

APPENDIX I—Concluded

SOREL INDUSTRIES LIMITED

3"/50 Twin Mount Gun Contracts

Comparison of Production Costs Between U.S. and Canadian Contracts Based on Costs as at February 29, 1956.

	UNIT PRICE		Difference Canadian over U.S.	EXPLANATION
	U.S.	CAN.		
Profit—approx. 7%.....	\$ 16,295	\$ 18,259	\$ 1,964	Tentative pending final assessment of costs by Treasury auditors. U.S. price is fixed and profit rate depends on costs. Canadian profit rate equalized to U.S. rate per agreement with contractor.
Government furnished parts.....	—	4,028	4,028	Applicable to Canadian Guns only.
Total production cost plus profit.....	249,498	283,129	33,631	
Cost of setting up a facility in Canada to produce modern precision guns: (applicable to Canadian production only) Preproduction and Learning Expenses..	—	33,158	33,158	Cost of making ready to resume production after virtual shut down following World War II including cost of staff recruitment and training.
Rehabilitation Expenses.....	—	19,879	19,879	Cost of rehabilitating shops and staff houses, including considerable plant rearrangement.
Standby Maintenance.....	—	35,074	35,074	Portion of total settlement made with contractor to compensate for maintaining facility during period between 1945 and 1950. (Apportioned over all Canadian contracts at the rate of \$80,000 per month for 3 years).
Reconciliation to Auditor General's comparison:	\$ 249,498	\$ 371,240	\$ 121,742	
Add—Duty drawback.....	4,554	—	4,554 Cr.	The Auditor General eliminated these items from his comparison.
Deduct—Spares.....	7,689 Cr.	22,447 Cr.	14,758 Cr.	
Adjusted costs for comparison with figures shown by the Auditor General.....	\$ 246,363	\$ 348,793	\$ 102,430	