

SESSION 1947  
HOUSE OF COMMONS

*Veterans' Cause*  
82  
9  
STANDING COMMITTEE

ON

# PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

BILL No. 22—AN ACT TO CONTINUE THE REVISED  
REGULATIONS RESPECTING TRADING WITH THE  
ENEMY (1943)

MONDAY, APRIL 28, 1947  
TUESDAY, APRIL 29, 1947

WITNESS:

Dr. E. H. Coleman, C.M.G., K.C., Deputy Custodian of Enemy Property.

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

1947



## ORDERS OF REFERENCE

HOUSE OF COMMONS,

THURSDAY, 13th February, 1947.

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

Messrs.

Arsenault,  
Beaudry,  
Black (*Yukon*),  
Boucher,  
Bradette,  
Burton,  
Case,  
Cleaver,  
Cockeram,  
Cote (*Verdun*),  
Cloutier,  
Cruikshank,  
Dechene,  
Denis,  
Diefenbaker,  
Dionne (*Beauce*),  
Ferguson,

Fournier (*Hull*),  
Fournier (*Maisonneuve-Rosemont*),  
Fraser,  
Gibson (*Comox-Alberni*),  
Gladstone,  
Golding,  
Grant,  
Green,  
Hamel,  
Harris (*Danforth*),  
Homuth,  
Howe,  
Isnor,  
Jackman,  
Jaenicke,  
Johnston,

Kirk,  
McCubbin,  
Marshall,  
Maybank,  
Picard,  
Pinard,  
Raymond (*Wright*),  
Probe,  
Richard (*Gloucester*),  
Rinfret,  
Rowe,  
Smith (*Calgary West*),  
Stewart (*Winnipeg North*),  
Stuart (*Charlotte*),  
Thatcher,  
Warren,  
Winkler—50.

(Quorum 15)

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

TUESDAY, February 25, 1947.

Ordered,—That the Public Accounts and the Report of the Auditor General for the fiscal year ended March 31, 1946, be referred to the said Committee.

WEDNESDAY, 26th March, 1947.

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

MONDAY, 14th April, 1947.

Ordered,—That Bill No. 22, an Act to continue the Revised Regulations respecting Trading with the Enemy (1943), be referred to the said Committee.

MONDAY, 28th April, 1947.

Ordered,—That the said Committee be empowered to print, from day to day, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.



## STANDING COMMITTEE

*Ordered*,—That the quorum of the said Committee be reduced from 15 to 10 members, and that Section 1(e) of Standing Order 63 be suspended in relation thereto.

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

*Attest.*

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

## REPORTS TO THE HOUSE

MONDAY, April 28, 1947.

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

## FIRST REPORT

Your Committee recommends:

1. That it be empowered to print, from day to day 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.
2. That its quorum be reduced from 15 to 10 members, and that Section 1(e) of Standing Order 63 be suspended in relation thereto.
3. That it be granted leave to sit while the House is sitting.

All of which is respectfully submitted.

GORDON B. ISNOR,  
*Chairman.*

MONDAY, April 28, 1947.

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

## SECOND REPORT

Your Committee recommends that it be empowered to inquire into, and report upon, the administration of all regulations respecting Trading with the Enemy made since the tenth day of September, 1939.

All of which is respectfully submitted.

GORDON B. ISNOR,  
*Chairman.*



## MINUTES OF PROCEEDINGS

MONDAY, April 28, 1947.

The Standing Committee on Public Accounts met at 11.30 o'clock a.m.

*Members present:* Messrs. Boucher, Burton, Case, Cleaver, Dechene, Diefenbaker, Fleming, Gibson (*Comox-Alberni*), Gladstone, Golding, Isnor, Jackman, Johnston, Marshall, Probe, Rinfret, Smith (*Calgary-West*), Warren, Winkler. 20

*In attendance:* Hon. C. W. G. Gibson, Secretary of State.

On motion of Mr. Golding:—

*Resolved,*—That Mr. Gordon B. Isnor be Vice-Chairman.

Mr. Isnor took the Chair.

The Clerk read the Orders of Reference.

On motion of Mr. Dechene:—

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

On motion of Mr. Gibson:—

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

On motion of Mr. Burton:—

*Resolved,*—That the Committee recommend that its quorum be reduced from fifteen to ten members.

On motion of Mr. Golding:—

*Resolved,*—That a steering committee be appointed to consist of the following members, viz.: the Chairman, the Vice-Chairman and Messrs. Burton, Fleming, Gibson (*Comox-Alberni*), Marshall and Stuart (*Charlotte*).

Mr. Gladstone suggested that economies might be effected if fewer copies of committee proceedings and evidence were printed. The Vice-Chairman promised that he would make inquiries and report his findings to the Committee.

The Hon. Mr. Gibson addressed the Committee regarding Bill 22, An Act to continue the Revised Regulations respecting Trading with the Enemy (1943).

On motion of Mr. Smith:—

*Resolved,*—That the Committee recommend that its Order of Reference be extended to include inquiry into the administration of the Regulations respecting Trading with the Enemy; and that the drafting of the recommendation to the House and the question of procedure be referred to the Steering Committee.

At 12 o'clock noon the Committee adjourned to the call of the Chair.



## STANDING COMMITTEE

TUESDAY, April 29, 1947.

The Standing Committee on Public Accounts met at 11.30 o'clock a.m., the Vice-Chairman, Mr. Gordon B. Isnor, presiding.

*Members present:* Messrs. Boucher, Burton, Case, Cleaver, Cookeram, Cote (*Verdun*), Fleming, Gibson (*Comox-Alberni*), Gladstone, Golding, Hamel, Isnor, Marshall, Probe, Raymond (*Wright*), Smith (*Calgary-West*), Stewart (*Winnipeg-North*), Stuart (*Charlotte*), Thatcher, Winkler.

*In attendance:* Dr. E. H. Coleman, C.M.G., K.C., Deputy Custodian of Enemy Property.

The Vice-Chairman presented the First Report of the Steering Committee, which is as follows:—

Your Steering Committee met on Monday, April 27, and begs to submit the following as a First Report:—

In accordance with a resolution of the Committee passed on April 27, your Steering Committee has instructed the Chairman to present the following report to the House:—

Your Committee recommends that it be empowered to inquire into, and report upon, the administration of all regulations respecting Trading with the Enemy made since the tenth day of September, 1939.

It is recommended that the Committee proceed immediately to consideration of Bill 22, An Act to continue the Revised Regulations respecting Trading with the Enemy (1943); that the schedule to the Bill be first taken up and then the clauses, and that the Deputy Custodian, Dr. E. H. Coleman, C.M.G., be heard today.

On motion of Mr. Cockeram:—

*Resolved*,—That the First Report of the Steering Committee be concurred in. The Committee proceeded, accordingly, to consider the Schedule of Bill No. 22, An Act to continue the Revised Regulations respecting Trading with the Enemy.

