

SESSION 1947
HOUSE OF COMMONS

STANDING COMMITTEE
ON
PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 22

FRIDAY, JULY 11, 1947
MONDAY, JULY 14, 1947

WITNESSES:

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

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

1947

REPORT TO THE HOUSE

TUESDAY, July 15, 1947.

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

SEVENTH REPORT

Arising out of consideration of the Public Accounts for the fiscal year ended March 31, 1946, your Committee undertook an investigation of the building project carried on in the Township of Sarnia, County of Lambton, Ontario, by The Veterans' Land Act Administration. Your Committee held meetings on July 4, 9, 10 and 11 and sat for six hours on each of these days and evidence was given by Mr. Gordon Murchison, Director, Soldier Settlement and Veterans' Land Act, Mr. A. D. Wymbs, Acting Financial Superintendent, and Mr. W. G. Wurtle, Chief Treasury Officer; and by Mr. William T. Cleave, one of the veterans who occupy the houses built at Sarnia. It sat also on July 14 to study the terms of its report.

Although its hearings mainly centered on the Sarnia project, your Committee gave attention to housing facilities provided for veterans throughout Canada.

For a better understanding of the problem facing your Committee, it is to be noted that the Sarnia project is one of 114 similar projects undertaken by The Veterans' Land Act Administration throughout Canada, as a result of which 2,381 houses were provided for veterans.

Canadian veterans may use either of two plans to purchase houses. They may use their reestablishment credit to help pay for a house, whether already built, whether contracted for privately or whether acquired through the facilities of the National Housing Act, or they may choose to buy a house through The Veterans' Land Act, whether built privately or as part of a departmental project. Under the provisions of the Act, a veteran who waives his reestablishment credit may use a special maximum grant of \$1,400.00 to be applied as part payment of a small holding, intended to be sold to him at cost or at a readjusted price considered by the Department as the real value of the property. After assessment of the value is arrived at, the grant of \$1,400.00 is deducted from it, the veteran is asked to contribute a cash payment of 10 per cent up to \$600.00, after which a monthly payment is made by him over a period of 25 years to cover the balance of the price, with interest at the rate of three and one half per cent.

The Veterans' Land Act Administration has spent \$15,769,747.00 for the construction of 2,381 houses, exclusive of the cost of land and project development, such as water mains, sewers, etc. The average construction cost per unit of about 15,000 cubic feet is, therefore, \$6,623.13 or about 44 cents per cubic foot.

Your Committee's investigation has disclosed that the eight houses built on The Veterans' Land Act project at Sarnia have cost substantially more than the overall average for Canada and that the construction has been unsatisfactory.

From the admission of the Director, The Veterans' Land Act, Mr. Gordon Murchison, it is apparent that the defects in construction of the houses at the time they were sold to veterans resulted from negligence on the part of officials working under his direction, from faulty workmanship, from the use of unsatisfactory materials and, possibly, also from faulty engineering.

Your Committee is of the opinion that the higher cost of these houses, 58 cents per cubic foot, as compared with the Canadian average could not be

entirely attributable to higher wages prevailing in the district, nor solely to other local conditions. Your Committee recommends that the Government refer the matter to the Department of Justice with a view to determining what action, if any, may be taken if the contractors are considered at fault, and of collecting from them such amount of the increased cost as may be attributable to the contractors' fault.

Your Committee considered hearing witnesses concerning the construction defects on the Rosedale project located near Windsor. The feeling of your Committee was that disclosure of any defects in houses located in Rosedale or elsewhere could not materially add to its conclusions and that opening of another question might lead to a large number of witnesses asking to appear with the result that your Committee might not have time to bring in a report before the end of the session, and your Committee agreed on the urgency of an immediate report.

Your Committee regrets that this matter was not brought to its attention in time to have evidence by veterans of other projects. Your Committee hopes that remedial measures taken as a result of its report may satisfactorily adjust defects which may have occurred in other projects.

Your Committee was not favourably impressed by the way evidence was given by Mr. Gordon Murchison, Director, The Veterans' Land Act.

Your Committee feels that the facilities given by Canada to veterans under The Veterans' Land Act and other measures are such as to compare favourably with the treatment granted veterans by other allied countries. It, therefore, all the more regrets the inconveniences suffered by some of the veterans who have in good faith purchased houses on projects where faulty construction has been encountered, and your Committee urges that corrective remedial action should be taken at once.

Your Committee is of the opinion that the repair program, although extensive, has been conducted in a haphazard manner and that such repairs as were considered urgent by the special departmental report of Mr. W. S. Woods, Deputy Minister of Veterans Affairs, and Colonel C. P. Parrish be completed at once. All corrective measures should be expedited and carried out without cost to veterans.

Your Committee recommends that the veteran shall have the option of completing his purchase within one month after all the defects in his house are corrected. Should he decide not to purchase, then the house in question should be vacated so as to be available to another veteran and the withdrawing veteran should receive a return of his deposit less a reasonable occupancy rent which, in case of dispute should be subject to appeal to the Deputy Minister.

Your Committee recommends that a board of three men be appointed consisting of real estate and building experts, none of whom shall have had previous connection with the Department of Veterans Affairs, or with any other governmental building projects, to pursue the work undertaken by your Committee, with a view to giving justice and fair treatment to veteran purchasers and all parties interested in this question, and to recommend to the Minister any remedy it may consider fit to correct the situation.

Such board should first investigate the Sarnia project, as your Committee considers it important to clarify the situation there at as early a date as possible.

Subsequent to its investigation of the Sarnia project, the board, in the opinion of your Committee, would do well to examine other projects which may be brought to its attention.

A copy of the minutes of proceedings and evidence from July 3 to date is appended.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

MINUTES OF PROCEEDINGS

FRIDAY, July 11, 1947.

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

Members present: Messrs. Beaudry, Burton, Cleaver, Cote (*Verdun*), Denis, Fleming, Fournier (*Maisonneuve-Rosemont*), Fraser, Gladstone, Golding, Grant, Green, Hamel, Jackman, Kirk, Macdonnell, McCubbin, Murphy, Probe, Stuart (*Charlotte*), Winkler.

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

The Committee resumed its investigation into the operations of The Veterans' Land Act in the township of Sarnia, Ontario.

Examination of Messrs. Murchison, Wymbs and Wurtle was continued.

On motion of Mr. Burton, the Committee thanked the witnesses for the courteous manner in which they had answered questions put to them.

The witnesses were discharged.

Moved by Mr. Fleming, that the Committee summon two witnesses from the Roseland project at Windsor for Monday next.

After discussion, Mr. Cleaver moved in amendment that inasmuch as there is not time at this session to call further witnesses, and to present a proper report to the House, that the Committee now proceed to prepare its report.

After discussion, Mr. Murphy moved, in amendment to the amendment, that the Steering Committee be instructed to submit to the Committee as soon as possible a draft report on the present inquiry, and to include therein a recommendation that a Royal Commission be appointed to investigate all aspects of administration under the Veterans' Land Act.

The Chairman ruled the amendment to the amendment to be out of order.

After discussion, and the question having been put on Mr. Cleaver's amendment, it was resolved in the affirmative.

And the question having been put on Mr. Fleming's motion, as amended, it was resolved in the affirmative.

At 6.10 o'clock p.m., the Committee adjourned until 8 o'clock p.m., this day.

EVENING SITTING

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

Members present: Messrs. Beaudry, Burton, Cleaver, Denis, Fleming, Fournier (*Maisonneuve-Rosemont*), Gladstone, Golding, Grant, Jackman, Jaenicke, Kirk, Murphy, Winkler.

The Committee proceeded to consideration of its Seventh Report.

It was agreed that the Steering Committee prepare a draft report for presentation to the Committee at the earliest opportunity, and the various members of the Committee present expressed their views as to the significance of the evidence adduced.

At 11.15 o'clock p.m., the Committee adjourned to the call of the Chair.

MONDAY, July 14, 1947.

The Standing Committee on Public Accounts met in camera at 8 o'clock p.m., the Chairman, Mr. L. P. Picard, presiding.

Members present: Messrs. Beaudry, Bradette, Burton, Case, Cleaver, Cote (Verdun), Cloutier, Denis, Fraser, Gladstone, Kirk, Probe, Rinfret, Stewart (Winnipeg North), Warren.

The Chairman reported that a meeting of the steering committee had been held during the afternoon and had unanimously adopted a draft Seventh Report, a copy of which was thereupon distributed to all members.

The Committee proceeded to consideration of the said draft report.

Mr. Beaudry moved that the final paragraph on page two be deleted and the following substituted therefor:—

Your Committee is of the opinion that the higher cost of these houses, 58 cents per cubic foot, as compared with the Canadian average could not be entirely attributable to higher wages prevailing in the district, nor solely to other local conditions. Your Committee recommends that the Government refer the matter to the Department of Justice with a view to determining what action, if any, may be taken if the contractors are considered at fault, and of collecting from them such amount of the increased cost as may be attributable to the contractors fault.

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

Consideration of paragraph three, page three followed.

Mr. Boucher moved that the paragraph as approved by the steering committee be adopted.

Mr. Rinfret moved, in amendment, that the paragraph be deleted and the following substituted therefor:

Your Committee was not favourably impressed by the way evidence was given by Mr. Gordon Murchison, Director, The Veterans' Land Act.

After discussion, and the question having been put on Mr. Rinfret's amendment, it was resolved in the affirmative.

And the question having been put on Mr. Boucher's motion, it was resolved in the affirmative.

Mr. Beaudry moved that the last paragraph on page three be deleted.

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

Mr. Boucher moved that the following paragraph be inserted immediately following paragraph three, page three:

Your Committee believes that the magnitude of the task of constructing over 2,000 houses under the then existing labour and material supply conditions was not fully appreciated by the directors and that adequate engineering and inspection services were not secured. It is possible that Civil Service regulations as to salaries, etc., precluded the hiring of qualified employees by the directors but a project of this size should not have been undertaken without sufficient qualified engineering and inspection staff.

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

Mr. Beaudry moved that paragraph three, page four, be deleted.

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

Mr. Boucher moved that the following paragraph be inserted immediately following paragraph two, page four:—

Your Committee feels that any price readjustment should be universally applied and considers that a yardstick of comparable local values for houses of similar construction should apply throughout the country. Any adjustments in price would have to be carefully considered having in mind the general situation faced by other veterans who secured houses through other plans.

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

On motion of Mr. Cleaver, it was agreed that the second paragraph on page five be deleted and the following substituted therefor:—

Subsequent to its investigation of the Sarnia project, the Board, in the opinion of your Committee, would do well to examine other projects which may be brought to its attention.

Mr. Rinfret moved in amendment that the paragraph be further amended by the addition of the words *and recommend price readjustment if found necessary*.

