Halton Member Heads House of Commons Debate

During the past week the War Expenditures Committee has been under some debate in the House of Commons. In view of the fact that the Member for Halton, Mr. Hughes Cleaver, is chairman of that committee and has again been elected to fill that important post in the new committee some extracts and a rather full report of the proceedings taken from the official records of the debates of the House of Commons will be of particular interest to our readers in Halton County.

Mr. Hughes Cleaver (Halton): The committee on war expenditures, as the house will recall, was not set up until July 17 of last year. The committee was immediately convened. We held three meetings of the main committee between the 17th and the 24th of July when the house adjourned. The committee did not meet in August. Most members had been away from their ridings for many months and required to return to them. The committee, however, reconvened in September and worked continuously through the fall until the middle of November, and it reconvened again a week before the house opened, for the purpose of completing its reports. During this period the main committee and its various subcommittees held ninety-seven meetings at Ottawa in addition to many visits to war plants across Canada.

During the recess our meetings were exceptionally well attended this time, and I think it is only fitting that I should now pay a well-deserved tribute to the members of the committee and to the committee staff for the loyal and efficient way in which they carried on their duties and for the substantial results achieved.

Members of the house will have noticed from our reports that subcommittee No. 1 reported on shipbuilding, both as to cargo and the shipbuilding program and as to naval vessels. Subcommittees Nos. 2 and 3 were grouped together for the aluminum inquiry. That was an exceptionally heavy inquiry and the committee thought it wise to assign that work jointly to those two subcommittees. Subcommittee No. 4 made the inquiry into the supply of agricultural implements and brought in a report with respect to that subject.

While the committee worked very diligently and lost no time, from the time it was appointed, and worked continuously throughout the fall, much of the work which we should have done has not yet been completed, and we are consequently much pleased that the house has taken notice of our fifth report, which was a recommendation that the committee this year should be set up as promptly as possible on the opening of the session.

Since most of our meetings have been in camera, the work of the committee has received little publicity, and I think it only fair, only right, that I should say that the war expenditures committee, much maligned as it is by some of our daily press, has saved many millions for Canada's war effort. This saving has been effected both directly and indirectly. A reference to the reports will disclose many of the direct savings that have been brought about, but in addition to the direct savings, the indirect influence, I am convinced is quite as important.

I believe it is commonly agreed now that the very fact that a war expenditure committee is sitting and is vigilantly watching government expenditures has a most salutary effect. While no major scandal has occurred in connection with Canada's war effort, and we are all very proud of that fact, not many mistakes have been made—honest mistakes. War is wasteful. I will say this, however, that whenever mistakes have been made and whenever waste has occurred, the mistakes have been remedied and the waste checked as soon as it was brought to the attention of the minister in question; and in the few instances where actual wrongdoing has occurred the wrongdoers have been punished.

Quite recently one of the Toronto dailies criticized the war expenditures committee for referring, through the minister, to the Royal Canadian Mounted Police, criminal charges for investigation and for prosecution if prosecution proved to be justified. I was amazed to read that editorial because, speaking for myself and, I believe, for every member of the house, I do not know of any other way in which a crime, even though connected with the war effort, should be treated than by reference to the RCMP. for investigation and to our criminal courts for punishment if crime actually was committed.

During the last year the committee followed its established practice of holding most of its meetings in camera. We have already had debates in three previous sessions of this house with reference to the practice of holding most of the meetings in camera, and the merits both for and against such meetings have been fully discussed in these debates. In Great Britain, as hon. members know, all meetings of the war expenditures committee are held in camera. In Great Britain also the subcommittees have not even the power to hold any of their meetings otherwise than in camera. In Canada, while the committee has full power to decide itself on the type of meetings to be held, our practice in the main has also been to hold most of our meetings in camera.

As to our subcommittees, we have not tied their hands, and every subcommittee that has been appointed by any war expenditures committee since 1941 has had the fullest power to decide whether its meetings shall be held publicly or in camera. In view of the fact that our Canadian practice as well as the British practice is so well established, I had hoped that there would be no further discussion about the matter. However, in listening to the leader of the opposition (Mr. Graydon) in his opening speech this session, I became fully aware of the fact that the point must be argued all over again.

May I call attention to the actual words used by the leader of the opposition. They are quite expressive though perhaps not too dignified, and I just wonder if, when the leader of the opposition uttered those words, he fully appreciated the fact that he was speaking to the British House of Commons in regard to their conduct of war expenditures—

These are the words, Hansard, page 31:

It is about time that the lid was blown off these in-camera sessions of the war expenditures committee. It is little short of a national disgrace that the people of Canada should not know something about the investigations of these contracts. I am opposed to the whole system of pulling down the blinds, closing the shutters and locking the doors when public contracts are being investigated.

