

Please return to Mr. F.G. Shears, Director,
Office of the Custodian,
506 Royal Bank Building.

SESSION 1947
HOUSE OF COMMONS

STANDING COMMITTEE
ON
PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

TUESDAY, MAY 20, 1947

WITNESSES:

Mr. Gordon Murchison, Director, Soldier Settlement and Veterans' Land Act;
Dr. E. H. Coleman, C.M.G., K.C., Deputy Custodian of Enemy Property;
Mr. F. G. Shears, Director Vancouver Office, and Mr. K. W. Wright, Counsel.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1947

MINUTES OF PROCEEDINGS

TUESDAY, May 20, 1947.

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

Members present: Messrs. Beaudry, Burton, Cleaver, Cockeram, Cote (Verdun), Cloutier, Cruickshank, Dechene, Diefenbaker, Fleming, Fournier (Maisonneuve-Rosemont), Gladstone, Golding, Homuth, Isnor, Jaenicke, Johnston, Kirk, Marshall, Rinfret, Smith (Calgary West), Stewart (Winnipeg North), Stuart (Charlotte), Thatcher.

In attendance: Mr. Gordon Murchison, Director, Soldier Settlement and Veterans' Land Act; Dr. E. H. Coleman, C.M.G., K.C., Custodian of Enemy Property; Mr. F. G. Shears, Director, Vancouver Office of the Custodian, and Mr. K. W. Wright, Counsel.

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

It was agreed:

1. That the next meeting of the Committee be called for today at 11.30 a.m.
2. That Mr. Gordon Murchison, Director, Soldier Settlement and Veterans' Land Act, be heard today in connection with the purchase of properties in the Fraser Valley from the Custodian of Enemy Property, and their resale to veterans under the provisions of The Veterans' Land Act.
3. That should an application to appear before the Committee be received from the Co-Operative Committee on Japanese Canadians a convenient date be arranged for their hearing.
4. That the Steering Committee recommend that no invitations to appear before the Committee be extended to representative organizations or persons until applications have been received and considered by the Steering Committee.

On motion of Mr. Burton, the third report of the steering committee was concurred in.

The Committee resumed its investigation into the administration of the Vancouver office of the Custodian.

Mr. Shears filed a copy of the minutes of the Advisory Committee to the Custodian together with a copy of the correspondence exchanged between the Advisory Committee, the Custodian and the Director, Soldier Settlement and Veterans' Land Act, respecting the sale of 741 parcels of land.

Mr. Shears informed the Committee that certain typical individual files had been furnished the clerk of the Committee and were available to any member thereof for inspection.

Mr. Murchison was called, heard and questioned.

At 1 o'clock p.m. the Committee adjourned until Thursday, May 22, at 11.30 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
May 20, 1947.

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

The VICE-CHAIRMAN: Gentlemen, would you be good enough to come to order now, please. The first order of business is the report from the steering committee, unless Mr. Burton wishes to make his correction now.

Mr. BURTON: Mr. Chairman, as a member of the steering committee I wish to draw your attention to an error in the report of the last meeting of this committee. On page 148 where the acting chairman said "I am told that the members of the steering committee who received copies of the report were: Mr. Burton, Mr. Fleming, Mr. Gibson, Mr. Marshall and Mr. Stewart." I wish to draw the attention of the committee to the fact that the Mr. Stewart should be Mr. Stuart, the member for Charlotte not Mr. Stewart, the member for Winnipeg.

Mr. FLEMING: Mr. Chairman, there is one other error in the minutes at page 118. It is in connection with the question I asked of Mr. Shears, I am quoting his reference to the list of 17 properties on which spot valuations had been taken by the custodian's office in Vancouver, or at least the advisory committee. "I see of the 17 properties the offer in the case of 15 is higher than the appraisal and lower in only two cases". It is quite clear from what follows, Mr. Chairman, there are two errors. It should read "I see of the 17 properties the valuations by the custodian and the advisory committee in the case of 15 is higher than the appraisal of the Soldiers' Settlement Board and lower in only two cases".

The VICE-CHAIRMAN: Thank you Mr. Fleming. Now Mr. Burgess, would you be good enough to read the report of the steering committee.
(See minutes of proceedings).

The VICE-CHAIRMAN: You have heard the reading of the report of the steering committee of the standing committee on Public Accounts, what is your pleasure?

Mr. CRUICKSHANK: Is it George Murchison or Gordon Murchison?

The VICE-CHAIRMAN: I think it would be Gordon. With that correction it is in order to move the adoption of the report.

Mr. BURTON: I would move the adoption of the report.

Mr. GOLDING: I second it.

The VICE-CHAIRMAN: The report is moved by Mr. Burton and seconded by Mr. Golding and is presented for approval.

Carried.

Mr. CRUICKSHANK: I would like to make a correction on the record before we start. It is a very minor one but on page 103 of the minutes I am reported as having said "Last year, we paid berry-pickers in the province of British Columbia as much as we received for the berries in the previous year". It should be "years".

The VICE-CHAIRMAN: Thank you Mr. Cruickshank. Gentlemen, before we call on Mr. Murchison, I wish to inform you that Mr. Shears has tabled certain minutes and correspondence as requested in the meeting of May 12. The correspondence will be available and obtainable in the clerks office at any future time. There is also a considerable number of files regarding individual cases. After Mr. Shears had consulted with the clerk and myself, I felt that I should have him place these before us and I was going to suggest to you that these be placed in the custody of the clerk for a period of a couple of weeks and they will be available for any member who might wish to look them over. They are all individual cases which have been dealt with and are now closed. Would you care to make any further statement in connection with them Mr. Shears?

Mr. SHEARS: Mr. Chairman, if I might have just a minute or two before dealing with those files. The matter of assessment has been mentioned on several occasions to this committee. A committee member disagreed with my statement in which I said there is an assessed valuation and a valuation for taxation purposes. I have had that checked up both in the municipalities of greater Vancouver and in Vancouver and I really find my statement is correct. The assessment figure in every case covers the full value of the property at which the real estate and improvements is valued by the assessor. Then, for taxation purposes, the full value of the land is taken and then a percentage, usually 50 per cent, is deducted. In that connection it simply amounts to a higher percentage as far as the mill rate is concerned. I would like to have it on the record that any time I have mentioned figures that the assessment, from the assessor's point of view, covers the full value of the property. There is just one other thing. I was asked if other assets were being administered in the Vancouver office, exclusive of the property of evacuees, and I said there were such assets being administered. I mentioned that there were some assets in the hands of liquidators but I find that I did not mention the amount to the credit of the enemy accounts in Vancouver. For the record these are the approximate figures for all assets now on hand. We are holding presently a credit to evacuee accounts of \$820,000; we hold bonds for evacuees of \$250,000; we have a credit to enemy accounts of \$1,150,000; we have bonds belonging to enemies of \$320,000; cash in the hands of liquidators amounts to \$250,000; bonds in the hands of liquidators amounts to \$560,000; outstanding payments not yet due on the sale of timber limits \$300,000; making an over-all total of \$3,650,000.

