

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. 9

THURSDAY, MAY 22, 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

THURSDAY, May 22, 1947.

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

Members present: Messrs. Boucher, Burton, Cleaver, Cote (*Verdun*), Cruickshank, Ferguson, Fleming, Fraser, Gladstone, Golding, Hamel, Isnor, Jackman, Jaenicke, Marshall, McCubbin, Pinard, Probe, Raymond (*Wright*), Smith (*Calgary West*), Stewart (*Winnipeg North*), Stuart (*Charlotte*), Warren, Winkler.

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

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

Examination of Mr. Murchison was continued.

Mr. Murchison retired.

Mr. Shears was recalled and questioned.

Mr. Shears filed a copy of Order in Council P.C. 469 of January 19, 1943, which, on motion of Mr. Pinard, was ordered to be printed as *Appendix "A"* to this day's minutes of proceedings and evidence.

Mr. Shears retired.

It was agreed that a representative of the Cooperative Committee on Japanese Canadians be heard at the next sitting.

At 1.10 o'clock p.m. the Committee adjourned until Tuesday, May 27, at 11.30 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
May 22, 1947.

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

The VICE-CHAIRMAN: Gentleman, would you be good enough to come to order. We have a quorum now and I wish to thank the members for being so punctual.

I have requested Mr. Murchison to appear again before the committee for further questioning. As I understand certain of the members desire to ask him further questions. I also have asked Mr. Shears to be present because of a question raised by Mr. Fleming at our last meeting. I understand that Mr. Murchison wishes to make a short statement before you begin questioning him.

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

The WITNESS: Mr. Chairman, it will be recalled that during the course of my evidence on Tuesday I was asked to supply the committee with details of the sale price of lands to veterans in order to complete the schedule which had been filed with the committee, by Mr. Shears. In that schedule the name of the former Japanese owner is given, the appraisal, and the sale price to the director. I think it was the wish of the committee that I should furnish as well the sale price of the same lands as sold to the veteran. Now that work is under way but it is not altogether a simple matter to get it ready because we have to make a search of approximately 1,000 files to obtain the actual legal descriptions of the land. Those legal descriptions are not included in the schedule of the land submitted by the custodian. The work is in hand but it will take some little time to procure the details and I can assure you that it will be forthcoming as quickly as possible. Our staff at this time of the year is generally loaded up with current work but as I say I can assure you this request is in hand and the information will be forthcoming as quickly as possible.

The other statement I wish to make this morning is a brief one. It is in regard to a report which appeared in the May 21 issue of the *Globe and Mail*. I feel, Mr. Chairman, that I am entitled in my official capacity to take at least some exception to the manner in which this article was developed. I realize, of course, that it is the right of any newspaper to develop his own material as he sees fit but after all I do feel in a matter of this kind the situation could have been placed before the public of Canada by this newspaper in a manner which follows more closely the chronological order of the evidence I gave last Tuesday. I feel that there has been a certain amount of what might be termed a practice of lifting from its context certain parts of the evidence and so developing the story that the true intent and meaning of what was stated has to a large extent been obscured. There are a few samples of this, such as the reference made in the opening part of the article (which opens and closes on the subject of what was realized on the sale of land to non-veterans.) It is stated "that Murchison

gave the committee two examples of profits". I did not give two examples in that sense. I gave the committee a factual statement of all the sales that had been made to non-veterans with the details of each one. The article goes on to say "There are still 400 parcels of land which will be sold to the public if veterans do not take them up. Murchison admitted he was hoping to make further profit." Now that is not what I stated to the committee; first for the reason that the director of the Veterans' Land Act has no statutory authority to sell these lands to anyone without the approval of the Governor in Council; secondly I did not say I was hoping to make further profits. An observation was made by a member of the committee that if the few sales made to non-veterans was taken as an index, the department was in a position to make a profit. My statement was I would be happy to be in that position, which is an entirely different thing from I was hoping to make profits. Further on in the article there is a reference to juggling lands around so that it was difficult for the director to furnish information to this committee as to the sale prices to veterans. Now I object, Mr. Chairman, to the word "juggling". There has been no juggling. As I explained quite frankly to this committee we found it desirable and good business to subdivide some of the larger parcels sold and to combine some of the smaller parcels in order to make suitable units. I object to the word juggling because it was ordinary sensible administration.

Mr. FERGUSON: May I ask Mr. Murchison what he means. He admits the statement "I will be happy if this profit is made", or "to be in that position"; "I would be glad to be in that position". Does he not mean what he says? That statement may be quite easily interpreted by the *Globe and Mail* to the effect that you would be happy to make a profit.

The WITNESS: I do not know what interpretation the *Globe and Mail* would put on it but I stated I would be happy to be in that position.

Mr. FERGUSON: You stated you would be happy for the government.

The VICE-CHAIRMAN: Is it your wish that the witness continue to make his statement?

Mr. CLEAVER: Yes, without interruption.

Mr. FERGUSON: Why without interruption?

Mr. CLEAVER: It is only ordinary common decency to the witness.

Mr. SMITH: Mr. Chairman, I am going to make a suggestion. I suggest that we let the witness go on without interruption but I am going to suggest that the witness make similar comments on an article which appeared in the *Toronto Star* which was to the same effect. I think we had better cover the whole field if we are going to cover any of it.

The WITNESS: I have very few more comments to make but I do feel, when I am ordered to appear before a committee of the House of Commons or Senate that I am expected to state the facts and not present a scrambled story. Now I endeavoured very conscientiously last Tuesday to do that very thing and I feel a little distressed that a newspaper of the status of the *Globe and Mail* should publish an article which to me was certainly a scrambled article. It lifted things from the context and changed the order of presentation. That procedure created, I am sure, a different impression from what was created here last Tuesday. One illustration which I might mention was this. "The minutes of the advisory committee of a meeting of March 18, 1943 reveal that the Soldiers' Settlement representative, Mr. Barnet, had agreed to a stipulation that if the department made any profit on the land deal the excess should be paid back to the custodian for distribution to the Japanese owners".

Now there is not a thing wrong with that statement the way it is mentioned but the unsatisfactory part of it to me is it does not relate to the rest of the

minutes of the meeting of that advisory committee. That is an illustration of lifting a sentence or two from the context of the minutes of a very important meeting. In other words it is trying to create a situation where the representative of the director of the Veterans' Land Act in Vancouver, without any reference to head office at all, or to my responsible minister, was making a commitment on behalf of the dominion government which at that time he was not authorized to do. Had the writer of the article pursued the minutes further he would have seen that Mr. Barnet had qualified this, to the extent that it was subject to review by his superiors.

That is all I have to say, Mr. Chairman, but I do not feel that justice was done in this report.

Mr. SMITH: Well, would the witness now make similar comments on an article which appeared in the *Toronto Star*? It is to the same effect.

The WITNESS: I have not seen that article.

Mr. SMITH: I do not suppose so.

By Mr. Burton:

Q. Mr. Chairman, I have no desire to enter the controversy that has arisen between Mr. Murchison and certain sections of the press but there is further information that I would like to have on the sale of these lands. When we adjourned at the last meeting it was already passed the hour of adjournment and there were some further questions that I had which I would like to ask Mr. Murchison now. Just to refresh your memory, Mr. Murchison, if I remember correctly at that time you informed us that in the year 1943 you had paid municipal taxes amounting to somewhat over \$40,000, and that the rents acquired from those properties for you were in excess of the taxes, amounting to another \$8,000 and that had been remitted to the Receiver General. The question I had intended to ask at that time if the adjournment had not interfered was this. In the sale price of those lands to the veterans were the taxes you had paid added to the price of the land that you were selling to the veterans?—A. No?

Q. They were not added to the price of the land?—A. No.

Q. Then in subsequent years there were other taxes that you had to meet?—A. That is right.

Q. And none of those accumulated taxes that your department had paid were added to the sale price charged the veteran?—A. No.

Q. And in arriving at your sale price of the land to the veteran did you use the basis of that \$850,000 which you informed us at the previous meeting was the price that you had bought those lands from the custodian? In other words the sale price to the veteran was based on the \$850,000?—A. That is right.

Q. And your rents and taxes did not enter into that part of it at all?—A. No sir.

Q. And in obtaining those lands for the sum of \$850,000 you considered you had made a good buy for the veterans and you sold the land to the veterans for the same amount, as nearly possible, for which each parcel had been bought?—A. That is correct.

Q. In arriving at those figures for those different parcels would you mind just telling us how you made the breakdown between the selling of the individual parcels where you had bought them in a lump?—A. The difference between the appraised value and the price which was finally agreed upon, I stated the other day, was something like \$17,000. That was allocated on a percentage basis over all the parcels involved. I think it required an average of 1.8 per cent reduction on the appraised value in order to establish the price at which it was actually bought.

Q. In buying this land which you bought in a lump there was a certain number of parcels. Then there were some parcels you disposed of to people other than veterans where you did realize a considerable amount more than what you had to pay for it. Now that money went to the Receiver General of Canada and it did not enter into lowering the price of the land you were selling to the veterans?—A. No sir.

Mr. CLEAVER: On the other hand, I do not suppose you charged the veteran any interest or carrying charges?

The WITNESS: No sir.

