

vom 20.X.1938.

LAFLECHE BAITED BY DREW IN PROBE OF BREN GUN DEAL

SAYS PLANT NEEDED

Explains Cable to War Office
in Cross-examination

FEARED TO LOSE ORDER

Judge Critical of Recurrence
of Words, 'Only Source
of Supply'

Ottawa, October 18.—(P)—Establishment of a Bren gun factory in Canada was most important, Major General L. R. LaFleche, Deputy Minister of National Defence, declared today as he gave evidence at the inquiry before Mr. Justice H. H. Davis into the Government's contract with the John Inglis Company of Toronto for 7,000 of the light machine guns.

The Deputy Minister was under cross-examination by Lieut.-Col. George Drew, author of the article in Maclean's Magazine which criticized the contract and gave rise to the inquiry. Col. Drew questioned him all day and will continue for at least part of tomorrow, after which Defence Minister Mackenzie will take the stand.

The General stressed the importance of having the contract in Canada as he was questioned about an explanatory cable he sent to Sir Harold Brown, Master General of the Ordnance at the British War Office, on February 1, 1938. This was sent at the same time as the inter-departmental committee on the control of profits in armament contracts had a cable sent to Hon. Vincent Massey, Canadian High Commissioner in London, asking whether the War Office would consider inviting tenders from Canadian companies other than the John Inglis Company for the 5,000 guns the War Office proposed to purchase in Canada.

General LaFleche said he was fearful an impression might be created in Sir Harold's mind that would lead to the War Office dropping its plan to buy guns from Canada. Establishment of a factory to produce 7,000 guns would mean a high cost per gun, but if a British order for 5,000 were obtained also the cost would be lower.

Hence General LaFleche sent his message stating the Defence Department was satisfied with the ability of the John Inglis Company to produce the guns and with the terms of the proposed contract in general.

"It was to tell him at least one man in Canada understood his position over there," he said. "I was fearful of losing the whole thing. I was fearful of not having a factory in Canada and I considered that was the most important thing. I felt Canada's best interests might be jeopardized."

Before sending the cable he informed other members of the committee, all of whom are officials in various Government departments, of his intention, and obtained their approval.

"It is a very long cable for a deputy to send," remarked Justice Davis. "There is no doubt he was in earnest, but I wonder if the Government over there could send any answer but one when they received it."

PROTEST FROM JUDGE.

Towards the end of the sitting the judge protested at what he termed the "endless repetition" of the statement there was only one source of supply for Bren guns.

This was when Col. Drew questioned the witness on the minutes of the interdepartmental committee and asked if he adhered to statements he made to the committee when other members suggested tenders should be invited from firms other than the Inglis company. General LaFleche had argued the best method was to deal with one company and stated there were precedents for it. This was sound practice when there was only one source of supply.

"Why continue every day this repetition of only one source of supply?" asked the judge. "You know it is getting on my nerves. I am just fed up with that stuff."

Hon. J. L. Ralston, Government counsel, started to say something about the evidence, and the judge remarked: "Day by day, day by day, my eye is on the evidence. My only request is that day by day there be not this continuous reference to 'only one source of supply.'"

"I know, my lord, but that is going to be the contention in the end," said Col. Ralston.

Aime Geoffrion, counsel for the John Inglis Company, jumped to his feet and Col. Drew started to speak when the judge suddenly ended the incident by remarking: "Oh, let's proceed. Say no more about it."

Earlier, Col. Drew asked if General LaFleche agreed with the statement of one member of the committee that Canada was in no immediate danger of attack in February this year. The General did not and remarked the British Empire and other democracies had recently passed through very grave risks.

Col. Drew said the contract would not have helped much as the guns would not be delivered until 1941. Col. LaFleche said a start had been made, and the Department was six months further ahead than if time had been taken to obtain tenders from other firms.

The General denied Major James E. Hahn, president of the John Inglis Company, went to England in October, 1936, as the representative of the Government of Canada. Col. Drew asked if Major Hahn went to the War Office as a Government

representative and the General wanted to know which visit was referred to. The judge said the record was clear on that point.

