

*From the Department of Industry, Trade and Commerce:*

Mr. B. G. Barrow, Senior Assistant Deputy Minister;  
 Mr. T. E. Burns, Senior Assistant Deputy Minister;  
 Mr. L. J. Rodger, Assistant Deputy Minister (Administration);  
 Mr. R. M. Hammond, General Director, Financial Services Branch;  
 Mr. G. S. Conger, Director, Program Office;  
 Mr. T. Jones, Director, Electrical and Electronics Branch;  
 Mr. J. C. E. Mitchell, Chief, Program Office;  
 Mr. D. S. Lock, Industrial Development Officer;  
 Mr. R. J. Joy, Assistant Chief, Ships and Components Sector;  
 Mr. C. D. Arthur, General Director, Transportation Industries Branch.

*From the Department of Manpower and Immigration:*

Mr. A. E. Gotlieb, Deputy Minister;  
 Mr. J. L. Manion, Senior Assistant Deputy Minister (Manpower);  
 Mr. P. C. Mackie, Director General, Job Creation Branch, Manpower Division;  
 Mr. D. A. Haslegrave, Director, Administration, Job Creation Branch, Manpower Division;  
 Mr. P. B. Fay, Director General, Strategic Planning and Evaluation Group, Strategic Planning and Research Division;  
 Ms. Louise Robert, Acting Director, OFY, Job Creation Branch, Manpower Division.

*From the Canadian Commercial Corporation:*

Mr. J. G. Glassford, President.

**FROM THE DEPARTMENT OF SUPPLY AND SERVICES**

*From the Auditor General's Report 1973—*

**PARAGRAPH 92—Higher cost of procurement in Canada.**

*(See Minutes of Proceedings and Evidence, Issues Nos. 2 and 3, October 31, 1974 and November 5, 1974)*

This factor has been referred to in a previous Auditor General's Report (1972) where the Department of Supply and Services has paid a high premium for Canadian content as a means of ensuring a Canadian contractor's industrial defence capability. In this present instance, the Auditor General's Report notes that the premium of \$805,000 is 80% of the difference in foreign content. This would appear to be a high premium indeed, as it has been stated Government policy in recent years to pay a premium for Canadian manufacture of not more than 10% of the difference in foreign content. The Auditor General's Report also questioned the propriety of charging the premium costs to a National Defence Appropriation because the stated objective of ensuring the major Canadian contractor's industrial defence capability is a

responsibility of the Minister of Supply and Services by Section 10 of the Defence Production Act.

The Department of Supply and Services officials take the stand that the question of exceeding the 10% difference in foreign content was not the total answer, as it was felt necessary by both the Department of National Defence and the Department of Supply and Services to have a Canadian source for these rocket motors as soon as possible, as the Americans were fully committed at the time. This gives the general background as to why the Departments of Supply and Services and National Defence decided to re-institute a capability in Canada. The Deputy Minister (Supply) avers that it goes beyond the 10% foreign content rule and is more an aspect of the government's policy to maintain a defence capability in Canada. The Deputy Minister (Supply) also stated that historically the customer departments, in this case National Defence, who benefit from this kind of production, are the ones who traditionally have paid for the cost of this additional undertaking.

Your Committee having heard both sides in this problem is of the opinion that if a stated Government policy has to be laid aside (in this instance, the 10% foreign content policy), the reasons should be clearly stated and supplied to the Auditor General's Office.

During the questioning on Paragraph 92, the Auditor General enunciated a new procedure with respect to his future reports, commencing with the 1974 Report, which is hereby quoted:

"The new procedure, which I hope I can deal with very briefly, sir, is this. That this year we have invited comments and explanations from departments, and particularly what are they going to do about the deficiency we comment about. The purpose of that change is to make the report, we feel, more valuable to Parliament and to this Committee, and instead of boring into something that we have reported upon and which has already been corrected, we want to inform the Committee of what action has been taken, if action has been taken. I think by doing this we can concentrate the time of this Committee on those places where, in our judgment, insufficient or inadequate action has been taken and provide you with opportunities to follow directly through. In any event, present you with two points of view; our view and, what is a different view, the department's view, so you have both to judge before you take up the time of your Committee."

The Committee approves this new procedure as it will assist the members in their deliberations and allow a speedier and closer examination of practices and procedures.

**PARAGRAPH 95—Late-delivery penalty clauses.**

*(See Minutes of Proceedings and Evidence, Issues Nos. 2 and 3, October 31, 1974 and November 5, 1974)*

Your Committee investigated the problem of late-delivery penalty clauses not being invoked in contracts