By Mr. Fleming:

Q. Mr. Chairman, there are one or two matters on which I would like to ask Mr. Murchison questions. I take it from the remarks you have made on the article in the *Globe* that you have read fully, since our last meeting, the minutes and the correspondence. I gathered at the last meeting that you were not familiar with them but I take it you have read them since?—A. I have read the relative parts of the custodian's meeting of March 18, 1943. I have not had time to read the balance of the minutes.

Q. We can proceed then, on that basis. You will recall that in the minutes of March 18, on page 2 reference is made to the fact that Mr. Barnet, who was your representative, indicated that the department had completed their survey and the appraisals had been made. Actually it had been completed a good many months before. He went on to say, as is recorded in the minutes, that he did not wish to disclose the value of any particular properties at that time. And then later, at the meeting of May 19, if you will just turn forward you will see that on the first page it says—

The VICE-CHAIRMAN: What is the page number?

By Mr. Fleming:

Q. It is not numbered but it is on the first page in the first long paragraph. Mr. McPherson is making a statement and he says "That while he had been advised of the amount of a total bulk offer, he had only received a few minutes prior to this meeting figures which related to each individual property".

That is referring to the figures of your appraisers which the committee apparently thought they ought to have through Mr. Barnet. Did Mr. Barnet have any instructions at this stage of the negotiations not to disclose to the committee the contents of the appraiser's report which had been received by your department? That is, was he not to disclose them to the custodian's committee?—A. Yes, I recall, if my memory is correct, in the inceptive stages of negotiations we did not feel that it was good practice on our part to disclose all the details of the appraisals we had made on those properties when we were concerned with the purchase. Subsequently that was modified and according to the best of my recollection the details of the appraisals were made available to the custodian.

Q. At a somewhat later date in the negotiations. Am I correct in inferring from the reading of the minutes that, when the negotiations began and the first offer was made, on instructions from your department your representatives did not disclose the appraiser's reports which they had made to your department.—A. I think that is right sir.

Q. And I take it the reason is, and I am just bringing out the facts, I am not quarrelling with your motive in doing so, your reason was that you were acting for a buyer and the custodian and his committee were acting for a seller and you were dealing at arm's length? You were not disclosing all of the information you had when you were dealing with him with a view to buying on the best terms you could get.—A. I think it is fair but I would not say that we were dealing at arm's length.

Q. Well is there any qualification you would like to make?—A. Well I would say there was some caution on our part at the inceptive stages in disclosing all the details we had in regards to the individual valuations.

Q. Is it fair to use the expression that, as you were purchasing this land you were not "tipping your hand" to the custodian and his committee who represented the vendors?—A. I think that is a fair statement.

Q. There is one other matter Mr. Murchison which arises from the minutes of the meeting of May 24, the sixth page.

Mr. BURTON: What page?

By Mr. Fleming:

Q. It is on the sixth page. Now let me say, just in explanation of my question, I am recalling Mr. Murchison, that at the Tuesday meeting you indicated you were not taking the responsibility for protecting the interests of the custodian. That was not your function. Now about half way down on that page you will see a paragraph which relates to a discussion of the negotiations and it was suggested that "if a deal was made some protection should be given to the custodian in the event that the Soldiers' Settlement of Canada resold any parcels of land at a price in excess of the value at which it had been purchased. The Veterans' Land Act committee were not prepared to consider this matter and it was decided that this might be a question to be decided at Ottawa."

Now did you have a report on that matter from your representative?—A. I do not recall offhand that I had a report on the specific matter. I mentioned that according to my best recollection Mr. Barnet was under general instructions from me to be very careful about making any further commitments with regard to future disposal of these lands if they were to be purchased by the Veterans' Land Act because we did not know how long we would have to hold them under administration. That was in 1943 when the war was at a very serious stage and I think it was only natural and prudent on my part to avoid any long-range commitments with respect to what would be done if the property were purchased. I say that applied not only with respect to the purchases from the Japanese but all over Canada.

Q. In short, Mr. Barnet in taking that position was acting under your instructions?—A. My general instructions.

Q. And you did not want any commitments attached to the purchase as far as you were concerned?—A. No.

Q. And if there was to be any attempt made to share with the Japanese owners any advance in price, that definitely was not to be the concern of your department and you were leaving that to the custodian?—A. Well that would be a matter of general government policy on which I was not competent to make any decision at that time.

Q. Was this matter the subject of any further discussion or instructions on the part of the minister to yourself—your minister?—A. Not according to my recollection. I think it is on the record that in the final stages of the transaction an offer in writing was prepared by our Vancouver superintendent at a price of \$850,000 including certain conditions that were attached to the sale, one being the assignment of leases in existence; another being the refund to the director of the taxes collected by the custodian for the year 1943.

Q. Excuse me, but I think we have had all that before. The fact is that there was no reference to any commitment of this kind in the contract? You were saying there was no further discussion of that as far as you are aware, from the time this position was taken on your behalf by your representative at the meeting of May 24, 1943?—A. No.

By Mr. Jaenicke:

Q. I think you told us at the last meeting that you made your survey in 1942 by virtue of an order in council passed in January 1942; is that right?—

A. No, it was passed in June 1942.

Q. I think you also told us that you made these appraisals not with a view to buying these lands; is that right?—A. That is right.

Q. Now, tell me if there has been a misunderstanding. I find in the minutes of the advisory board, the first meeting of March 15, Mr. McPherson explains to the advisory board his conversation with Mr. Barnet; is that it?—A. Yes.

Q. He is an official of your department. Mr. McPherson explains—and I quote from the minutes of that meeting—

The VICE-CHAIRMAN: What page?

Mr. JAENICKE: Page 6. I have marked this from beginning to end. It is on the first page of the minutes:

Frank G. Shears, Director of the Office of the Custodian, Vancouver, recalled:

By Mr. Jaenicke:

Q. Mr. Chairman, I wish to put on the record certain excerpts from the minutes which have been tabled so they might be printed in the proceedings. Mr. Shears might sit down because I have not very many questions to ask, but I should like to read some excerpts from the minutes and then ask Mr. Shears questions with respect to some of them.

I might also say I have carefully perused these minutes, and it is my opinion, so far as Mr. Shears is concerned, he has done a good job. Of course, he was acting under instructions. If there was anything not just right, if we came to the conclusion that these lands were sold for less than they should have been, I do not think the Vancouver office over which Mr. Shears presided had anything to do with it. I must pay him a compliment for the very fine way in which he has kept the minutes of the proceedings of the committee presided over by Judge Whiteside. I wish there were minutes of the other committee as well.

On page 3, I wish to read an extract from the minutes as follows:

Mr. McPherson who had come in from Ottawa . . . in his introductory remarks outlined the history behind the present situation, explaining the developments whereby the custodian took over the administration of evacuee property . . . Mr. McPherson also explained that the Soldier Settlement of Canada were now anxious to obtain land for the re-settlement of returned men and that they desired to purchase a large percentage of the formerly owned Japanese land.

I am now turning to page 8.

Mr. McPherson said that it was his understanding in the meetings held at Ottawa, at which the chairman attended, that it was definitely indicated that as a matter of policy it was the government's desire that the Soldier Settlement of Canada should have the first option to purchase any or all property if they so desired. Mr. McPherson pointed out, however, that while the Soldier Settlement of Canada had a first option to purchase, it did not necessarily follow that they could purchase at their price, that any sale to the Soldier Settlement of Canada would be for a reasonable price.

Now, was that the first time, Mr. Shears, that you had any intimation that the V.I.A. was interested in purchasing this property?—A. Yes, that was the first time.

Q. How long before had you been keeping your office in Vancouver?—A. The evacuee section of the office, the first of March, 1942.

Q. Prior to that time you had just been administering the lands, that is renting the property and etc.?—A. Yes.

Q. Now, the minutes I have just read would indicate to you there were some negotiations in Ottawa prior to the meeting in Vancouver? I mean, there had been a meeting between the departments about purchasing this land. Would not the minutes I have just read indicate that?—A. Yes, they would indicate that.

Q. The next item I will not read because it was already dealt with by Mr. McPherson. It is a minute on page 8, where Mr. McPherson also explained that the obvious purpose of surveying had been to ascertain whether or not these lands would be suitable for the rehabilitation of returned men.

On page 10, there is the following quotation.

Mr. McPherson advised the committee that he had been in touch with Mr. Barnet and Mr. Barnet had stated that they were considering purchasing approximately 75 per cent of all the rural lands with particular reference to the Fraser Valley and the Delta.

All this would indicate, Mr. Shears, that the committee was really set up to ascertain fair value of this land, was it not? That was really the purpose of setting up the advisory committee?—A. Yes.

Q. I should like to read from the minutes of the second meeting held in March, page 16—

Mr. FLEMING: I wonder if, to save a little time, since Mr. Jaenicke has indicated he proposes reading excerpts from these minutes—

Mr. CRUICKSHANK: That is good, you save a little time!

The CHAIRMAN: Order, gentlemen.

Mr. FLEMING: Mr. Jaenicke has indicated he proposes to read certain extracts from the minutes. I propose to do the same thing. Would it save time if, as Mr. Jaenicke is going along, we could have my excerpts entered at the same time. For instance, he has not included a couple of paragraphs on page 11 which I intended to quote.