Dr. Coleman was called, heard and questioned.

Paragraph 1. Adopted with the exception of subparagraph (*k*), which stood over.

Paragraph 2. Adopted.

Paragraph 3. On motion of Mr. Fleming, subparagraphs (*e*) and (*f*) were deleted, and the paragraph was adopted as so amended.

Paragraphs 4 and 5. Adopted.

The Committee adjourned until Thursday, May 1, at 11.30 o'clock a.m.

A. L. BURGESS,  
*Clerk of the Committee.*

## MINUTES OF EVIDENCE

HOUSE OF COMMONS

April 28, 1947.

The Standing Committee on Public Accounts met this day at 11.30 a.m. The Vice-Chairman, Mr. Gordon B. Isnor, presided.

The VICE-CHAIRMAN: Gentlemen, we have here this morning, the Honourable Mr. Gibson, who has some remarks to make to you with respect to bill 22. If it is your pleasure we will now hear Colonel Gibson.

Mr. FLEMING: Mr. Chairman, in your remarks you have mentioned only bill 22. Colonel Gibson can correct me if I am wrong, but my understanding is that along with the bill there was the auditor's report, and the report of Mr. Mathieu, the assistant, or deputy custodian.

The VICE-CHAIRMAN: I think I have a copy of the order of reference in connection with that and it refers to the bill only.

MONDAY, 14th April, 1947.

*Ordered*—That Bill No. 22, an Act to continue the Revised Regulations respecting Trading with the Enemy (1943), be referred to the said Committee.

ATTEST.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

I will check on that but perhaps the minister could clear it up.

Hon. Mr. GIBSON: Mr. Fleming is quite right, and I think we would be glad to have the whole matter considered. I would like to say a few words here with regard to this bill. As you know, the powers under which the custodian deals with enemy property were passed under the War Measures Act which expires on the 15th of May. Now I would like the committee to consider the matter as rapidly as possible so that we can get the bill reported or get it passed before that date. Otherwise Mr. Ilsley will have to ask for an extension of the transitional powers that will enable the custodian to control enemy property until such time as permanent legislation is provided. I do not know whether it can be done but I suggest that you examine the regulations at an early date and go into the setup of the custodian's office to whatever extent you feel desirable, and, if necessary, have the reference of this committee extended so that the whole setup of the custodian's office can be thoroughly examined. As you know there has been very little publicity given that office during wartime for obvious reasons but I now have the officials here. I have brought Mr. Shears down from Vancouver. He is in charge of the Vancouver office and I hope it will be possible to examine him at an early date. He has been here about a week now and is an extremely busy man in Vancouver. He is in charge of all the Japanese business out there. I hope therefore, that he can be heard early in your sessions in order that he may go back to Vancouver. Of course, he will stay here until he can be heard. Also, Doctor Coleman, the deputy custodian,



## STANDING COMMITTEE

and Mr. Mathieu, the assistant deputy custodian, will be here to deal with things since the start of the war, and to answer any questions with respect to their operations since the start of the war. They will cover the procedure adopted in carrying on the work of the custodian. As you know, there have never been any accounts filed in the House. I do not think that it was desirable to do that while the war was on but I see no reason why the accounts should not be filed annually now. The accounts are audited by private firms and they have been audited by private firms since the custodian's office was first formed in 1920. I feel it is a matter that the Auditor General should take over and I have arranged with him that he will, for the year 1947, and continuously thereafter, do the auditing of the custodian's office. I do not think there is anything more that I want to say except, if possible, we would like to get the bill reported as soon as possible even if the entire work of the committee cannot be completed in the short time that remains until May 15.

The VICE-CHAIRMAN: Thank you, Colonel Gibson. You have heard the statement by the minister, and there are two courses open as I see it, gentlemen. One is to proceed with the bill and come back for a thorough overhauling and discussion with regard to the custodian's methods of carrying on; and also we could hear witnesses in connection with that overhauling; and the other course is to refer the matter to the steering committee for them to decide as to the procedure we should follow.

Mr. SMITH: I move that be done. I think it is the way it should be handled in order that we might get along faster.

The VICE-CHAIRMAN: That is you mean we should refer it to the steering committee.

Mr. SMITH: Yes.

Mr. FLEMING: Mr. Chairman, could the steering committee also consider asking the House to extend the terms of reference so that in view of the rather limited terms that exist now the reference might be enlarged to include questions of the accounts and the administration of the office of the custodian.

The VICE-CHAIRMAN: I think so, but it is a matter for the committee to decide. Would Mr. Smith be good enough to include that in his motion?

Mr. SMITH: I was assuming that is the way it would be put forward.

The VICE-CHAIRMAN: You have heard the motion by Mr. Smith, seconded by Mr. Fleming, that the matter of procedure be referred to the steering committee for action.

Carried.

The VICE-CHAIRMAN: Those are the items of business for this morning gentlemen. Now, instead of immediately referring this matter to the steering committee, may I have an expression of opinion as to what days would be suitable to the members of the committee for our further sittings. There are a large number of committee meetings being held.

(Discussion on this point followed.)

The meeting adjourned at 12.00 o'clock to be reconvened at the call of the chair.

## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

April 29, 1947.

The Standing Committee on Public Accounts met this day at 11.30 a.m. The Vice-Chairman, Mr. G. B. Isnor, presided.

The VICE-CHAIRMAN: Gentlemen, we have our quorum and we can proceed.

Immediately following the meeting of the main committee yesterday we had a meeting of the steering committee and I shall now ask the clerk to present the report of the steering committee.

(See minutes of proceedings)

Dr. E. H. COLEMAN, K.C., C.M.G. (Under-Secretary of State): Mr. Chairman, I do not like to interrupt, but I should point out that the first regulation was made on the 2nd of September, 1939.

The VICE-CHAIRMAN: Subject to amendment in that respect shall the report of the steering committee be adopted?

Carried.

And now, gentlemen, we have with us as arranged by the steering committee Dr. E. H. Coleman, Under-Secretary of State, who appears before this committee in his capacity of Deputy Custodian of Enemy Property. Is it your pleasure that we now hear Dr. Coleman?

Agreed.

May I suggest, as was brought out at the steering committee meeting yesterday, that Dr. Coleman be allowed to proceed to complete his statement before questioning.