The policy of the Canadian Government, said the witness, was that it would not manufacture arms for the British Government nor act as purchasing agent for the British Government. That meant that if the advantage of a larger production of Bren guns was to be obtained through a British purchase in Canada the production would have to be in a Government-owned factory.

Counsel disagreed as to whether the commission's terms of reference included the question of private versus Government ownership of armament plants. Col. Ralston contended that was a question for the Government and the voters. Col. Drew and I. F. Hellmuth, counsel for the Maclean Publishing Company, said the question was before the commissioner. Justice Davis said he would not rule finally but would pass on each question as it arose.

General LaFleche said on March 17, 1938, the night the interdepartmental committee approved the Inglis contract at a long session, he had Major Hahn, Hugh Plaxton, Liberal M.P. for Toronto Trinity, and Col. R. J. Orde, Judge Advocate General in the Defence Department, as guests at dinner in the Rideau Club here. He did not remember what was discussed and attached no significance to the meeting.

Colonel Drew asked about a transatlantic telephone call made to Col. G. P. Loggie at Canada House, London, on February 5, by Major-General A. C. Caldwell, Master General of the Ordnance.

The witness could not remember what the call was about, but after searching his records said it might have been to get from Colonel Loggie his impressions of the Bren gun situation independently of Sir Harold Brown for the information of the committee. Colonel Loggie, he explained, was an ordnance officer stationed in London to look after deliveries of supplies the department was purchasing in England.

RALSTON WORDS PROTESTED

When Colonel Ralston suggested Colonel Drew was mixing up the dates of cables and making it appear a message from Colonel Loggie came after this phone call, Colonel Drew protested.

"My friend sometimes takes liberty with the record," said Colonel Ralston.

"I demand that Colonel Ralston withdraw the statement I was trying to mix up dates," said Colonel Drew.

"I am quite sure you were not trying to mix them up," said the judge.

At one stage when Colonel Drew asked whether General LaFleche agreed with statements in the committee minutes the witness said: "That's your interpretation of them. You are putting your own interpretation on them and trying to put words in my mouth."

"Do you repeat that the British Government picked this firm," asked Col. Drew.

"I do," was the reply. "We will leave it at that. That is his answer," said the commissioner.

If the acquisition of guns was urgent, Col. Drew asked, why had the Department not dealt with the Birmingham Small Arms Company when it inquired about Canadian requirements.

"Because I thought we could quickly have a factory in this country," said General LaFleche. The Birmingham inquiry was in January, 1937, and in December, 1936, he had been told something, later confirmed, which indicated a Canadian factory and a British order for it would be possible.

"We wanted the factory in this country and we wanted it very badly," he said.

"Why were you not interested in finding out what Birmingham Small Arms could do?"

"Because they would have had their factory in England."

"That's your only answer?"

"That's a very excellent reason. It's not an answer. It's a reason."

The commissioner asked what General LaFleche had said at a committee meeting to a statement by Dr. W. C. Clark, Deputy Minister of Finance, that he could not conceive of the British Government being willing to deal only with one firm and that one which had been in receivership.

The witness said he had explained the information he had from the War Office and stated that there was nothing unusual about a firm going out of business and being re-organized.

Names Rideau Club Guests

Ottawa, October 18.—(P)—When the afternoon session of the Bren machine gun contract inquiry opened Lt.-Col. George Drew, K.C., Toronto, author of the Maclean's Magazine article criticizing the contract which prompted the Government to set up the commission, resumed his cross-examination of Major General L. R. LaFleche, Deputy Minister of National Defence.

This morning he asked the witness about a dinner at the Rideau Club here March 17, the night the interdepartmental committee on munitions orders was giving final consideration to the Bren contract, and General LaFleche had been unable to say with whom he dined.

George H. Hahn
J. L. Ralston
W. C. Clark
229/8

"Have you found out about that dinner?" Col. Drew asked.

