

Government Organization

There is a great deal of misconception in Canada about the nature of government. Government effectiveness cannot be measured in the same way as the operations of a private corporation. There is cause for concern about some aspects of the establishment of the new department. The new department will involve the absorption of the Department of Defence Production. That department has done much good work in the past, but if the new department simply changes some labels this will not do any good.

We should also note the implications of this change in terms of the past operations of the Department of Defence Production. The Department was, by definition, concerned entirely with questions of military procurement. It seems to me it will be recognized in the future, as it has been in the past, that a large part of the purchases made by the new Department of Supply and Services will be made for essentially military purposes. Therefore I think we need to bear in mind that some of the concepts and approaches followed in purchasing supplies for military operations and for other military inventory will be somewhat different from those applying to the requirements for the civilian aspects of government which, after all, are more important to the every-day lives of Canadians.

● (3:50 p.m.)

We need to avoid the possibility that some of the concepts involved in military procurement will be carried over automatically into the operations of the new department because it seems to me that the implications and the effects on the operations of government as a whole might in some cases be poor. We should bear in mind the failures in performance of the old Department of Defence Production, as revealed in information given by the Auditor General in his annual reports. I had occasion to look at the reports with respect to the repair and refit of H.M.C.S. *Bona-venture*. The initial estimate for this mid-life refit was \$8 million, yet according to the latest information available the final cost will be in the order of \$13 million. Some of this increase certainly can be justified but it seems to me that a great deal of the unanticipated cost increase was due to poor management and poor techniques in terms of estimating the cost requirements. This has implications when the government is making policy decisions. If the government does not have accurate figures on cost estimates this can have a very detrimental effect on its over-all operations.

[Mr. Burton.]

A similar situation applies with respect to the development of the new hydrofoil ship. Here we have a case where initial estimates supplied to the Treasury Board indicated a cost of \$9.1 million on an initial funding basis. It was recognized at the time that there would be certain other costs, but according to the most recent figures the final cost of this new vessel will be in the order of \$50 million. Again, some of this increase in cost can be justified for a number of reasons, but it seems to me that there has been some very sloppy and very poor estimating. In fact, it places the government in a very difficult position when it finds it has authorized an expenditure on the basis of an initial estimate which has turned out to be faulty and inaccurate in the long run. Government today cannot operate on this sort of ad hoc, sloppy basis.

Some of the poor management involved in the case of the hydrofoil was illustrated in the report submitted on the fire which occurred during its development. Here we had a case where the government gave a contract to a private company to develop a new ship. It gave it complete responsibility and complete authority in developing it. The company also had to develop its own inspection system and provide its own firefighting services. It was paid for all these services on a costing basis, but when the fire occurred it turned out that the government had to assume complete responsibility for the cost of that fire. It seems to me that this indicates gross negligence and very poor management practices within government services. This is part of what needs to be corrected if we are to have effective government in Canada in the future, and I hope this is not the kind of efficiency we are going to get from the new department.

As I mentioned previously, the mechanical transfer of some of the operations of the Department of Defence Production to the new department will not solve the problem by itself. It seems to me it involves a commitment to a new order and action to implement commitments to new principles of managerial operations.

I could comment on other aspects of the operations of the Department of Supply and Services, including contracts and the policies to be followed in that respect, the matter of consultants and so on, but there are one or two problems I would like to deal with briefly. One of them is the question of "make or buy". This is a matter that very often comes under public discussion.