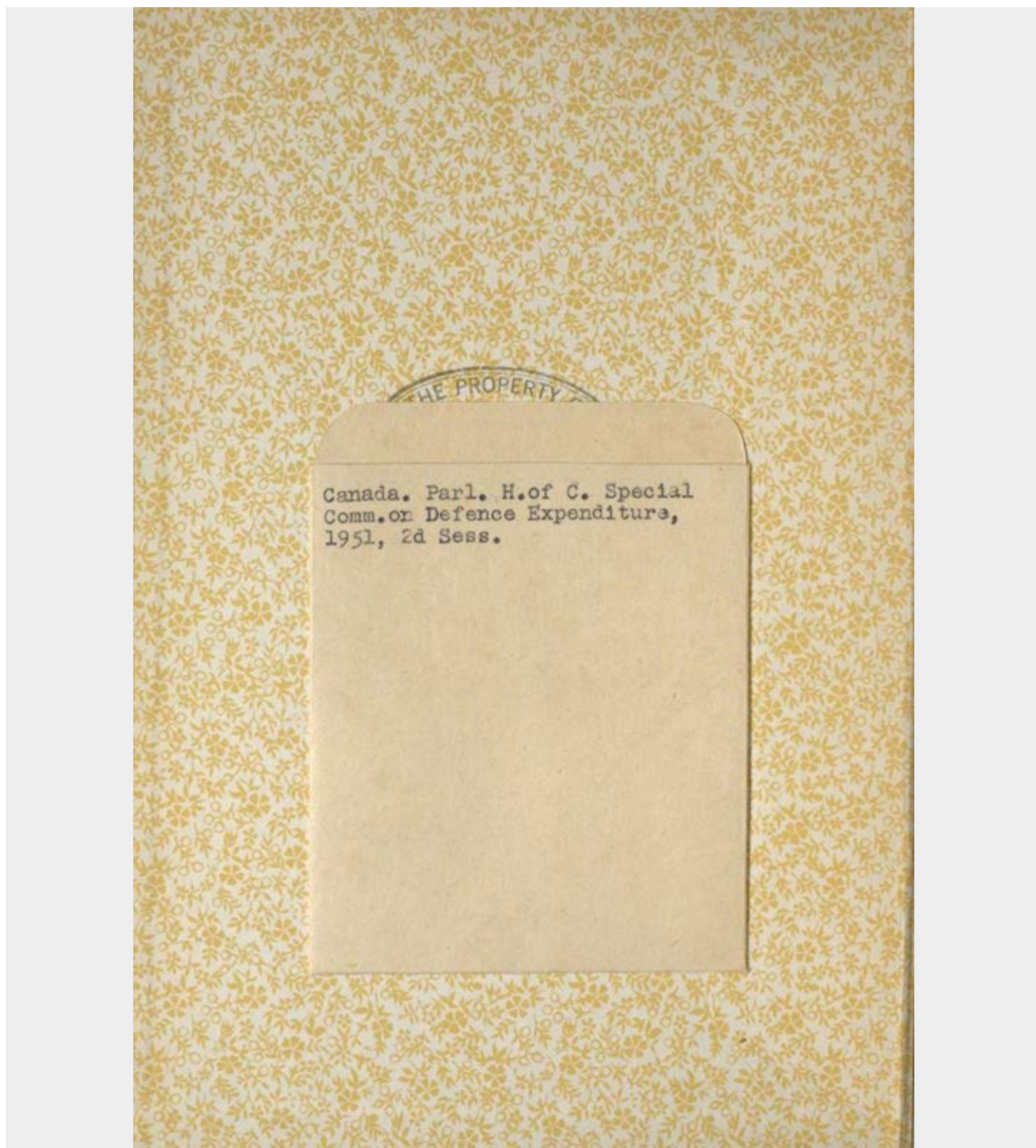




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HOUSE OF COMMONS  
Fifth Session—Twenty-first Parliament  
1951  
(Second Session)

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SPECIAL COMMITTEE  
ON  
DEFENCE EXPENDITURE

Chairman—Mr. D. A. CROLL

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MINUTES OF PROCEEDINGS AND EVIDENCE  
No. 1

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THURSDAY, NOVEMBER 29, 1951  
TUESDAY, DECEMBER 4, 1951

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WITNESS:

Mr. C. M. Drury, C.B.E., D.S.O., E.D., Deputy Minister, Department of  
National Defence.

OTTAWA  
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
CONTROLLER OF STATIONERY  
1951

SPECIAL COMMITTEE

on

DEFENCE EXPENDITURE

*Chairman:* Mr. D. A. CROLL

*Vice-Chairman:* Mr. Pierre GAUTHIER  
and Messrs.

Adamson  
Balcom  
Blanchette  
Campney  
Cavers  
Churchill  
Drew  
Fulton  
George  
Harkness  
Henderson  
Hunter

James  
Jones  
Macdonnell (*Greenwood*)  
MacDougall  
McCusker  
McIlraith  
Pinard  
Power  
Quelch  
Stick  
Weaver  
Wright

*Clerk:* Antonio PLOUFFE

## ORDERS OF REFERENCE

HOUSE OF COMMONS,

TUESDAY, November 13, 1951.

*Resolved*,—That a select committee be appointed to examine all expenditure of public moneys for national defence and all commitments for expenditure for national defence since March 31, 1950, and to report from time to time their observations and opinions thereon, and in particular, what, if any, economies consistent with the execution of the policy decided by the government may be effected therein, with power to send for persons, papers and records and to examine witnesses; and that notwithstanding Standing Order 65, the committee shall consist of twenty-six Members to be designated by the House at a later date.

WEDNESDAY, November 21, 1951.

*Ordered*,—That the following Members do comprise the Special Committee on Defence Expenditure as provided for in the Resolution passed by the House on Tuesday, November 13, 1951: Messrs. Balcom, Blanchette, Campney, Cavers, Churchill, Croll, Drew, Fulton, Gauthier (*Portneuf*), George, Harkness, Henderson, Hunter, James, Jones, Macdonnell (*Greenwood*), MacDougall, McCusker, McIlraith, Pearkes, Pinard, Power, Stewart (*Winnipeg North*), Stick, Thomas, Weaver.

WEDNESDAY, November 28, 1951.

*Ordered*,—That the name of Mr. Adamson be substituted for that of Mr. Pearkes on the said Committee.

THURSDAY, November 29, 1951.

*Ordered*,—That the said Committee be authorized to sit while the House is sitting.

*Ordered*,—That the said Committee be authorized to print from day to day such copies in English and French of its Minutes of Proceedings and Evidence as the Committee may deem expedient, and that Standing Order 64 be suspended in relation thereto.

MONDAY, December 3, 1951.

*Ordered*,—That the name of Mr. Quelch be substituted for that of Mr. Thomas; and

*Ordered*,—That the name of Mr. Wright be substituted for that of Mr. Stewart (*Winnipeg North*) on the said Committee.

Attest.

LÉON J. RAYMOND,  
Clerk of the House.

*SPECIAL COMMITTEE*

REPORT TO THE HOUSE

THURSDAY, November 29, 1951.

The Special Committee on Defence Expenditure begs leave to present the following as its

FIRST REPORT

Your Committee recommends that it be empowered

1. To sit while the House is sitting.
2. To print from day to day such copies in English and French of its minutes of proceedings and evidence as the Committee may deem expedient.

All of which is respectfully submitted.

D. A. CROLL,  
*Chairman.*

## MINUTES OF PROCEEDINGS

THURSDAY, November 29, 1951.

The Special Committee on Defence Expenditure held an organization meeting at 10.00 o'clock a.m.

*Members present:* Messrs. Blanchette, Campney, Cavers, Churchill, Croll, Gauthier (*Portneuf*), George, Harkness, Henderson, Hunter, Jones, Macdonnell (*Greenwood*), MacDougall, McCusker, McIlraith, Pinard, Power, Stick, Thomas, Weaver—20.

On motion of Mr. Cavers, seconded by Mr. Stick,

*Resolved*,—That Mr. Croll be elected Chairman.

Mr. Croll took the chair and suggested that a Vice-Chairman be elected.

On motion of Mr. McCusker.

*Resolved*,—That Mr. Gauthier (*Portneuf*) be elected Vice-Chairman.

The Chairman read the Order of Reference.

On motion of Mr. McCusker.

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

After discussion, and on motion of Mr. Macdonnell,

*Resolved*,—That the Committee ask leave to print from day to day such copies in English and French of its minutes of proceedings and evidence as the Committee may deem expedient.

On motion of Mr. MacDougall,

It was decided to appoint a subcommittee on agenda of 9, the Chairman to designate the members.

