

SESSION 1947  
HOUSE OF COMMONS

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STANDING COMMITTEE

ON

# PUBLIC ACCOUNTS

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 20

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WEDNESDAY, JULY 9, 1947

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WITNESSES:

Mr. Gordon Murchison, Director, Mr. A. D. Wymbs, Acting Financial Superintendent, and Mr. W. G. Wurtle, Chief Treasury Officer, Soldier Settlement and Veterans' Land Act.

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

1947



## REPORTS TO THE HOUSE

WEDNESDAY, July 9, 1947.

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

### FIFTH REPORT

Your Committee, following the agenda adopted at a meeting of the Steering Committee, on May 8, undertook during its meetings of May 30, June 3, 17, 24, the study of the administration, by the Custodian of Enemy Property, of the property of illegal organizations.

During the meetings of June 24 and 27, your Committee investigated the administration of the Ottawa Office of the Custodian, as well as the Custodian's accounts.

On these subjects, your Committee heard evidence from Dr. E. H. Coleman, C.M.G., K.C., Deputy Custodian of Enemy Property, Mr. A. H. Mathieu, Assistant Deputy Custodian, and Mr. K. W. Wright, Counsel.

The willingness of these witnesses to supply all possible information was appreciated by your Committee.

### ILLEGAL ORGANIZATIONS

Shortly after an Order in Council was passed in June, 1940, declaring a number of societies and organizations to be illegal, the Custodian was entrusted with the administration of their properties scattered throughout Canada. The first task was of obtaining particulars as to the real property owned by the various organizations and that extended work was completed in the autumn of 1940.

The preliminary report showed that, in some cases, there was reason to apprehend interference with the properties as there were accumulating taxes, claims under mortgages, and other charges.

It became necessary, in order to assume effectual and actual control of these organizations, to appoint eight trust companies and accounting firms throughout Canada to represent the Custodian. Arrangements were made with the Canadian Bankers' Association, the Post Office Department and the Royal Canadian Mounted Police, whereby all relevant information in their hands would be reported to the Custodian and his controllers.

The property of fifty-three organizations, considered illegal as a result of different Orders in Council, was under the control of the Custodian of enemy property through his agents who administered it until the ban was removed by Orders in Council, in the years 1943, 1944 and 1945.

As of December 31, 1946, the financial result of these operations, in the case of 51 of these organizations, showed a net debit balance to the Custodian of \$15,015.88. The total receipts were \$112,267.94; the total disbursements \$99,309.05; but an amount of \$27,974.77 was returned to them by the Custodian.

Most of the discussion of your Committee centered on the administration and disposal of the property of the two other organizations, The Ukrainian Labour-Farmer Temple Association and the Workers' and Farmers' Publishing Co., as the ten properties of The Ukrainian Labour-Farmer Temple Association and



the plant of the Workers' and Farmers' Publishing Co., represented the exceptions to the general experience of the Custodian in the matter of administration and claims.

#### THE UKRAINIAN LABOUR-FARMER TEMPLE ASSOCIATION

Upon assuming control, the Custodian was advised that certain properties could hardly be operated profitably and had better be sold. Sixteen properties of The Ukrainian Labour-Farmer Temple Association and other organizations were thus sold and every effort was made at the time to get the best possible price in the market. In only two of The Ukrainian Labour-Farmer Temple Association cases did the Committee express the view that the Custodian's agents had sold the properties for an unduly low price. These cases were in Saskatoon and Vancouver. The Committee thought that the agents had not felt it their duty to point out to the Custodian that the highest offered appeared unreasonably low in relation to the value of the property. As to six of those, there was never any complaint whatever. The ten others were the subject of much consideration by your Committee. These ten properties, whose combined assessment in 1940 amounted to \$91,380 were sold by the Custodian in 1941 for \$73,563.67.

When this organization was removed from the list of illegal organizations in December of 1943, the Governor in Council authorized the Custodian to appoint an advisory committee to look into the complaints which were made by it as well as by others. The advisory committee was headed by His Honour Judge George W. McPhee, of Moose Jaw, Sask., the other members being Mr. Geo. A. Campbell, of Edmonton, Alta., and Mr. W. Gordon Thomson, of Windsor, Ont.

The advisory committee recommended the payment of claims amounting to \$10,791.70 and expressed the opinion that the new owners should agree to sell the property to The Ukrainian Labour-Farmer Temple Association at the price paid for it, provided, however, that if the new owners had made permanent improvements to the property, these should be paid for by The Ukrainian Labour-Farmer Temple Association, all with a view to restore harmony and good feeling among Canadians of Ukrainian origin. It was further recommended to the Custodian that he should absorb debit balances where these occurred in the accounts for maintenance. The amount so involved was \$30,562.61. It was also recommended that he pay to the municipalities one-half the taxes for 1940 and all the taxes for 1941, 1942, and 1943, on those properties in which tax payments were in arrears. Taxes so paid amounted to \$13,033.79.

When the negotiations carried on between The Ukrainian Labour-Farmer Temple Association and the new owners proved unsuccessful, the Custodian delegated Mr. George Campbell, a member of the McPhee Committee, to help in the negotiations. In October, 1944, the Government, as a matter of policy, decided that every effort was to be made to restore its properties to The Ukrainian Labour-Farmer Temple Association and that it would assist in the repurchase when needed. In some cases, substantial improvements had been made to the properties and it was the task of Mr. Campbell to value these improvements and arrive at a final settlement. These negotiations were thus conducted personally by the Custodian through Mr. Campbell.

As a result of these steps, the ten properties, assessed for \$91,380 in 1940 and sold in 1941 for \$73,563.67, were repurchased by the Custodian in 1945 for a sum of \$156,800.65. The cost to the Government on the purchase of these properties amounts, therefore, to \$83,236.98, to which must be added \$30,562.61 for the debit balances, \$13,033.79 for the taxes for the latter part of 1940 and all of 1941, 1942 and 1943, and \$10,791.70 for damage claims recommended by the McPhee Commission, totalling a debit balance of \$137,625.08 on the Custodian's handling of The Ukrainian Labour-Farmer Temple Association properties. Total receipts were \$109,480.98 and total disbursements were \$247,106.06.

Special attention was given by your Committee to the handling of properties at Calgary, Lethbridge and Medicine Hat. For different reasons, it was impossible for the Custodian to repurchase these properties, which had been sold in 1941 for a total sum of \$4,171.30, including chattels valued at \$311.55. The Custodian arranged for a sum of \$25,000 to be paid to The Ukrainian Labour-Farmer Temple Association to compensate for the non-return of these properties as recommended by the Advisory Committee. It is to be noted that the assessed total value of these properties in 1940 was \$15,615.

#### WORKERS' AND FARMERS' PUBLISHING ASSOCIATION LIMITED

At the time this company was declared illegal, an inventory was prepared of all machinery and tools. The valuers employed by the agents for the Custodian appraised these at \$9,811. The equipment so valued was advertised for sale by tender and sold for \$9,696.46. Later representations were made to the Custodian, as a result of which Mr. K. W. Wright, Counsel of the Custodian, was directed to make an investigation as to this sale. It appeared that the same company, The Toronto Type Foundry Company, who had valued the plant at \$9,811 in 1941, at the request of the Western Trust Company, Agents for the Custodian, had given in 1945 a report to the Workers' and Farmers' Publishing Association that the plant was worth at least \$45,000. A further appraisal was made at the request of Mr. Wright by the Printers' Ink Machinery Company, who valued the plant at \$28,773.55.

As a result of Mr. Wright's investigation, an additional compensation of \$20,000 was allowed by the Custodian in January, 1946.

#### SUMMARY

The financial statement of the Custodian as to this organization shows a debit balance of \$20,337.

The overall operations by the Custodian's Agents of the properties of illegal organizations show total receipts of \$228,662.90; total disbursements of \$365,056.46; total amount returned by the Custodian to the organizations of \$36,584.39; thus resulting in a total debit balance of \$172,977.96.

The opinion was widely expressed in your Committee that the treatment given to illegal organizations and particularly to The Ukrainian Labour-Farmer Temple Association and The Workers' and Farmers' Publishing Company in regard to their property, subsequent to the McPhee Report, was somewhat more generous than that accorded to the Japanese-Canadian evacuees.

Your Committee was apprised of the fact that 3,500 pounds of books seized in the editor's office of the Workers' and Farmers' Printing Association, Ltd., Winnipeg, in the care of the Custodian's Agents, were destroyed, as they apparently were considered by the R.C.M.P. to be subversive literature.

On the other hand, 349 books seized from the Deutscher Bund Kanada Organization and alleged to be Nazi propaganda literature, have been preserved, sixteen being confiscated by the R.C.M.P. The remainder were returned to the Custodian's Agents.

Your Committee was startled by the difference in treatment given to alleged Communist and alleged Nazi propaganda and cannot but express surprise that destruction of books was carried on in Canada as it was in Germany.

#### PROPERTY OF JAPANESE EVACUEES

As to the purchase by the Veterans' Land Act Administration, from the Custodian, of lands formerly owned by Japanese evacuees, your Committee was given further detailed information completing the evidence which has been the basis of its Fourth Report.



Part of the meeting of June 24 and the meeting of June 26 were assigned to the completion of evidence by Mr. Gordon Murchison, Director, Soldier Settlement and Veterans' Land Act, concerning the purchase and resale to veterans of lands formerly owned by Japanese evacuees.

Further evidence concerning the sale of such lands by the Veterans' Land Act Administration disclosed that some sales were made to civilians at a profit over the purchase price but it is reasonable to assume from the evidence that no such profits were made on sales to veterans.

#### ADMINISTRATION OF ENEMY PROPERTY

The administration of enemy property during the war is the primary function of the Custodian of Enemy Property and it is to be noted that all the evidence adduced up to this point before your Committee had to do with duties entrusted to the Custodian, which were not specifically relevant to his functions as such.

Your Committee, during the course of two meetings, was given an account of the work of the Custodian in his official capacity as foreseen by the Revised Regulations respecting trading with the enemy.

The office of the Custodian, which was set up in 1920 under the Treaty of Peace (Germany) Order, was not closed between the two Great Wars, but its staff had been reduced to two officials and two stenographers. These were the nucleus around which was built a staff of 129, who took charge of the administration of considerable interests and properties at the inception of the war and is still pursuing its work. The bulk of the administration was carried on with the help of inspectors, supervisors, controllers and firms of chartered accountants, appointed throughout Canada.

The property of the governments, associations, business and industrial concerns and citizens of enemy countries and occupied territories were, since September 2, 1939, under the control of the Custodian. The total amounts of these assets reached a figure nearing \$1,500,000,000 but, by gradual release of state funds and gold belonging to the governments of former proscribed countries as well as property belonging to persons who were able to establish that they could no longer be considered enemies under the Regulations, the total assets under control at present day valuation was approximately \$320,000,000, as of December 31, 1946.

The diversified nature of the assets under control necessitated a flexible system of administration and audit.

It is to be noted that the Custodian's administration has been self-supporting and no money was drawn from public funds, but separate individual accounts are kept and the cost of operating charged to them. A different course was followed as between belligerent enemy property and non-belligerent enemy property, that is property of persons or societies of a liberated country. In this latter case, up to the application for release, the account has been charged, besides the disbursements and normal expenses, an over-all administration fee of two per cent of the total value on the date of release. In so far as belligerent enemy property is concerned, the treaties will provide for the charges to be made.

According to Section 6 of the Final Act of the Paris Conference on Reparation, which came into force January 14, 1946, and which was formally signed by Canada on January 30, 1946, this country is entitled to "hold or dispose of German enemy assets within its jurisdiction in manners designed to preclude their return to German ownership or control, and shall charge against its reparation share such assets".

The solution of most problems of how and when to release the property at present under control must necessarily await the coming into force of the treaties with the so-called satellite countries and the treaties with Germany and Japan.

As to the liberated countries, it is expected that agreements will be arrived at between them and the Canadian Government on this matter. Up to this moment, such an agreement has been made with France, which has been in force since March 22, 1946.

As to royalties on enemy owned patents collected since the end of the war, they are governed, until the peace treaties are signed, by the clauses of an agreement signed, in July, 1946, between Great Britain, the United States, France, Belgium, Germany, Holland, Luxembourg, Denmark, South Africa, Australia, Czechoslovakia and Canada.

Your Committee was impressed by the magnitude of the work of administering enemy property and the success of the operations carried on by the Custodian or under his control.

All of which is respectfully submitted.

L. PHILIPPE PICARD,  
*Chairman.*

WEDNESDAY, July 9, 1947.

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#### SIXTH REPORT

Your Committee at its meetings of July 1 and 2 heard evidence from Mr. Watson Sellar, Auditor General of Canada and wishes to express its appreciation of the constructive suggestions submitted by him.

Many items of the report of the Auditor General were the object of your Committee's attention and the information gathered conduces to a better understanding of the work, as well as of the important functions of this office.

Your Committee is of the opinion that consideration should be given by the Government to the desirability of amending existing legislation as more fully explained in Mr. Sellar's memorandum dated July 1, 1947, with a view to regulating:

- (a) the form of Estimates and the printed explanations associated therewith;
- (b) the use of revenue arising out of services performed for the direct benefit of individuals;
- (c) the management of revenues;
- (d) the valuation of assets;
- (e) the management of stores and equipment inventories.

Your Committee is also of the opinion that consideration should be given by the Government to amending the Consolidated Revenue and Audit Act, 1931, in the light of Mr. Sellar's memorandum dated July 3, 1947, supplementing the oral evidence given by him on July 2.

Copies of these two memoranda are attached hereto and form a part of this report.

Your Committee is also of the opinion that the Government should explore the desirability of establishing a Standing Committee on Estimates.

A copy of the minutes of proceedings and evidence from May 30 to July 2, inclusive are tabled herewith.

All of which is respectfully submitted.

L. PHILIPPE PICARD,  
*Chairman.*



## ADMINISTRATION OF ENEMY PROPERTY

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## ADDENDUM

July 1, 1947.

1. The Consolidated Revenue and Audit Act dates from 1878. Its purpose is to regulate consolidated revenue fund transactions to the end that parliament preserves control over the public purse. In my opinion the time has come when, in its own interests, parliament should consider again the provisions of the Act.

2. There may have been a time when the Committee of Supply minutely examined estimate items, but demands now made on the time of the House of Commons are such that complete examination of estimates is impracticable. Estimates should now be presented in such a form that members do not have to guess purposes to which votes will be applied.

3. It is suggested that, instead of members of parliament having to seek explanations from ministers, "details" printed with the estimates should be in narrative form, setting out:—

- (a) the objects and purposes of the items,
- (b) explanations of increases,
- (c) the Acts, if any, which will regulate application,
- (d) the anticipated revenues,
- (e) comparisons with previous years, and
- (f) such other information as is necessary to permit members to familiarize themselves with the purposes and implications before items are called by the chairman of the Committee of Supply.

Existing legislation merely directs that the estimates "shall be for the services coming in course of payment during the fiscal year."

4. In the past ten years the number of items had increased. Using main estimates items, the number was 295 in 1937 and 484 in 1947. This increased use of items dates from the session of 1938 when the number jumped from 295 to 440—although the total sum voted in 1938 was only \$10,000,000 greater than in 1937. The purpose was to confine departments more strictly to objects of expenditure. While results were thereby attained, I feel consequences were:—

- (a) inflations in sums sought, by reason of departments including contingent reserves in every item, as protection against unforeseen demands arising in the year; and
- (b) some difficulty to members in identifying the items on which they wish to put questions or make observations.

5. May I illustrate my thoughts on the subject by making reference to post office accounts. Parliament appropriated approximately \$61,500,000 for the postal service in 1946. The application of the votes was:—

Vote No.	Purpose	Voted	Spent	Lapsed
231	Departmental Administration .....	811,425	743,756	67,699
232	Post Offices .....	22,126,090	11,126,090	
670	Supplementary to 232 .....	1,234,720	1,039,400	195,320
233	Inspection and Investigation .....	953,750	912,938	40,812
234	Railway Mail Services .....	14,651,279	13,498,441	1,152,838
235	Air and Land Mail Services .....	19,862,725	17,724,216	2,138,509
236	Money order, savings bank and other activities including printing .....	1,876,181	1,649,718	226,463
237	Compassionate allowances for injuries .....	5,000		5,000
		<u>\$61,521,170</u>	<u>\$57,694,559</u>	<u>\$ 3,826,611</u>



A glance at the foregoing shows that:—

- (a) if votes had been consolidated, the year-end supplementary of \$1,234,720 to vote 232 would not have been necessary; and
- (b) after all unanticipated expenses had been discharged, the Post Office Department had unused balances of \$3,826,611—an excessive amount in my opinion.

6. Adding various small expenditures, authorized by various statutes, total appropriation expenditures of Post Office were about \$58,000,000. But the Post Office Act provides that certain classes of postmasters be paid directly from revenue. In the year the amount was about \$15,000,000. Thus, direct Post Office disbursements were about \$73,000,000. Should study go further, it would be noted that the cost of certain steel equipment, etc., and the provision of all office accommodation is borne by appropriations for the Department of Public Works. That cost is not segregated in the accounts but, on a basis, may total \$3,000,000. Thus the real cost may have been \$76,000,000.

7. Gross revenues approximated \$83,800,000. If the value of postage stamps used for cheque tax purposes amounted to \$3,500,000—it is impracticable to establish an exact figure—the real revenue of Post Office was about \$80,000,000. A subtraction of estimated operating costs of \$76,000,000 leaves a profit of \$4,000,000. But section 20 of the Post Office Act fixes 2 cents as the first-class letter rate between places. The other 2 cents is a tax imposed for revenue purposes by the Special War Revenue Act. First-class mail produces approximately 50 per cent of the total revenue. Therefore, if one were to distinguish between the “service” charge and the “tax” charge, Post Office had an operating deficit. In turn, part of this deficit is due to the fact that about 28 million pieces of first-class mail matter and 100 tons of third-class matter for departments of government are franked. Were postage paid, the revenue would be about \$1,500,000.

8. It is submitted that it would be in the interests of the House of Commons were the financial requirements of the Post Office presented in all-inclusive form. That is to say, instead of estimates details consisting of accounting breakdowns, there would be a distribution of estimated income and disbursements to the various services in a manner which is self-explanatory and does not necessitate accounting calculations to disclose the true position.

9. The Board of Grain Commissioners’ transactions afford another illustration. Its revenues were approximately \$2,000,000 and expenditures a little over \$1,900,000. In addition, government elevators had an operating income of about \$650,000 and operating expenses of \$380,000. The volume of business is dependent on the grain crop; yet the board must prepare its estimates long before seed is in the ground. As practice now is, the board presumably calculates its estimates on the possibility of a crop a little above the average. Two consequences may result:

- (a) in the event of a big crop, it must keep supplementary votes to meet extra operating costs; or
- (b) in the event of a small crop, it has larger appropriations than are needed.

My thought is that in cases of this type, parliament could have a safeguard against over-staffing, etc., were appropriations so devised that the sum available is determined by the effort which administrative officers put forth to make their activities self-supporting. If he who benefits is prepared to pay the cost, a service is no burden on the taxpayer. On the other hand, when experience demonstrates that those who benefit are not prepared to pay the cost, then the House has notice either that there is no real need for the service or that it is extravagantly organized.

### THE REGULATION OF REVENUES

10. The Consolidated Revenue and Audit Act’s directions with respect to the management of revenues are few: (a) collecting officers are to make deposits daily, and (b) the Auditor General is to satisfy himself that revenue collected is “fully accounted for”. The Act makes the comptroller of the treasury answerable for the regularity of departmental expenditures; but no officer has a like responsibility for revenue transactions. There is no audit obligation to establish that all moneys, which should have been collected, were gathered in. In most departments the revenue audit does go beyond the statutory obligations, but until recently the Income Tax Division insisted on observance of the text. It is for this reason that the audit certificate of revenues, so far as Income Tax Division accounts are concerned, is qualified by paragraph 25. (Some months ago the audit office was informed that all taxation records are now to be regarded as open to inspection.)

11. It is my opinion that more specific legislative directions with respect to revenues are desirable. A reason is provided by paragraph 19, which refers to the situation with respect to fines collected by the courts. Another is to be found in paragraph 16, where it is noted that departments regard \$5,000,000 of accounts receivable as uncollectible (exclusive of income tax), yet they cannot be written off because there is no authority so to do. The mayors of various places would probably be surprised were they to learn that the government accounts list their municipalities as owing money because of the use of the militia in times of local unrest. Using a geographic selection, with dates in brackets, to illustrate: Nanaimo, B.C., \$255,313 (1913-14); Sault Ste. Marie, Ont., \$8,308 (1903); Buckingham, Que., \$2,350 (1906), and Glace Bay, N.S., \$36,644 (1909-10).

### VALUATION OF ASSETS

12. In paragraph 11 of the audit report for 1946 attention is drawn to a reserve of \$150,000,000 set up in the balance sheet “for possible losses on ultimate realization of active assets”. While it is a bookkeeping reserve, it is suggested that there should be legislation regulating the valuation of assets for balance sheet purposes. A convenient illustration is provided by paragraph 101, which relates to the accounts of the National Harbours Board. The loans and advances from the government of Canada, as of December 31, 1945, were, in round figures:

Halifax .....	\$12,500,000
Saint John .....	17,000,000
Chicoutimi .....	3,800,000
Quebec .....	27,800,000
Three Rivers .....	4,000,000
Montreal .....	60,000,000
Vancouver .....	25,000,000

If you are interested, that totals \$150,000,000. The balance sheet of Canada incorporates, as active assets, only the investment in the ports of Montreal and Vancouver. This inconsistency takes its origin in the fact that prior to 1936 the harbour commissions of Montreal and Vancouver alone paid interest regularly. In 1936 all harbour properties were declared Crown property; consequently, it may be argued that:

- (a) the value of the Montreal and Vancouver properties for balance sheet purposes should be that established by physical valuations made by appraisals engineers;
- (b) the same treatment should be applied to the public property in the other points;



- (c) if some commercial properties of the Crown are treated as assets for balance sheet purposes, then all commercial properties of the Crown should be treated likewise.