The Chairman ruled that Mr. Rinfret's motion was out of order inasmuch as it dealt with a matter already decided by the Committee.

Mr. Cleaver's motion was adopted.

Further minor amendments were agreed to.

The report as amended was adopted on division, and the Chairman ordered to present it to the House forthwith.

At 11.40 p.m., the Committee adjourned to the call of the Chair.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

July 11, 1947.

The Standing Committee on Public Accounts met this day at 3.00 p.m.
The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum so we may start.

Mr. CLEAVER: Mr. Chairman, I believe I was examining the witness when the committee swung over to a discussion of procedure. Mr. Beaudry says he has one corrective question that he would like to submit. Is he here?

Mr. SARTO FOURNIER: He will be back in a moment.

Mr. FLEMING: While we are waiting for Mr. Beaudry to come back I would like to discuss the question of what we are going to do after today. I think probably it is the wish of all members of the committee to know as soon as possible, exactly what we are going to do. We had some indication down in the House in the last few minutes that prorogation may come a little earlier than was expected yesterday, and that the House may not be in session more than two days next week. I think probably it is the desire of all members to know exactly where we stand on the matter of our meetings. I indicated, Mr. Chairman, when we were discussing the question of procedure on Wednesday afternoon, that I was going to ask the committee to recommend to the House in its report, that a royal commission be appointed to investigate the administration of the Veterans' Land Act with a view to three things. The first is to see that justice should be done to the veterans in the matter of prices to be charged to them and the quality of construction which they are entitled to expect. The second is to see that justice has been done to the taxpayers of Canada and that they are not being mulcted unmercifully. The third concerns operations within the department in that they should be carried on without negligence, if it is no more than of the kind exposed in the case of Sarnia.

The CHAIRMAN: I do not want to interrupt you, but I think if we are going to discuss the whole of our work up to now we should first finish the evidence. If I may be permitted to say so at this moment, if we want to talk of what we are going to do for the next few days, all right, but I do not think the moment has arrived to discuss what we are going to put in our report. That will be the subject of a special meeting.

Mr. FLEMING: I was nearly finished, Mr. Chairman, and I merely mentioned I was going to ask the committee to appoint a royal commission for the purpose I have outlined. The matter of calling witnesses from Windsor which I asked last night does not affect that. In other words I am going to ask for a royal commission whether we hear the witnesses from Windsor or not, based on the evidence we have already had concerning the Sarnia project. The proposal that we should call witnesses from another project, namely Windsor, was suggested by me because some of the members felt or expressed the view that the evidence we had heard from one project was not enough, because that project or experience might not be typical. If the committee is going to take the view there is not time to hear witnesses from Windsor or anywhere else, I suggest that we decide that as soon as possible. I want to be perfectly frank to the committee by saying that I am going to ask that a recommendation be included in our report to the House regarding the royal commission whether we hear the witnesses from Windsor or not. I just mention that the time is short and that we should plan our meetings accordingly.

The CHAIRMAN: If we want to ask questions about Windsor we have two witnesses here. We can get the costs and we can learn if there have been complaints. Why should we, at this particular moment, call witnesses to make our meetings longer, especially if the House is adjourning on Wednesday. We will not have too much time for this. We should take and complete the evidence to-day. We will not have much time to have two or three more meetings and then bring down a report. You know we will have to talk about it before the steering committee meets and then the steering committee will bring its report which has to be approved by the full committee. If it involved only one meeting that would be all right, but it would be three meetings, one to approve the procedure, one to cover the steering committee's report, and one meeting for the main committee to approve the matters discussed in the other meetings. It means discussion in at least three or four meetings. For myself I submit we might as well go on. We have not completed the evidence on this particular matter and we have got two people here, Mr. Boucher and Mr. Cleaver, who have questions to ask, and perhaps the others will have some questions. I think we should carry on and at the end of this meeting this afternoon we can determine what we shall do next week.

Yes, Mr. Beaudry?

Mr. BEAUDRY: I quite agree with what you say. I suggested to Mr. Fleming that if it was agreeable to the committee, when we go into an investigation on other points outside of Sarnia, we will, to some extent I suppose, find things which would bear out the evidence regarding Sarnia. On the other hand, we will not destroy the evidence which is on the record concerning some of the aspects throughout the country at large. In my humble opinion we would only be adding to the Sarnia evidence without gaining anything which would change our vision on the proposition generally. I think we have enough evidence about Sarnia to justify our looking into the matter.

Mr. CLEAVER: I believe you had one corrective question to ask?

Mr. BEAUDRY: Yes, thank you for reminding me. There was a mistake in the calculations last night that I would like to amend on the record. When we figured the cost over all of Canada of the 2,381 houses from which there was to be deducted an amount for landscaping, specified for London, Toronto, Saskatchewan and Manitoba, there should be one correction made which will slightly alter the total. The correction is that landscaping was charged at the rate of \$145 per house for 792 houses in and about London and Toronto, instead of 944 houses. This amount was deducted from the original figure of \$15,914,707, and divided by the number of houses it will bring up the cost of construction per house from \$6,623.13 to \$6,632.42. In other words there is an increase of roughly \$9 per house. I do not think that will reflect to any considerable extent the cost per cubic foot.

Gordon B. Murchison, Director of the Veterans' Land Act and the Soldiers' Settlement Board, called:

By Mr. Cleaver:

Q. When the committee stopped taking evidence last night I was obtaining from you the number of homes and the amount of capital adjustment that was made, by provinces, in arriving at the actual selling price to the veterans. Have you that table ready?—A. Yes. This summary is by provinces. British Columbia, 576 houses, the reduction is \$208,428.49; Alberta, 280 houses, the reduction is \$53,106.95; Saskatchewan, 80 houses, \$70,089.07; Manitoba, 240 houses, \$65,767; Quebec, 170 houses, \$206,294.25; Maritime provinces, 135 houses, \$55,482.04; Ontario, 900 houses, \$487,227.82. That makes a total of 2,381 units and a total reduction of \$1,146,295.62.

Q. Who are the members of the committee charged with the responsibility of making those adjustments, those capital adjustments?—A. The deputy minister of Veterans Affairs, and the director of the Veterans' Land Act.

Q. And I take it the entire \$1,000,000 provided by P.C. 1728 has been used up and that you are now on the second vote of \$850,000?—A. That is right.

Q. Are you in a position to express an opinion as to whether that will provide enough money to effect capital adjustments for all of those veterans homes on all of the projects?—A. Oh, it will be more than ample to provide for the adjustments on the contract cost, and I am reasonably hopeful that there will be enough to cover the costs of remedying defects.

Q. Can this committee have, and I should not ask for an assurance, but if you should run a little bit short, what are your personal views about coming back for sufficient money to treat everyone alike?—A. I would have no hesitation in doing so.

Q. Now, in turning to the other part of the problem, the repair of the defects, I believe I saw yesterday, a joint report of the deputy minister, the director, and Mr. Parrish. Could I have that again?

The CHAIRMAN: Here it is.

Mr. CLEAVER: Thank you.

By Mr. Cleaver:

Q. Mr. Murchison, who is Colonel Parrish?—A. I believe Colonel Parrish is a member of—I cannot recall the name of the construction firm in Montreal,—but he is a graduate in engineering from the University of McGill and an engineer who has had quite considerable experience in superintending construction of homes, individual homes of the luxury class, and in the construction of several hundred wartime houses in the Montreal area.

Q. Who appointed him as one of the committee of three to make the inspection of the veterans' land homes made in the spring of 1947?—A. I believe it was by the Governor in Council on the recommendation of the Minister of Veterans Affairs.

Q. In looking over this report, there are just one or two questions I would like to ask you. I am reading, Mr. Chairman, from page 19 of Colonel Parrish's report, as follows:—

After due consideration of the points mentioned above, that is about the defects, the following conclusions have been reached:—

(a) With certain specific exceptions the houses, considering the present shortage of materials and skilled labour, are generally well built, and materials and workmanship are equal to those obtainable on to-day's market.

Keeping that finding in mind, he makes certain recommendations and I want to know whether you agree with those recommendations and to what extent they have been implemented? In the matter of recommendations on page 20 he says:—

Keeping that finding in mind, he makes certain recommendations and I want to know whether you agree with those recommendations and to what extent they have been implemented? In the matter of recommendations on page 20 he says:

In keeping with above conclusions—

I just read the summary, I did not read all the details—

the following recommendations are submitted for your consideration:—

(a) That on sites where many basements are subject to flooding due to poor drainage, a careful study be made of this problem and work be undertaken to provide efficient drainage schemes and that this cost should not be charged to the purchaser.

Has that been done?—A. That is under way. The work has not been completed.

Q. Could you give the committee an estimate as to when all of this necessary drainage work will have been completed? The reason I am anxious to have that and am rather pressing for it is that I very much doubt whether the veteran should be asked to make up his mind until this work is completed.—A. There will probably be some drainage work carried over into the month of September but we are pressing for the completion of all of these drainage items during the most favourable month.

Q. Would I be safe in saying then that you have every expectation that the drainage work will be completed by the end of September?—A. Yes.

Q. Very well; then subparagraph (b):—

On projects where there is inefficient sewage disposal, that this problem be corrected by either the installation of new disposal fields or by connection to municipal sewerage systems.

Has that been done?—A. We have replaced quite a number of septic tank disposal fields. We have replaced a number of septic tanks which were defective. It is not possible for us to connect up with municipal drainage systems unless we would undertake at very great expense to bring the sewage systems to our project, but where a municipal sewage system is available close to the project we have hooked up to it.

By Mr. Croll:

Q. Who paid the expense?—A. If it was originally in the construction it was taken into construction cost, but in the correction of these defects the costs are borne by the department and it will not produce any increase in the sale price to the veteran.

By Mr. Cleaver:

Q. Do I understand you correctly then as to all homes where defects have arisen in regard to this matter that these defective septic tanks as well as the defective disposal beds have been or are now being put into proper working order?—A. They are being gone over and are being put into first class order just as quickly as we can get it done.

Q. Could you give me a deadline date on that?—A. Approximately the end of August. A great many of them, however, have already been corrected.

Q. And the next recommendation is:—

(c) That the houses having minor, or in a few cases major structural defects, be put into first class condition as quickly as possible and that where necessary competent superintendents be retained to carry out this work efficiently and that the cost of this work should not be charged to the purchaser.

—A. That work is under way on that basis.

Q. Can you give the committee the finishing date on that?—A. We had expected that all that sort of remedial work on houses would be completed by the end of July. There may be a little carried over into August, into the holiday season. The work is very well advanced and I am quite confident that there will be no important part of it remaining to be done at the end of this month.