Mr. JAENICKE: I suggest you put that in later. My ideas on these things are, perhaps, different from Mr. Fleming's ideas.

There was a second meeting held on March 18, 1943. At page 16.

Mr. McPherson reported that immediately after the last meeting he contacted Mr. Barnet and discussed with him the question of the Soldier Settlement of Canada taking over a percentage of the farm lands. Mr. Barnet indicated that his department had completed their survey and knew approximately what properties they required and had estimated the values of same in so far as any purchases by that department was concerned. He, of course, did not wish to disclose the values of any particular properties at this time but agreed that if a sale could be negotiated he would be prepared to disclose the values after the custodian's valuers had made their survey and prices could then be compared and possibly a satisfactory price arbitrated with the approval of the committee.

Mr. McPherson explained that a special order in council was passed giving them authority to make a survey of the Japanese agricultural lands and that it further provided that they had the right to veto any dealings

with such land. The obvious purpose of this survey being to ascertain whether or not these lands would be suitable for the rehabilitation of returned men.

A. Yes.

Q. What have you to say about that?—A. As I pointed out to the committee on Tuesday, the purpose of the order in council was set out in that order in council. It authorized the director of Soldier Settlement to make an appraisal of these properties, and also placed the director of Soldier Settlement in control of the sale or lease of those properties during the life of that order in council.

Q. It says: "The obvious purpose of this survey being to ascertain whether or not these lands would be suitable for the rehabilitation of returned men."—A. I have no doubt that was a consideration; but the basic purpose of the order in council was to make an appraisal to determine as equitably as we could the equity of the Japanese people.

Q. Mind you, I do not make any objection to your stand, Mr. Murchison; I think it was your duty to make the best possible deal for the veterans; but I think that this committee is now considering the interest of the Japanese in this matter. That is all.

By Mr. Fleming:

Q. May I go back to one point? I think from what you have already said, Mr. Murchison, that it follows naturally that when you made those three sales to persons other than veterans at prices, I think, in all cases in advance of those paid in the block offer, you did not make any report on those sales to the custodian?—A. No, I reported them to the Governor in Council.

Q. I am not saying whether you should or should not have; the fact of the matter is that you did not see any occasion to report that to the custodian?—A. No.

The VICE-CHAIRMAN: Are there any other questions?

By Mr. Cruickshank:

Q. Mr. Murchison, you endeavoured across Canada to buy property for the veterans, on behalf of the veterans, at as low a price as possible, did you not?—A. That was our effort.

The VICE-CHAIRMAN: Mr. Murchison—

Mr. FLEMING: Nobody quarrels with that.

Mr. CRUICKSHANK: Then I do not know what you are wasting all the time of this committee about.

Mr. FLEMING: If it is not clear to my honourable friend he will learn by and by, if he keeps his ears open and uses another organ less.

Mr. CRUICKSHANK: I do not have to take any abuse from any legal member from Toronto who has monopolized this whole meeting for political purposes.

By the Vice-Chairman:

Q. Mr. Murchison, arising out of questions asked by Mr. Burton, I wonder if you could clear up one point to my satisfaction? You stated that you purchased these individual parcels of land at certain prices and then sold them at the same price or as near as possible?—A. Yes.

Q. In the event of your having to carry the lands for some considerable time and pay taxes, insurance and other sundry expenses, how would you debit those amounts?—A. They would have to be covered by our administration vote and absorbed by the department as a whole. I did not charge these tax disbursements against the lands in establishing the sale price to the veteran. That would

have been an unsatisfactory policy to follow because in buying land at that time we did not know how long we would have to hold it before we sold it, and by pyramiding the cost of the land by tax disbursements for quite a period it could quite easily create a situation where the sales price of the land for the veteran would be in excess of its value.

By Mr. Probe:

Q. Would not any one of these lands be producing revenue during the time of final disposal?—A. There was revenue; but unless I go into the details of the business I would say that the revenue received was not more than that required to meet ordinary carrying charges and taxes.

The VICE-CHAIRMAN: Gentlemen, if there are no further questions to be asked of this witness I will, with your approval, thank Mr. Murchison and release him. Now, Mr. Shears is here. Mr. Fleming, do you wish to ask any further questions of Mr. Shears?

Mr. JAENICKE: I do, Mr. Chairman.

The VICE-CHAIRMAN: Thank you very much, Mr. Murchison. On page 17 there is the following quotation:—

Mr. Barnet felt that the proposed calling for public tenders on all properties and then giving the Soldier Settlement of Canada an opportunity to meet any individual bid might considerably embarrass the Soldier Settlement of Canada and might nullify their interest in the program—

Mr. Shears, was there any particular reason given as to why, at that time, values should not be disclosed?

The WITNESS: No, I do not think there was anything, of necessity, being hidden at that time. It was simply this; an appraisal had been made by the Soldier Settlement Board which Mr. Barnet had. They were starting negotiations for the purchase of this property. So, before saying, "Here are your 700 odd parcels against which is the price we are prepared to pay," it was Mr. Barnet's idea that should not be disclosed until an advisory committee on behalf of the custodian, first of all, came to a conclusion that they would consider the group offer from the Department of Veterans' Land. Also, as indicated in the minutes, if the advisory committee of the custodian was going to make a valuation it would be better, in Mr. Barnet's judgment, they should not know the price it was intended to offer. First of all, the advisory committee, without knowing what the offer was, should obtain their own valuation.

By Mr. Jaenicke:

Q. Then, also on page 17,

Mr. Barnet indicated to Mr. McPherson that having given the matter considerable thought he felt that the Soldier Settlement of Canada by purchasing a 100 per cent of the properties might be able to re-group same and have more units available for returned men than they might obtain by individual purchases. In addition to this, a re-grouping would result in their having certain farms available for resale and he agreed that if any profit was made by the Soldier Settlement of Canada on such resale, provided the sales were made within an agreed period, the amount of the profit would be paid over to the custodian for the account of the former Japanese owner.

Mr. Barnet of course desires that it should be clearly understood by the committee that his opinion is not binding upon his department—That is the point we discussed?—A. Yes. I do not want to throw out any misapprehensions here, and, in fairness to Mr. Barnet, it should be distinctly

understood Mr. Barnet was not in attendance at any of these meetings. What you are reading from the minutes now is Mr. McPherson's view.

Q. From page 18, I wish to quote the following:—

Mr. Barnet asked Mr. McPherson how the committee proposed to arrive at any values and Mr. McPherson stated that he thought the committee might be prepared to arrange for the making of spot valuations by taking a percentage of farms in each municipality—

Mr. McPherson stated that as a result of his discussion with Mr. Barnet he had not prepared a public notice of the proposed sale, nor had he given instructions for the preparation of a catalogue as he was instructed to do at the last meeting of the committee.

The chairman then called upon the members of the committee to express their opinion on the matter of the proposed 100 per cent sale.

Mr. MacKenzie stated that he thought that since the custodian's policy generally was to advertise, if the custodian did not do so in this case, giving the public at least a chance to bid the committee might be subject to considerable criticism . . . he was also of the opinion that there were many people waiting for the opportunity of buying this land and that they should be given an opportunity to do so.

Were there any offers received, any unsolicited offers received by your office for the sale of this land, Mr. Shears?—A. No, I would say not. It might be possible that some people had written in about the purchase of land, but they were not given any consideration until after this particular deal had been consummated. It was a month or two later than that that the properties generally were advertised and tenders called. No individual sale had been made by the custodian previous to that.

The CHAIRMAN: Mr. Jaenicke may I suggest to you, in all fairness, if you are quoting Mr. McPherson, you should complete the paragraph. I am not unmindful of what you said to Mr. Fleming.

Mr. JAENICKE: I do not want to be misinterpreted. I quoted the paragraph in which Mr. Barnet stated it was clearly understood his opinion was not binding upon his department. I tried to be very fair and not try to pick out certain extracts.

The CHAIRMAN: I do not want to go all over this to put in the balance of the statements by Mr. McPherson, but I think the second portion of that paragraph you quoted has a direct bearing and would explain the reason for the first statement. If you do not wish to follow that policy, it is all right, but I thought I would suggest it to you.

Mr. JAENICKE: I have not all the minutes before me. I do not know what the paragraph is, but it is certainly satisfactory to me.

Mr. CLEAVER: Following out your suggestion, Mr. Chairman, might it not be wise if, on any occasion the witness believes an additional sentence or concluding paragraph should be added, to have the witness do that?

Mr. JAENICKE: I can assure the committee I am not doing this for any political purpose whatever. I believe we should be fair to the Japanese.

The CHAIRMAN: And to Mr. McPherson as well.

Mr. JAENICKE: I wish to be fair to all the officials.

Mr. PINARD: This paragraph to which the chairman was referring might be added now by the witness.

The WITNESS: "Mr. Barnet asked Mr. McPherson how the committee proposed to arrive at any values and Mr. McPherson stated that he thought the committee might be prepared to arrange for the making of spot valuations by taking a percentage of farms in each municipality and that prices valued in

this way could then be prepared with the valuations of the Soldier Settlement of Canada and the percentage of difference estimated, and if agreed upon, such percentage could be added to the total purchase price."