## STORES AND EQUIPMENT

13. In paragraph 10 of the audit report it is noticed that balance sheet assets do not include the value of departmental stores and equipment other than stores inventories of the departments of Public Printing and Stationery and Transport. The reason why the inventories of these two departments are set up as assets is because legislation fixes a maximum sum which may be invested in the year-end inventories and thus an annual monetary valuation is made. Stores are not infrequently the equivalent of money. In other words, if other departments have balances in appropriations which will not be required in the year, there is no legal impediment against stores being acquired to offset a possible cut in the next year's estimates. A special instance is noted in paragraph 3, where reference is made to a payment of \$37,735,000 to the United States to permit service forces to make selections in the fiscal year 1947 from the surplus stores and equipment of the United States government. In my opinion it would be in the interests of parliament were there general legislation with respect to all stores, etc., of departments.

WATSON SELLAR,  
Auditor General.

July 3, 1947.

The SECRETARY,  
Public Accounts Committee.  
Dear Sir:

At the meeting in the afternoon of July 2, it was suggested that I file with you a memorandum outlining the various changes which I consider might usefully be made to the Consolidated Revenue and Audit Act, 1931. This is the memorandum.

1. The name of the Act be changed to "Public Finance Act", and repeal the Board of Audit Act, c. 10, R.S.; Contingencies Act, c. 31, R.S.; Department of Finance and Treasury Board Act, c. 71, R.S., and c. 48, Statutes 1931; Public Lands Grants Act, c. 114, R.S.; Ordnance and Admiralty Lands Act, c. 115, R.S.; Consolidated Revenue and Audit Act, c. 27, Statutes 1931; Department of Transport Stores Act, c. 16, Statutes 1937, and Government Companies Operation Act, c. 24, Statutes 1946, and also various financial sections in other statutes. In short, my thought is that all pertinent directions be brought together in a single statute. It is for such reasons that I think "Public Finance Act" would be a more appropriate title.

2. Change the title "Comptroller of the Treasury" to "Comptroller of Accounts", because many people confuse the work of the Comptroller with the activities of the Treasury Board. The Board is composed of Ministers, and should not be confused with the activities of an administrative office.

3. In a great many statutes an order of the Governor in Council is required to signify a decision. The mass of such routine is now of proportions that it must make serious inroads on the time of the Cabinet. My thought is that the Governor in Council be vested with a power to delegate to the Treasury Board the exercise of such of its functions as it might from time to time decide.

4. It would be desirable were revenue accounts to remain open for ten days after March 31, in order that current receipts in transit be related to the proper year.

5. A great many services are rendered for the benefit of individuals. In many cases there is no clear authority to make charges. I would empower the Governor in Council to fix scales of charges and, on publication in the *Canada Gazette*, it would be obligatory to collect.

6. Section 33 of the Consolidated Revenue and Audit Act permits the Governor in Council "whatever he deems it right and conducive to the public good" to remit any "duty or toll". I would broaden that to cover any tax, impost, duty or toll. I would also provide in the same section a means to compromise or write-off bad debts, etc.

7. At the present time there is no clear authority to permit the Minister of Finance to invest, temporarily, idle cash balances in his bank accounts. I would give him such a power, but prohibit him from buying Government securities listed at substantial premiums, as such purchases bring speculation into a transaction.

8. At present no officer has any general responsibility with respect to revenues. My thought is that the Comptroller of Accounts should be required to keep constantly under review assessing, collecting and accounting practices of each department. His reports would be to the Minister of Finance.

9. It is my opinion that it is an undesirable practice to amend legislation by means of an item in an Appropriation Act, therefore I would insert a section prohibiting the submission of Estimates including such an item.

10. I have already outlined my thoughts with respect to Estimates' explanations.

11. In a previous memorandum it has been suggested that a practice of credits-in-aid appropriations be introduced for those services which have material "service" revenues—as distinct from taxes.

12. Instead of cheques being drawn on the Receiver General of Canada, it would be better to draw on the Bank of Canada and thus permit cashing banks to clear at all bank clearing centres.

13. There should be legislation to govern the cases where securities should be given by contractors and the use which may be made of such deposits.

14. Likewise, the situation should be clarified with respect to powers of attorney tendered to the Government.

15. Parliament must consent before the Government may borrow. In my opinion there are too many borrowing authorities tacked on to statutes. In addition, there are general borrowing statutes—mainly to refinance, but permitting new borrowings. A maturity might properly be refinanced without fresh legislation, so long as the principal amount is not increased. This would eliminate refinancing of debts statutes.

16. The method of handling loan issues—door-to-door sales and pay-roll deductions—presents the risk that, by theft or bankruptcy, a small purchaser may be defrauded without recourse on the Government. Provision should be made that, in either of the foregoing contingencies, the collector be regarded as an agent of the Crown.

17. The present statute was enacted when the debt was serviced by the Department of Finance. As a result of the Bank of Canada Act, the activity is now performed by the Bank. For that reason, Debt Servicing regulations, which are of concern to the public, should be statutory.

18. In my opinion, the stores of all major departments should be regulated in such a manner that they are tied-in with the Balance Sheet of Canada. Likewise, I am of opinion that commercial real property should be periodically valued and controlled by the Balance Sheet. Property which is unsaleable might be ignored—for example, the Parliament Building, the canals, etc.

19. The functions of the Deputy Minister of Finance have outgrown the keeping of accounts. That task might be performed by the Comptroller of Accounts.



20. A single accounting office should be operated for Senate, House of Commons and Library accounts and the Comptroller of Accounts required to post monthly in that office a statement of transactions for the information of Senators and Members.

21. It should be a statutory duty on the Auditor General to examine all accounts receivable, etc. (at present his duty is to examine actual collections). I would also make it necessary that he examine stores and property accounts to a much greater degree than is now required; also, require him to report on systems, or practices, followed by departments in administering revenue collections, stores, etc.

22. The present retiring age of the Auditor General is 70. I would reduce it to at least 65, and believe it should be 60, because no man should occupy the position too long.

23. The present officers' guarantee fund is based on an Appropriation Act item. A comprehensive plan in a statute would be preferable.

24. It would remove criticism were a Minister authorized to recognize writs for attachment of civil servants' salaries, when issued after judgment, up to a percentage of salary.

25. All corporation budgets should be annually submitted to the appropriate Minister for approval in those cases where parliamentary approval is not required by legislation or usage. Further, limits as to what the budget might provide might be set out. Purpose: to avoid deficit planning.

26. I would adopt a recent American statute and require the accounts of all corporations owned or controlled by the Crown to be audited by the Auditor General, and require him to report on any ultra vires transactions—the expense of audit to be shared.

27. Title to Crown property, administered by a corporation, be vested in that body, leaving to the Courts the question of liability for taxes.

28. Make the calendar year the fiscal year for Crown corporate bodies.

Yours faithfully,

WATSON SELLAR,  
Auditor General.

## MINUTES OF PROCEEDINGS

WEDNESDAY, July 9, 1947.

The Standing Committee on Public Accounts met in camera at 3 o'clock p.m., the Chairman, Mr. L. P. Picard, presiding.

*Members present:* Messrs. Beaudry, Boucher, Burton, Cleaver, Cote (*Verdun*), Denis, Fleming, Fraser, Gladstone, Jaenicke, McCubbin, Murphy, Picard, Warren, Winkler.

*In attendance:* Mr. Gordon Murchison, Director, Soldier Settlement and Veterans' Land Act.

The Chairman reported that, at a meeting of the Steering Committee held on July 8, drafts of the fifth and sixth reports to the House had been adopted unanimously for submission to the Committee. The Steering Committee had also agreed to recommend that the first part of to-day's meeting be devoted to consideration, in camera, of these draft reports and that the Committee then proceed with the examination of Mr. Murchison respecting the operations of the Veterans' Land Act Administration in the Township of Sarnia, Ontario.

The Committee proceeded to consideration of its Fifth Report.

Moved by Mr. Jaenicke,—

That the first paragraph on page 7 be deleted and the following substituted therefor:

Further evidence concerning the sale of such lands by the Veterans' Land Act Administration disclosed that some sales were made to civilians at a profit over the purchase price but it is reasonable to assume from the evidence that no such profits were made on sales to veterans.

After discussion, and the question having been put on the said motion, it was resolved in the affirmative.

Further minor amendments were agreed to, the report adopted and the Chairman ordered to report to the House accordingly.

The Committee then proceeded to consideration of its Sixth Report.

On motion of Mr. Cote,—

*Resolved:* That the draft report be amended by the addition of the following paragraph:

Your Committee is also of the opinion that the House should explore the desirability of establishing a Standing Committee on Estimates.

The report, as amended, was adopted, and the Chairman ordered to report to the House accordingly.

The meeting was opened to the public and the Committee resumed its investigations into the operations of the Veterans' Land Act Administration in Sarnia Township.

Mr. Murchison was recalled.

Mr. Murchison filed the following documents: Subdivision Plans, Project O-246/P, Sarnia, Ont.; House Plans: Humphrys No. 1A, Humphrys No. 4A, Moody-Moore No. 3, Van Norman No. 3B; a folder containing the following statements, memoranda, etc.:—



## 1. Construction drawings of the following house plans:

Humphrys No. 1A  
 Humphrys No. 4A  
 Moody-Moore No. 3  
 Van Norman No. 3B

2. Construction data—date commenced and date completed.
3. Copy of contract for house construction between V.L.A. and Ryan Homebuilders of Windsor, Ontario.
4. Two supplementary contracts between V.L.A. and Ryan Homebuilders of Windsor, Ont.
5. Copy of approvals for sub-contracts let by Ryan Homebuilders and approved by V.L.A.
6. Date houses occupied.
7. Statement indicating the cost of building each design of house.
8. Statement explaining increases in house construction cost, as set forth in item 7 over those quoted in sessional paper 135 I.
9. Statement indicating the make up of project overhead. (This does not include the management fee of \$225.00 per house—section 3 of the contract, nor does it include an item of \$55.00 for equipment per house erected, refer item (I) of "Schedule A" of contract).
10. Letter dated December 10, 1946, addressed to all district superintendents, V.L.A., by the Director regarding agreements for sale and structural defects.
11. Letter dated March 3, 1947, originating in Toronto district office addressed to all veteran occupants of houses on the Sarnia project relating to the completion by them of agreements for sale.
12. Letter dated March 19, 1947, addressed to the District Superintendent, V.L.A., Toronto, regarding repairs of structural defects in houses.
13. Progress payments.
14. Correspondence relating to proposed drainage scheme on this project together with report made by engineer staff member of Guelph Agricultural College supported by blueprint showing plan.
15. Information regarding whether or not two veterans are keeping payments up to date.
16. Exchange of correspondence between Canadian Corps Association and the Director.
17. Letter dated December 19, 1946, to Regional Supervisor, London, by the District Construction Supervisor, Toronto.  
 Letter dated December 17, 1946 to Ryan Homebuilders Limited by the District Construction Supervisor, Toronto, supported by final inspection report for each house.
18. Regional War Labour Board authorizing wage scale.
19. Copy of proposed contract for tile drainage installation.
20. Statement of qualification certificates for small holdings issued through the London Regional Office (Sarnia).
21. Cost of labour on Sarnia project.
22. Statement showing sale price of houses.
23. Statement showing name of contractor on Regina project.
24. Comparative statement indicating cost of constructing four designs of houses similar to those at Sarnia, on typical projects in each province where constructed.
25. Subdivision plans—see separate docket.

Moved by Mr. Beaudry:

That the Committee recommend that two or three experts be appointed to visit the houses constructed by the Director, The Veterans' Land Act, in the Township of Sarnia and to report on their fair value, taking into consideration their imperfect construction; and that after impartial examination a devaluation be made to purchasers or prospective purchasers, and that the burden of this devaluation be borne by the contractor if he is found to be at fault.

Discussion followed.

At 6.05 o'clock p.m. the Committee adjourned until 8 o'clock p.m. this day.

## EVENING SITTING

The Committee resumed at 8 o'clock p.m., the Chairman, Mr. L. P. Picard, presiding.

*Members present:* Messrs. Beaudry, Boucher, Bradette, Burton, Cleaver, Cote (Verdun), Denis, Fleming, Fraser, Gladstone, Golding, Jaenicke, McCubbin, Murphy, Picard, Pinard, Warren, Winkler.

*In attendance:* Mr. Gordon Murchison, Director, Mr. A. D. Wymbs, Acting Financial Superintendent, and Mr. W. G. Wurtle, Chief Treasury Officer, Soldier Settlement and Veterans' Land Act.

Examination of Mr. Murchison was continued.

On motion of Mr. Fleming:

*Ordered,*—That the following documents, filed by Mr. Murchison this day, be printed as appendices to this day's minutes of proceedings and evidence:

*Appendix "A":* Statement showing dates on which houses in the Sarnia Project were occupied;

*Appendix "B":* Statement indicating the cost of building each design of house;

*Appendix "C":* Statement explaining increases in house construction cost, as set forth in *Appendix "B"*, over those quoted in Sessional Paper 135 I;

*Appendix "D":* Statement indicating the make up of project overhead.

Mr. Wymbs was called and questioned.

On motion of Mr. Cleaver, at 10.35 o'clock p.m. the Committee adjourned until Thursday, July 10, at 3 o'clock p.m.

A. L. BURGESS,  
 Clerk of the Committee.



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

July 9, 1947.

The Standing Committee on Public Accounts met this day at 4.40 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: First of all I have here the documents filed by Mr. Murchison at the request of members of the committee, particularly Mr. Fleming. There are house plans, and then subdivision plans on the Sarnia project. There is also in one book all the answers to the various questions that have been asked and the documents that have been requested. Mr. Murchison will need them during the course of the afternoon. They will remain in the possession of the clerk of the committee afterwards.

Mr. FLEMING: I do not quite understand about that last one.

The CHAIRMAN: This is a book containing all the reports you have asked for. You have asked for documents. They have all been put into one volume, and they are filed with the clerk of the committee, but in the meantime Mr. Murchison might need them during the course of the afternoon.

Mr. FLEMING: When he is giving his evidence.

The CHAIRMAN: Yes. He may want to refer to them. Therefore I say they are still in his hands, but they are filed with us for reference afterwards.

Mr. BURTON: In the event that we do not conclude the evidence of Mr. Murchison to-night they will be left with the committee?

The CHAIRMAN: They will be left with the clerk. They are filed from now on. These documents will remain the property of the clerk from now on. It is merely that Mr. Murchison may want to refer to them.

Mr. FLEMING: Does that include the contracts?

Mr. MURCHISON: Yes.

Mr. FLEMING: Is there an index that can be read out so we will have an idea of the contents of the volume?

The CHAIRMAN: You have 25 items.

Mr. FLEMING: Do you mind reading them?

(See Minutes of Proceedings).

### Gordon Murchison, Director, Veterans Land Act, recalled:

By Mr. Beaudry:

Q. Mr. Murchison, we have not got the printed minutes of your last evidence. Do I recall correctly that in your last evidence you stated that you or the officers of your department were not fully satisfied with the state of the houses, either as to their physical state or as to the cost arrived at for the building of those houses, and that on that account you had withheld complete payment to the contractor, and that there was a possibility that you might enter into litigation with the contractor?—A. Yes, I recall saying something to that effect.

Q. Is that definitely what you said, perhaps not in my words but in yours?

Mr. FLEMING: I think the record will have to speak for itself as to what he said at the last meeting.



Mr. BEAUDRY: Unfortunately we have not got the record.

Mr. FLEMING: It will be out in due course. There are the typewritten minutes.

*By Mr. Beaudry:*

Q. May I ask Mr. Murchison if I am repeating fairly closely what he said?—A. According to my best recollection that is the substance, I think, of what I stated.

Q. It has developed from other evidence that apparently there was dissatisfaction throughout with these houses, on the part of the tenants particularly. Will you tell me how many of the tenants—we already know from the evidence that one has signed a contract and presumably has met his obligations—have not signed contracts but are at present residing in the houses under discussion without paying rental?—A. In reply may I say our records disclose two occupants who have signed their agreements. The first was signed on the 16th of January, 1947, with interest to accrue from the 1st of January, 1947. The first monthly payment was due on February 1, 1947. No payments have been received from that purchaser up to the 5th of this month. In the second case the agreement for sale was signed by the veteran on the 16th of January, 1947, with interest to accrue from the 1st of January, 1947. The first monthly payment was due on February 1, 1947. Again no payment has been received under that contract. The remaining veterans in occupation have not signed contracts and have not paid rent.

Q. Has it come within your personal province to see these houses?—A. Yes.

Q. Was the conclusion you came to one to the effect that they were not completely what you in your capacity had a right to expect?—A. Not being a construction man I could not answer that precisely. It was my impression on superficial examination of these houses that there had been some poor work done that would have to be corrected.

Q. In other words, you yourself as head of your department were not fully satisfied.—A. No.

Q. That the country had a fair deal or that the veteran was getting a fair deal for the price?—A. No, I would not say that. I feel that the veteran was getting a fair deal for the price quoted if the defects in the houses were corrected.

Q. And on the other side the corollary is they were not getting exactly their money's worth?—A. Yes, you can put it that way, until the defects were corrected.

Mr. BEAUDRY: If I am not out of order, we have had Mr. Murchison's previous statements and his statements to-day—

Mr. FLEMING: We have not had all his statements.

Mr. BEAUDRY: I say we have listened to some previous statements, and these particular statements. We have listened at our last meeting to one of the tenants of these houses who is obviously very dissatisfied. May I move that this committee recommend, in view of the fact that the tenant is dissatisfied, and in view of the fact that the director is also not fully satisfied, that two or three experts be appointed to visit these houses and value them, taking into consideration their imperfect construction, if I may use that word, and from that impartial figure a revaluation in cost to the tenants, purchasers, or prospective tenants or prospective purchasers, be arrived at, and that the burden of this revaluation be carried on to the contractor if he is found at fault. In that way I think we would arrive at our purpose which is making sure that the veterans are getting proper treatment from this country, that they are paying what should be paid, and making sure also that the country and the taxpayers are not being burdened with excess costs in the building of these houses.

*By Mr. Fraser:*

Q. May I say a word in regard to the evidence just given? It was stated no rental was paid, but did these veterans not pay \$600 down to begin with? That should be included there.—A. Yes, that was the deposit asked for when they made their applications to purchase these houses.

Q. So they paid \$600.

Mr. BEAUDRY: Is there not also in the previous evidence, or if it is not there is it included in the documents filed now, a statement to the effect that the prospective tenants or purchasers when they were tendered their contracts and upon refusing apparently to sign those contracts, were told in writing that they were entitled to a refund of the \$600 payment they had paid perhaps less a depreciation figure to be set.

Mr. FLEMING: I suggest the letter will speak for itself on that.

Mr. BEAUDRY: May I have an answer to that from the witness?

Mr. FLEMING: The letter will speak for itself. I take objection to any further questions on that point.

Mr. BEAUDRY: I should like to get an answer from the witness.

Mr. FLEMING: The witness cannot give an answer as to the contents of a letter when the letter is on file. The letter will speak for itself.

Mr. BEAUDRY: Would the witness be good enough to refer to the letter and read it to me?

Mr. FLEMING: On a point of order, Mr. Beaudry has asked certain questions and then has proceeded to make a statement and a proposal of considerable importance. I was on my feet, and I ask the right to discuss the proposal he has made at this particular time.

The CHAIRMAN: Before—

Mr. BEAUDRY: My question is only following up one of my neighbour's.

The CHAIRMAN: Gentlemen, I will ask both members to sit and the judge will speak. Immediately after Mr. Beaudry made his proposal Mr. Fraser started to ask questions, and one of them was on the \$600 paid. Mr. Beaudry's next question was pertinent to that. He was asking whether there had been a refund or whether there was a letter sent to them concerning that. It is pertinent as soon as that has been cleared by the witness Mr. Fleming will be in order to make any comments or ask any questions. Would the witness read that letter and answer the question asked by Mr. Beaudry?

Mr. BEAUDRY: We have that from Mr. Cleave's evidence.

The WITNESS: With your permission, Mr. Chairman, I should like an opportunity to try to clarify, for the information of the committee, the situation which existed not only in Sarnia but in various other places.

Mr. FLEMING: I take objection to that.

Mr. BEAUDRY: I should like, if I can, to get an answer to my question.

The CHAIRMAN: The witness should first answer the question which has been asked by Mr. Beaudry. Later on we may give him an opportunity of making a statement. It is his right to do so but, at the moment, a question has been directed to the witness to which we should get an answer.

The WITNESS: The letter is dated March 3, 1947, and I think that is the letter to which reference has been made, originating in our Toronto office. It is addressed to each of the occupants of the Sarnia subdivision—do you wish me to read this letter?

The CHAIRMAN: Yes.



## The WITNESS:

In recent months you have been allocated lot 18N on the Brierfield project—

This is addressed to the proper veteran.

... at that time you signed a formal application for assistance in which you requested financial aid to purchase the above mentioned property under the terms of the Veterans' Land Act at the price as shown on your application. It might be pointed out to you at this time that one clause in your application for assistance reads as follows:

I have personally inspected the land with respect to which this application is made at the time when the snow was off the ground and a thorough examination was possible and I am satisfied that it fulfills my requirements and that it is suitable for the purposes for which it is to be used.