**Dr. E. H. Coleman, C.M.G., K.C., Under-Secretary of State and Deputy Custodian of Enemy Property, called:**

The WITNESS: Mr. Chairman, the short title of this bill is "The Trading with the Enemy (Transitional Powers) Act". Every member of the committee is of course familiar with the fact that no definitive treaties of peace have yet been agreed upon with respect to the principal enemies, Germany and Japan; and that the treaties with the so-called satellites have not yet been ratified. In 1918 the Armistice which was agreed upon came into force on November 11th and the treaty of Versailles was signed on the 28th of June, 1919, a period of less than eight months. Had conditions permitted similar expedition regarding the recent war I have no doubt the department would not have presented this particular piece of legislation but through the ratification of related treaties by parliament would have given effect to those treaties and provided for the setting up of machinery to take care of any obligations imposed on Canada by such treaties.

When war broke out in 1939 there was in existence a custodian's office set up under the treaty of peace German order of 1920, and similar orders related to Austria, Bulgaria and Turkey. It had a very small staff and was engaged in an endeavour to clear up the loose ends which remained after the treaty of Versailles and the subsequent arrangements relating to reparations with Germany. You may think it is somewhat extraordinary that nearly twenty



years after the close of the last war there should be even such a small staff as three or four people engaged in that task; but I have been told by my distinguished predecessor, the late Mr. Mulvey, that when he was in England in 1934 or 1935, he was visiting the Board of Trade Offices and remarked that he was rather worried that we had not been able to complete all transactions. An official of that department took him into an adjoining room and pointed to two or three gentlemen working away at ledgers and said, "You will be interested to know that these gentlemen are winding up affairs relating to the Crimean war which ended seventy-four years ago".

I think we have already remarked in our report, Mr. Chairman, that the Canadian government did not wait until the outbreak of war to pass under the War Measures Act regulations respecting trading with the enemy. You may recall that the War Measures Act provided a power in the governor in council to take measures in the case of war or apprehension of war, and that a proclamation was issued I think about the last day of August, 1939, declaring that there was a period of apprehended war, and various orders in council of great importance touching on the security of the state were passed before the actual declaration of war on September 10.

In 1938 the Hon. Mr. Rinfret, then Secretary of State and Custodian, and I happened to be in Europe at the time of the trouble which ended in the short settlement of Munich. I think he knew, and I knew, the shape things were taking and we were impressed with the possibility of the outbreak of war, with the result that we gave some earnest thought to measures which might be necessary in connection with property of enemies, the economic phases of war. As members of the committee know there were set up various interdepartmental committees to advise the government as to measures and steps which it might be desirable for them to take in the event of a sudden outbreak. I happened to be chairman of the interdepartmental committee on enemy property and trading with the enemy. We discovered in examining the records of the war 1914-18 that the code, if you might so describe it, which was in force at the end of the war had been built up by piece-meal orders as necessity arose, and the consequence was that after looking at these carefully, as experts could, and the committee comprised experts from the various branches of the government—it was decided that we should endeavour to avoid that policy and to recommend that whatever necessary powers should be taken should be taken in one order following the outbreak of war.

There were during the war several amendments and consolidations of the orders, but the basis of them are the orders in council which were in force in 1918 in the light of the experience of that war. There were certain features however in which the order brought in in December of 1939 differed. One feature was the provision for the automatic vesting in the Custodian of Enemy Property, there was a provision which still is in, that enemy property is vested in the custodian without any necessary procedures or steps being taken. The only other country in the war which has this feature is India, which copied the Canadian regulations. Now, there is no provision for automatic vesting in the legislation of the United Kingdom or in the legislation or regulations of the United States, but the difference is more nominal than real because the United Kingdom regulations conferred on the President of the Board of Trade, who is a minister, the power to make a vesting order; and the regulations respecting trading with the enemy in the United States confer a similar power on the custodian of alien property, permitting him to make a similar order, and many of these orders have been made; that is, there is no recourse in other countries to any outside authority. Our regulations, of course, also provide an additional one, that the custodian may, if he desires and there is question, apply to the Exchequer Court for a vesting order. There is a great advantage

in the automatic vesting procedure, and a great protection which we have now discovered, to the people of a friendly country which is over-run by the enemy. The Germans were quite well aware of that the time they over-ran Belgium, Luxemburg and Holland. The business man or banker in those countries who happened to have in his portfolio let us say for example 1,000 shares of International Nickel, a Canadian corporation, had nothing which would be any use to the enemy, and the enemy, Germany, knew that any shares registered in the name of a person in such countries were vested in the Canadian custodian and that the International Nickel company were precluded from recognizing any assignment which might be presented to them with respect to such shares. In other words, there was no use in putting a pistol to the head of a Netherlander, a Dutchman, or a Belgian, and compelling him to endorse a certificate and then endeavouring to pass it and realize on it through a neutral country.

I would not be candid with the committee if I did not say with all respect that in administering the regulations we had this difficulty between the years 1931 and December 1941. The United States was officially neutral and, as I think I will be able to explain in a moment, while we had shall I say suspicions of enemy interest in certain companies or firms operating in the United States yet at the head office we could not in any way interfere with the property of an enemy in a neutral country, unless we had very direct and definite proof which would satisfy United States authorities. After the war broke out in September, 1939, it was discovered that there was not a terrific amount of German enemy property in this country.

There is a point which I think perhaps I should make clear at this stage. The mere fact that a man living in Canada was a German national did not make him an enemy within the scope of these regulations, did not bring his property within the net of the custodian, because one of the orders made under the War Measures Act was one assuring enemy aliens who were peaceful and law-abiding and guilty of no misconduct while they were in this country of security of their person and property subject to regulations necessary under the circumstances. There has been not a great deal of German property directly in this country. I think there was only one operating plant; a plant which by the way operated during the war and supplied certain needed material for the armed services, and which it is now alleged at this late date is owned by a neutral, Switzerland; something which I fancy the claimant will have to prove very definitely before anything will be released to him. There were one or two machinery houses, particularly in the large cities of Canada, such as Montreal, Toronto, Winnipeg, Vancouver and the like, where they had started small businesses in the supply of engines and I think possibly some X-ray equipment, where they had sold these goods to purchasers in Canada, in many cases on credit instalments and with the undertaking that they would service the equipment for a period of five or ten years—that became an anomalous problem as it was quite apparent that they could not service the equipment nor collect payments from the purchasers. That has brought both the purchaser and the government a great deal of trouble.

Then there was another, and I mention it merely because it is a thing which is most likely to be mentioned to a number of members of parliament, and I quite understand it; the Hamburg-American and the North German Lloyd, two of the large German steamship companies had agencies in one or two Canadian cities and any residents of Canada who desired to bring let us say members of their family from the continent had entered into contracts with these large German steamship companies for the purchase of prepaid tickets. In some cases they had paid very considerable amounts of money for the prepaid tickets for relatives in some part of Europe to be brought out by one of the German ships. When we came in we discovered that these ticket agencies were mere



shells in that the custom was that the manager of that agency took the day's receipts which were paid to him by the customers, if you like, and immediately remitted them to the regional agency of the line in New York, in the United States, with the result that all the custodian had was a few sticks of office furniture and equipment, but absolutely no money because of their practice of remitting direct to the head office in New York instead of depositing with the local bank. We made representations through diplomatic channels and otherwise to the United States alien property custodian who took over the New York offices, suggesting that it would be a very gracious thing on his part if he could see his way clear to recognize the Canadian claims, in view of the fact that this Canadian money finally reached him. The alien property custodian, however, found his hands tied by virtue of the legislation of the United States which prevent him recognizing claims from anyone resident outside the borders of the United States unless they are American citizens, something over which we had no control.