Then I take it from what you have said that the \$350,000 in the last grant should be ample to take care of that type of work?—A. That is my expectation; that is my estimate, sir.

Q. And the final recommendation with which I wish to deal is this:—

That the temporary softwood flooring which was laid when hardwood flooring was unobtainable, be replaced by suitable hardwood flooring as soon as this material is available.

What happened in regard to that recommendation?—A. To my knowledge there has been no new hardwood flooring purchased, principally because it is extremely scarce; and I just doubt at the present time whether we could undertake to replace any softwood flooring used in upstairs houses throughout the dominion.

Mr. WARREN: I wonder if I might be permitted to interject one question. I would like to ask Mr. Murchison, does he know anything that is wrong with dry basswood flooring or dry pine flooring, as compared to hardwood flooring? My experience is that if you put in hardwood flooring—

Mr. FLEMING: Is this a question, Mr. Chariman?

Mr. FRASER: There is a great difference between hardwood flooring and that kind of stuff.

Mr. WARREN: I would like an answer; does he know anything that is wrong with good pine or basswood flooring used in these houses?

The CHAIRMAN: Let the witness answer.

The WITNESS: I do not know anything wrong with it for upstairs flooring if it is dry material that is properly laid.

Mr. WARREN: Many of us have been raised on worse than that.

The WITNESS: I agree to that.

Mr. WARREN: Is there anything wrong with it being used downstairs in place of hardwood; is there anything better than good pine or basswood? What is wrong with it?

The WITNESS: It is not a question of what is wrong with it, it is in the specifications, that we would use hardwood flooring downstairs, and we were unable to secure hardwood flooring for upstairs use on account of the orders of the timber controller of Canada.

By Mr. Cleaver:

Q. If Mr. Warren will wait for one or two more questions I think I will have cleared it up. Is it not true, Mr. Murchison, that the reason Colonel Parrish made that recommendation in regard to softwood flooring upstairs was because he found that much of it was so green when it was laid that you could put a cigarette quite handily into the cracks in the flooring?—A. There was some question of that kind.

Q. I take it that that is what Colonel Parrish refers to when he recommends a replacement. You see, you have a floor that was laid so green that the cracks are so wide you could do that, you could not even cover them properly with linoleum if you laid it over the top of the floor possibly even if you were to sand it, the linoleum would wear away on the ridges and cracks. I will concede at once that you could get nothing nicer than a good white pine floor; but, can anyone tell me where to go to get good white pine flooring to-day?—A. We will have to re-lay some of the more unsatisfactory softwood floors in the upstairs.

Q. Yes; now, what is your plan—I concede at once that hardwood flooring is not available; now, what are your plans as to giving a firm undertaking to the veteran specifying what will be done in regard to this flooring, because you will want them to sign contracts, and you cannot very well ask them to do that until some sort of a satisfactory adjustment has been made. Have you considered giving them a letter saying you would put the new flooring in when you were able to get it?—A. Our proposal is that we re-lay these floors where there has been serious shrinkage by using dry material of the same type; tightening up these floors and finishing them in a satisfactory way.

By Mr. Probe:

Q. Whether there were contracts or not is that floor question being considered whether the veteran has signed his contract or not.—A. Oh yes.

By Mr. Cleaver:

Q. Have you considered giving the veteran a written undertaking in that regard so that he will know what he is entitled to?—A. I would be prepared to do that, I do not know that it is necessary.

Q. I think it would be highly advisable to do that. And now, in regard to these defects, dealing with the minor ones first; how do you determine what defects should be remedied and what defects were so minor that they were not worth troubling with; was the owner called in consultation?—A. Yes. The inspection of the houses was made by a competent practical carpenter, carpenter foreman or building inspector, accompanied by an administrative officer and in consultation with the veteran or his wife; to go over the house and list the items which appeared to them to require correction; and I believe that in a great majority of the cases that the list of items as agreed to was agreed to and approved by the veteran himself.

Q. You say that that practice has been followed right across Canada?—A. It is the general practice, according to my information.

Q. Members of your staff, your employees, would consult with the owner and generally make up a list of what was to be done and that is the list being used?—A. In quite a number of cases I believe they have gone considerably further than some of the veterans themselves expected.

Q. Well now, in regard to the serious defects and defects which in the opinion of the inspector were of a type on which the contractor should make good; what has been done in regard to them? Take a question where a beam was badly warped. Would you instal a new one?—A. I could not give you the details as to just what has been done. I would have to call in the construction people to advise you on that.

Q. Have these all been corrected?—A. Either corrected, or listed for correction.

Q. Has any record been kept from day to day of defects and the cost of repairing them which in the opinion of your staff should be corrected by the contractor?—A. Those were the instructions issued to our administrative officers throughout Canada; that they should endeavour very carefully to identify the items of defect which in their judgment or in the judgment of their construction superintendent reflected bad work on the part of the contractor as distinct from normal construction defects such as a crack in the corner of a wall or something of that kind.

Q. After all this work is completed and that list of repair work which you believe should be charged this contractor is also completed, what is the intention then; do you intend to refer to Justice?—A. My intention first is to discuss it with the contractor in question.

Q. And endeavour to effect a settlement?—A. Yes.

Q. Then in that settlement with the contractor what is your plan?—A. To refer the matter to Justice.

Q. And then, to come to my next point, it is this. I take it from the information already before the committee as a result of this inquiry that most of the veterans now are entirely satisfied with the suggestions that have been made as to the matter of defects and the steps you have taken to correct them. What about the service men who are still not going to carry out their bargain? What do you propose to do as to releasing them?—A. I think I can only answer that, Mr. Cleaver, by saying that I will have to proceed in accordance with the terms of the Act in the case of a veteran who has been granted occupancy to one of these homes based on a formal application in writing by himself accompanied by his down payment and acceptance of that application and granting him occupancy of the premises. I regard that as at least an executory contract. It has not been reduced to writing formally in the form of an agreement, but all the elements of a contract seem to exist.

Q. I have a suggestion to make and I want to know whether you would be prepared to go this far with me. I would like to suggest to you that after all this remedial work is done and capital adjustment is made, if the veteran is still not satisfied I think he should be released on terms from his contract; and I think the terms should be that he should receive back his down payment subject to an adjustment, not of rent at the going rental but of the actual taxes and actual payments he would have made under the contract for the period. Are you prepared to go that far?—A. I am prepared to take that under consideration.

The CHAIRMAN: Who would have final say on that?

The WITNESS: That is a matter which I think I will be obliged to refer to the minister because there is a matter of important policy involved in it. On the other hand, we have a provision in the Act to have these cases referred to an advisory committee consisting of the district court judge as chairman, a representative nominated by the Canadian Legion and one representative of the director, to whom the facts of these cases could be deferred; and they might under the Act, I believe, determine conditions which these veterans should fulfil. Failure on their part to fulfil such conditions as laid down by the committee would authorize the director to proceed to regain possession of the property by lawful means.

By Mr. Cleaver:

Q. I can only speak for my own district, but I do know that as to the Queensway development, where you have something over 90 homes completed, there is quite a waiting list, and if there is any veteran who is not now satisfied there will be three or four others waiting to take that house off his hands. Can you see any reason why you should not relieve the chap who is dissatisfied on terms under which you will lose no money? If you are allowed to deduct from his deposit the actual taxes plus the actual payments that he would have paid under the contract had he signed the contract then you are in exactly the same position with respect to that house when you re-sell it at the same amount, exactly the same position as if this other chap had not intervened at all.—A. I would have one reservation on that. There are cases here and there where some of these houses are not being given any too good care by their occupants. We have encountered this sort of thing, that after doing a thorough tidying up job and refinishing and repainting there have been cases where veterans, according to their own lights, have seen fit to sublet a part of the house to take in another family and to set up a second housekeeping establishment in the place. The result is damage occurs to the house, and if it is going to be turned over to another veteran there is a redecorating job to do again. I feel in cases of that kind if we were to consider a settlement on the basis of the monthly payments he would have made had he signed the contract we should at least be entitled to some compensation for the cost of redecorating that house again for another veteran.

Q. I entirely agree on that, but leaving aside what I would say are exceptional cases and coming to the ordinary run of cases where a veteran has simply used the house for his own occupancy and has not brought in a sub-tenant, and the house is in reasonably good repair, can you see any objection to treating him in that way, because I noticed in the evidence somebody made the suggestion that the veteran should be charged the going rent, and the going rent was double the amount of the payment under the contract.—A. The reason for that was we felt some reasonable relationship should be maintained between the rentals being paid by a veteran in occupation of a V.L.A. house and the rental being paid by another veteran in a house constructed by Housing Enterprises Limited or owned by a private individual. Here is a veteran half a mile away, or closer than that, who is maybe paying \$50 or \$60 a month for three rooms

whereas you have a veteran in a V.L.A. house, a new house, a five or six room establishment, and you are suggesting he should have occupancy there maybe at a rate of \$20 a month. That creates some degree of discrimination in favour of a small preferred group. That is the reason why we felt there should be some differentiation in the charges where a veteran is simply paying rent rather than purchasing the property.

Q. I do not want to appear too stubborn on this matter, but I do want to get over my viewpoint for what it is worth. I think where the veteran moves into a house that is not yet finished that he ought to have an opportunity to make up his mind when that house is finished and decide whether he is going on with the contract. I have one other point.

The CHAIRMAN: May I ask a question?

By the Chairman:

Q. On the point of the committee you mentioned which is composed of a judge and a representative of the veteran is it the case that it is just provided for in the Act or is it in existence now?—A. It exists. It has never been called to meet.

Q. Who can appeal to that board? Can a veteran appeal to the board himself or has it got to be the administration which appeals to the board?—

A. The Act provides that before any action is taken by the director to cancel an agreement of a veteran he must refer the particulars to that board. We expect that when that board meets that a veteran can appear himself or be represented before the board to give evidence in defence to the action.

Q. Could a veteran appeal himself to that board in order to have the price readjusted? Has he that privilege himself?—A. That board would not have the power to adjust debts due the Crown.

Q. The board has the privilege of making a recommendation. It is not just appointed to look after the facts. It has to make a report on those facts to the minister?—A. It is a provincial advisory board appointed to deal with cases where the veteran is in default under the terms of his agreement.

Q. It does not provide the right for a veteran to appeal himself to the board if he wants to cancel his contract?—A. No.

Q. And to have his house revalued?—A. No.

By Mr. Cleaver:

Q. If I recall correctly in reading Mr. Cleaver's evidence he either said himself that he was going to be charged something like \$45 a month if he moved out and gave up the deal or that some friend of his was going to be charged that amount. Can you, without too much trouble, definitely determine as to what that house is, and as to whether on that house there was a duplication of tenants?—A. I could find that out.