You will notice that the leader of the opposition has accused the war expenditures committee of this House of Commons of acting in a manner which consitutes a national disgrace. These words demand a frank answer, and I welcome the opportunity of giving it. I say that no one knows better than the leader of the opposition, the Toronto Globe and Mail and the others who are carrying on this agitation against in-camera sessions of the war expenditures committee, the reasons why they are carrying on that agitation. They know there are good and sufficient reasons for the meetings being held in camera, and I shall be pleased to enumerate them a little later on.

I suggest that this whole campaign, led by the Toronto Globe and Mail, is politically inspired, is harmful to Canada's war morale, and is without any foundation in fact.

We are accused of having something to hide. That is assigned as the reasons for the in-camera hearings. We have nothing to hide, and what is more, we could not hide it if we wanted to. Every fact brought out in a meeting of the war expenditures committee is brought out with a member or two of the opposition sitting right there and listening to it.

Just a little over a year ago, subcommittee No. 1, when making an inspection at an aircraft plant in Montreal, unearthed an expenditure made by the company which the company obviously planned over the years to charge to excess profits, and wrongfully so. The hon. member for Carleton was present at that meeting. The matter was referred to the commissioner of taxation and was caught in time to prevent loss to the treasury. The Conservative members of the subcommittee did not appreciate the fact that the matter was caught in time. The officials in question were by them called before the public accounts inquiry, and while our Conservative friends did not achieve the political advantage which they had hoped for out of the incident, yet it did serve this useful purpose: it proved beyond any doubt that evidence given before the committee, even though in camera, cannot be hidden, and that if anything occurs in the way of evidence of a questionable nature, it can be and it has been brought before the public accounts committee.

The very fact that our hearings are held in camera and that the witnesses are not subject to trial by press and press headlines leads to the greatest possible frankness and greatly assists the committee in pursuing its work. From the incident I have just related I can assure the hon. members that if any evidence comes out in the war expenditures committee that is of particular interest, there is not the slightest danger of its being hidden. In the light of past experience we have nothing to fear from bashful reticence on the part of the opposition if anything comes up which they think will advance their political fortunes.

With apologies to the house I should like to outline briefly why the British war expenditures committee as well as our own committee have found that better work is done when the meetings are held in camera. In the first place there is much information brought out which, if disclosed, would give either aid or comfort to the enemy, and at the time of your taking evidence in regard to war contracts you never know when a witness is going to blurt out something which would have that result. In the second place we have found that witnesses, when giving evidence as to contentious matters or matters where honest mistakes have occurred, become very reticent and practically "freeze up" if the meetings are open to the public. They know in advance that the meeting is going to be in camera and that they are not going to be subjected to trial by the press, so they frankly tell the story. Some people may question that; some may say the witnesses should have more courage and so on. However, we must face up to the fact that this state of affairs does exist; and if we want to do a thorough job as a war expenditures committee; if we want to require all the evidence we need as to contentious matters or matters in which mistakes have been made, we simply must hold our meetings in camera. In the third place—and this reason applies to all members of the house—in public meetings hon. members are prone to make speeches. When we are engaged in serious, hard work as a committee the same progress is not made if hon. members are making speeches in order to get in the headlines.

For these reasons we believe we achieve better results by having our meetings in camera. We know we get no publicity; we get nothing but hard work and results.

An hon. member: And abuse.

Mr. Cleaver: Speaking of abuse, when we made that election some three years ago we had two choices before us. We had to choose between doing a good job, knowing in advance that we would be criticized, or doing a mediocre job and escaping criticism. The great majority of the members of that committee, and they were not all Liberals, chose the hard road but the right road.

Just here, I should like to remind hon. members once more why the war expenditures committee was set up in the first place. It was distinctly understood by all parties in the house that the committee was not to be a propaganda committee or a scandal-hunting committee, but that its sole duty would be to search for economies in order to help Canada's war effort.

Another reason for setting up the committee on war expenditures was to permit private members of the House of Commons actively to take part in Canada's war effort, and to make a contribution to that effort. If hon. members will be good enough to read the debate which took place in the spring of 1941 I think they will find the answer to most of the charges—in my opinion unfair charges, though other hon. members may not agree with me—which are now being levelled by some of the daily newspapers and some members of the opposition with respect to the functioning of the war expenditures committee. I would suggest to my hon. friends of the opposition that if they want the lid blown off, as their leader mentioned the other day, or if they want fireworks, there is another committee to which they should go rather than the war expenditures committee. It is quite true that the fear of losing the war has passed, and that we can confidently look forward to final victory. But I suggest to yourself, Mr. Speaker, and to the house, that the need for economy in the war effort is just as great as it ever was, and that if there are any members who must indulge in fireworks, and who must regale themselves with charges about $8000 rugs, which never did exist, and other pieces of fiction, they can satisfy their desire for public airing before the public accounts committee.