After a brief discussion on further procedure the Chairman designated forthwith Messrs. Branchette, Campney, Gauthier (*Portneuf*), Harkness, Jones, McIlraith, Macdonnell and Thomas, as members of the subcommittee on Agenda to remain for the first meeting.

At 10.15 o'clock a.m., the Committee adjourned to the call of the Chair.

The Special Committee on Defence Expenditure met at 11.00 o'clock a.m. Mr. D. A. Croll, Chairman, presided.

*Members present:* Messrs. Balcom, Blanchette, Campney, Cavers, Churchill, Croll, Gauthier (*Portneuf*), George, Henderson, Hunter, James, Jones, Macdonnell (*Greenwood*), MacDougall, McCusker, McIlraith, Pinard, Power, Stick, Quelch, Weaver, Wright. (22).

*In attendance:*

*From the Department of National Defence:* Messrs. C. M. Drury, Deputy Minister, E. B. Armstrong, Assistant Deputy Minister (Finance), R. S. Sutherland, Head of Parliamentary Returns, A. S. Duncan, Head of Deputy Minister's Secretariat, R. C. Playfair, Chief Treasury Officer.

*From the Department of Defence Production:* Messrs. M. W. MacKenzie, Deputy Minister, T. N. Beaupre, Special Assistant.

*From the Department of Finance:* Mr. R. B. Bryce, Assistant Deputy Minister and Mr. B. G. McIntyre, Comptroller of the Treasury.

The Chairman presented the First Report of the Sub-Committee on Agenda, which was adopted on motion of Mr. MacDougall, as follows:

# FIRST REPORT

Your Subcommittee on Agenda held a meeting on Thursday, November 29th, the following Members having been designated to constitute with the Chairman the said Committee: Messrs. Blanchette, Campney, Gauthier (*Port-neuf*), Harkness, Jones, Macdonnell, McIlraith and Thomas.

Your Subcommittee on Agenda recommends:

1. That officials of the Department of National Defence (Messrs. C. M. Drury, Deputy Minister, E. B. Armstrong, Assistant Deputy Minister (Finance); the Department of Defence Production (Mr. M. W. MacKenzie); the National Defence Research Board (Dr. O. M. Solandt); the Department of Finance (Mr. R. B. Bryce) and (Mr. B. G. McIntyre) be heard in the above order with respect to:
  - a. The general method of affecting expenditure and commitments therefore.
  - b. The procurement procedure.
  - c. The controls over expenditure.
2. The tabling of expenditure under such headings as equipment, training, press and information, cost of administration, personnel and such other statements as the Committee may direct to be tabled from time to time.

Your Subcommittee on Agenda notes that the Order of Reference as passed by the House mentions defence expenditure and commitments therefor since March 31st, 1950.

With respect to printing, on motion of Mr. Stick,

*Resolved*,—That the Committee print from day to day 500 copies in English and 200 copies in French of its minutes of proceedings and evidence.

The Chairman announced that Messrs. Quelch and Wright had replaced Messrs. Thomas and Mr. Stewart (*Winnipeg North*) on the Committee.

Mr. C. M. Drury was called. He read a prepared statement and was examined.

He commenced by referring to photostatic copies of two Charts identified as follows:

Chart No. 1—Organization for Defence Planning in Canada.

Chart No. 2—Organization of Department of National Defence.

The tabling of information was requested by Messrs. Stick, Churchill, Wright, Jones, Croll and Macdonnell.

The witness was directed to produce the information requested.

With reference to Chart No. 2, Mr. Drury was asked to prepare a table giving the names of those holding the offices mentioned therein.

At 12.45 o'clock p.m., Mr. Drury's examination still continuing, on motion of Mr. Stick, the Committee adjourned until Thursday at 11.00 o'clock a.m., to hear Mr. N. W. MacKenzie.

ANTONIO PLOUFFE,  
*Clerk of the Committee.*

DEFENCE EXPENDITURE

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VERBATIM DELIBERATIONS  
(Organization Meeting)

NOVEMBER 29, 1951

10.30 A.M.

The CHAIRMAN: There is a little preliminary work to do. I think we should have a vice chairman.

Mr. McCUSKER: I would move Dr. Pierre Gauthier.

The CHAIRMAN: Moved by Mr. McCusker, seconded by Mr. Cavers.  
Carried.

The order of reference is:

That a select committee be appointed to examine all expenditure of public moneys for national defence and all commitments for expenditure for national defence since March 31, 1950, and to report from time to time their observations and opinions thereon, and in particular what, if any, economies consistent with the execution of the policy decided by the government may be effected therein, with power to send for persons, papers and records and to examine witnesses; and that notwithstanding Standing Order 65, the committee shall consist of twenty-six members to be designated by the House at a later date.

I think the committee will forgive me if I say this: I recommend that every member of the committee re-read the Hansard report of November 13. You will find there on the motion for setting up this committee speeches by the Prime Minister and leaders of the other parties. From that you will draw some conclusions that will be useful to you in the course of the committee proceedings. My own conclusion after reading very carefully the expressions of opinion was—that the committee would be a watch-dog for the taxpayer.

I think we all agree that the taxpayers are spending large sums of money on national defence. They want to know if they are receiving full value for their money. I think, gentlemen, within the scope of the reference we must not only be thorough but fearless to give the taxpayer all the information and protection he deserves. He is the man who is paying the shot. I do hope, gentlemen, in this very important committee we can park our partisan mantles in the corridors before coming in and perhaps put them on when we go out again. This is a very important committee to the taxpayer and to us individually. I hope we can conduct proceedings on a sound non-partisan basis.

Now, we require certain resolutions. Do we want to sit while the House is sitting?

Mr. CAVERS: Yes.

The CHAIRMAN: We have to be a little careful on that, Mr. Cavers. I think that is something on which all members should express an opinion because there are sitting the combines committee, the radio committee, this committee and others.

Mr. HARKNESS: Mr. Chairman, I think we should try as far as possible to sit while the House is not sitting. If it becomes necessary because we have a certain witness who it is not advisable to stand over until another day, I think it is quite all right, but I think as a general practice we should try to hold meetings while the House is not sitting.

Mr. JONES: I agree.

Mr. STICK: I wouldn't make that a hard and fast rule; if you move that resolution you are bound by that.

Mr. HARKNESS: There is no resolution.

*SPECIAL COMMITTEE*

The CHAIRMAN: We need power to sit while the House is sitting. I would ask someone to move that.

Mr. McILRAITH: Just before you make that request, if I understand Mr. Harkness' position rightly, that is not your situation; you do not want the power at the moment. Would you prefer the power now?

Mr. HARKNESS: I think we should have the power all right, but the general policy should be not to use it unless it is necessary.

Mr. McCUSKER: I move the committee be given power to sit while the House is sitting at the discretion of the chair.

The CHAIRMAN: That the committee be given power to sit while the House is sitting.

Mr. McILRAITH: You have to get that authority from the House.  
Agreed.

The CHAIRMAN: With respect to printing, gentlemen, I haven't the slightest idea and no one could give me any idea what we will require. What I would like is for you to give the chairman a sort of blanket authority in consultation with the clerk, and I will report back to you. We will print what we need.

Mr. MACDONNELL: I move that.

The CHAIRMAN: That the committee be empowered to print blank copies in English and French and that Standing Order 64 be suspended.

Mr. MACDONNELL: Is that the way you are putting it, "blank copies"?

The CHAIRMAN: Until I fill it in.

Mr. McILRAITH: There is another way of putting that—as the members of the committee from time to time decide. That gives you control because you can run into careless expenditure by having a fixed number ordered.

The CHAIRMAN: All right. Such numbers as the members of the committee decide from time to time.

Carried.

Now, we require an agenda committee and a steering committee. How many would you like on that? Suppose you pass a resolution to appoint a steering committee and I will then contact the various groups and ask for their nominees. In the light of their requests, I will appoint a steering committee. Will you give me the names sometime this afternoon because I want to call them together very soon.

Mr. McILRAITH: I wonder before you leave that if it would be helpful for the steering committee to meet as soon as possible so you can get whatever witnesses you want to start with and have them made available for the sitting.

The CHAIRMAN: I suppose the steering committee could meet at 6 o'clock tonight. We could perhaps meet for fifteen or twenty minutes and lay out schedules.

Mr. McILRAITH: That is a bad hour.

The CHAIRMAN: All right, we will have to do it tomorrow.

Mr. McILRAITH: Could we not meet say at 5.30?

The CHAIRMAN: Is that any better?

Mr. McILRAITH: Yes, a lot better.

Th CHAIRMAN: All right; the clerk will let you know where.

Now, gentlemen, that completes our organization. I do not suppose there is anything for us to do until we have the steering committee meeting and decide upon a course of action.

Mr. CAMPNEY: Do you not have to deal with the question of a quorum?