This application was signed by you in the presence of a Commissioner for taking affidavits and the department can only assume that you completed this document in the best of faith. In spite of the above you refused to sign the agreement of sale which was presented to you in the course of the past few days and in view of this the department has no alternative but to take steps to make the home in which you are presently residing available to another veteran who is agreeable to completing the agreement presented.

If on receipt of this letter you have reconsidered the whole matter and have decided to sign your agreement you may do so at the Regional Office of the Veterans' Land Act at 211 Richmond Building, London, within five days of the date shown on the letterhead. If, however, you still are not prepared to sign you may vacate the premises within one week from date shown on the letterhead and if you do so no rental will be charged from the date of occupancy until the date the Director has vacant possession. The property will be appraised, however, and should there be any depreciation through your possession a reasonable amount will be assessed for any depreciation caused by your occupancy.

If you do not elect to leave the premises within seven days as outlined above the department will arrange for the collection of a reasonable rental from the date of occupancy until such time as you sign the agreement, or the first of May, whichever is the earlier. The rental paid in this manner cannot be applied against your contract indebtedness but will be paid into the National Revenue Fund and hence will be a total loss to you even though you should decide to complete your agreement at a later date.

Should your agreement not be signed by the first of May, 1947 the Director will insist upon vacant possession as of that date and you may consider this letter as your formal notice in this respect.

Mr. JAENICKE: It is the same letter we had at the last meeting.

Mr. FLEMING: It is the letter.

*By Mr. Beaudry:*

Q. May I ask if, following that letter, there was a verbal commitment, if I may call it a commitment—

The CHAIRMAN: You will limit yourself to this particular item.

*By Mr. Beaudry:*

Q. Yes, contrariwise to some of the statements in the letter and more particularly as to eviction. From previous testimony and from the letter one would normally expect information that the tenants who had received their

letters on March 3rd or at some early subsequent date, not having signed their contract or not having paid rental, would have been evicted. Has that happened? In other words, have the recipients of those letters who were tenants or would be proprietors on March 3rd when you wrote the letter, who have not since complied with the terms of this letter as to signatures of the contract been evicted?—A. No.

Mr. FLEMING: I want to comment on the proposals which Mr. Beaudry has made. I may say I want to question Mr. Murchison. I have a number of questions for him, but as Mr. Beaudry has undertaken to submit a proposal to the committee which has nothing to do with questions and answers, I think that matter should be discussed now.

The proposal is a very interesting one. It is particularly interesting to me in view of the fact I told my friend Mr. Beaudry this morning that I was going to ask for a Royal Commission to be recommended by this committee to investigate all these V. L. A. operations, not only in Windsor, but all across Canada. I want to say most emphatically that the scope of the Royal Commission which this committee hope will recommend ought to include doing justice to the veterans by writing downward the contracts of these exorbitant prices they are being asked to pay in the light of the information we have as to the real value of the property. However, that does not go nearly far enough.

We have had enough evidence before this committee already, I trust, to leave no doubt in the mind of the committee that the scope of any investigation ought to go further and find out whether the responsibility actually lies in this department or outside this department for permitting deals of the kind we have learned about here to be perpetrated on the veterans of Canada.

The CHAIRMAN: What do you mean?

Mr. BEAUDRY: I do not want to interrupt Mr. Fleming at various stages but I suppose you would prefer—

Mr. FLEMING: I should like to make my comments. Then, there will be discussion in the committee on it. What I have said is, in the light of the information we have already, it is perfectly clear a shameful deal has been perpetrated on the veterans in Sarnia Township. It is the duty of this committee either itself to get to the bottom of the responsibility for that or to recommend the appointment of a Royal Commission to get to the bottom it.

The same question was raised at the last meeting as to whether the situation which we have disclosed at Sarnia is an isolated situation or a typical situation. Some of the members undertook to express their opinions in advance of hearing evidence that it was an isolated situation and not typical. I want to submit to the committee that it is not an isolated situation; that you can duplicate this situation in many places in Canada. It is the duty of this committee, either itself to investigate these conditions or if there is not opportunity by reason of the fact we are close to prorogation, then I submit it is the duty of the committee to recommend the appointment of a Royal Commission to investigate that very thing.

The CHAIRMAN: May I ask you one question? When you mention the fact it is not an isolated case, are you in a position to place the same statement on the record as you made when you asked for the investigation of the Sarnia project?

Mr. FLEMING: Pardon?

The CHAIRMAN: Are you in a position, or do you intend to make definite complaints about other projects similar to the one you have made previously about Sarnia?

Mr. FLEMING: I am coming to that. I am going to enumerate a number of them.



Now, dealing with this question, I may say to the committee that this question was discussed at the meeting of the steering committee last night, as to how far we were going to have time to go in the light of the fact that prorogation is in sight within the next three or four days or a week at the very most. I indicated then that I proposed to ask for the calling of other witnesses from other projects. I mentioned one in particular last night, Windsor, and that if the committee felt we were too late in the session now to undertake that kind of investigation, I would propose to the committee that a Royal investigation be recommended by this committee to the House.

The chairman asked me then, as he has now, if I am prepared to point to conditions in other projects where I was prepared to state the veterans had not received justice and where they were being charged, in the light of real values, exorbitant costs and given shoddy workmanship.

I mentioned these. I have not seen these properties myself but my colleagues in the House have, Mr. Chairman, and I am asking that the committee recognize a responsibility as the Public Accounts Committee of the House of Commons to investigate these conditions in V.L.A. housing projects in these locations; Braefoot, that is Vancouver Island; Lulu Island, that is outside Vancouver; Valleyview, that is at Kamloops; Boucherville, Quebec; Charleswood, at Portage la Prairie; Kingston, Ontario; London, Ontario; Windsor, Ontario.

Now, I should like to make it perfectly clear—

Mr. BURTON: That Charleswood, is it at Portage la Prairie or Winnipeg?

Mr. FLEMING: I am sorry, it is the one outside Winnipeg.

I should like to make it quite clear to the committee, Mr. Chairman, I do not suggest for a minute that is an exhaustive list. There may be others. Those are the projects which I have had the time to list since I discussed this matter with the chairman last night.

Outside the city of Toronto, on Dawes Road, there is a situation which I should like to mention to the committee. I have before me a letter which was written just a year ago to the Prime Minister by the Brigadier O. M. Martin Branch No. 345, Canadian Legion, B.E.S.L. It reads:

Right Honourable W. L. Mackenzie King,  
Prime Minister of Canada,  
Ottawa.

Right Honourable Sir,—I am instructed, by resolution adopted at the last regular meeting of the Brigadier O. M. Martin Branch No. 345, Canadian Legion, B.E.S.L., to advise you that there is serious discontent among members of the Canadian Legion and returned service men generally in this area regarding the government plans for the building of homes for veterans and assistance to veterans regarding home building.

By resolution passed and unanimously adopted the government's attention was called to the following:

1. That men are being overcharged for homes built on half-acre lots with prefabricated materials, the charge of these homes being out of proportion with the cost of other homes built in this area.

2. That service men are being urged to occupy their homes before they are properly finished and then are faced with a great deal of difficulty in securing completion of work.

3. It is urged that service men who are building mechanics should be assisted financially to the same extent in building their own homes as they are when having them built by contractors and thus be able to save contractors' charges for profits.

4. That service men should be assisted financially at veterans' loan rates, to finish, or complete, homes started prior to enlistment instead of being forced to borrow money from private sources at much higher rate of interest.

5. That veterans should be given priorities—

I could read the rest of the letter. It goes round to other questions rather than the V. L. A. Perhaps you would prefer I complete the reading of the letter?

The CHAIRMAN: It will have to be filed anyway.

Mr. FLEMING:

5. That veterans should be given priorities to secure materials for the building, or completing, of their homes instead of having to secure these through large home building organizations.

A case was brought to the attention of the meeting of one man, who is a veteran of the First Great War, being forced to demolish his garage to supply material to his son, who is a veteran of the last war, to enable him to put a roof on his basement home because he was unable to secure materials to finish the building.

We trust that you will see that proper action is taken to alleviate the distress and feeling of neglect which has been caused and aroused by the government's failure to assist veterans along the lines cited in the foregoing resolution.

Yours respectfully,

(Sgd) JOHN HOLLINGER,  
for Soldiers' Advocate Committee.

I think I have indicated enough, Mr. Chairman, to suggest to the committee that this is not an isolated case of which we have had evidence at the last two meetings. I remind the committee that the suggestion of Mr. Beaudry comes just as the committee is about to commence the examination of Mr. Murchison on a great many matters.

He has brought forward a substantial volume of material which will have to be perused and I am sure it will be the subject matter of quite lengthy examination. Now I do not propose for myself, Mr. Chairman, to acquiesce to any suggestion coming from any quarter of this committee that we should, at this stage, stop our examination of the situation at a certain Veterans' Land Act Project, Sarnia or any other, and simply appoint a committee that, in the nature of things could not possibly report before this session of parliament prorogues.

May I summarize the views I am putting forward as to the suggestion Mr. Beaudry makes. I suggest it comes prematurely in the midst of the examination, that this committee cannot simply hold its hand at this stage when it is confronted with a duty to carry on an investigation, and the suggestion in the third place is a very incomplete one. It will go some measure toward doing belated justice to some veterans, namely those at Sarnia on whom very great injustice has been perpetrated, but it is very incomplete justice, Mr. Chairman.

The CHAIRMAN: Up to now there has been no injustice. If it is carried on it may be termed injustice, but at the moment they are living there without rent.

Mr. FLEMING: They have paid the \$600.

The CHAIRMAN: Well, they would get that back.

Mr. FLEMING: Well, if you want to argue on that I am prepared to argue.



The CHAIRMAN: I am not arguing, but I just wanted to say a word if you did not mind.

Mr. FLEMING: I am summarizing my position and if you want me to stop and discuss that feature I will be very happy to do so but at the moment I am summarizing my position. The remedy proposed by Mr. Beaudry's motion, I suggest, is very, very incomplete and it will not do anything except close the door to examination by this committee and investigation by this committee or a royal commission which we might,—and I say we ought,—to recommend, concerning the other projects I have indicated, and I submit there are others as well.

In other words, this committee, at this particular stage cannot permit itself to be stifled in the important duty that is laid upon it in the light of the information it has already received, and I am sure there is much more information it realizes it must seek.

Mr. BEAUDRY: Mr. Chairman, I resent the implication of some of the words Mr. Fleming used, which perhaps he did not mean.

Mr. FLEMING: I did not mean to give personal offence to my friend, I assure him.

Mr. BEAUDRY: I do not think my suggestion is, as Mr. Fleming says, either incomplete or premature. I am dealing with the case of eight houses in Sarnia and I am dealing with that alone. That is the only point under consideration by this committee at this time and during the last two sittings of the committee. It was my opinion, far from being incomplete or premature, that perhaps my suggestion was late in so far as the eight houses are concerned. We have had two expressions of opinion, one from a tenant. He is what I might call a tenant in name only, since he is not being asked to carry out his financial obligations other than the \$600 which has been offered back to him. The onus on him is extremely small, if any. We also have his admission, an important admission in the light of everything going on in this committee, at the time of his entrance in this House, of the desire to rent a house or purchase it. We have his signed statement that he had fully examined it and that he was quite satisfied that he was purchasing the house he wanted at the price he wanted to pay, but his motives were not so much to acquire a house as to acquire a roof. He has stated himself he had an ailing daughter whose health he wanted to protect. We are all in sympathy with that, but if we are in sympathy with that, we can also understand the other point of view, the point of view of those whose task it was to provide a roof, even perhaps for the sake of celerity, providing roofs and doors.

The CHAIRMAN: Warped doors.

Mr. BEAUDRY: Perhaps even warped doors, and doors hanging from very peculiar hinges. However, it was my opinion from the testimony Mr. Cleave gave last week, what had been uppermost in his mind was to get a roof over his head to protect his daughter's health. I am sure we are all in sympathy with his statement the house was not perfect. Mr. Murchison has already admitted as much, or almost as much. In view of the fact there are five or six tenants now living in a state of uncertainty, not being owners because they have not signed the contracts and on the other hand by not paying rental, feeling the homes are not fit for living, and not satisfied with the purchase price which was asked for them, I do not think my suggestion is premature at all. I say let us go on and let us find some means of deciding whether in Sarnia, in the case of these eight houses under discussion, the contractor was at fault. The tenant claims so. The tenant claims either the contractor or the dominion was at fault. The department says in its testimony that dissatisfaction has been felt, if not expressed, and that some corrective measures have been taken in withholding payment in anticipation of possible litigation. I do not think I am

at all incomplete or premature in suggesting to this committee that we take up at once the case of the eight houses in Sarnia. If any other member of the committee feels that throughout the land there should be some other type of investigation that is a point on which I am not competent to express an opinion at the moment. I am discussing only the eight houses in Sarnia which we have been discussing now for two meetings. May I say this. From the figures supplied by Mr. Murchison, Sarnia is obviously a glaring exception, but I am not prepared to say, because of this exception of Sarnia, a rule which might have been applicable to Sarnia is to be found applicable to the rest of the country. Mr. Murchison at the last meeting quoted figures to the effect that the average cost of these houses throughout the country, from Vancouver to Halifax, was somewhere,—and I am approximating here,—around \$2,000 less per house than the assessed cost of those houses in Sarnia. Now from that I think it would be very unfair to the department and to the other contractors, from this exorbitant case,—and I say exorbitant because I presume it is the word Mr. Fleming would use,—this exception of eight houses running to a cost of over thirty-three and one-third per cent or perhaps a little more, to come to the conclusion that the building practices throughout the country have been based on exactly the same type of figuring, on the same type of labour, the same type of work, and have approximated the same results. For that reason Mr. Chairman I do not think my suggestion is either incomplete or premature.

Mr. FLEMING: Would my friend permit a question?

Mr. BEAUDRY: Definitely.

Mr. FLEMING: What would my friend propose should happen first, while this committee or the committee that he proposes is going to Sarnia to make up its report, and secondly what happens when the report comes back and the House is between sessions.

Mr. BEAUDRY: I can answer that fairly easily, Mr. Chairman, but I would like to say two things. First, the original use for which these houses were built was to give satisfaction to veterans. I am intent on securing that as soon as possible. My other point is that the purpose of this committee is to make sure that no public money is squandered.

Mr. FLEMING: I still don't know what the answer is.

Mr. BEAUDRY: My suggestion is before the committee. It is up to the committee to act on it. The sooner it is considered the sooner you will get your answer. We are not dealing with complaints or objections that are 3,000 miles away.

Mr. BOUCHER: Speaking to this motion, I do not want to prolong an argument between members of the committee. We should bear in mind that this is Wednesday and it is the intent or hope that the House may prorogue on Saturday next or very shortly thereafter. That being the case it is also hoped, and I think it is very necessary, that we as a public accounts committee having gone into all the matters of veterans' homes should file a report with the government this session. In investigating veterans' homes I think we should look at it from two points. First, justice to our veterans and, second, justice to the Canadian people. Our investigations so far are really only started. We have not even completed our investigation of the eight homes in Sarnia. And by admission of Mr. Murchison, and I think perhaps exaggerated by Mr. Beaudry, a glaring injustice has been done. You may ask me, what injustice has been done to the people of Canada. My learned friend, Mr. Beaudry, is no doubt going to ask what injustice is being done to the veterans. May I answer that first. For any member of this committee to appreciate the position of these veterans they have only to take what is shown by the evidence of Mr. Cleave; that he sought on behalf of his wife and family



immediate shelter; having sought immediate shelter in this area in Sarnia the only way in which he could get immediate shelter was by depositing \$600 under a purchase agreement to purchase a house that is incomplete; and by the evidence of Mr. Murchison, corroborated by Mr. Beaudry, in a shockingly incomplete state.

Mr. BEAUDRY: Are you quoting my words?

Mr. BOUCHER: I understood you to put it that way. What further injustice is being done? Is there any landlord with an ounce of reasonable common sense in this country who would debar a man from a home he had gone to so much trouble to get so that he might have shelter for his family; would any landlord with an ounce of common sense ask a man in those circumstances to sign a letter, or expect a veteran to sign a letter to do the things such as this letter asks him to do? Or would there be any man who would feel that a veteran would get into such a desperate condition if he did not have a desire for shelter knowing that he was liable to lose not only his \$600 but also to be charged rent as well at a figure of he knew not what?

Mr. BEAUDRY: That is in the evidence.

Mr. BOUCHER: That is in the evidence, I know that. That is what the letter says in effect; if you don't get out in seven days, or if you vacate within seven days you get some portion of your \$600 back after taking off depreciation or damage to the house.

Mr. COTE: That is all in evidence.

Mr. BEAUDRY: The letter does not say that.

Mr. BOUCHER: But that is what it says.

The CHAIRMAN: Yes, he will be repaid the money put in.

Mr. BEAUDRY: What it says is, you have to sign the contract, you have to make your payments as agreed, or else you have to get out within seven days.

Mr. BOUCHER: It is also stated—

Mr. BEAUDRY: Anyway, the letter speaks for itself.

Mr. BOUCHER: I for one as a member of this committee will not feel that any veteran is getting a square deal of a kind which the people of Canada ought to give to any veteran when he gets a letter like that.

Mr. BEAUDRY: And there is the further fact, that they are in these houses without paying rent.

Mr. BOUCHER: By virtue of their being in these houses and not paying rent they are now in the position of not knowing what is going to happen to them. Why, gentlemen, the government of Canada has passed regulations freezing rentals, keeping homes for people, people who are not even veterans. This is not the same policy, these are not that type of people. What are they going to do? Now, Mr. Beaudry suggests that we send experts to investigate each home and make a recommendation and bring in a report and let the public accounts committee of the House of Commons waive its responsibility in this problem to a committee of experts to be set up to do it for them. I object to that. I feel that we having gone into it as a committee, having taken first the cases of the eight homes and having heard evidence disclosing their condition, I think we as a committee in all fairness have a responsibility to the people of Canada to investigate other homes and see that justice is done not only to the veterans but to the people of Canada; and the three experts sent to investigate these eight homes will not do that, in my opinion. That being the case I do feel that we should not waste any further time, that we should complete our examination of the eight homes and as many other homes as we

in our capacity can examine and we should report to parliament the situation we have found and the fact that we cannot, because time does not permit, go to others.

Mr. BURTON: Mr. Chairman, I would like to have a little direction first as to what your intention is before I proceed with what I have to say. First of all, we have gone by what is usually known as the dinner hour.

The CHAIRMAN: It is only 5.20, Mr. Burton.

Mr. BURTON: Pardon?

The CHAIRMAN: It is only 5.20, not 6.20.

Mr. BURTON: So much the better, Mr. Chairman. I am glad you drew it to my attention. If I said everything that I feel like saying at the present time, Mr. Chairman, I would speak beyond six o'clock.

First of all I want to say this, that while I have no reason to believe that those who brought this Sarnia question before us did so for any motives other than the intention of seeing that there was justice done to the veterans—

Mr. BEAUDRY: Thank you.

Mr. BURTON: —and if there were other intentions they so far at least have been hidden from my view. But I want to say this to the committee in all frankness and in all bluntness; and, mind you, I am not skilled with leading questions and putting under cover part of my meaning; I am saying in all frankness and bluntness that in my twelve years experience of public affairs I have never seen such a crude attempt as I have seen this afternoon in trying to sidetrack work that has been commenced by a committee of this nature.

Mr. BEAUDRY: What do you mean?

Mr. BURTON: I would say this much, that the titles appended to Mr. Beaudry's motion, as being premature, and his own later of its being late, are both applicable. They both fit very well. And I want to say that when this committee sat the last time definite steps were taken at that time for Mr. Murchison to appear before this committee and produce certain documents to be prepared, and to discuss those in answer to questions pertaining to them. We come here to-day and right crack out of the box before anyone had any time to examine Mr. Murchison or even examine into the further evidence he was supposed to bring before us we have this other motion placed before us. I say, Mr. Chairman, that in so far as Mr. Beaudry's motion is concerned I would not consider that quite in order. Had he or one of his colleagues got up and made such a motion when we adjourned at the last meeting it might have been in order, but we had made arrangements to have this man here to-day for the purpose for which he is appearing and that motion now in my opinion is nothing else but a deliberate attempt to sidetrack the issue.

Mr. BEAUDRY: May I interrupt, Mr. Burton, for a moment? I am afraid that Mr. Burton either through my fault perhaps in expressing myself, or for some other reason, must have misunderstood me.

Mr. BURTON: Mr. Chairman, I am not finished.

The CHAIRMAN: I know.

Mr. BEAUDRY: My purpose, and I hope Mr. Burton and the other members of the committee will take my statement for it, was not to shut off any investigation; my purpose was merely an attempt to save the time of the committee so that we might have two investigations proceeding simultaneously so that we might get as complete information as possible as quickly as we could. We have been listening to Mr. Murchison, and we will hear further statements from him. We also have Mr. Cleave's story of the defects in his



house. We have no impartial means and we have no personal means of ascertaining the extent or the value of the material now before us, either with respect to the statements by Mr. Murchison or Mr. Cleave. In other words, we are in no position ourselves at this time in my opinion to deal intelligently or finally with the question that has been raised. We have still to question Mr. Murchison on some documents that he has brought before us to-day but even so we are not in a position to question whether the items under discussion; at least, in my mind, whether the sum of \$2,000 which is the amount the cost of the houses in Sarnia is in excess of the average cost of similar houses throughout the country is right or whether or not it can be justified. We have no yardstick to go by, other than the rule of our own common sense. I would like to remove from the minds of any members of the committee any thought that I was trying to sidetrack the work of this committees by any suggestion such as the one I made that we get an independent opinion. As I see it, securing that type of information would only further our efforts and help us to formulate a conclusion and give us a clearer picture of the truth. That is the only purpose I had in mind, Mr. Chairman; and I do hope that the committee will accept my statement that my only purpose was to obtain some dependable basis on which we could resolve this issue.

