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## The Journal of Commerce

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W. Swanson.

Agricultural Development in

The Growth of the Banks' Loan Fund.

By H. M. P. Eckardt.

Coal Mining in Pictou County, N.S.

Conditions in the West.

By E. Cora Hind.

Women in Industry.

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## A Dangerous Precedent

THE report of the Auditor General for Canada is a volume that is looked for by many, especially by Opposition members, who search it for the record of expenditures which they may feel need some investigation. It has, however, another feature that is sometimes of much interest. In the case of expenditures concerning the propriety of which the Auditor General has had some doubt, the volume includes the correspondence by which the matter has been satisfactorily disposed of—if it has been; and if, as once in a while happens, the Auditor General and the Government come into conflict, and his protests are overruled, the report contains the record of the dispute and the conclusion reached. The story of one of these unusual incidents is found in the report recently submitted to the Parliament at Ottawa. A payment of \$22,439.96 was made to a contractor who, in the opinion of the Auditor, had no just claim for a cent of the money.

The work concerned was a breakwater in Nova Scotia, for which the contract price was \$44,500. It is stated that the contractor, in his tender, and that

that his law, but as this would have caused the forfeiture of his deposit, he decided to go on, and signed the contract. On the completion of the undertaking he represented that it had cost \$66,937.96, and he asked the Department of Public Works to pay him the \$22,439.96 beyond his contract price. As to the causes of the higher cost, he pleaded delay in the delivery of creosoted timber and unexpected high cost of stone ballast. When the Department proposed to pay the amount claimed the Auditor General set forth his objections as follows:

"As to the statement of delay caused by delivery of only part of the creosoted timber, at the commencement of the work, the district engineer states that he fails to discover anything in this feature of the claim, as 80 per cent of the whole order was delivered in August, 1912. He also states that the contractor expected the stone to cost from 40 to 60 cents per ton, or say an average of 50 cents. The average cost was, he believes, fully \$1 per ton.

"In view of these statements by your own engineer, I do not see on what ground you propose to pay this additional sum.

"There does not appear to be any additional expense to the contractor through any neglect of the department to supply the creosoted timber. As to the cost of the stone, the department had nothing to do with it. The contractor should have ascertained what it was going to cost him before tendering.

"The chief engineer states: 'In equity there is no doubt but that Mr. Reid is en-

titled to extra compensation, as he constructed this work in an efficient manner; and there is no doubt that the total cost, as given above, and as corroborated by an affidavit attached hereto, is correct.'

"As to the first reason, Mr. Reid was bound by contract to construct the work in an efficient manner, and in equity he is not entitled to an additional dollar on that ground. As to the second reason, viz.: the total cost exceeding Mr. Reid's expectations, that is one of the chances a contractor takes. Had the total cost been less than the amount of the contract, would the department, in equity, be entitled to deduct the saving from the contract price? I think not.

"If the department adopts the principle that when it is found that a work costs more than the amount of the contract, it should pay the total cost, what is the use of calling for tenders? Why not ask the contractor to do the work and render his account for the same?"

Business men will probably find the reasoning of the Auditor General clear and unanswerable. The Treasury Board, so far as the record shows, has no receipt to meet the cost of the Auditor General. After reciting the facts as set forth by the Auditor General the Board rendered judgment in these words:

"Inasmuch as the amount was arrived at as a full and final settlement of the claim by the Department of Public Works, and inasmuch as Parliament by its vote confirmed the settlement and sanctioned the payment, the Board are of opinion that the objection of the Auditor General is not well taken and should be overruled, and that the intention of Parliament should be carried out and the amount paid."

It is here assumed by the Board that Parliament investigated the matter, and, after full consideration, directed the payment of the amount claimed. But if such is the fact the Treasury Board failed to show it, or give any reference to it. The mere fact that an item was placed in the estimates laid before Parliament and passed is not to be taken as evidence that Parliament fully understood the matter and decided on the justice of the claim. The passing of such an item is an authority to the Government to make a payment, but every vote of the kind, every appropriation of public money, properly assumes that the Government will see that the money is applied only to the payment of just claims. It is reasonable to believe that if Parliament had been as fully informed as the Auditor General subsequently became, it would have hesitated to come to a decision that would establish a most dangerous precedent.

What is the object of inviting tenders for a public work? Surely it is that the public shall have the benefit of competition. To obtain tenders from capable and responsible people it is