*DEFENCE EXPENDITURE*

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The CHAIRMAN: My own feeling is that this is the sort of committee that of itself should be a quorum. I do not think we should have any smaller group, I think we should all be here. We just need fourteen members for a quorum. There are twenty-six, a majority is fourteen. Is that agreeable to the committee?

Agreed.

Mr. McCUSKER: Since this meeting has lasted only fifteen minutes why couldn't you have the steering committee meet this morning?

The CHAIRMAN: You mean at this time?

Mr. McCUSKER: Yes.

The CHAIRMAN: That is a very good idea.

Meeting adjourned.

## EVIDENCE

December 4, 1951

11.00 a.m.

The CHAIRMAN: Gentlemen, I see a quorum. First, we have two changes on the committee. Mr. Quelch has been substituted for Mr. Thomas, and Mr. Wright for Mr. Stewart. Secondly, we have the first report of your sub-committee on agenda and procedure, which reads as follows: (see minutes of proceeding).

Mr. MACDONNELL: Mr. Chairman, are you suggesting that all of that detail was arranged at the short talk we had the other day, that all of the officials named be called in this order?

The CHAIRMAN: Yes, that was understood, that we would call them in that order. It was in the steering committee that we arranged for them to be called in that order. That is what I understood. I made the arrangements on that understanding.

It is moved by Mr. MacDougall, that the first report of the steering committee be adopted.

Carried.

We left open at the last meeting the question of the number of copies of our minutes to be printed. It is suggested that there be five hundred printed in English and two hundred printed in French.

Mr. STICK: I move that that motion be adopted.

The CHAIRMAN: Moved by Mr. Stick and seconded.

Carried.

We have with us this morning Mr. Drury.

Mr. MACDOUGALL: Would it be in order at this stage to ask you to read the terms of reference before we start?

The CHAIRMAN: The terms of reference to this committee are as follows:

That a select committee be appointed to examine all expenditure of public moneys for national defence and all commitments for expenditure for national defence since March 31, 1950, and to report from time to time their observations and opinions thereon, and in particular, what, if any, economies consistent with the execution of the policy decided by the government may be effected therein, with power to send for persons, papers and records and to examine witnesses; and that notwithstanding standing order 65, the committee shall consist of twenty-six members to be designated by the House at a later date.

It is intended this morning that Mr. Drury make a statement. He has prepared one: Unfortunately, I could not get it to you any sooner. I did not have one till this morning. I suggest, gentlemen, that we hear out this statement and then question him on it. You can be as long or short as you like, but give everybody an opportunity to question him, please. First, however, let us hear him out on this statement and make your notes while he is reading it, please.

**Mr. C. M. Drury, K.C., C.B.E., D.S.O., E.D., Deputy Minister of National Defence, called:**

The WITNESS: Mr. Chairman, I have a couple of charts at the end of the room and duplicates of it, which I suggest might be issued to the committee. There are two charts in this set.

The purpose of the statement and these charts is to derive some kind of a brief outline of the organization of National Defence and the procedure we follow with a view to providing a framework into which members of the committee can set the particular and precise information which will come at a later time. One chart shows the committee organization and the other the executive organization. I would talk first to the one headed by the minister, with parliamentary assistants shown in the block to the right. The executive organization of the Department of National Defence is shown on this first chart. Under the minister come the various officers and officials charged with executive responsibility. The minister is assisted by two parliamentary assistants, provided for in the National Defence Act. Under him are three service chiefs of staff, the chief of naval staff, chief of general staff, for the army, and the chief of air staff, for the air force, who are, under the National Defence Act, charged with the control and administration of the navy, army and air force, respectively. Also under him is another executive officer appointed by the National Defence Act, the chairman, Defence Research Board, who is charged with responsibility for defence research. The Act also makes provision for a deputy minister, under the minister. The three services are organized on largely parallel lines. The rank of the chief of naval staff is that of vice admiral. Under the chief of naval staff is his principal assistant, the vice chief of naval staff in the rank of rear admiral. Under the chief of general staff is the vice chief of general staff with the equivalent rank of major general. Under the chief of the air staff is his assistant, the vice chief of air staff with the rank of air vice marshal. The functions or responsibilities of these three officers are to consider and provide advice to the chiefs of staff on operational planning, operations, military training and intelligence. In army terms this is what is known as the general staff side, and in the naval and air forces the operations staff.

The next man to consider is the principal personnel officer of each of the services. In the navy it is the chief of naval personnel, of the same rank as the vice chief of naval staff, a rear admiral. In the army he is called the adjutant general, a major general, and in the air force, the air member for personnel in the rank of air vice marshal. These three officers are concerned, in their respective services, with all matters concerning personnel, service appointments, promotions, and so forth.

The next of the three main heads is the equipment or materiel officer. In the navy it is the chief of naval technical services, also in the rank of rear admiral; in the army, the quartermaster general in the rank of major general; and in the air force, the air member for technical services in the rank of air vice marshal. The responsibilities of these officers are similar and cover the entire field of procurement, materiel planning and logistics generally.

In the Defence Research Board there is a somewhat similar organization. There are three main officers under the chairman of the Defence Research Board. They are headed divisions A, B and C. These divisions are by functions in relation to various fields of research, and being civilians they have no military rank. I should point out that the chairman of the Defence Research Board, while a civilian, has the rank, status and precedence equivalent to that of a chief of staff.

On the administrative side, and providing financial advice to the minister, is a deputy minister. His branch is organized by functions to be performed rather than by having separate assistants or experts in relation to each service.

## DEFENCE EXPENDITURE

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On the supervisory side one is faced with a choice of providing a detailed supervision either by services or by functions. By services I mean the armed forces. We could have one man who concerns himself entirely with the functions of the air force, another with those of the army, and another with those of the navy, or a man who concerns himself with a particular field of activity in each of the three services. We have chosen the functional organization, and there is an assistant deputy minister who concerns himself with financial matters for all three services, or all three forces. The purpose of this is to achieve, as much as possible, a common uniform financial policy for each of the services, and by applying cross checks and cross tests to get a maximum of economy. There is also an assistant deputy minister (requirements). His function is to review and assess all the logistic proposals of the forces. The logistic proposals include the procurement of equipment, the scales of issue of equipment, the introduction of new designs, proposals for new construction and alteration of existing construction, and so forth. There is also an assistant deputy minister (administration and personnel). His function is general review of personnel and administrative matters.

Now, the chart we have been dealing with shows the stream of executive authority. Each of these principal officers that I have mentioned is assisted by, of course, a considerable number of senior and junior officers stemming out in the usual organizational arrangements. In order to achieve common approaches to problems, there are a number of committees which meet at regular intervals to consider and advise on joint problems, and if you turn to the second of these two charts you will see an indication of the committee method of achieving co-ordination. At the top, of course, is the cabinet. Advising the cabinet on defence matters is a cabinet defence committee, and advising the cabinet defence committee on matters of national defence is, among others, the Minister of National Defence. Advising the minister are a number of committees shown here. The first I will mention is the Defence Research Board. It is a board established under the National Defence Act and is composed of the chairman of the Defence Research Board, the vice chairman, the three chiefs of staff of the forces, the deputy minister, the president of the National Research Council, and a number of representatives of universities, industry and science appointed by the Governor in Council. This body provides advice to the minister through the chairman of the defence board, co-ordinated advice on all aspects of defence research. On the operational side is a committee known as the chiefs of staff committee, under the chairmanship of the chairman of chiefs of staff committee, an appointment also provided for under the National Defence Act. The chiefs of staff committee is composed of the chairman, the three chiefs of the armed forces and the chairman of the Defence Research Board. In order, however, to get a maximum of the best advice on any particular problem, the meetings of the chiefs of staff committee are attended by, in addition to regular members, the deputy minister of national defence, the secretary to the cabinet, and the Under Secretary of State for External Affairs. This provides for a continuous review of all operational problems.

On the administrative side is a committee known as defence council, providing advice to the minister on administrative matters. Defence council is a departmental body under the chairmanship of the minister and is composed of the parliamentary assistants to the minister, the deputy minister of national defence, the three chiefs of staff of the forces, and the chairman of the Defence Research Board. Defence council has two principal committees reporting to it, one the personnel members committee, and, secondly, the principal supply officers committee. The personnel members committee examines and considers personnel problems, is composed of the chief of naval personnel, the adjutant

general for the army, and the air member for personnel of the air force, a representative of the deputy minister, and in attendance, a representative of the chairman of the Defence Research Board. The principal supply officers committee, which is concerned with logistic problems, is composed of the chief of naval technical services, the quartermaster general, the air member for technical services, a representative of the deputy minister, and assisting or in attendance a representative of the chairman of the Defence Research Board. The chairmanship of these two committees is held by one of the principal supply officers of one of the three forces on a rotational basis. Each force takes the chair for a year.

