.

The guarding of property in the custody of the Corporation is entrusted to the Canadian Corps of Commissionaires, composed entirely of ex-service personnel. At the end of 1946, the guards totalled around 1,700.

#### Merchandising Department

The Merchandising Department handles all sales and other surplus disposals except those of lands and buildings. To accelerate sales action, a basic policy of decentralization was laid down: (a) by organizing the department in divisions, each responsible for the pricing, distribution and sale of specific groups of related commodities, and (b) by dividing the national sales territory into regions, each region having one or more branch sales offices.

The principal groups in the departmental set-up, with their functions, were as follows:

- (1) Pricing and Distribution Divisions: To effect uniform and correct pricing of surplus and to distribute it to most advantageous markets. This group includes divisions handling: (i) Consumer Goods, (ii) Mechanical Equipment, (iii) Metals, (iv) Aircraft Components, (v) Radio and Radar Sets and Equipment, (vi) Automotive Equipment, (vii) Scrap, (viii) Ships Components, (ix) Machine Tools.
- (2) Direct Sales Divisions: To handle the sale of surpluses (except Lands and Buildings) usually sold direct to end users, including (i) Ships, (ii) Aircraft, (iii) Machine Tools. This group includes a Special Sales Division which looks after sales of certain production equipment to custodians, surplus new motor vehicles, spares and equipment, and other special assignments.
- (3) Priority Division: To supervise sales to priority claimants in accordance with general policy.

- (4) Regional Sales: To supervise the operations of Sales Regions into which the country has been divided, viz., Maritimes, Quebec, Ontario, Prairies and Western. In each region are one or more Branch Sales Offices through which all sales are processed.
- (5) Export Sales Division: To promote the sale abroad of any surpluses not required in Canada.
- (6) Merchandising Procedures and Directives Division: To prepare, co-ordinate and supervise distribution of directives covering Corporation sales policy and procedures.

#### Lands and Buildings Department

The policies which have guided the Department have been basically to dispose of its surpluses to the best financial advantage, consistent with the use to which these are put in the interests of employment, housing, education, vocational training, institutional purposes and the reconstruction effort generally. A Real Estate Advisory Committee, consisting of two experienced real estate men and an engineer, advises the Department on the disposal of all lands and buildings.

In addition to the sale of industrial properties, the Corporation is leasing some industrial space in Crown-owned buildings for the accommodation of small enterprises. A number of large industrial sites have been made available for multiple tenancy. Three such projects are now in operation:

- (1) The Verdun Industrial Building, formerly an ammunition plant, where approximately 400,000 square feet of floor space is divided among some 34 industries employing about 2,800 men.
- (2) Liberty Buildings, Toronto, where about 287,000 square feet of floor space is divided among 17 tenants employing upwards of 1,700 persons.
- (3) The Crown Industrial Building, Montreal, where 28 small industries have been given space for approximately 2,000 persons.

#### Overseas and U.S. Surpluses

The Corporation had begun disposal of Canadian surplus in the United Kingdom when, in March, 1946, an agreement was entered into between the Canadian and United Kingdom governments providing for the settlement of war claims outstanding between the two governments. Under this agreement, the balance of Canadian surpluses in the United Kingdom were turned over to the U.K. government for disposal, and those of the United Kingdom remaining in Canada came into the custody of War Assets Corporation.

Respecting United States surpluses in Canada, prior to April, 1946, such surpluses were being disposed of by War Assets Corporation on behalf of the U.S. government, the Corporation receiving a fixed percentage to cover merchandising expenses. However, an agreement was reached between the two governments under which the Canadian government undertook to pay \$12,000,000 " in return for which there is transferred to the Canadian government a long list of defence facilities and equipment, the original cost of which was approximately \$59,000,000."