Q. You will find it in the evidence on July 4. I should like to have that if I can. I have one more point, and that is in regard to the local improvements. By local improvements I refer to water mains, sewers, road improvements and the like. You, of course, know that in the normal development of real estate a builder will buy a large plot of raw land, and he will petition the local municipality to put in all of those improvements, and that the costs of those improvements are then collected back by the municipality in annual local improvement rates spread over perhaps fifteen or twenty years.—A. Yes, I am familiar with that.

Q. You did not follow that practice in your development. You as a department made all of that capital expenditure yourself.—A. With a few noted exceptions.

Q. But by and large that was what happened?—A. That is right.

Q. I suggest to you that the end result is that the veteran will have a house with a purchase price all the way from \$500 to \$1,000 more than the normal purchase price, but he is no worse off at the end of the year. Instead of paying these extra local improvement rates in taxes he pays them in extra monthly rates to the Veterans Land Department; is that right?—A. That is the practical situation.

Q. Could I have the average figures—and I am talking now to your accountant—of the capital cost of those local improvements which normally are installed by a municipality, and for which recovery is made in annual taxes?

Mr. WURTLE: I worked that out and it comes to an average of \$499.36 for each of the 2,381 houses across Canada. That represents the equivalent of \$2.50 on his monthly payments.

Mr. CLEAVER: Multiplying 500 by 5 or close to 5 we get the amortization period and that would be \$25 or less in taxes and more in payments to the veterans land department as a result of the tax reduction.

Mr. WURTLE: It would be \$30 a year.

By Mr. Burton:

Q. Before you leave that there is one question following that. I did not want to interrupt Mr. Cleaver, but when you gave that figure on the basis of your houses you bore in mind some of those houses where you did not make local improvements in places where you were conveniently located with regard to water mains and hydro?

Mr. WURTLE: Yes, there are quite a few houses where there were existing water mains and sewers that we could use.

Mr. BURTON: With the result you did not need to make any capital expenditure in connection with those.

Mr. WURTLE: No.

Mr. BURTON: But taking the sum that you did spend on that development in places where it was needed and then dividing it among all of your houses you do not arrive at the exact figure.

Mr. CLEAVER: The end result would be that the figure would be too low.

Mr. BURTON: Yes.

Mr. CLEAVER: It might be \$600.

Mr. WURTLE: Yes, it would be.

Mr. BURTON: I wanted to get that cleared up. The main reason why I asked your permission, Mr. Chairman, for the floor was that I again wanted to express my opinion that after hearing this evidence over not a considerable number of days but a considerable number of meetings per day I believe that we have this picture fairly clear in our minds if we are ever going to have it. I may say I have what to my mind is an important question to ask after certain things have been disclosed here, but I suggest to you in all fairness that possibly we might go on for weeks that way and one thing would lead to another.

By Mr. Burton:

Q. Mr. Murchison, the original intention of your department was to provide houses for veterans under V.L.A. at cost, was it not?—A. That is right.

Q. And after you had constructed this number of houses that you have on a number of occasions placed on the record you along with some other gentlemen were named as a committee to examine the whole picture. Then you gave us the write-off figure by which you had reduced the capital expenditure. I believe the amount was \$1,146,395.—A. Yes, sir.

Q. When your committee decided on that write-off of the capital expenditure was it your intention to give the veterans who were interested in this their

houses at that much less than cost?—A. That was not the intention. The intention of the write-off was to give that house to the veteran at our opinion of its value.

Q. At a fair valuation.—A. At a fair valuation.

Q. The question immediately came to my mind when I visualized to myself that was your purpose in doing it. If the original figure was not a fair valuation then somewhere, somehow, somebody has not given fair value to the veterans or the people of this country. Your department has evidently paid in material and labour costs \$1,146,395 by your own estimation more than fair value.—A. That is right.

Q. That amount more than a fair price for those houses?—A. That is right.

Q. You mentioned a moment ago that your officials were charged with the responsibility of keeping track of some of the defects and repairs that had to be made as to what could reasonably be charged to the contractor and what should be borne by the department, but yet at the same time I cannot see that enters into this picture of a figure of very nearly one and a half million dollars. In my mind I feel that something needs to be done to find out whether the taxpayers of this country have to pay for something for which there is no value. I should like to ask Mr. Murchison a question as to whether your inspectors were instructed to do something which, in my opinion, they should have been doing right along; has your department taken any steps to recover from any of these people who may have part of this million and a half dollars for which the taxpayers of Canada and the veterans did not get any value?—A. We have retained very substantial amounts on the contract costs which have not yet been released.

Q. On any of the projects, have any more definite steps been taken than those which were taken on the Sarnia project?—A. Nothing more definite than declining to make any further progress payments to the contractor, sir.

Q. On the Sarnia project you have retained, you told us yesterday, the sum of \$2,000?—A. That is right.

Q. In the meantime you have already spent \$6,000 on that project since the contractor finished with it. I should like to know whether the other projects which are in question where money is being held back are in the same light or in a better condition?—A. They would be in approximately the same light. The amount held back varies as between projects.

Mr. CLEAVER: I think perhaps I might help you a little on that score. While I have been listening to the examination I have extended five of the provinces, that is the capital adjustment. In British Columbia the amount per house is only \$364 as compared with \$906 per house in the London area. I would say this London-Sarnia area is by far the worst.

Mr. BURTON: That is possibly true yet, at the same time, we have not gotten from Mr. Murchison any definite steps which have been taken except that a small amount has been held back from the contractor.

Mr. CLEAVER: You will also be interested in noticing that your whole province, Manitoba, has the best record.

Mr. BURTON: My province is Saskatchewan.

Mr. CLEAVER: Well, I had better not say anything about that.

Mr. FLEMING: Let us have the answer.

Mr. CLEAVER: In Saskatchewan it is \$860 and in Manitoba it is only \$80.

The CHAIRMAN: That is a political as well as a geographical error.

By Mr. Burton:

Q. Mr. Murchison, have you anything further to say to this committee as to what the committee with which you are associated in making capital

adjustments had in mind should be done to recover for the taxpayers of the Dominion of Canada a good portion of that one-half million dollars?—A. That is not the purpose of that committee, sir. It does not come within the terms of reference of that committee. That committee was appointed under the provisions of the Act, section 21, and empowered to make use of the adjustment fund, first of a million dollars, to write off costs which did not represent value. That committee had no power to proceed to recover from the contractors.

Q. That is what I wanted to know, whether something was being done in that respect. I appreciate the answer I received that nothing is being done in that respect.

By Mr. Warren:

Q. I wonder if I might be permitted to ask Mr. Murchison whether this could be true? The department in all good faith gave a contract and the contractor accepted the contract in good faith believing he could get materials as he required them. On the Sarnia project I think it is true that labour was difficult to obtain—

Mr. FLEMING: Ask your question.

The CHAIRMAN: May I just say one thing? We will have discussion a little later and I will give you the floor, but at this moment we are having a question period.

By Mr. Warren:

Q. The question is this: could the contractor not be faced with this situation; believing he could get dry pine or dry spruce as specified in the contract and when he goes around looking for dry pine or spruce with his gang of men waiting at high wages, he cannot get anything but green Balm of Gilead or green poplar, something of that kind. He has to do the best he can. When it comes to the question of nails the contractor, being faced with the situation as we know it and it had application all over Canada, could not find a nail in a hardware store in the whole of Canada. Is that it?

Some Hon. MEMBER: He had a priority.

Mr. WARREN: A priority did not matter. If the nails were not there, you could not get them. I am asking you, Mr. Murchison, if that side of the picture could not be true?

The WITNESS: It could be true. It was true.

By Mr. Beaudry:

Q. May I ask Mr. Murchison this: in view of the fact that at some time your committee arrived at a proper valuation figure which, in the eyes of the committee was somewhat lower than the actual cost and in view of the fact, as Mr. Burton suggests, of a discrepancy amounting to a write-off of a little more than \$11,000 which appears to be a complete loss and appears from your answers to be not recoverable from any source, could it be construed that the amount it represents, somewhere between 6 and 7 per cent of the total cost of construction, might be looked at in the light, if you want to call it that, of a premium payable in order to obtain delivery of houses on certain specific dates or earlier on account of the urgency of the need; earlier than could have been the case if you had tried to save the taxpayers that premium of 6 or 7 per cent?—A. I would agree with that statement.

Q. I did not make a statement, I was asking a question. I will repeat my question. In the light of what I call a premium could you, yes or no, consider that in the light of a premium? Could it be so considered by this committee or would you consider it a premium?

Mr. FLEMING: Those are inferences for the committee to draw rather than for the witness to draw.

Mr. BEAUDRY: The witness was one of the persons in charge of disbursing the money. The witness has been asked at times whether people thought that the money was, apparently, ill spent. I think it is my right and the right of the committee to know in what light that money was spent.

Mr. FLEMING: It is a matter of inference for the committee. It is not a matter for questioning the witness. It is a matter upon which every member can make up his own mind.

The CHAIRMAN: The witness has been asked so many indirect questions that it is hard to draw the line.

Mr. BEAUDRY: I am asking you, as one of the agents for spending that sum of money whether that sum of money could be regarded as a premium and whether it was regarded as a premium in your mind?

Mr. COTE: You are asking for an expert opinion.

Mr. FRASER: Mr. Warren asked the witness in regard to material which the contractor would have to buy. He said if the contractor could not buy dry stuff he would have to buy wet stuff. Then, if that is true, he would have to use it. If the contractor used materials which were not according to the specifications, then it was the duty of the inspectors for the V.L.A. Department to check that. It would be your department all the way through which would be at fault.

Mr. CLEAVER: You just have to weigh a balance as to whether the urgency at the moment of occupancy was strong enough to offset the loss which was obvious.

By Mr. Fleming:

Q. Mr. Murchison, in your testimony last night, you said that the inspector on the job, Mr. Methven, who had been the architect is no longer on the staff of your department?—A. That is right.

Q. You also mentioned that the Ottawa chief inspector of those days is no longer on the staff of your department?—A. No.

Q. Are there any other members of the staff of those days who had anything to do with the Sarnia project?—A. The district construction supervisor for the Toronto district.

Q. Those three?—A. And I believe a substantial number of building inspectors.

Q. Have any of those whom you have mentioned been discharged for neglect of their proper duties in connection with the Sarnia project or did they all leave of their own accord?—A. Not specifically in relation to the Sarnia project because the Sarnia project was only one where there were defects.

Q. Did they leave of their own accord?—A. They resigned.

Q. Did they leave of their own accord?—A. Well, that is what I call a resignation.

Q. Then you could answer my question with a very simple yes. They did leave of their own accord?—A. Yes.

Mr. CLEAVER: They were, perhaps, eased out.