Mr. BURTON: Mr. Chairman, I have listened with all due respect to Mr. Beaudry presenting I believe one of the longest points of privilege I have heard in a committee for a considerable while without interrupting him. I want to assure him that on the basis of his explanation I am prepared to accept his word as a gentleman of this committee. But let me continue from where I was at the time I was interrupted. As I was pointing out at that time the proper time to have moved a motion of that kind would have been at the conclusion of the last meeting; having failed to have done that I say that in all decency and courtesy the only thing that we could do was to wait until we had concluded the purpose for which this meeting was called, until we had finished dealing with those matters which we had intended further to examine into to-day. If at the conclusion of the meeting, or if the steering committee failed to act in bringing in an appropriate report concerning this—

The CHAIRMAN: How could the steering committee prepare a report yet? Our work is not finished. I do not think that is justified.

Mr. BURTON: Pardon me, Mr. Chairman, I want to make it clear. After the conclusion of to-day's sittings, or later on, the steering committee might prepare a report on our work.

The CHAIRMAN: Later on.

Mr. BURTON: Yes. We have had to-day submitted to the committee a fifth and sixth report, prior conclusions of the committee. If the steering committee feel justified in incorporating something of that nature in a further report then I say a motion of that kind would be in order; but I certainly feel that it is not in order at the present time.

Mr. BEAUDRY: If I might interrupt, I agree to a great extent with what Mr. Burton says. If it is satisfactory to the committee I am quite willing to postpone making this motion until we have completed the examination; if that is what Mr. Burton would like to have done.

Mr. BURTON: I do not like to be rude to people. I try to follow the rules as far as I could.

The CHAIRMAN: That has been my experience with you, Mr. Burton.

Mr. BURTON: And I have endeavoured not to interrupt other people to any greater extent than I could avoid; but Mr. Beaudry this afternoon apparently has not seen fit to follow the rules to quite that extent. I want to say this much, that I am not prepared to go into any argument on the points

raised between Mr. Beaudry and Mr. Fleming. But I do want to give notice here that if I have the floor I intend to keep the floor until I am through with my subject. I object to the propriety of bringing in a motion of that kind at the present time; and had Mr. Beaudry just held his peace a little while longer he would have heard the point I was trying to make; that this motion of Mr. Beaudry's be tabled until we have concluded our examination of Mr. Murchison.

Mr. MURPHY: Mr. Chairman, I am going to be very brief. In the first place I want to say that in my opinion the statements that have been made by Mr. Murchison have been fair. And I want to say as one responsible for having made a speech which was termed "weepy" on the floor of the House that I think it is quite evident that the facts that have been revealed here at the present time substantiate what I said. I do not think the committee should lose track of the admission made by both Mr. Murchison and by his minister of the lack of supervision. They have both admitted that. Now, while I am on my feet, I want to thank Mr. Burton for his kindly reference to myself. And now, Mr. Beaudry a while ago made the suggestion that we have experts examine and appraise these homes. I am wondering, Mr. Chairman, if we as a committee have the power to appoint experts to value these homes?

The CHAIRMAN: We could recommend that experts be appointed.

Mr. MURPHY: How, to the House?

The CHAIRMAN: To make the recommendation to the House would require too long. The committee could send a report to the department, to the minister, and ask the minister to appoint three men to go there right away and see what this is all about.

Mr. MURPHY: Now, just on that motion of Mr. Beaudry's: when it was first put I was reminded of a well-known phrase applied to Gar Wood, of "beating the gun". It occurred to me also that it has somewhere been referred to as "a smart Yankee trick,"—

Mr. BEAUDRY: I would like to object to that, Mr. Chairman.

Mr. MURPHY: I am just saying that is a thought that occurred to me at the time.

The CHAIRMAN: Well, Mr. Murphy, that is imputing motives.

Mr. MURPHY: Well, Mr. Chairman, I would not like to do that. Some of the evidence that we have had submitted regarding the Sarnia houses—and I also referred to the Windsor homes, as Mr. Fleming has stated—I think we could bring evidence in here along the same lines with respect to them as we have produced concerning the Sarnia homes. Again referring to Mr. Beaudry's motion, I must put it on record here I think in fairness that, as I said on a previous occasion, I would be prepared to have local realtors empowered by the minister to evaluate these homes. I think then that the veterans would have been satisfied to have taken the homes at their valuation. That was not done. There is one other point raised by Mr. Beaudry which I must clear. I have seen these homes, and I have seen the homes in Windsor, and I have talked to the veterans. He made one point respecting Mr. Cleave which I think should be cleared up from his own evidence. Mr. Cleave said when he entered into the purchase of the home he paid \$600 down in good faith with the intention of completing the contract. I am going to agree with what has been said by Mr. Fleming. I think that this committee, in view of the evidence already taken, would be doing its duty, as I see it, in asking for a royal commission to investigate not only the Sarnia area but all other areas about which complaints are or can be made. With that I am going to take my seat.



Mr. COTE: I should like to have the privilege of saying a few words at this particular point. I have been surprised, indeed, to see such a drama being built up around the suggestion from Mr. Beaudry which appeared to me to be quite natural, and a very constructive suggestion. He has put it as a suggestion more than a formal motion. He did not demand any immediate action on his suggestion. Further on he explained that it was not his intention to curtail examination of the witness, or any other witness on this particular matter of the Sarnia houses. I am inclined to agree fully with what Mr. Beaudry has said. I think the suggestion put before the committee by Mr. Beaudry will help to shorten the business of the committee on this particular matter of the Sarnia houses and allow us to pass on to other matters within the scope of our work.

I completely disagree with those who are recommending the institution of a royal commission with the amount of evidence which is actually before the committee. I think it would not be a responsible recommendation of this committee to the House to ask for a royal commission when you have produced evidence only to particularize an isolated case. The letter which Mr. Fleming has produced coming from the Canadian Legion is not legal evidence. It should be produced by the writer of that letter whom we could examine at length as we did with Mr. Cleave and Mr. Murchison or would with any other witness.

Mr. FLEMING: Will my friend permit me to say I think he has misunderstood what I said about a royal commission. What I said was I was building up to asking for a royal commission. I did not say I was asking for it at this point. That is all the more reason why we should go on with the evidence so we can make up our minds whether we want to have a royal commission.

Mr. COTE: I am referring to Mr. Murphy in his remarks a few moments ago. His last words were that a royal commission should be instituted, that we had enough evidence to justify the recommendation of a royal commission. Those were his words.

Mr. MURPHY: On a point of order, my reference to that was coupled with the statement that I made to the effect that we could produce evidence regarding Windsor, having seen it myself, and other areas where complaints have been made.

Mr. COTE: Until such time as we have some evidence on other so-called unjustifiable cases of injustices to veterans I think that the suggestion of Mr. Beaudry is a good one. In the light of that suggestion we could terminate our examination of Mr. Murchison—

Mr. FRASER: Oh no.

Mr. COTE: Take action on that suggestion immediately and then continue our work. We have just a short time to live as a committee and we should find any possible way of speeding up our work.

Mr. CLEAVER: Before this motion is put, I should like to say a word, if I may. I must apologize to the committee for not being able to be here when the evidence was given but I was at work on other committees. I fear that it might be an unwise thing for this committee to carry Mr. Beaudry's motion. You see, many hundreds of these homes have been built. I have had something like a hundred in my own riding so I know something about them.

When you set a general contractor at housebuilding, you get an article in time and you get it built in a hurry, but the house costs you far more money than it would cost if built by a home builder. If we were to carry this resolution to recommend that these houses should be valued and should be written down to their values compared with homes built by private contractors, then,

bless you, we would have to do the same thing for every veteran's land home built in Canada which was built under the Veterans' Land Act. I have not any hesitancy in saying that I have no doubt but what every house built by a general contractor of the type we are discussing would cost at least \$1,000 more money than if the same house was built by a home builder who builds eight or ten houses in a year. These general contractors have their overhead costs which they must figure in. Then, too, they do not have the same skilled type of carpenters, bricklayers and the like on their staffs that the little home builder has.

Speaking again from knowledge which I have gained in my own riding, there is no veteran compelled to buy these homes. The veterans who have bought them, many of whom are friends of mine, know they have bought a house for which the purchase price is higher than it should be if they had time to get a local contractor to build it. But, on account of other considerations which flowed to them as the result of the Veterans' Land Act they are very much better off to buy the house to-day costing \$1,000 more than it should cost. Their monthly payments are a little more than half what they would pay in rent. As you men know, there is a gift of something like \$1,400. I am only speaking from memory. The interest rate is only 3 per cent and it is amortized over a long period of years. If you check in the Windsor area and find out what the monthly payments are, you will find no veteran is paying a monthly amount commensurate with the rent of the district.

I am afraid, Mr. Chairman, we would be opening the gateway looking for a lot of trouble if we carried this resolution moved by Mr. Beaudry. I would urge the committee to think it over carefully and to visit one of these subdivisions.

I have gone over the Queensway subdivision in my riding. The boys were disappointed at the start. Many of the things which were wrong were made right. I would say a large percentage of them now are quite contented. They all know that the purchase price is higher than it should be, but they are quite content to pay it. Under the circumstances, these houses had to be gotten and had to be gotten in a hurry. The only way you can get houses in volume is to have a general contractor build them.

Mr. FLEMING: May I ask my honourable friend a question? Did he hear the evidence given by Mr. Cleave last Friday?

Mr. CLEAVER: No, I did not. I will gladly read it.

Mr. COTE: This suggestion was made because of the fact these houses have cost \$2,000 more than the average cost for V.L.A. houses of a similar character across the country.

Mr. BEAUDRY: May I also remind the committee that I made a statement as to the manner in which I wanted you to treat my suggestion.

Mr. CLEAVER: There was one thing I omitted to say and that is this. I am sure that every member of this committee is most interested in the end result and the end result that we want to achieve is that we will, by the building of these homes, supply this urgent need. The object was to attain comfortable homes for these men who needed them very badly. The net result we hoped to achieve, and want to achieve, is that the veterans will have been fairly dealt with. I think the most important thing, and I hope in the main it has been done,—if it has not it should be done,—but the most important thing is to make any alterations, repairs, or corrections, to these homes to make them good permanent, livable homes. Having done that I suggest that the committee should look at the over-all picture, the entire scheme, of all these homes built by these general contractors. We should not be led astray or not be led to do something that will cause future trouble, but we should view the whole scheme and then make up our minds what shall be done. It



may be, after the committee has all the information, they might think there should be a principal reduction in the selling price, not just of the houses in the Sarnia area or the Windsor area, but on all of the houses that have been built in this present emergency. Now if the director had not gotten busy and awarded these hundreds of contracts for homes to be built at once, we would have scored him and criticized him just as roughly as we are doing now. I have not heard a breath of suspicion or criticism of any improper relations, or of not having done the job as best we could, and I think it is up to every member of the committee to fully co-operate in seeing that the problem is studied long enough and thoroughly enough that our recommendation will be fair, not only to our veterans but fair to the very live and efficient organization that has been handling the Veterans' Land Act. I want to say quite frankly I have had scores of veterans come to me and praise the government, and praise the department, for the benefits they are getting under the Veterans' Land Act.

Mr. FRASER: Mr. Cleaver stated the veterans in his riding were quite satisfied with those houses, but I had a return on them and, if I remember rightly, the government, after they were built, in order to hand them over to the veterans—took off \$1,000 from the cost of each house.

Mr. CLEAVER: I think you will find this, Mr. Fraser, and again I am speaking from memory and I do not say I am right, but I think you will find in the Queensway development at Freeman, there was a lot of money that had to be spent bringing municipal water from the town of Burlington to the Queensway development. A lot of money had to be spent draining water so the cellars would be dry and perhaps some adjustments had to be made in what I would term local improvements. There is the reason why these veterans' houses cost so much. The ordinary builder will go into a community and he will buy a twenty-five or fifty acre parcel of land but he does not spend his own money putting in the water, the sewers, and the sidewalks and so on. He takes it up with the municipal council under the Local Improvements Act and he gets his sewer and water mains and sidewalks all built under the Local Improvements Act. The owner is then charged in taxes, a special improvements rate in his taxes, over a period of fifteen to twenty years or whatever it is. In the end result the owner pays that money but he does not realize it. Now in the Queensway development at Freeman it cost \$20,000 or \$25,000 to bring the water from Burlington.

Mr. FLEMING: I would like to ask one thing?

The CHAIRMAN: Mr. Winkler was on his feet.

Mr. WINKLER: Both Mr. Beaudry and Mr. Fleming have offered suggestions here calculated to shorten the time and not to add hours to the session. I think both of them have resulted in us wasting time. I believe we should go on and get the full details of the picture as Mr. Murchison has it before we make any decisions on the matter whatever.

Mr. FLEMING: Mr. Chairman, I want to say just a word on Mr. Winkler's last remark, which adds interest to my point. What I said was that this committee had no right at this stage to stop taking evidence, it ought to go on and hear evidence. I think Mr. Winkler was here at the time I made that statement.

The CHAIRMAN: I do not think it has been the intention not to continue taking evidence.

Mr. FLEMING: There is one issue and one issue alone involved here. It is crystal clear. It would appear from the results of the discussion that we are going to discontinue the taking of evidence. If this motion goes through that will be its effect.

The CHAIRMAN: Mr. Fleming, no one intends to stop evidence.

Mr. FLEMING: Mr. Chairman, we are not talking about anybody's intention, we are talking about fact.

The CHAIRMAN: It would not necessarily stop the taking of evidence. Of course, we have to deal with facts. That does not stop the hearing of evidence.

Mr. FLEMING: I submit that the effect of passing the motion will be arbitrarily to stop the taking of evidence. We appear to be forgetting the purpose for which we are here. In my opinion, if the motion were to carry it would stop the taking of this evidence.

The CHAIRMAN: Not at all, Mr. Fleming.

Mr. FLEMING: Well, Mr. Chairman, that is my submission.

The CHAIRMAN: Yes, it may be, but it is not the fact.

Mr. FLEMING: I do not ask you to agree.

The CHAIRMAN: My submission is that your submission is not a fact.

Mr. FLEMING: That is the effect of the motion, to stop the taking of evidence. I say that for this committee to stop taking evidence, to turn aside and ask the House to set up a committee in any field, particularly where it is known that it would not be possible for it to bring in a report in view of the near approach of prorogation, would be for this committee to turn its back on its plain duty in face of the facts.

Mr. BEAUDRY: What Mr. Winkler was suggesting would not be any turning aside.

Mr. FLEMING: I suggest that we have evidence given by Mr. Winkler then.

Mr. BEAUDRY: What Mr. Winkler said was that he wanted to see it through.

Mr. FLEMING: Yes, I think we are going to get an opportunity to see it through; and if we do, then I suggest that we ought to go on and hear evidence from Windsor.

Mr. BEAUDRY: Mr. Chairman, perhaps I could—

Mr. COTE: Close the debate.

The CHAIRMAN: Perhaps the chair will have a word to say about that.

Mr. BEAUDRY: Perhaps instead of carrying out Mr. Fleming's suggestion we would achieve the same purpose by securing an appraisal from someone in the neighbourhood, an independent authority who could give us an estimate of the present value of the eight houses under discussion at Sarnia. That is what I was driving at in the first place. I personally have no knowledge of construction. I do not think that I would be capable of arriving at a figure at all, certainly not either from the statements given to us by Mr. Murchison or Mr. Cleave, or anyone else for that matter, unless it is followed up by the estimate of a qualified real estate expert who could tell me exactly what houses of the type under discussion are worth at the present time.

Mr. FLEMING: That is what Mr. Murphy asked for.

The CHAIRMAN: Might I be permitted to say a few words. With all due respect for the members who have spoken I think personally this has been a tempest in a teapot, and that perhaps expressions have been used which possibly might better have been left unsaid. Maybe the way Mr. Beaudry worded his intentions was not quite clear, but I think that the suggestion that he made while not limitative was timely. I think what he wanted to get at was a way of determining the exact situation there; and, furthermore, he wanted to find a solution to this very difficult problem. I think we all want to help find a solution to the veterans' problem. As was stated by Mr. Boucher, these veterans



want to know where they stand, and I think they have a right to know that as soon as possible. I think the motion was not limitative. The intention was as stated by Mr. Beaudry.

Mr. FLEMING: I object to your making statements, Mr. Chairman.

The CHAIRMAN: As chairman I have the same right as other members of the committee have.

Mr. FLEMING: You are the chairman of the committee. You have no right to give evidence.

The CHAIRMAN: I am not giving evidence. I have the same right here as any member of the committee.

Mr. FLEMING: I am sorry, Mr. Chairman—

The CHAIRMAN: I am in my position as chairman expressing my views, just the same as any other member of the committee would have the right to do.

Mr. FLEMING: I just want to say this, that I do not think that that is a function of the chairman of a committee.

The CHAIRMAN: Mr. Fleming, I think the chairman of the committee has the same privilege as any other member in expressing his views on problems that arise.

Mr. FLEMING: I am sorry, I do not agree.

The CHAIRMAN: And I am further of the opinion—

Mr. FLEMING: The Speaker of the House does not do it, either.

The CHAIRMAN:—that Mr. Murchison in coming before the committee has the right to make a full statement of the facts even before questions are put. If the committee had permitted him to make the statement which he has prepared a great deal of time would have been saved and many of the questions which have been asked would have been answered by that statement. Many of the points raised by Mr. Cleave also would have been dealt with. Now, as to Mr. Beaudry's motion, he may not have taken the right way in presenting it. We have been a long time discussing the motion which suggests that we should send people there to examine the properties. Discussing it does not expedite matters one way or the other. It is not a question of our taking evidence from Mr. Murchison. I think first of all he should also be given a chance, as he asked for when he arrived this afternoon, to make a statement to the committee, and after that questioning on all the documents that he has brought should be carried on at the next meeting which I suggest might be to-night.

Mr. FLEMING: I do not think Mr. Murchison has the right to make any statement. He is summoned here as a witness to answer questions.

Mr. FRASER: Absolutely.

The CHAIRMAN: I think any witness has a right to make a statement. He is the director of the Veterans Land Act.

Mr. FRASER: Absolutely not.

The CHAIRMAN: If at the first meeting, before any questions were asked Mr. Murchison, he had made a statement as to the whole thing upon the letter sent to me by Mr. Fleming, instead of it coming out gradually through questioning, we would have had much more quickly a better picture of the whole situation than we have had over a long time.

Mr. FLEMING: I want to say this about your statement. I do not admit that any witness summoned before this committee has the right to come forward and make a statement. The committee may admit that if it wishes but no such witness has the right to make a statement. Mr. Murchison is summoned here as any other witness. He is a witness. He is not in any preferred position because he happens to be director of the Veterans Land Act. He is not in a preferred position. I want to say this further—and with this I conclude—that I for one have had enough of Mr. Murchison's statements. We had an experience with Mr. Murchison's statements on a previous occasion in connection with the inquiry into the sale of those lands in the Fraser Valley. We know what happened. Mr. Murchison made his statement. Then later when we got the facts we found that the statement could not be backed up. I for one do not want any more of Mr. Murchison's statements. Let him come as a witness when he is called and answer the questions that are put to him.

Mr. COTE: It is up to the committee to decide.

The CHAIRMAN: My point in stating that any official of the government can come before a committee and make a statement is that that has been the practice of all committees. We have had Dr. Coleman and Mr. Wright and others who, before being questioned, were asked to make a statement.

Mr. FRASER: That is a different proposition when they are asked to make it but we do not want it forced on us.

Mr. BURTON: I wish to say that in my opinion Mr. Murchison has every right to ask the permission of the committee to make a statement, and I think in all fairness and courtesy he should be heard. I would go this far though that I do not believe it is in order for him, as happened this afternoon, in the midst of answering a question to want to branch off and make a statement. That should be avoided, but I do believe if Mr. Murchison wants to make a statement all he needs to do is to ask this committee, and as far as I am concerned I certainly want to hear it. Whether or not I believe him remains to be seen; whether or not I want to question him further on it remains to be seen.

Mr. BOUCHER: Certainly any witness has a right to ask a committee to make a statement, but certainly it is up to the committee to decide.

The CHAIRMAN: Certainly. I said he has the right to ask.

Mr. BOUCHER: Let me have the floor for a minute.

Mr. JAENICKE: Where are the rules for all this?

Mr. BOUCHER: This is Wednesday. We are adjourning, we hope, on Saturday, and we are into a matter that is quite serious to the veterans of Canada. Are we going to continue hearing statements or are we going to get the particulars that we asked for as a committee and that are being held in pamphlet form by Mr. Murchison in preparation to proceeding to answer questions and divulging them. There is the question, is it not?

Mr. CLEAVER: What time do we meet to-night?

The CHAIRMAN: Eight o'clock, as we have so much to cover.

Mr. COTE: I move we adjourn.

The CHAIRMAN: The meeting stands adjourned until 8 o'clock to-night.

The committee adjourned at 6.05 p.m. to resume at 8 o'clock, p.m.

The committee resumed at 8 o'clock, p.m.



## EVENING SESSION

The CHAIRMAN: We have Mr. Murchison before us.