But why harm the war expenditures committee, a serious minded committee, which was set up for the express purpose of saving money in this country's war effort? Why attempt to hamper them in their work by putting on a demonstration of this kind?

But today the Toronto Globe and Mail published a very misleading editorial in which they scurrilly criticize the committee upon its shipbuilding report. I should like to take the time of the house for a moment to refer briefly to our shipbuilding report. Late in 1940 Great Britain, on account of the submarine menace, needed cargo vessels very badly. Representatives from the British government came to this country and surveyed the possibility of building cargo vessels in Canada. War fifteen years prior to the war no steel cargo vessel had been built in this country, and we had little in the way of shipbuilding facilities.

As a result of that survey the British representative found three firms in Canada with possibilities. Prices were negotiated with these firms. The final agreement was that $31,250,000 was to be spent for cargo vessels to be built on the Pacific coast, and $31,750,000 for cargo vessels to be built in the St. Lawrence. The shipping problem became progressively worse, and in April, 1941, an order in council was passed authorizing the incorporation of Wartime Merchant Shipping Limited. Canada then branched out on an aggressive policy of cargo shipbuilding. We had only three suitable yards. The industry was expanded to the greatest possible extent; new yards were built and contracts were awarded to 11 shipyards in Canada. The prices in these yards were agreed upon as the prices which had been negotiated by the British representatives. The result was that by the end of 1943 Canada had built and delivered 222 cargo vessels, in addition to something like 400 naval ships.

In September, 1943, Sir Oliver Lyttelton, British Minister of Production, told in press conference that Canada was launching ships, exclusive of the larger types of war ships, to an extent equal to the volume of launchings by Great Britain. Ships were urgently needed. We had little in the way of shipbuilding facilities; we had little in the way of trained personnel, but we did produce the ships.

What about the cost? Some of the daily press and some of our hon. friends in the opposition are commencing entirely to forget the emergency and to criticize the costs? Well, what about those costs. All of the original contracts were negotiated and signed at the price which had been arranged by the British delegation. That is the first item on cost.

The prices proved to be much too generous. Canadian shipbuilding firms and Canadian workmen amazingly were more efficient and better producers than the British thought they could be. In the fall of 1942, subcommittee No. 1 visited a number of the shipbuilding yards, and checked production and production costs in those yards. We found that, in our opinion, their profits were too substantial.

Your committee on war expenditures made an interim report in that regard. I now read from page 461 of the minutes of proceedings of the committee on war expenditures. This is dated January 27, 1943, and dealing with 11012 states the following with respect to shipbuilding:

The subcommittee had before it the evidence of department officials and has visited many of the shipbuilding yards engaged in the construction of naval as well as cargo ships that has not completed its inquiry into this subject and consequently makes no general report at this time with respect to it.

Then follow the recommendations, and we did make a recommendation in a general way in regard to profits. Paragraph 3 at page 465 in the same report states:

As a result of its investigations to date the subcommittee makes the following recommendations. . . . .

3. That as soon as company financial statements are available for the year 1942 a special study should be made of profits, accelerated depreciation and corporate taxation. The question of excess profits and accelerated depreciation has caused the subcommittee considerable concern.

That does not sound as if the subcommittee is pulling its punches, as the Globe and Mail suggests. The recommendation goes on to say:

Very substantial profits are being earned in some instances far in excess of normal profits. . . . . .

Profits made by these companies were too high, and subsequently all the shipbuilding contracts with respect to cargo vessels were renegotiated. They were renegotiated back to the date of the first cargo vessel built in Canada, and all in saving off between $200,000,000 and $300,000,000 on the ships already built.

Subcommittee No. 1 completed its investigation into the shipbuilding program, and tabled its reports on the 28th of last month. I refer, hon. members, to the report and ask them to read all of it. It is not long, and I should like to read into the record 11 paragraph with respect to cost to show that we did bring to the attention of the public in the fullest way possible exactly what had happened. I read from page 1100 of the committee's minutes of the proceedings as follows:

The original contracts for cargo ships were for a fixed price, but when it was found that a ship could be built cheaper than anticipated renegotiation of contracts were undertaken. At the time renegotiation commenced about 80 ships had been delivered and about 45 more were in various stages of construction. At that time of $360,000 for each North Sands ship was

(Continued on Page Seven)