That, in outline, are the principal elements of the machinery for achieving co-ordinated review of our problems. Needless to say, under each of these main committees there are a considerable number of subcommittees which examine the detailed aspects of particular questions.

Mr. Chairman, if I might go on with the prepared statement now I will deal with some of the procedures that are followed in the control of expenditures, I would suggest I might read, beginning on page 4 with the item headed "estimates".

#### *Estimates*

The estimates, when approved by Parliament, provide the financial plan for the department for the fiscal year. They comprise the authorized expenditures to be made during the fiscal year and the authorized commitments to be incurred in the placement of contracts that will come due for payment in a future fiscal year. The sum total results from a costing of the manpower and material requirements to implement the defence program. They are assembled in the first instance for each service by its budget officer based on information supplied by the branches of the Service responsible for the various parts of the plan. They are reviewed by each chief of staff, and subsequently by the deputy minister and then by the minister in consultation with these officers. During these various stages they are examined by officials of the deputy minister's branch and treasury officials. Officials of the Department of Defence Production are also consulted with respect to supply items. The costed program is then examined by the cabinet defence committee and the cabinet, when any outstanding questions of policy are settled. The details are finally reviewed by the Treasury Board. Any changes in the detailed estimates as approved that may be required in the course of the year are subject to the same kind of examination and review. These estimates become the basis of treasury appropriation. Accounting and issues of moneys are governed by the provisions of the Consolidated Revenue and Audit Act.

#### *Pay and Allowances*

Under the National Defence Act the Governor in Council authorizes rates of pay and allowances for the forces. In 1946, a review was made of the pay and allowances of all three services by a committee which was directed to report to the Treasury Board on methods of simplifying the pay structure, of obtaining uniform rates of pay and allowances for the three services and rates that would provide servicemen with remuneration that compared fairly with earnings in equivalent civilian occupations. As a result of this committee's report, rates were established for servicemen in which the basic elements are pay for rank, trades pay for trade qualifications, subsistence allowance where quarters and rations are not provided by the service, marriage allowance and separated family allowance, where the serviceman, because of service requirements, is separated from his family.

## DEFENCE EXPENDITURE

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For comparison with civil earnings, pay, including trades pay, subsistence allowance and the estimated value of personal clothing and medical and hospitalization services, is used. Marriage allowance is provided as an extra compensation for the expense and inconvenience occasioned the married serviceman and his family by the moves that are a part of service life.

Since October 1946 the rates have been reviewed periodically and revised upwards in 1947, in 1948 and in 1950 in accordance with increased civilian earnings.

There are also various additional rates of pay and allowances for special purposes. These include risk pay for aircrew, submarine duty and parachute jumping, and foreign service allowances for officers and men serving abroad.

These rates are under constant review by the service officers responsible, coordinated by the personnel members committee. Under this committee's direction, subcommittees coordinate inter-service examination of trades pay, pay regulations and various other personnel matters.

Pay is issued twice monthly and changes in entitlement are authorized in daily orders issued by each service and recorded in the pay accounts. Each service maintains its own pay accounts. Control is accomplished in each service by the maintenance of independently developed control ledger accounts against which the accounts maintained in the field are compared. In addition, internal audits are conducted by the services and also by the deputy minister's auditors.

When travelling on duty, service personnel are paid per diem travelling allowances except on rare occasions where the duty is such that these are not suitable and, in these cases, actual expenses are paid. The rates of travelling allowances are authorized by the Governor in Council and, where actual expenses are paid, authority of the Governor in Council must be obtained for this arrangement. Special rates for military travel on railways in Canada are authorized by the Governor in Council under section 351 of the Railway Act. Reimbursement expenses of moving dependents from one place of duty to another, as well as furniture and household effects, are authorized under regulations approved by the Governor in Council. Per diem travelling allowances are applied to these moves also.

#### *Establishments*

Within the total manpower figures for the authorized defence program, the minister, subject to the concurrence of the Minister of Finance, approves the number of officers and servicemen in each rank and trade group. A review of establishment requirements is made annually for this purpose. Within the approved framework, each service determines the distribution of personnel within its various units. Each service has an establishment or complement committee which examines and approves unit establishments within authorized ceilings. Officials of the deputy minister's staff participate in these examinations as well as officials of the Civil Service Commission where civilian employees are concerned.

#### *Civilian Employees*

These, broadly speaking, are divided into three categories; civil servants, prevailing rate employees and casual labour. The former are employed in accordance with procedure laid down under the Civil Service Act and regulations. Positions and salary rates are approved by the Treasury Board. The prevailing rates staff and casuals are paid at rates established by the Treasury Board on the recommendations of the Department of Labour. The conditions of employment of these prevailing rate staff are governed by general regulations laid down by the Governor in Council.

*Materiel Requirements*

The user service or user force is responsible for furnishing detailed specifications for items to be acquired. Specifications or standards common to the three services have been developed for most items in common use. The kind and quantity of materiel required is developed by service officers and after requisite review by the deputy minister and the minister, recorded in equipment tables and scales of issue. Common user items are screened by the principal supply officers committee with the object of achieving uniformity and economy.

Procurement of stores or equipment is initiated by each force. Proposals for procurement are reviewed by the deputy minister. If the estimated cost of the stores or equipment to be procured exceeds \$50,000 the specific authorization of the minister must be obtained. Where procurement is authorized, contract demands are passed to the Minister of Defence Production. Each contract demand must be certified by an officer of the Comptroller of the Treasury as to availability of funds. These certificates are issued against commitment authorizations as provided in the defence vote, and while the total amounts covered by such certificates may exceed the amount of cash appropriated for the fiscal year, they are limited by the commitment authorization granted. Within financial limits authorized by the deputy minister, senior officers in the commands are authorized to raise contract demands on the local officer of the Department of Defence Production to procure local requirements. To meet emergencies, senior officers in commands are also authorized to procure directly from the trade within limits set by the deputy minister, and approved by the Department of Defence Production.

When the Minister of Defence Production has made appropriate arrangements to procure by purchase, manufacture or otherwise, the items requested, a copy of the acceptance of tender of contract entered into is sent to the Chief Treasury Officer of the Department of National Defence, the Controller General of Inspection Services and the department itself for record purposes. Where the contract provides for progress payments, the progress accounts are audited by an officer of the Comptroller of the Treasury before payment is made. No stores, supplies or equipment are accepted by the department which have not been inspected and found to be satisfactory.

When stores, supplies, or equipment are received by the services, they are immediately taken on charge by the appropriate service authorities and invoices are duly certified by the receiving officer that the goods have been received, are in accordance with the contract and have been taken on charge. In the case of services rendered, the certificate must indicate that these have been completed satisfactorily to the amount claimed. The certified invoices thereafter are passed to the Treasury Officer who satisfies himself that they are in order and makes the actual payment.

*Construction and Acquisition of Property*

Plans and specifications for construction are provided, as in the case of equipment and stores, by the user services. The design and engineering work may be undertaken either by the services themselves or by contract. Common user items are examined by the joint services accommodation committee with the object of achieving uniformity and economy. The construction programs are examined in detail by the deputy minister's staff and also by the Treasury Board before approval. The procedure relating to requisitions, contract demands and financial encumbrances is similar to that described for the procurement of stores and equipment. Contracts are placed by Defence Production Limited acting for the Minister of Defence Production. The right of inspection of all work arranged by Defence Production Limited rests with service engineers but supervision is carried out by Defence Production Limited.

Contracts for the construction of married quarters for servicemen follow a similar procedure except that they are arranged directly by Central Mortgage and Housing Corporation on request of the Department of National Defence. Minor construction may be carried out directly by service engineers or by contracts placed by the Department of Defence Production. Officers Commanding are authorized to approve locally urgent limited maintenance projects falling within the approved framework of maintenance plans.

In the case of aerodrome development, the Department of Transport undertakes the placing and supervision of this type of construction for the Department of National Defence on requisition and supply of funds for the purpose from defence appropriations.

When property is to be acquired, an evaluation based on survey is made by independent authorities in order to verify that the price proposed is fair and reasonable. The Department of Transport frequently acts as agent for the Department of National Defence in the acquisition of land. In some cases, small areas are handled through the agency of the Director, Veterans Land Act, who either obtains options or provides the Department of National Defence with valuations. Properties in urban municipalities are acquired either through the Department of Public Works acting as agent for the Department of National Defence or directly by National Defence following appraisal by real estate authorities. When independent realtors are employed to provide valuations or negotiate purchase options, they are paid the regular fee established for these services. In all cases, approval of the Governor in Council is obtained and final settlement is arranged through an agent appointed by the Department of Justice.

#### *Utilities*

Provision of utilities is arranged either as an element of the construction contract covering the building for which the utilities are needed, or through supply by municipal or private utilities. When the services are obtained from municipal or commercial sources, the department pays the standard tariffs or special rates that may be negotiated.