In April 1940 came the invasion of Denmark and Norway over-night which made a considerable expansion of work; but it was relatively slight compared to the situation which arose on May 10, 1940, when members of the committee will recall the Netherlands were invaded and the despatches of the first few days indicated that the armies of Holland itself were resisting the invaders but there was no authentic information as to how much territory had been over-run or occupied by the enemy. On the other hand, it was realized, particularly in Amsterdam and in Brussels, there were people holding very considerable amounts of Canadian securities and it was decided rather than to describe these territories as enemy territories or enemy-occupied territories as they are under the English regulations to describe them under a new heading of proscribed territories. That is defined here as meaning:

(c) "Proscribed territory" means any area in respect of which the Governor in Council, by reason of real or apprehended hostilities or otherwise, has ordered the protective custody of property of persons residing in that area or the regulating of trade with such persons, or both.

In June of 1940 came the most severe blow in the fall of France, which as you all know had very extensive financial relations with Canadian enterprise; and Italy entered the war.

In the summer of 1941, the situation from our point of view was alleviated in that the United States made its freezing orders against Germany, and Japan,—Italy and Japan. In December of 1941 the attack on Pearl Harbor occurred, the United States entered the war and our declaration of war against Japan was made. We realized then that any business relations with Japan were very largely centered on the Pacific coast and it would be very inconvenient to the public and to everyone else, to have this work channelled entirely through the Ottawa office and therefore we set up a very small office in Vancouver. This office, I think, opened on December 10, 1941, Pearl Harbor having been attacked on December 7. An experienced officer was sent by air to open this small office. I want to make it clear that this office in Vancouver was not dealing entirely with enemy property of the type belonging to Japanese evacuees or Japanese who were later evacuated. That was extraneous matter of which you will hear more. What I wish to point out here is that the bill presently before the committee does not relate in any way to the property of those evacuated Japanese. The situation with respect to them is covered by legislation, by the order in bill 104 presently before the House of Commons.

In concluding these rather rambling and probably tedious remarks, Mr. Chairman, I think it is only right that I should tell the committee that the work of the custodian's office has been greatly facilitated by the cooperation which the officers had from banks, trust companies, business men, and individuals of all kinds throughout Canada.

In 1939 an advertisement was issued giving the substance of the regulations requiring people who had dealings with the enemy involving money to report, and there seemed to be almost 100 per cent degree of cooperation. I think in all that time, although there have been rather wide powers in the regulations, we have only had two or three prosecutions and I am inclined to think in at least one of those cases the individual erred through ignorance rather than design and the court must have had the same impression for it imposed a nominal fine. We have had great cooperation from the departments and agencies of the government, the Department of External Affairs, the Department of Trade and Commerce, the present Department of Reconstruction and Supply, the Department of Justice and the Royal Canadian Mounted Police. I should also mention the Department of Finance, the Foreign Exchange Control Board, the Bank of Canada, Department of Insurance, the army, and the Royal Canadian Navy. Finally I have to pay a tribute, a very well deserved tribute, to the men and women employed in the staff who were taken and thrust into situations they had never contemplated. They had to deal in emergencies with questions which were complex and which contained many ramifications. On their behalf I would like to say, as deputy custodian throughout the entire period, that, while I am quite conscious of the fact there have been errors in judgment and that hindsight is a great deal better than foresight in many of these matters, I feel quite confident that on the part of no member of the staff has there been any serious dereliction of duty and that they have assiduously and conscientiously devoted themselves to their duty. During the period I have been connected with the office there have been seven custodians. The first was the late Mr. P. H. Cahan, who devoted a good deal of work to the expediting of winding up certain affairs. He had something to do with the negotiations with respect to the scaling down of reparations as provided for by the Versailles Treaty; the late Mr. Rinfret, who died almost on the eve of the war; the late Mr. Lapointe, who was acting custodian and secretary of state when the war broke out and for the first nine months of the war; Mr. Justice Casgrain, still living; the late Mr. McLarty, who paid day to day attention to its work from December, 1941 until his retirement in 1945; the former secretary of state Mr. Martin, who came in after hostilities had ended; the present custodian Mr. Gibson.

Now, Mr. Chairman, yesterday I understood that it was decided to go through the schedule and to, in all probability, defer the detailed discussion on administration. However, if any member of the committee has any question which he thinks he would like to ask on a general point I would be glad to deal with it now. If the members are dealing with particular cases I think it would be preferable that we have notice and an opportunity to consult nearly 70,000 files which are in our office. As you will see the transactions now cover a period of nearly eight years. I would not like to speak offhand, although my memory is reasonably good, as to the details of any particular transaction.

The VICE-CHAIRMAN: Gentlemen, you have heard this very interesting recital. Doctor Coleman referred to it as rambling remarks but I would say it has been an interesting story, as interesting as any written by either Upton Sinclair or Philip Gibb, and is perhaps more useful because it is based on fact. What is your wish? Shall we go on immediately with this schedule or are there any questions arising out of the statement made by Doctor Coleman that have direct bearing on the schedule?

Mr. BURTON: Mr. Chairman, if you will allow me, I first want to express my personal appreciation for having an opportunity of hearing the story to which you have just referred, presented to us by Doctor Coleman. For those of us who have not had an opportunity to be closely in contact with his department, it gives us a considerable background to work on. I also appreciate the closing remarks that Doctor Coleman made in that he would be prepared to deal



with that part before going into the regulations or the schedule. I think myself any general remarks in so far as his statement is concerned would much better be made now than later on when we deal with different clauses of the schedule and in that connection I have a question or two that I would like to ask. Doctor Coleman's statement has been made to us as a general review of the work of the department for a considerable number of years. Now, I think the committee should have some idea as to the amount of property still in the hands of the custodian, the number of persons involved, and the number of firms that would be involved. And then having put this question I possibly would be allowed just one step further and I would appreciate, before we start with the detailed examination of these regulations, if Doctor Coleman would just give a word or two as to why the department considers it necessary to have these elaborate regulations at this time. I think if we had that cleared up in so far as I am concerned, I would be prepared to go on with the schedule.

Mr. FLEMING: I think Mr. Burton's suggestion is quite good.