General LaFleche said he had checked up and discovered that on the night in question he had as his guests for dinner at the Rideau Club, Hugh Plaxton, Liberal member of Parliament for Toronto-Trinity, Col. R. J. Orde, Judge Advocate General in the Defence Department, and Major J. E. Hahn, president of the John Inglis Company of Toronto, who got the order for machine guns.

Col. Drew: "What did you discuss at that dinner?"

Witness: "I don't remember."

Col. Drew: "Does it not seem significant that Hugh Plaxton was with Major Hahn in your office when the Bren gun idea was born, and that they were both with you at dinner the night the interdepartmental committee was giving final consideration to the contract?"

Witness: "Significant in what way?"

Col. Drew: "Do you think there was any significance?"

Witness: "None whatever." He believed, General LaFleche said, that on the way to his club he met Plaxton and asked him to go along to dinner.

"It was just a chance meeting and it was just a chance that the Bren machine gun was set up in your office when Plaxton first brought Major Hahn to meet you," Col. Drew commented.

General LaFleche said that was correct.

General LaFleche said he was deeply impressed by the report of the British Royal Commission on the manufacture of armaments. He considered problems of supply in Canada were similar to those in England.

RALSTON OBJECTS

Hon. J. L. Ralston, Government counsel, renewed his objection to a discussion of Government policy on private or public ownership.

"This commission should not be made a debating society for two schools of thought, private and public ownership," he said.

Col. Drew said the objection should have been taken when the British report was entered as an exhibit. Col. Ralston said the report was irrelevant and had been entered because General LaFleche referred to it and asked that it be filed.

Col. Drew asked if the British report recommended against government ownership of factories. General LaFleche said it had not. The British commission had realized they had to rely on private industry of necessity in order to obtain volume of supply, and to obtain volume of supply when it was needed they had to prepare for it by producing in private factories.

"Did it not recommend the Government should provide itself with its own factories?" asked Col. Drew.

General LaFleche said this was so but the recommendation had not been implemented.

General LaFleche said he approved of the British report in principle where it stated the Government should have plants and give leadership to private industry.

"Wouldn't it have been wise to follow that principle here," he was asked.

"Yes where it could be done.

"Why couldn't it have been done in this case?"

"Because it would have cost too much to produce 7,000 guns in our own plant."

"Why?"

"Because the more units that can be produced with the same capital expenditure the lower will be the cost per unit."

Asked if there were recommendations on file in the department against government manufacture,

General LaFleche said there were recommendations against setting up more Government plants.

Replying to a question as to whether he had reports or recommendations from technical officers against Government manufacture of munitions in Canada, General LaFleche said he was not sure and would have to search his files.

Col. Ralston protested that Col. Drew was "fishing in the departmental files to see what he can find." He argued that the only question before the commission was whether or not the Bren contract was a good one, not the question as between policies of government or private manufacture. "That is a question to be decided by the Parliament and people of Canada and is not before this commission."

The commissioner, Mr. Justice H. H. Davis of the Supreme Court of Canada, said he thought if there were any reports in the files recommending against Government manufacture of Bren guns they might be produced.

HOLDS QUESTION PROPER.

I. F. Hellmuth, K.C., Toronto, counsel for Maclean's Magazine, declared the question of whether or not this machine gun order should have been handled in a Government arsenal was a proper question for the commission to face.

To follow that idea through, Col. Ralston declared, "all anybody needs to do is write a letter to the newspapers" to have matters of policy taken out of the hands of the Government.

Col. Drew returned to the contract and asked the witness whether it had not occurred to him to have the existing precision tool plants in Canada make the component Bren parts to be assembled at some central point.

The witness replied that he understood some parts of the guns were being made outside the Inglis plant.

"Do you know if Major Hahn is having some parts made outside of Canada?" Col. Drew asked.

"I do not know," General LaFleche answered.

Col. Drew asked what General LaFleche had on January 24, 1938, to indicate the War Office would not deal with another company than Inglis company.

"I had a clear recollection of what they said in June, 1927, and I knew that as soon as they came to a decision they would want to get on with it."

"Did you address any specific inquiry to the War Office prior to January 24 to ascertain if the War Office would deal with another company?"