#### *Printing and Stationery*

All printing and stationery required by the Department of National Defence is procured through the King's Printer. Requisitions covering requirements, approved by the deputy minister or an official approved by him to act on his behalf, are made to the King's Printer, certified as to funds available by the chief treasury officer. These requisitions are forwarded to the Director General of Office Economies Control in the Department of Finance for approval before reaching the King's Printer for procurement. Invoices for payment are checked by the King's Printer and passed to the Chief Treasury Officer of the Department of National Defence for payment.

#### *Other Expenditures*

It would take a great deal of time indeed to attempt to cover all of the varied expenditures of National Defence in a general statement of this kind. There are many items of expenditure such as fees for course, damage claims, professional fees, grants to military associations which are provided for in estimates on the basis of past experience and adjusted to forecast needs. Expenditures are controlled by regulations established by the Governor in Council or by the specific approval of the Governor in Council.

There is one other type of expenditure that perhaps should be mentioned arising out of the supply of Canadian forces overseas through the logistic facilities of other nations. Where satisfactory agreements can be made, payment for these supplies is arranged on the basis of capitation rates. This is

the system used during the last war. Under such an arrangement, costs are estimated on a man-day basis and after agreement by both governments concerned, payment for the supplies received is settled in accordance with these rates. This procedure eliminates the necessity of operational units keeping detailed accounts for settlement on an actuals basis.

*Expenditures for Supplies and Services Provided Members of the*

*North Atlantic Treaty Organization*

The Defence Appropriation Act, 1950, appropriated funds for the purpose of providing members of the North Atlantic Treaty Organization with equipment, supplies and services. Transactions on this account can be classified into three categories:—

- (a) Transfer of equipment from existing stocks;
- (b) Training of pilots and navigators for members of the North Atlantic Treaty Organization;
- (c) Transfer of equipment from new production in Canada.

All transfers of equipment and allocations of training vacancies have been made on the basis of recommendations of the Standing Group. With respect to the transfer of equipment from existing stocks the Appropriation Act provides that the estimated present value of the equipment or supplies shall be charged to the appropriations and a corresponding amount shall be paid into a special account in the Consolidated Revenue Fund which may be used at any time, subject to the approval of the Governor in Council, to purchase equipment and supplies for the naval, army or air services of the Canadian Forces. Equipment transferred has been valued at the estimated cost of similar equipment to replace it. Valuations established for a particular item are used for all subsequent transfers.

This outline of the organization of National Defence headquarters and the procedures followed in achieving control of expenditures will, I would hope, when supplemented by the remarks of representatives of the other government departments concerned, enable the committee to have a general picture of the machinery used in relation to defence expenditures.

Mr. MACDONNELL: There is one question.

The CHAIRMAN: Just one moment, Mr. Macdonnell.

The WITNESS: I regret to say I omitted one very important function in dealing with the first chart. Under the heading "Deputy Minister", on the righthand side of the little boxes are shown the inspection services headed by a controller general of inspection services. This is a body which provides for the inspection, as to quality and conformity with specifications, of all the equipment procured by the department, and their approval is a condition prerequisite to acceptance and payment.

Mr. MACDONNELL: Mr. Chairman, there is one question that arises. There, no doubt, will be many more, but the one that occurs to me immediately is suggested by page 7 (of the witness' prepared statement) and it is a question of how far the practice of calling for tenders is followed. I realize that there has been some special legislation in the matter and I realize also that there may be special cases where tenders are not suitable. However, I would like to find out what the practice is. While I am asking that question let me raise another one. At the beginning of the paragraph (of the prepared statement)—"if the estimated cost of the stores or equipment to be procured exceeds \$50,000 the specific authorization of the minister must be obtained."

I am just wondering if the army, being as it is, would not find it possible to make the amount of stores or equipment required just a little less than \$50,000 and then perhaps add another \$50,000 and another \$50,000. I would just like to know exactly how much, or in how many cases the figure is below

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\$50,000 and how much is approved by the minister? The other question, and more important to me, is the question of tendering. If I read this page correctly, we are getting further and further away from the salutary check of tenders.

The CHAIRMAN: Mr. Macdonnell, please let us have comments at a later stage. Put the question to the witness now.

The WITNESS: Mr. Chairman, in response to the first question I would think this could be more properly answered by the Department of Defence Production. We let no contracts and call for no tenders.

*By Mr. MacDonnell:*

Q. Well, I do not want to press it if Mr. Drury does not want to answer?—

A. It would seem to me a little inappropriate to talk to that portion.

Q. May we have the answer from the Defence Production officials.

The CHAIRMAN: From that question there will arise other questions so perhaps you could save that point for later.

Mr. MACDONNELL: Well, on the question of the \$50,000 I would think that Mr. Drury would be very familiar with it.

The CHAIRMAN: So would you, as an old army officer!

Mr. MACDONNELL: I was only small stuff.

The WITNESS: In respect of the \$50,000 limit there is always the possibility of those seeking to acquire goods or services breaking down what is in effect one item into a number of small ones. It is something which both the quartermaster General and the Chief of Naval Technical Services and the Air Member for Technical Services endeavour to prevent.

*By Mr. Macdonnell:*

Q. You have put your finger on it. What is an item? That is what I am not clear about?—A. We would regard an item as anything which is a whole in itself. Now, to take an example: shoes come in pairs and it would not be possible to buy shoes one at a time in order to get below the limit. Nor could you buy half a tank.

The possibilities, perhaps, for this type of breakdown would occur more in repair or maintenance projects where it would be possible to divide up, for example this room, when either refurnishing or redecorating it; to divide it into a number of separate items. Now, if those were to come forward in this way, those charged with review would regard the changing of this room as an item—and not look at the provision of straight backed chairs as one item, the provision of arm chairs as one item, and the changing of the panelling as another. The alteration of the room would be regarded as a single item and a single project.

Q. Could Mr. Drury hazard an estimate as to how much stores and equipment come in under the \$50,000 and how much are over the \$50,000?—A. I would hesitate to hazard any kind of a guess at all, Mr. Macdonnell, but it is a very small proportion.

Q. In which item?—A. In the total of expenditures.

The CHAIRMAN: The under or the over?

*By Mr. Macdonnell:*

Q. Under \$50,000?—A. Under \$50,000 is very small.

In addition to that I may say there are occasions, perhaps, when an item has to be procured costing approximately \$50,000. There might be a temptation to estimate its cost at \$45,000 rather than at \$55,000 in order to require less formal approval. However, it is a rule that if it is estimated at \$45,000,

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approved for acquisition, and passed to Defence Production or to whoever it may have to go for action, and the revised estimate or the actual tender comes to more than \$50,000, approval of the minister must be obtained before final action is taken.

Q. Just one more question and I hope I am not taking up too much time. I was interested in the description we were given by the deputy minister of the sort of super personnel committee which I understand consists of army personnel, the chief of the navy and of the air force. I was interested in knowing what kind of personnel such a committee would be concerned with. I quite understand that you have some person in charge for the army, but I was wondering what types of persons this super committee chooses? Is it for the purpose of making senior appointments?—A. The responsibility for taking any action does not reside in any of these committees. Each or any one of these committees is merely an advisory board. The responsibility for taking effective or executive action must reside in one man. The purpose of the committee is merely to effect a general review and discussion of common problems with a view to getting a joint or common approach to them. The actual solution of those problems must be effected by the individual service officer.

Now, in the case of army personnel matters, they go to the Adjutant General, acting under the Chief of the General Staff. All army appointments are made by the Chief of the General Staff on the recommendations of the Adjutant General, and in certain instances they must have the concurrence of the minister. Actually, the appointments of the chiefs of staff are by order in council.

*By Mr. Stick:*

Q. Mr. Chairman, I would like to refer to page 4 and page 5 (of prepared statement—pay and allowances. Would it be possible, Mr. Drury, to have a table showing the rates of pay for all ranks in the different services—so as to have a sort of ready reckoner to which we may refer?—A. I can produce it.

Q. You have the pay and allowances of the different ranks. We may have to refer to them at some time and if we had such a ready reference tabled it would help?—A. We will have that for you.

*By Mr. Churchill:*

Q. In connection with that, would you include also the additional rates of pay shown or mentioned on page 5 where you speak of risk pay for air crew, submarine duty, or parachute jumping?—A. It will include risk pay for air crew, submarine duty, and parachute jumping where applicable.

Q. In connection with the second paragraph (on page 5 of prepared statement) would you also explain what you mean by foreign service allowances?—A. There are two types of foreign service allowances granted to officers and men serving abroad. One type of allowance paid to men serving abroad is paid to those who are serving with organized units. Another service allowance is related to the types of allowances provided to officers of the Department of External Affairs and the Department of Trade and Commerce, and others serving abroad—paid to officers and men serving abroad not with formed units but rather in individual status. The allowances payable in the latter class are somewhat complex and vary of course, from place to place.