Mr. JAENICKE: Yes, I mentioned something like that previously. I come to that later, anyway. You refer in these minutes to a 100 per cent sale; what does that mean?

The WITNESS: That meant a 100 per cent sale of farm land in the Fraser Valley area.

By Mr. Jaenicke:

Q. One hundred per cent of the parcels or 100 per cent of the— —A. Of the Japanese owned farm lands.

Q. Yes, but 100 per cent of the parcels or 100 per cent of the valuation of the S.S.B.?—A. It was really 100 per cent of the Japanese owned land in the valley with the exception, as has been pointed out by some member of the committee previously, there were a relatively few properties in that area which were somewhat expensive properties which were not suitable for the purposes for which these lands were being negotiated.

Q. On page 22 Mr. MacKenzie stated,—I will just read this into the record to show the attitude of some members of the committee.

Mr. MacKenzie stated that one of the principal objects of the committee was to see that there should be British fair play and that was the basis upon which he was prepared to consider the question and Mr. Yamaga could be assured that the committee would see that everything possible was done to protect the Japanese interests in their property.

What do they mean by "protecting Japanese interests"?—A. The advisory committee of the custodian was set up to give advice to the custodian and the custodian was there in the position of representing the Japanese evacuees. To that extent, I would say that the advisory committee did always have in mind the fair interest of the Japanese.

Q. So, what was meant was that a fair price should be obtained for the Japanese?—A. Yes, definitely.

Q. Now, I have some extracts from the minutes of the meeting held on May 19. I am reading from pages 25 and 26.

Mr. McPherson outlined the work that had been going on in Ottawa in regard to the Soldier Settlement of Canada. . . .

Mr. McPherson stated that the offer received was for \$750,000. As previously mentioned he had only just obtained the statements which showed the basis on which this offer was made and that the statements were supplied on the condition that copies were not made.

On page 26 there is the following:

The offer covered 769 parcels.

Later, on the same page, there is the following:

The revenue from these lands at present under lease was approximately \$83,000.

Mr. McPherson mentioned that the Soldier Settlement of Canada had appraised all these lands in 1942 upon the instructions of their minister and Mr. Barnet stated at that time they did not know it was being done with a view to purchasing these lands.

Mr. McPherson said that he was placing this offer before the committee but that he did not wish to express any opinion as to whether he agreed with it or not. He thought that the committee should decide how they wished to check these valuations of the Soldier Settlement of Canada.

Again, no copies were to be made. At that time, were valuations of the Soldier Settlement Board disclosed to the members of the committee?—A. This is the third meeting, is it?

Q. It is the third meeting on May 19.—A. Yes.

Q. I presume when Mr. McPherson talks about a statement supplied on condition copies were not made, it refers to the valuation by the Soldier Settlement Board?—A. Precisely.

Q. Were the members of the committee given copies of it or were they advised of the valuations at that time?—A. There was one copy lying on the table. It listed the 769 parcels and the values were placed opposite.

Q. Was there any promise made by the members not to disclose the values if they had seen them or something to that effect?—A. No, I do not recollect that.

Q. Then, on page 27— —A. Just a moment, it is suggested I should read something in addition to what you have just quoted.

Mr. McPherson said he was placing this offer before the committee but that he did not wish to express any opinion as to whether he agreed with it or not. He thought that the committee should decide how they wished to check the valuations of the Soldier Settlement of Canada. He suggested that Mr. Yamaga's property might be used as an example and he asked Mr. Yamaga what he would consider a fair price for his property so that it could be compared with the Soldier Settlement of Canada's valuation. Mr. Yamaga said it depended upon the date the valuation was taken. If it was taken before May last, he would include his crop of raspberries and strawberries, thereby increasing the price by a few hundred dollars, but he thought about \$2,000 would be a fair valuation. Reference to the Soldier Settlement's statement showed their appraisal to be \$1,614.

Q. I did not include that because we have, later on, the independent appraisal of the 17 parcels which I should like to place in evidence. I believe it works out to be about the same as Mr. Yamaga's figure.

On page 27,

The chairman suggested that it might be well to have a subcommittee go out and value certain properties, taking a few from each municipality, and he suggested Mr. MacKenzie, Mr. Menzies and Mr. Yamaga could do this and report back to the committee at its next meeting and this was agreed to.

That committee was appointed and then went out to make its valuations, isn't that right?—A. Yes.

Q. They made their report on May 24?—A. Yes.

Q. It is in the meeting of May 24 that you have the first letter from the Soldier Settlement of Canada offering \$750,000 for the 769 parcels of land, upon certain conditions contained in that letter?—A. Yes.

Q. I think we should have this letter on the record. Mr. Fleming, I believe, wants it on the record.—A. This is the letter from Mr. I. T. Barnet, District Superintendent to the Custodian of Japanese property in the protected area in British Columbia, Vancouver, May 17, 1943. It is the one which commences:

On behalf of the directors—

By Mr. Pinard:

Q. What was the offer in that letter?—A. \$750,000.

Mr. PINARD: If the offer was increased, I do not see the necessity for filing the letter.

Mr. JAENICKE: The terms were in that letter.

Mr. PINARD: Due to the fact the offer was increased, I do not see the necessity for filing it.

Mr. JAENICKE: It came out in one of our meetings that there was a second offer then a third offer was made and the third offer, which was accepted, was not as good as the second offer. I referred to the terms in this letter.

Mr. FLEMING: I think it would be just as well to have this letter go in if there is no objection to it. I referred to this letter in my questioning of Mr. Murchison at the last meeting. I think the letter should go in.

Mr. PINARD: I do not wish to enter any objection.

(The letter follows):

SOLDIER SETTLEMENT OF CANADA

518 Rogers Building,
VANCOUVER, B.C., May 17, 1943.

The Custodian of Japanese Properties
in the Protected Area in British
Columbia, Vancouver, B.C.

DEAR SIR: On behalf of the Director, the Veterans' Land Act, and subject to Ottawa approval, I beg to submit an offer to purchase seven hundred and sixty-nine (769) parcels of land, together with all existing buildings and other improvements, tree, bush fruits, etc., growing thereon, more particularly described in the attached schedules (errors and omission excepted), and formerly occupied by persons of the Japanese race at and for the aggregate sum of Seven hundred and Fifty thousand (\$750,000) Dollars subject to the following conditions:

(1) Delivery of title fee simple in the name of the Director, the Veterans' Land Act, free from all encumbrances and setting forth legal boundaries in terms acceptable to the Director, and the Registrar of Land Titles for the district in which the land is situated; delivery of titles to be completed by August 31, 1943;

(2) All taxes and charges to be paid or adjusted to May 31, 1943;

(3) Assignment to the Director, the Veterans' Land Act, of all leases and unpaid rentals as at May 31, 1943;

(4) Assignment to the Director, the Veterans' Land Act, of all existing fire insurance policies adjusted to May 31, 1943; (b) In the event of buildings having been removed, or destroyed by fire, subsequent to the appraisal made in 1942, the gross offer is to be reduced by the amount of the appraised value of the said buildings as established by the Director, the Veterans' Land Act;

(5) In the event of the Custodian being unable to deliver titles to any of the lands listed in the attached schedules, the gross offer herein is to be reduced by the amount of the appraised value of such lands as established by the Director, the Veterans' Land Act, in the appraisal reports made in 1942;

(6) Possession upon delivery of titles subject only to condition number three (3) above;

(7) Acceptance of this offer, in writing, within thirty (30) days.

Yours very truly,

(Sgd.) I. T. BARNET,
District Superintendent.

By Mr. Jaenicke:

Q. Then, I wish to refer to the report of the subcommittee appointed to appraise the 17 properties. There are 17 properties which the committee valued at \$43,100 and the S.S.B. valuation was \$28,232. I find there are two appraisals made by the S.S.B. which are higher than the committee's and those are in the municipality of Mission. I may say there were four parcels in the municipality of Surrey, five in Maple Ridge, four in Mission, two in Pitt Meadows and two in Matsqui.

The minutes read as follows:

It was noted that the valuation made by the committee was approximately 50 per cent above that offered by the Soldier Settlement of Canada.

A. If you would permit me, for the purpose of the record, I should like to say that this valuation was made—is the date specified? In any event, it would be May or June of 1943, and the reference to the Soldier Settlement valuation would, of course, take it back to May of 1942.

Q. The committee's valuation was made a little less than a year, say about ten months, after the Soldier Settlement valuation was made?—A. Yes.

Q. On page 32 of the minutes there is the following:

The chairman then asked for consideration to be given to the price and terms offered by the Soldier Settlement of Canada.

The feeling of all the members of the committee was that the offer was too low. Mr. MacKenzie pointed out that their committee had made what they considered a conservative valuation of the 17 properties which they had inspected and some members of the subcommittee considered that their valuations could have been somewhat higher.

I have no questions to ask on that. I just put it in as an observation. I read from the next page,

At this point Mr. McPherson mentioned that the Regional Committee of the Veterans' Land Act were at present meeting in New Westminster and that it might be possible to invite them to the meeting and discuss their offer.

Later, on page 34, the minutes apparently show the arrival of the committee.