Mr. FLEMING: His answer is yes.

By Mr. Cote:

Q. Were they invited to resign?—A. In three cases they were asked for their resignations by me.

By Mr. Fleming:

Q. What three cases?—A. The chief of the division, district construction supervisor for Ontario and the district construction supervisor for the province of British Columbia.

Q. The British Columbia man had nothing to do with the Sarnia work?—A. I know that.

Q. The other two Ontario men, the district construction superintendent at Toronto, what was the reason for inviting his resignation?—A. On account of the number of complaints and defects which arose in connection with Ontario matters in Ontario.

Q. What projects did those complaints arise from?—A. Sarnia, Windsor, I believe one in Scarboro Township; a small one at Port Hope; those are the chief ones which I can recall.

Q. You have indicated you had a number of complaints from veterans at those spots?—A. Yes.

Q. What was the nature of the complaints there?—A. Complaining about defects in the houses; complaining about matters such as drainage or the functioning of this or that septic tank.

Q. Were they complaints similar in kind to those we have heard about from Sarnia?—A. Yes.

Q. Now, those are for the second and third men you have mentioned. The first man you mentioned of the three whom you had personally invited to tender his resignation was who?—A. Chief of the construction division.

Q. At Ottawa?—A. That is right.

Q. What was the occasion of your inviting his resignation?—A. There were two reasons; the first centred on the amount of criticism which had developed by the members of the House of Commons; criticisms expressed in the Canadian press and criticisms coming from individual veterans. That was one of the first reasons. The second was that these projects as such were nearing completion. There had been no new project developments undertaken since the first of January, 1946, nor was there any indication of going ahead with any new projects of that character. Our construction operations from that date onward, so far as new houses were concerned, would relate entirely to individual units where they would be built on a firm bid by a small contractor. Consequently, the need for a chief engineer with the experience and training of the gentleman I had on my staff at head office was disappearing.

Q. Well I take it that by reason of the fact that the program did not occasion any need for a man of his qualifications, he was surplus to your staff at that stage. Is that correct?—A. Yes.

Q. Now you have indicated you had complaints from a number of these other sources similar in kind to those you received from Sarnia. When did you ask for these resignations?—A. Speaking from memory I believe it was about the end of March.

Q. Of this year?—A. Yes.

Q. Were the resignations promptly forthcoming, that is of these three men you are speaking of now?—A. Yes.

Q. Let us go back to Mr. Methven. You indicated yesterday that he was an architect by training?—A. Yes.

Q. And was the inspector of the Sarnia project, I think you said? Is that correct?—A. Yes.

Q. Do you recall his salary there?—A. \$2,400 a year.

Q. Did you take him on the staff?—A. I had no personal association.

Q. I take it you were head of the department when he was taken on the staff of the department?—A. Yes.

Q. Do you know from what previous employment you took him?—
A. According to the records before me he was in business by himself as an architect at Chatham, Ontario.

Q. At Chatham. Now when did he leave your staff?—A. August 17, 1946.

Q. And he has not been on the staff of your department now for eleven months?—A. I believe not.

Q. Do you know to what employment he went when he left your department?—A. I do not know. I have no information before me as to what he is doing.

Q. Will you check on the information that has come to me, because I think it is important that you should? I am informed that he went into the employ of Ryan Home Builders Ltd. when he left your department?—A. Is that so?

Q. Would you make a point of checking that through your local sources?—A. I do not know that I have any authority to do that.

Q. Pardon?—A. Do you think I am justified in doing that? He is not an employee of mine.

Q. Well I think the committee may be interested in knowing something more about Mr. Methven. You have people in the district who can make enquiries of that kind, have you not?—A. Yes, I think I have.

Mr. BEAUDRY: I object to that question. I think employees who have left the employ of the witness are beyond his sphere. I think Mr. Fleming should take other means to obtain the information.

Mr. CLEAVER: I think if Mr. Fleming makes the statement himself we should accept it. If you will make that statement we will accept it.

Mr. FLEMING: That is my information, and I asked Mr. Murchison if he had the opportunity of checking on the information. I asked, with his facilities, could he find the information?

Mr. WARREN: I do not think it would be of interest to us.

By Mr. Fleming:

Q. You indicated yesterday there was a total of 118 projects in Canada, Veterans' Land Act projects, involving construction or contemplated construction of 2,660 units?—A. Yes.

Q. On how many of those has the contractor completed his work?—A. I could not give it you readily in projects. I think it would be more readily available in the number of housing units.

Q. I would take an approximate figure if you could give an approximation Mr. Murchison?—A. 282 houses.

Q. The contractors have completed 282 houses?—A. 282 are not completed.

Q. 282 are not completed? That would mean, I take it, the great majority of the projects are completed?—A. Yes.

Q. Would you care to say if it would be as many as 100 out of the 118?—A. I can get you the precise information if you would care to give me time to check up on it. I do not care to guess at it.

Q. I thought you might be able to give me an approximation if you are close to completion of the objective?—A. 282 units are not yet completed by the contractor.

Mr. CLEAVER: That is a little over one per cent.

Mr. FLEMING: 10 per cent. It is actually about 11 per cent.

Mr. BEAUDRY: Would you be good enough to ask the witness to clarify. You are asking about projects under way.

Mr. FLEMING: I asked about projects not completed and he said there were 282—

The WITNESS: 282 houses.

Mr. BEAUDRY: But we are discussing projects already undertaken.

Mr. FLEMING: I will try to make it clear. I refer to his testimony last night in which he said there were 118 projects involving construction or contemplated construction of 2,660 units, and, in commenting on the construction of units by the contractor, he has indicated that they are all completed except 282 but he does not want to commit himself on the number of projects that are not completed.

Now on that information the indication is that about 89 per cent of the units are completed as far as the contractor is concerned. I should like to ask you what the total amount is which you are holding back from the contractors' prices? What is the total holdback?

Mr. CLEAVER: The contractor did not set a price; they are cost plus jobs.

Mr. FLEMING: But there is a holdback. The witness has been talking about a holdback. He talked about it this afternoon and he talked about it yesterday.

Mr. CLEAVER: But your question is a holdback on cost and these are cost plus jobs.

Mr. FLEMING: The cost is arrived at, based on the inspections. We have examples at Sarnia and a total is reached, but there is a holdback applied to the total. We had that in the statement from Mr. Murchison last night.

The CHAIRMAN: A holdback against price.

By Mr. Fleming:

Q. Yes, well that is all right. It is a holdback on the cost to the Veterans' Land Act.—A. Yes on road construction, house construction, and on all types of construction. I am informed by my chief treasury officer the sum of half a million dollars is involved in holdbacks on the contracts.

Q. What percentage is that of the total commitment?—A. I could not answer that without doing a lot of calculating.

The CHAIRMAN: What is the total? That should be readily given.

Mr. FLEMING: What is the total? You can estimate that readily enough?

The WITNESS: I cannot give the total commitment.

Mr. FLEMING: Could one of your financial advisers give it?

The WITNESS: It would take a little time to dig it up.

The CHAIRMAN: Do you mean at any point in the program you cannot say, for instance in the month of July, that we have committed ourselves to so much.

Mr. CLEAVER: I would like to make this point clear. I do not want the committee to be confused as to the 10 or 11 per cent. The houses are not finished but that does not mean there is nothing done on them. These houses represented by the 10 or 11 per cent may be 95 per cent finished. You see how confusing the percentages may be.

By Mr. Fleming:

Q. We will clear that up. Did you reply to the chairman's question? He asked if you were in a position at any given moment to indicate the commitment in the whole of Canada?—A. I am not in a position to give that here. Our district offices and our district treasury office have that information in complete form at all times.

Mr. BEAUDRY: May I suggest—

The CHAIRMAN: If you do not mind, I would like to pursue this.

By the Chairman:

Q. Each district inspector has the figure in his district on his over-all picture, but then would you not ask, like the general manager of a store, how much money you owed at the end of each month and what your commitments were at the end of each month? Would it not be within the scope of the duties of the head of a department to know exactly the position, not perhaps to the cent or to the dollar but for instance to the ten dollars?—A. That is information which I can get at any time. All our disbursements are controlled by financial encumbrances and disbursement control is exercised by the department of the treasury.

By Mr. Fleming:

Q. Well, Mr. Murchison, taking the 89 per cent that are fully completed, have you got the information here or is it in the hands of the official advisers who are present, which will enable you to say what the holdback is on these completed units?—A. I have not got that information here.

Q. You have not. Can you say what the basis of the holdback was? How was it arrived at? Was there a uniform basis applied?—A. I should say it was a rather arbitrary basis. Following the inspection, the general inspection of the project this winter, by myself, Mr. Woods, and Colonel Parrish, it was thought that action should be taken to defer any further payments to the prime contractors until the whole question of the responsibility for some of these conditions were properly clarified.

Q. Are we to understand from the time Colonel Parrish wrote his report you have not made any further payments?—A. No, I would not say that.

Q. On the completed project?—A. I would not say that.

Q. There were some?—A. There were some payments made, quite legitimately, where there was no justifiable reason for withholding.

The CHAIRMAN: You made a report at the end of 1946 of your activities for the year. Have you got one prepared at the end of March? Each department must make once a year a report as to its activities. Now at the time of the last report you had to prepare, what were the commitments for the construction of houses?

The WITNESS: I would have to consult the annual report, sir.

Mr. BEAUDRY: Mr. Chairman, may I interrupt Mr. Fleming? We had last night the figure of \$15,914,707, including total construction costs for, I would assume, the completed project, the 2,381 houses. That is out of a total of 2,600 odd something. Could you arrive at your percentage of holdback against that figure?

By Mr. Fleming:

Q. Does that figure which has just been quoted by Mr. Beaudry represent the total commitment in respect to the completed houses, completed units?—A. Yes.

Q. The \$15,000,000 odd?—A. That is right.

Q. But you have just said you could not give the committee the holdback against those completed units?—A. No, because some of our holdback relates to road construction where the contract has not yet been completed and where there is still work to be done.

Q. It looks as though we will not get the figures this afternoon.

The CHAIRMAN: Would the figure I wanted be the one that was supplied by a member of the committee as \$15,000,000 odd?

The WITNESS: I could, probably with a little delay, give you the holdbacks. All that we have is against the prime contractors who constructed these houses.

That would not apply to the entire holdback that we have because, as I have mentioned, these holdbacks also relate to road contracts where construction has not been completed.

By Mr. Beaudry:

Q. Those would not be the holdbacks proper, they would not be anything more than the progress payments?—A. That is right.