Mr. MACDONNELL: We used to be told in the artillery that the infantry was the most risky place. Does this mean that the risk has largely been taken out of the infantry? There does not seem to be any risk pay for the infantry?

The WITNESS: There is at the moment, Mr. Chairman, no risk pay for infantry—other than parachutists, who are of course in the main infantry.

Mr. STICK: I have another question I want to ask about on page 10, arising out of "other expenditures"—payments made to foreign governments for Canadian forces overseas.

I understand there is some frozen money over there, owed to us by some of those governments. Would it be possible, instead of sending Canadian dollars over there, to use some of those frozen funds?

The CHAIRMAN: Mr. Stick, if you do not mind, we are going to have someone from the Treasury Board here and you could ask that at that time.

Mr. STICK: Or an officer of External Affairs would probably know that.

The CHAIRMAN: Mr. Bryce will know.

*By Mr. Stick:*

Q. I am just asking questions and if I cannot get answers, all right.—  
A. I think this might more properly come from Treasury than National Defence.

Q. We will tackle them when they come.

*By Mr. Henderson:*

Q. With reference to page 9 (prepared brief), is there any municipality in Canada with which the department shares the cost of construction?—  
A. There are some.

Q. Will you tell me what they are?—A. I cannot provide you with that at the moment.

Mr. JAMES: Mr. Chairman, I think it would be a good idea in order to have more orderly discussion, if we started at the front and went through this. I do not suggest limiting the discussion, but I think it might be more orderly.

The CHAIRMAN: Well, we are waiting for people to ask questions. We have had a couple now but anyone who wants to question can start wherever he wishes.

*By Mr. Wright:*

Q. On page 8, (prepared brief) you say "Plans and specifications for construction are provided, as in the case of equipment and stores, by the user services. The design and engineering work may be undertaken either by the services themselves or by contract."

Can Mr. Drury give us any idea as to the percentage of work that is undertaken by the services themselves as compared with the amount that is performed by way of contracts?—A. The percentage, Mr. Chairman, will vary from time to time. With a large construction program and with few service engineers available for design work, the percentage done by contract will be higher. As, however, design work tends to get finished, and as we get service engineers, more in numbers and more in skill, the percentage of that work done by service engineers will increase.

Q. It seems to me that would be a place where savings might be made—by using the services themselves to provide certain facilities rather than by letting too many contracts. I do not know how feasible that is but to the layman it would appear that there might be savings made in that direction?—  
A. We do the maximum of design work possible by service engineers—the greatest possible load they can carry. However currently there is quite a shortage of engineers whose services might be made available to us in the country. The armed forces are doing their best to attract additional ones. Within the limits of the greatest number they are able to attract we do the maximum of design work which we can.

Q. Further, on page 8 (prepared brief) it states: "The right of inspection of all work arranged by Defence Production Limited rests with service engineers but supervision is carried out by Defence Production Limited."

Just to what extent is there duplication of inspection service as between Defence Production Limited and the services themselves? I have heard rumours that there is duplication but I have no specific instances to quote. Is there duplication of inspection services as between the services themselves and Defence Production Limited?—A. They are really different function. Supervision of the contracts, as I understand it, involves overseeing of a type to ensure that the work is economically and expeditiously carried out. Inspection is quality control. To go from the field of construction to the field of manufacture, when a contract is let to a firm to produce boots, the supervision of the production operation remains in the hands of the contractor producing the boots. However, the Department of National Defence, as the user of those boots, puts in inspectors of its own—who are not supervisors at all. They are inspectors to ensure quality control—that all boots manufactured are up to a standard of manufacture in accordance with specifications. It is the same in the construction field. The general supervision of the contract or to ensure that he is doing the job that he has undertaken to do is carried out by Defence Production Limited, whereas the actual quality control is done by National Defence.

*By Mr. Wright:*

Q. In the case, for instance of boots would your inspectors inspect the leather before it is made into boots, or would your department simply inspect the boots after they were completed. Just where does your inspection start in an operation like that? And the same thing in construction? Does your department inspect the material that enters into the construction or only the finished construction after it is completed —A. It varies from operation to operation. In the case of construction inspection includes some inspection of materials before they are actually incorporated in the construction.

Q. Is that always the case?—A. It should be the case.

Mr. BALCOM: That inspection service corresponds with what was known in the last war as the United Kingdom and Canadian Inspection Board?

The WITNESS: The inspection service is the successor to the United Kingdom and Canadian Inspection Board.

*By Mr. Stick:*

Q. Would that not be covered in the contract? When you let the contract you called for certain specifications on quality of goods to be manufactured? If the contractor does not carry out his contract in accordance with the specifications laid down, then he is out of luck. You do not need an inspection at the beginning. When you get the manufactured article you can tell whether the proper type of leather was used. When you let a contract for boots you call for a certain type of leather and it is up to the contractor to supply that?—A. Well, in so far as externals, apparent externals, are concerned that is satisfactory; but where items or materials built in to the final article are not visible it is not very satisfactory. One would have to destroy a number of articles purchased in order to determine that there have not been any things done wrong within, for instance, the boot. If they are to provide a steel shank of a certain quality the only way you can determine that in the finished boot is to break the boot apart. In order to make an adequate test we would have to break a considerable number of boots—all of which would be thrown away. It seems better to look at the steel shanks before they go into the boot.

Mr. GEORGE: I would like to ask a couple of questions. Many contracts are being let now and it says that the contractors are to determine the cost. I have had some complaints from contractors that they are spending an awful lot of money making up estimates of costs. That of course is the job of Defence Production, but really my question is why these estimates of costs are not made by army engineers instead of contractors? That applies particularly to air force hangars and camps not in use and which need reconstruction or repairs.

The WITNESS: As I pointed out earlier we have now, unfortunately, a limited number of engineers available to do this kind of work and if we can get part of this load taken by outside industry we endeavour to do so.

Mr. STICK: To reduce your cost?

The WITNESS: To reduce our cost.

Mr. McCUSKER: Is it not the case that when you are calling for tenders you cannot tell the fellow that it is expected to cost so much. He has got to tell you how much it will cost.

Mr. GEORGE: But that was not my question.

The CHAIRMAN: No, but go ahead, Mr. Drury.

The WITNESS: In addition, this method generally provides a more accurate estimate than we are perhaps likely to get from a service engineer. The man who has been doing this kind of work can provide a better estimate than the service engineer who has not actually carried it out.

Mr. McCUSKER: Might I speak to the question Mr. Wright brought up a moment ago. I think we are missing the point when we ask that service engineers should be used on construction. Do we not enlist these engineers into the army to have them in case of war. We have to send engineers to Korea and to England, and they must be given military training just as much as any other people. They have their different demolitions and so on to carry out—the things which come under engineer services in wartime. Therefore, we cannot turn them into engineers for this—why should we turn them into a building corps?

The CHAIRMAN: Well, Doctor, just limit your remarks now to a question. I have no doubt your statement is pertinent and you are talking from experience.

- By Mr. Quelch:

Q. Mr. Chairman, on page 5, paragraph 2 (of the prepared statement) it says:—

For comparison with civil earnings, pay, including trades pay, subsistence allowance and the estimated value of personal clothing and medical and hospitalization services is used.

Is that comparison made as of any set date or are adjustments made from time to time to keep pace with the increased pay of civilians?—A. Whenever a review of pay and allowances is made we try and obtain the latest current figures for comparable civilian earnings.

Q. Generally speaking there would be a lag?—A. Generally speaking, there would be a lag, yes.

Mr. STICK: I hope we are not going to get into the cost of living.

The CHAIRMAN: Mr. Wright.

*By Mr. Wright:*

Q. On page 10 (prepared brief) you say:—

Expenditures for supplies and services provided members of the North Atlantic Treaty Organisation.

And, under (b)—

Training of pilots and navigators for members of the North Atlantic Treaty Organisation.

Can the deputy minister give us any idea of the costs of training these other members of the NATO organization in Canada, or has that been broken down? What is charged back to them for training in Canada?—A. Nothing is charged back. No disbursements or expenditures we incur are charged back to the other members of the North Atlantic Treaty countries.

Q. This training is a free service to other members of the NATO organization?—A. That is correct.

Q. Have you any breakdown as to the costs of training?—A. I have not here, but I can procure it.

Q. I would like to have a breakdown.

Mr. MACDOUGALL: On page 6 (prepared brief), in the second paragraph this statement says:

When travelling on duty, service personnel are paid per diem travelling allowances except on rare occasions where the duty is such that these are not suitable . . .