The VICE-CHAIRMAN: Gentlemen, I do not wish to interrupt, but just to maintain proper order I think it would be better if you were to stand up and instead of three or four talking at once, just one should speak at a time. I want the reporter to get your remarks down carefully.

Mr. FLEMING: I think in fairness to the committee it might be well to say a word or two about the ideas discussed yesterday by the steering committee with reference to the committee's procedure. The committee is faced with this immediate problem. The trading with the enemy regulations depend for their continued existence on the Emergency Transitional Powers Act which comes to an end on May 15. It would be much more logical and much more orderly to approach the problem with a review of the whole administration of the custodian of enemy property, including not only enemy property but also the other two branches, namely, Japanese evacuees and illegal organizations, nevertheless we are faced with a situation where we have only a matter of about a fortnight to get this bill back to the House and through the Senate as well. The steering committee feel that we have no alternative but to proceed with the bill in advance of a detailed review, or as detailed a review as the committee might have thought necessary, of the administration itself. The scope of the committee's reference has been extended to include a review of the administration in the department and that, in the recommendation of the steering committee, would be followed by an actual review of the terms of the bill. Now as to the statement we have heard this morning it is obviously an excellent background. I think, Mr. Chairman, it would be useful to the committee to have now a somewhat more detailed statement from Doctor Coleman concerning the revisions that have been made in the regulations hitherto. The committee is aware that there was a substantial revision of the regulations in 1943 and then in January of this year there was a further revision carried out which had the effect of eliminating a number of the regulations. I think it would be interesting to the committee to know what policy was followed in the elimination of part of the regulations and then we might be given, as Mr. Burton has suggested, something a little more detailed as to the reasons why these powers that are still provided for in the schedule of the bill are needed.

Mr. STEWART: Mr. Chairman, I find myself in agreement with the steering committee but I would like to make this further point. We are not going to be finished with our work on this committee before May 15 if we are going to do anything like a detailed study of the custodian's work during the last few years. I think it would be of considerable benefit to myself and probably to other members of the committee if there were supplied to us the audited accounts of the custodian for each of those years. I think, then, we would have some time to peruse them and study them and perhaps we could then attack this problem more intelligently.

The VICE-CHAIRMAN: May I just make a report to you gentlemen. It is proposed to issue a copy of the general report of last January to each member of the steering committee, who in turn would place it at the disposal of the members of his body or group, and if a second copy is required I would be pleased to try and procure that and place it at your disposal. There will also be copies of the audited reports, as mentioned by Mr. Stewart.

Mr. SMITH: I have a suggestion to make. Perhaps I speak from ignorance which may be abysmal but I would like Doctor Coleman to tell us how the department operates by taking a typical case and tracing it through. It would be of assistance to those of us who are not familiar with the subject. Let us assume, that in Calgary, for instance, the A.B.C. company gets off the rails. I want to get some idea, a practical idea, of what happens in dealing with that company. I am sure I do not know and I think many of the members of the committee are perhaps in the same situation. That would only take a minute and if the Doctor did it I think we would have a more practical approach to the problem.

The WITNESS: If I may, Mr. Chairman, deal first with the point raised by Mr. Smith. I think if you look at clause No. 8, regulation number 8 on page 6 of the schedule, you will see, "Where it appears to the secretary of state—(a) that there is reasonable ground for suspecting that an offence under any of these regulations has been committed by any person;" (f) "that an enemy has an interest in any property; the secretary of state, if he thinks it expedient for the purpose of satisfying himself that the person, firm or company is not trading with the enemy, may in writing appoint an inspector to inspect the affairs of the person, firm or company or the administration of the property; and the secretary of state may appoint an inspector to inspect any business to ascertain (i) whether the business is carried on for the benefit of or under the control of an enemy or enemy subject; or (ii) the relations existing or which have, either before or after the commencement of the present war, existed between a person interested in the business and an enemy or enemy subject."

As you see there is the power enabling the secretary of state to appoint an inspector who takes over all the files and documents.

Now that has been done in a reasonably large number of cases and if it were ascertained, I think it only happened in one or two cases, that there had been any transactions with the enemy after the regulation came into force there would be a prosecution. If it appeared that the business was entirely owned by the enemy it was vested in the custodian and he would either take steps to liquidate it, employ a comptroller for that purpose—it might or might not be but in most cases it would be the inspector—and proceed to realize it as profitably as he could and the proceeds would then be placed to the credit of the custodian. That would be in the case of enemy property.

Mr. SMITH: He goes right in and takes physical possession.

The WITNESS: Yes.

Mr. SMITH: That is what I had in mind.

The WITNESS: Now, if I might deal with other points raised by other committee members. Mr. Burton, I think, first asked what property was under control. That was in the report which was tabled in the House as of December 31, 1946 on pages 12 and 13. Now the belligerent enemies—Austria, Bulgaria, Finland, Germany, Hungary, Rumania—there was upward of \$20,000,000. The property of persons in occupied countries aggregates about \$218,000,000 and the doubtfuls another \$13,000,000 make a total of \$243,000,000. A great deal of this was represented by securities which were owned by the people, particularly those in the occupied countries, and at present value or market quotation would be worth an estimated \$320,000,000.



Mr. SMITH: Your proscribed group goes out of that.

The WITNESS: It is included in that, it is the great bulk of the amount. Real enemy properties, which may or may not be confiscated and is more or less dependent on the treaties of peace, aggregate at the moment something over \$20,000,000.

Mr. FLEMING: Mr. Chairman, these figures do not include the property of Canadian Japanese and the illegal organizations.

The WITNESS: No, no.

Mr. FLEMING: This is just the enemy schedule.

The WITNESS: That is what I am dealing with. Now, Mr. Burton also asked me to state whether we felt it was necessary that we should have these extended powers. I endeavoured to cover that but perhaps I did not make myself clear by alluding to the fact that if there had been treaties of peace reached and ratified a year or two after the war and before the orders under the War Measures Act expired, we would not have found it necessary to come here at all but we had to in view of the existing situation. The fact that there does not seem to be a treaty with Germany in particular, and even with Japan, in the offing for a considerable period, made it desirable, on the advice of the law officers of the Crown, to continue the matter. One reason it was felt desirable that the substance of the regulation should be continued was to avoid the possibility of falling between two stools. There are a great number of powers here which are still in force in the United Kingdom or substantially the same powers are still in force in the United Kingdom today which we feel are necessary to preserve. There is litigation pending. There is always litigation pending. There is litigation threatened, and something which might appear unimportant at first glance may prove to be very important in determining the custodian's rights. The whole object of the custodian, I am sure the committee realizes, is to get as much genuine enemy property as we can for the state and have it available anyway, because of the claims which are already being put forward by Canadians—although the custodian only records them, and has no power and has no intention of seeking power as far as I am aware to settle them, that would be a matter of government policy which remains to be determined—greatly exceed the assets of the enemy in his hands. Mr. Fleming asked if I could indicate that revision which took place in the first regulations which came into force, became effective on the 2nd December, 1939. Well, as a result of these studies they were necessarily rather hastily thrown together, and I may say after consultation with financial officials, the department of insurance, and the Bank of Canada and other departments and agencies of the government which had a particular interest in this matter. But as time went on it was realized that there were weaknesses until there was considerable amendment I think made in 1941; there was a consolidation in 1943, which is the blue book generally used; and then when it was decided that it would be desirable to have legislation the officers of the department with the custodian and the other departments of government concerned we arrived at what we thought might be recommended to the Governor in Council in January with the result that there was the deletion of a very considerable number of regulations which appear in the schedule under the heading of items revoked. That was to avoid renumbering. I propose to deal with them at the proper time, but if you like I can deal with that one which we revoked as a particular example. Take for instance the one defining "enemy", that is on page 2 of your draft bill.