Q. That would be included in that also?—A. That is my information.

By Mr. Burton:

Q. I think what the committee wants to know is if we by either progress reports or final payments owe the contractors the sum of \$1,000,000. What I would like to know as a member of the committee is how much of that \$1,000,000 is being held back until justice has been done in respect to fulfilling the contracts?—A. I can supply you with a list of those holdbacks for the house contractors.

Mr. FLEMING: Very well, then, we will pass on from that.

By Mr. Fleming:

Q. The total available now for repairs on completed houses is how much? I think you said \$350,000 is presently available?—A. No, that is not the situation. That is the estimate as to the amount that would be required to cover the cost of repairs. There is no breakdown on that in the order in council providing the additional \$850,000.

Q. How much of the \$850,000 is available for doing repairs to those properties where the contractor did not complete building and where the holdback is not adequate to provide for full completion of repairs?

Mr. CLEAVER: And a part of that is also for price adjustments.

By Mr. Fleming:

Q. Is that included in the \$850,000?—A. That is what it is for. It is not for the completion of houses alone.

Q. You gave us a figure of \$1,000,000 in the order in council yesterday.—A. I am very sorry I have to keep going over these things; there are two orders in council, the first one, P.C. 1278 dated the 2nd of April, 1946, which established the first fund of \$1,000,000.

Mr. CLEAVER: Purely for price adjustment?

The WITNESS: For price adjustment; P.C. 1278 passed on the 16th of May, 1947, supplemented by P.C. 1811 authorizing an additional \$850,000 to be made available to the purposes of the committee.

By Mr. Fleming:

Q. And that is a total of \$1,850,000?—A. Yes.

Q. And the purpose of the second amount of \$850,000?—A. I will quote you the order in council:

2. That the final completion of all details of the various contracts has delayed the submission of final cost figures duly audited by the cost and audit division of the treasury department. In the meantime, the homes under construction on these small holdings were allocated to veterans as rapidly as they were habitable in order to ease the pressing needs of qualified veterans for housing accommodation. In allocating these holdings to veterans tentative sale prices were quoted on the basis of the best available cost figures at the time.

Q. Excuse me, Mr. Murchison, you are reading the preamble; cannot you go directly to the section which states what that \$850,000 is to be used for?—
A. To continue:

4. The director estimates that in addition to the sum of \$1,000,000 provided by P.C. 1278 an additional sum of \$850,000 is required to complete adjustments in accordance with the intent of P.C. 1278 and to provide for the cost to the director of correcting construction defects or deficiencies.

Q. Then the \$850,000 is available for taking care of whatever may be necessary to complete the building structurally; and, do I assume for repairs as well?—A. No.

Q. May I see that order? To which section are you referring?—A. Page 2.
Q. That is not what I am getting at. You have not read the operative property order at all, that is just your report which is quoted in the preamble of the order.

Mr. CLEAVER: Is not that argument? It is all in the record.

Mr. FLEMING: I want to ask a question about the amount that is available. Under the terms of the order \$850,000 is available and you estimated in your testimony of I think it was two days ago that \$350,000 would be required to repair houses.

The WITNESS: Yes.

By Mr. Fleming:

Q. Is it your thought that the \$350,000 will be adequate to take care of the repairs, out of this amount of \$850,000 provided by the second order?—
A. That was my estimate, yes.

Q. That is your understanding of the source of the \$350,000. On how many projects do you estimate that sum of money must be expended by way of repairs of units?—A. To a greater or less degree on them all.

Q. On all these completed ones?—A. Yes.

Q. And you have indicated that 89 per cent of the units are completed; do I take it that the same remark applies by and large in different parts of Canada?—A. I do not expect it will apply to these remaining 282 units because I can assure you they are being closely supervised.

Q. Exactly, we are speaking about the completed ones, we are not speaking about repairing the ones which are now under construction. We are talking about the 89 per cent completed as far as construction operations are concerned. Now, your expectation of repairs to these houses, you have indicated this will apply across Canada?—A. Yes.

Q. Fairly uniformly as between the different areas of Canada?—A. With quite wide variations.

Q. With quite wide variations; but I take it from your answer that they are to be found in all parts of Canada?—A. That is correct.

Q. The need for repair of houses that have been completed is what we are concerned with.—A. Yes.

Mr. CLEAVER: Why do you always keep going back and repeating?

Mr. FLEMING: I am not asking any of my friends for any testimony on this point, Mr. Chairman; we will all draw our own conclusions. You were asked if you would produce a statement, a breakdown of the cost as between the different figures. I think Mr. Wymbs has that.

Mr. WYMBES: That is in the course of preparation.

Mr. FLEMING: I thought you said you had it last night.

Mr. WYMBES: I had hoped to be able to get it for you.

Mr. FLEMING: I thought it was a breakdown of the Sarnia project as between labour, materials and so on?

Mr. WYMBES: Yes.

Mr. FLEMING: That is the one I wanted. You are producing now a statement of the breakdown of costs on the Sarnia project in respect to floor plans used. I suggest, Mr. Chairman, this might go on the record, but for the information of the members I can just indicate the five items in the breakdown. Can this go on the record?

The CHAIRMAN: Yes.

Mr. FLEMING:

Sarnia Project

0/2460	M & M 3
Direct labour—subcontracts	\$3,752.55
Direct material	2,325.26
Direct overhead	1,842.73
Equipment allowance	55.00
Management fee	225.00
	<hr/>
	\$8,200.54

I will just give you the totals for the others. Plan H-1A, \$7,759.36; Plan H-4, \$7,081.95; and Plan VN-3B, \$7,928.57. Then, adding adjustment for material supplied by V.L.A. brings the total to \$62,235.10.

Yesterday you gave an answer indicating that including the cost of construction and the cost of land, landscaping and so on, plus the cost of repairs, plus the cost of drainage, and so on, the final figure you arrive at is \$10,100?

Mr. WYMBES: Yes.

Mr. FLEMING: You testified to-day, or perhaps it was Colonel Wurtle, that in addition—at least I take it to be in addition—there is a Canada-wide average of \$499 in respect of what I called local improvements; was that included in the figure of \$10,100?

Mr. WYMBES: Yes.

Mr. FLEMING: Now, I asked yesterday or the day before for some additional information on the cost of roadways and so on. Have you got that available here?

Mr. WYMBES: Are you referring to the cost of roads beyond the boundaries of the project?

Mr. FLEMING: Yes, the cost of roads outside the project.

Mr. WYMBES: You asked me if there was any cost of roads in connection with the V.L.A. project beyond the boundaries of the project; in other words, do we have to construct the roads? The answer is that that is being investigated.

Mr. FLEMING: Then we will not spend any more time on that. You haven't got the cost of the roadways constructed on the project?

Mr. WYMBES: For those completed.

Mr. FLEMING: In other words, do I take it that the roadways on the project are completed, the roads that were built to service these 43 lots?

Mr. WYMBES: But they have not been paid for so I can only give you an estimated cost.

Mr. FLEMING: Are they included in the figure of \$10,100?

Mr. WYMBES: Yes, sir.

Mr. FLEMING: Can you give us the total cost of roadways for the project?

Mr. WYMS: I haven't got those figures here. I can get that for you if you wish.

Mr. FLEMING: If you haven't got them with you we will not ask for them now.

By Mr. Fleming:

Q. Now, Mr. Murchison, I take it that you are having to do repairs on many of these projects all across Canada?—A. Yes.

Q. And you said to Mr. Burton yesterday that in the light of your experience of all kinds—quality of construction, cost and so on—that Sarnia was one of the worst experiences that you had?—A. As to cost, yes.

Q. As to cost; do you qualify it by a limitation to cost; what about these problems of defective workmanship and defective construction?—A. Well, that is inclusive in the term "cost."

Q. Very well; you are saying that in respect of quality of construction and higher cost Sarnia was one of your worst experiences?—A. Yes.

Q. Can you give us some others which should share this doubtful distinction?

Mr. WARREN: I wonder if I might be permitted to ask a question here?

Mr. FLEMING: Perhaps if you would wait until I am through with my questions.

The WITNESS: We have a situation near Montreal at Boucherville which is presently before the courts, and which I cannot discuss.

By Mr. Fleming:

Q. I am not asking you to go into details. I am asking you for an enumeration of some of the others that would come within this doubtful distinction of being among your worst experiences. You mentioned Boucherville. What others?—A. One at Sackville in New Brunswick, a small project there. A small project in Braefoot on Vancouver Island.

By the Chairman:

Q. They are all among the worst?—A. Yes. I think those would be all that would be of the class of Sarnia.

By Mr. Fleming:

Q. I mentioned a couple of others yesterday. You have not mentioned them in your enumeration of the others that are the worst in your experience. Are they a little bit better in your experience? I mentioned Lulu Island in Vancouver.—A. There is no comparison at all.

Q. You think it is not in that class.—A. Not at all.

Q. What about Valleyview, Kamloops.—A. No, it is not in that class.

Q. You think it is better?—A. Yes.

Q. What about Windsor?—A. Better as to cost.

Q. Better as to cost?—A. Yes.

Q. What about your other experience.—A. We have had a good deal of criticism from veterans at Windsor of an organized type. We are fully aware of its source, of course.

Q. I am asking you about your experience with regard to the quality of construction and cost. You have said your cost experience was a little better. I am asking you about your experience with quality of construction.—A. Again it is better than it was in Sarnia.

Q. How much better? Would you say, a little better or much better?

Mr. GLADSTONE: You had better be specific.

Mr. FLEMING: I thought he might be able to give an answer.

The WITNESS: I can give it to you approximately, that it is better by approximately \$300 a house.

By Mr. Fleming:

Q. \$300 a house?—A. Yes.

Q. Does that include repairs?—A. Yes.

Q. Are you having a similar experience so far as repairs are concerned at Windsor?—A. I am speaking of Windsor.

Q. I am asking you if you are having a similar experience as regards the cost of repairs at Windsor as at Sarnia?—A. Not as high by \$300.

By the Chairman:

Q. That is on repairs?—A. Yes.

By Mr. Fleming:

Q. That is repairs, not the cost of the project?—A. No.

Q. Then I think we misunderstood you. What you are saying in effect is that the cost at Windsor was as high as at Sarnia, the cost of construction, but that on repairs whereas at Sarnia you are paying about \$760 a house for repairs at Windsor you are paying about \$460? Is that it?—A. Our cost of construction was not as high at Windsor as it was at Sarnia, and the cost of repairs, according to the best estimates I have, would be \$300 per house less than your cost at Sarnia.

Q. Are we to infer from that the cost of repairs of the Windsor houses averaged about \$460 a house?—A. Approximately.

By the Chairman:

Q. The cost of the houses was lower than at Sarnia?—A. Yes.

Q. The cost of construction?—A. Yes.

Q. Does it compare with the projects throughout Canada or is it near Sarnia?—A. It was a good average of western Ontario.