**Gordon Murchison, Director Veterans Land Act, recalled.**

*By Mr. Fleming:*

Q. May I ask Mr. Murchison certain questions? I may say that I have had the opportunity during the dinner adjournment to look over this volume that Mr. Murchison has, and if I may look over your shoulder I think we can go along fairly quickly. First, Mr. Murchison, will you turn to the second item and give the construction history, please? These are the items on the eight houses, I take it.—A. Yes. July 12, 1945, contract with plans, specifications and site plans forwarded to Ryan Home Builders Limited. July 31, 1945, contracts completed by the Director of the Veterans Land Act and returned to the Toronto district office. August 27, 1945, priority rating A. P. H. No. 44, issued by the Department of Munitions and Supply. That would relate to the materials required for the construction of these homes. September 1, 1945, Ryan Home Builders Limited started physical work. September 14, 1945, approval to Ryan Construction Company (sub-contractors) to proceed with excavations and foundations. August 1, 1946, Toronto district office advised that houses completed sufficient for occupancy. December 10, 1946, final inspection report by representative of the department.

Q. Before we leave that, Mr. Murchison, the physical work actually began on September 1, 1945. Is that correct?—A. That is right.

Q. And eleven months later, on August 1, 1946, the Toronto district office reports that the houses are completed sufficient for occupancy.—A. That is the information I have.

Q. And then on December 10th you got your final inspection report?—A. Yes.

Q. Then, I have a question or two on the contract which comes next in your brief. This is the contract between Ryan Home Builders and yourself dated July 21, 1945. Will you put on the record section 3 of the contract relating to the terms of payment?—A. Do you wish me to quote from the contract?

Mr. FLEMING: Mr. Chairman, I do not know whether it would save time merely to have this typed in. There are three sections in the contract I think ought to be put on the record. They are about half a page each.

The CHAIRMAN: We should put in only what is absolutely needed because of the matter of printing.

Mr. FLEMING: I have gone over the contract itself, and these sections ought to go on the record. I wondered if you wanted to take the time to have the witness read them.

Mr. COTE: We would like to follow your examination.

The CHAIRMAN: And in order to know exactly what you are aiming at, I think it will be better that way. They will be in the evidence in that way.

*By Mr. Fleming:*

Q. I will ask Mr. Murchison to read No. 3 headed "Price".—A.:

The Director covenants and agrees (a) to pay to the contractor the cost of the work as defined in "schedule A" hereto attached, which cost as so defined is hereinafter referred to as "cost of the work"; (b) to pay

to the contractor a fee of \$225 for and in respect of each house to be erected, payable 50 per centum on the certificate of the inspector that 50 per centum of the work has been completed, 25 per centum on completion of an additional 25 per centum of the work, and the balance within a reasonable time after the work has been completed, and has been accepted and passed by the inspector; (c) the said fee referred to in subsection (b) hereof shall be deemed to cover the entire profit of the contractor and the necessary services of all executive officers of the contractor and also all overhead expenses of the contractor at its general offices, and in any regularly established branch office, including but without limiting the generality of the foregoing, the services of the purchasing, accounting, estimating and contract departments of such general offices or branch offices, and the travelling or other expenses incurred by head office employees or members of the contracting company for the purposes of inspecting the work.

Q. Would you then read section 7, please. That is headed "Checking and Auditing"?—A.

The contractor shall check all materials and labour entering into the work and shall keep such full detailed accounts as may be necessary to proper financial management under this contract, and shall keep records of the cost of the work in a manner satisfactory to the inspector or to a cost auditor appointed or approved by the director. The inspector, or the auditor and their time-keepers and clerks shall be afforded access to the work and to all the contractor's books, records, correspondence, instructions, drawings, receipts, vouchers and memoranda relating to this contract and the contractor shall preserve all such records for a period of one year after final payment hereunder.

Q. Will you then read section 8 headed "Payments."?—A.

(a) As promptly as possible after the 1st and 15th day of each month during the prosecution of the work the contractor shall furnish to the director a certified statement or progress claim of the cost of the work (determined in accordance with schedule A) for the preceding period, such statements to be accompanied by two copies of all payrolls, vouchers and invoices, and such other information as the director may require, and thereupon if such statement is satisfactory to the director the contractor will be paid the amount which may be due within ten days after such statement or progress claims has been received by the director.

(b) Payments shall be made only on the production and delivery by the contractor to the director of a certificate in writing signed by the inspector, and if required by the director by a cost auditor appointed or approved by the director, certifying the amount to which the contractor is entitled as aforesaid.

(c) The contractor shall when making his third and succeeding requisitions for payments, furnish to the inspector satisfactory evidence supported by an affidavit in form satisfactory to the director, that all invoices and accounts, whether for wages, materials supplied or otherwise howsoever listed in the second preceding requisition, have been duly paid.

(d) The final payment shall not become due until the inspector, and, if required by the director, a cost auditor appointed or approved by the director, shall have issued a certificate that such payment is due and the contractor shall have proof satisfactory to the director that no lien does or can exist against the work.



Q. Let me ask you generally about those sections of the contract. Were those provisions of the contract fulfilled? Were the terms of the contract lived up to by both parties?—A. I could not answer that question from my own personal knowledge. This work was under the observation of our construction division. The costs of the work were under continuous audit by the cost and audit division of the Treasury Department of the dominion government and I assume that the payments made to the contractor were in accordance with the contract. That is all I can say.

Q. We got into trouble once before with assumptions. I think we had better stick to your knowledge. You have not personal knowledge of the details of this?—A. No.

Mr. CLEAVER: I think it would be just as well if he would add "I believe" so that nobody will be misled by the testimony. As to anything he does not know he should qualify it in some way, but he should give the evidence.

Mr. FLEMING: The chairman checked Mr. Cleave the other day on giving hearsay evidence and I think we had better avoid having this witness state what may not be within his knowledge.

Mr. CLEAVER: Very well, as long as it goes on the record that there is a blank to be filled in by somebody.

The CHAIRMAN: Mr. Fleming is right. I objected previously to hearsay evidence.

Mr. CLEAVER: I am quite content as long as there is an indication on the record that there is a blank, that the answer is not a complete one.

*By the Chairman:*

Q. Has Mr. Murchison with him now any official who might be able to answer this question from personal knowledge?—A. No.

Q. Here in Ottawa?—A. No.

Q. You never called anyone. Even expecting this they were not brought to Ottawa?—A. No.

*By Mr. Burton:*

Q. Did any of your officials report to you that any part of this contract had not been lived up to?—A. Yes.

*By Mr. Fleming:*

Q. You had better expand on that. Just before we go into the expansion of that may I ask the witness one question. Where is this person located you referred to a moment ago as being responsible for the supervisory performance of the contract?—A. The head office of the Treasury Department, of course, is in Ottawa.

Q. It was your construction department?—A. The district construction supervisor's office would be in Toronto.

Q. Will you just take the question Mr. Burton asked you and amplify your answer to it. You said in reply to him that non-performance in certain respects, at least, had been reported to you. What reports did you receive and when?—A. When I answered this question, Mr. Chairman, that it was reported to me, it was in fact reported by our inspectors to our district construction supervisor in Toronto.

Q. When was that?—A. On December 19, 1946.

Q. That was after the completion of the contract?—A. Yes.

Q. After the completion date you have already given to us?—A. Yes, on final inspection. The completion date I gave you was when the houses were fit for occupancy. I did not say they were completed.

Q. You are referring now to a statement contained in the final certificate?—A. Yes.

Q. The completion certificate. I think Mr. Burton intended to ask you if you had any complaints or reports prior to that time. I will come back to that final certificate later. Did you have any reports then prior to that time?—A. Nothing in writing.

Q. Did you have any oral reports?—A. Yes, there were some oral reports I believe from the district superintendent at Toronto that complaints were being made about defects in the construction at Sarnia.

Q. Over what period were you receiving those complaints?—A. I do not recall precisely.

Q. Approximately?—A. I could not answer that even approximately.

*By the Chairman:*

Q. Mr. Murchison, you knew this was coming and that you would not be in a position to answer directly some of these questions. Did it ever occur to your mind, even though we did not summon other witnesses, they might be helpful to the committee if they were here and able to answer questions directly? The committee is anxious to know many of the details. Would it not have been good policy when the date of the meeting was set, to have those people who knew about the facts here?—A. It would have been had they still been in the employ of the director, but they are not.

Q. None of them are now in the employ of the director?—A. No.

Q. Nobody in the district office in Toronto would have those files which would permit them to answer questions quickly?—A. Not to my knowledge.

*By Mr. Fleming:*

Q. Were the complaints a matter of record in either your office or the Toronto office?—A. Not in writing so far as our files go.

Q. Did nobody ever make a memorandum of those complaints in the Toronto office or in your office when they were conveyed to you from the Toronto office?—A. I could not answer that. I have not got the files in front of me.

Q. Have you looked at your Ottawa files?—We do not maintain details on our Ottawa files.

*By the Chairman:*

Q. Where are those details maintained?—A. In Toronto.

Q. Could not the files have been sent here to Ottawa? We have had three or four meetings and questions asked which could not be answered directly. Would it not have been good policy in the public interest to be able to give definite answers when they were asked?—A. Probably it would, but this enquiry was based on an item in the public accounts directed towards the settlement operation of the department in Sarnia Township. That was all the information I had upon which to base any calculations as to what information the committee might require. At your last meeting, I was asked a number of questions and I am here to-day with the answers to those questions.

Q. Yes, but after the scope which the committee investigation had gained, would it not be in the interest of the committee to have all the files here so we could dig into them right away?

*By Mr. Fleming:*

Q. You have not them here and you have not personal knowledge?—

A. No.

Q. Well, Mr. Murchison, do you mean to tell the committee that where complaints are coming in contending that the contract is not being carried



out by the contractor, that owing to the practice under your supervision in the Toronto office and in the Ottawa office, that is simply a matter of word of mouth? There has never been a memorandum made of it?—A. No, I did not say anything of the kind.

Mr. CLEAVER: If I might interrupt, I understood the witness to say that all these records would be at the local office. Now, it is obviously a physical impossibility for Mr. Murchison to have personal knowledge of all of the details. If those files are not here, I think we are really wasting our time. I think Mr. Murchison should now be asked to have them brought to Ottawa.

*By Mr. Fleming:*

Q. Mr. Murchison did not know, in reply to an earlier question, whether there would be any memorandum kept of complaints of this kind of breach of contract. I am asking him if the practice prevailing in the department under his direction does not call for or require the keeping of memoranda or some form of record of complaints of this kind? Does it or does it not, Mr. Murchison?—A. Of course, we keep records.

Q. Then, you say there were complaints made?—A. Yes.

Q. Are you prepared to say then whether the office practice that you laid down for your branch or your department does or does not require the keeping of memoranda or notes of record with relation to alleged breaches of contract which are reported to you?—A. I did not follow that very closely.

Q. You determine the rules, I take it, for those who are serving in your department?—A. Yes.

Q. Do you require any record to be kept by officials of your department where complaints are made that a contract is not being carried out by a contractor?—A. Absolutely, that is contained in the reports of our inspectors.

*By Mr. Jaenicke:*

Q. Who made the complaints?

Mr. FLEMING: In the first instance?

*By Mr. Jaenicke:*

Q. Those complaints about which you are talking?—A. The complaints were coming from the veterans on the project.

Mr. BURTON: Mr. Murchison answered me before when I asked him whether any officials had made complaints to him and he said yes.

Mr. JAENICKE: Mr. Fleming, you are talking about complaints while construction was going on and the witness is talking about complaints after it was finished.

Mr. FLEMING: He has not said that yet.

Mr. JAENICKE: It was the veterans.

The CHAIRMAN: The veterans might have complained after they went to the buildings. You are wondering whether the complaints were made to the director by some of his officials in respect of the property.

*By Mr. Boucher:*

Q. Let us be brutally frank on this. This contract calls for reports every fifteen days and certificates before payments were made and inspection. They may not be termed complaints, they may be termed reports. Would the witness not be able to tell the committee whether, in his administrative capacity, he does not require reports every fifteen days and certificates before payment, and if he does not require his officials to live up to their duty and report in accordance with the terms of the contract and whether or not that was done?

*By Mr. Gladstone:*

Q. As part of that question, were payments made from the Ottawa or the Toronto office?

Mr. FLEMING: Let him answer the question.

Mr. GLADSTONE: This is part of the question.

The WITNESS: Payments were made from our Toronto office, yes.

*By Mr. Fleming:*

Q. On what?—A. On the production of a certificate by an inspector that the payment would be in order.

Q. Now let us just clear this before you go any further. You have been talking about complaints, in reply to Mr. Burton's earlier question. When you gave your answer to him, were you simply referring to anything noted in the progress reports or are you talking about complaints from other sources reported to you?—A. I am talking about the reference to complaints in discussions with my district superintendent in Toronto, emanating from veterans.

Q. When did they begin to come in?—A. I should say around last Christmas.

Q. Then we will have to ask you to look and see if you have a record of those and, if you have not got a record, then it would be proper to ask you why, in keeping with good office practice, you did not keep a record?

Mr. WARREN: Mr. Chairman, may I ask this. A complaint might come in from an inspector. Now is there any special reason why that should go down in a book somewhere if that official gave orders that the situation be corrected? On the other hand, most of these complaints that we heard around this committee table, regarding these particular houses we are talking about, appeared months after the building was completed, due to weather conditions.

Mr. BOUCHER: Mr. Warren, you do not say the inspector, the district inspector, who reports the progress and supplies certificates, would give oral reports and not written reports when they have to verify the accounts and the payment of them?

The CHAIRMAN: We might ask the witness?

Mr. WARREN: If the frame is put up how does the inspector know the lumber is green and is going to dry and cause splitting in the wallboard and that sort of thing? How could he put that in a report?

Mr. BOUCHER: Is that the full answer to my question?

Mr. WARREN: What is your question?

Mr. BOUCHER: You heard it.

Mr. FLEMING: I submit we should put our questions to the witness. We have asked the witness to get certain information and to look up certain reports. Now have you got the reports there of the progress payments?

The WITNESS: The date of all progress payments to Ryan Home Builders Ltd.: The first progress payment, on September 7, 1945, \$14,265.40; The second one is February 1, 1946, \$16,706.81; the third is March 1, 1946, \$8,430.61; the fourth is May 1, 1946, \$9,802.38; the fifth is June 17, 1946, \$5,574.02; the sixth is July 12, 1946, \$1,827.98; the seventh is September 6, 1946, \$3,265.35; the total being \$59,872.55. The final amount not yet paid is \$2,069.20.

Mr. JAENICKE: That is all you are holding back?

The WITNESS: That is all.

*By Mr. Fleming:*

Q. You are holding back \$2,069.20 against a total contract of \$61,941.82?—  
A. Yes.



Q. And you made a payment as late as the 6th of September, 1946, of \$3,265.35, bringing your total payments at that date to \$59,872.55?—A. That is what I said.

Mr. BOUCHER: May I ask another question here. Before each of these payments were made did you secure from your inspector, who was on the job, a certificate that the work was satisfactory, giving you authority to make these payments according to the contract without complaint?

The WITNESS: Whilst I have not seen those progress reports personally, I would say that the accounts could not have been paid unless there was a satisfactory report by the inspector, because the treasury division would refuse to disburse it.

Mr. COTE: Your are expressing a belief?

The WITNESS: I am expressing standard administrative practice.

Mr. FLEMING: You are drawing an inference.

The WITNESS: I am telling you what our administrative practice was.

Mr. BOUCHER: That is not an answer.

Mr. WARREN: May I ask this? Could it not be perfectly true the house, at that time, would look perfectly all right and the inspector would be perfectly right in giving his report.

Mr. CLEAVER: I suggest with deference, all this criticism of the witness for making general opinion answers is because the question was an improper one in the first place. This witness should not be asked that type of question, as to whether every individual payment was predicated on a proper inspector's report. It would be a physical impossibility for this director to say to his branch office "before any payments are made I want the inspection reports to come into my office". So I say this criticism of general answers by Mr. Murchison is most unfair and the criticism should be directed to the member of the committee who asked the question.

The CHAIRMAN: That may be all right if the witness did not know that we wanted this information.

Mr. CLEAVER: The witness said it was an administrative practice and payment would not otherwise be made.

Mr. BOUCHER: That was in answer to my question, and he said it was administrative practice.

Mr. CLEAVER: But you said the question was not properly answered and the reason it was not answered was because it should never have been asked.

Mr. FLEMING: I would like to say this. I think my friend Mr. Cleaver, who was not here at the last meeting, may not be aware of the fact that the witness was asked to bring along these progress reports.

Mr. CLEAVER: Perhaps I should not be interfering at all, but when we hear questions asked such as Mr. Boucher asked a moment ago, I say it is not fair to chastise the witness because the witness gave the only type of answer he could give, namely a general answer.

Mr. FLEMING: Let us ask the witness if he has the progress reports on which the certificates were issued leading to these payments.

Mr. FRASER: Mr. Chairman, the witness said the treasury board would have to pass those payments, and, therefore, they would come to Ottawa.

Mr. FLEMING: Well let us ask the witness about that?

The CHAIRMAN: One question at a time, Mr. Fleming has asked a question.

Mr. FLEMING: Let us have an answer with respect to the progress reports. I am trying to get over this as quickly as I can. I have been through the file during the dinner hour and I am trying to bring the information out for the committee.

Mr. CLEAVER: If you keep Mr. Boucher and the others quiet while you get answers to your questions you will get along all right.

Some Hon. MEMBER: Speak for yourself, John.

By Mr. Fleming:

Q. You haven't got them there?—A. No.

Q. I've got to ask you again to get those, Mr. Murchison. I want to ask you again why you held back that figure of \$2,069.27, of the contract amount held back by you?

Mr. CLEAVER: I wonder if you would ask him who it was held it back; did he hold it back or was it held back by his Toronto office?

Mr. FLEMING: His answer will give us that.

Mr. CLEAVER: I would expect he did not hold it back at all.

The WITNESS: The answer to that is found in the official letter from the district supervisor at Toronto to the Director under date of December 17, 1946. Might I read this letter?

The CHAIRMAN: Yes, please.

Mr. FLEMING: Just a moment. I am coming to that.

By Mr. Fleming:

Q. This letter was written December 17, 1946?—A. Yes.

Q. And this payment was held back from September on?—A. Yes.

Q. Before you come to the December letter was there anything in the meantime happened by reason of which that payment was held up, held back for three months before the letter was written on December 17, 1946?—A. It was held back pending an inspection of the houses by representatives of the department.

Q. Who made the inspections up to that time; was it not done by a representative of your department?—A. Yes, the building inspector on the job; but in making the final inspection of the houses, that inspection was made jointly by a qualified building inspector accompanied by an administrative officer.

Q. I think this is the point at which we would like to hear the report to which you have just referred about these eight houses.

Mr. JAENICKE: Wouldn't that depend on the contract? Would it not provide for the holding back of certain payments? Didn't we hear something to that effect in one of the clauses which was read by Mr. Murchison which provided that there should be a hold-back of final payment until inspection and so forth had been made?

Mr. FLEMING: This is for each payment.

Mr. JAENICKE: That is the usual provision in a contract of that kind, is it not?

Mr. WARREN: Can we not have that letter now?

Mr. FLEMING: Would you not want to hear the reports which preceded the letter, and on which the letter was based?

The CHAIRMAN: Yes.

Mr. FLEMING: I suggest then that we ask the witness to read the reports. They are his reports, one on each house, by the inspectors just referred to by the witness. I suggest that he read these reports identifying the property in each case by the name of the tenant.

The WITNESS: The name of the occupant of the first one is F. P. Moden. It reads as follows—



Mr. FLEMING: Will you give the date of these reports? These are the final inspection reports, aren't they?

The WITNESS: Yes, this is not dated.

Mr. FLEMING: These are not dated but they preceded the letter written on December 17, 1946, is that correct?

The WITNESS: Yes. The first one reads:

"Lot No. 10S—Name, Moden, F. P.—Subdivision, McNally-Durrance, Sarnia.—

1. All basement walls at plate to be pointed up.
2. Collar to be put on smoke pipe at chimney.
3. Back main door to be adjusted.
4. No gravel walks. Front walks included in foundation contract.
5. All nails showing through hardwood flooring to be properly countersunk and filled.

Signed: F. CUMMINGS

Signed: N. HARVIE.

#### *Instructions to general contractor*

All items with the exception of items No. 1, No. 2, and (No. 4 rear door walk) are the responsibility of the general contractor. Item No. 3 shall be paid through progress payments. The contractor shall secure prices (two for each item if possible) for item No. 1 mastic caulking between top of foundation walls and plates, and item No. 4 gravel walk to rear door, forward tenders for the above two items to this office for approval."

Then the second one:

"Lot No. 45N—Name, VACANT—Subdivision, McNally-Durrance, Sarnia.

1. All basement walls at plate to be pointed up.
2. Moulding in kitchen to be sanded and repainted.
3. Floor in front vestibule to be sanded and refinished.
4. Entire front hall to be redecorated.
5. All wallboard taping in stairway to the upstairs to be removed and properly applied and finished.
6. Closet door in south bedroom upstairs to be adjusted.
7. Bath and kitchen floors to be sanded and stained.
8. Wallboard over rear hall by bottom of newel post to be plastered over and touched up.
9. Pipes broken by frost, all plumbing to be checked.
10. No gravel walks. Front walk included in the foundation contract.
11. All nail heads showing in hardwood flooring to be countersunk and properly filled.
12. Proper hot air registers to be installed.

Signed: F. CUMMINGS

Signed: N. HARVIE.