Who is not suitable, or what is not suitable?—A. I apologize for the grammar, but "these allowances are not suitable".

*By Mr. Cavers:*

Q. In what cases would it not be suitable to do that?—A. It is not entirely suitable to pay a per diem allowance, which is based on the average cost of travelling within Canada, when travelling in foreign countries—some of which are very high cost countries. The costs do not fit these per diem rates we have and, those are the instances in which actual expenses are paid.

Q. Well, in that instance, what check have you on relationship of the expenses that are submitted with the rate in that particular country?—A. Well, a man who is claiming for actual expenses has to produce an itemized account. There is very little travel done in any country in which we have not a foreign mission, who keep the Department of External Affairs here and the Treasury provided with a general idea at least of scales of costs, and the itemized account will be placed against, or tested against, this general scale of costs.

*By Mr. MacDougall:*

Q. In the penultimate paragraph (prepared brief) on page 7, fourth line from the bottom, and I quote:

To meet emergencies, senior officers in commands are also authorized to procure directly from the trade within limits set by the deputy minister, and approved by the the Department of Defence Production.

Now, just what does the word "limits" signify? What jurisdiction is meant by that, wide or narrow?—A. Narrow.

*By Mr. Jones:*

Q. Under the subheading (a) (page 10 of the prepared statement)—transfer of equipment from existing stocks—could we have that broken down as to whether it was a gift, a sale or a loan, and to what countries?—A. I have not got it, but I can easily provide information on the transfer of equipment

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from existing stocks. That refers to the transfers which have been made from time to time, and announced by the minister, of the armament and ammunition for one division to The Netherlands, for one division to Belgium, and one division to Italy, some 25-pounder guns to Luxembourg, some anti-aircraft guns, those are the main items.

Q. Could we have that information?—A. I will have that produced.

Mr. MACDONNELL: Can you state that information in terms of divisions? How much equipment have we sent? We have equipped how many divisions in Europe?

The WITNESS: We have provided the armament and ammunition for three divisions.

Mr. WRIGHT: When you speak of ammunition, you speak of ammunition for what period or what amounts of ammunition?

The WITNESS: What is known as first and second line in the army, and this is the ammunition normally carried in the first and second line transports of the formation using a particular type of gun. The numbers of rounds vary with the equipment.

*By The Chairman:*

Q. Would you just elaborate once more on Mr. Macdonnell's question? You have told him that we have provided equipment for three divisions in Europe. Is that correct?—A. Yes, armament and ammunition.

Q. Will you name the countries?—A. The Netherlands, Belgium and Italy.

Mr. MACDONNELL: How do those divisions compare in size with our own, roughly, do you know that?

The WITNESS: I do not know that offhand.

Mr. STICK: Do you base it on a Canadian division or the numbers contained in a division in those countries?

The WITNESS: We base it on the British war establishment of a division.

*By Mr. MacDonnell:*

Q. When you say "armament", does that mean virtually everything except uniforms and living accommodation, and so on?—A. No, Mr. Macdonnell, it does not include motor transport. It does not include medical equipment. It does not include wireless. Armament is, roughly speaking, the fighting weapons.

Q. Of the infantry soldier?—A. The infantry, the artillery, all the fire power.

Mr. WRIGHT: Does that include tanks?

The WITNESS: A British division has no tanks in it, so it does not include tanks.

The CHAIRMAN: Mr. Hunter, have you a question?

Mr. HUNTER: My question has been answered.

*By Mr. Quelch:*

Q. In connection with our troops in Europe under NATO, do we make any payments directly for the acquirement of property, or are all those payments made directly by the NATO organization?—A. As Mr. Claxton pointed out yesterday, we have not yet concluded any arrangements as to tenure of property nor how necessary acquisition of property is to be financed.

Q. In the meantime, the housing that we are using—are we paying for that?—A. We are at the present moment in Germany occupying barracks at Hanover lent to us by the United Kingdom.

Mr. CHURCHILL: In connection with this section on page 10 that we are discussing, which is one of supply for NATO, could we have a little information on the significance of that? Could we have the total amount of funds appropriated, with the breakdown under the three categories listed there?

The WITNESS: I will have that produced.

Mr. WRIGHT: Could we have the present members of the Defence Research Board listed, as to what universities and what organizations they belong to?

The WITNESS: I have not got that here, unfortunately, but I will also have produced for you, the composition of the Defence Research Board.

The CHAIRMAN: When Mr. Drury was giving his evidence it occurred to me that we should have had some names on the chart at the same time. It might have been very useful to us. I do not know whether that occurred to the committee or not. For instance, the name of the vice chief of naval staff, I know his name, but I do not know who the assistant chief of the naval staff is. Perhaps that information will be useful; if the committee desires it, we could have it on record.

Mr. McILRAITH: I think it would be very useful to have it on record. Several of these might appear as witnesses and it would be most useful to have that information at this stage.

Mr. MACDONNELL: I suppose I should not ask who the members of the cabinet defence committee are.

The CHAIRMAN: Then Mr. Drury will give us the names of the persons under the various headings on both charts, the chart headed by the minister and chart No. 2.

Mr. MACDONNELL: Are you not going to give the names of the members of the cabinet defence committee?

The CHAIRMAN: I would like to know myself.

Mr. MACDONNELL: Is it a matter of security?

Mr. McCUSKER: Could we not return these charts and have the names put on opposite the positions? The names could be lettered in white on these charts before our next meeting.

The WITNESS: I am not sure what the mechanics of this is.

The CHAIRMAN: Could you possibly produce a table that we could put on the record showing their titles and their names.

The WITNESS: If that will be convenient I could produce a typewritten list showing who the chief of staff is and who his principal officers are, etc.

*By Mr. MacDougall:*

Q. In this chart headed the Organization of the Department of National Defence, you went down to the position of deputy minister and you went over the various ones under the deputy minister, and unless I missed hearing correctly, I think you omitted this laddie who is in the real estate advisory business. Now, he is a civilian, is he not?—A. He is a civilian.

Q. And you may have in your department many of such characters throughout the Dominion of Canada for local appraisal valuations of real estate.—A. The Department of National Defence has not in its direct continuous employ anyone outside of Ottawa reporting to the real estate advisor.

Q. Well, if you were going to acquire property, for instance, in Vancouver, I do not imagine that the real estate advisor here in Ottawa would know very much about appraisals in Vancouver, so it could be that for the purpose of securing appraisals of real estate in Vancouver you would use a Vancouver man?—A. That is correct. It may be someone in private life, in the real estate

business in Vancouver, or in some other government department. The Department of Veterans Affairs have people in the land business in the Vancouver area, to have the Department of Transport and so have the Department of Public Works, and in the ordinary course of events we would proceed through a government agency if this was desirable.

*By Mr. Macdonnell:*

Q. A government agency to buy for you or just to advise you?—A. Generally speaking, Mr. Macdonnell, to buy, to act as our agent in acquiring.

Q. Does that not tend to put prices up? I mean, as soon as a government agent begins to negotiate, to my mind it would be making it more difficult.—A. In some instances we have felt that this would be the case and, consequently, have operated through a private real estate agent acting for an anonymous principal.

Q. Do you think it would always be the case?—A. They tell me it is not always so.

Mr. CAMPNEY: Does not the threat of expropriation act as a check in some cases?

The WITNESS: I think we have found it safe to say generally that we are prepared to offer a fair and reasonable price, and if an individual or a group of individuals is endeavouring to make a killing or hold us up, there is always, as Mr. Campney mentioned, the possibility of expropriating if no settlement can be reached. We can take it to the Exchequer Court.

Mr. MACDONNELL: I realize you have an advantage there.

The WITNESS: The taxpayers have an advantage.

*By Hon. Mr. Power:*

Q. What takes the place of what formerly was called the air council, the militia council, and the navy council?—A. There still is a committee within the navy, under the chairmanship of the chief of naval staff, which has no legal responsibility any more, known as the naval board. The responsibilities which at one time were vested in the naval board are now vested, under the new National Defence Act, entirely in the chief of the naval staff. He still, however, continue to make use of the naval board as an advisory body to him. There is also in the air force a committee known as the air members.

Q. Air members air council, it used to be called.—A. I do not think that is called air members air council any more. It is an air body which jointly considers air problems.

Q. Do they make recommendations to the chief of staff?—A. As the chief of the air staff sits on this body, there will be no necessity, I think, for formal recommendations.

Q. And have you a similar set-up of the militia council?—A. There is no formal body at all. However, the chief of the general staff does assemble once or more weekly his principal assistants and follow the same procedure as the chief of naval staff and the chief of air staff with the naval board and the air members respectively.

Q. I take it that this organization had been abolished much in the expectation of better co-ordination between the services. Have you found that this new set-up makes for greater co-ordination?—A. I have not had any personal experience with the earlier dispositions, but we have had a great deal of success with this arrangement in getting co-ordination.