By Mr. Fleming:

Q. You mentioned Boucherville. What is the average cost of repairs per house there?—A. I am not doing any because the whole matter has been in the hands of the courts for several months.

Q. Then we will go on to Braefoot. What is your average cost of repairs?

—A. I have not got the final estimate from there yet.

Q. What about Sackville?—A. There were three units at Sackville which were quite expensive because the floors of the basements had to be relaid.

Q. Were the prices to the veterans at Braefoot readjusted?—A. It was adjusted; it was not readjusted.

Q. It was adjusted before repairs?—A. Yes.

Q. But not readjusted in the light of conditions that necessitated repairs later?—A. No.

Q. Are there any projects where you have readjusted the price in consequence of defective construction?—A. No.

Q. In no case have you adjusted the price on account of defective construction?—A. No.

Q. The only basis of adjustment was the general policy that applied regardless of construction which you testified to yesterday?—A. I do not know whether I understand your question right, but when sale prices were established by the committee set up by the order in council those sale prices have stood, and they are not being altered as a result of the cost of repairs either up or down.

Q. They are not being altered as a result of conditions discovered which have led your department to undertake repairs?—A. No.

By Mr. Warren:

Q. I should like to ask a question. I am not going to ask the witness to put his answer on record if he does not care to but in talking about the cost of the Sarnia project could it be possible that as far as labour is concerned in that particular district they might be Canada's worst as far as efficiency is concerned, and as far as the rate of pay they would demand and the results they would give for it?

Mr. BOUCHER: Anything is possible.

The CHAIRMAN: Let the witness answer.

Mr. WARREN: He does not have to answer as far as I am concerned.

The WITNESS: I do not think it would be fair for me as a public official to express that opinion about Windsor or Sarnia or any place else.

By Mr. Fleming:

Q. There is one thing that I should have asked. It relates to the last question I asked. I see in the final paragraph of Colonel Parrish's report this is his final recommendation.

"(c) that no over-all reduction in the selling prices be made but that the present policy of 'writing off' costs due to unusual conditions on a particular project be continued."

A. Yes.

Q. How do you explain that in the light of your answer to my last question?—A. Because at that time the committee authorized to deal with those matters had only dealt with some 1,500 houses throughout Canada, and that is the purport of that recommendation, that we continue to deal with the balance of them as costs became known.

Q. I can follow you on the first part of it when Colonel Parrish says, "that no over-all reduction in the selling prices be made", but what about the next part where he says, "but that the present policy of 'writing off' costs due to unusual conditions on a particular project be continued." He is not talking about any over-all adjustment policy applied right across Canada. He is very specific. He says "the present policy of writing off costs due to unusual conditions on a particular project."—A. All I can suggest is that you had better call Colonel Parrish to explain his report. I told you what the purport of it was according to my understanding, and I was travelling with him, that the policy should be followed to go ahead and deal with projects which had not yet come before the committee, but having set the prices that there be no write-off following establishment of prices.

Q. Then I take it the interpretation which you have applied to Colonel Parrish's recommendation and which you have put into effect in your administration since is the one you have just indicated, that there is to be no adjustment in price as a result of conditions in any project necessitating repairs?—A. No.

By Mr. Beaudry:

Q. Mr. Murchison, I am returning to that question of hold-backs which you discussed some time ago with Mr. Burton and Mr. Fleming. I believe you gave evidence to the effect that in the case of Ryan home builders on the Sarnia project at this date there was still a hold-back, if I recall correctly, of \$2,100. Is that correct?—A. I believe you are right. That is the approximate figure.

Q. Your procedure for effecting payments following progress reports was, I believe, from the earlier evidence, that your payments to the contractor were made only following substantiation of payment.—A. Right.

Q. By him of what he in turn asked for payment from you. So that in all cases whenever you did make a payment to a contractor following the schedule that you supplied us with some days ago, it had been ascertained either by your department or the treasury department that the contractor in turn had effected those payments for which he asked for reimbursement, or am I correct on that?—A. Or he had incurred claims for which he asked payment. They were all substantiated by proper vouchers.

Q. You required proof of payment by him or proof of debt?—A. Right.

Q. And the proper amount due in all cases was ascertained by your department or the treasury department?—A. Right.

Q. You said you were operating on a cost plus basis. Did you at any time mention what the plus percentage was?—A. The plus is \$225 a house as a supervisory fee, management fee. In other words, it is intended to take the place of a profit.

Q. In other words, on homes which represent approximately \$8,000 the profit allowed the contractor was \$225? Do I understand that to be right?—A. That is right as you put it, but this contractor had a contract to build not 8 houses but 8 at Sarnia, 100 at Windsor and 20 at Chatham, and his fee in all cases was \$225 per house.

Q. In so far as Sarnia is concerned, however, his profit for building these 8 houses was \$1,800 at the rate of \$225 per house? Do I understand that correctly?—A. That is right.

Q. On which I assume he added as a profit to himself the cost of rental of his equipment valued at \$55 for the purposes of this contract?—A. Yes.

Q. Was there any other profit to be made by him on direct labour, on direct materials or on direct overhead?—A. No, not to my knowledge.

Mr. FLEMING: I do not think you are quite right about the equipment. That is not the whole charge for equipment.

Mr. BEAUDRY: It is not? Where does that charge come in?

At this point the committee took a short recess.

On resuming:

The CHAIRMAN: I think we can get along now and finish part of the evidence.

By Mr. Beaudry:

Q. I will assume, so you will correct me if my assumption is wrong, from previous evidence that the final request for payment was made by the contractor at the date of the final progress report. Am I correct in that?—A. Yes.

Q. Which would be some time last November?—A. Yes.

Q. You are now withholding the sum of \$2,100?—A. Yes.

Q. You have been withholding that for approximately ten months?—A. Yes.

Q. That sum represents all at least if not more than what is the contractual profit of the contractor?—A. That is right.

The CHAIRMAN: Any further questions?

By Mr. Burton:

Q. Just one minute; Mr. Beaudry has placed on the record something which I do not think was fully answered. The sum of \$225 per unit is the contractor's profit and the sum of \$2,100 being more than that, I do not think the question was fully answered. Different statements filed by Mr. Murchison contain items which show that the contractor received more than \$225. Would you mind looking over those statements until you get the contract which shows the labour, material and there is another item in there which I forget.

The CHAIRMAN: There was direct labour, \$3,752.55; direct material, \$1,325.25; overhead, \$1,842.73; equipment allowance, \$55 and management fee \$225. The total was \$8,200.54.

By Mr. Burton:

Q. Would Mr. Murchison please explain those items which go into the overhead?—A. I think there was a statement filed that described those items.

The CHAIRMAN: He wants to know what the overhead is.

Mr. BEAUDRY: There was a statement filed which included supervising, houses on the project for housing these guardians or inspectors and so on.

The WITNESS: If I could read from the terms of the contract itself—

The CHAIRMAN: I doubt if we should go into that again.

By Mr. Burton:

Q. I just wanted to have the committee remember that the \$225 does not represent all the contractor was in a position to get from the contract on the houses?—A. No, I filed this statement document No. 9; a summary of indirect labour, material and expenses. It included such items as, indirect labour, indirect materials and expenses and payroll charges. That statement was filed with the committee.

The CHAIRMAN: Even though this is filed, a very few people have a chance to see it. It lies in the secretary's room and therefore people ask you questions concerning it.

Mr. BURTON: Would you read the details.

The WITNESS: Superintendence, including supervision from Windsor, \$3,079.36.

Mr. FLEMING: Perhaps I can assist Mr. Beaudry. We had all that. We had an average figure.

Mr. BEAUDRY: We had it I know, and I did not request this.

Mr. BURTON: The reason I brought this up was because of a statement Mr. Murchison made when he answered a question of Mr. Beaudry's to the effect that the sum of \$2,100 was in excess of the contractor's profits on the construction of the houses. Mr. Chairman, I contend by pointing to that one item alone it shows there was more received by the contractor in profit than just \$225.

The CHAIRMAN: Yes, but his overhead may not be profit. We should like to get a break down to show what it is.

Mr. BURTON: If the committee wishes to go into the details, all right. For my part, I am not concerned with it except that if Mr. Beaudry insists on having Mr. Murchison's answer to him stand, then I want to go into it.

Mr. CLEAVER: I do not think you will find a dollar of profit to the contractor in overhead.

Mr. BURTON: I would not be prepared to argue the details unless we are prepared to go into them thoroughly. I would ask Mr. Murchison this question. You have an item for labour in the contract?

The WITNESS: Yes.

The CHAIRMAN: Labour is \$3,752.55.

By Mr. Burton:

Q. In connection with that item, does not the contract entered into by the department with Ryan Home Builders Company give the company an opportunity of having a certain percentage of the labour cost?—A. No.

Q. You mean to tell me, Mr. Murchison, that every cent listed there was actually paid to labour for labour?—A. That is my understanding. Even the payrolls were audited and every payroll was signed by every employee acknowledging payment of the money listed in the payroll.

Mr. CLEAVER: I am very glad that this point was brought up. There is not a dollar of profit there.

Mr. BURTON: I am very glad to have it cleared up. Would that apply to material as well?

The WITNESS: That would apply to the material.

By Mr. Burton:

Q. Would the contractor be in a position where he would also be the supplier of the material?—A. In connection with this contract I filed with the committee two supplementary contracts, one of which approved the supplying of certain materials by a subsidiary company. That contract provided that the cost chargeable would be wholesale prices authorized by the Wartime Prices and Trade Board plus a mark-up of 10 per cent.

Q. Would you mind, without going into the details, run over the overhead? What did the overhead consist of?—A. Superintendence, clerical, watchmen, water boys, checkers, field foremen, temporary buildings, handling material, trucking, temporary roads—

Q. Trucking by whom?—A. By the contractor; gasoline and oil, temporary buildings, temporary water, temporary power, temporary heating, telephone and telegraph charges, trucking and plant rental other than for house allowance, building permits, carloads, postage, sundry supplies and expenses, travelling expenses. If I could just refer for a second to the contract, this is clearly covered by the terms of the contract as well.

Q. That is right. Then, in addition to that you have the sum of \$55 a year for equipment?—A. Yes. Then there is unemployment insurance, vacation pay, W.C.B. assessment, that is Workmen's Compensation Board assessment and insurance. There is a discount of \$15.60 which I believe was a discount on the payment of the electric light bill or something like that. This totals \$13,889.77 which produced the average of \$1,736.22 and that agrees with the sessional paper to which Mr. Fleming referred.

The CHAIRMAN: Now, is the period of questioning over? We can excuse the witness and say that we thank him.