#### *Instructions to general contractor*

All items with the exception of items No. 1, No. 6, No. 9 and (No. 10 rear door walks) are the responsibility of the general contractor. The general contractor shall secure prices (two for each item if possible) for item No. 2 mastic caulking between the top of the foundation walls and the plaster, and item No. 10 gravel walk to rear door. Forward tenders to this office for approval. Items No. 6 and No. 9 shall be paid through progress payment."

The third one reads:

"Lot No. 18N—Name, Pinkett, W.—Subdivision, McNally-Durrance, Sarnia.

1. Outside of back door to be sanded down and repainted.
2. All basement walls at plate to be pointed up.
3. Wire on pipes in basement to be replaced by proper hangers.
4. All nail heads showing in hardwood flooring to be countersunk and properly filled.
5. Proper hot air registers to be installed upstairs.
6. All wallboard taping in living room and stairway and upper hall to be removed and properly applied and finished.
7. Cupboard door in kitchen and two kitchen doors to be adjusted to fit.
8. No gravel walks. Front walk included in foundation contract.
9. House is equipped with receptacle for frig. Will we supply it?
10. Attic to be properly insulated.

Signed: F. CUMMINGS

Signed: N. HARVIE.

#### *Instructions to general contractor*

All items with the exception of items No. 2, No. 7, (No. 8 rear door walk) and item No. 9 are the responsibility of the general contractor. The general contractor shall secure prices (two for each item if possible) for item No. 2 mastic caulking between the top foundation walls and the plate, item No. 8 gravel walk to rear door. Item No. 7 shall be paid through progress payment. Disregard item No. 9, the veteran is required to make application to regional office for refrigerator."

Then the next one:

"Lot No. 41S—Name, Cleave, W.—Subdivision, McNally-Durrance, Sarnia.

1. Flooring by entrance door to rear hall to be raised to level of nosing on top of stair.
2. All basement walls at plate to be pointed up.
3. Wires on pipes in basement to be replaced by proper hangers.
4. One window stop at each kitchen window to be replaced.
5. Baseboards in kitchen to be sanded and repainted.
6. Living room floor to be resanded and redressed.
7. Broken panel mould inside of front door to be replaced.
8. Treads and handrail of main stair to be cleaned off and refinished.
9. Proper hot air registers to be installed throughout upstairs.
10. North bedroom upstairs and upper hall and stairway also underlining windows taping to be removed and properly applied and finished.
11. Broken window stop in bathroom to be replaced.
12. One kitchen light to be repaired.
13. All nails in hardwood flooring to be countersunk and properly filled.
14. Living room and dining room to be repainted.
15. Switch in south bedroom upstairs to be repaired.
16. Broken glass in rear outside door to be replaced and door to be outside repainted.
- 16A. Rear door weatherstripped.
17. No gravel walks. Front walk included in foundation contract.

Signed: F. CUMMINGS,

Signed: N. HARVIE,



## STANDING COMMITTEE

*Instructions to general contractor*

All items with the exception of items No. 1, No. 2, No. 4, No. 7, No. 11, No. 16, No. 16A and (No. 17 rear door walks), are the responsibility of the general contractor. Items No. 1, No. 4, No. 7, No. 11 and No. 16 shall be paid through progress payments. The general contractor shall secure prices (two for each item if possible) for item No. 2 mastic caulking between the top of the foundation walls and the plates. 16A weatherstripping rear door and item No. 17 gravel walk to rear door. Forward tenders for the above three items to this office for approval."

Another one, the fifth:

"Lot No. 9 N—Name, Hudspitch, F. J.—Subdivision McNally-Durrance Sarnia—

1. Under kitchen sink to be closed in and door installed.
2. All wall board taping in kitchen and living room, dining room, stairway and upper hall to be removed and properly fitted and finished.
3. Door to south bedroom to be adjusted also clothes closet door in south bedroom.
4. Underneath top nosing on stairway both sides to be finished in a workmanlike manner, workmanship very poor in this particular case.
5. New top nosing to be installed to fit.
6. Floor has sagged under west corner of door leading to cellar to be raised to proper level and put six inch square cap on top of post in basement after floor has been raised to proper level.
7. All basement walls at plate to be pointed up.
8. Proper hot air register to be installed in north bedroom upstairs.
9. All nail heads showing in hardwood flooring to be countersunk and properly filled.
10. Connection on water pipe from bathtub leaking to be repaired.
11. No gravel walks. Front walks included in foundation contract.

Signed F. CUMMINGS.

Signed N. HARVIE,

*Instructions to general contractor*

All items with the exception of items No. 3, No. 6, No. 7 and (No. 11 rear door walk) are the responsibility of the general contractor. Items No. 3, No. 6, shall be paid through progress payments. The general contractor shall secure prices (two for each item if possible) for item No. 7 mastic caulking between top of the foundation walls and the plates, forward tenders to this office for approval."

"Lot No. 15W—Name, Sntenbring, S. V.—Sub-division, McNally-Durrance Sarnia.

1. All basement walls to be pointed up at plate.
2.  $\frac{3}{8}$ " strip to be fitted between casing and wall inside of front door.
3. New front door lock to be provided.
4. To be puttied under front windows in living room.
5. Proper registers to be installed in both bedrooms upstairs.
6. Corners of upstairs hall to be plastered over corner beads.
7. All wallboard taping to be removed and properly applied and plastered over upstairs and downstairs.

8. Downstairs rear bedroom and hallway floors to be resanded and refinished.
9. All nail heads showing in hardwood flooring to be countersunk and properly filled.
10. Flashing leaking around chimney to be repaired.
11. Hot water heater to be insulated.

(Signed) F. CUMMINGS.

(Signed) N. HARVIE.

*Instructions to General Contractor*

All items with the exception of items No. 1, No. 2, No. 3 and No. 4 are the responsibility of the general contractor. Items No. 2, No. 3 and No. 4 shall be paid through progress payments. The general contractor shall secure a price (two if possible) for item No. 1 mastic caulking between top of foundation walls and plates. Forward tender for item No. 1 to this office for approval. Item No. 11 hot water heater installation approved some time ago."

"Lot No. 40N—Name, Vacant—Sub-division, McNally-Durrance, Sarnia.

1. All basement walls to be pointed up at plate.
2. Smoke pipe at chimney to be cemented.
3. All nail heads showing in hardwood flooring to be countersunk and properly filled.
4. Door casing leading from kitchen to front hall to be fitted properly against wall.
5. All wall board taping to be removed and properly applied and plastered over upstairs and down.
6. Kitchen floor to be sanded and stained.
7. Wall warped between kitchen and living room.
8. Bathroom door badly warped to be satisfactorily adjusted or replaced.
9. Bathroom floor to be sanded, stained and finished. Hole in floor to be repaired.
10. No gravel walks. Front walk included in foundation contract.

(Signed) F. CUMMINGS.

(Signed) N. HARVIE.

*Instructions to General Contractor*

All items with the exception of items No. 1, No. 4 and (No. 11 rear door walk) are the responsibility of the general contractor. The general contractor shall secure prices (two for each item if possible) for item No. 1, mastic caulking between top of foundation walls and plates, and item No. 10 gravel walk to rear door. Forward tenders for the above two items to this office for approval. Item No. 4 shall be paid through progress payments."

"Lot No. 40 N—Name, Vacant—Sub-division, McNally-Durrance, Sarnia.

1. All basement walls at plate to be pointed up.
2. All wallboard taping in north bedroom upstairs to be removed and properly applied and finished.
3. Door to attic in south bedroom upstairs to be adjusted.
4. All wallboard taping in north west bedroom downstairs and stairway leading upstairs to be removed and properly applied and finished.
5. Stringer at top of stair to second winder step to be faced with  $\frac{3}{8}$ " basswood and properly fitted to treads.
6. Door leading to cellar to be adjusted.
7. Under kitchen sink to be closed in and door fitted.



8. Pipes broken due to frost, all plumbing to be checked, kitchen and living room floors to be cleaned.
9. No gravel walks. Front walk included in foundation contract.
10. All nail heads showing in hardwood floors to be countersunk and holes filled.
11. Proper hot air registers to be installed throughout the upstairs.

(Signed) F. CUMMINGS.

(Signed) N. HARVIE.

*Instructions to General Contractor*

All items with the exception of items No. 1, No. 3, No. 5, No. 6, No. 7, No. 8 and (No. 9 rear door walk) are the responsibility of the general contractor. Items No. 3, No. 5, No. 6, No. 7 and No. 8 shall be paid through progress payment. Then general contractor shall secure prices (two for each item if possible) for item No. 1 mastic caulking between the top of foundation walls and the plates and item No. 9 gravel walk to rear door. Forward tenders for the above two items to this office for approval."

*By Mr. Fleming:*

Q. You agree that that is a pretty formidable list of the eight houses?

Mr. WARREN: Might I ask this question of the witness?

Mr. FLEMING: Let him answer me first.

Mr. WARREN: I want him to answer first.

Mr. FLEMING: This question has already been asked.

Mr. WARREN: No, not that one.

Mr. FLEMING: My question has already been asked.

The CHAIRMAN: Mr. Fleming's question should be answered first and then Mr. Warren's question will come next.

The WITNESS: Yes, I would say as an administrator and not as a construction man that that is quite a list.

*By Mr. Warren:*

Q. This is my question. I know my friend Mr. Fleming is getting a lot of amusement out of this formidable list—it is formidable on paper—but if we were to get two good men—and there are plenty of them—in North Renfrew, could they not do any of these repairs on any one of these houses within a week?—A. Again, speaking as a layman, I should say that that could be done on this list.

Mr. BOUCHER: What did you pay for repairs? What have you already paid for repairing them? Tell us what you have already paid for making these repairs.

Mr. COTE: That has been given before.

Mr. BOUCHER: Let him give it again.

The WITNESS: I should like to complete this report.

Mr. FLEMING: Answer the question what actually did it cost you to put these places in shape? It was a little over \$6,000, was it not, Mr. Murchison? You gave it to us at the last meeting.

Mr. BOUCHER: Mr. Warren says two Renfrew men could do it in a week.

*By Mr. Fleming:*

Q. Is that correct?—A. Yes, it is my recollection that is the figure I placed on the record a few days ago.

Q. Your manner suggests that perhaps you are not too sure of it. Is that the figure or is it not?—A. I would like to consult the statement I placed on the record the other day.

Q. I think I can tell you that the figure that you gave was; it was over \$6,000.—A. All right.

The CHAIRMAN: Has anybody got a copy of the evidence of the other day?

Mr. FLEMING: Mr. Cleaver has the copy.

The CHAIRMAN: The witness might quote from it.

Mr. FLEMING: If there is any doubt in the witness's mind as to the figure being over \$6,000 I suggest that he look it over.

The CHAIRMAN: The evidence is over there. Mr. Cleaver, would you mind letting us have it?

Mr. BEAUDRY: Mr. Fleming, are you speaking of repairs of the amount mentioned at a previous meeting as being the amount of necessary repairs to be added to the cost of construction when the costs were broken down?

Mr. FLEMING: That is the figure to which my friend refers—the figure for repairs made this spring.

Mr. BEAUDRY: That is the figure you are referring to now?

Mr. FLEMING: That is the figure the witness has confirmed, as I understand it. Mr. Chairman, if the witness is going to read through the evidence we are going to be here a long time. If the witness has any doubt about it we will go on. Mr. Chairman, perhaps Mr. Murphy or Mr. Cleaver could look over it and we can get on.

The CHAIRMAN: Yes, that is right.

*By Mr. Fleming:*

Q. Mr. Murchison, these reports do not say anything about cut beams, do they?—A. No.

Q. Not a word said in any of these reports about cut beams?—A. I did not notice any. I do not recall seeing any.

Q. There is no date on any of these reports. All we know so far is they were written some time prior to December 17. Is that correct?—A. Yes.

Q. I will have to ask you to check on that and get the dates of those inspections and reports. I want to ask you what action was taken by your department on receipt of these progress reports in the light of the reports.—A. On December 17, 1946, the following letter was sent to Ryan Home Builders headed "Re final inspection report."

Q. Is this the first letter that has gone to Ryan Home Builders about the work they were doing under the contract?—A. I would not say that. I am quoting from a letter referring to the final inspection report.

Q. Are there any letters to your knowledge prior to that date?—A. No.

Q. Are you saying there were none?—A. No, I say there were no letters, according to my knowledge, went to the Ryan Home Builders prior to that date, complaining of these particular defects.

Q. Not merely these defects but any earlier letters sent to Ryan Home Builders?—A. I could not say without consulting the construction files.

Q. We will ask you to check that, too, for other correspondence.

Mr. COTE: Letters from whom, from the director?



Mr. FLEMING: Either the director or the local office.

Mr. COTE: You had better specify.

*By Mr. Fleming:*

Q. I want all letters written to Ryan Home Builders about the progress of the work or the houses in general, their condition or otherwise. I think we asked for those letters at the last meeting.—A. "Re final inspection report."

Mr. JAENICKE: What date is that?

Mr. FLEMING: December 17, 1946. This is a letter written from the district office at Toronto to Ryan Home Builders Limited.

The WITNESS:

We are enclosing a copy of a report submitted by Mr. F. Cummings, independent building inspector, appointed by Soldier Settlement and Veterans' Land Act, for the purpose of making the final inspection in connection with the eight houses on the McNally-Durance property, subdivision 0-52 and according to plans, specifications and contract signed on the 21st day of July, 1945, between Ryan Home Builders Limited, contractors, and the director, the Veterans' Land Act. In order to complete your contract, it is requested that you arrange with your sub-contractors to carry out the work described in the attached report with all possible despatch and to complete the work to the satisfaction of the director. The final payment shall not become due until the inspector and, if required by the director, a cost auditor appointed or approved by the director shall have issued a certificate that such payment is due, and the contractor shall have proof satisfactory to the director that no lien does or can exist against the work. Kindly advise this office when this work is completed in order that a check may be made and arrangements made for the final payment.

*By the Chairman:*

Q. That final payment was the \$2,000 which you mentioned a moment ago? —A. Yes.

Mr. FLEMING: I did not hear the witness' answer.

The WITNESS: That would refer to the final payment mentioned in the breakdown of the progress payments.

*By Mr. Fleming:*

Q. What ensued upon the writing of that letter?—A. Here I must rely on oral or written reports to me by the district construction supervisor that the contractor was very tardy in going ahead with the correction of the difficulties which were listed.

*By Mr. Jaenicke:*

Q. Did they reply to that letter?—A. I have no acknowledgment on my file here.

*By Mr. Fleming:*

Q. Have you any letters from Ryan Home Builders Limited after December 17, 1946?—A. I could not say without a search of the construction file.

Q. I would ask you if you would do that. You had some correspondence with your local office?—A. Yes.

Q. In which they indicated they were tardy. Was there anything else? Was there any other follow-up on your part or your local office?—A. There was

a constant follow-up by our building inspector for the district who had reported delay by the contractor in tidying up these defects, and the final result was that instructions were issued to our construction department to proceed to do this by direct labour ourselves.

Q. Am I right in inferring that Ryan Home Builders Limited never did any work pursuant to that letter of December 17?—A. I would not say that. They had men there doing some work spasmodically, but not to the satisfaction of our inspectors.

Q. Do you know exactly what work they did?—A. No.

Q. And what part of the work they left undone?—A. No.

Q. Is there any record of that anywhere?—A. I could not say.

Q. Will you have a look for such a record?—A. Right.

Q. On what date did you give instructions to do the work with your own staff in your own department?—A. The first instructions issued by the director are contained in a general letter dated December 10, 1946, which went to our Toronto office in addition to others across the dominion.

Q. Wait a minute. I wonder if we are at cross purposes. I am asking you for the date on which you gave instructions for this work to be done at the direct charge of the government and by your own department, not by Ryan Home Builders Limited. What was the date?—A. I would have to search the construction records to establish the date when those instructions were issued.

Q. Would you do that, please? How soon after those instructions were given by you did this construction work begin that was done directly by your own department?—A. I should say it commenced in the month of March, but I would want to check on that, too.

Q. Well, you are going to get us the report with the particulars, if any, as to what Ryan did, if anything, after he got your letter of December 17th?—A. Yes.

Q. Now, we heard something about drainage. As I recall it you said that a drainage report had been obtained before the work was completed. Is that correct?—A. A drainage report was obtained this spring.

Q. You did not have a drainage report when the work of construction was being carried on?—A. No, not that I know of.

Q. Then, may we take it that the first report on drainage conditions, a report as to the water table in the area, was obtained in the spring of 1947?—A. That is right.

*By the Chairman:*

Q. Nobody enquired into that before the building was started, during the course of the building or at any time; that is, as to the water level in the area?—A. Construction started in September, 1945. It is my understanding that there was no water encountered during the excavation of the basements. I think it was stated here a few days ago by Mr. Cleave there was no water in his basement when he went into occupation and that no water came into it until the spring break-up of this year.

Q. In the spring of 1946 when they were constructing the buildings, there was no report of the water?—A. Oh, I could not say as to that.

Mr. FLEMING: I must offer a correction to you. Mr. Cleave did not say anything about the water at the time of the excavation because he was not there.

The WITNESS: No, but he said there was no water when he went into his house.



*By Mr. Fleming:*

Q. We have your statement as to when the first report about the water table was obtained in item 14. Will you tell the committee—

Mr. CLEAVER: I think it is common knowledge that there was a very abnormal water level this spring.

*By Mr. Fleming:*

Q. I thank my friends for their very expert advice concerning this spring. I think we can look now at the report of the expert retained for the purpose of making this report. It was Mr. Robert C. Warren, was it not?—A. I should say Dr. Ferguson, head of the Farm Branch Division, Ontario Agricultural College, agreed to provide a drainage survey. Mr. Warren is on Dr. Ferguson's staff.

Q. Then, Mr. Warren made the report?—A. Yes.

Q. Have you got the date of the report?—A. His report is not dated.

Q. But it was attached to a letter dated May 16, 1947?—A. Yes.

Q. So presumably it was made just before that date, is that correct?—

A. I would presume so.

Q. I am not going to ask you to read the whole report as it is lengthy, Mr. Murchison, but I will ask you to begin reading the report from the bottom of page 1. Will you read the balance of the report from there?—A.

The only way in which the basements may be kept free of water is by lowering the height of the water table. This can be done by different methods—the most satisfactory method being by a systematic drainage installation. The water flows into the cellar faster than a standard pump will remove it, making the cost of removing the water, by means of pumps alone, an expensive proposition.

The house built on the south half of lot 41 is built upon a spring and at the present time it requires two sump pumps, working continuously, to keep the water below the cellar floor. The house on the north half of lot 45 had 8½ inches of water in the basement, while at the north half of lot 9, the water in the basement was 4½ inches deep at the time this survey was made.

Aquallizing should be carried out on the walls and the floors of the basement of all but the house on lot 15 west, in conjunction with the drainage system.

In respect to the use of the land for gardens, under present conditions the soil is of little value. If, however, the water table was lowered the land could be made productive.

Care should be taken to use gravel, cinders, or clay over and around the tile before filling in, so that the sand will find its way into the tile. It is recommended that four silt basins be installed in the main drain so that the sand may be cleaned out periodically.

There are a number of Buckeye Traction Ditchers in the Sarnia area, any one of which could be hired to do the work. The Drainage Inspector should be on hand to inspect the elevations before the tile are covered to ensure the maintenance of proper grades.

The tile required to do the system would be as follows:

18,375 feet of 4 inch  
1,010 feet of 6 inch  
480 feet of 8 inch  
430 feet of 12 inch

There would be a total of 20,295 feet of digging required which would cost approximately 55 cents per rod for straight digging, bringing the cost of the digging itself up to approximately \$811.00. There would be required some labour for hand digging where the tile pass under the water mains as well as for cleaning out the outlet ditch, removing the soil from the area mentioned previously and making the necessary fill in the three low areas.

In conclusion we would stress the fact that the soil water conditions are very bad and require immediate attention. The drainage system as outlined above and drawn up on the accompanying plan would correct this condition and would definitely enhance the value of the property in question. Failure to recognize that this water table must be considerably lowered will mean that the basements of these houses may be full of water to a depth of up to two feet for a period of five months in each year.

Q. Then, having received that report a letter was written by Mr. Nixon your district superintendent at Toronto to you?—A. Yes.

Q. Dated May 16, 1947. I think we had better have that letter read for the information of the committee?—A.

Dear Mr. Murchison: Enclosed herewith is drainage plan and report completed by Mr. R. C. Warren of the drainage staff of the Ontario Agricultural College.

Until a week ago, Mr. Warren and his assistant were working on the Roseland and Oliver properties at Windsor but as the tidying up on the Sarnia houses was nearing completion and we were anxious to finalize the drainage problem on this property in one way or another, we requested Mr. Warren to move to Sarnia and make a survey of the property in order that the work might be proceeded with as expeditiously as possible.

The enclosed report would appear to indicate that the only satisfactory solution to the drainage problem on this property is sufficient tile drainage to power the water table and in order to lower the water table sufficiently on the lots where the eight houses are now situated, it will be necessary to drain an area including forty-three lots as indicated in the plan. Apparently the physical properties of this soil are such that the water travels very readily through the soil and hence the necessity of tiling such an extensive area.

It would appear that when these basements were first excavated, very little attention was given to the water table and it certainly is most unfortunate that this added expense is necessary at the present time when it might have been avoided by having the basements eighteen to twenty inches higher.

I have discussed with Mr. Cummings the possibility of raising the basement walls and filling the floors in to a depth of twenty inches however, it is our feeling that the cost of doing this would be entirely out of the question as it might run as high as \$1,000 per house and even if that were done, the soil on the lots would still be of very little use for garden purposes.