Then making reference to the files which are on the table before me I shall explain that I was asked to secure these various files from the Vancouver office in case members of the committee might like to see them and to see how the records are kept. There are files in connection with eight Japanese covering areas in Vancouver, New Westminster, Coquitlam, and Port Alberni. There is a file dealing with fishing vessels and a file dealing with chattels. In this particular case this is a file of one Japanese. It is in seven sections. I admit it is large but we have hundreds of files where the individual Japanese correspondence and the taking care of his affairs has needed files of that size. Files of that nature are quite average. Then, of course, there are a few which are relatively small, where the assets of the Japanese were not of very much consequence, that is in amount. Just for your information I would like to say this. These files where real estate is concerned have a section at the back in which the documents relative to real property are kept. For example there is the search of title, the search of the encumbrances, and the rental agreements. There is a statement regarding taxation, the sale, and all the documents relative thereto. They are all filed together in that particular section of the file. Then I would like also to mention that in the front of the file we have what we call

brief summaries of the complete file, using, as a matter of fact, different colours of paper. The white one is really a paper summary. It just gives a brief history of what will be found in the file relative to the administration of the property. That is to say it includes information as to how it was sold, to whom it was sold, and the basis of the sale, and what happens to the funds. Then there is another colour where we deal with fire insurance, and the question of liability. This file reveals no claim against the Japanese in this particular case. There is what is called the personal summary in the file which covers life insurance, accounts receivable and any shares and so on which he may have held. The yellow sheet is the chattel summary, which indicates the chattels that were left in the district, how they were handled and how they were disposed of finally. I thought I would just mention that so that if you were looking at these files the first thing would be to look at the summary at the top of the file. I may say that in some cases you will find that it states the Japanese has acknowledged receipt of the money that has been sent to him and in fact in quite a few cases the Japanese have expressed entire satisfaction with what the custodian has done on their behalf. I will admit that is not always so but there are quite a number of cases where the Japanese have expressed definitely their satisfaction in regard to the handling of their affairs. These files came to me and were immediately sent over to Mr. Burgess. I have not gone any further than just to look at them and to see the summaries on the top. I have not studied the files at all and so they come to me just as they will come to you as typical files which are in use in the Vancouver office.

Thank you, Mr. Chairman.

The VICE-CHAIRMAN: Thank you, Mr. Shears. Perhaps, gentlemen, I should explain these files are here today because of an inquiry made by members of the steering committee so that they would be available for study if required. Now is it your wish gentlemen to hear Mr. Murchison now?

Mr. FLEMING: Just before we go on to that, I take it Mr. Shears is going to be available for further questioning after we have heard from the Department of Veterans Affairs.

The VICE-CHAIRMAN: Yes, as Doctor Coleman stated at a recent meeting he will be available until the whole matter is cleared up.

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

The WITNESS: Mr. Chairman, and gentlemen, I find myself in a room this morning with which I am fairly familiar, although I see some newer faces around the table. I have many happy recollections of meetings which I attended before parliamentary committees in this room and I am happy indeed this morning, Mr. Chairman, to have this opportunity of appearing before your committee. I hope that I may be able to clear up any doubts that may be in your minds as to the manner in which the responsibilities and the duties of the department which I have the honour to head were carried out with respect to Japanese property. In a matter of this importance, sir, I have felt it desirable that I prepare a statement for presentation here this morning which I think will give the committee a good idea of the main background upon which the activities were undertaken, together with an outline of the activities as they proceeded. I will, therefore, with your permission, Mr. Chairman, present this statement to you.

I do not know what other witnesses said to this Committee, because I was not present during their testimony nor have I had the time to read the records of your proceedings.

For these reasons it may be that some of the things I say will be largely a repetition of things you have already heard. But in order to present a cohesive outline of my association with the appraisal, the purchase and resale of lands formerly owned by people of the Japanese race, it is necessary for me to outline the background upon which these activities were undertaken.

At the time I was asked and empowered to take an inventory and carry out an appraisal of these Japanese lands, the coastal areas of B.C. were in a position of some peril. All over the world the war was going extremely well for our enemies.

In the Spring of 1942 there was considerable anxiety as a result of reports of Japanese activity in the North Pacific. Lieutenant-General K. Stuart, Chief of the General Staff, went to the Pacific coast and himself assumed the duties of General Officer Commanding-in-Chief Pacific Command.

The Japanese invaded the Aleutian Islands in June 1942, opening the offensive with air attacks on the American base at Dutch Harbour on 3rd and 4th June. They landed troops on the Islands of Kiska and Attu on 7th June and proceeded to set up defences and establishments there.

On 20th June shells fell on Canadian soil when an enemy submarine fired at the wireless station and light at Estevan Point, Vancouver Island. This naturally caused much anxiety on the west coast. In September Major-General G. R. Pearkes, V.C., formerly Commander of the 1st Canadian Division, returned from England and took over the appointment of G.O.C.-in-C. Pacific Command, relieving General Stuart.

During this period of danger units of the R.C.A.F. were sent forward to reinforce Alaska and took part in the air offensive which the United States air forces conducted against the Japanese in the Aleutians.

The threat to the Pacific coast was removed when United States forces recaptured Attu, after fierce fighting (May, 1943), and when a combined United States-Canadian expedition arrived at Kiska to find that the Japanese had evacuated the island (15th August, 1943).

These conditions did not impress me or responsible members of my staff that the spring months of 1942 was the time to take an optimistic view of the value of Pacific coastal real estate, Japanese or otherwise. I venture to say there was no man living who could accurately forecast how long the war would last nor what the precise outcome would be.

If I recall correctly approximately ten months elapsed between the time the decision was made to evacuate the Japanese people from the defence area—and the time the actual evacuation was completed.

I have some recollection of the difficulty in finding or providing housing for these people in other parts of Canada. In the meantime it became known that Japanese land owners—in the certain knowledge they would be obliged to leave the defence area, were making emergency rentals of their properties. Having regard to the uncertainty as to how long the war would last—and to the specialized type of agriculture for which these lands were being used by their owners—it appeared a practical certainty that future trouble was in the making if rental agreements or term sale agreements negotiated by the Japanese were not brought under control by competent authority. I might mention here that the British Columbia Security Commission lacked the authority to deal with this aspect, and the official custodian was not empowered to deal with the land until the owner had been actually evacuated.

I think this committee will have a better appreciation of some of the problems involved when I tell you that these Japanese farm properties averaged a little less than 14 acres in size and with an average of slightly more than 5

acres under cultivation. There were greenhouses with an aggregate of 450,216 square feet of glass, used mainly in the production of tomatoes and cucumbers. There were poultry houses sufficient to accommodate 190,000 birds. There was a total of approximately 1,850 acres used for the production of small fruits, rhubarb, asparagus and hops—fully 50 per cent of this acreage was in strawberry plantations. Agriculture of this type requires a great deal of hand labour and patience, which is characteristic of the Asiatic people. But in their absence—it seemed highly problematic that there would be sufficient labour available to maintain such properties—and particularly because of the attractive rates of pay for labour required in war industry.