Mr. BURTON: I should appreciate it, Mr. Chairman, if you allowed me to say a few words before the witness retires. I may say that before I came to Ottawa to represent the constituency of Humboldt, I had heard of Mr. Murchison. Some of the stories I heard led me to believe he was a tough customer and others again that he was not quite so tough. I do want to say that, after having the pleasure of knowing the man and having him with us during these past days, I wish to move a vote of thanks to Mr. Murchison; also to Mr. Wymbs and Mr. Wurtle for the courteous manner in which they tried to answer our questions.

The CHAIRMAN: I think the motion carries unanimously.

The WITNESS: May I make one correction? A few moments ago, I referred to this general contract including 20 units at Chatham. That was an error on my part as there are 18 at Chatham.

Mr. FLEMING: Could we take up the question of procedure now?

The CHAIRMAN: Yes.

Mr. FLEMING: There is on the agenda from last night my motion with respect to calling two witnesses from Windsor. There has been some expression on that, Mr. Chairman, and I do not propose to argue the question any further. We have our minds made up on it, Mr. Chairman.

I should like to introduce this question—

The CHAIRMAN: Are there any comments on the proposal? I will read Mr. Fleming's motion.

Moved by Mr. Fleming that the committee summon two witnesses from the Roseland project at Windsor for Monday, next. Any comments?

Mr. WARREN: If there are any comments, I oppose that and I will tell you why. We have a very solid background of communism in this country and this proposal is just—

The CHAIRMAN: We cannot impute motives to any other member. Let us discuss the proposal itself.

Mr. WARREN: Anyhow, what is the object? To get around the veterans and find out the dissatisfied ones. If they are content, create discontent. That is what is happening in this committee. Mr. Murphy finds a spot where he can, if discontent did not exist—

Mr. MURPHY: I object to that.

The CHAIRMAN: We cannot impute motives to any members. That is a rule for everybody and I apply it to others. I would not allow them to say anything against you, either.

Mr. WARREN: In that case, it is just a proposal for the creation of discontent among our war veterans who are getting the best deal that any individual country has given the veterans of this war. We had a witness here the other day, Mr. Cleave. Mr. Cleave, I presume, performed his duty as a veteran, if you call it that, but not an overseas veteran. He never served outside Canada. My boy served five years flying fighters.

Mr. COTE: Mr. Warren, would you allow me to say a word? You may continue your remarks after that. You may have been away at the last stage of the meeting yesterday when the motion was argued. If my recollection is correct, I think we have concluded our argument on the merits of the motion and we practically agreed that we should vote on it today without arguing any further on it. I do not want to curtail your remarks.

Mr. WARREN: I think we ought not to extend this dissension. Our war veterans have been very well treated. I am absolutely opposed to it. If there is a house wrong and any individual member thinks there is a crack in the wall or a draft under the door, send Mr. Murphy—

Mr. MURPHY: I object to that.

The CHAIRMAN: No comments on the members, please.

Mr. BEAUDRY: May I interject for a moment? This matter was brought before the committee with a definite purpose of obtaining redress for the veterans. I respectfully submit unless we try to implement all the work we have done so far by something concrete which would be a report, unless we are in a position to present a report to the House within a very few days, perhaps hours, we will have practically wasted our time. If we go on to call further witnesses from Windsor, I assume the other members of the committee will choose to call witnesses from other sections of the country. We will not be in a position to implement any findings we have made within the last two or three weeks.

The CHAIRMAN: Gentlemen, those in favour?

Mr. CLEAVER: I should like to move an amendment to that if I may. My amendment is this; that the committee now proceed to prepare its report in as much as there is not time to call further witnesses and to present a proper report to this session of the House.

The CHAIRMAN: Just a moment, the clerk will have to put it in writing for me.

Mr. FLEMING: If Mr. Cleaver will permit me, I do not think that is a proper amendment to this particular motion. I think we should dispose of this motion and then go on.

The CHAIRMAN: It is in order because it just qualifies the previous three lines. It does not change them. It just adds to them.

Mr. BURTON: If you will allow me to speak on the amendment which is before the committee, I may say while I do not question Mr. Cleaver's right to move this amendment, it is a departure from the procedure that had been followed by this committee in the reports which have been brought in. After a certain phase of the work has been done by the committee, the steering committee endeavoured to draft a report and then presented it to the committee. I submit, Mr. Chairman, that although I am rather hesitant about speaking, being a member of the steering committee myself, the steering committee followed that practice.

Mr. CLEAVER: I am quite content in your suggestion that the committee proceed to prepare its report. I am quite willing to add the words "according to our established practice".

Mr. BURTON: Well you admit your amendment was not completely new.

Mr. CLEAVER: I am in accord with that suggestion.

Mr. BURTON: Well in so far as the rest of it is concerned I feel most of the members of the committee find themselves in a difficult position. First of all, as has been mentioned on more than one occasion to-day and yesterday, prorogation is coming near and most of the members are anxious to get on their way. On the other hand we have before us some very important business in this committee and I, for one, not wishing to impute any motives to anyone, feel that every member of this committee is desirous of doing a thorough job. I feel that if some further investigation is necessary or considered desirable by the members of this committee there should be an opportunity given for it. In saying that I wish to take strong exception to what has been said a little while ago by Mr. Warren, that anyone supporting this idea was lending himself to causing discontent and fomenting discontent among the veterans. I contend, Mr. Chairman, that the best way to avoid discontent, and situations of that kind, is that where there are complaints they should be given a reasonable hearing and reasonable steps should be taken to make an adjustment or to see that redress is made possible. For that reason, Mr. Chairman, and I notice you are getting a little nervous—

The CHAIRMAN: I want to proceed.

Mr. BURTON: For those reasons I want to say I am prepared to vote in favour of the motion and to vote against the amendment.

The CHAIRMAN: I think we ought to understand from this moment, after I put this amendment and the motion, the time has come for the committee to discuss what should go in its report. From that moment, the committee of course, as is the practice when the committee discusses its report, goes into camera.

Mr. FLEMING: I have another motion.

The CHAIRMAN: Your motion concerns the report. The moment we finish we shall decide whether we will deal with the Windsor project or not. We will vote first on the amendment and then on the motion and after that, my ruling is that the committee goes into camera for whatever other work there is because we have finished the evidence here.

Mr. FLEMING: Excuse me, Mr. Chairman, my motion is not to be made in camera is it?

The CHAIRMAN: Well then I would have to see it in advance before it is given to the committee because we have finished a stage of proceedings. The

questioning and the evidence is finished. We are now entering on part of our report where we have to deal with the report itself. It is a rule of committees when that moment comes they go into camera.

Mr. FLEMING: I will just tell the committee what it is.

The CHAIRMAN: I object to that, as chairman, because I have made a ruling that we are going into camera after this vote. If there is to be any motion I, as chairman, should have it to decide whether or not it shall go before the whole committee.

Mr. FLEMING: All I am asking is that you do not rule in advance, now, and that we not go into camera immediately after these two motions are disposed. Will you let me put my motion and then you can rule?

The CHAIRMAN: Just a moment, I have this in mind. The moment the evidence is finished and the witnesses are gone the meeting goes into camera.

Mr. FLEMING: No, no.

The CHAIRMAN: That is my ruling and I will ask whether the members of the committee approve.

Mr. FLEMING: You mean that we are to exclude the reporter before we vote on these motions?

The CHAIRMAN: I say that we will vote on these two motions and then we will go into camera because the evidence is finished. We are starting our work in reviewing the evidence, to prepare a report, and then will be the moment to receive any motions that should go in the report.

Mr. COTE: That is unless the main motion is carried.

The CHAIRMAN: Yes, if the main motion is carried we have more witnesses to come but, my ruling is made and Mr. Fleming appeals from my ruling.

Mr. FLEMING: No, no.

Mr. MURPHY: Then may I move an amendment to the amendment?

The CHAIRMAN: Are there amendments to amendments?

Mr. MURPHY: That the steering committee be instructed to submit to the committee, as soon as possible, a draft report on the present enquiry and to include therein a recommendation that a royal commission be appointed to investigate all aspects of the administration under the Veterans' Land Act.

The CHAIRMAN: That is a motion that does not go in at this moment at all. We have finished our work. That is an attempt to get around the difficulty I knew was coming but I have ruled that the evidence is finished. Now, if this amendment does not carry, and if the motion carries about Windsor, the evidence part of our work is not finished and it starts all over again.

I will put the question in the meantime.

Mr. COTE: Do I understand that the sub-amendment is out of order?

The CHAIRMAN: The sub-amendment is out of order.

Mr. FLEMING: On what grounds?

The CHAIRMAN: On the ground that it comes at a moment when it is not appropriate. It does not come at the right moment but it will be all right, when the committee is in camera, to make that proposal. It will be studied by the committee, by the steering committee, and the steering committee will then report on it and we can vote for or against it in the main committee.

Mr. FLEMING: I just want to make this one point. I do not want to misunderstand your ruling. Mr. Cleaver's motion is that a report be drafted.

Mr. CLEAVER: The said amendment is an indication to the committee as to what part of our report should be.

Mr. FLEMING: I just want to make two comments because we do not want to spend too much time on this and we want to get it disposed of. There are

two grounds on which I submit Mr. Murphy's sub-amendment is in order; the first one is that it is in *peri materia* in sum and substance exactly; the second thing is this, that a similar motion exactly on all fours with this one was passed some meetings ago in connection with instructions by the committee to the steering committee when preparing its report on the administration of the property of Japanese.

The CHAIRMAN: That does not create a precedent at all.

Mr. COTE: If I might just interject a word, and the amendment to the amendment suggests that this committee should instruct the steering committee to act in a certain way, to make a certain recommendation in its final report. Any motion in committee here is debatable. If we were to go on and discuss the sub-amendment moved by Mr. Murphy we would open the door wide to a discussion of recommendations by this committee and at this stage that, I submit, would be irregular, because a committee always discusses recommendations in camera. That is the second stage of our work which comes after the taking of evidence is completed.

The CHAIRMAN: Now, on the sub-amendment presented by Mr. Murphy, as I see it, it is out of order for these reasons: first, it assumes that the amendment is carried and on that ground it would be untimely. Second, it is in itself a direction to the subcommittee as to what it should include in its report, and as Mr. Cote has pointed out that is a matter which has to be dealt with when we are in camera discussing our report.

Some Hon. MEMBERS: Question.

The CHAIRMAN: I will read the motion and the amendment.

The question is on the amendment.

Amendment carried.

Motion as amended carried.

I declare the amendment carried and the committee will proceed in camera.

At 6.10 o'clock p.m. the Committee adjourned until 8 o'clock p.m. this day.