*By Mr. Wright:*

Q. Our terms of reference allow us to examine all expenditures made from March, 1950, I think it was. I suppose there have been barracks constructed

for the air force and army, and also naval barracks. Could you produce figures to show us what the cost of barracks constructions has been since March, 1950. Could you give us the approximate cost per capita for barrack space for men in the army, navy and air force, constructed during the period that our reference covers?—A. I can do that and will produce figures. They will require some elaboration in that the navy traditionally have found more satisfactory a combination of living quarters, eating arrangements and recreational facilities in the one building, whereas the army and the air force, having generally larger units to accommodate, have preferred to have sleeping accommodation in a separate building from messing and recreation.

Q. I do not want my question to cover the housing problem, but rather the barrack construction.—A. Well, the result might be or appear to be that the per capita cost in the navy is very much higher than it is in the air force or the army, in that the building which provides the sleeping accommodation for the naval men also contains the kitchen and messing facilities, and it is difficult to break out from the total cost for a building that operation.

Q. In submitting your figures, could you give a similar coverage for the army and the air force in the messing and recreational facilities?—A. I will try and see that they are made comparable.

Mr. JONES: Would it be possible to give us land properties purchased, too, since March, 1950 in different parts of the country?

The WITNESS: I will do that.

*By Mr. Stick:*

Q. Could you give us the locations of those? Could you give us their locations by provinces?—A. Properties purchased by provinces?

Q. In the different provinces where you have your establishments, could we have it in that way, location by provinces, if you like.—A. I am not sure which it is you want by provinces.

Q. I am going to elaborate on Mr. Wright's request. He wants to know where we have expended the money.

The CHAIRMAN: As I understood, Mr. Jones asked you what land you have acquired. Mr. Stick wants to know where it is located. Now, that is the composite question, aside entirely from barracks.

Mr. CHURCHILL: Would it not be wise to get a complete picture and show land that is leased as well?

Mr. McILRAITH: He used the word "acquired".

The CHAIRMAN: I used the word "acquired", but I did not have in mind leased land. Did you have in mind leased land when you said acquired?

The WITNESS: No, I did not. I was thinking of outright acquisition, but now this will include leases entered into since April 1, 1950.

The CHAIRMAN: I am sure that the committee is aware that all this information won't be available in one morning. We are getting tall orders, but we will fill them all.

*By Mr. George:*

Q. Mr. Drury just said leases entered into since March, 1950. Why not make it leases existing today in addition to that?

The CHAIRMAN: Mr. George, when Mr. Drury gives us the information he will give us all the leases that have been entered into from March 31, 1950 to date.

Mr. GEORGE: If we are asking for the complete picture, let us get it. There are buildings on land not leased today, the leases for which were entered into previous to the date requested. Let us have the whole thing.

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The CHAIRMAN: Our terms of reference are very wide, we can go forward and not backward. Existing leases, that will mean since March 31, 1950.

Mr. GEORGE: Yes, but not necessarily incurred since then.

Mr. McILRAITH: Not necessarily entered into.

The CHAIRMAN: That is right. Since March 31, 1950. I misunderstood you. Do you understand the question, Mr. Drury?

The WITNESS: I understand it, Mr. Chairman.

The CHAIRMAN: Any further questions, gentlemen?

Mr. MACDONNELL: Possibly it would save time in the future if I took time now just to indicate the sort of general information we would like to have. First of all, we would like to have a statement showing the budget for the year from March 31, 1950 to March 31, 1951, the budget of expenses and actual expenses; then, from March 31, 1951 we would like to have, month by month, budget expenses, total expenditures.

The WITNESS: If I might just interject, perhaps, Mr. Macdonnell, to get clear in my own mind point by point what you are asking. It is difficult to say there is a month by month budget for expenses in the current year.

Mr. MACDONNELL: Well, then, that is perhaps part of the answer. I have thought that you would have had a budget, say, on the 31st of March, 1951, I would have thought that you would have had a program before you of expenditures over a certain period of six months—if too long, then whatever your period was. Quite frankly, what I want to know is how your performance is living up to your own expectations. I think that would be interesting. It is either living up or it is not, and you will point out reasons to change it.

One other general comment I would like to make, we want to secure information with regard to all the various kinds of equipment—how much is in ordnance, how much is on order, how much has been paid for, how much has been ordered and outstanding.

The CHAIRMAN: Ask the questions for the purpose of the record so they can bring in an answer.

Mr. MACDONNELL: We think as a preliminary to all that we should know what has been the expenditure up to date in Korea. We presume that troops in Korea are all fully equipped. What is the cost of the equipment, of maintenance, of the Korea airlift, and figures with regard to the cost of navy and air transport in that field of operations.

And, then, we would like the cost of training the troops for Korea, including Fort Lewis. And we would like similar figures for the European force. I will not repeat all the details again. And we want similar figures for the active army. Mutatis mutandi there will be certain adjustments. And then we will want similar figures for the reserve army.

We have already had some indication of our obligations for the supply of arms and equipment to Europe. We would like to know how much has been sent, and at what cost, and what commitments have we still, and at what cost. Rather than wait, I intend giving a list of the weapons. Everybody knows what the weapons are, but here is the list: pistol, machine carbine, rifle, light machine gun, medium machine gun, piat bazooka, 2" mortar, 3" mortar; and for the artillery: 25-pounder, 105 mm, 17-pounder (anti-tank), 5-pounder, 40 mm (Bofors), and ammunition for all the above. Equipment for an armoured division: tanks—Sherman, Centurion (in Europe). Navy, (a) commission, (b) under construction, (c) in mothballs. Air Force: type of plane—bomber, fighter, night fighter, transport; armament of night fighter, and any weapons not listed above forming part of the equipment of any of the services. With

regard to each of these, the following information is required: (a) amount in ordnance; (b) amount on order; (c) amount expended to date; and (d) amount committed for.

We have set out the various weapons used by infantry, artillery, and in a very general way that is really the question to date, and I will give that to the reporter to be incorporated in my question.

Mr. MACDOUGALL: The only thing that Mr. Macdonnell is not asking for is the cost of the C.W.A.C.s.

Mr. MACDONNELL: I will leave that to you.

The WITNESS: Mr. Chairman, I just want to make myself clear to Mr. Macdonnell that it is going to be quite difficult to break out the cost of training of the force sent to Korea. Our accounts are not kept that way.

Mr. MACDONNELL: Well, I hope you will find us reasonable.

The WITNESS: It can be done, but it will involve a considerable number of assumptions and estimates, and it will take some time.

Mr. MACDONNELL: Perhaps we can talk about that together and see what is reasonable. We do not want to ask for things just for the sake of asking for them.

The CHAIRMAN: That seems very useful information that the committee should have. I am sure it will be provided. Now, are there any other questions or information that any other member of the committee is interested in, so as to give the deputy minister some kind of warning of what may be expected of him.

Mr. WRIGHT: I would like to know what grants in the way of capital assistance or in the way of equipment have been made to various companies producing equipment for the army, companies such as Canadair.

The CHAIRMAN: You appreciate it is really not a question for Mr. Drury.

Mr. WRIGHT: Probably Defence Production.

The CHAIRMAN: Yes, Defence Production. Are there any more questions for Mr. Drury, gentlemen?

Mr. CHURCHILL: When we are dealing with the equipment shipped over to the allied countries in Europe, are we entitled to the information as to what equipment remains in this country?

Mr. GEORGE: Could we have a copy of the security regulations?

The CHAIRMAN: Mr. Churchill, I am sorry you asked that question. Let it stand for the moment. Do you mind?

I find that we will not be requiring Mr. Armstrong. Mr. Drury has covered the situation pretty thoroughly. I think we will not be requiring Dr. Solandt. The intention for Thursday's meeting is to have Mr. Mackenzie and Mr. Bryce. Mr. Mackenzie may have to bring with him Mr. Lowe, in order to give members of the committee some details on matters of contracts. Mr. Bryce will give you information on the matter of finance control. By that time we should have some of the information that we asked for in the earlier meeting.

Mr. MACDONNELL: Who will give this information of the kind that I have asked for, Mr. Mackenzie or Mr. Bryce?

The CHAIRMAN: You will have a co-ordinated statement. Someone will be available to question on them.

Mr. MACDONNELL: Will we have that information by Thursday?

The CHAIRMAN: You won't get it on Thursday, not this Thursday nor the next Thursday.

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Mr. MACDONNELL: I expect the chairman to be co-operative as well as ourselves.

Mr. STICK: I move we adjourn.

The CHAIRMAN: I think we can all say that the information given us this morning has been useful and informative. The next meeting will be on Thursday at the same time.

The committee adjourned.