At this point representatives of the Regional Board of the Veterans' Land Act joined the meeting. The following attended:

Mr. T. Godfrey
Mr. E. Carnecross
Mr. J. J. MacLennan.

There is an excerpt I wish to read from page 35 of the minutes.

After considerable discussion the advisory committee indicated that they might be prepared to accept an offer of \$900,000 cash. Mr. Godfrey, on behalf of the Veterans' Land Committee stated that they would be prepared to offer \$800,000. The chairman suggested that it might be well for the two committees to consider a compromise of \$850,000.

I presume, Mr. Shears, there was considerable discussion between the two committees?—A. Yes, there was.

Q. You would have a difficult time noting the different persons' opinions and observations at that time?—A. Yes. I think this meeting lasted for two or three hours and this is really the meat of the discussion.

Q. You suggest that the advisory committee was prepared to accept \$900,000 cash. Can you recollect as to whether that was a unanimous opinion or decision of the advisory committee?—A. It was not put to a vote.

Q. I am asking for your opinion; do you think it was unanimous or did Mr. Yamaga object?—A. No, Mr. Yamaga did not specifically object at this meeting.

By Mr. Stewart (Winnipeg North):

Q. He was at this meeting, was he?—A. He was there at this meeting, I will just check up, but I feel sure he was. Yes, Mr. Yamaga was there.

Q. The advisory committee tried to get the best possible price, I presume, and the soldiers' representatives tried to get the smallest possible price?—A. Yes.

Q. And no decision was made at that meeting?—A. No, not at that meeting.

Q. Then in the extracts of the meeting of the 1st of June, on page 36 there is a letter from Mr. Yamaga to his honour Judge Whiteside which I will read into the record:

VANCOUVER, B.C.,
May 26, 1943.

Hon. Judge WHITESIDE,
Chairman of Advisory Committee
for Liquidation of Japanese Property,
New Westminster, B.C.

Honourable SIR: Judging from the atmosphere of the meeting held on 24 May at Mr. McKenzie's office New Westminster I fear the outcome of the Custodian's negotiation with Soldier Settlement Board seems to bring unfair result to the Japanese owners and continuation of my service is no longer necessary.

Therefore I tender my resignation as a member of your committee.

Yours truly,

(Sgd.) Y. YAMAGA."

Now with respect to the "atmosphere" of the meeting of the 24th of May was there a tendency to give in to the Soldiers Settlement people?—A. No, I would say the only possible reference there was a suggestion that some offer of less than the value of the Soldier Settlement Board would be given consideration. I think it is fair to say here this letter came as a surprise to the committee when it was received. I mean to say that it was the feeling of the advisory committee, by and large, that Mr. Yamaga was not only in favour of the principle but that he did not express any radical opposition to the way the matter was being conducted. I do admit this letter would belie that statement.

Q. Now then there is a letter on page 38 from Mr. McPherson to Mr. Barnet. I do not know whether anyone else wants the whole letter put on the record but it is simply an explanation by Mr. McPherson to Mr. Barnet as to the happenings in the committee and he indicated the committee would be pleased to recommend an offer of \$1,000,000 with ten per cent reduction.

Mr. FLEMING: For cash?

Mr. JAENICKE: Yes, for cash.

Mr. FLEMING: I suggest that the whole letter go in.

Mr. JAENICKE: I was only picking out the last paragraph but if the whole letter goes in it is fine with me. On the same date Mr. Barnet wrote Mr. McPherson a letter, that is on page 38 and I presume that letter can go in.

The VICE-CHAIRMAN: Is it agreed that both letters shall go in?

Agreed.

25th May, 1943.

Mr. I. T. BARNET,
The Soldier Settlement of Canada,
Rogers Building,
Vancouver, B.C.

Re: Japanese Agricultural Lands

Dear Sir: I have your letter of May 25 and your suggestion that I should advise you what offer the Custodian's committee is prepared to accept.

It is, of course, understood that the Custodian's committee will only recommend that the Custodian accept a satisfactory offer, and on this basis I would advise you that the committee indicated that they would be prepared to recommend acceptance of an offer of \$1,000,000 with a possible reduction of 10 per cent for cash. I would appreciate your advice as to whether or not you are prepared to make an amended offer which could be submitted to the Custodian's committee for their further consideration.

In the discussions yesterday the committee were advised that the Soldier Settlement of Canada are considered as official appraisers for various government departments, and in view of this expressed the opinion that your offer should at least be in the neighbourhood of your own appraised value, which they believe to be \$867,000. I am of the personal opinion that if you make an offer of approximately somewhere between \$850,000 and \$900,000 the committee would be prepared to give it at least favourable consideration.

Yours truly,

(Sgd.) W. G. McPHERSON,
Executive Assistant.

Soldier Settlement of Canada
518 Rogers Building,

Vancouver, B.C., May 25, 1943.

G. W. McPHERSON, Esq.,
Custodian of Enemy Property,
675 Hastings Street, W.,
Vancouver, B.C.

Japanese Agricultural Lands

DEAR SIR: I have for acknowledgment your letter of May 25 in which you indicate that you believe your committee is prepared to favourably consider an offer in the neighbourhood of \$850,000.

You will recall that when you first invited an offer on these lands I expressed the opinion that we would only be interested in a part of them and, when your committee was so informed, they indicated that favourable consideration would be given if an offer was received en bloc apart from schools, churches, co-operative plants, etc.

It has always been an accepted fact that the buyer who takes a large block of properties is entitled to discount for cash of from at least ten to twenty-five per cent. I am advised by my regional advisory committee that they offered your committee \$800,000 yesterday for these lands in an attempt to close the transaction.

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.

Yours very truly,

(Sgd.) I. T. BARNET,
District Superintendent.

Mr. JAENICKE: Then there is a letter on page 40 from Mr. McPherson to Mr. Murchison.

The WITNESS: You mean Mr. Murchison to Mr. McPherson do you not?

Mr. JAENICKE: Yes, I am sorry, from Mr. Murchison to Mr. McPherson. It is dated May 29. Do you want that letter to go in?

Mr. FLEMING: It may as well.

The VICE-CHAIRMAN: I should think it should go in.

SOLDIER SETTLEMENT AND VETERANS' LAND ACT

OFFICE OF THE DIRECTOR

Ottawa, May 29, 1943.

G. W. McPHERSON, Esq.,
Executive Assistant, Office of the Custodian,
Department of the Secretary of State,
Ottawa.

DEAR MR. McPHERSON,—I have received your letter of the 28th instant advising me that the custodian is not prepared to accept our offer of \$825,000 for the lands more particularly described in the schedules which accompanied our original offer in writing, dated May 17.

Advice received from Mr. Barnet at Vancouver indicates that your Vancouver committee consider these particular lands are worth approximately one and one-quarter million dollars, and I may advise you frankly that the director, the Veterans' Land Act, is not interested in these lands at that figure.

My position in this matter differs materially from that of an ordinary purchaser for the following reasons:

1. A firm offer for cash has been made for 769 parcels of property and I have no reason to believe there is any other single agency or person in the market for that number of parcels.

2. Our appraisalment of these lands was made on the basis of ordinary terms of sale and without regard to any temporary boom or speculative values brought about by a state of war. The offer which has been made represents only a minor cash discount on our valuations, and in ordinary land transactions a fair discount on ordinary terms for cash purchase is not uncommon.

3. The buildings on many of these properties are of cheap construction. Many of them are in poor repair and subject to more than ordinary risks of depreciation.

4. The offer to purchase these lands is made for the purpose of using them for the re-establishment of Canadian veterans after the war. Few of these properties can be used for this purpose without additional expenditure for the repair of existing buildings or the erection of new homes suitable for the occupation of a Canadian veteran and his family.

5. No one knows when the war will end, but if the lands are acquired now I must assume responsibility for the cost of administration, annual taxes, fire insurance, and depreciation, with no definite assurance that revenue from these lands will meet ordinary carrying charges.

As stated above, the director is not interested in acquiring these lands at the values which seem to exist in the minds of at least some of the members of your Vancouver committee, but with a view to closing this transaction, I am prepared to increase our latest offer by \$25,000 to a total of \$850,000, subject to the same terms and conditions which were set out in our written offer on May 17. This is the final offer I am prepared to make for these particular properties in bulk.

I would appreciate your final decision in this matter at your earliest convenience.

Yours very truly,

(Sgd.) G. MURCHISON,
Director.

Mr. JAENICKE: And the part I am drawing to your attention is this "I am prepared to increase our latest offer by \$25,000 to a total of \$850,000 subject to the same terms and conditions as set out in our written offer of May 17."

Then on page 41 we have a portion of the minutes which I think is rather singular. The committee stated the reasons as to why they would accept the offer and I should like to put this on the record and I quote from the minutes.

Mr. FLEMING: Would you read the whole motion? I think the extract should be given at the top of the page where it says "after the committee had discussed," etc.

After the committee had discussed the correspondence and the amended offer.

It was moved by Mr. MacKenzie and seconded by Mr. Menzies—

That having duly considered the revised offer of the Soldier Settlement of Canada for the purchase of 769 parcels of land with all existing buildings and other improvements, trees, bush fruits, etc., more particularly described in the attached schedules and formerly occupied by persons of the Japanese race for the sum of Eight Hundred and Fifty Thousand Dollars (\$850,000).

