

entered into by the Department of Supply and Services for the purchases of sonobuoys for the Department of National Defence and also the Auditor General's statement, that the Financial Administration Act, Section 17, allows that any relief from the penalty to be paid by the contractor should have been provided by the Governor in Council.

Examination of the departmental officials brought out the fact that many of the delays on the contracts were unavoidably caused by testing facilities of the Department of National Defence being severely stressed, also conditions in the North Atlantic caused further delays. In other words, the customer in this case, the Department of National Defence was part of the problem.

Your Committee recommends that consideration be given to changes to the late-delivery penalty clauses in tender solicitations and in contracts.

PARAGRAPH 115—Acquisition of electric typewriters.

(See *Minutes of Proceedings and Evidence, Issue No. 3, November 5, 1974*)

In 1972, as a result of a complaint from a supplier, the Department of Supply and Services undertook a study to determine which electric typewriters would best meet the requirements of the Government. The study revealed an increasing tendency on the part of government departments and agencies to buy electric typewriters with interchangeable type, a feature that the complaining supplier charged and the study substantiated, could be justified in less than 10% of typing situations. The Auditor General's Report reveals the fact, that the Treasury Board was concerned with this matter as early as 1969 and that demand for the most expensive machine was increasing steadily. The study also revealed that normally there was no real advantage to acquiring this more expensive, interchangeable-type machine and recommended that the Treasury Board be informed so that purchases of these machines would be controlled and authorized only where the customer department could justify their use.

Your Committee in this matter directs its criticism not to the Department of Supply and Services but towards the Treasury Board and the customer departments themselves.

During the first six months of 1973, the Auditor General's Office estimated that about 2,300 additional interchangeable-type machines were purchased at a cost of \$1.5 million. Your Committee is of the opinion that the Treasury Board should issue a control measure directive to the Departments, stating that these machines can only be purchased when the departments can justify their use.

PARAGRAPH 117—Contracting for aircraft repair and overhaul without competition.

(See *Minutes of Proceedings and Evidence, Issue No. 3, November 5, 1974*)

In April 1971, the Department of Supply and Services entered into a contract for one year covering the repair,

modification and overhaul of aircraft engines of the Department of Transport. Without first inviting competitive tenders, the contract was awarded following a review of proposals requested of two companies which had been indicated by the Department of Transport as being able to undertake all or part of the contract. This contract was awarded without inviting tenders, in spite of the requirement in the Government Contract Regulations that tenders must be invited, except when the contracting authority considers the invitation of tenders not to be in the public interest. The tender system applies to contracts for servicing and repair of aircraft, the same way as other service contracts.

Questioning of the departmental and Auditor General's officials revealed that certain factors influenced the Department of Supply and Services in awarding this contract without tender.

1.—The Department of Supply and Services took the contract midway through the year and because of this, and in order to avoid an interruption of service, it decided to continue the contract after the Department of Supply and Services had in fact analyzed alternative prices, again on the advice of the Ministry of Transport, as to what would have been an alternative possibility.

2.—The Ministry of Transport was very keen on ensuring that the service, first of all, would be given in the Ottawa region to reduce the turn-around time and to facilitate liaison with the contractor during all phases of the repair process.

3.—The Department mentioned that all tearing down of aircraft is done in Ottawa and therefore, the engines would have to be shipped to Winnipeg or Montreal and shipping to Montreal is a shorter distance, resulting in reduced cost.

4.—As the Auditor General's Report 1973 stated, the Department of Supply and Services awarded similar contracts to the same contractor without competition in 1972 and 1973, even though it was aware that his prices for material, which made up the bulk of the contract values, were considerably in excess of prices charged by another company and that a number of companies would be interested in competing for the work.

The cost of the work was \$110,000 in 1971-72 and \$180,000 in 1972-73 and the Auditor General's Office estimates that the premium cost to the Crown of awarding these contracts without competition is estimated to be about 10% of the contract values.

The Auditor General's Office also mentioned that the Deputy Minister of Supply and Services indicated that for 1974-75, the contract became competitive but from its point of view until 1974-75 it really was not competitive. The 1972-73 contract was awarded to this contractor notwithstanding a premium of \$15,000 and even in 1973-74 there was a premium factor involved in the work.