Mr. FLEMING: I do not know, Mr. Chairman, that we want that much detail at this particular stage. I thought just a general statement as to the reasons for the action taken.

The WITNESS: I see. May I say they were rather extraordinary powers; and when I use the term extraordinary I am using that in the normal sense of powers out of the ordinary; with the result that it is no longer necessary to continue then. In most cases either it had not been found necessary to invoke them, or they had not been used, even in time of wars. One was regulation 8-2 (b), in the blue book of January 1943.

It was felt that it was unlikely that any case would arise in the future where this would have to be done. I do not think that was ever done. As a matter of fact, I am sure that it was never even moved. The changes were all of that nature, relief rather than greater restriction. I am not at all sure, subject to correction by my legal adviser (sitting here on my left), Mr. Black, that certain regulations now might not be modified as the result of discretion.

And there is one other point, if I may again refer to what Mr. Burton said; it is only within the last year or a little longer that we have any chance at all in parts of Germany which are under control of the British or Americans to make any check-up with the records of German enterprises in those zones. May I refer to one in particular, the notorious I. G. Farbenindustrie, of Frankfurt. We have had a large number of valuable reports and they are still coming in; and these reports indicate that if misrepresentations had been made by anyone it might be necessary to invoke some of these clauses in respect to it. That is about the only reason of which I can think for retaining them, but I do think it is quite important that they should be retained pending final determination of the treaty of peace. For all we know Canada and the other allied powers may determine in the treaty of peace to return all this property to Germany. That is not the concern of the custodian. He has nothing to do with that; but it is his duty to accumulate all the enemy property in Canada so that those who negotiate the treaty may know what it appears to be on hand.

The VICE-CHAIRMAN: Well, gentlemen, are you prepared to proceed with the schedule?

Mr. STEWART: I should like to make a suggestion, if I may, Mr. Chairman. There is a great deal of interest in the reports of the custodian. I think it would serve the interests not only of members of the committee but also of members of the house if some of these auditors' reports were printed as an appendix to our proceedings. We realize, of course, that some of these reports cannot be made available; but I find them of special interest to myself; and, speaking for myself, I think one report among five of us is quite inadequate. I do think, Mr. Chairman, it would serve a useful purpose if we could be supplied with copies of them in the manner in which I have indicated.

The VICE-CHAIRMAN: Yes. That point was raised yesterday and it was left more or less with the chairman of the committee to look into the matter of printing, the volume of material and so on, and if it was found that it was not too bulky that it be considered as an appendix to the Minutes of Proceedings when they are tabled. I am going to ask Dr. Coleman to table those auditors' reports. Is that agreeable.

Some hon. MEMBERS: Agreed.

Mr. SMITH: May I ask Dr. Coleman a question; has he considered the desirability of continuing some of these orders in force; has he given thought to the other side of the picture. I was getting just a little concerned that something might be left out which should remain.

The WITNESS: You should not be, sir. In view of the fact that many of these powers were probably exercised in time of war, or might have been exercised but never were exercised, there seems to be little use in continuing them.



Mr. SMITH: I heard you say that. Are there any additional reasons for keeping them in force?

The WITNESS: No, I cannot see that there are. There is one to which I might call attention. On the original order property vested in the custodian was not subject to any tax. You will find that on page 50 of the blue book, regulation 43. As a matter of policy the custodian has paid municipal taxes as they fall due out of funds accruing, and it was felt that that might be modified as it was in the revision of January:—

50. Property vested in the custodian is liable for any tax, mortgage, lien, charge, rent, interest or payment thereon but the custodian is not liable with respect thereto.

It was felt that that was an unfair burden on the municipalities and other people and that where funds were available it should be charged against the property.

*By Mr. Fleming:*

Mr. Chairman, if Doctor Coleman has completed his answer; that raises the question about the form of the schedule. The schedule as printed indicates in each case where a particular regulation from the 1943 revision has been removed. The amendment in regulation 50, to which he has just referred, is not noted.—A. No.

Q. As having been amended in the schedule by them. Are there any other cases? For my part, in reading the bill, I would assume—A. There are three noted.

Q. That are amended?—A. Yes. Regulation 38 of 1943; and the second one is on page 16. The other one is on page 20 of the 1943 printed blue book; and regulation 50 of 1943 was revoked and the present No. 50 which appears on page 18 was substituted; and regulation No. 51 was revoked and the present No. 51 substituted. Those are the three.

Q. I think it would be well if Dr. Coleman would add a word to his answer to this question as to the line followed in connection with the revision of 1947. Would it not be fair to say that the department is proceeding cautiously and if there is any thought at all that the power might be required under any circumstances it is retained in the schedule?—A. That being that in keeping with the tenor of public opinion. Whenever possible the regulations should be relaxed, and if, as I say, there had been peace treaties negotiated by the powers and ratified by parliament we would be very near repeal of the whole lot of it, providing some measures could be taken to carry on the necessary winding up. We are very anxious, for example, to get rid of the property belonging to the people in former occupied countries providing necessary evidence can be obtained to show that they are not holding any part of it for or on behalf of an enemy; which is a very important thing. Only in February of this year I was in one of the European capitals, although we do not hear very much about this here, when a person of considerable prominence, a Mr. Drayton—they were conducting trials of people in those countries—he had acted as an alleged agent and collaborated with the enemy. We have to have assurance in some way that property claimed by persons in one of these countries is his own property and not held for or on behalf of an enemy. Possibly I could not give the committee any better example than the late Field Marshal Hermann Goering. He would not have accumulated the vast wealth which he is reputed to have accumulated without having taken the precaution of taking at least some of it out of Germany, as he may very well have done, and deposited it in another name. He would have a front, probably; a resident at least, if not a national, of the country concerned. That is a very simple illustration. But when you have a

series of companies all over the world it is exceedingly difficult to get back to the No. 1 man or the No. 1 group controlling it. I have seen both here, in Washington and in London, records and charts showing as many as fifteen holding or parent companies of one kind or another altogether before you get back to what appears to be the ultimate source of control.