So here was another factor which indicated that caution was needed in appraising these properties.

Added to this was the fact that there was an annual municipal tax bill of approximately \$40,000 to be paid regardless of who operated or occupied these lands and regardless of whatever revenue might be derived from rentals.

The appraisal of real estate is not an exact science. It is at best an expression of opinion based on factors which create or diminish dollar values. We did not appraise these properties from the standpoint of their potential speculative real estate value—or of their speculative value for sale during the war to persons in Canada who were participating in the financial prosperity produced by a state of war. We appraised them as the accredited agents of the Dominion Government to determine what in our judgment was the value of these properties, having regard to the hazards and uncertainties which existed in the early months of 1942. I submit that the appraisal made of these lands placed the Dominion Government in possession of a safe index upon which to determine the equity of the Japanese owners when they were evacuated. It provided a sound reflection of the problems that would inevitably be encountered if the lands were held under administration for an indefinite period and it provided an index to the compensation that might be paid to these people if a programme of liquidation were decided upon and sales made at prices less than appraised values.

The appraisal work actually commenced on May 4, 1942, and by the end of August 1942 the work had been practically completed. By that time 939 of these properties had been examined, with an aggregate appraisal of \$1,059,419.

At this point I should like to make it clear—if this has not already been done by previous witnesses—that order in council P.C. 5523 of June 29, 1942, authorized the Director of Soldier Settlement to make this appraisal and also empowered the Director "to refuse to approve or approve either unconditionally or subject to such terms or conditions as to him seem fair and reasonable, the purchase, sale, lease or other acquisition or disposition, or any agreement therefor, of any agricultural land in a protected area of British Columbia owned by any person of the Japanese race or by any Japanese Company".

I think it is proper for me to say that the Dominion Government considered such control advisable to guard against private individuals or Japs trafficking in these properties and to enable the appraisal agency to carry out its work in an orderly fashion.

As an illustration of the need of control of this land I mention a situation which existed in the area surrounding Mission City. Here it was found that some 224 Japanese farmers were members of a co-operative marketing and shipping agency. The majority of the share capital of this co-operative was owned by these Japanese farmers, and under the terms of their membership there was a clause by which they were bound to deliver their total product to the co-operative or expose themselves to rather severe penalties. It appeared that immediately following decision by the Dominion Government to evacuate the Japanese, the management of this co-operative (which for all practical purposes centred in a certain white man, since deceased) by arrangement with

the Jap shareholders—took immediate action to rent Japanese farms to white people under terms which, to say the least, were somewhat novel. The arrangement was that the co-operative borrowed funds from the local bank and after arriving at the rental consideration in each case the Jap owner was paid one-half of the rental consideration in cash and given a post-dated cheque for the balance. In turn the tenants gave the co-operative promissory notes for the total amount and these notes were in turn endorsed by the Jap owners. The rental agreements contained a clause obligating the tenant to deliver *all* his 1942 and 1943 product to the co-operative. Because of the inexperience of some of these tenants—or because of some misrepresentation or misunderstanding as to the actual acreages in production crops—or because of unfortunate climatic conditions which occurred during the crucial growing and marketing period, considerable dissatisfaction resulted among the tenants. So far as I am aware the Bank and the co-operative came out of the deal in good order due to the careful administration of the Custodian. But the tenants did not fare so well.

It was administrative problems of this character which doubtless had some bearing on the Government's decision to proceed with a general programme of liquidation of Jap assets including these farm properties. This decision was embodied in P.C. 469 of January 19, 1943, and I wish to emphasize that the first operative clause of that order in council revoked the authorities which had, up to that time, vested certain powers in the Director of Soldier Settlement. There were obvious reasons why these powers should be withdrawn, namely, that if the Director of Soldier Settlement and the Director the Veterans' Land Act (who were one and the same person) was to take any official interest in the purchase of any of these lands for the purposes of the Veterans' Land Act, he could not very well occupy the position of both judge and jury.

Another point which I wish to emphasize to this Committee is that when the Director of Soldier Settlement was instructed in April of 1942 to proceed with the appraisal of these lands there was no Veterans' Land Act on the statute books of Canada. It was enacted as of August 1, 1942, but there was no Director appointed until November 25, 1942. It would be preposterous to assume relationship between the appointment of a Director to administer an Act which would have effect all over Canada—and the liquidation of Japanese lands.

I am not so naive, however, as to suggest to this Committee that the Director the Veterans' Land Act was not in a good strategic position from the standpoint of acquiring some of these lands for Veterans' Land Act purposes.

From this point on my position and activities can be stated very simply. Examination was made of the inspection reports of 1942. We disregarded those we deemed to be quite unsuitable or beyond the scope of the Veterans' Land Act, such as greenhouses or other types of property which were of considerable value and involving a lot of administrative difficulty. Our selection narrowed down to 768 parcels, which carried our valuation of \$867,021. We included a few which we might just as well have eliminated but there was the minimum or no improvements on them. I make no apologies for offering the custodian \$750,000, or \$117,021 less than the appraised value. I did not know how long the Veterans' Land Act would have to hold them or what the overall future problems would be. The custodian on the advice of his advisory committee, declined to accept this offer and in June 1943, I made a final offer of \$850,000 which was accepted. When it came to taking title from the custodian it was found that some 41 properties had to be dropped from the deal for various reasons, such as the Jap owner having died and his affairs being administered by the official administrator. In some cases title difficulties were encountered or in others the encumbrances were in excess of the purchase price. I understand these properties were subsequently sold by the custodian elsewhere. It

was one of the conditions of my offer of \$850,000 in June, 1943, that this price would include rentals collected by the custodian for the year 1943. These collections amounted to approximately \$41,800. Payment of this sum to the director was asked for because the director the Veterans' Land Act assumed liability for municipal taxes from January 1, 1943, and the taxes for that year were reported to be approximately \$40,000.

It subsequently developed—November, 1943—that we purchased from the custodian an additional 12 parcels on the mainland and 33 on Vancouver Island and other gulf islands. The price paid for these additional properties was \$45,812. Our appraised value was \$46,747.

It required quite a period of time to obtain title in fee simple for each parcel of land, and payments to the custodian were made only as registerable titles were secured. This was spread over a period of approximately nine months. It was firm administrative policy—approved by my minister—that these Jap lands should be withheld from sale to veterans until men who were serving overseas had a chance to get home and have an opportunity to buy them.

There were practically no veterans established under the Veterans' Land Act until the close of hostilities in Europe, which was in May, 1945. Thus we had these properties under administration for a period of approximately two years before we started to sell them.

In making plans for the sale of these lands to veterans—it has been deemed advisable to subdivide some of the larger parcels into two or more units and also to consolidate two or more of the smaller places into a single unit.

As of April 30 it was reported to me that 216 of these places have been sold in their original identity—100 more in the same category have been tentatively sold. 123 of the original units have been broken up into 394 units and of these subdivided places, 213 units have been sold and 75 tentatively sold. All these sales were to veterans. In other words, 604 Canadian veterans have been taken care of, and there is sufficient land left to take care of approximately 400 more if they are interested in what we have to offer.