Having in view:

- (a) That this committee concurs in the policy of liquidation of Japanese properties in the Protected Area of British Columbia as provided for in order in council P.C. 469.
- (b) The purpose for which such lands are required.
- (c) That the offer is not for selected individual parcels but for a block of 769 parcels which include a large proportion of uncultivated land and a considerable amount of bush land.
- (d) That while the appraisals of 17 farms made by this committee were in excess of the appraisals of the Soldier Settlement of Canada that it was realized that present values are enhanced due to war conditions and do not represent ordinary land values as in normal times.
- (e) That the present offer is for cash and can therefore be reasonably expected to be less than the appraised value in view of the interest which may accrue by investment of the purchase funds.
- (f) That the Custodian will be relieved of the cost of administration, taxes, fire insurance, depreciation.

This committee is therefore of the opinion that the offer of Eight Hundred and Fifty Thousand Dollars (\$850,000) is fair and reasonable and recommends to the Custodian the acceptance of same subject to the terms of their offer.

The vote on this resolution was unanimous and it was agreed that the offer and recommendation should be written in the minutes and signed by the committee and a copy be supplied to each member for his own record.

By Mr. Jaenicke:

Q. Consideration all of these clauses, a, b, c, d, e, and f does that not sound something like an apology for having accepted an offer that was not really a good one?—A. This was the conclusion which the committee arrived at and there was justification for recommending to the custodian that the offer be accepted.

Q. It appears there was some verbal discussion and then there is also a letter on record from the secretary of state, Mr. McLarty, to Mr. Murchison, dated June 22, 1943 and this letter defines the terms that were changed and I would like to have this letter on the record. It is on page 44.

OTTAWA, June 23, 1943.

GORDON MURCHISON ESQ.,
Director, Veterans' Land Act,
Ottawa, Canada.

Re: Japanese Evacuee Lands

Dear Sir,—Your offer to purchase seven hundred and sixty-nine (769) parcels of land for eight hundred and fifty thousand (\$850,000) dollars, subject to the terms and conditions set forth in your Mr. Barnet's letter of May 17, as amended by your letter of May 29, is hereby accepted subject to the following conditions which I understand Mr. McPherson has discussed with you and with which you agree. These conditions are as follows:

1. All taxes, charges and fire insurance for the crop year of 1943 will be assumed by you.
2. All rents paid or payable for the crop year 1943 will be assigned to you less such adjustments as may be necessary to take care of any taxes, charges or fire insurance paid for the 1943 crop year.
3. All existing lease agreements covering the lands included in your offer will be assigned to you by a general assignment, you already having duplicate copies of all such leases.

I would appreciate receiving a letter from you confirming these variations in the conditions of your offer.

Yours very truly,

(Sgd) N. A. McLARTY
Secretary of State.

Q. The point which I would bring out is contained in the paragraph which reads:

All rents paid or payable for the crop year 1943 will be assigned to you less such adjustments as may be necessary to take care of any taxes, charges or fire insurance paid for the 1943 crop year.

You heard Mr. Murchison's evidence at the last meeting?—A. Yes.

Q. And he seems to claim he got a better deal with \$850,000 with adjustments of rent and so on than he would have in the offer of \$825,000? Do you agree with that?—A. All I can say in that connection is that it was only at this time that the Vancouver office received word of the final arrangements

which had been made. A copy of Mr. McLarty's letter was sent to the Vancouver office indicating that the deal was to be made on the basis of \$850,000 and adjustments were to be made as of January 1, 1943.

The VICE-CHAIRMAN: It is agreed that this letter shall go in? Agreed.

Mr. FLEMING: I think that the letter is already on the record. It was put in by Mr. Shears at a previous meeting.

Mr. BURTON: It will be just as well to have it put in here.

Mr. FLEMING: For continuity.

By Mr. Jaenicke:

Q. Your committee was not consulted regarding the terms of sale?—A. Not at that date.

Q. As far as you were concerned you were selling at \$850,000 and the adjustment was to be made as of May?—A. That was the committee's recommendation.

Q. On page 64 there is one little paragraph that I would like to put on the record. It is an extract from the minutes of the meeting held on January 13, 1944.

Mr. FLEMING: Did you say page 64?

Mr. JAENICKE: Yes.

Mr. Shears referred to a recent visit he had made to Ottawa and advised the committee that it was now the wish of the custodian that in view of the fact that the director, the Veterans' Land Act was not likely to be interested in any further properties that an orderly liquidation of the balance of the properties vested in the custodian should be proceeded with.

What did you have in mind by "an orderly liquidation"?—A. Just this, and I think this should go on the record. The Soldiers' Settlement appraisal or the order in council authorizing it was made in June of 1942. There was order in council, P.C. 469 of the 19th of January 1943 which, for the first time, clarified the custodian's powers to include a policy of liquidation. Up to that time, although it was set out under order in council it was not the policy of the custodian to liquidate any property. The first liquidation of properties was this deal which at this stage had been consummated with the director of the Veterans' Land Act. That, being completely out of the way, advice was then received that it would be in order now, under P.C. 469, to proceed with the sale of the other properties to individuals and therefore you have the use of the expression, "orderly liquidation".

Mr. PINARD: If I may interject, you have referred to P.C. 469 which has not been tabled. I suggest that it also be put in the record.

By Mr. Jaenicke:

Q. Mr. Shears, I am not laying any blame on you whatsoever. I think you have done a good job but this word "orderly", does it not imply that the other liquidation was "disorderly" at least; or extraordinary?—A. The difference was as follows. Here was a group sale which had been made and I came to the committee and I passed on the information that the rest of the properties should be sold and that they were to be sold under the management of myself as director of the office and that it was to be proceeded with in an orderly manner. That would then bring in the question of the advertising and the calling for tenders and so on, matters which have all been referred to before this committee.

The VICE-CHAIRMAN: Do you think the expression "continued orderly manner", would be better?

The WITNESS: Yes.

By Mr. Cruickshank:

Q. I wonder if Mr. Shears has information as to the total acreage of those Japanese farms?—A. I am awfully sorry that I have not, sir. It has been established that there were approximately 10,000 acres involved in this particular deal.

Q. Have you any idea as to how many acres were under cultivation and how many acres were mountainous and on the side of hills? I wonder if you could tell us that for the benefit of my long-haired friends who have not seen a berry-farm?—A. In this particular deal, as I said, there were about 10,000 acres of which about 4,000 were cultivated.

Q. Have you any idea how many acres were on the side of hills and mountains and so on?—A. I have driven through the country and I have seen that quite a few of them are on the side of hills.

Q. You are familiar with what I am referring to?—A. They are on the sides of hills, yes.

The VICE-CHAIRMAN: Are you through Mr. Cruickshank?

By Mr. Cruickshank:

Q. What I am driving at, Mr. Chairman, is this. The valuations are being questioned, the values of these farm lands at that time and at later periods, and I am asking Mr. Shears if he agrees that at that time there was no demand for this class of land on the general market? Is that correct as far as you know?—A. As far as I am aware there had been no keen demand for those properties at that time.

Q. Then you will agree, I presume, that class of land requires a lot of labour?—A. That is definitely true.

Q. And do you agree that at that time the labour was not available in the province of British Columbia? What I am driving at Mr. Chairman, is this. I think there is no dispute about it. If this land had been thrown on the open market it would not have been in great demand, except in one or two cases.

Mr. JAENICKE: That is not borne out by the minutes.

Mr. CRUICKSHANK: It may not be borne out by the minutes but it may be borne out by some of us who belong to British Columbia.

Mr. STEWART: It is certainly not what I have gathered.

Mr. CRUICKSHANK: Are you questioning the veracity of this gentleman and the evidence before this committee?

Mr. STEWART: I am going to take what I see in the minutes and I have my own idea of what you say.

By Mr. Cruickshank:

Q. I made the statement that this class of farm land was not in demand in that period. Am I not correct in that Mr. Shears?—A. I could not answer that question because as far as the custodian was concerned it had not been put to any proof at all. It had not been tested out. I will say this however, when the Japanese were evacuated, in cooperation with the Pacific Cooperative Union and other unions, tenants were put on all these farms and many of them turned out to be not particularly satisfactory tenants.

Mr. JAENICKE: But you did collect \$83,000 in rentals for that period, or approximately that amount?

The WITNESS: The rentals were about that much.

Mr. CRUICKSHANK: In my opinion, coming from that district, these farms were not in demand at that time. Also I do not think the class of labour was available to farm the farms at that time. In other words, if you get \$100

an acre for a piece of land at that time, and I am using the \$100 only as a figure of speech, two years later you might have got \$200. I think you will agree that is fair.

Mr. FLEMING: May I, for the benefit of my friend, the honourable member from Fraser Valley who has seen a berry-farm, read an extract from page 31 of these minutes which reads: "In reply to an enquiry from Mr. Yamaga, Mr. Shears stated that the 769 properties contain a total acreage of 9,859 acres of which 3,959 acres were cultivated and that the total assessed value was \$1,225,703".

That is just read in passing, but to complete the record may I cover four or five extracts which I think have not been read and which I think ought to go in to complete the record. The first extract is on page 11.