"Not specifically, because it wasn't necessary. I knew what they thought. The War Office officials were disposed, if they could arrange it with the Treasury, to go ahead with Major Hahn."

Col. Drew read from the minutes of the interdepartmental committee and asked whether the witness agreed with his statement to the committee that it would be dangerous to ask the British Government whether it would consider tenders.

"I agree, and I also say that such an inquiry was unnecessary and fraught with the greatest of risk."

Asked whether Sir Harold Brown, Master General of the Ordnance in the British War Office, knew the Inglis company had been in receivership and how he knew it, General LaFleche said:

"Sir Harold Brown knew all he wanted to know and was satisfied with Major Hahn and his intentions."

General LaFleche said fear delay would cause loss of the British order was also responsible for his opposition to a suggestion a selected list of competent firms be invited to study Bren gun production.

Col. Drew quoted from minutes of the interdepartmental committee where it was stated General LaFleche, as chairman, had declared the Inglis company was holding up its "ordinary operations" pending decision on the Bren contract.

"What were those ordinary operations?" Col. Drew asked. General LaFleche said he understood the Inglis company did not go after any other business because Major Hahn wanted to give the Government first claim on the facilities of his plant.

Col. Drew suggested that it was on the record that Bren gun making was only a side issue in the plant, and while waiting for the contract there would be no reason for holding up other operations. General LaFleche agreed.

"Then why could he not go forward with normal operations of his plant?"

"I do not know why, except he didn't choose to do so."

Proceeding with the committee minutes, Col. Drew read the views of one member expressing doubt that six months' delay in concluding the contract would mean "destruction of Canada."

"I did not endorse that opinion," General LaFleche said. "I may be taking an unfair advantage when I recall that since then we in Canada and all democratic countries have been under the gravest of risks."

"You wouldn't have any guns until 1941 anyhow," Col. Drew said.

"Well, we are six months ahead," General LaFleche answered.

RECALLS HAHN TRIP TO U.K.

Col. Drew had occasion at this point to recall, from previous evidence, that Major Hahn went to England as a "representative of the Canadian Government."

"No," General LaFleche declared, "he did not go over as representative of the Canadian Government."

"Do you mean to say, in the face of cables we have seen here, that Hahn did not go to England as a representative of the Canadian Government?" Col. Drew pressed.

"I say in the face of anything that he did not leave Canada as a representative of the Canadian Government," General LaFleche replied.

"Then do you say he did not go to the War Office as a representative of the Canadian Government?" Col. Drew asked.

General LaFleche said he wanted to know what time the counsel was referring to, but Mr. Justice Davis interrupted to declare the record was quite clear on the point in question.

Col. Drew read further from the committee minutes to show some members had suggested that if tenders were called and it was considered Major Hahn's services up to then and his expenses amounted to \$50,000, any tenderers should be advised their bids would have to be \$50,000 less than that from Hahn.

"I am quite sure I did not advance that suggestion," General LaFleche said.

"Do you know who did?"

"I do not."

"Is it true you told the committee no contract would be entered with the John Inglis Company until it had been scrutinized by the War Office?" asked Col. Drew.

"Yes."

"Was that done?"

"Yes."

Col. Drew asked how it was done if the contract was revised March 17 and approved by Cabinet on March 22. The witness said the draft contract had been approved by the War Office.

"When was the English contract signed?" asked counsel.

"July 18, 1938," said General LaFleche. "But as far back as January 1 I had it definitely from the War Office they were prepared to go ahead."

"So in spite of the tremendous haste the British Government didn't decide to sign the contract until July."

"Oh yes, they decided long before that," and General LaFleche read a cablegram from Sir Harold Brown dated February 9, saying the contract was approved.

"Did you find out the financial status of the Inglis Company?" asked Col. Drew.

"Yes, I obtained a banker's reference."

"Do you suggest that banker's letter gives the company's financial status?"

"I know of no better way to get a man's financial position than to go to his banker."

"As a bank manager did you ever try to get an account by giving a puff to a prospective customer?"

"I did not. That wouldn't be tolerated in the bank I worked for."