Here I want to emphasize to this committee that sales made to veterans were at the prices paid by the director as provided by Section 9 The Veterans' Land Act. I hope that statement will put an end to any rumors or suspicions that the government—through the agency of the Director the Veterans' Land Act, has been doing any profiteering at the expense of Canadian veterans.

Sale has been made of a few parcels to non-veterans. They were as follows:

1. A property consisting of approximately 78 acres sold to a religious order. The cost to the director was \$4,725. The sale price was \$5,500 cash. This sale was in accordance with Section 22 of the Veterans' Land Act, which authorizes the director, among other things, to sell land which is at his disposal for sale, for religious purposes.
2. A parcel containing 100 acres on Salt Spring Island in the Gulf of Georgia. This property consists chiefly of rocky wooded hill, without any improvements. It could be used as a base for a commercial fisherman or as a firewood proposition. The director bought it for \$245. There was no demand for it by veterans. It was advertised for sale by public tender—four offers were received ranging from \$750 to \$2,000. It was sold to the highest bidder under authority of P.C. 5285 of January 3 this year, pursuant to Section 21 of the Veterans' Land Act.
3. Three bush lots comprising approximately 38 acres 5 miles from Haney B.C. These were undeveloped places which had been logged off years ago and growing up with fair sized second growth softwood interspersed with stumps. The director paid \$433 for these parcels. There was no demand by veterans. They were advertised for sale by public tender and brought a price of \$3,050. This price doubtless reflects the demand there is at the present time for any kind of small logs and firewood.

There may be some differences of opinion as to the sales policy pursued by the director, having regard to the rapid rise in real estate values in the area centering on the largest Canadian city on the Pacific coast—once the perils of war had abated. I have three principal observations to make on that point if any one cares to raise it;

1. When these lands were purchased I was acting for the Dominion Government in the capacity of a trustee looking to the long range interests of Canada's fighting men who were overseas. It would have been a breach of the trust reposed in me to recommend a general increase in sale prices to correspond with local inflation.

2. The great majority of these Jap lands require substantial repairs to the more or less ramshackle buildings before they are habitable, or new homes have to be built. The cost of construction nowadays is just about double pre-war costs. The Director and veterans and members of this Committee have a pretty clear appreciation of this and in my judgment the cost price to the Director of the improvements needed, plus the cost of the land—will produce a sale price to a veteran which is as equitable as it can be made under present-day conditions.

3. The Japanese farms are by no means the only properties acquired by the Director the V.L.A. prior to the commencement of active settlement of veterans. Lands were purchased all over Canada at close prices which a couple of years later could have been resold in the open market for very considerable increases—but they weren't—they were sold to Canadian veterans at cost to the Director, as provided by Section 9 of the V.L.A.

In conclusion—may I say a word on behalf of the branch of the Public Service which I have the honour to head.

Regardless of some criticism we get now and then, and I suppose some of it is merited—there has developed over the past twenty odd years a considerable degree of both Government and public confidence in the reliability, rugged honesty and efficiency of these people in matters relating to land and land values.

Commencing in the early twenties this staff was designated as the land settlement branch of the Department of Immigration and Colonization. During the tough thirties it was this organization that was mainly called upon to service the appraisal requirements of Boards of Review under the Farmers' Creditors' Arrangement Act of 1935. Many thousands of farm properties, all over Canada, were inspected and appraised for that purpose. During the war we were frequently called upon by the Department of National Defence to assist and advise on land matters of considerable magnitude. We represented the Dominion Government in acquiring the freehold lands required for the construction of the Alaska Highway. During and since the war we have purchased many millions of dollars worth of real property for the establishment of Canadian veterans. I mention these things to this Committee to indicate that a great fund of practical knowledge and experience was brought to bear on the part assigned to us in connection with Japanese lands.

Acting for the Dominion Government, we examined this situation in a spirit of realism—justice and equity for all parties concerned. We were considerate and prudent in our estimates as became those who were asked to undertake serious responsibilities of this nature during the grim and perilous days of 1942.

When that duty had been discharged in good faith we proceeded to act in equally good faith on behalf of Canadian veterans by buying these lands at the fairest price we could obtain.

I submit that, in the circumstances, the Japanese people were dealt with justly and equitably. The Canadian public was protected and Canadian veterans have been given whatever advantage arose from the purchase of these lands in

the midst of a great war which, but for the grace of God and our fighting men and allies might have lasted much longer and turned out quite differently than it did.

The VICE-CHAIRMAN: Gentlemen, the witness is yours.

By Mr. Fleming:

Q. May I ask a few questions, Mr. Chairman?

A. Taking the last part of the evidence tendered by Mr. Murchison, first, I would like to ask a few questions with reference to the disposal of the properties. First of all you mentioned the cost of construction. What works of construction were undertaken on those lands by your department before the sale to the veterans, if any?—A. I could not answer that question precisely. That is a matter on which I would have to make inquiries. I believe that a limited number of those Japanese lands were used in the development of small holdings and I judge few houses were constructed before the property was made available for sale to the veterans. In other cases single units sold to veterans would provide for the cost price of the land plus a loan necessary to carry out the repairs to existing buildings and for the construction of a new home.

Q. In each case, I take it, you have a record of any expenditures made and its inclusion in the sale price to the veteran?—A. Yes, sir.

Q. Now we have, as appendix A to the proceedings of the last meeting of this committee, at pages 163 and following, a list of the properties that were included in the sale to your department. Could we have the corresponding information with reference to those properties inserted on the list to show inclusion of any cost of construction work done by your department? That, I take it, could be prepared Mr. Murchison?—A. That could be prepared. It might produce a little bit of confusion in cases where it is found that say parcel number 143 on the list and say another one a good deal further down in the schedule were combined in one unit and a loan approved for the price of the land and the improvements required.

Q. Well I do not want to take time on it now because obviously you have not the information in these individual cases but I think the committee would like to have that. Now turn for a moment to those sales of other properties which you made. The first property was sold pursuant to section 22 of the Veterans' Land Act to whom?—A. To a religious order, the Westminster Priory.

Q. Would you give us the two prices on those? You went pretty quickly over them and I did not get a note of them.—A. The cost price was \$4,725 and the sale price was \$5,500.

Q. And the date?—A. I have not got the date but I recall it was late in 1946.

Q. The next one? Were those all sold at public auction? Has there been any advertisement?—A. Not respecting the first one that was sold to the religious order.

Q. There was no auction?—A. No.

Q. Just private negotiation?—A. It was sold to the religious order under the authority of section 22 of the Act and approved by the minister.

Q. And the next one?—A. There was a parcel of 100 acres on Salt Spring Island bought for \$245. It was advertised for sale by public auction and the four offers received ranged from \$750 to \$2,000. It was sold to the highest bidder on January 3 of this year and it was confirmed by order in council.