I would appreciate having your comments on the advisability of letting contract for tile draining as indicated. No action however will be taken until I have heard from you in the matter. Mr. Warren, of course, will be available to check the entire system before back-filling is done and hence we can be assured that the system will be a workable one. Anticipating an early reply in this matter, I remain,



Q. Then, what action did you take on receipt of that letter and report?—A. I wrote Mr. Nixon on the 22nd of May.

Replying to your letter of the 16th, to which was attached copy of report submitted by Mr. R. C. Warren and the plan of the proposed drainage scheme, it is obviously important that this work be proceeded with as quickly as possible. This letter therefore will be your authority that the work be placed in hand. Copy of the blueprint you forwarded is being retained on the file on the assumption that you have another copy available.

As this project is now located in the London, Ontario district you may wish to pass this matter over to Mr. Armstrong, District Superintendent, and if so, such an arrangement will be quite satisfactory.

Q. Then, will you turn to No. 19 in your brief?

Mr. CLEAVER: It is almost impossible to hear at this end of the room. Is there any chance of a short adjournment or closing the windows? I wonder if Mr. Murchison would mind re-reading the last paragraph or so of that letter.

Mr. FLEMING: Do you mind if I read it for him?

Mr. CLEAVER: Just tell us what was done. Was the drainage scheme completed?

Mr. FLEMING: We are coming to that. This is a letter from Mr. Murchison dated May 22nd.

Replying to your letter on the 16th, to which was attached copy of report submitted by Mr. R. C. Warren and a plan of the proposed drainage scheme, it is obviously important that this work be proceeded with as quickly as possible. This letter therefor will be your authority that the work be placed in hand. Copy of the blueprint you forwarded is being retained on the file on the assumption that you have another copy available.

As this project is now located in the London, Ontario district you may wish to pass this matter over to Mr. Armstrong, District Superintendent, and if so such an arrangement will be quite satisfactory.

Yours very truly,

(Sgd.) G. MURCHISON,  
Director.

Mr. CLEAVER: Thank you very much, Mr. Fleming.

Mr. FLEMING: Proceeding now to No. 19.

Mr. JAENICKE: Mr. Fleming, are you going to leave this matter of drainage?

Mr. FLEMING: No, I am following that through.

Mr. JAENICKE: I have a few questions I would like to ask.

Mr. FLEMING: Would you mind if we just completed the record on the subject of drainage?

Mr. JAENICKE: I would like to ask a few questions on drainage.

*By Mr. Fleming:*

Q. Well the next step is the issuance of a contract for the drainage work?—

A. There was this draft contract forwarded to us by the Toronto office. In substance it is all right but it is my information that our legal branch reduced it to a little better wording and sent it out for completion by the contractors.

Q. Mr. Warren submitted the contract to your office at Toronto with a letter dated June 17, 1947?—A. Yes.

The work on this property so far as the drainage is concerned has been arranged for and is awaiting suitable weather conditions before operations are commenced.

A contract has been signed and work will commence possibly by the first of August, 1947. I would like to state that this is merely a matter of waiting until the land becomes dry enough so that there will be no delay once it gets under way.

Then he encloses an agreement for an installation system of tile drains according to the specifications in the drainage agreement. The cost of the work as covered by the enclosed plan is to be \$2,055.75?—A. Yes.

Mr. CLEAVER: Would you care to ask, Mr. Fleming, as to how many lots that tile drainage scheme would service?

The WITNESS: Forty-five.

Mr. JAENICKE: That figure appeared in the previous report.

The CHAIRMAN: Yes.

Mr. FLEMING: The final price on this work was determined at \$2,053.75?

The WITNESS: That is the contract that was arranged by Mr. Warren.

The CHAIRMAN: Mr. Jaenicke, you have some questions?

*By Mr. Jaenicke:*

Q. Mr. Murchison, is there anything in the contract, any clause in the contract with the contractor about the depth of the basements, or anything in the specifications or plans, to show what depth the basements were to be?

Mr. MURPHY: You mean the original ones?

*By Mr. Jaenicke:*

Q. The original plans. Somebody dug the basement but got instructions in the matter of depth, whether it was to be six feet or seven feet, and I want to know who determined how deep the basements were to be?

Mr. FRASER: Are the plans still here?

The WITNESS: Here are the specifications as to the excavations and related work, which is part of the contract.

1. The contractor shall remove from the building area all trees, stumps, debris, boulders, fences, old structures and other obstructions covered by the work. The building area is defined as that rectangular area 25 ft. beyond the foundation wall lines.

2. The top soil to a depth of 6 in. and for 10 ft. beyond the foundation wall lines shall be removed and stock piled for re-use in finished grading around the building area.

*By Mr. Jaenicke:*

Q. That is six feet?—A. Yes.

Q. Who drew up the specifications?—A. The chief of our building division.

Q. Did he go there and inspect the ground before he drew up the specifications?—A. No, I would say these are standard specifications for practically all contracts.

Q. He did not care what the ground was, he did not investigate the water-table, the depths of the water-table?—A. No.

Q. Did the contractor comply with these specifications?—A. The best I can say in that, and I am not trying to be facetious, is that he at least struck water.



Mr. BOUCHER: That did not answer the question at all.

*By Mr. Jaenicke:*

Q. Did he strike water when he was digging the basement?—A. There was a lot of complaint about water in the basement.

Q. When he was digging the basements?—A. I could not say that.

*By Mr. Boucher:*

Q. Let us not be facetious. Did the contractor in doing the work, comply with the specifications? There is no room for facetiousness in that question.—A. Well, not having the report in front of me in that particular question I could not say.

Q. Did you get a report on that?—A. The work was done under the supervision of our inspector.

Q. We do not want any facetiousness about questions like that.

Mr. WARREN: Well how could he know?

Mr. BOUCHER: Well why does he not know?

Mr. WARREN: He does not keep all that at his fingertips.

Mr. BOUCHER: Well I do not want that sort of thing in this committee.

The WITNESS: Shall I go on with the rest of this?

Mr. JAENICKE: Yes.

3. Excavation shall be carried out as shown on the drawings and cross section details and for a depth of 6 in. below the basement floor slab. Excavation for foundation walls surrounding unexcavated portions of the building shall be carried down to a minimum depth of 4 ft. below the grade line and to solid bottom for all footings. All excavation shall be made at least 12 inches clear of the outside face of foundation walls.

4. Before placing the footing the excavations must be inspected by the inspector, and if in his opinion it should be continued to a greater depth to provide for a solid footing, do all such work as instructed.

5. Rock shall be removed by drilling and wedging as far as possible. Where blasting is required the work shall be done by experienced workmen and all necessary precautions taken to ensure the protection of all persons, neighbouring buildings, trees, property, etc. The contractor shall supply all mats, locks, chains, etc., as may be directed by the inspector for proper protection from blasting.

6. All excavated areas shall be kept free from standing water.

7. The contractor shall supply and erect any necessary shoring required to prevent the caving in of excavations. It shall be securely erected and maintained for the time of its required purpose.

8. When approved by the inspector, the contractor shall backfill against all basement walls, footings, water, gas and sewer lines, etc., with good clean earth, thoroughly rammed at every foot of height to the finished grade line. Care must be taken not to damage or displace water lines or drainage pipes. Any water or drainage lines so damaged shall be replaced at the contractor's expense.

9. The contractor shall remove and spread on property where directed by the inspector all excavated material except that required for back-filling or grading.

10. The contractor shall be responsible for protection of any existing water, gas, sewer, or electrical services encountered during excavation. Any repairs necessary for any of these services so damaged shall be replaced at the contractor's expense.

11. Where required the contractor shall excavate for all septic tanks, drains and disposal fields, and back-fill for same after these drain pipes are installed.

The balance under this heading comes under the items of grading and walks.

*By Mr. Jaenicke:*

Q. Did all those homes have water in the basement this spring? Mr. Cleave complained of that.—A. With the exception of one I believe the answer is yes.

Q. Just one?—A. Yes.

Q. He would be on a higher level of ground would he?—A. I would imagine so.

Q. And you had no complaints during the course of construction as to water in the excavation?—A. None to me, not to my knowledge.

Q. Did your inspectors inspect those basements or those excavations in the course of construction?—A. Yes, I believe they did.

Q. There is no report from them as to any water?—A. I have no report on this file sir, that I could substantiate that with.

Mr. WINKLER: I would just like to ask a question on the matter of water levels. I think perhaps Mr. Murchison in his experience, with country housing could answer this. In Manitoba the average rainfall is about twenty inches and the cellars in the rural districts get water in them on an average of about once every five years. I imagine in districts where the rain is heavier, and in rural districts where they do not maintain the water level below the average basement, most of the country homes would have water in them some part of the year in certain years at any rate. In your experience, Mr. Murchison, have you had reports about water seeping into the cellars of country homes constructed under your jurisdiction over the years? Have you any records that would show approximately the average number of days per year or number of times in a certain number of years that water did seep into cellars?

The WITNESS: I have no consolidated data of that kind; but we do know in construction work in opening up what are nominally farm lands putting in full basements that we very frequently encounter water conditions during the spring months of the year. That difficulty has been greatly accentuated in our construction because of the abnormally wet conditions of the fall of 1945 and the wet conditions this spring; until back filling becomes stabilized, properly set, surface water will seep down the walls of the houses instead of running away because the back fill had not had time to settle. That is one of the contributing factors.

Mr. FRASER: In regard to this drainage of the 43 lots and the tiling, who would keep up the repair of that drainage and tiling? Would that be the D.V.A. or would the veterans have to do that?

Mr. CLEAVER: If properly installed no repair or maintenance is required.

Mr. FRASER: I would like to have Mr. Murchison answer that question.

The WITNESS: The upkeep of the tile drains on individual properties would be the responsibility of the purchaser. The main drains which probably follow the line roads—I would have to look up the blue prints to confirm that—would be taken over by the municipality along the roads when negotiations to that end are completed; but it would definitely in my opinion be the responsibility of the individual to maintain the tile on his own property.

*By Mr. Boucher:*

Q. Is provision made for the municipality maintaining the main drains along the roads?—A. That is the arrangement with the municipalities; when we instal the roads and pay the capital cost of them we turn them over to the municipalities for maintenance.



Q. And the agreement provides that they will maintain these drains?

Mr. FRASER: That is what I am getting at now; because, in spite of what Mr. Cleaver has to say, that there won't be any maintenance if they are properly installed, I have seen a great number of tile laid for drainage and in about five years' time they have to be repaired. A lot depends on how the tile is installed and where it is, and if you have a winter with very little snow and very heavy frost the tile will go to pot.

Mr. CLEAVER: Mr. Fraser, in our part of the country we don't lay tile that way, and our tile drains do not go to pot. Every four or five years the sand wells must be cleaned out; otherwise, we have no maintenance. I was just following up the inquiry Mr. Fleming made a few moments ago.

*By Mr. Fraser:*

Q. Now I would like to ask if the septic tanks were installed by the contractor?—A. Yes.

Q. And on account of this flooding now the septic tanks won't be functioning, if they are flooded on top they cannot siphon.—A. They certainly wouldn't function satisfactorily if there were pools of water lying over the disposal field.

Q. Yes, or if the siphon end of it,—if the water is higher than the siphon itself, the drainpipe being as it is, that siphon could not function and the septic tank instead of running away as it should would go into the field, the solids would go into the field. That is something there which should be checked on.

Mr. FLEMING: I hadn't quite finished.

The CHAIRMAN: Has the witness an answer to that?

Mr. CLEAVER: Have you finished with that, Mr. Fraser?

Mr. FRASER: Yes.

The CHAIRMAN: Were you expecting an answer, Mr. Fraser, or were you making a statement?

Mr. FRASER: I made a statement. I do not think anybody can contradict it.

Mr. CLEAVER: I will be pleased to contradict it. If the tank is built properly the solids will not leave the tank, they will be digested in the tank. They do not leave the tank in any event.

Mr. FRASER: But here we have a case of the water rising to the top level of the septic tank.

Mr. PINARD: I suggest that you gentlemen exchange correspondence about it.

Mr. FRASER: I think the draining tile from the septic tank should be checked before the whole business is handed over to the veterans.

The CHAIRMAN: Mr. Fleming—

Mr. CLEAVER: In the septic tank the solids are all digested.

The CHAIRMAN: Mr. Fleming has the floor; order, gentlemen.

*By Mr. Fleming:*

Q. Mr. Murchison, you told Mr. Winkler a moment ago that you had experience on other construction work with V.L.A. with water in the course of construction; this is not unusual, this water condition?—A. No.

Q. Then will you tell the committee why construction was permitted to begin here and be carried through without making a thorough investigation into the water table?—A. No, I cannot give you an answer to that.

Q. Do you agree that there was gross negligence on somebody's part in not seeing to checking the water table very definitely before construction was commenced?

Mr. WARREN: Mr. Chairman, may I ask a question?

The CHAIRMAN: We will have an answer to that first.

The WITNESS: I would not say it was gross negligence, I would say it was negligence.

Mr. FLEMING: Negligence on somebody's part; but, whose part?

The WITNESS: On the part of the administration.

Mr. WARREN: Might I ask my question now? Might it not be true, Mr. Murchison, that any ordinary individual, unless he was one who went there as an engineer with special knowledge, who went there to inspect the property and test the water level might at certain times of the year find that there was no water there at all?

Mr. BOUCHER: Anything might be true with this director.

Mr. FLEMING: I suppose there are blind people, Mr. Chairman.

Mr. WARREN: It is high land and poor soil.

Mr. BOUCHER: Those are good men you have up there, that would make a difference.

The CHAIRMAN: Next question, please.

*By Mr. Fleming:*

Q. Thank you. Now on this matter of the report, Mr. Murchison, we have a statement on the report of Mr. Warren attached to Mr. Nixon's letter of May 16, 1947, in which he has indicated the quantity of tile required to construct these drains; he said that there would be 20,295 feet of digging required at a cost of 55 cents per rod; that would cost approximately \$811. Now, how many properties do you say that covers?—A. According to the letter sent to me by Mr. Nixon it would include 43 lots; and that would be borne out by the copy of the plan prepared by the engineers.

Q. In the 43 lots you referred to, now is that the whole 62 acres of the subdivision area?—A. That would be the part of it, I believe, that has been developed.

Q. And it was in contemplation you say when the work was laid out and the construction commenced, you were expecting to develop a project involving 43 houses; is that correct?—A. I might say that where the lot was bought, the 67 acres, I believe the intention was to use it all if there were demands. We subdivided 43 lots and built roads and services for that number of lots. We built 8 houses.

*By the Chairman:*

Q. And you did not get demands for more than the eight houses?—A. I cannot answer that question.

Q. I mean, would there be 20, 30, 8, 10 or 12?—A. I cannot answer that.

Q. Could you not even make a guess?—A. No.

Mr. GLADSTONE: Houses are under construction in groups of 8 in many places.

*By Mr. Boucher:*

Q. Was it just for these 8 houses that you bought the 60-acre farm?—A. From my short visit to the project in March I believe, as I say, that the land that was developed is a fair average of the whole.



*By the Chairman:*

Q. If you had foreseen the development of 45 or 63 houses, whatever it was, can you give us a reason why you limited it to eight houses?—A. The only reason I can give for that is that we felt at the time that eight houses were all we should build on that project.

Q. All that you needed to meet the demand?—A. No, I would not say that was all that was needed to meet the demand. It just happened to be an arbitrary decision for distribution of a large program throughout Canada and it was decided to build eight units at Sarnia.

*By Mr. Fleming:*

Q. Why did you purchase so much land? After all you told us at the last meeting you purchased—

Mr. CLEAVER: Are you through with the matter of drainage?

Mr. FLEMING: No, I am not.

*By Mr. Fleming:*

Q. You purchased 66 acres. Why did you purchase all that acreage?—  
A. Because we were looking to a program that might extend over many years.

*By the Chairman:*

Q. Do you mean the program has been stopped by now?—A. No.

*By Mr. Beaudry:*

Q. How much time elapsed between the purchase of the land and the decision to build eight houses only?—A. I could not answer that precisely. The land was purchased in the summer of 1945. The decision was made to proceed with the construction of eight houses—a start was made on them in 1945.

*By Mr. Jaenicke:*

Q. Was all that purchased from one owner?—A. No, two.

Q. Two owners. How much was in each parcel?

Mr. FLEMING: We received that information at the last meeting: 34.71 acres in one case at \$295 per acre, and 31.4 acres at \$285 per acre in the other case. Now, I think Mr. Cleaver has a question to ask about drainage.

*By Mr. Cleaver:*

Q. Mr. Murchison, how close is this development to Sarnia?—A. A mile and a half from the city limits.

Q. Who in your department had the responsibility for engineering on this project? Is there one man here in the office or was the engineering done at the individual district office?—A. Our administrative staff for construction consisted of a chief engineer responsible for all construction matters throughout Canada and in each province, attached to each office, was a construction engineer, and under that local engineer there were the staffs of inspectors and checkers and things like that.

Q. Had you the typical construction contract prepared at Ottawa that was used in all the districts, or did each district have the responsibility for carrying out its own contract?—A. We had a standard contract in Ottawa that I believe might have been modified in this or that respect as to the general conditions depending upon the particular project.

Q. And who was responsible in Ottawa for directing the terms in this typical contract?—A. The chief engineer and our legal adviser.

Q. And who was your chief engineer?—A. Mr. G. L. Magee was; he is no longer in the service of the department.

Mr. BOUCHER: Since when?

The WITNESS: Since the 1st of May.

*By Mr. Cleaver:*

Q. Could you tell me as to whether in this typical contract any provision was made for the installation of weeping drains outside of the footings? I am referring to the typical contract for which Mr. Magee was responsible for the terms.—A. (reads):

#### *Drainage and Sewage Disposal*

All clauses of the General Conditions apply to and govern the work of this trade.

#### *Tile Drainage*

1. All main drains under the building and for a distance of 3 ft. beyond the foundation walls shall be laid with cast-iron pipe or vitrified tile with cemented joints. All drains outside of buildings shall be of best quality glazed vitrified pipe with smooth interior surface, straight or evenly curved as required, truly circular in section and free from cracks and flaws of any description.

#### *Drains*

2. Drains shall be laid to suit the requirements of the site, but the fall in no case shall be less than 1 ft. to 100 ft.

#### *Layin*

3. Each pipe shall be laid on a firm bed and in perfect alignment and grade. A shallow transverse chase or sinking shall be cut in the bottom of the trench immediately beneath the socket joint of each pipe so that the barrel of the pipe may rest solidly on its bed.

#### *Joints*

4. All tile pipe shall be laid to butt tightly one against the other, and in bell and spigot pipe, the spigot shall be placed centrally in the socket of the adjoining section. Such joints shall be filled with cement mortar and shall be water tight and neatly finished up to an even surface around the pipe. All pipes shall be carefully cleaned by drawing a tightly fitting scoop wad through the pipe as the work proceeds.

Q. I take it then that there is no provision?—A. Just a moment, sir, there is an item here. No. 7:

#### *Weep drains*

7. Where designated on plans are called for by the Engineer, place 4" agricultural tile drains at the base of the exterior concrete foundation walls where shown and connect to gravel filled sump. These drains shall have a fall of not less than 1'0" in 40'0".

Lay the tile drains 1/4" apart and cover joints with creosote treated burlap or tarpaper.

Where no basements are called for, connect down-spouts only to a 4" vitrified tile 18" below grade and run to sump with 4" agricultural tile.

Mr. BOUCHER: Are those tiles you are speaking of—have they anything to do with the disposal beds?

Mr. CLEAVER: No.



*By Mr. Cleaver:*

Q. Is there any provision in the general typical contract for a drain leading away from the gravel sump to which the weeping tiles were to be laid?—A. I would say not. I do not see it in these specifications, in this contract.

Q. If there had been your drainage problem could not have arisen as it did arise in Sarnia?—A. I am not sure of that, sir.

Mr. FRASER: The water would be two feet or so above the sump, according to the evidence.

The WITNESS: I think it has been clearly shown, Mr. Chairman, that the difficulty which arose at Sarnia—the real difficulty was the excavation of the basements by 15 or 18 inches too deep having regard to the water table which prevails there at certain seasons of the year.

*By Mr. Cleaver:*

Q. Yes, but the contract provided for the installation of a 4-inch weeping tile on the outside of the footings, provided that the tile should lead to a gravel sump. Now, is there any provision made in the contract for draining the gravel sump?—A. I cannot see any.

Q. I suggest to you with deference your engineer let you down rather badly on that point. Are you aware that the water level in all of the Great Lakes, and certainly in Erie and Ontario, is now over three feet higher than normal.—A. I have heard that report.

Q. How far is this development from Lake St. Clair?—A. It is quite a distance from Lake St. Clair. I believe it is about a mile and a half from Sarnia bay.

Q. Have you any idea how far it would be from River St. Clair?—A. I could tell from the charts.

Mr. MURPHY: It is about two miles.

Mr. CLEAVER: Perhaps our member from that district might tell us—

Mr. MURPHY: About two miles.

Mr. CLEAVER: —how much higher is the water now in River St. Clair than normal?

Mr. MURPHY: I can only go by the reports. I think the Goderich report is around seventeen inches.

Mr. CLEAVER: I have had very serious complaints of shore damage. All water levels with us are up about three feet.

Mr. MURPHY: The only report we get for that area is the Goderich report which would apply here.

*By Mr. Cleaver:*

Q. I have one more question while I am on my feet. It has nothing to do with drainage. I have not had an opportunity of reading over all the evidence given on the 4th of July, but I am curious to know if all repairs have been made as to the defects indicated in these lists of complaints you read, the defects in these houses?—A. I believe I stated a little while ago that the prime contractor failed to carry out all the repairs that were listed.