The VICE-CHAIRMAN: Will you give the full quotation in each case, Mr. Fleming?

Mr. FLEMING: Yes. This is from the minutes of the meeting of March 15, 1943 and it begins:

In order that the work of the committee might not be delayed, a general discussion took place as to the best method of advertising and the policy adopted by the custodian in the liquidation of motor vehicles, where a general advertisement was published and a catalogue prepared for examination, was considered and it was felt that subject to the decision of the Soldier Settlement of Canada, this might be a suitable policy to adopt in this case.

Mr. MacKenzie expressed the opinion that all sales should be for cash although he was of the opinion that such a ruling by the committee might result in considerable curtailment in the number of sales.

As to the method of valuing the property, Mr. McPherson pointed out that the Soldier Settlement of Canada had surveyed the property and valued same but that their values were as prospective purchasers and not vendors.

I turn now to page 19, an extract from the minutes of the meeting of March 18:

Mr. McPherson explained that the reasons why the Custodian adopted a policy of advertising enemy property were first to ascertain the market value, and thereby have an answer for the enemy owner as to the value received for his property, and secondly to avoid any criticism by the public that by private sales individual persons in Canada had been given priority over the public generally. He pointed out that this policy was not to be interpreted that the Custodian recognized that any individual in Canada had any right to buy property from the Custodian or to demand that sales be made by public notice. He also pointed out that in many cases sales were made to government departments, provincial and dominion at appraised values without any public notice being given where it was considered that articles for sale could be of use in Canada's war effort. For example, the sale of motor vehicles to the R.C.M. Police prior to the publication of a notice calling for tenders generally.

Mr. McPherson stated that a sale to the Soldier Settlement of Canada could not be criticized by any individual on the grounds that he had a right to bid against the Soldier Settlement of Canada and he was of the definite opinion that for patriotic reasons no private citizen in Canada could complain of a sale to the Soldier Settlement of Canada, the purpose of such sale being to rehabilitate returned soldiers. He suggested to the committee that in considering the desirability of adopting a

policy of a bulk sale to the Soldier Settlement of Canada they should keep in mind the fact that the Custodian as a trustee for the Japanese evacuees is not primarily concerned with any supposed rights of white people to purchase their lands.

Then, on page 27, an extract from the minutes of the meeting of May 19. There was an extract read from this page, but I should like to read this portion to complete the paragraph.

Mr. Mackenzie said that he could not understand why Mr. Barnet did not wish copies of his figures to be made.

May I interpolate at this point, this goes back to the discussion as to why the appraisals from the Soldier Settlement Board were not made available to the committee.

He thought that each member of the committee should have a copy so as to be able to make a thorough check. However, Mr. McPherson suggested that in order to get an independent valuation the farms should be valued without seeing the list received from Mr. Barnet.

Then, on page 34, a sentence or two was read from this page, but I think the balance of the page ought to be read. The extract which was read was to this effect:

At this point representatives of the Regional Board of the Veterans' Land Act joined the meeting.

This is the meeting, Mr. Chairman, of May 24. "The following attended; then, it gives the names of the three men. The minutes then read as follows:

Mr. Godfrey outlined the methods under which they had made their appraisals and that the appraisers were considered to be exceedingly well qualified. He stated that their appraisals were not made by snap judgment but after thorough investigation and survey and he stated that valuations had not been made with the idea that the Soldier Settlement of Canada would be prospective purchasers and that he considered their offer of \$750,000 very fair.

Mr. Carnecross also stated that the appraisers were well known to him and were trained and experienced men. He stated that if the war continued, revenues would be offset by taxes, depreciation and administration costs. While he believed the appraisers' values of \$867,000 could be considered an accurate and fair valuation, it included a lot of property which would be unsuitable for their purpose and require a great amount of rehabilitation and in view of the fact that their offer was for cash he considered that \$750,000 was a good offer.

Mr. J. J. MacLennan stated that only about 10 per cent of the Japanese properties were low land.

Those, Mr. Chairman, are statements from the three representatives of the Soldier Settlement of Canada.

On page 53, we have a letter written by Mr. Shears to Mr. Barnet dated October 30, 1943. It does not relate to the sale of the 769 parcels but perhaps it might be just as simple to put in the whole letter. I am concerned with one sentence in it.

The committee assume that the appraisals—

I take it that that is the Custodian's committee.

—the appraisals were made on the same basis as before and they were definitely of the opinion that such appraisals were very conservative as to value.

Now, Mr. Chairman, that leaves just two matters about which I should like to ask, with your approval.

The CHAIRMAN: The whole letter will go in, gentlemen. (The following is the full text of the letter.)

30 October, 1943.

I. T. BARNET, Esq.,
District Superintendent,
Soldier Settlement Board and Veterans' Land Act,
518 Rogers Building,
Vancouver, B.C.

Dear sir: Your letters of October 4 and your two letters of October 13 were duly received in which on behalf of the Director, The Veterans' Land Act you submitted an offer as follows:—

No. of Properties	Appraised Value	Offer
33	\$ 39,329.00	\$ 35,000.00
11	6,834.00	6,500.00
1	584.00	500.00
	<u>\$ 46,747.00</u>	<u>\$ 42,000.00</u>

These offers have been considered by the advisory committee under the chairmanship of Judge Whiteside.

The appraised value of the 769 parcels of land included in the recent deal with the Veterans' Land Act was \$867,000, the purchase price being \$850,000. The advisory committee pointed out that the difference was approximately 2 per cent.

As noted the above total appraised value of the properties now under consideration is \$46,747 and your offer is \$42,000, an approximate difference of 10 per cent.

The committee assume that the appraisals were made on the same basis as before and they were definitely of the opinion that such appraisals were very conservative as to value.

They feel unable to recommend to the Custodian that your offer be accepted but if you would revise it and agree to purchase all the properties on your list to which the Custodian is able to deliver title, at 2 per cent less than the appraised value, they would be prepared to favourably consider such an offer.

I would therefore be glad if you would advise whether or not the Director, The Veterans' Land Act would be interested in the purchase of these properties on the basis suggested and if so we will take the matter up further and recommend the acceptance of same to our department at Ottawa.

Yours truly,

(Signed) F. G. SHEARS,
Director.

By Mr. Fleming:

Q. On page 41, Mr. Jaenicke asked Mr. Shears some questions about the minutes and the resolution approving the acceptance of the offer from the Soldier Settlement Board. I have a question or two on that. Mr. Shears, was this resolution prepared in advance of the meeting?—A. No, it was not prepared—at the conclusion of the meeting, a draft was made, with all the members present. Those are the points that they wanted emphasized and, later

than that, I think the chairman, Judge Whiteside, incorporated the whole thing in his recommendation to the Honourable Secretary of State. It was not prepared, it was prepared from the meeting.

Q. Does it come down to this, then, the resolution which is quite a formal resolution, is it not?—A. Yes, and it was suggested it should be formal since this was the conclusion of the whole matter, and I think it states each member should have a copy of it.

Q. What I understand you to say is that this formal resolution was not prepared in advance of the meeting. There was a discussion at the meeting and the committee decided on the course it would take and the formal resolution was drafted?—A. Drafted, yes.

Q. Subsequently it incorporated in the minutes what was decided on there?—A. That is correct, the chairman and other members of the committee signed that particular part.

Q. The other question has to do with chattels which is one question on which you made some statements in earlier meetings before the committee as to the advisability of inventorying the chattels. There is an extract on page 10 of the minutes upon which I should like to invite your comment, Mr. Shears. This is from the minutes of the meeting of March 15:

"Mr. Menzies stated that there was a very good market for second hand furniture at the present time and Mr. MacKenzie asked if there was a complete inventory of all chattels available. Mr. Wright explained that in view of the uncertainty as to whether or not the chattels were to be shipped, the Custodian had not considered it necessary or advisable to make a complete inventory of all farm chattels. Mr. Wright pointed out that in many cases chattels were stored in a particular room by the Japanese himself and they had not been disturbed and the Custodian did not feel he should accept the responsibility of inventorying them since this might prejudice his position in case the chattels were removed either by the tenant or some other persons over whom the Custodian had little control.

Mr. Shears pointed out that considerable inventorying had been done and could be proceeded with if a policy of sale were adopted.

Now, I invite your comment on that statement, Mr. Shears. It has been indicated that there was some inventorying of farm chattels done. It was done, in the first instance, on a voluntary basis, but reading that minute one would almost infer that you had expressed the opinion that an inventory of chattels was practicable. Would you care to make a comment on that?—A. Was practicable?

Q. Yes.—A. I do not know whether I get your point regarding that. Complete inventories were not made in the first instance. One reason was that up until January 1943 there was no suggestion that there should be a liquidation of the chattels and therefore if the Japanese left his articles stored with a particular person an itemized inventory was not taken but what I did suggest I think, in my previous reference, and I wonder if you mind reading it again—

Q. You mean the whole reference?—A. No, just mine.

Q. "Mr. Shears pointed out considerable inventorying had been done and could be proceeded with if a policy of sale were adopted."—A. Yes.