Q. Then the last, the bush lots you bought for \$433 and sold them at what?—A. They were sold for \$3,050.

Q. At public auction?—A. Yes.

Q. Now having regard to the fact that you made an offer in 1943 and it took nine months to get the titles, you did not begin to sell the properties until two years later? Do you say it was necessary for you to have acted in 1943 to acquire the properties?—A. How is your question put?

Q. You have referred to the long delay before you began to make sales of these properties to the veterans?—A. That is right.

Q. Was there any occasion to have acquired those properties so early? What you did in 1942, or at least what was done in 1942 through the agency of that order in council, was to blanket these properties so that they could not be sold to anybody else? That is correct, is it not?—A. That is right.

Q. The values were made, as you said, when the war was at its darkest in 1942. The properties were purchased in 1943, but you did not begin sales to veterans until the conclusion of the war?—A. That is right. That was the general policy all over Canada.

Q. In other words you were acquiring properties at that time with a view to reselling them sometime later. In this case it was two or three years later?—A. That is correct.

Q. Now what about your procedure in approaching this question. We will leave now the resale but I want to address this question to you. You purchased, on behalf of your department, seven hundred and forty-one Japanese farms. You view that purchase, I take it, with some satisfaction in view of what you have said this morning.—A. I certainly do.

Q. And I suggest to you that the valuation was admittedly a conservative valuation as made in 1942 by your appraisers?—A. I think I have so stated.

Q. It was a conservative valuation, made with a view to purchase of the properties.—A. No.

Q. What was the basis of the original appraisal?—A. As I said in my evidence, I can perhaps find it here if you will wait.

Q. Well you probably can give that to us?—A. We appraised them as accredited agents of the Dominion of Canada to determine what, in our judgment, was the valuation of the properties having regard to the hazards and uncertainty which existed in the early months of 1942.

Q. Yes, with a view to what?—A. Establishing an index, a safe index, upon which to determine the equity of the Japanese owners when they were evacuated. It provided a sound reflection of the problems that would inevitably be encountered if the lands were held under administration for an indefinite period and it provided an index to the compensation that might be paid to these people if a program of liquidation were decided upon and sales made at prices less than appraised values.

Q. You had in mind as one purpose that the appraisal might be used for the sale of these properties?—A. Yes, of course.

Q. And purchase of them by your department?—A. I could not say that, sir, because at that time there was no Veterans' Land Act in existence and there had been no director appointed.

Q. Very well. Now you say the work of appraisal commenced on May 4, 1942? I think that is the date you said.—A. That is right.

Q. And it was completed by August of 1942. Now the order in council under which you were proceeding, P.C. 5523 was not made until June 29, 1942?—A. That is right.

Q. You were ahead of the gun on the appraisal?—A. I was acting in accordance with instructions from the dominion government.

Q. Your minister instructed you to proceed?—A. Yes, and he said the necessary statutory authority would be provided as quickly as possible.

Q. And were the instructions that you received at that time to the effect that you have quoted in your evidence?—A. No, our instructions were to carry out an inventory and appraisal of those properties.

Q. There was no indication as to the basis of the appraisal or the purpose of it?—A. No, as appraisers we faced the realities as we found them on the ground.

Q. When you came to make your offer in the spring of 1943, your appraisals were then almost a year old, were they not?—A. Yes.

Q. And what had been the direction in which land values in the Fraser Valley area had been moving in that year?—A. Well I should say that the peril on the Pacific coast had pretty well abated by midsummer in 1943 and consequently that would have an effect on improvement of land value in that particular area. Of course there was a great influx of war workers and other people to the Pacific coast at that time who were finding difficulty in securing housing. There was a tremendous demand for accommodation by those people and that would have an inflationary effect. Possibly it would have been temporary.

Q. That does add up to this fact that valuations in the area in question had advanced between your valuation in the spring of 1942 and your offer in the spring of 1943?—A. I should not be surprised.

Q. And your original offer was for substantially less than your own appraisal?—A. That is right.

Q. Now does that suggest to you that you were proceeding on the basis of the appraisal and that you were seeking to make a good buy on behalf of your department?—A. I was just seeking to make the best buy I could on behalf of the department and the boys who were fighting overseas and I considered in making the offer of \$750,000 cash, that that amount of money was entitled to some respect. It was not accepted and I made a final offer of \$850,000. In other words I made the best deal I could for those men.

Q. In other words you bought at the lowest price you could for the reasons you have given?—A. That is right.

Q. You bought at the lowest price you could, that is a fair statement?—A. Yes.

Q. So far as the interests of the owners are concerned, it is fair to say that you left it to the custodian to protect those interests as vendor in the transaction?—A. Yes.

Q. The protection of the Japanese was his concern, and it was not your concern? I take it your principal concern was to get the farms at the lowest price you could get them?—A. That is right.

Q. And you had representatives from your department present at some of the meetings in Vancouver? I mean the meetings of the advisory committee who the custodian appointed to advise him in connection with the liquidation of the properties?—A. Yes. I had an advisory committee to advise me, the same as the custodian had an advisory committee advising him.

Q. You had your representatives present at the meetings when these matters were discussed?—A. That is right.

Q. And I take it you may not be personally familiar with the course of those discussions in those committees or the reasons which interested the committee appointed by the custodian? That was not your concern I take it?—A. No.

Q. Now on the basis of your valuation, at one point in your evidence, if I am correct, you said farms were not to be valued from the point of view of their potential value or valuation for resale but, the valuation was to be made having in mind the hazards and uncertainties which existed in 1942?—A. That is not just what I said.

Q. Pardon?—A. I said we did not appraise those properties from the standpoint of their potential speculative real estate value or of their speculative value for sale during the war to persons in Canada who were participating in the financial prosperity produced by a state of war.

Q. Yes, and you proceeded to do what you did under the protection of an order in council which, in effect, took those lands out of the public market entirely?—A. I had the appraisal made but the decision was reached by the dominion government as to what was to be done with them.

Q. The lands were never taken out of the scope of that blanket order in council until this sale was completed?—A. Oh yes.

Q. Will you give the date?—A. Yes.

Q. We are referring now to order in council P.C. 5523 of June 29, 1942, are we not?—A. Yes, and P.C. 469 of January 19, 1943.

Q. Yes, that authorized liquidation did it not?—A. Yes. I think if you read the order and if you have it before you you will find as I said the first operative clause in it revoked the authorities which had up to that time vested certain powers in the Soldiers' Settlement Board.

Q. Yes, but you are familiar with what the custodian was doing with respect to those properties and no public offer was made of any of those properties before you completed the purchase of those properties? That is correct, is it not?—A. As far as I know, but I cannot be absolutely sure on that because I do not know just what properties the custodian disposed of in the interim.

Q. If you do not know I will not pursue the question because we can get the information from another source. You concerned yourself with your side of the transaction?—A. Yes.