Q. I understand that, and that you later issued instructions for your own organization to have it done by day labour. Have those repairs been made?—A. I believe they are practically completed with the exception of two houses where they are waiting on the installation of this main drainage work before they complete the balance of the items on those two houses.

Q. Has a cost record been kept of the repairs?—A. Yes.

Q. As to repairs I will cite you one example to show what I mean. I recall when you were reading that list one instance where a certain quality of

wallboard had to be removed and suitably reinstalled indicating there was defective workmanship in the original installation of the wallboard. Would that item be charged to the veteran or charged back to the contractor where it was faulty construction?—A. It would be charged back to the contractor.

Q. As to the beam a complaint was made in the evidence by the owner, Mr. Cleave, that the main beam in his house had been cut in half when certain hot air ducts from the furnace were installed. Can you tell me as to whether that complaint has been looked into, as to whether it has been remedied, and as to whom the cost was charged?—A. It is my information that the defect has been dealt with by our construction division. I cannot give you the particulars as to how it was corrected.

Q. Dealt with by the installation of an additional pillar or post?—A. It might have been. I cannot tell you how it was dealt with.

Q. Do you know to whom the expense of that repair was charged?—A. I could not tell you exactly where that item would be charged. If it is not recovered from the contractor it would be borne by the department.

*By Mr. Fraser:*

Q. Mr. Cleaver mentioned the water level. I think on one of the maps it shows the water level in Lake Huron is 581 feet and the property level where these buildings were put up at 600 feet.—A. That is right.

*By Mr. Jaenicke:*

Q. Following up a question by Mr. Cleaver just a minute ago it is in evidence that you paid a little over \$6,000 for repairs. You also read the eight reports which indicated that most of the repairs should be charged to the contractor. Is that included in the \$6,000?—A. I would say yes. It should be included.

Q. What was the date of the contract again?

Mr. FLEMING: July 21, 1945.

*By Mr. Jaenicke:*

Q. Did you previous to that date, previous to July, 1945, have any experience of water going into basements built by you under the Veterans Land Act?—A. We had not built any before that.

Q. Pardon?—A. We had not built any before that.

Q. You had not?—A. No.

Q. Is this one of the first schemes?—A. We did not start any construction under the Veterans Land Act until the summer of 1945.

Mr. CLEAVER: I move we adjourn until to-morrow morning.

The CHAIRMAN: We have so much to cover that I think we should sit for a while if we want to finish. I do not want to impose my views, but I think we should adjourn for five minutes and then carry on until 11.

Mr. FLEMING: I would urge that we carry on. I think I can finish with what I have in the space of about twenty minutes.

Mr. CLEAVER: I think it is hardly fair to the witness to ask him—

Mr. JAENICKE: Ask him if he can go on.

Mr. CLEAVER: I suggest with deference it is not fair to the witness to ask him to stay here until 11 o'clock. He has done a full day's work. As far as I am concerned I am tired, and I have not been doing half the work he has.

Mr. FLEMING: I can make it fairly short. I know his brief. I can put on the record fairly simply the things I want out of the brief, and it will save him.

The CHAIRMAN: We will take a recess of five minutes if we are going to have a twenty minute session.



Mr. JAENICKE: A recess of five minutes and call it at 10.30 sharp.

The committee adjourned at 10 o'clock for a five minute recess.

On resuming:

*By the Chairman:*

Q. I think the witness can answer a question which was put a moment ago as to exactly where the project lies. Mr. Murchison might say a few words and illustrate them with the photograph he has?—A. This is a folio containing the maps prepared by the Department of National Defence showing the respective elevations of Lake Huron, Sarnia Bay and this V. L. A. project and it was accompanied by an aerial photograph which I was fortunate in being able to borrow. I brought it along because I thought it might be of interest to the committee to see at a glance, from the aerial photograph, the location of this V.L.A. project in relation to Sarnia and the lake. I had to give an undertaking to the people from whom I borrowed the aerial photograph that I would return it. I should like the permission of the committee to return this aerial photograph to them.

The CHAIRMAN: That is all right.

Mr. FRASER: Are you going to pass the photograph around so we can see it? Is it indicated on the photograph just where this spot is?

*By Mr. Boucher:*

Q. Perhaps the witness could, from that photograph give us some information so we would have something on the record about it. I do not know whether you can do that or not?—A. I am not an expert on reading aerial photographs. The location of the project is clearly shown on the photograph itself in relation to Sarnia Bay to the north, the city of Sarnia to the south and to the outskirts of Point Edward to the north and west. It also indicates the extent of the housing development or residential area between this project and Lake Huron, over a distance of about a mile and a half. The housing continues right down close to the shore of the lake. If the committee would care to have a look at the photograph, I would be glad to pass it around. As I said, I should like to return the photograph to the people from whom I borrowed it.

*By Mr. Fleming:*

Q. Mr. Murchison, referring to the plans just briefly, there were four plans altogether followed here, were there not?—A. Yes.

Q. Am I right in saying, in order to save time, Mr. Chairman, that two were according to the Van Norman 3-B plan?—A. Yes.

Q. Two according to the Moody Moore No. 3 plan?—A. Yes.

Q. Two according to the Humphrys No. 4 A plan?—A. Yes.

Q. And two according to the Humphrys No. 1 A plan?—A. Yes.

Q. Then, if you will refer to this folio containing the plans, you will be able to check these figures I am about to give you. The Van Norman 3 B plan calls for one and a half storeys with the following outside dimensions: 28 feet 10 inches by 24 feet 10 inches; number of rooms, six plus bathroom?—A. That is right.

Q. The next one, the Moody Moore No. 3 calls for one and a half storeys with outside dimensions of 30 feet by 24 feet; number of rooms, six plus bathroom?—A. That is right.

Q. The next one, Humphrys No. 4 A, was a bungalow construction with outside dimensions of 31 feet 8 inches by 25 feet and calling for four rooms and bathroom?—A. Yes.

Q. The Humphrys No. 1 A plan called for one and a half storeys with outside dimensions of 32 feet by 18 feet 9 inches with five rooms and bathroom?—A. Yes.

Q. I think Mr. Cleave had that last plan of five rooms and bathroom. We have had evidence as to the date of the contract. Will you turn now to the supplementaries? There were several supplementary contracts signed in addition to the main contract as you testified at the last meeting. The main contract is with Ryan Home Builders Limited, dated July 21, 1945; correct?—A. Yes.

Q. There was a further contract with Ryan Home Builders Limited, dated September 14, 1945?—A. There was a supplementary contract with Ryan Home Builders on the 21st of July, 1945, in addition to the main contract.

Q. Yes. Then, the second supplementary contract with Ryan Home Builders Limited is dated September 14, 1945?—A. Yes.

Q. The first supplementary provided for the excavation by Ryan Contracting Company Limited, a company associated with Ryan Home Builders Limited?—A. That is right.

Q. The second supplementary on September 14, 1945, provided for the provision of the gypsum board, insulation, siding, roofing materials and other building materials of a similar nature by Ryan Fuel and Supply Limited, another company associated with Ryan Home Builders Limited; that is correct?—A. That is correct, at wholesale prices.

Q. And the signing officer for all those three companies is the same person, Leo J. Ryan; is that correct?—A. I have not personal knowledge of that, but I would not dispute it.

Q. If you will look at the file you will find that is so, but I do not want to take time on it.—A. Yes, his signature appears on it.

Q. Yes, now will you put No. 6 on the record, the occupational possession of these eight properties. Mr. Chairman I do not know whether we can save a little time but there is a statement, No. 6 in the brief which I submit should go on the record. It gives the eight properties, the names of the veterans, seven of them, the eighth is vacant, and it gives the dates of possession.

Mr. BEAUDRY: Mr. Fleming, may I interrupt, although I do not wish to change your trend of thought could Mr. Murchison give us the various cubic capacities of these houses, the 31 x 25 and the 30 x 24 and so on?

The WITNESS: I have not got them with me.

Mr. BEAUDRY: Will you get that?

The WITNESS: Yes.

Mr. FLEMING: These dates of possession vary from, I think the first is August 25, 1946, and the latest is January 13, 1947, and it shows Mr. Cleave as having gone into possession on November 11, 1946.

The CHAIRMAN: Were there some people in there as early as August 1?

The WITNESS: Yes.

The CHAIRMAN: One of those who signed the contract with your department?

The WITNESS: Yes.

Mr. FLEMING: Perhaps you had better give the committee the dates of possession, without giving the names, because they will appear on the record. I will read them: October 19, 1946; November 1, November 11, November 15, August 25, August 28, January 13, 1947, and the eighth one is vacant.

Now I would like to turn to the subject of costs. You have a table No. 7, which gives the costs of construction, is that correct Mr. Murchison.

The WITNESS: Yes.

Mr. FLEMING: That is item No. 7 in your brief and it bears the notation, "This statement shows construction costs only". Is that correct?



The WITNESS: Yes.

Mr. CLEAVER: I wonder should that not go on the record?

Mr. FLEMING: Yes, as a matter of fact the two other tables with this I think ought to go in fully. I suggest tables 7, 8 and 9 ought to all go in the record.

Just to tie this in with the evidence we had at the last meeting,—

The CHAIRMAN: Those tables will go in as appendices at the end of the proceedings.

*By Mr. Fleming:*

Q. Dealing with No. 7, this is a sheet headed "form C" dated July 1, 1947, and to relate it to the evidence at the last meeting, it gives the breakdown of the cost of construction only of the eight houses. The land cost in each case is \$187 with the exception of the first one which was \$178. The cost of road construction in each case is \$281 and the cost of water,—I presume that is installation—A. That is the installation of the water main.

Q. Is \$163.40; grading \$285 for each house?—A. Yes.

Q. Total for lot is \$916.93 except for the first one which is \$907.93. The total cost per house ranges from, I better give the eight figures,—\$7,965.23; \$7,118.61; \$8,237.69; \$7,796.02.

There are two houses to each of those costs. Then added to that is the cost of the house services in the case of each house for water \$142.85; driveways, \$79.75; landscaping, \$145.00?—A. That has not been disbursed yet.

Q. It is not disbursed but it is included in the cost which you will have to meet to complete the houses?—A. Yes.

Q. In the cost of the fifth house you had included \$145 for a refrigerator. I take it that is part of your contract for the sale to the veteran?—A. Yes.

Q. Then the total cost for the eight houses to your department are as follows: \$9,240.76; \$8,403.14; \$9,522.22; \$8,403.14; \$9,667.22—that is the one that includes the refrigerator; \$9,249.76; \$9,080.55; \$9,080.60. And the total is \$72,647.39.

Mr. BOUCHER: Does the total cost include the cost of repairs as well?

Mr. CLEAVER: Mr. Chairman, I suggest to Mr. Fleming that it would be very nice for a continuity of the record if there was available a breakdown of the house costs into labour, material and into the subtrades, but apparently that is not here.

The WITNESS: No.

Mr. BOUCHER: Let me understand these costs. These are original costs as of December 16, 1946.

Mr. FLEMING: The statement is dated July 1, 1947, and the witness has stated that the cost of driveways and landscaping has not been disbursed but this is the estimated cost.

The WITNESS: I do not include driveways.

Mr. FLEMING: I am sorry, just the landscaping, the driveways have been taken care of.

Mr. BOUCHER: In other words this is the total cost to date including the estimate for work that is contemplated?

Mr. COTE: Just the landscaping.

Mr. FLEMING: This does not include, Mr. Murchison, the cost of repairs in this current program of some \$6,000.

The WITNESS: I would like to ask my financial superintendent on that.

Mr. WYMBS (Acting financial superintendent V.L.A.): No, that does not include the cost of repairs.

Mr. BOUCHER: Nor drainage?

Mr. WYMBS: Nor drainage.

Mr. BOUCHER: Nor does it include the work yet to be done by the contractor, or having been done by the contractor between the last payment in September and the present time?

Mr. WYMBS: It includes the estimated cost of that project.

Mr. BOUCHER: Mr. Murchison told us the contractor had done certain work after the last inspection and I am wondering if there was a cost of construction for that?

Mr. WYMBS: You have asked us, sir, to get that information for you.

Mr. BOUCHER: Is that included in this?

Mr. WYMBS: No.

Mr. FLEMING: Down lower on the same sheet we have a total land development cost and house service showing, in all but the first case, land development costs, including land, roads, water, grading, total \$916.93; and the house service, including water, driveways, landscaping, total \$367, or a total of \$1,284.53.

The CHAIRMAN: Those are not included in the prices you have quoted.

Mr. FLEMING: They are, yes. There is a further notation, the management fee of \$225 per house and plant rental fee of \$55 per house are not included in the project overhead.

The WITNESS: That is right.

The CHAIRMAN: So they are included in the number you have just mentioned?

Mr. FLEMING: No, I should think not, Mr. Chairman.

The CHAIRMAN: Are they?

Mr. FLEMING: No.

The CHAIRMAN: I just wanted to clarify the position.

Mr. WYMBS: They are included in the house cost, sir.

Mr. FLEMING: That is included in the total?

Mr. WYMBS: Yes, I think it is.

Mr. FLEMING: House cost?

Mr. WYMBS: That is right.

Mr. FLEMING: Which in the case of the first house is \$7,965.23; those items are included?

Mr. WYMBS: Yes.

*By Mr. Fleming:*

Q. The next table, No. 8 in the brief, gives us a further breakdown. I do not know that we need to take each item on this one. You have the prices given here for the various houses under headings "C.I." and "A.P." what do those headings stand for?—A. That is the inspection and audit division code. They supervise our construction.

Q. And the relationship of these figures to those of the previous statement is, what?

The CHAIRMAN: When we have an official of the department here who knows the figures, why not let him give them to us directly?

Mr. JAENICKE: You said you would be through in 20 minutes, Mr. Fleming?

Mr. FLEMING: I have not had 20 minutes yet.

Mr. BURTON: Is it the intention to have Mr. Murchison here for another meeting?



The CHAIRMAN: Of course, if we do not finish it means that we will have to have him here again.

Mr. BURTON: I have questions to ask which would take about 10 minutes.

Mr. CLEAVER: Any information asked of Mr. Murchison he has promised to give the committee and he will be back anyway.

The CHAIRMAN: Mr. Fleming said he would take about 20 minutes and Mr. Burton told me he would want about ten. It is apparent now that he will have to come here again. I thought we might adjourn now, but if you like we can go on until eleven. If we adjourn now we will have to meet some time to-morrow. We have very little time left before the committee must present its report to the House. I think we should sit for another half hour.

Mr. COTE: I do not see any hope of concluding this examination to-night.

The CHAIRMAN: No; but we might finish at least one topic. I am in your hands. If there is a motion to adjourn I will put it.

Mr. FLEMING: What time did you say we would meet?

Mr. JAENICKE: I thought to-morrow afternoon.

Mr. CLEAVER: I would move that we adjourn until four o'clock to-morrow afternoon.

The CHAIRMAN: Would you mind making it three o'clock.

Mr. CLEAVER: Three o'clock then.

The CHAIRMAN: What is your pleasure, gentlemen?

Carried.

The committee adjourned at 10.35 p.m. to meet again to-morrow, July 10, 1947, at 3 p.m.

## APPENDIX "A"

*Occupational Possession by Veterans*

## SARNIA

1. Pinkett, W. H., 19th October, 1946—Lot 18 N.
2. Antenbring, S. B., 1st November, 1946. Veteran has given Notice to Quit and Request for return of downpayment—Lot 15 W.
3. Cleave, Wm. T., 11th November, 1946—Lot 41 S.
4. May, John E., 15th November, 1946—Lot 17 S.
5. Hudspith, F. J., 25th August, 1946—(\$600.00 Deposit Returned 15/3/47).  
Now purchased by James M. Simpson, Deposit \$600.00 paid June 25th, 1947—  
Lot 9 N.
6. Moden, F. P., 28th August, 1946—Lot 10 S.
7. Tims, R. K., 13th January, 1947—Lot 40 N.
8. Vacant—Lot 45 N.



APPENDIX "B"

NOTE—THIS STATEMENT SHOWS CONSTRUCTION COSTS ONLY

SHEET No. 1 of 1.

PLAN No. 0-52

No. of Lots: 45—one-half acre lots developed.

No. of HOUSES: 8.

T.O. No. 0/246.P.

PROPERTY: McNally-Durance.

AREA: Sarnia.

FORM "C"

DATE: 1 July, 1947.

Lot No.	De- sign	LAND DEVELOPMENT COSTS				Total per lot	House Cost	ADJ. House Cost	HOUSE SERVICES				Total Cost to Dir.	Down Pay	Con. Grant	Selling Price to Vet- eran	Balance Pur- chase Price	Month- ly Pay- ment
		Roads	Water	Drain- age	Grad- ing				Water	Refrig- erator	Drive ways	Land scap- ing						
9N	VN 3B	178.00	281.00	163.93	285.00	907.93	7,965.23	.....	142.85	.....	79.75	145.00	9,240.76	.....	.....	.....	.....	.....
10S	H4	187.00	281.00	163.93	285.00	916.93	7,118.61	.....	142.85	.....	79.75	145.00	8,403.14	.....	.....	.....	.....	.....
15W	MM 3	187.00	281.00	163.93	285.00	916.93	8,237.69	.....	142.85	.....	79.75	145.00	9,522.22	.....	.....	.....	.....	.....
17S	H4	187.00	281.00	163.93	285.00	916.93	7,118.61	.....	142.85	.....	79.75	145.00	8,403.14	.....	.....	.....	.....	.....
18N	MM 3	187.00	281.00	163.93	285.00	916.93	8,237.69	.....	142.85	145.00	79.75	145.00	9,667.22	.....	.....	.....	.....	.....
40N	VN 3B	187.00	281.00	163.93	285.00	916.93	7,965.23	.....	142.85	.....	79.75	145.00	9,240.76	.....	.....	.....	.....	.....
41S	H1	187.00	281.00	163.93	285.00	916.93	7,796.02	.....	142.85	.....	79.75	145.00	9,080.55	.....	.....	.....	.....	.....
45N	H1	187.00	281.00	163.93	285.00	916.93	7,796.02	.....	142.90	.....	79.75	145.00	9,080.60	.....	.....	.....	.....	.....
		1,487.00	2,248.00	1,311.44	2,280.00	7,326.44	\$82,235.10	.....	1,142.85	145.00	638.00	1,160.00	72,647.39	.....	.....	.....	.....	.....

Land Development Costs:

Land.....  
Roads.....  
Water.....  
Grading.....

House Services:

Water.....  
Driveways.....  
Landscaping.....

Management Fee \$225.00 per house  
Plant Rental Fee \$55.00 per house.

Not included in Project Overhead.

Lot No. 45N

Lots No. 10S, 15W, 17S, 18N, 40N, 41S

Lot No. 9N

187.00  
281.00  
163.93  
285.00  
907.93

187.00  
281.00  
163.93  
285.00  
916.93

142.90  
79.75  
145.00  
387.65

1,284.58

1,275.53

APPENDIX "C"

0/246 P McNally-Durance Property  
Sarnia—8 Houses

June 1947

House Type	No. of Houses	C.I. and A.D. House Costs	Adjust- ment	Actual Cost per Treasury Records	Total
		\$ cts.		\$ cts.	\$ cts.
H-1A.....	2	7,759 36	36.66	7,796 02	15,592 04
H-4.....	2	7,081 95	36.66	7,118 61	14,237 22
VN-3B.....	2	7,928 57	36.66	7,965 23	15,930 46
M & M—3.....	1	8,200 54	37.15	8,237 69	8,237 69
M & M—3.....	1	8,200 54	37.15	8,237 69	8,237 69
					62,235 10

NOTE: This statement shows cost of House Construction and reconciles the figures quoted in Sessional Paper 135 I with those quoted before Public Accounts Committee on July 4th, 1947.  
(1) NOTE: Above costs do not include cost of Refrigerators supplied to project.  
(2) NOTE: The amounts shown in Column headed "Adjustment" represent the value of material purchased by V.L.A. and issued to the project for house construction.

"J. A. Lynas",  
District Treasury Officer.



## Appendix I

## SARNIA PROJECT

## Detailed Costs including Project Overhead

The following are the details of the project overhead costs as requested by the Committee last Friday according to Ryan Home Builders' statement as audited by the Treasury Cost Audit:—

*Summary of Indirect Labour, Material and Expenses**Indirect Labour—*

Superintendence	including supervision from Windsor (675.00)	\$ 3079.36	
Clerical		2644.15	
Watchmen		494.60	
Waterboys, Checkers, etc.		398.48	
Field Foreman		194.30	
Temporary Buildings		1758.28	
Handling Material		12.00	
Trucking		406.02	\$ 8987.19
Temporary Roads and Layout			

*Indirect Materials and Expenses—*

Gasoline and Oil	27.24	
Temporary Buildings	99.90	
Temporary Water	38.08	
Temporary Power	50.82	
Temporary Heating	208.81	
Telephone and Telegraph	187.45	
Trucking and plant rental other than per house allowance	2050.33	
Building Permits	40.00	
Car Allowance	66.00	
Postage	34.22	
Sundry supplies and expenses	39.38	
Travelling	1043.18	3885.41

*Payroll Charges—*

Unemployment Insurance	118.08	
Vacation Pay	339.77	
W.C.B. Assessment	501.71	
P.L. & P.D. Insurance	78.21	1032.77

Total Indirect Labour, Material and Expenses	\$13,905.37
Discount earned	15.60
	\$13,889.77

This total of \$13,889.77 divided by 8 gives an average overhead cost per house of \$1,736.22, which agrees with the figure shown on Sessional Paper No. 135 (i).