Q. Now the previous paragraph contains information given by Mr. Wright which seems to suggest that a full inventory of the chattels would not be practicable and the custodian did not accept responsibility for any inventory and you are expressing the opinion that the inventory was practicable and it could be proceeded with if desired?—A. Yes, if liquidation became a policy. I think Mr. Wright was probably emphasizing the fact that in view of the

individuals status quo there was no particular need for an inventory up to that time but once we proceeded with the policy of liquidation we had to know what we were selling and inventories had to be taken.

Mr. CRUICKSHANK: Did that include trucks?

Mr. FLEMING: Are you asking me that?

Mr. CRUICKSHANK: No, I am not.

Mr. FLEMING: There is no reference made to trucks, it speaks of farm chattels.

Mr. CRUICKSHANK: I would like the point cleared up.

The WITNESS: Cars and trucks had previously been taken over by the Royal Canadian Mounted Police and had been disposed of.

Mr. CRUICKSHANK: They were separate?

The WITNESS: They were separate from these chattels we are referring to now. In connection with matter of chattels and the taking of inventories it certainly is true that in many cases the Japanese left many quantities of chattels placed in the care of individuals and there again, up to that stage of proceedings, the custodian had not stepped in to take accurate inventories.

By Mr. Fleming:

Q. Mr. Chairman, I think there is this final point to be raised. We have had reference in the early testimony this morning by Mr. Shears to the effect that P.C. 469, dated January 19, 1943, in effect withdrew the freezing of this property for the Soldier Settlement of Canada which had been imposed by P.C. 5523, dated June 29, 1942.—A. Right.

Q. Now here is the custodian's committee meeting of March 15, 1943, two months after order in council number 4679 was made. In effect the freezing is lifted and yet we find this statement appearing in the minutes on page 8:

The position of the Soldier Settlement of Canada was then outlined by Mr. McPherson and he stated that it was his understanding in the meetings held at Ottawa, at which the chairman attended, that it was definitely indicated that as a matter of policy it was the government's desire that the Soldier Settlement of Canada should have the first option to purchase any or all property if they so desired. The chairman stated that this was also his understanding of the situation. Mr. McPherson pointed out, however, that while the Soldier Settlement of Canada had a first option to purchase, it did not necessarily follow that they could purchase at their price, that any sales to the Soldier Settlement of Canada would be for a reasonable price and that the custodian was anxious that the committee should consider and approve of any such sales.

Mr. MacKenzie requested information as to how the Soldier Settlement of Canada had come into the picture at all and Mr. McPherson explained that a special order in council was passed giving them authority to make a survey of the Japanese agricultural lands and that it further provided that they had the right to veto any dealings with such land.

Now why, two months after the repeal of P.C. 5523, is the committee still recorded as talking in terms of an imposition of a veto on lands when the veto has been removed? Why, in particular, do we have a statement that the present policy of the government, as of March, 1943, is that the Soldier Settlement of Canada should have the first option to purchase?—A. I think what Mr. McPherson was doing at that meeting was explaining to the committee just what had happened in the past. From the time of the order in council setting up the Soldier Settlement valuation, the Custodian was entirely removed from the picture. We were not able to lease property, nor rent property under that particular order in council. That had to be done by the Soldier Settlement. I think Mr. McPherson was pointing out to the committee that during the period under which order in council P.C. 5523 was in effect, the Custodian was entirely

withdrawn from the picture. On the introduction of P.C. 469 on January 9, 1943, the Custodian was back in the picture and Mr. McPherson came from Ottawa to say to the committee, "Now, at this time, the government is considering an offer which may be received from the Veterans' Land to purchase this land. It is the policy that this land should be sold."

Q. Perhaps we can shorten it up, Mr. Chairman, this way: Even having regard for P.C. 469 and the repeal of P.C. 5523, it was still government policy that this land should not be offered freely to the public, but that it should be sold to the Soldier Settlement of Canada?—A. I think that is true, but I would also say, so far as the Vancouver office was concerned, it was not government policy at that time that any property should be sold. It was not until July, 1943, that the general policy of liquidation became effective.

Q. We can go at least this far; it was government policy there should not be any sale to the public?—A. That is true.

Q. Of these farm lands?—A. Of these farm lands or any other lands.

The CHAIRMAN: Gentlemen, is it your pleasure that I now excuse Mr. Shears? We propose next Tuesday, with the approval of the steering committee, to have a representative here of the Japanese cooperative committee.

Mr. JAENICKE: Should not Mr. Shears stay here in order to answer any assertions that gentlemen might make?

The CHAIRMAN: I thought perhaps Dr. Coleman or other members of the department could answer those questions.

Dr. COLEMAN: I think Mr. Wright would be competent to do that. He was in the Vancouver office from 1942 to 1945.

The CHAIRMAN: I think Mr. Shears can be excused.

The committee adjourned at 1.10 p.m. to meet again on Tuesday, May 27, 1947.

APPENDIX A

Order in Council revoking P.C. 5523, dated 29th June, 1942, and P.C. 6885, dated 20th July, 1942—transfer to the Custodian of the property of persons of the Japanese race evacuated from the protected areas of B.C.

• P.C. 469

AT THE GOVERNMENT HOUSE AT OTTAWA

TUESDAY, the 19th day of January, 1943.

PRESENT:

HIS EXCELLENCY THE GOVERNOR GENERAL IN COUNCIL—

Whereas by Order in Council dated 29th June, 1942, (P.C. 5523) amended by Order in Council dated 4th August, 1942, (P.C. 6885) Regulations were made imposing certain duties and responsibilities on the Director of Soldier Settlement of Canada in relation to agricultural lands owned by persons of the Japanese race ordinarily resident in the protected areas of British Columbia;

And whereas the Secretary of State reports that the appraisals of lands contemplated by the said Order in Council as amended have been made and that it is the opinion of the Minister of Mines and Resources, to whom the Director of Soldier Settlement of Canada reports under the said Order in Council as amended, that the said Order in Council as amended, should be revoked;

That by Order in Council, dated 20th July, 1942, (P.C. 6247) it was provided that on and after the 1st August, 1942, all unfinished business of the Committee under the Chairmanship of the Honourable Mr. Justice Sidney A. Smith of Vancouver, appointed by Order in Council of 13th January, 1942, (P.C. 288) in respect of vessels or equipment vested in the Custodian under the

said Order should be transferred to the Custodian, and the Custodian was vested with all vessels and equipment which had not been disposed of under the supervision of the said Committee;

That since the transfer was effected, question has been raised as to the authority of the Custodian to deal with unfinished business of the said Committee in relation to vessels or equipment disposed of prior to the 1st August, 1942, and it is expedient to remove any doubts in this respect;

That by Orders in Council relating to the property of persons of the Japanese race evacuated from the protected areas of British Columbia, the Custodian has been vested with the responsibility of controlling and managing property belonging to persons of the Japanese race who have been evacuated from the protected areas, except deposits of money, shares of stock, debentures, bonds or other securities or other property which the owner on being evacuated from the protected areas was able to take with him; and

That the evacuation of persons of the Japanese race from the protected areas has now been substantially completed and that it is necessary to provide facilities for liquidation of property in appropriate cases.

Therefore, His Excellency the Governor General in Council, on the recommendation of the Secretary of State, concurred in by the Minister of Mines and Resources, the Minister of Pensions and National Health, the Minister of Labour and the Minister of Fisheries, and under the authority of the War Measures Act, Chapter 206 of the Revised Statutes of Canada, 1927, is pleased to order and doth hereby order as follows:

1. Order in Council, dated 29th June, 1942, (P.C. 5523) and amending Order in Council dated 4th August, 1942, (P.C. 6885) are hereby revoked.

2. Paragraphs numbered 3 and 4 in Order in Council dated 20th July, 1942 (P.C. 6247) are hereby rescinded and the following are substituted therefor:

3. The Custodian may, where he considers it advisable so to do, liquidate, sell or otherwise dispose of any such vessel or equipment on such terms and conditions as he deems advisable; and any agreement entered into or document executed by the Custodian on or after August 1, 1942, and prior to the date of this Order, purporting to be an agreement for, or to be, a transfer, conveyance or other disposition of any such vessel or equipment or of any right, title or interest therein is hereby given full legal validity, force and effect as if the Custodian had full power to enter into such agreement or to execute such document, and as if such vessel or equipment or such right, title or interest therein, as the case may be, had been vested in the Custodian, at the time of the entry into such agreement or the execution of such document.

4. Without restricting the generality of the powers hereinbefore conferred, all unfinished business of the said Committee is hereby transferred to the Custodian and shall be deemed to have been so transferred as on and from the 1st August, 1942.

Wherever, under Orders in Council under the War Measures Act, Chapter 206 of the Revised Statutes of Canada, 1927, the Custodian has been vested with the power and responsibility of controlling and managing any property of persons of the Japanese race evacuated from the protected areas, such power and responsibility shall be deemed to include and to have included from the date of the vesting of such property in the Custodian, the power to liquidate, sell, or otherwise dispose of such property; and for the purpose of such liquidation, sale or other disposition the Consolidated Regulations Respecting Trading with the Enemy (1939) shall apply *mutatis mutandis* as if the property belonged to an enemy within the meaning of the said Consolidated Regulations.

Certified to be a true copy.

A. D. P. HEENEY,
Clerk of the Privy Council.