Q. And your interest as you have indicated was to get this property at the best price you could?—A. Yes.

By Mr. Cockeram:

Q. Mr. Murchison stated that 604 veterans had been established and had purchased property and there are still 400 more properties to be disposed of. Could Mr. Murchison tell the committee what was received for those 604 properties that have already been sold?—A. I have not got the figure before me but I assure you that the places were sold at their cost to the director, that is the price we paid to the custodian.

Q. I think we should have that figure.—A. I can get it for you but I have not got the figure here.

By Mr. Stewart:

Q. Mr. Chairman, arising out of what Mr. Murchison said I take it when you want to value this property on the coast that you did not believe the Japanese were going to win the war, otherwise you would have placed a value of nil on those properties?—A. Will you state that question again sir?

Q. I take it, when you valued those properties first in 1942, you did not believe the Japanese were going to win the war?—A. I should say in reply, and I am not trying to dodge the question, that we had the same hope as the rest of the allied world that ultimately we were going to win but we did not know when nor under what conditions.

Q. But you were not optimistic about this state of affairs?—A. No.

Q. And that lack of optimism might have had some effect on your judgment as to the value of the lands?—A. Certainly it would. And very necessarily it should have had some effect.

Q. So the valuation you arrived at was not necessarily the true value from the point of view of those who were working on it?—A. Not if the people were going to be evacuated and the government was to be faced with the great problem of administration and security and the specialized type of agriculture for which there was an inadequate labour force available. That would be an entirely different set of conditions.

Q. But from the point of view of those who had the land at that particular time, the value you placed on it would probably be lower than that which they would place on it, and it was certainly lower than the assessed value?—A. Of course the assessed value is only an index of the taxation that the municipality requires.

Q. Have you any knowledge of the value placed on this land by the custodian or the agents of the custodian?—A. Not the details but I recall when my first offer of \$750,000 was made that representatives of the custodian's advisory committee made a spot check on possibly a dozen of those properties and on that basis advised the custodian that in their judgment my offer was too low.

Q. So in the opinion of the custodian the lands were valued at more than you would give?—A. I do not know what the custodian valued it at but apparently it was more than \$750,000.

Q. Now you say you bought the land at the lowest price and you also said you approached the whole problem from the point of view of realism, justice, and equity, which is right and proper; but justice and equity has occasionally more than one face. Which point of view were you approaching from? Was it the equity of the owners of the land or was your department getting the best possible buy?

Mr. GOODERHAM: Are you speaking of the appraisal by the Soldiers' Settlement Board or the purchase price?

By Mr. Stewart:

Q. The purchase price?—A. When it came to the matter of purchase I was not concerned with anybody's welfare but the veterans for whom I was buying.

Q. Therefore, your approach to the whole problem had nothing to do with what the owners might be considering was their value? You were not approaching it from that particular point of view.—A. When it reached that stage my intention was to acquire those lands at the best price I could, knowing that it would eventually be sold to veterans.

By Mr. Smith:

Q. I have a couple of general questions. In answer to Mr. Stewart you said the assessed value was only an index of the taxes the municipality requires. You did not mean that, did you?—A. I did not get your question, sir.

Q. You stated, in answer to Mr. Stewart, that the assessed value of the land was only an index of the taxes the municipality required. You did not mean that, did you?—A. Yes, I did.

Q. Well let us assume that the assessment is low. You could raise the mill rate and get the same amount of money could you not?—A. That is right.

Q. So the assessed value is not the only index?—A. The assessed value has a relation to the mill rate, yes.

Q. But all you have to do is to raise the mill rate on a low assessment to get the same amount of money that you would if you had a high assessment and a low mill rate so that the mill rate, perhaps is an index of the tax.

Now only a general question about the method of assessment. I may say that I appreciate your efforts in doing what you could for the returned men but you said to Mr. Fleming a moment ago that these hazards were there. Did you in 1942, find any depreciation in the value of sales of real estate in the Fraser Valley? In fact were they not advancing in 1942 in the Fraser Valley?—A. We had not entered the market at that time to buy any real estate.

Q. In valuing any real estate there are a couple of books which you can get on the matter?—A. Certainly.

Q. Whether they are any good or not, there are some books published on real estate valuation. Is not the main ground for valuation the sales of similar property in the area? Is that not accepted as one of the main grounds?—A. That is one.

Q. All right, and you discarded that.—A. I did not say I discarded it.

Q. I think if you look back through your evidence you will find that, or at least that is what I understood. You did not bother about sales?—A. We did not pay any attention to sales. We were dealing with what we considered to be the equity of the Japanese having regard to the problems confronting the dominion government in looking after these lands.

Q. You did discard any evidence of other valuation or sale?—A. It was not taken into account.

Q. Then my word is discard. It was not taken into account?—A. That is correct.

Q. Then in all valuation of land, speculative value is another element?—A. Yes.

Q. So that you discarded the two main elements in valuing these properties? Correct?—A. Well, as I indicated in my general statement we did not consider speculative value of real estate on the Pacific coast very much at the time in view of the conditions which existed.

Q. I will use your words. You did not take into account either of those elements in making your valuation?—A. No.

Q. Thank you.

By Mr. Jaenicke:

Q. Mr. Murchison, you described to us the serious situation at the coast in 1942, that was with respect to the war. Did you mean to intimate there was a danger of invasion?—A. Yes.

Q. And you took that into consideration when you made these appraisals?—A. That is what I stated.

Q. I see now on May 29 you wrote Mr. McPherson in Ottawa, the Department of Secretary of State and you said this, "Our appraisalment of these lands was made on the basis of ordinary terms of sale and without regard to any temporary boom or speculative value brought about by a state of war." Now, would that not contradict your statement here?—A. It may sound contradictory.

Q. But you say, or you try to intimate, because of the war values had gone down, and in this letter you stated there was a boom on.—A. It had gone down in our judgment.

Q. There was a boom then at the time when you made the valuation?—A. There was a brisk demand by temporary war workers in Vancouver which we regarded as purely artificial.

An Hon. MEMBER: And transitional.

The WITNESS: And transitional.

By Mr. Jaenicke:

Q. Is that boom still on or has it subsided?—A. I should say it is beginning to subside.

By Mr. Cruickshank:

Q. Is it not true at the time the department bought this land that there was no demand by the general public for small berry farms?—A. I should say that was generally correct.

Q. One reason being that there was not labour available for that class of farm?—A. That is right.

Mr. GLADSTONE: In connection with your purchase of farms in Ontario for veterans, in 1942, would the speculative value be upwards or would it be downwards due to war conditions?

The VICE-CHAIRMAN: Mr. Gladstone, you are not getting into a discussion of land values and appraisals in Ontario, are you?

Mr. GLADSTONE: No.

The VICE-CHAIRMAN: I just want to guard against that.

The WITNESS: We feared right from the date that the Veterans' Land Act was enacted, on August 1, 1942, that the statute itself would have an inflationary effect on lands throughout Canada. It created a potential demand for tremendous amounts of farming land all over the dominion. There is no doubt about that. That is one of the reasons why the government and parliament authorized the administration to proceed as quickly as it did after the Act was passed, to assemble lands as a hedge for the settlement of veterans when they returned from overseas. There would be at least something to show.