Mr. SMITH: You should read Mr. Dimm, Doctor, that illustrates it very well.

The WITNESS: I beg pardon.

Mr. SMITH: There is a book called Mr. Dimm that illustrates that point. It is the best satire in the world.

The WITNESS: If you will permit me to say so, you get a company operating here which is controlled by a company operating in a friendly or neutral country. You may say, "we think that has an enemy taint". They answer, "no, we are controlled by another company in another neutral country". It goes back and back. We have obtained some very useful information as a result of getting a peep at what appears to be the records of certain parts of Germany. There were certain other parts of Germany where no British, American, nor Canadian investigator could possibly obtain information. Unfortunately they had restrictions as to movements in all of these zones but we have had a reasonable amount of cooperation.

Mr. STEWART: Doctor Coleman, there is another point which I might ask by presenting a fictitious case. Let us assume a resident of Poland had, at the outbreak of war, been living in Canada. Poland was overrun. A new government inimicable to his interests was set up in Poland and he is not able to go back to Poland to re-establish himself, what would happen to his property in that case? Probably you can enlarge upon it for me.

The WITNESS: For many reasons I prefer that you take a hypothetical country rather than the one you have chosen. Astoria, or something of that nature. I would say the custodian has always taken provision that he is the trustee for the individual only and not for the country.

Mr. STEWART: The nation.

The WITNESS: Not the country. Now we have had certain agreements, one of which was placed on the table of parliament more than a year ago, one with France, and there are others which have been partially negotiated and not yet completed, which provide that a man living in that country has to obtain a certificate from his own authority that he is a resident, that he holds property, and that there is no gain on behalf of the enemy and that he is not charged with any collaboration.

Mr. WINKLER: Mr. Chairman, I have a question which I would like to ask. I think Doctor Coleman may not consider it as general enough and probably in that case the answer can be deferred. He might describe the bounds of the activities of the custodian. The question is this. Take the case of the sale of an X-ray machine. A great many were sold in this country, I believe, just prior to the war, and suppose I, just a week before the war began, had bought one of those machines and had made a small payment down on what I believed to be a very expensive machine. What would be the attitude of the custodian in such a case?

The WITNESS: I take it, Mr. Winkler, that you have made a down payment to a German firm operating in Canada and that you had not received the machine.

Mr. WINKLER: I was thinking of a case where I had the machine.

The WITNESS: Oh, well if you got the machine the custodian becomes entitled to the purchase price. That is one of the very instances I was pointing out, where it relates actually to the X-ray machine. A lot of these were sold



on instalments whereby the company undertook to sell the machine and give credit, allow you to operate it and they undertook to service it and supply parts. The knotty question which the business comptroller had to determine was if you got a machine for which you agreed to pay \$1,000 and had been promised you could get the parts for it and that it would be serviced for you for five years, the question was, what is that covenant worth? What should you get knocked off if you only get the machine? Well we settled it as well as we could in the judgment of the comptroller. There were not many, but there were a few engines, deisel engines, which were sold by a company which had just opened in Montreal.

Mr. FLEMING: Mr. Chairman, Doctor Coleman has made it clear these regulations were made to deal with the case of enemy property and the property of persons in the proscribed territories. Now with the two latter adjuncts to his responsibility, namely the property of persons of the Japanese race in Canada and the property of organizations declared to be illegal, to what extent did he, in administering those estates, use any of the powers contained in the schedule.

The WITNESS: The evacuees and the illegal associations? Well we did not use them at all in the illegal associations for this reason. When the order was made by the Governor in Council putting out the list of illegal organizations, the police force, the Royal Canadian Mounted Police, took charge of the buildings and turned them over within a week or ten days after.

*By Mr. Fleming:*

Q. Where did the custodian derive his powers then to retain physical of those or to realize on them?—A. There was an extraordinary order in council which was repealed when the order in council prescribing these things was issued.

Q. Then none of the orders in council under which the custodian acted with reference to illegal organizations or the property of persons of the Japanese race were introduced by reference to any of the powers contained in the Act.—A. Yes, it said they were to be applied "mutatis mutandis".

Q. I was just wondering whether the committee, when it reviews the schedule would find a possibility of any of these powers being used today in the case of property of persons of the Japanese race or in the case of property of organizations that were declared illegal.

The VICE-CHAIRMAN: May I suggest, Mr. Fleming, that you bear your question in mind and apply it to the particular section.

Mr. FLEMING: I was just wondering whether there was some general answer that would apply and save us time.

The WITNESS: In relation to the Japanese evacuees the only real estate not liquidated consists of about 20 to 25 parcels. The Secretary of State in Bill 104 gave a specific undertaking he would not proceed to liquidate that without the consent of the owner. I do not think there is any other thing relates to that. There is nothing in relation to illegal organizations, and that no powers went with the repeal in October 1943. I must confess I am puzzled in looking at this report to see that there appears to be a balance of \$698.27 owing an illegal organization. I will look into that and find out what it is. There may have been one or two that were not taken off the list.

Mr. CASE: Mr. Chairman, may I ask Doctor Coleman a question? There was a seizure made of some Hungarian property in Toronto, was there not? And later it was cancelled, then some doubt arose and I believe the property has been returned. Just how was that handled?

The WITNESS: Well, I understood that I would not deal with particular cases today, Mr. Case. It is a long story about these illegal organizations and I would like to have the appropriate officer with me when I deal with it, together with the files.

Mr. CASE: I think that is fair, Mr. Chairman, but I was just wondering if Doctor Coleman would give us the explanation at a later time.

The VICE-CHAIRMAN: I think, under "distribution", you would be justified and quite within your rights to ask that.

Mr. CASE: When, Mr. Chairman?

The VICE-CHAIRMAN: Prior to you joining us this morning a report was presented by the steering committee in which the work was divided under two headings. The first dealt with the bill, taking the schedule first, and secondly after we had disposed of that we are to deal with the administration in a general way.