By Mr. Jaenicke:

Q. Just one more question, which is about these rentals. You were going pretty fast then, and I was trying to make some notes but I could not get it down. You said that the rentals for 1943 amounted to \$41,800?—A. That was the amount.

Q. Did you collect that?—A. No, that was collected by the custodian.

Q. Did the custodian pay it over to you?—A. He did.

Q. And you mentioned something about taxes.—A. I in turn assumed responsibility for the year's taxes, for 1943.

Q. The correspondence would bear out, as far as I can see, that you were only assuming the taxes from the date of purchase?—A. No, there was a condition in the purchase that I would undertake payment of taxes as of January 1, 1943.

Q. And those taxes amounted to how much?—A. Approximately \$40,000.

Q. Not quite as much as you collected in rentals?—A. Not quite, but very close.

Q. Approximately the same?—A. Approximately the same figure.

By Mr. Fleming:

Q. Just dealing with the last point first. The rentals that you spoke of were rents that had been collected between January 1 and the date when the contract was entered into?—A. That is right.

Q. The taxes of \$40,000 were the taxes for the full calendar year, 1943, were they not?—A. Yes.

Q. And the proportion which would have accrued up to June would be approximately \$15,000 or \$16,000?—A. It would be roughly 50 per cent, I suppose.

Q. A trifle under 50 per cent, so that in respect of the adjustment of rents against taxes you probably were \$25,000 better off on the deal?—A. Probably, but it was part of the negotiation.

Q. It was one of the elements that makes you feel that you made a good bargain for those for whom you were concerned, namely, the veterans who were going to buy?—A. That is right.

Q. Now, then, in connection with the proceeds of the sale of those three properties you referred to, which were not sold to veterans but were sold to private interests, what steps have been taken, if any, by your department to account to the owners, the former owners, for the excess over and above the amount you paid for those properties?—A. None.

Q. None. You are retaining that. If, in the course of the disposal of the remaining lands any of them are not sold to veterans but to private purchasers at an advance over the amount you paid, there will be no accounting to the former Japanese owners, I take it?—A. That is a matter of government policy.

Q. But there has been no indication as far as you are aware that anything will be done to make that excess realized available to the former Japanese owners?—A. No, and at the moment there is no guarantee for the sale of these Japanese lands which are left, which as might be expected are the least attractive we have. There is no guarantee that the veterans are going to be prepared to buy them at the price we paid for them.

Q. With reference to the "least attractive," that also applies to those you sold elsewhere. I think you did very well on those, if they were the least attractive of the group you purchased. You resold them at a price considerably in advance of the price you paid for them and all in all I think you are going to do very well.—A. I hope so.

Q. It does not look to me as if you are going to be in for a loss; it looks like a profit.—A. I would be very glad to be in that position.

Q. That also would lend to the feeling you have about the good bargain you drove with the custodian?—A. Probably, very probably.

Q. Now you have indicated you were not aware of any steps, and I hope I interpreted you correctly, taken by the custodian while you were negotiating for the 741 properties and the sale of other properties elsewhere. I had difficulty following that. Surely you must have known that at that time there was no other offer being made by the custodian of those lands to anyone else. You were the only person who was being permitted to dicker for those lands.—A. I should just like to clear up a point there. We had appraised some 950 properties owned by the Japanese and our offer was narrowed to 768. As I said we did not know what other lands the custodian was disposing of in the meantime because our offer had not included all the Japanese land.

Q. All right, there might have been about 125 or 130 properties that you did not include in your offer but they had been the subject of appraisals by your department?—A. That is right.

Q. And for reasons that seemed good to you, you did not include them in the offer? You did not want them.—A. That is right.

Q. They could not have been desirable for resale afterwards?—A. Some were much too valuable for us to buy.

Q. But as to the remainder you say you do not know what the custodian was doing about those 130-odd properties, but you must have been aware that as to the lands that you were offering on—the 769—there was nobody else being allowed to compete with your offer; you were aware of that, were you not?—A. Yes, I think that is a fair statement.

Q. Once you had made an offer for the 760 or 768—whatever it was—those were frozen by the custodian; and you were aware that nobody had been permitted to offer—there was no public offering of them in any way, shape or form, and you were not facing any competition?—A. I presume that would be the case. But I cannot state what the custodian was doing with those other lands, because they were entirely within his control.

Q. Yes, but being quite fair, you were aware, I assume—you must have been aware that you had no competitors to face for those properties?—A. Absolutely no; there was nobody else cared to pay \$750,000 or \$800,000—

Q. And by reason of the policy being followed—government policy. Nobody was being permitted to offer for any of the properties, let alone the whole group en bloc.—A. That is probably true. As I say, I cannot say precisely what the custodian was doing.

Q. Now you keep using the expression "my offer" and "I offered". I take it that so far as the internal arrangement of your department is concerned, you would take the responsibility for this matter because you were the director of soldier settlement?—A. Yes. The director was established as a corporation sole with powers to do certain things.

Q. To what extent was what you did or what you offered approved by your minister? Did you consult your minister in connection with these offers or appraisals?—A. No, sir, I referred our offer to our advisory committee at New Westminster. There was not a move made by me without acting on their advice. When the negotiations had reached a stage of final offer and acceptance I referred my offer to the Secretary of State, the official custodian. Here is my final offer of \$850,000. There was a letter prepared by our district superintendent in Vancouver; and the formal acceptance of that offer was over the signature of the Secretary of State.

Q. You received a letter from the Hon. Norman McLarty dated June 23, 1943, purporting to accept your offer?—A. That is right.

Q. Now, he was the minister concerned on the side of the vendor. What I was asking you was whether you had acquainted your minister with the offer, or kept in touch with him with regard to the offer you were making and which was accepted by Mr. McLarty by that letter?—A. Yes, orally.

Q. You kept in touch with the progress of negotiations?—A. I saw him almost constantly. My minister at that time was the Hon. Mr. Crerar.

Q. I suppose it goes without asking that what you did you did with his full approval?—A. That is right.

Q. And we can infer that whatever you did in the course of having appraisals made, making the offer, negotiating purchases and finally consummating, was done with the full knowledge and approval of the minister to whom you were responsible?—A. Yes, I would say that is fair.

By Mr. Cleaver:

Q. In regard to this matter we must, of course, be fair to the custodian as well as to you, and there were one or two answers which you made to Mr. Fleming's questions that I feel might lead to a misapprehension. When you made the offer to the custodian—made the initial offer—was the custodian under any responsibility to you to not accept a better offer from someone else if a better offer had come along?—A. None whatever, as far as I was concerned. No, he was quite open and under no responsibility.

Q. He was quite open to accept a better offer if a better offer was available?—A. I should say so.

Q. But you were in the happy position that you were prepared and able to make a blanket offer for a large percentage of these properties and you naturally negotiated the best deal that you could for the veterans?—A. That is right.

Q. And he, on the other hand, would be getting from you the best price that he could get from you?—A. That is right.

By Mr. Burton:

Q. You said when your final offer was accepted you assumed the responsibility for the paying of the taxes for the whole year, starting from January 1, and in the meantime the custodian had turned over to you approximately the same amount in rents that had been collected. I presume that was up to that time?—A. That is right.

Q. Could you tell us how much more was collected in rents for the balance of that year?—A. Speaking from memory only I believe the additional amount we collected was somewhere in the neighbourhood of \$8,000. I would have to check on that.

Q. According to that, most of the rents had already been collected by the custodian?—A. Yes.

Q. Now, the excess of rent collected over taxes—what was done with those funds?—A. They were remitted to the Receiver General.

Q. It was not put in to offset some of the improvements made?—A. No.

Mr. FLEMING: May I clear up one point before we conclude our sitting before 1 o'clock?

Mr. CRUICKSHANK: May I ask one question? Is it possible for us to have a similar list in this case as is filed by the custodian as to what the properties had been sold for?

The VICE-CHAIRMAN: Which page do you refer to?

Mr. CRUICKSHANK: Is it not possible to have the same list prepared of the properties that have been sold to veterans?

The WITNESS: I will get it for you as closely as I can. However, I direct your attention to this fact that this list supplied by the custodian identifies names and numbers; it does not identify legal descriptions of property. Now, we found in completing this transaction there would be several individual titles relating to one composite property held by a single Japanese.

Mr. CRUICKSHANK: What I am interested in finding out is 2,862. I am interested in knowing about file No. 2,862. That property was sold to the department for \$970. Now, presuming that piece of property is sold to the veteran I want to know what it was sold for?

The WITNESS: I will get that as closely as I can for the committee.

By Mr. Fleming:

Q. With regard to the matter of adjustment. Mr. Murchison, your original offer, which was \$750,000, contemplated the adjustment of the taxes to the rents at May 31, did it not?—A. No, I do not think that condition was attached to the \$750,000 offer, because that was made quite a time before June 1943.

Q. Mr. Barnet was making an original offer on your behalf?—A. Yes.

Q. Will you look over Mr. Barnet's letter dated May 17, 1943, written on behalf of Soldier Settlement of Canada to The Custodian of Japanese Properties, and you will find that he is offering \$750,000. Speaking about the adjustment he says first of all that the taxes and charges are to be paid or adjusted to May 31, 1943.—A. What is the date of the letter?

Q. May 17, 1943. This is the first offer of \$750,000.—A. Addressed to Mr. McPherson?

Q. This is addressed to The Custodian of Japanese Properties in Vancouver, B.C. And then we find this provision: "Assignment to the Director, the Veterans' Land Act, of all leases and unpaid rentals as at May 31, 1943." You will recall that from that point on your raised your offer to \$800,000?—A. \$850,000.

Q. First of all you raised it to \$800,000, and you could not get the custodian's advisory committee to accept that?—A. That is right.

Q. And the custodian's advisory committee talked first of all about \$1,000,000, but you were not prepared to go that far? Then you came up to \$825,000 on the terms as to adjustment contained in the first offer, accompanying the letter of May 17, 1943; is that right?—A. You have the correspondence there. That is right. I have not got it before me.

Mr. CLEAVER: I think the witness should have the correspondence before him. It is not fair to the witness otherwise.

Mr. FLEMING: I am nearly through. The correspondence is before the witness now.

By Mr. Fleming:

Q. You have the letter of May 17, 1943, before you?—A. Yes.

Q. Then you will recall that the next step I refer to was that Mr. Barnet on your behalf raised the offer to \$800,000—is that correct—on the same terms as the adjustment?—A. Is that in the correspondence you have before you, sir?

Q. Yes. That is contained in the correspondence there. I do not want to belabour the details. I think it is quite clear. The point I am getting at is on the matter of adjustment. Do you recall that the next step was that the custodian's committee came down from \$1,000,000 to \$900,000; do you remember that?—A. I do not recall him coming down to \$900,000.

Q. Then you recall that your offer came up to \$825,000?—A. Yes, I recall that.

Q. You recall that that was on the basis as to adjustment contained in the original offer of May 17?—A. I would have to check the correspondence on that.

Q. Would you mind doing that?—A. My mind does not cover all that.

Q. Will you look at Mr. Barnet's letter of May 25, 1943—the last paragraph of that letter?—A. "On further consideration I beg to offer the sum of eight hundred and twenty-five thousand (\$825,000) dollars for the said lands on the terms and conditions set out in our letter of May 17." Yes.

Q. The terms and conditions. The adjustments were as of the end of May which would have permitted the custodian to retain all those rents—\$41,000; is that correct?—A. That would be the effect.

Q. And he would be responsible for the taxes up to the end of May?—A. Of course, the taxes, I think, are due when they are assessed.

Q. No, you talk about adjustment. You know from your long experience you are adjusting on the basis of the broken period during the year; I think you and I agreed a while ago that the change in the assessment as between the 1st of January and June was worth about \$25,000?—A. Yes, it would be; but the deal was still in the negotiation stage.

Q. Then, having offered \$825,000 with adjustments set forth in the letter of May 17—that is adjustments at the end of May—you increased your offer to \$850,000 and you changed the basis of adjustment?—A. Yes.

Q. Which had the effect in the result of reducing the \$850,000 by \$25,000?—A. In other words, it is about the same offer stated in a different way.

Q. Exactly. In other words, you have the property at \$825,000 with relation to the former terms set out in the original offer?—A. Yes.

Q. It really was an offer of \$825,000, and you got your second last offer accepted in another form?—A. Yes.

Q. And as to the \$850,000, the extra \$25,000 as compared with the offer of \$825,000 which preceded it just does not mean that?—A. It means this much, that we took an assignment of \$41,000 from the custodian and we paid it out in taxes for 1943.

Q. Apart from that, there was \$850,000 on the terms eventually agreed upon compared with the \$825,000?—A. There was not much difference.

Q. There was not any difference—a few cents. I am not suggesting it is your responsibility because you were looking after the purchaser's end of it; but the other \$25,000 was just window dressing as far as the vendor was concerned.

Mr. JAENICKE: Mr. Chairman, we should have a copy of the matter that Mr. Fleming is referring to. I was given one copy but I was asked to return it. This is a matter that takes days of study. Why have we not a copy for our party?

The VICE-CHAIRMAN: You have been treated exactly the same as Mr. Fleming. You have a member on the steering committee and he has been supplied with a copy, as I understand it.

Mr. BURTON: No, this correspondence that Mr. Jaenicke is referring to was supplied by the clerk but Mr. Jaenicke had to return it before he had time to go over it.

Mr. JAENICKE: I glanced over it; but this is a matter that would take days and days of study. I see that Mr. Fleming has his copy all marked up. I did not dare mark up my copy because I was told I had to return it.

The CHAIRMAN: I think if you apply to the clerk's office you will be able to get a copy, and you can mark it up if you like.

Mr. FLEMING: I got my copy on the same terms as others.

The committee adjourned at 1 p.m. to meet on Thursday, May 22, at 11.30 a.m.