Mr. STEWART: Mr. Chairman, if I understood Doctor Coleman correctly, he said that if there was any particular case any of the members would like to discuss he would like to have a little warning in order to make some preparation. If I am in order, all right. If I am not you can tell me. The particular case I have in mind has to do with a patent on fish oil and this is the way that I have it. When the Germans took over in Norway they had a patent for taking fish oil and refining it so that it could be used as an edible oil, something that never had been done before in the history of the world. That process was carried on in Norway during the war. Since the war, or when the Germans were driven out by the allied nations, the Norwegians obtained the patent and today they are developing what they call markoil M-a-r-k-o-i-l. I have seen it and tasted it and in fact today there is a firm in Montreal offering it for sale. With the great shortage that there is of oil in the world, when we are sending to Europe all that we can spare, they are offering oil for sale in this country which comes from Norway. The reason I want to discuss this thing in detail is due to the fact that in our canning industry in eastern Canada we are using thousands of barrels of edible oil. Years ago it was cottonseed oil, during the last few years we have been using soya bean oil, peanut oil and different kinds of other edible oil. We depend, to a great extent, on our American friends for our supply of edible oil and the price has advanced 25 cents per pound in the last two years. Today it is up to around 41 cents. My point is this. Norway only produces ten per cent of the fish oil in the world. In other words 90 per cent of the fish oil produced in the world, now goes into cheap paints and such things whereas it might possibly be used for food. If that patent belonged to the Germans, which I feel quite sure that it did, why should not the allied nations today have the same right of using that patent as the Norwegians have. As I stated, the Norwegians today are offering that oil for sale in Canada, even when there is a very very short supply of fats and oils in Europe. Now if that can be discussed under this bill I would like to have an opportunity of so doing.

The VICE-CHAIRMAN: Mr. Stewart, I think that comes under the same heading and I will have to give you the same reply as I gave to Mr. Case. I suggest you bring it up under "administration".

Now, gentlemen, we have only five minutes and I am rather anxious to get under way. In order to save time may I suggest that we deal just with these titles, the schedules.

Mr. FLEMING: Definitions.

The VICE-CHAIRMAN: Definition.

"Interpretation." Any objections?

Mr. FLEMING: Mr. Chairman, there is one general observation I have to make about part 1. The point will come up in connection with the other sections of the bill or at least of the schedules. We have to decide whether we are legislating here on a permanent basis or simply passing regulations that are temporarily in effect to deal with the present situation. Now we come to questions like the definition under 1(b), "enemy territory". These people will



be our enemies presumably only so long as we are awaiting conclusion of the treaties of peace. Then there is (k), "commencement of the present war" that would obviously apply to the war which began in the case of Germany in 1939, Italy in 1940, Japan in 1941, and so on. That would mean the bulk of these regulations could not have any relation to property which is still in the hands of the custodian through the war of 1914-1919. I wanted to clear that up. We are dealing in these regulations simply with the powers of the custodian with reference to assets of certain persons as from 1939 and none of this legislation is to have any application to property in the hands of the custodian prior to that date even though it came into his hands as a result of the first great war.

The WITNESS: The treaties of peace and ratification in 1919 or early 1920 gave the Governor in Council power to provide by order for dealing with German property affected under that treaty. The same applies to Austria as well as Germany. It was all done by the treaties of peace made on November 5, 1918, and the Treaties of Peace Act 1919.

Mr. BURTON: In other words, the wording of the terms of the peace treaties, would, to a certain extent, govern how far and how much of this could be done under the regulations.

The WITNESS: Quite.

The VICE-CHAIRMAN: Dealing with number 1, "interpretation".

Carried.

The VICE-CHAIRMAN: "Person".

Carried.

Section 1(b), "enemy territory".

Carried.

Section 1(c), "proscribed territory".

Carried.

Section 1(d), "enemy".

*By Mr. Fleming:*

Q. As to the enemy proviso at the bottom of the page, Mr. Coleman dealt with that in his general remarks. May I ask if he has any occasion— —A. Yes, there have been a number of occasions when that has had to be put into effect in a very limited measure. These were not enemies in the ordinary sense. They were only technical enemies. I can remember I think two or three. I will have to look it up to refresh my memory on the details, where that was invoked.

Q. It is considered desirable to deal with each case by special orders and exempt them from the definition of "enemy", persons who are simply enemy subjects?—A. Oh yes.

Q. Rather than bringing enemy subjects generally within the terms of the definition?—A. Quite.

The VICE-CHAIRMAN: Agreed.

Section 1(e), "enemy subject".

Carried.

Section 1(f), "enemy currency".

Carried.

Section 1(g), "securities".

Carried.

Section 1(h), "dividends, interest or share of profits".

Carried.

Section 1(i), "property".

Carried.

Section 1(j), "enemy property".

Carried.

Section 1(k), "commencement of the present war".

Mr. STEWART: What date is that; is that the 10th of September, 1939?

The VICE-CHAIRMAN: That is our official date, but I will ask Dr. Coleman if that is the date officially recognized.

The WITNESS: Going back to September 10; these regulations came into force on September 2.

*By Mr. Case:*

Q. What about the commencement of the present war?—A. We are still technically in the state of war.

Q. The government has declared that the war was over as from the first of the year?—A. No, not yet.

Mr. FLEMING: The war is still on, at any rate in the House of Commons.

The VICE-CHAIRMAN: I think we should have the date.

Mr. FLEMING: That would have to be September 10 in the case of Germany. As far as this country is concerned what existed between the 2nd and the 10th was only a state of apprehended war, not a state of war; and this evidently applies only to a state of war, or rather I should say to a state of apprehended war.

The VICE-CHAIRMAN: Would you like to have that stand, Mr. Stewart?

Mr. STEWART: Stand, yes.

Section 1(l), "Secretary of State."

Carried.

Section 1(m), "proclamation".

Carried.

Section 1(n).

Carried.

Section 2(1), offence of trading with enemy.

Carried.

Section 2(2), prima facie proof.

Carried.

Section 3, trading with the enemy.

Mr. FLEMING: In this section, subsections (e) and (f) are no longer necessary?

The WITNESS: That is right.

Mr. FLEMING: And that is in view of the fact that regulation No. 4 has been revoked?

The VICE-CHAIRMAN: Yes. Shall we take them subsection by subsection?

Section 3, subsections (a), (b), (c) and (d) carried.

Section 3, subsection (e).

Mr. FLEMING: Subsections (e) and (f) should be struck out, Mr. Chairman. They involve a reference to regulation No. 4 which has since been revoked.



The VICE-CHAIRMAN: Subsections (e) and (f) are struck out.

Mr. CASE: What have you done in striking them out?

The WITNESS: They refer to regulation No. 4 which has already been revoked.

Section 3, subsection (g).

Carried.

Section 3, subsections (h) and (i).

Carried.

The VICE-CHAIRMAN: Section 4, revoked; section 5, revoked.

Mr. BURTON: Mr. Chairman, may I draw your attention to the fact that it is now one o'clock.

The VICE-CHAIRMAN: Pardon me. I am so used to keeping on working all night. Gentlemen, it is one o'clock and I do now leave the chair. We will meet on Thursday next at 11.30 o'clock a.m.

I want to thank you gentlemen for the work the committee has been able to do this morning. We have certainly gotten along nicely.

The committee adjourned at 1.07 o'clock p.m. to meet again Thursday next, May 1st, at 11.30 o'clock a.m.